Annual Report

2019

About CIN

With over a century of history CIN has been Iberian market leader for over 25 years, as well as one of the main manufacturers in Europe and an unquestionable reference worldwide. In 2019 CIN achieved a turnover of 234 million euros, which represents an increase of 1.5% over the previous year.

Currently, CIN has a total of 125 stores distributed throughout Portugal, Spain, Angola and Mozambique, and more than 1400 employees, focusing its activity on the three main market segments: Architectural, Industrial and Protective Coatings.

CIN continually strives for innovation to improve processes, anticipate market needs and ensure the success of its products which are sold in over 40 countries in Europe, the Americas, Asia and Africa. Following this line of work, CIN has seven Research & Development (R&D) Centres of its own, in Portugal, Spain and France, employing 150 R&D technicians.

Along with innovation, CIN has long been committed not only to quality but equally, to operational sustainability, as shown by the certifications awarded over the years, specifically regarding to its management systems in Quality (ISO 9001), Environment (ISO 14001), Hygiene, Health and Safety (OHSAS 18001).

Presently with an installed capacity of 135 thousand tons, supported by 14 storage and distribution centres - equivalent to more than 150 thousand square meters - CIN's production is ensured by 10 factories located in Portugal, Spain, France, Angola and Mozambique. Also to be noted is the fact that, in 2019, CIN's plant in the city of Maia reached a production record of over three million litres in just one month.

+100
Years of experience

+25
Years of leadership

234
Million euros in 2019

CIN in the world

Having reached a level of excellence and consequent recognition that has transcended borders - at a European level CIN occupies the 16th position in the ranking of the largest coatings manufacturers (European Coatings Journal, May 2020) and the 48th place worldwide (Coatings World Top Companies Report, July 2019) - several of CIN products have been selected for reference works all over the world. In this context, the new European Commission headquarters in Brussels, a Belgian city in which CIN has also been involved in painting several other emblematic buildings, such as the Toison D'Or, the Chambon and the Generali, should be highlighted.

In Portugal, CIN products were also used in the Tivoli BBVA theatres in Lisbon and Rivoli in Oporto, while in Spain the work done in the Agbar Tower in Barcelona and in the Agora Theatre in Valencia are worthy of mention.

In the African continent, where CIN is present since 1970, we can find the brand's products in several relevant works.

Apart from the Maputo Thermoelectric Plant, the Nacala Hospital and the new Maputo bridge - Catembe (the largest suspension bridge in Africa), there are other more recent works in which CIN was present, namely the GALP Pipeline in Maputo, the Aga Khan School in Matola, the self-levelling floors of Cahora Bassa Hydroelectric Plant, Recheio Cash & Carry, the Ministry of Labour, the Industrial School in Maputo, the Bank of Mozambique in Xai-Xai, the Maputo Beach Front and the Golf Condominium, also in the Mozambican capital.

In Angola, after Shopping Fortaleza, Luanda's largest shopping centre, CIN products are visible in the Leonor Carrinho food factory industrial complex in Benguela, the National Assembly of Angola, the V-Gardens Condominium, the Cidadela Towers and also the Ocean Corner Building.

16th

Europe's coatings producer

48th

World's coatings producer

Architectural Coatings

The Architectural Coatings business unit encompasses coatings for buildings used by professionals and end users (DIY) and is the most representative of the three market segments. With production handled in Portugal, Spain, Angola and Mozambique, sales are done through CIN own shops and distributors in Portugal, Spain (including the Canary Islands), France, Belgium, Luxemburg, Switzerland, Poland and Turkey.

The Architectural Coatings business unit reached a turnover of 120 million euros in 2019. Considering that this strategic area represents 51% 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 recent reorganisation of the sales department has made a considerable impact on the positive results achieved in all distribution channels, with particular emphasis on the 125 own stores in Portugal, Spain, Angola and Mozambique. In Portugal and Spain, an ambitious renovation plan is underway for older stores, as well as a plan to open new ones, promoting proximity and greater engagement with the brand.

Among the projects that were consolidated in 2019, and reflecting CIN's constant commitment to innovation and rigour, we highlight the Colormix 4G colour system, CIN's exclusive and innovative tinting colour system now with a completely new generation of colorants with a significantly lower environmental impact and a much larger colorants offer.

Regarding brand communication, 2019 was also a year of consolidation for the "Digital Transformation" project, having resulted in the launch of two new sites, Corporate (www.cin.com) and Decorative (www.deco.cin.com), both websites provide a much better and intuitive user experience and are compatible with all devices from desktop computers to all mobile devices.

In Mozambique, with a panorama of greater stability, the confidence indexes of international investors have been recovering, an aspect that was clearly reflected in the strong growth in CIN's sales registered in 2019, which, as a result of the reinforcement of its sales team and also the opening of a new store in Chimoio, gained market share and consolidated its leadership position in Mozambican territory.

In Angola, the continued economic instability of the country led CIN to adapt its management, restructure the team and carry out greater cost control, having even acquired a new office in Luanda (Talatona), which allowed for all the teams working in the Angolan capital to be concentrated in one place.

120

Million euros in 2019

51%

Total turnover

20 countries

In Europe, Africa, Asia and the Americas

CIN

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 products are two strategic pillars for its growth and consolidation.

Benefiting largely from the increase in productivity provided by the conversion of the Maia plant, the Industrial Coatings business unit represented, in 2019, 37% of CIN's turnover, equivalent to a turnover in this area of 87 million euros.

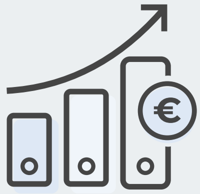
Following another year in which it gained new customers, CIN Industrial Coatings remains the reference supplier for manufacturers of heavy furniture, having been selected to supply paints to the new automated warehouses of the largest logistics operators in Europe, including the new Coca Cola and the Luis Simões warehouse (Spain) and Decathlon (France).

CIN's products were also implemented in Germany, in the new Berlin airport automatic transporters, as well as in the post service's truck fleet renewal in Portugal. Furthermore, CIN Industrial Coatings were applied in the Porto Office Park products - the Megadur powder paint was used for all the exterior buildings' frames -, as well as in the CERN Fire Network.

CIN Industrial powder coatings continue to be a reference for the protection and improvement of aluminium frames applied in various new hotel units.

CIN is positioned today within Industry 4.0 as a supplier to large machine tool manufacturers.

In sum, all these achievements, which so greatly contributed to the increase in turnover in 2019, are the result of the implementation of a new strategy based on European expansion, together with new and innovative product portfolio, clients and projects.



87

Million euros in 2019

37%

Total turnover

33 countries

In Europe, Africa, Asia and the Americas

Protective Coatings

This business unit encompasses coatings for the protection of performance structures used in various market segments, 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 Protective Coatings business unit.

For balance sheet purposes, 2019 proved to be a very positive year for the Protective Coatings business unit: as a result of a remarkable increase in sales, a turnover of 28 million euros was achieved, which represents 12% of CIN's overall business.

With production in Portugal and Spain, this business unit pursues a strategy of reaching new territories through own sales office or creating local partnerships aiming to establish CIN brand in the global market and widening its physical presence in strategic markets, such as Sub-Saharan Africa. We highlight the works at the Savoy Palace Hotel Funchal, in Madeira, as well as several road tunnels and rail bridges, respectively in Colombia and Romania.

In order to strengthen the portfolio already consolidated and recognized by the market, 2019 was focussed on the launch of a new generation of intumescent products for the protection of metal structures.

CIN also stood out in 2019 for becoming the first Portuguese coatings brand to have two pure polyurea elastomeric membranes approved and certified for contact with water intended for human consumption.

28

Million euros in 2019

12%

Total turnover

13 countries

In Europe, Africa, Asia and the Americas

Research, Development & Inovation

In 2019, the Technical Division of the CIN Group, consisting of 150 specialised technicians, was involved in over 100 R&D projects, of which 30% were successfully concluded.

During this period 500 new raw materials were tested, 3300 new formulations were developed, and 3600 new colour studies were carried out at customers' request.

The diverse activities carried out by the various R&D laboratories over the last three years have meant that the products developed (new, modified and improved) represent approximately 10% of the 2019 sales volume.

A strong investment was made in the acquisition of new equipment, which allowed the development of several new products, for all business units, with relevant characteristics, such as: water-based coating for the protection of concrete against carbonation and good resistance to weathering, tolerant primer for wet flooring with excellent adhesion and penetrating power, self-levelling flexible polyaspartic coating for comfortable flooring painting, thermosetting solvent-based paint free of Bisphenol A for the interior protection of metal drums and products for passive protection against fire of steel structures.

An investment in homologation and certification of products and painting schemes in official external laboratories amounted to about 430 thousand euros.

CIN continues to develop numerous R&D projects in partnership with various academic institutions, namely with the University of Oporto's Faculty of Science and Faculty of Engineering, the Oporto 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

Management Report

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 2019.

Macroeconomic environment

The global economy evidenced growth across the various geographies in 2019, with inflationary pressures under control and a drop in the rate of unemployment in key economies.

During the year, however, there was a strong sense of unease that went beyond the economic variables - the advance of the digital economy and its sociological effects, the political tensions arising from the Brexit process, and the directions the populist movements will be taking, not to mention the possible decoupling in US/China relations.

In the midst of all this, the pace of economic growth decelerated, especially in the EU and the emerging economies. The ability to react shown by the decision-makers in the US was enough to guarantee robust growth, despite the exchange of punitive trade actions with China.

Overall, the global economy, having attained a plateau of growth above 3%, will likely register a maximum growth of 3%, a reflection of the economic cycle having reached its maturity, along with the constraints mentioned above.

Spain held on relatively well, registering a growth of 2%, but still far below the numbers recorded in previous years.

France, suffered the consequences of the whole macroeconomic environment already described, made worse by the tensions and social blockades resulting from the popular yellow vest movement.

Portugal's performance was good (1.9% growth), based on an excellent tourist season and the continuing highly positive contribution of exports.

Mozambique, however, did not escape the effects of the international context and natural disasters, but these effects were mitigated by the *momentum* generated by the signing of some contracts for gas exploration that will inject billions of dollars into the economy.

The Angolan economy continues in a recent mood that authorities are attempting to mitigate by redirecting their economic priorities, but it will be a long process, one that will always be dependent on the oil prices tendency.

Operations in 2019

Markets

The Group's turnover in 2019 was €234,4M, an increase of 1.5% compared with the previous year.

By markets, in Portugal sales grew by 8.2%, sustained by the decorative paints and protective coatings segments, while the industrial coatings segment recorded a slight decrease, the result of some customers turning to other locations around the world and the decreased industrial activity of others.

In Spain, sales fell 0.9%, due to a decline in decorative paints and to a lesser degree in the protective coatings segment, whilst the industrial coatings segment resisted that trend and grew at a moderate rate.

In France, sales dropped 11.2% in 2019, a trend that extended across the whole company, but at different rates, Celliose recording the most significant decrease. The decorative paint segment in France, however, showed slight growth.

The export market fell 4.9%, due to the decline registered in the industrial coatings segment, basically related to the German market, because of the discontinued sales to the customer Akzo Nobel, although the Belgian and Romanian markets also presented significant declines. Exports of industrial coatings in Spain had strong growth (+27%). The exports of decorative paints also fell, due to a slowdown in direct sales to Angola and exports of the CIN Deco segment.

For the second year in a row, the Angolan market experienced a significant contraction in revenue (-10.1%), as the environment of economic recession continued. This contraction was concentrated in the decorative paints and protective coatings segments. The industrial coatings segment grew by 9%. In local currency terms, sales grew by approximately 13%.

In Mozambique, sales grew by an impressive 19.3% over the previous year, despite the forecasts of an economic downturn due to the impact of the cyclones Idai and Kenneth. An important part of that growth, was in the segments of protective coatings and decorative paints.

In the foreign markets for Protective Coatings, local sales grew by 18.2%, supported by the robust performance of the activity in South Africa, despite a slight drop in Mexico compared to 2018 and an even more significant drop in Turkey, related to a sharp downturn in economic activity.

Business Units (BU)

In the Decorative Paints Business Unit, turnover grew by 4.4% compared with the same period in the previous year.

In Portugal, sales maintained a robust growth rate (+8.9%), continuing the trend of gains in market share, in line with the performance already seen in previous periods. Although market performance was positive overall, it was disparate over the course of the year, with a clear falling trend, as a very positive first half year was followed by a drop in the last quarter of the year.

In Spain, the sales of decorative paints fell by 2.2%, mainly due to the decline recorded in the retail network and large stores, although the revenue in the brand's own shops grew significantly, as was the case in Cin Canárias, but at a more modest rate.

In France, the CIN Deco project in the domestic market showed growth of 2.0%, attenuating the rate of growth attained in previous years.

In Angola, for the reasons listed above, the decorative paints unit saw negative growth of 11.9%.

In Mozambique, revenue in this segment grew 17.9%, based on private works and supported by the network of the brand's own shops.

Export sales of decorative products decreased by 11.5%, mainly due to the drop in sales to direct customers of Portugal to Angola and the export of the CIN Deco segment in France.

The turnover of the Industrial Coatings Business Unit had a contraction of 6.4%, which was most evident in the French market, due to the worsening macroeconomic conditions, driven essentially by issues that were secondary to the economy. In fact, the effects of the yellow vest movement had a strong impact on the performance of the French economy. Portugal also recorded a drop of 2.6% due to a weakening of the market dynamics, especially of some of the key customers in this segment. In the other markets, the change in relation to the previous year was positive, the 2.6% growth registered in Spain being worthy of note.

In the Protective Coatings Business Unit, sales grew by 8.4%, sustained by good performance in Portugal, a reflection of the investment made to improve and expand the range of products and certifications, as well as the good performance of the domestic market. There was also a positive change in Mozambique, benefiting from the launching of important, but one-off works during the period, and in the South African market, as well, supported by the progressive expansion of the original customer base. In Spain, the sales of protective coatings fell slightly in comparison to 2018 (-0.4%), with the Angolan and Turkish markets recording the largest declines.

Financial overview

Note: 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. In addition, the IFRS16 norm – leasing was applied in 2019, which had an impact on the amounts related to the leasing of shops, warehouses and vehicles. The corresponding impacts and comparative effects are also quantified by line item in the following text.

The Group's consolidated sales totalled €234m, an increase of 1.5% compared with 2017.

The percentual gross margin, reversing the falling trend that began in 2017, rose from 50.2% to 50.6%, resulting from the change made in the mix of products in which the decorative paint segment was reinforced to the detriment of industrial coatings, and from a transversal, generalised increase of the local margins, except for the sales in Angola and Mozambique, where the margins fell rather significantly. The gross margin in value terms (€118.6m) represents an increase of €2.6m (2.3%) compared with 2018.

The amount for external supplies and services was affected by the introduction of the IFRS16 norm, which resulted in a significant reduction in this aggregate amount in 2019, on the order of €4.6m. In addition to this effect, there was a slight drop compared to 2018, fundamentally resulting from the improvements made in the companies in Spain. The recurring costs with personnel show a slight increase of 0.5%, essentially due to the growth recorded in the Portuguese market, seeing that it was possible to limit increases in this aggregate amount in the other locations around the world.

Recurring EBITDA in 2019 totalled €28.7m. In comparative terms, excluding the effect of IFRS16 on the 2019 amounts, there is growth of 13.5% in relation to 2018, reflecting the good performance of the gross margin, as well as the structure of operating costs.

The amount of amortizations and depreciations was also affected by the impact of the application of the IFRS16 norm, with an increase of €4.4m in 2019. Compared with 2018, the value of this aggregate amount increased slightly, justified by the 2019 start-up of the new factory for industrial coatings in Maia.

We maintained the level of conservatism of the Group in the coverage of business risks, so that, in light of the variation described, the recurring EBIT stood at €14.6m. The comparable amount, without the IFRS16 effect, shows a 10.9% increase, in relation to the amount recorded in 2018.

The financial costs were also marginally affected by the IFRS16 norm, increasing by about €0.3m in 2019. By comparison, net financial costs fell by about 13.7% compared to the previous year, resulting from the increase in financial income, due to the reinforcement of the investment in Government Bonds in Angola, and the reduction in bank loans over the course of the fiscal year and the on-going negotiation of spreads.

Estimated tax increased significantly compared with the previous year, based on the contribution in Portugal, reflecting the increased tax base and the recognition of non-recurring tax benefits in 2018 related to the RFAI programme.

Reflecting the activity described, net income for the year was € 9.4 million, representing an increase of 14.4% year on year.

In terms of cash flow, in 2019, the Group freed up funds from operating activities of €22.5m, an amount substantially higher than that in 2018. Amounts received from customers rose by 3.0% over the 2018 figures. Payments to suppliers in 2019 were influenced by the application of the IFRS16 norm, increase in €4.6m. Comparatively speaking, total payments to suppliers remained steady at the 2018 level, a reflection of the restraint in purchasing and in the contracting for external supplies and services. The component of payments for personnel was lower than in the previous year, mainly seen in those locations with restructuring projects in progress, Spain and France. The payment of income tax improved, due to the amounts received in Portugal, in 2019, related to 2018 tax benefits.

Spending on investment activities came to €12.5m, which is largely explained by investments in tangible and intangible fixed assets totalling €9.0m, mainly in Portugal, on the modernisation projects at the Maia manufacturing plant, the implementation of the Group's new ERP, and in France, on the project for closing the Cholet plant and the concentration of production at the plant in Saint-Symphorien-d'Ozon. In addition, €3.0m, net of disposals, was invested in investment properties, in the development of two real estate projects in the city of Porto. The amount entered for payments of other investments is mainly tied to advance payments related to reinforcing the financial participation in Boero Bartolomeo s.p.a., carried out in January 2020.

In terms of financing activities, payments were made of net financial charges costing €2.6 million and dividends of €3.5 million, and the utilisation of financing lines was reduced by €6.8 million. In addition, lease contracts were amortized in the amount of €4.2m, as required by the IFRS16 norm.

Total assets were €288.7m. This figure includes €9.3m in the non-current component, related to rights of use resulting from the application of the IFRS16 norm. Compared to the 2018 amount, total assets declined by about €5.5m.

The comparable non-current assets rose by €3.1m, explained by the €4.1m increase in investment properties, as part of the development of real estate projects already referred to. The Porto property located in Rua Mouzinho da Silveira was disposed of. There was also an increase of €0.8m in the heading intangible assets, due to the continuation of the Group's ERP renovation project, which was offset by a €2.2m decrease in tangible fixed assets, signalling the conclusion of the investment expansion period.

Current assets fell by €8.7m in 2019, basically due to the €8.9m drop in the value of cash and cash equivalents, which was partially offset by the €1.9m increase in the value of inventory, most of which was in Angola.

Non-current liabilities came to €86.8m, and, apart from the new item of €5.7m for leases related to the IFRS16 norm, were €10.2m lower than the previous year. This was primarily due to the reduction of €7.8m in loans obtained, resulting from the reclassification as current financing of lines that will mature in 2020, and inversely, by the increased use of available non-current lines of financing. In addition, there was a decrease of €1.3m in other third-party accounts payable, as they were reclassified as current liabilities, as well as a €1.1m reduction in liabilities for deferred taxes.

The amount of current liabilities (€114.4m) also includes the sum of €3.8m for short-term leases. Compared to 2018, the decrease of €2.6m in other accounts payable is noteworthy, which resulted from the lower figure in the heading of accounts payable to suppliers of fixed assets, which was a high amount in 2018 because of the investments made at the end of the year for the new plant at Maia. Also in the current aggregate of liabilities, there was an increase of €1.0m in loans obtained, a €1.5m rise in liabilities to the state, centred around the increase in the income tax payable, and a €1.1m increase in other current liabilities, due to the addition of adjustments in the annual commercial discount granted to customers. Offsetting this, there was a decrease of €1.1m in the provisions constituted, which was used in the programmes for restructuring the activity that are underway, mainly in Spain.

Equity was €87.5 million, an increase of €4.2m compared to 2018, evidencing a financial autonomy of 33%, when adjusted for net debt.

Financial and money markets

The financial markets performed very positively during 2019, despite the growth of the World economy slowing during the course of the year.

Despite this variation, the companies continued to present results that periodically surpassed the forecasts of the analysts, demonstrating resilience and encouraging investors to increase their level of risk-taking.

The interest on treasury bonds of the major countries remained low, except for some periods now and then, when some inflation in the economy was forecasted.

The improvement in the rating of Portuguese sovereign debt enabled a reduction in the spread relative to the German bund.

The Group benefitted from these movements, allowing it to reduce the spread in renegotiated loans during the year.

Description of the dividend distribution policy

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

The current situation of uncertainty in the global economic environment resulting from the Covid-19 pandemic necessitates careful pondering in deciding what amount should be distributed to the shareholder, in order to maintain reserves to respond to this challenge of unknown scope and variables that is still out of control.

In this context, the Board of Directors will propose to the General Meeting that the net profit of €9.4m be allocated to Free Reserves.

Governance bodies

1. Composition of the Board of Directors

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

2. Board Member Remuneration Policy

Board remuneration comprises three components::

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

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

Prospects

At the start of 2020, the global economy showed some signs of a slowdown, revealing a degree of saturation of the economic and financial instruments for expanding the maturity of growth of the economic cycle.

Our plan was to further our assessment of the business portfolio, seeking definitive solutions for the operations where we did not see an opportunity to promote growth and/or create value at levels suitable for compensating shareholders.

The appearance of the Covid-19 pandemic is putting extraordinary pressure on the entire society—families, companies large and small, those that are solid or not so solid, with a profound influence on the most basic human needs—to be close to our family, our friends, our colleagues at work.

All the facets and effects of this new Global environment have yet to be defined or even foreseen.

But, it is already clear that the global economy will go through a deep recession; the only doubt is knowing how it will recover.

We have already activated our contingency plan, which is supported by our experience and the results obtained in previous times of crisis.

In this context we are:

- Preserving liquidity. In December we negotiated some lines of long-term financing;
- Focusing on the process of converting liquidity, in other words, carrying out an integrated management of collections-payments-stocks;
- Reviewing variable costs, eliminating those that are non-essential;
- Paying close attention to the possible ricochet effect on our supply chain, supporting our weaker suppliers; seeking to create safety nets to respond to any effect of rupture in our critical suppliers;
- Putting a hold on all investments that are not strategically critical;
- Evaluating contracts with customers, suppliers of services and equipment;
- Revaluating internal controls and reinforcing their centralisation.

In this way, we will protect our people and serve our customers, and at the same time we will keep our instruments and critical capabilities active, to respond to the challenges presented by this new environment and, above all, to come out of this stronger and more flexible to seize the moment to return to a dynamic market.

Acknowledgements

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

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

To the Financial Institutions and our Suppliers, our appreciation for the way in which they have supported us.

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

Maia, 17 April 2020

THE BOARD OF DIRECTORS

João Manuel Fialho Martins Serrenho, Chairman

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

Financial Information

Consolidated statements of financial position for the years ended as of 31 December 2019 and 2018

(Amounts expressed in Euros)

ASSETS	Notes	IAS/IFRS 31/12/19	IAS/IFRS 31/12/18
NON CURRENT ASSETS:			
Goodwill	7	26 918 498	26 918 498
Intangible assets	8	6 061 900	5 263 850
Tangible assets	6	97 615 701	99 800 336
Investment properties	10	15 123 284	11 060 872
Investments in associated companies	3	548 003	-
Advances for financial investments		519 380	-
Other financial assets	11, 12	2 877 402	2 824 504
Right of use assets	9	9 263 331	-
Other investments	4	771 526	847 125
Deferred tax assets	13	3 552 292	4 078 238
Other non current assets	11, 14	462 432	498 056
Total non current assets		**163 713 749**	**151 291 478**
CURRENT ASSETS:			
Inventories	15	46 941 589	45 029 635
Customers	11, 16	39 153 739	39 733 026
Other current debtors	11, 17	3 340 292	3 762 299
State and other public entities	11, 27	3 578 601	3 718 137
Other current assets	11, 18	1 707 331	2 100 717
Other financial assets	11, 12	12 839 818	13 045 415
Cash and cash equivalents	11, 19	17 427 162	26 253 005
Total current assets		**124 988 532**	**133 642 234**
Total assets		**288 702 281**	**284 933 712**
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	(17 889 250)	(16 359 548)
Cash-Flow Hedging reserves		(243 707)	(220 259)
Fair value reserves	21	(226 097)	(299 080)
Other reserves		63 671 312	59 182 537
Consolidated net profit for the year		9 405 925	8 221 138
		87 476 628	**83 283 233**
Non-controlling interests	22	4 885	2 837
Total shareholders' funds		**87 481 513**	**83 286 070**
LIABILITIES:			
NON CURRENT LIABILITIES:			
Bank loans	11, 23	73 880 484	81 704 855
Lease Liabilities	9, 11	5 671 659	-
Other non current creditors	11, 26	1 112 936	2 355 418
Derivative financial instruments	11	326 673	296 418
Retirement benefit obligations	24	1 652 376	1 780 166
Deferred tax liabilities	13	4 179 465	5 217 826
Total non current liabilities		**86 823 593**	**91 354 683**
CURRENT LIABILITIES:			
Bank loans	11, 23	46 164 659	45 169 712
Lease Liabilities	9, 11	3 752 117	-
Suppliers	11, 25	32 207 314	32 093 425
Other current creditors	11, 26	3 667 680	6 228 880
State and other public entities	11, 27	8 530 601	6 986 791
Other current liabilities	11, 28	15 130 008	13 889 627
Provisions	29	4 944 796	5 924 523
Total current liabilities		**114 397 175**	**110 292 958**
Total shareholders' funds and liabilities		**288 702 281**	**284 933 712**

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2019.

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*

Consolidated statements of profit and loss for the years ended as of 31 December 2019 and 2018

(Amounts expressed in Euros)

	Notes	IAS/IFRS 31/12/19	IAS/IFRS 31/12/18
Operating income:			
Sales	30	234 437 950	231 014 861
Services rendered	30	8 535	7 896
Other operating income		3 680 097	3 728 769
Total operating income		**238 126 582**	**234 751 526**
Operating expenses:			
Raw materials and consumables used	15	116 299 186	112 239 704
Changes in inventories of finished goods and work in progress	15	(417 753)	2 861 073
External supplies and services		37 133 461	41 886 793
Payroll expenses		53 819 618	53 321 186
Amortisation and depreciation expenses	6, 8, 9, 10	13 440 058	8 969 624
Provisions and impairment losses	29	443 920	-
Other operating expenses		2 559 310	3 403 570
Total operating expenses		**223 277 800**	**222 681 950**
Operating results		**14 848 782**	**12 069 576**
Impact of Hyperinflation in Angola		-	496 487
Financial expenses	31	(3 469 210)	(3 347 309)
Financial income	31	744 426	571 807
Gains / (Losses) in associated companies	3	90 492	-
Results before income taxes		**12 214 490**	**9 790 560**
Income taxes	32	(2 805 702)	(1 569 222)
Consolidated net income for the year		**9 408 788**	**8 221 338**
Earnings per share:			
Group		9 405 925	8 221 138
Non-controlling interests	22	2 863	200
		9 408 788	**8 221 338**
Resultados por acção:			
Basic	35	0,376	0,329
Diluted	35	0,376	0,329

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2019.

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*

CIN

Consolidated statements of changes in shareholders' funds for the years ended as of 31 december 2019 and 2018

(Amounts expressed in Euros)

	Share capital	Reserves							Non--controlling interests	Net profit	Total
		Legal reserve	Revaluation reserves	Conversion reserves	Hedging reserves	Fair value reserves	Other reserves	Total reserves			
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**
Balances as of 1 January 2018	25 000 000	5 000 000	2 758 445	(7 414 217)	(30 352)	(354 232)	57 369 398	57 329 042	2 637	7 609 480	89 941 159
Appropriation of consolidated net profit of 2017:											
Transfer to other reserves	-	-	-	-	-	-	3 109 480	3 109 480	-	(3 109 480)	-
Distributions	-	-	-	-	-	-	-	-	-	(4 500 000)	(4 500 000)
Comprehensive income for the year	-	-	-	(4 873 746)	(189 907)	55 152	(565 338)	(5 573 839)	200	8 221 138	2 647 499
Effect of application of IAS 29 for the year				(4 071 585)	-	-	-	(4 071 585)	-	-	(4 071 585)
Others	-	-	-	-	-	-	(731 003)	(731 003)	-	-	(731 003)
Balances as of 31 December 2018	**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**

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2019.

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CIN

Consolidated statements of comprehensive income for the years ended as of 31 December 2019 and 2018

(Amounts expressed in Euros)

	IAS/IFRS 31/12/19	IAS/IFRS 31/12/18
Consolidated comprehensive income for the year, including non-controlling interests	9 408 788	8 221 338
Other consolidated comprehensive income:		
Itens que futuramente serão reclassificados para o resultado líquido:		
Net actuarial gains and losses	(28 157)	(565 338)
Variation in hedging reserves	(23 447)	(189 907)
Variation in exchange conversion reserves	(1 529 702)	(4 873 746)
Variation in fair value reserves	72 983	55 152
Balances as of 31 December	**7 900 464**	**2 647 499**

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2019.

ACCOUNTANT No. 63002
Paula Macedo

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Consolidated statements of cash flows
for the years ended as of 31 december 2019 and 2018

(Amounts expressed in Euros)

OPERATING ACTIVITIES:	Notes	IAS/IFRS 31/12/19	IAS/IFRS 31/12/18
Receipts from customers		274 733 213	266 608 776
Payments to suppliers		(175 253 713)	(180 180 371)
Payments to employees		(29 574 026)	(30 619 356)
Cash generated from operations		**69 905 475**	**55 809 049**
Income taxes paid		(959 128)	(1 950 941)
Other receipts/(payments) relating to operating activities		(46 480 449)	(44 580 904)
Flows generated before extraordinary items		**(47 439 577)**	**(46 531 846)**
Discontinued operations		-	-
Net cash generated by operating activities (1)		**22 465 897**	**9 277 203**
ACTIVIDADES DE INVESTIMENTO:			
Receipts relating to:			
Investments available for sale		2 772 426	3 145 559
Investment properties		2 055 000	-
Tangible assets		13 435	949
		4 840 860	**3 146 508**
Payments relating to:			
Other investments		(559 881)	-
Investments available for sale		(2 669 910)	(2 617 168)
Investment properties		(5 081 743)	(1 280 273)
Tangible assets		(7 965 877)	(8 429 990)
Intangible assets		(1 040 194)	(919 263)
		(17 317 605)	**(13 246 693)**
Net cash used in investing activities (2)		**(12 476 745)**	**(10 100 185)**
FINANCING ACTIVITIES:			
Receipts relating to:			
Borrowings	23	58 553 755	43 948 878
Interest and similar income		694 901	515 174
		59 248 656	**44 464 052**
Payments relating to:			
Borrowings	23	(65 383 180)	(31 561 493)
Lease Liabilities		(4 249 711)	-
Dividends		(3 500 000)	(4 500 000)
Interest and similar costs		(3 318 947)	(3 103 919)
		(76 451 838)	**(39 165 412)**
Net cash used in financing activities (3)		**(17 203 182)**	**5 298 640**
Variation of cash and cash equivalents (4) = (1) + (2) + (3)		(7 214 030)	4 475 658
Cash and cash equivalents at the beginning of the year		26 253 005	25 327 543
Exchange variation in cash and cash equivalents at the beginning of the year		(1 611 813)	(3 550 196)
Cash and cash equivalents at the end of the year	19	**17 427 162**	**26 253 005**

The accompanying notes form an integral part of the consolidated statement for the year ended as of 31 December 2019.

ACCOUNTANT No. 63002
Paula Macedo

BOARD OF DIRECTORS
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CIN

Notes to the Consolidated Financial Statements as of 31 December 2019

(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 paint, varnish 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 2019, 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 2019. 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 (Note 41).

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 endorsed by the European Union with mandatory application for the financial year beginning on 1 January 2019:

Financial Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
IFRS 16 – Leases	1-jan-19	This standard introduces the principles of leases recognition and measurement, replacing IAS 17 – Leases. The standard defines only one model that takes into account the leasing contracts which results on the recognition by the lessee of assets and liabilities for all leasing contracts, except for leases with a period inferior to 12 months or for leases, which relate to low value assets. Lessors will continue to classify leases as operating or financial, although IFRS 16 will not imply major changes to such entities under what was defined in IAS 17.
Amendment to IFRS 9: Pre-payment features with negative compensation	1-jan-19	This amendment allows that financial assets with contractual conditions which foresee, in its early amortization, the payment of a considerable amount by the creditor, may be measured at amortized cost or at a fair value for reserves (according to the business model) as long as: (i) on the assets' initial recognition date, the fair value of the early amortization is insignificant; and (ii) the negative compensation possibility in the early amortization is the only reason for the said asset to not be considered an instrument regarding only capital and interests payments.
IFRIC 23 - Uncertainty over income tax treatments	1-Jan-19	This interpretation gives the guidelines on determining taxable income, fiscal bases, tax losses to report, tax credits to be used and tax rate in uncertainty scenarios regarding corporate tax treatment.
Improvement of international standards on financial report (cycle 2015-2017)	1-Jan-19	These improvements include clarification of some aspects related to: IFRS 3 – Concentration of business activities: requires re-measurement of the interest previously held when an entity obtains control over a subsidiary over which it previously had joint control; IFRS 11 – Joint Arrangements: it clarifies that it should not happen a re-measurement of interest previously held when an entity obtains joint control over a joint operation; IAS 12 – Income taxes: it clarifies that all fiscal dividends' consequences must be recorded in the results, regardless of how the tax emerges; IAS 23 - Borrowing costs: it clarifies that the part of the loan directly related to the purchase/construction of an asset, outstanding after the corresponding asset was ready for the use it was intended to, is, for the effect of determining the capitalization rate, considered as part of the company's general funding.
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1-Jan-19	If a plan amendment, cut or liquidation occurs, it is now compulsory that the cost of the current service and the net interests of the period, after re-measurement, are determined using the assumptions used to re-measure. Moreover, it were included changes to clarify the effect of a plan amendment, curtailment or settlement, regarding the requirements related to an asset's maximum limit.
Amendment IAS 28: Long term investments in associates and joint ventures	1-Jan-19	This amendment clarifies that IFRS 9 should be applied (including the requirements related to impairment) to investments in associates and joint agreements when the equity method is not applied in their measurement.

As a result of the adoption of IFRS 16, implementing the retrospective modified model including the initial cumulative effect recognized as Retained Earnings as of 1 January 2019, and, considering, as of that date, the Lease Liability equal to the Right of Use Asset, the increase in Assets and Liabilities as of 1 January 2019 adds up to, approximately, 11,8 million Euros (Note 9).

Moreover, in the above referred calculation, the Group only considered contracts with a residual term over 12 months (counted from 31 December 2018) and assets with unitary value above 5.000 Euros.

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

The following standards, interpretations, amendments and revisions, which have to be applied in future financial years, have been endorsed by the European Union up to the date of approval of these financial statements:

Financial Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
Amendments to references to the Framework of Standards in 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.

Although these amendments were approved ("endorsed") by the European Union, they were not adopted by the Group in 2019, since its application is not yet mandatory. It is not expected that the future adoption of these amendments will have significant impacts on 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:

Financial Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
IFRS 17 - Insurance Contracts	1-Jan-21	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 IFRS 3 - Business Definition	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 also clarifies the output definition of a business as a 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 - Interest Rate Benchmark Reform (IBOR Reform)	1-Jan-20	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.

These standards have not yet been endorsed by the European Union and as such have not been applied by the Group for the year ending 31 December 2019.

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, and also the effect of the application of IAS 29 – Financial Reporting in hyperinflationary economies (Note 1.2.d), the accounting policies and measurement criteria adopted by the Group at 31 December 2019 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.

Whenever the Group has, in substance, control over other entities created for a specific purpose ("Special Purpose Entities – SPE´s"), even if no share capital interest is directly or indirectly held in those entities, these are consolidated by the full consolidation method. As of 31 December 2019 and 2018, there are no special purpose entities within the Group perimeter.

b) Investments in associated companies

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

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

Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets acquired is recognized as goodwill, which is included in the caption "Investments in associated companies" (Note 1.2.c). If that difference is negative, it is recorded as a gain in the caption "Gains / (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 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 were 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, as long as they do not represent a loss of control, are treated as transactions between shareholders, thus only affecting the equity caption with no impact on "Goodwill" or Net 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 companies

Assets and liabilities in the financial statements of foreign entities are translated to Euro using the exchange rates in force at the balance sheet date. Profit and loss and cash flows are converted to Euro using the average exchange rate for the period. The 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.

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

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

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

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

The Group's Board of Directors has opted not to affect the statement of profit and loss, as required by the standard, with 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 2019		31 December 2018	
	Year End	Average	Year End	Average
Angolan Kwanza (AOA)	540,817	407,995	351,390	296,581
Mozambican Metical (MZN)	68,812	69,889	70,249	71,301
South African Rand (ZAR)	15,756	16,168	16,476	15,609
Mexican Peso (MXM)	21,208	21,549	22,491	22,693
Turkish Lira (TRY)	6,673	6,358	6,053	5,690

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 the respective 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 taking into account 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 taking into account a business model whose purpose anticipates both the receipt of its contractual cash flows and their disposal; 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.

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.

Impairment of financial assets

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 an uncollectability 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 taking into account 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, canceled 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 a number of 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 similar to 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 of 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 actually covers and the amount of the hedging instrument that the entity actually 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 of time 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. A Lease is defined as a contract, or part of a contract, through which it attributes the right to control the use of an identifiable asset for a determined period of time in exchange for a compensation. To determine if a contract attributes the right to control the use of an identifiable asset for a determined period of time, the Group assesses if, during the period of use of the asset, it holds cumulatively: (i) the right to obtain substantially all economic benefits resulting from the use of the identifiable asset; and (ii) the right to direct the use of the identifiable asset.

The Group recognizes a Right of Use asset and a Lease liability at the starting date of the contract. The Right of Use asset is initially measured at cost, which comprises the initial value of the lease liability adjusted for any lease payments carried out on or before the starting date, besides any initial direct costs incurred, as well as an estimate decommissioning and removal costs of the

underlying asset (if applicable), less any incentive obtained.

The Right of Use asset is depreciated by twelfths using the straight-line method over its estimated useful life or during the lease term, whichever comes first.

The Right of Use asset is periodically subject to impairment tests and any losses detected are immediately recorded in the consolidated statement of Profit and Loss.

Lease liabilities are initially recognized as unpaid rent present value on the lease contract date, discounted at the interest rate implicit in the lease, or, where this rate cannot be determined, at the incremental interest rate of the subsidiary holding the lease contract. In most situations, the Group uses its incremental interest rate as the reference interest rate to be applied in the above calculation.

Lease payments included in the measurement of the Lease liability include: (i) fixed payments, deducted from any incentives already received; (ii) variable payments, dependent only of a pre-established index or rate; (iii) amounts expected to be payable under a residual value guarantee; (iv) the exercise price of purchase options, if it is reasonably certain that the lessee will exercise them; and (v) penalty payments associated with the early termination of the contract, if it is reasonably certain that the lessee will cancel it.

The lease liability is subsequently measured by the amortized cost, using the effective interest rate method, being remeasured when the following conditions occur: (i) changes in the future lease payments arising from a change in an index or a rate specified in the contract; (ii) a change in the Group's estimate of the amount expected to be payable under the residual value guarantee of the asset; or (iii) if the Group changes its assessment over the exercise of a purchase option, or over its extension or termination.

The weighted average rate applied was 5,67% (varying between 2,5% and 8,9%), determined taking into account the characteristics of the contract (implicit asset, contract guarantees, currency and contract term).

The Group applies the recognition exemption of short term leases (contracts with terms under 12 months) and the exemption of recognition of lease contracts in which the implied asset is a low value asset (less than 5.000 Euros). 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 leases are comprised essentially of rental of commercial premises contracts and rental of storage premises contracts, with initial terms between 5 and 20 years, which can have extension periods. The referred contracts 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, as of that date, the amount of Lease liabilities equal to the amount of Right of use 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 so as 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 arising from the sale of goods is recognised in the consolidated income statement when (i) the risks and benefits have been transferred to the buyer, (ii) the Company retains neither continued management involvement in a degree usually associated with ownership nor effective control over the goods sold, (iii) the amount of the revenue can be measured reasonably, (iv) it is likely that the economic benefits associated with the transaction will flow to the Company, and (v) the costs incurred or to be incurred related with the transaction can be reliably measured. Sales are recorded net of taxes, discounts and other expenses arising from the sale, and are measured at the fair value of the amount received or receivable.

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

l) Income tax

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

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

Deferred taxes are computed using the balance sheet liability method and reflect the timing differences between the amount of assets and liabilities for accounting purposes and the correspondent amounts for tax purposes. Deferred taxes are computed 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 currencies

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

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

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 2019 and 31 December 2018 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 in the course of its activity, namely: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. Group's risk management program, 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

In the course of 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, 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**
December 31, 2018					
Assets	24.928.234	5.236.871	780.719	1.150.305	905.889
Liabilities	(2.038.701)	(474.102)	(103.109)	(155.294)	(270.206)
	22.889.533	**4.762.769**	**677.610**	**995.011**	**635.682**

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) Price Risk

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 2019 and 2018 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) Credit Risk

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 2019 and 2018 are disclosed in Note 29.

As of 31 December 2019 and 2018 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) Liquidity Risk

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.

CIN Group's liquidity risk management aims to:

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

The Group's procedures seek to match assets and liabilities maturity dates. In regards to liquidity and collectability, Group's balances as of 31 December 2019 and 2018 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 31 December 2019 and 2018, the financial net debt of the Group amounts to 99.201.939 Euros and 87.576.147 Euros, respectively. These balances are composed of current and non-current loans (Note 23), Lease liabilities (Note 9) and cash and cash equivalents (Note 19) celebrated with different entities. Additionally, there is an amount of 12.839.818 Euros (13.045.415 Euros in 2018) included in "Other financial assets" short-term, depending on their characteristics. The financial net debt in 31 December 2019 is increased by the amount of 9.423.776 Euros, as a result of the adoption of the standard IFRS 16 – Leases in the year 2019.

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 (Note 11).

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 assuming that all the others remain unchanged. Realistically, this situation isn't often met and changes in some of the assumptions might be correlated.

If interest rates have been higher or lower in 0.75 basis points, ceteris paribus, an assumption that is unlikely to have happened, the estimated impact on the Group's net income and reserves had been the following:

	2019		2018	
	-0,75 b.p.	+0,75 b.p.	-0,75 b.p.	+0,75 b.p.
Net Income (1)	500.000	(500.000)	455.000	(465.000)
Net Equity (2)	(8.000)	4.000	(12.000)	8.000

(1) mainly results from the Group's exposure to interest rate risk on its variable interest rate loans;
(2) mainly results from changes in the fair value of hedging derivatives.

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

v) Subsequent events

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

2. Changes in accounting policies and corrections of misstatements

During the year ended as of 31 December 2019 there were no changes in accounting policies and no material mistakes related with prior periods.

3. Group companies included in consolidation

The affiliated companies included in consolidation by the full consolidation method, their headquarters and percentage participation held as of 31 December 2019, are as follows:

		Share Capital held		
Designation	Headquarters	Direct	Indirect	Effective
With headquarters in Portugal:				
CIN - Corporação Industrial do Norte, S.A. ("Parent Company")	Maia	-	-	-
Cin Industrial Coatings, S.A. ("Cin Industrial Coatings")	Maia	-	100%	100%
Sotinco Refinish, S.A. ("Refinish")	Maia	-	100%	100%
Terraços do Souto – Sociedade Imobiliária, S.A. ("Terraços do Souto")	Maia	100%	-	100%
Martolar – Materiais de Construção, Lda. ("Martolar")	Alenquer	100%	-	100%
Nictrading – Comércio Internacional, Lda. ("Nictrading")	Machico	-	100%	100%
Navis – Marina Paints, S.A. ("Navis")	Maia	55%	-	55%
Atossa Imobiliária, Sociedade Unipessoal, Lda. ("Atossa")	Maia	100%	-	100%
With headquarters in others countries:				
CIN Valentine, S.A. ("CIN Valentine")	Barcelona (Spain)	-	100%	100%
Pinturas Cin Canarias, S.A. ("Pinturas Cin Canarias")	Tenerife (Spain)	-	100%	100%
Amida Inversiones, S.L. ("Amida Inversiones")	Madrid (Spain)	5%	95%	100%
Cin Inmuebles, S.L. ("Cin Inmuebles")	Barcelona (Spain)	-	100%	100%
Cin Pinturas & Barnices, SLU ("Cin Pinturas & Barnices")	Madrid (Spain)	-	100%	100%
Cin Internacional B.V. ("Cin BV")	Amesterdão (Netherlands)	100%	-	100%
Tintas Cin de Angola, SARL ("Cin Angola")	Benguela (Angola)	1%	99%	100%
Tintas Cin (Moçambique), SARL ("Cin Moçambique")	Maputo (Mozambique)	-	100%	100%
Coatings RE, S.A. ("Coatings RE")	Luxembourg	-	100%	100%
Vita Investments, S.A. ("Vita Investments")	Luxembourg	-	100%	100%
PF Investissements, S.A. ("PF Investissements")	Lyon (France)	-	100%	100%
Cin Celliose, S.A. ("CIN Celliose")	Lyon (France)	-	100%	100%
Cin Coatings Mexico S de RL de CV ("Cin Coatings Mexico")	Izcalli (Mexico)	-	100%	100%
Cin Coatings South Africa (PTY), Ltd. ("Cin Coatings South Africa")	Johannesburg (South Africa)	-	99%	99%
Cin Monopol, SAS ("Cin Monopol")	Valence (France)	-	100%	100%
Laboratoires des PPC , SRL ("PPC")	Lyon (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 Turquia")	Istambul (Turkey)	-	100%	100%
CIN Govesan, S.A. ("CIN Govesan")	Madrid (Spain)	-	100%	100%

These subsidiaries were included in the consolidated financial statements using the full consolidation method, as established in IAS 27 – "Consolidated and Separate Financial Statements" (Note 1.2.a).

The associated companies included in the consolidation financial statements using the full consolidation method, their headquarters and percentage participation held as of 31 December 2019 are as follows:

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

The balance sheet value of this associated company, inclued in the caption "Investments in associated companies" as of 31 December 2019, adds up to 548.003 Euros and the movement occurred in the year is as follows:

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

4. Subsidiaries excluded from consolidation

The subsidiaries excluded from consolidation, their respective headquarters and the proportion of capital held as of 31 December 2019, are as follows:

Designation	Headquarters	Book value	Share Capital held		
			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 (approximately 373 thousand Euros in 31 December 2018). 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 2018, and after th'e initial identification of fair value of assets and acquired liabilities, the Group reviewed the referred period and proceeded with the following modifications:

Net assets acquired	Accounting Amount	Inicial Fair Value adjustments	Fair Value Adjustment	Fair Value
Tangible Assets	3.500.000	5.151.700	-	8.651.700
Intangible Assets	100.000	-	-	100.000
Inventories	714.699	(71.152)	-	643.547
Customers and other third-party debt	94	-	-	94
Cash and Cash Equivalents	2.392	-	-	2.392
Risks and Charges Provisions	-	(5.942.699)	-	(5.942.699)
Other financial liabilities	(934.586)	-	(248.100)	(1.182.686)
Suppliers and other creditors	(29.578)	-	-	(29.578)
Deferred Tax Liabilities	-	(1.289.000)	-	(1.289.000)
	3.353.021	**(2.151.151)**	**(248.100)**	**953.770**
Goodwill				3.147.178
Acquisition Price				4.100.948

During the year ended 31 December 2019, the Group started to consolidate the associated company Cenaris, Gmbh, with headquarters in Germany, using the full consolidation method. This modification to the perimeter did not cause relevant impacts in the consolidated financial statements as of 31 December 2019 (Note 3).

6. Tangible assets

During the years ended 31 December 2019 and 2018, the movements in the gross value of tangible fixed assets, as well as in the respective depreciation and accumulated impairment losses, was as follows:

	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**

	2018							
	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	28.168.163	113.763.438	73.330.176	5.106.665	25.323.909	4.752.950	6.093.569	256.538.870
Additions	-	786.252	1.166.036	511.140	557.087	64.489	6.828.496	9.913.501
Disposals and write-offs	-	(184.011)	(601.423)	(95.570)	(602.602)	(8.470)	-	(1.492.075)
Transfers	(1.542.259)	3.850.182	183.397	(2.577)	(5.677)	282.440	(3.750.443)	(984.936)
IAS 29 effect	-	(3.330.226)	(233.780)	(308.460)	3.321	(180.456)	-	(4.049.601)
Adjustments	-	287.147	(989.413)	(859.276)	(278.503)	(1.210.015)	(200.766)	(3.250.825)
Closing 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
Depreciation and amortization Accumulated impairment								
Gross Assets	-	65.358.996	61.339.990	4.131.120	20.062.033	3.457.934	-	154.350.079
Depreciation	-	3.629.931	2.732.463	170.358	1.490.035	183.269	-	8.206.056
Disposals and write-offs	-	(183.973)	(601.423)	1.365	(568.534)	(29)	-	(1.352.594)
Transfers	-	193.656	(193.656)	-	-	-	-	-
IAS 29 effect	-	(58.389)	(40.575)	(237.367)	21.536	(16.359)	-	(331.154)
Adjustments	-	(849.775)	(1.054.005)	(839.400)	(266.680)	(987.929)	-	(3.997.789)
Closing Balance	-	68.090.446	62.182.794	3.226.076	20.738.390	2.636.886	-	156.874.598
Net value	**26.625.904**	**47.082.338**	**10.672.199**	**1.125.846**	**4.259.145**	**1.064.053**	**8.970.856**	**99.800.336**

As of 31 December 2019 and 2018, the caption "Tangible assets in progress" was composed as follows:

	31.12.2019	31.12.2018
Buildings and industrial equipment	1.037.948	-
Remodel of administrative facilities	378.747	-
Project of the new factory and raw material's warehouse (1)	-	5.641.321
Industrial installations (Angola)	-	990.712
Administrative facilities (Angola)	-	1.068.296
Others	892.426	1.270.528
	2.309.121	**8.970.856**

(1) The group has concluded the investments related to the expansion of its factory located in the city of Maia, namely through a new production ship, as well as an expansion of the warehouse of raw materials, having started their operation in the current period.

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7. Goodwill

As of 31 December 2019 and 2018, the net book value of goodwill, which was originated by acquisitions made by the Group in the referred markets in order to expand its operations in these markets, was composed as follows:

Country / business	31.12.2019	31.12.2018
Spain	10.629.560	10.629.560
- 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	3.693.586	3.693.586
Portugal	3.890.412	3.890.412
	26.918.498	**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	Spain	France	Portugal
Discount rate	10,00%	10,00%	10,00%
Explicit projection period	2019-2023	2019-2023	2019-2023
Rate of growth of perpetuity	1,50%	1,50%	1,50%

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 2019. Similarly, a decrease of 0.5% on the perpetuity growth rate would not result in significant losses as of 31 December 2019.

8. Intangible assets

During the years ended as of 31 December 2019 and 2018, the movement in intangible assets as well as in the respective accumulated depreciation and accumulated impairment losses, was as follows:

	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
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
Depreciation for the year	288	752.690	72.808	86.705	-	914.490
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**

	2018					
	Instalation expenses	Development expenses	Industrial property and other rights	Transfer of property	Intangible assets in progress	Total
Gross Assets:						
Opening balance	12.027	7.973.335	6.320.998	2.460.965	-	16.767.323
Additions	-	729.182	18.881	-	968.298	1.719.361
Transfers	-	-	-	-	624.831	624.831
Adjustments	(938)	-	(70.689)	(443)	-	(72.070)
Closing balance	11.089	8.702.517	6.269.190	2.460.522	1.593.129	19.036.445
Depreciation and amortization Accumulated impeirment:						
Opening balance	12.027	7.215.217	5.423.507	465.020	-	13.115.771
Depreciation for the year	-	694.567	32.925	23	-	727.516
Transfers	-	(113.151)	259.209	(146.058)	-	-
Adjustments	(938)	-	(71.042)	1.291	-	(70.688)
Closing balance	11.089	7.796.633	5.644.600	320.277	-	13.772.599
Net value	**-**	**905.884**	**624.590**	**2.140.245**	**1.593.129**	**5.263.850**

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%.

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.

The amount of "Transfers" occurred in 2019 is related to transfers from the caption "Tangible assets", which, due to its nature, are classified as "Intangible assets".

9. Right of use assets and lease liabilities

The movement in the right of use assets in the period ended 31 December 2019, as well as in the respective accumulated depreciations and accumulated impairment losses was as follows:

	2019		
	Buildings and other constructions	Transport equipment	Total
Gross assets:			
Opening balance	-	-	-
First 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
Depreciation and amortization Accumuled impairment:			
Opening balance	-	-	-
Depreciation of 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 2019 was as follows:

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

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

	31-12-2019
Between 1 and 2 years	2.807.600
Between 2 and 3 years	1.602.470
Between 3 and 4 years	587.728
Over 4 years	655.861
	5.671.659

10. Investment properties

As of 31 December 2019, the caption "Investment properties" includes real estate assets held by CIN Group, mainly located in Maia and Matosinhos, 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 2019 and 2018, the movement in these captions was as follows:

	31.12.2019	31.12.2018
Opening balance as 1 January	11.060.872	9.644.577
Additions	5.272.981	1.452.347
Disposals	(1.201.760)	-
Depreciation of the year	(8.809)	(36.052)
Closing balance as 31 December	**15.123.284**	**11.060.872**

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 and 2019, has been developing real estate projects on these assets.

The investment properties generated costs on 31 December 2019 and 2018 in the total amount of approximately 21.297 Euros and 23.704 Euros, respectively, which were recorded in the statement of profit and loss. In addition, the company is renting one of its properties, having generated a profit of 48.300 Euros (76.050 Euros in 2018), registered under the caption "Other operating income".

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

11. Classes of financial instruments

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

Financial assets

	Notes	Debt instruments and account receivables at amortized costs	At fair value througu statement of profit and loss	At fair value through other comprehensive income	Assets not covered by IFRS 7	Total
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**		**3.578.601**	**81.836.776**
31 December 2018						
Non-current assets						
Other financial assets	12	-	587.936	2.236.568	-	2.824.504
Other non-current assets	14	498.056	-		-	498.056
		498.056	587.936	2.236.568	-	3.322.560
Activos correntes						
Customers	16	39.733.026	-		-	39.733.026
Other current debtors	17	3.762.299	-		-	3.762.299
State and other public entities	27	-	-		3.718.137	3.718.137
Other current assets	18	2.100.717	-		-	2.100.717
Other financial assets	12	13.045.415	-		-	13.045.415
Cash and cash equivalents	19	26.253.005	-		-	26.253.005
		84.894.462	-		3.718.137	88.612.599
		85.392.518	**587.936**	**2.236.568**	**3.718.137**	**91.935.159**

Financial liabilities

	Notes	Coverage Derivatives	Financial liabilities recorded at amortized cost	Liabilities not covered by IFRS 7	Total
31 December 2019					
Non-current liabilities					
Financing 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					
Financing 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 creditors	26	-	3.667.680	-	3.667.680
State and other public entities	27	-	-	8.530.601	8.530.601
Other current liabilities	28	-	15.130.008	-	15.130.008
		-	100.921.778	8.530.601	109.452.379
		326.673	**181.586.857**	**8.530.601**	**190.444.130**

31 December 2018

Non-current liabilities					
Loans obtained	23	-	81.704.855	-	81.704.855
Other debts to third parties	26	-	2.355.418	-	2.355.418
Financial derivative instruments		296.418	-	-	296.418
		296.418	84.060.273	-	84.356.691
Current liabilities					
Loans obtained	23	-	45.169.712	-	45.169.712
Suppliers	25	-	32.093.425	-	32.093.425
Other debts to third parties	26	-	6.228.880	-	6.228.880
State and other public entities	27	-	-	6.986.791	6.986.791
Other Current Liabilities	28	-	13.889.627	-	13.889.627
		-	97.381.645	6.986.791	104.368.436
		296.418	**181.441.918**	**6.986.791**	**188.725.127**

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.

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

	31-12-2017		
	Level 1	Level 2	Level 3
Financial assets measured			
Investments available for sale (Note 11)	**2.236.568**	**-**	**587.936**
Financial assets measured at fair value			
Investments in financial derivatives	**-**	**296.418**	**-**

At 31 December 2019, the Group has derivative contracts to hedge interest rates on its financing with the following characteristics:

Contractual Fixed Rate		Notional Value		Fair Value	
31-12-2019	31-12-2018	31-12-2019	31-12-2018	31-12-2018	31-12-2017
0,19%	0,19%	35.000.000	35.000.000	(326.673)	(296.418)

12. Other financial assets

As of 31 December 2019 and 2018, these captions included financial investments classified as available for sale and had the following movement in the year:

	2019		
	Gross value	Impairment losses (Note 29)	Net value
Investments available for sale:			
Opening balance	4.563.104	(1.738.601)	2.824.504
Fair value variations	21.478	-	21.478
Increases	188.919	(157.500)	31.419
Final balance	**4.773.502**	**1.896.101**	**2.877.402**

	2018		
	Gross value	Impairment losses (Note 29)	Net value
Investments available for sale:			
Opening balance	4.427.280	(1.638.601)	2.788.679
Fair value variations	121.504	-	121.504
Increases	574.872	(100.000)	474.872
Transfers	(319.579)	-	(319.579)
Decreases	(240.973)	-	(240.973)
Final balance	**4.563.104**	**(1.738.601)**	**2.824.504**

As of 31 December 2019, this caption includes the amount of 2.258.046 Euros (2.236.568 Euros in 31 December 2018) related to minority interests in other entities, based on its price at the end of the period.

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

As of 31 December 2019 and 2018, the amounts classified as short-term, included investments in banks that did not meet the requirements for classification as "Cash and cash equivalents", namely bank deposits and investments within economies suffering from restrictions on capital transfers.

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 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 loses	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	1.018.337	(224.937)	-	-	794.597
Others	29.911	-	-	17.619	47.531
	5.217.826	**(224.397)**	**(209.775)**	**(604.181)**	**4.179.465**

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 2018, are as follows:

Deferred tax assets:	Opening balances	Perimeter variations	Effect on results	Effect on equity	Closing balances
Depreciation not accepted for tax purposes	520.896	-	62.918	-	583.814
Provisions and adjustments not accepted for tax purposes	2.175.124	-	(59.307)	(167.080)	1.984.738
Pension fund (relating to accrued cost)	328.862	-	71.675	-	400.537
Merger reserve	617.225	-	(194.002)	-	423.223
Tax loses	556.044	-	80	-	533.124
Valuation of hedging derivative instruments	11.560	-	-	55.131	66.691
Others	154.997	-	(32.776)	(20.110)	102.111
	4.361.708	**-**	**(151.412)**	**(132.059)**	**4.078.238**

Deferred tax liabilities:	Opening balances	Perimeter variations	Effect on results	Effect on equity	Closing balances
Amortization of revaluations not accepted for tax purposes	4.940	-	(484)	-	4.456
Reinvestment of capital gains	5.503	-	(1.845)	-	3.658
Pension fund (relative to deferred cost)	14.638	-	-	-	14.638
Barnices Valentine's fair value exchange	981.538	-	-	-	981.538
Fair value of investments held for sale	73.716	-	-	36.002	109.718
Write-off of provisions	1.683.790	-	-	(1.004.596)	648.411
Adjustments in fair value of properties	2.481.988	-	(72.958)	-	2.409.030
Effect of adoption of IAS 29 effect	1.683.790	-	-	(667.796)	1.108.994
Others	32.458	-	(2.547)	-	29.911
	6.931.578	**-**	**(80.367)**	**(1.633.390)**	**5.217.826**

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 2016 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 2019.

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 2019, the following Group companies had tax losses that can be carried forward, as follows (in accordance with the respective tax returns):

Year in which they were generated	Spain	France
Year 2004	143.761	-
Year 2005	1.583.106	-
Year 2006	887.467	-
Year 2008	3.919.312	-
Year 2010	15.196.261	-
Year 2011	10.837.227	-
Year 2012	9.669.035	-
Year 2013	6.943.987	-
Year 2014	4.607.897	-
Year 2015	5.203.274	-
Year 2016	4.681.090	473.486
Year 2017	7.999.218	-
Year 2018	9.015.573	-
Year 2019	6.525.036	-
	87.212.244	**473.486**

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 2019 and 2018, the tax rates used to calculate the assets and liabilities for deferred taxes can be detailed as follows:

	Tax rates	
	31.12.2019	31.12.2018
Country of origin of the subsidiary:		
Portugal	22,5%	22,5%
Spain	25,0%	25,0%
Luxembourg	29,2%	29,2%
Angola	30,0%	30,0%
Mozambique	32,0%	32,0%
France	33,3%	33,3%
Mexico	30,0%	30,0%
South Africa	28,0%	28,0%

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

Tax benefits and exemptions

(I) Spain - Canarias

According to Spanish legislation, namely "Ley 19/1994, of 6 July – Modificación del Régimen Económico y Fiscal de Canarias", modified by "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 2019 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 2019 and 2018, the composition of the caption was up as follows:

	31.12.2019	31.12.2018
Retirement benefits (Note 24)	-	53.803
Guarantee	462.432	444.253
	462.432	**498.056**

15. Inventories

As of 31 December 2019 and 2018, the composition of the caption was up as follows:

	31.12.2019	31.12.2018
Raw, subsidiary and consumable materials	18.387.987	17.724.984
Merchandise	7.453.664	6.727.244
Finished and intermediate goods	27.888.258	26.589.734
	53.729.908	**51.041.963**
Accumulated impairment losses on inventory (Note 28)	(6.788.322)	(6.012.328)
	46.941.589	**45.029.635**

The cost of goods sold and consumed for the years ended as of 31 December 2019 and 2018 were computed as follows:

	31.12.2019	31.12.2018
Opening balances:		
Raw, subsidiary and consumable materials	17.724.984	16.453.045
Merchandise	6.727.244	4.278.996
Purchases	118.971.586	119.015.924
Inventory adjustments	374.017	234.508
IAS 29 effect	-	(3.042.909)
Exchange rate effect	(1.656.994)	(247.631)
Closing bakance:		
Raw, subsidiary and consumable materials	(18.387.987)	(17.724.984)
Merchandise	(7.453.664)	(6.727.244)
	116.299.186	**112.239.704**

The changes in inventories of finished goods and work in progress for the years ended as of 31 December 2019 and 2018, was calculated as follows:

	31.12.2019	31.12.2018
Closing balances	27.888.258	26.589.734
Inventory adjustments	(880.770)	92.111
Opening balances	(26.589.734)	(29.358.696)
	417.753	**(2.861.073**

The amounts of Transfers between "Changes in inventories of finished goods and work in progress" and "Cost of goods sold" is related with the standardization of the criteria of classification of the Group's inventory, performed in the year 2019.

16. Customers

As of 31 December 2019 and 2018, this caption was composed as follows:

	31.12.2019	31.12.2018
Customers, current accounts	37.108.073	38.085.333
Customers, notes receivable	3.592.256	3.036.963
Customers, doubtful accounts	7.479.444	8.674.767
	48.179.444	**49.797.063**
Accumulated impairment losses on costumers (Note 28)	(9.026.035)	(10.064.036)
	39.153.739	**39.733.026**

The Group's exposure to credit risk is mainly attributable to the accounts receivable resulting from its operating activities. The amounts presented in the balance sheet are net of accumulated impairment losses for doubtful accounts that were estimated by the Group, in accordance with its experience and based on the analysis of the economic environment. The Board of Directors believes that the net accounting values of the accounts receivable from customers are similar to their respective fair value. The Group 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:

	31.12.2019	31.12.2018
Not due:	29.991.362	30.493.867
Due and not adjusted:		
0-30 outstanding days	7.013.194	6.885.971
30-90 outstanding days	1.580.024	1.426.964
More than 90 outstanding days	1.569.159	926.233
Due and adjusted:		
0-90 outstanding days	220.262	370.705
90-180 outstanding days	526.563	374.892
180-360 outstanding days	861.449	997.505
More than 360 outstanding days	7.417.761	8.320.926
	48.179.774	**49.797.063**

17. Other debtors

As of 31 December 2019 and 2018, this caption was made up as follows:

	31.12.2019	31.12.2018
Suppliers debtors balances	458.748	338.956
Personnel	143.872	140.569
Advances to suppliers and suppliers of fixed assets	3.524	-
Others debtors	5.446.159	5.293.547
	6.052.303	**5.823.081**
Accumulated impairment losses (Note 29)	(2.712.012)	(2.060.782)
	3.340.292	**3.762.299**

18. Other current assets

As of 31 December 2019 and 2018, this caption was made up as follows:

	31.12.2019	31.12.2018
Bonus Receivable from suppliers	555.909	671.196
Prepaid insurance	41.925	64.357
Prepaid rents	118.601	142.408
Interest receivable	158.900	140.989
Prepaid financial charges	317.114	459.429
Other	514.883	622.338
	1.707.331	**2.100.717**

19. Cash and cash equivalents

As of 31 December 2019 and 2018, the caption “Cash and cash equivalents” was as follows:

	31.12.2019	31.12.2018
Cash and cash equivalents:		
Cash	45.279	28.459
Bank deposits on demand	17.359.357	26.178.210
Cash equivalentes	22.526	46.335
	17.427.162	**26.253.005**

As of 31 December 2019, the Company and its subsidiaries have credit facilities amounting to 12.436.856 Euros available for future operating activities and to meet financial commitments, without any restriction to its use.

20. Share capital

As of 31 December 2019, 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 2019, 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 2019 and 2018, the movement in the caption “Non-controlling interests”, is detailed as follows:

	31.12.2019	31.12.2018
Balance as of 1 January	2.837	2.637
Net profit of the year	2.863	200
Other variations	(816)	
Balance as of 31 December	**4.885**	**2.837**

23. Loans

As of 31 December 2019, the detail by nature of bank loans was made up as follows:

	Plafond	Amount in use	Current	Non current
Bank loans	6.301.514	1.864.658	1.864.658	-
Commercial Paper Programs	98.300.000	90.300.000	44.300.000	46.000.000
Bonds	25.000.000	25.000.000	-	25.000.000
Investment subsidies	2.888.606	2.888.606	-	2.888.606
Effect effective interest rate use	n.a.	n.d.	-	(8.122)
	132.490.120	**120.053.263**	**46.164.659**	**73.880.484**

Bank loans

As of 31 December 2019, the detail of bank loans (except for commercial paper programs) was made up as follows:

Company	Plafond	Amount in use	Current	Non current
CIN	3.500.000	498.687	498.687	-
CIN Valentine	2.500.000	1.314.457	1.314.457	-
CIN Soritec	300.928	50.928	50.928	
Vita Investments	586	586	586	-
	6.301.514	**1.864.658**	**1.864.658**	**-**

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

Commercial Paper Programs

As of 31 December 2019, 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 2019
CIN- Corporação Industrial do Norte, S.A						
Contract (34.000.000 Euros) 18ª Emission	34.000.000	26.000.000	-	26.000.000	8.122	25.991.878
Contract (6.800.000 Euros) 48ª Emission	6.800.000	6.800.000	6.800.000	-	2.928	6.800.000
Contract (12.500.000 Euros) 19ª Emission	12.500.000	10.500.000	10.500	-	5.651	10.500.000
Contract (12.500.000 Euros) 20ª Emission	12.500.000	2.000.000	2.000	-	1.042	2.000.000
Contract (15.000.000 Euros) 80ª Emission	15.000.000	11.500.000	11.500.000	-	14.535	11.500.000
Contract (10.000.000 Euros) 22ª Emission	10.000.000	10.000.000	10.000.000	10.000.000	15.167	10.000.000
Contract (10.000.000 Euros) 16ª Emission	10.000.000	10.000.000	-	10.000.000	25.278	2.750.000
Contract (10.000.000 Euros) 17ª Emission	10.000.000	10.000.000	-	10.000.000	8.342	10.000.000
Cin Valentine SL						
Contract (15.000.000 Euros) 79ª Emission	Grouped	1.000.000	1.000.000	-	417	1.000.000
Amida Inversiones						
Contract (15.000.000 Euros) 78ª Emission	Grouped	2.500.000	2.500.000	-	1.042	2.500.000
	98.300.000	**90.300.000**	**44.300.000**	**46.000.000**	**82.522**	**90.2910.878**

Commercial Paper Program balances have the following underlying contracts:

Company	Program Total Amount	Beggining date	Maturity
CIN - Corporação Industrial do Norte, S.A.	34.000.000	June 2017	June 2022
CIN - Corporação Industrial do Norte, S.A.	15.000.000	September 2014	September 2020
CIN - Corporação Industrial do Norte, S.A.	6.800.000	June 2017	June 2020
CIN - Corporação Industrial do Norte, S.A.	12.500.000	June 2017	June 2020
CIN - Corporação Industrial do Norte, S.A.	10.000.000	June 2016	June 2020
CIN - Corporação Industrial do Norte, S.A.	10.000.000	May 2017	May 2022
CIN - Corporação Industrial do Norte, S.A.	10.000.000	May 2017	May 2024
	98.300.000		

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

On 31 December 2019, this caption consisted of a loan denominated "CIN / 2016-2021", in the amount of 25.000.000 Euros, issued by CIN – Corporação Industrial do Norte, S.A.. According to their conditions, the loans bear interest indexed to Euribor, with 1,8625% spread, and maturity is December 2021.

As of 31 December 2019, 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 interest rate	2020	2021	2022	2023	2024	Total
Repayment		-	28.000.000	38.000.000	-	10.000.000	76.000.000
Interest rate	1,40%	1.121.875	903.116	395.000	175.000	72.917	2.667.908
		1.121.875	**28.903.116**	**38.395.000**	**175.000**	**10.072.917**	**78.667.908**

The reconciliation of liabilities resulting from financing activities as of the period ended 31 December 2019 can be found below:

Borrowwings	**2019**	**2018**
Opening balance at 1 January	126.874.566	114.487.181
Cash-Flows:		
Income from financial debt	58.553.755	43.948.878
Expense from financial debt	(65.383.180)	(31.561.493)
Closing balance at 31 December	**120.045.143**	**126.874.566**

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 2019 and 2018 was as follows:

	31.12.2019	31.12.2018
Active	5.200.883	4.654.563
Retired	2.966.509	3.124.845
	8.167.392	**7.779.408**

As of 31 December 2019 and 2018, those liabilities were calculated using the "Projected Unit Credit" method and the mortality table TV 88/90 and disability table SR (Suisse Re table). In addition to the technical parameters referred above, the valuation was made assuming annual salary increases of 0.5% (0.5% in 2018), a rate of return for the fund of 3.77% (3.77% in 2018), zero rate of increase of the pensions on payment, technical interest rate of 3.77% (3.77% in 2018) and personnel "turnover" computed in accordance with the average historical data for the Company between 1994 and 2019.

The movement in the liabilities for past services for the periods ending 31 December 2019 and 2018 was as follows:

	31.12.2019	31.12.2018
Liabilities for past services as of 1 January	7.749.408	7.592.432
Current services cost	176.187	190.948
Interest cost	287.853	287.659
Actuarial losses (gains)	252.036	12.983
Retirement supplements paid	(328.092)	(304.614)
Liabilities for past services as of 31 December	**8.167.392**	**7.779.408**

During the years 2019 and 2018, the movement in the net assets of the Fund was as follows:

	31.12.2019	31.12.2018
Balance as of 1 January	5.999.242	6.130.821
Contributions	400.000	500.000
Fund income, net	443.865	(326.965)
Retirement supplements, paid	(328.092)	(304.614)
Estimated balance as of 31 December	**6.515.015**	**5.999.242**

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 2019, totalling the balance of this caption to 1.652.376 Euros (1.780.166 Euros as of 31 December 2018).

The movement occurred during the periods ended 31 December 2019 and 2018 for the liability caption "Retirement benefit obligations" related to retirement benefits not covered by the assets of the Pension Fund was as follows:

	31.12.2019	31.12.2018
Balance as of 1 January	1.780.166	1.461.611
Personnel	244.053	246.310
Contributions to the pension Fund	(400.000)	(500.000)
Cost of past services	-	(11.260)
Other Income	28.157	565.338
Diference related to prior period valuation	-	18.166
Balance as of 31 December	**1.652.376**	**1.780.166**

The Group deferred actuarial gains or losses related to changes in criteria in the actuarial estimate of remaining employees active period, which currently amounts to 22 years. Thus, the cost of past services established in 2003, comprising mainly the effects associated with changes in the universe of workers included in the Pension Fund, was recorded in the caption as "Other non-current assets" (Note 14).

Movements in this caption in 2019 and 2018 related to retirement benefits were made up as follows:

	31.12.2019	31.12.2018
Balance as of 1 January	53.803	65.063
Amortization of the cost of past services	(53.803)	(11.260)
Estimated balance as of 31 December	-	**53.803**

25. Suppliers

As of 31 December 2019 and 2018, this caption refers to accounts payable for acquisitions resulting from the normal course of the Group's activities, and has the following composition:

	31.12.2019	31.12.2018
Suppliers – current accounts	31.556.774	31.708.395
Suppliers – outstanding bills	650.541	385.031
	32.207.314	**32.093.425**

As of 31 December 2019 and 2018, payables to suppliers are due within less than four months.

26. Other creditors

As of 31 December 2019 and 2018, this caption was made up as follows:

Current	31.12.2019	31.12.2018
Fixed assets suppliers	1.993.286	5.057.993
Clients credit balance	512.300	559.481
Personnel	263.672	242.782
Others	894.422	368.623
	3.667.680	**6.228.880**

Non current	31.12.2019	31.12.2018
Fixed assets suppliers	837.738	1.797.256
Others	275.198	558.162
	1.112.936	**2.355.418**

27. State and other public entities

As of 31 December 2019 and 2018, this caption was made up as follows:

	Asset		Liability	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Corporate Income Tax	2.503.741	2.384.519	(4.341.858)	(2.632.289)
Value Added Tax	313.438	299.284	(2.031.312)	(1.963.899)
Social Security contribution	-	-	(1.399.639)	(1.527.614)
Withholding Income Taxes	183.550	169.165	(712.056)	(649.166)
Others	577.871	865.170	(45.736)	(213.822)
	3.578.601	**3.718.137**	**(8.530.601)**	**(6.986.791)**

28. Other current liabilities

As of 31 December 2019 and 2018, this caption was made up as follows:

	31.12.2019	31.12.2018
Accrued costs:		
Accrued payroll	6.165.421	6.058.629
Rappel	5.874.270	4.781.170
Accrued interest	72.622	5.656
Accrued insurances	55.824	47.278
Royalties	12.698	17.376
Others	2.613.748	2.363.293
	14.767.582	**13.273.402**
Deferred income:		
Investments Subsidies	331.169	585.081
Others	31.256	31.143
	362.425	616.224
	15.130.008	**13.889.627**

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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 2019 and 2018 was as follows:

	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

	2018						
	Opening balances	Increases	Utilizations	Decreases	Transfers	Perimeter changes	Closing balances
Impairment losses in accounts receivable (Notes 16 and 17)	11.826.371	1.512.736	(767.211)	(1.810.833)	1.363.756	-	12.124.818
Impairment losses in inventories (Note 15)	6.393.858	1.986.435	-	(2.367.966)	-	-	6.012.328
Impairment losses in available for sale Investments (Note 12)	1.638.601	100.000	-	-	-	-	1.738.601
Provisions	8.656.947	675.001	(1.590.717)	(452.951)	(1.363.756)	-	5.924.523

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 2019 and 2018 were as follows:

	31.12.2019	31.12.2018
Domestic market	201.627.971	196.529.120
International market	32.818.514	34.493.637
	234.446.485	**231.022.757**

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 2019 and 2018, the financial results were as follows:

	31.12.2019	31.12.2018
Financial expenses:		
Interest	1.787.532	1.786.538
Other financial expenses	1.681.678	1.560.771
	3.469.210	3.347.309
Financial results	(2.724.784)	(2.775.502)
	744.426	**571.807**
Financial income:		
Interest	689.919	515.995
Other financial income	54.507	55.812
	744.426	**571.807**

32. Corporate income tax

The Corporate Income Tax recorded in the years ended as of 31 December 2019 and 2018 can be detailed as follows:

	31.12.2019	31.12.2018
Current tax	2.758.530	1.498.176
Deferred taxes (Note 13)	47.172	71.045
	2.805.702	**1.569.222**

33. Responsibilities for guarantees provided

As of 31 December 2019, 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	149.713

34. Operating leases

During the year ended as of 31 December 2019, it was recognized as expense of the period the amount of 39.870 Euros (1.279.544 Euros as of 31 December 2018) relating to rents paid in operating lease contracts.

35. 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.

	31.12.2019	31.12.2018
Profit/(Loss):		
Net profit for the period	9.405.925	8.221.138
Number of shares		
Average number of shares in circulation	25.000.000	25.000.000
Basic earnings per share	0,376	0,329

36. 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, as a consequence of the referred land division plan mentioned in Note 6. The financial statements at 31 December 2019 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.

37. Statutory bodies' members remuneration

As of 31 December 2019 and 2018, CIN ("Mother Company") attributed to its statutory bodies members of the parent company the following remuneration:

	31.12.2019	31.12.2018
Board of Directors	418.950	399.000
Supervisory Board	22.785	21.700
General Assembly	4.725	6.750

38. Number of personnel

As of 31 December 2019 and 2018, the number of employees of the companies included in consolidation was 1.397 and 1.344, respectively.

39. Financial statements approval

The consolidated financial statements were approved by the Board of Directors and authorized for issuance as of 17 April 2020. Additionally, the attached financial statements as of 31 December 2019 are pending approval by the General Assembly of Shareholders. However, the Board of Directors believes that they will be approved without significant changes.

40. Environmental area information

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

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

The Board of Directors of CIN Group believes that there are no risks associated to environmental protection and improvement, and confirms that no communication or sanction related with these matters was received during 2019.

41. Subsequent events

The attached financial statements were prepared in a context of pandemic, designated as COVID-19, as decreed by the World Health Organization on 11 March 2020. The emergence of this pandemic is putting an extraordinary pressure in all society – families, companies and has been having a deep impact in the most basic human needs. All countries, without exception, have been issuing regulation for protection and containment of this disease, which influences and interrupts significantly the economic activities, for a still uncertain period of time.

Not all aspects and effects of this new global state are defined or even anticipated. However, it is already clear that the global economy will suffer a profound recession, being the only uncertainty as to how the recovery will happen. The Group believes that the activity and performance in the first semester of 2020 will suffer a significant impact. Our contingency plan, which is supported by experience and results obtained during the previous crises, was triggered. The framework of the adopted measures will be regularly reassessed and suited to the reality of each business unit or geography, notwithstanding the Group, at this moment, of taking any additional measure, which may protect its employees and the Group's activity.

It should be noted that the Group has already proceeded with the renegotiation of most of its short term debt, with maturity in 2020, having also renewed credit lines and lengthened the maturity of said lines to the medium and long term. In that way, the Group can assure that the assumption of continuity of operations, over which the financial statements as of 31 December 2019 have been prepared, maintains appropriate.

41. Explanation added for translation

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

Maia, April 17th 2020

The 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*

CIN

Statutory Audit Report

STATUTORY AUDIT CERTIFICATION

(Translation of a report originally issued in Portuguese)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Qualified opinion

We have audited the accompanying consolidated financial statements of CIN – Corporação Industrial do Norte, S.A. ("the Entity") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019 (that presents a total of Euro 288,702,281 and equity of Euro 87,481,513, including a net profit of Euro 9,405,925), 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 2019 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.

Emphases of matter

The consolidated financial statements as of December 31, 2018, presented for comparative purposes, were audited by us, and our Statutory Audit Certification, dated May 6, 2019, includes a qualification due to the fact that the Group, in that year, recorded the restatement of the non-monetary assets and liabilities, of the equity items and of the statement of comprehensive income items of its subsidiary CIN Angola, in equity caption "Conversion reserves" in the amount of, approximately, 4.1 million Euros, and not as an expense in the consolidated statement of profit and loss by natures in that year, as determined by IAS 29 – Financial Reporting in Hyperinflationary Economies. This matter is not applicable to the year ended December 31, 2019 (Note 1.2.d)).

We call the attention to the disclosure contained in note 41 of the notes to the consolidated financial statements as at 31 December 2019, regarding the potential impacts of the Pandemic caused by the new coronavirus disease ("Covid-19") and the uncertainty regarding its development and consequences in the Group´s future financial performance and position, as well as in the recoverable amount of its assets, which, as of the date of this Statutory Audit Certification, have not been quantified, nevertheless it is disclosed that such impacts not impair, based on the available information, the going concern assumption used in the preparation of the consolidated financial statements (Note 1.1).

Our opinion is not modified in relation to these matters.

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 22 2020

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

CIN

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April 17, 2020

CIN – Corporação Industrial do Norte, S.A.
Avenida Dom Mendo, 831
4471-909 MAIA

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 31 December 2019.

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

JMS/mjr

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