CIN

Annual Report

2018

About CIN

CIN one of the largest coatings companies in Europe and a world reference in the industry reached 231 million euro turnover in 2018 (+1,4% up on 2017).

Market leader in Portugal for more than 25 years CIN has also been Iberian market leader for the past two decades.

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

With Research & Development Centres (R&D) in Portugal, Spain and France, 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.

In addition to innovation, CIN has long been committed to the quality and sustainability of its operations, as is clearly evident in its certified Quality (ISO 9001), Environment (ISO 14001) and Hygiene, Health and Safety (OHSAS 18001) Management Systems.

Production is held in ten factories in Portugal, Spain, France, Angola and Mozambique, equivalent to more than 150.000 m^2 with installed capacity of 135.000 tonnes, supported by 14 distribution centres.

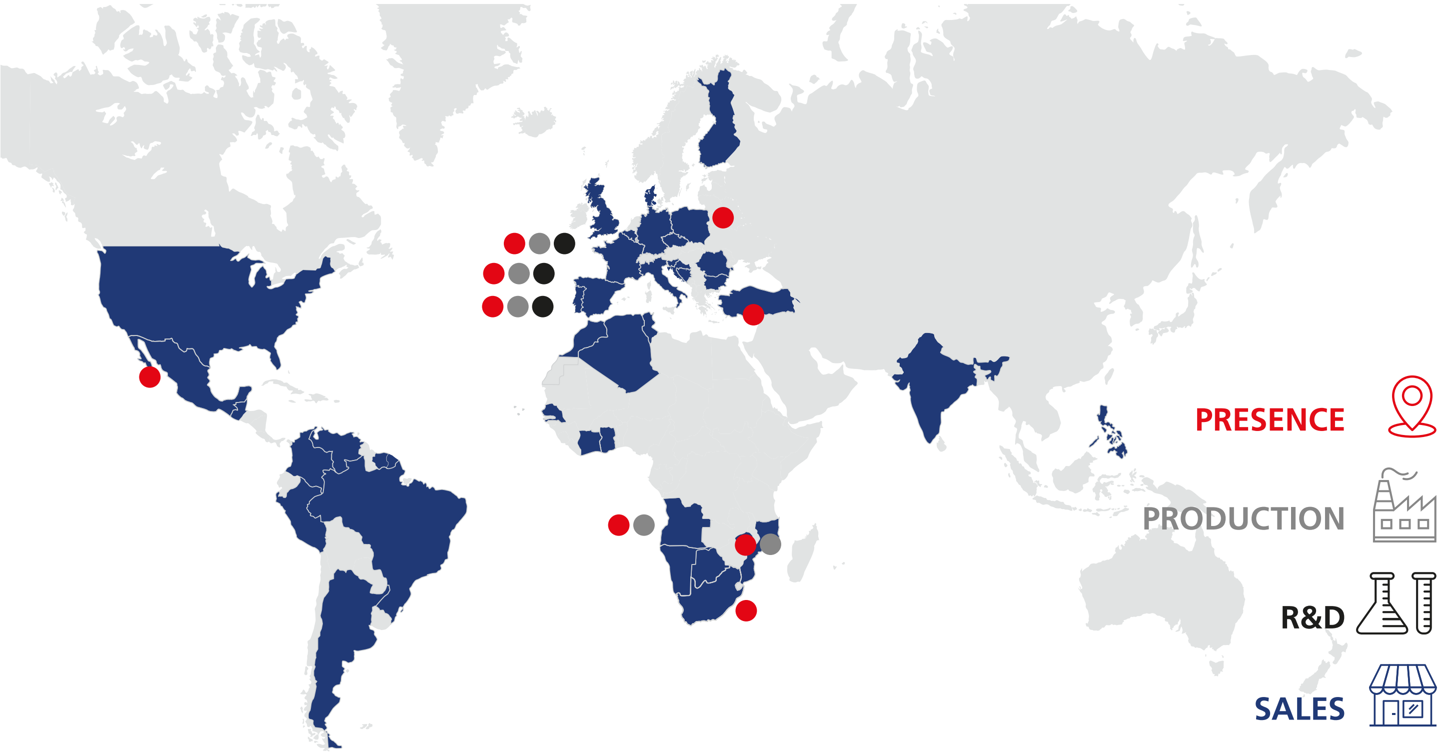
+100
years of experience
+25 years of leadership in Portugal
+20 years of leadership in the Iberian Peninsula

231
million euros
global turnover in 2018

+1400
staff
+ 140 R&D technicians

+40
countries
in which the CIN brand is present

CIN in the world



Many of CIN products were selected to be used in reference works around the world, namely the new European Commission's headquarters in Brussels (Belgium), a city where CIN products also found their way into various other landmark buildings, such as Toison D'Or, Chambon and Generali.

CIN products can also be found in the Portuguese theatres Tivoli BBVA in Lisbon and Rivoli in Porto and in Spain on the Torre Agbar (Barcelona) and on the Teatro Agora (Valencia).

In the African continent the most relevant works in Mozambique are the Thermoelectric Plant in Maputo, Nacala Hospital and Maputo's Catembe bridge the largest suspended bridge in Africa. In Angola the largest Luanda shopping centre Fortaleza Shopping was protected and decorated with CIN coatings as was also Johanesburg's Fourways Mall in South Africa.

Architectural Coatings

This business unit encompasses coatings for buildings used by professionals and end users (DIY) and is the most relevant of all three business units.

Production takes place in Portugal, Spain, Angola and Mozambique and sales through CIN own shops or distributors occur in Portugal, Spain, France, Belgium, Luxemburg, Switzerland, Poland, Turkey, Angola and Mozambique.

In all these territories innovation, quality and reliability of CIN products have earned the trust of consumers and professionals alike from simple interior decoration to major projects like the Nova School of Business & Economics campus in Lisbon, the Martinhal Quinta Family Resort, in Quinta do Lago, the iconic Lada Elevator and the new Hotel Torel Avangarde, both in Porto. We also highlight La Dehesa Shopping Centre and Hotel Lagasca 99 in Madrid.

Architectural coatings business unit accounted for 50% of 2018's turnover.

In Portugal, CIN experienced a significant market share increase across all product categories while in Spain the company underwent restructuring of sales department that showed some positive results by year end.

Currently CIN owns 125 stores, including 6 megastores and 19 superstores distributed throughout Portugal, Spain, Angola and Mozambique. In Portugal and Spain the renovation plan of older

20
countries
In Europe, Africa, Asia and the Americas

50%
of the CIN business

116
million euros
in 2018

Architectural Coatings

stores is still ongoing while new stores have also been deployed aiming for proximity to customers.

One of the most relevant projects in 2018 was the new Colormix 4G: CIN's proprietary and innovative tinting colour system now with a completely new generation of colorants with a significantly lower environmental impact and much larger offer of colorants. This project is a hallmark of CIN's constant commitment to innovation and also the persistence to keep on providing better products to its customers.

Also worth highlighting is the launch of AC-Thane, a new generation of polyurethane-enriched acrylic enamel that became an instant success. The new Imperflex R700, a waterproofing resin that ensures maximum adherence to the most diverse substrates; a new Lasur HD with maximum UV resistance that allowed for the expansion of the high-durability Woodtec range; and the launch of Artilin 3A Mate an anti-insect and anti-mite interior paint, the only approved for sale in the European market, and proven to remain effective 5 years after application.

The "Digital Transformation" project is ongoing having resulted in a new corporate website (www.cin.com) as well as an architectural business website for the Portuguese market (www.deco.cin.com). Easy to use and browse, both websites provide a much better and faster user experience and are compatible with all devices from desktop computers to all mobile devices.

Industrial Coatings

The Industrial coatings business unit produces and markets performance coatings such as powder coatings and 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 packaging. A geographic expansion and product portfolio expansion are the two strategic pillars for its growth and consolidation.

This business unit accounted for 39% of CIN's turnover in 2018.

Both Industrial and Protective coatings will widely benefit from the productivity increase arising from Maia's manufacturing facility's reconversion. In fact, 7 million euros were invested to create the first "Intelligent Factory", an internationally innovative concept in the sector. For this, state of the art, highly precise and reliable productive technologies were acquired allowing for various levels of automation and efficiency resulting in an increased productivity and decreased lead times. The factory's installed capacity is now 4 million litres, which can be duplicated with the introduction of a second shift.

Following another year conquering new customers, CIN Industrial Coatings remains the most relevant supplier of coatings for industrial storage racks manufacturers and was selected to

33
countries
In Europe, Africa, Asia and the Americas

39%
of the CIN business

90
million euros
in 2018

Industrial Coatings

provide coatings to the new automatic warehouses of the greatest logistics operators in Europe. CIN's products were also implemented in the new Berlin airport automatic transporters, as well as in the Portuguese post service's truck fleet renewal. CIN Industrial Coatings' powder coatings can be found in the aluminium frames used in various new hotel units build in 2018.

A new strategy based on a European expansion coupled with a stronger product portfolio including new products allowed for new customers and new projects to be converted resulting in a turnover increase in 2018.

Protective Coatings

This business unit encompasses performance coatings for the protection of assets and structures used in various sectors, such as Buildings and Infrastructures, Extraction and Industrial Facilities, Petrol and Gas, Energy, Water and the Food Industry and is 11% of CIN's total turnover.

The four main lines of coatings solutions – Heavy Duty, Passive Fire Protection, Structural Concrete Protection and Floor coatings – have been selected for large public and private works in Europe, Central America, Africa and the Middle East, as in León Farma Labs in León (Spain) and the Fourways Mall in Johannesburg (South Africa) where this unit has a dedicated sales office.

With production in Portugal and Spain, this business unit pursues of reaching new territories through a own sales office or, in some cases, relying in local partners in order to establish the CIN brand in the global market and widen its physical presence in strategic markets.

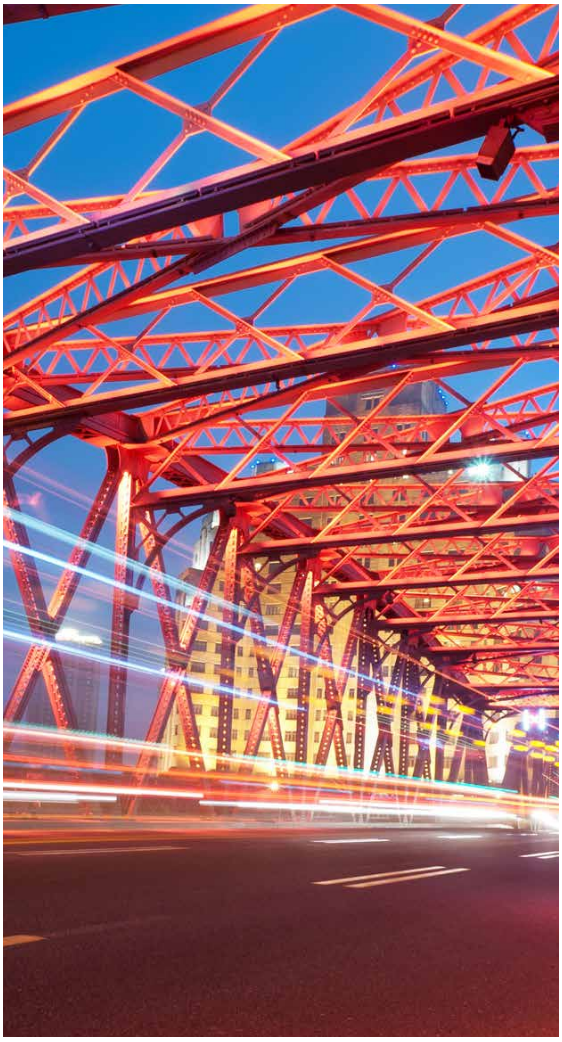
13
countries
In Europe, Africa, Asia and the Americas

11%
of the CIN business

25
million euros
in 2018

Protective Coatings

A strong R&D plan was launched in order to foresee market needs and develop new and more innovative products. This resulted in several new products during 2018, of which the most relevant are a new generation of passive fire protection products - C-THERM S100/S101 FD intumescent coatings – and a new concrete bridge coating that complies with LNEC (Portuguese Civil Engineering Laboratory) E468 specification that requires a low chloride permeability - C-Cryl W690 Flex.



Africa

Within the African continent, where the three business units operate transversally, CIN is based in Angola, Mozambique – with one production and storage units in each country – and in South Africa – with a Protective Coatings sales office.

CIN continues to invest in these markets, aiming at increasing the production facilities' installed capacity and reinforcing its operational efficiency. New sales and/or industrial partnerships with local partners are part of the strategic expansion plan. In 2018 this resulted in a new partnership with the largest south-African building construction materials store chain, the Builders Warehouse, in Mozambique.

Continuing to focus on a wide and modern store park, a renovation plan is still underway for the existing outlets, as well as a plan to open new stores, ensuring the brand's capacity in the region. There was the refurbishment of the stores in the centre of Luanda, Cónego and Samba, in Angola, as well as the relocation of the Maputo store in Mozambique. An investment of 1.5 million euros in new facilities in Talatona was also carried out, in order to improve the teams' working conditions and the services provided in this market.

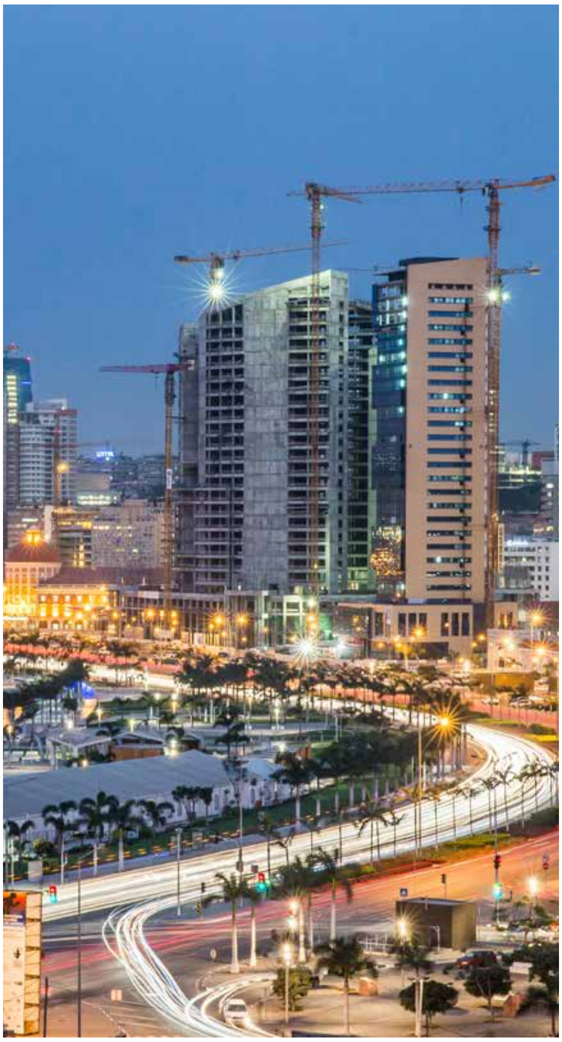
13
countries
in Africa

10 500
tonnes
Of production capacity

Africa

In 2018, a sales reorganisation was implemented which shows CIN's clear and continuous commitment in these territories. This commitment is also showing through the projects were CIN coatings were used in Mozambique, as Maputo's Thermoelectric Plant, the railing of the new Maputo-Catembe bridge (the largest suspended bridge in Africa), Nacala Hospital and the rehabilitation of Hotel Avenida, in Maputo. In Angola, we highlight: Fortaleza, the largest shopping centre in Luanda, Sodiba (beer factory in Luandina), Embalvidro (glass packaging factory), and the condominiums Zimbo and Urbanização Boa Vida.

CIN was also present in the three main trade shows: FILDA – Luanda International Trade Show, FIB – Benguela International Trade Show, and Expo Indústria e Projekta.



Research, Development and Innovation

With Research and Development (R&D) is the driver of innovation that has proven to achieve relevant results – over 10% of 2018 sales come from new, modified or improved products over the last three years.

About 150 specialised professionals work in the R&D centres in Portugal, Spain and France and this is complemented by partnerships with leading academic institutions such as such as University of Porto's Science and Engineering Faculties, Porto Engineering Institute, University of Aveiro and University of Minho.

Striving to always have the latest technology available CIN has invested 235 thousand euros in new state-of-the-art R&D equipment during 2018.

A total of 112 R&D projects were carried in 2018, 30% of which were successfully concluded. On top of that, 600 new raw materials were tested, 3.200 new colour formulations were carried out and 2.300 new formulas were developed.

The R&D activity resulted in countless new or improved products on all three market segments some of which list below due to their innovative nature:

Architectural Coatings:

- AC-Thane - Polyurethane enriched water-based enamel;
- Lasur Super HD - Water-based wood-stain for the decoration and protection of wood with excellent durability and maximum UV resistance;

112
projects
30% successfully concluded

10%
contributo IDI
to CIN results

235
thousand euros
investment in new equipment

Research, Development and Innovation

- Imperflex R700 – Waterproofing resin to mix with cement for walls and balconies;
- Fácil + Plus Blanco Ecológico - Eco-label water-based paint for interior walls;
- Valón PRO 600 – High opacity water-based paint for interior and exterior walls.

Industrial Coatings:

- Cinidrol S415 - Water-based thermosetting paint for storage racks, with a good value-for-money ratio;
- Cinidrol RDL 100 - Bisfenol A free solvent-based thermosetting paint for the protection of metallic drums;
- Aquacel Line - Water-based lacquers and varnishes for glass.

Protective Coatings:

- C-Cryl Sealer W500 - Water-based sealant for concrete surface porosities and cement mortars;
- C-Cryl Varnish W530 Matt - matte water-based varnish for concrete surfaces and cement mortars with good anti-carbonation properties;
- C-Cryl W690 Flex - Water-based coating for the protection of concrete, with excellent capacity to bridge cracks even at negative temperatures;
- C-Floor Primer E135 AP - Adherence primer for glazed and polished surfaces in pavements and walls, polished concrete with surface hardener, glazed ceramic, linoleum, polyester, etc.;
- C-Floor AC510 WB - Water-based coating with a component for concrete and cement pavement painting in light traffic areas;
- C-Therm S100/S101 FD - Intumescent solvent based coatings with a component for passive protection against fire in steel structures;
- Cincoat Primer HZS945 FS - Two-component silicate and epoxy zinc primers with quick drying capacities and excellent anticorrosion properties, for the protection of steel structures;
- C-Thane S740 DTM - Polyurethane coating (primer and finish in one coat), high thickness, applicable directly onto steel structures, in maritime and chemically aggressive industrial environments;
- Silicofer HT500 - Silicone coating for the protection of steel structures subjected to temperatures of up to 500 ºC.

Management Report

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 2018.

Macroeconomic Environment

The world economy evolved generally as expected, showing impressive growth of 3.8%.

However, this result hides differences in performance. In effect, the synchronisation of growth as between the different economic blocs has been diminishing, with the US economy reporting good performance and the rest losing momentum during the course of the year.

We can expect two distinct periods of growth during 2018: a robust first half, and a slowdown in the second half of the year, which was not unrelated to the rise in China-US trade tensions; doubts about the robustness of China's economy and financial system; and reactions to the chaos in the Brexit negotiations.

This situation influenced the ECB's decision to maintain an accommodative monetary policy, given the unexpected slowing of growth in the main European economies.

Portugal's performance was in line with the scenario outlined above, with growth of the economy slowing due to the lower contribution from exports and the fall in private consumption.

Political uncertainty and the piecemeal measures taken by the Spanish government created a state of expectation among businesses, which contributed to the slowing of economic growth.

The French economy, which had shown some signs of recovery, was impacted by the government's announcement of fiscal consolidation measures, which were not well received by the public and generated random protest movements, with a strong negative impact on the economy.

The process of resolving the imbalances in the Angolan economy led to a number of decisions, the most important of which being a major devaluation of the Kwanza, which had significant impact on economic growth, which was anaemic or even negative.

Operations in 2018

Introduction

2018 was a very difficult year for the Group, mainly due to external factors. The market situation made it difficult to fully pass on the increase in the price of raw materials in the selling price of products, leading to strong downward pressure on the gross margin.

Budget and currency restrictions in Angola were an additional factor exerting pressure on performance, given the significant contraction of the economy.

Internally, it was possible to mitigate these effects through control of the cost structure.

Markets

The Group's turnover in 2018 was €231m, an increase of 1.4% compared with the previous year.

By markets, in Portugal sales grew by 2.9%, sustained by the decorative paints and anticorrosion segments, while the industrial coatings segment experienced a slight decrease.

In Spain, sales increased by 6.7% in 2018, with all segments showing positive growth, in particular the industrial coatings and anticorrosion segments, and with the decorative paints segment growing at a more moderate rate, although still above the growth in the market generally.

In France, sales in 2018 increased by 3.7%, albeit with unequal performances by different companies. CIN Celliose's turnover grew by 8.0% with particular emphasis on the decorative paints segment, while CIN Monopol's turnover contracted by 1.2% due to the ongoing adjustment of its business model and the integration of the business as a whole in France.

The export market increased by 2.0%, mainly due to the growth of the anticorrosion segment and the performance of CIN Govesan in the industrial coatings segment, which offset the significant reduction of business with AKZO Nobel in the area of powder coatings in Germany, although this effect was mitigated somewhat by the excellent performance of the associated company Cenaris.

Exports of decorative products decreased due to the slowdown in direct sales to Angola.

The business in Angola suffered a significant contraction in turnover (-31.7%), due to the process of regularisation of the large macroeconomic imbalance, which led to a large devaluation of the currency, a shortage of foreign exchange and the drying-up of Kwanzas in the market. In local currency terms, sales grew by approximately 20%. This contraction affected all the segments in which CIN Angola operates.

In Mozambique, sales grew by an impressive 15.4% compared with the previous year, benefiting from a certain stability in the macroeconomic indicators and intense competitiveness in the market, while at the same time the maintenance of the Metical exchange rate against the major international currencies contributed to the good performance seen.

In the protective coatings foreign markets with a local presence, sales decreased by 3.5%, adversely affected by the slowdown in the business in Turkey due to the economic and social upheaval, which was reflected in the continued devaluation of the Turkish lira and restrictions on the financing of the economy.

Business Units (BU)

In the Decorative Paints BU, turnover decreased by 1.2% compared with the same period in the previous year.

In Portugal, sales grew by 2.7% in a market where growth remained anaemic (+0.2%), thereby contributing to a growth in market share in this period.

This performance was underpinned by robust growth of the CIN premium brand which, by generating a higher margin, mitigated the negative effect of the large increase in raw materials prices which, in terms of commercial policy, could not be passed on to the market.

In Spain, sales of decorative products grew by 3.0%, underpinned by the consistent performance of the various companies.

Estimates for the market point to growth of around 1.2%, gradually positioning the business model in a growth pattern at a rate faster than that of the market overall.

In France, the CIN Deco project in the domestic market showed robust growth of 31.2%, reinforcing the rate of growth already seen in 2017 following the adjustment in its business model.

In Angola, for the reasons listed above, the decorative paints unit saw negative growth of 32.2%.

In this segment in Mozambique, turnover grew by 12.1%, underpinned by aggressive commercial activity and expanded the segments in which we operate, in particular by offering one of the largest modern distribution networks for construction materials in Africa.

Export sales of decorative products decreased by 34%, mainly due to the drop in sales to direct customers in Angola and other geographical regions where occasional business was done in 2017, as well as to the poor performance of the export component of CIN Deco France.

The turnover of the Industrial Coatings BU grew by 2.3%, with the best growth being seen in the Spanish and Export markets, as a result of the increase in CIN Govesan's turnover. In France, turnover increased, underpinned by the performance of CIN Celliose reflecting its increased activity in certain segments – general industry and flexible tubes – as well as benefiting from the process of optimisation of resources between companies, concentrating the glass segment in Celliose. The slight contraction that CIN Monopol experienced in sales in the domestic market in 2018, compared with the same period in the previous year, reflects this optimisation process. However, its exposure to the market continues to fall.

In the Protective Coatings BU, sales grew by 6.5%, underpinned by a good performance in the main markets in which we operate, with the exception of the Angolan and Turkish markets.

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.

The Group's consolidated sales totalled €231m, an increase of 1.4% compared with 2017.

The gross percentage margin, maintaining the trend which begun in 2017, decreased significantly from 52.6% to 50.2%, due to large increases in raw materials prices, which it was not possible to pass on to customers in full. Consequently, the gross margin in value terms (€115.9m) represents a decrease of €4.0m (3.3%) compared with 2017. By the end of 2018 the raw materials price indices already showed some slowing of the rising movement begun at the end of 2016.

The pressure on profitability caused by the increases in raw materials prices was common to all the regions where the Group operates.

However, recurring EBITDA in 2018 totalled €21.0m, a decrease of €3.8m (15.4%) compared with the previous year, reflecting the good performance in terms of the operating costs structure, which remained stable relative to 2017.

We confirmed the Group's conservatism in hedging business risks and in investment policies to anticipate and ensure our response capacity to prospects of future growth of the business. As a result, recurring EBIT totalled €12.7m, decrease of 19.0% compared with the same period in 2017.

Net financial costs increased compared with the previous year as a result of the reduction in financial income, due to a more conservative policy on the assumption of risk in applications, having regard to the uncertainty that persists in the world economy and the increase in bank debt during the year resulting from investments in progress and increased working capital requirements reflecting the increase in stocks and customers, together with the effect of the devaluation of the cash resources retained in Angola.

Estimated tax decreased significantly compared with the previous year, based on the contribution in Portugal, reflecting the lower tax base and the recognition of tax benefits in 2018.

Reflecting the activity described above, as well as the recognition in 2018 of the effect of hyperinflation in Angola, net profit for the year, totalling €8.2m, represents an increase of 8.0% compared with the previous year.

In 2018, the Group generated cash flow from operating activities of €9.3m, €1.7m lower than in 2017. This variation was mainly due to the effect of payments to suppliers arising from the increase in inventories, whose end-of-year balance sheet figure is devalued by the exchange rate revision in Angola, and the impossibility of passing fully to customers the increase in the price of raw materials that occurred during 2018.

€10.1m was spent on investment activities, which is largely explained by investments in tangible and intangible fixed assets totalling €9.3m, mainly in Portugal, on the modernisation projects at the Maia manufacturing plant, implementation of the Group's new ERP, and in Angola, the acquisition of new administrative premises. In addition, €2.6m was invested in investment properties, in the development of two real estate projects in the city of Porto.

In terms of financing activities, payments were made of net financial charges totalling €2.6m and dividends of €4.5m, while the use of credit lines increased significantly, by €12.4m.

Total assets of €284.9m show an increase of €2.2m compared with 2017.

Non-current assets increased by €1.7m, explained by an increase of €1.6m in intangible fixed assets, attributable to the current project to implement a new ERP in the Group, and by an increase of €1.4m in investment properties, reflecting the investment in the development of two real estate projects, and by an increase of €0.8m in other investments, relating to financial holdings in unconsolidated companies; and, conversely, by a reduction in fixed assets of €2.4 M, largely attributable to the impact of the recognition of hyperinflation in Angola, since the amount invested equates to the value of amortisations in the period.

In terms of fixed assets, significant investments in CIN during the period relate to the new factory in the central industrial unit – a project that will enable significant cost savings in the production of products for the industrial coatings and anticorrosion segments, enabling the Group to respond more competitively to the challenges in those markets. Concurrently in Angola, with a view to eliminating excess liquidity and mitigating the risk of potential devaluations of the Kwanza, we acquired new administrative premises in Talatona.

Current assets increased by €0.5m in 2018, primarily as a result of the increases of €1.3m in the value of inventories and €1.8m in customers, while other financial assets decreased by €2.2m, mainly due to the reduction in cash and cash equivalents in Angola, affected by the huge exchange rate devaluation in the period.

Non-current liabilities totalled €91.4m, a decrease of €12.3m compared with 2017. This is explained by a reduction in borrowings (-€10m), due to the maturity in December 2019 of a €20m shareholder loan recognised in this financial year in current loans, and by the increase in the use of available non-current credit lines.

Current liabilities totalled €110.3m, an increase of €21.2m compared with the previous year, reflecting the recognition in current loans of the above-mentioned shareholder loan, an item that increased overall by €22.5m. In addition, there were increases of €2.0m in accounts payable to suppliers and of €1.8m in other accounts payable, in this case reflecting an increase in accounts payable to investment suppliers. Also in current liabilities, there was a reduction of €1.3m in other liabilities, explained by the reduction in the accrual for discounts granted to customers, and of €2.8 million in provisions, reflecting the conclusion of the business restructuring programmes which were in progress, mainly in Spain.

Shareholders' equity totalled €83.3m, a decrease of €6.6m compared with 2017, strongly impacted by the combined effects of the exchange rate devaluation and the effect of the application of IAS 29 - Hyperinflationary Economies to the business in Angola, the total amount of which amounted to €9m.

Financial and money markets

The financial markets performed very positively during 2018, despite the growth of the world economy slowing during the course of the year.

The general sentiment was that the markets showed a complacent attitude to the risk of recession.

However, towards the end of the year the equity market plummeted, which can be explained by the real increase in interest rates and in the dollar.

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

The Group benefited from these movements due to the reduction of certain spreads in the credit lines which it has negotiated with the banks.

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 need to adjust the business model associated with the uncertainty as to how the world political order may evolve calls for judiciousness in deciding the amount to distribute to shareholders in order to retain reserves to respond to those challenges.

Given these circumstances, the Board of Directors intends to propose to the Annual General Meeting that, of the net profit of €8.2m, the sum of €3.5m be distributed in dividends, corresponding to 14 cents per share.

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

The world economy shows signs of a significant slowdown, underpinned by a wave of deep and widespread uncertainty, much of it originating in the "trade war" between China and the USA.

This has led to a reduction in investment and consumption in those two countries with snowball effects among their main trading partners which is, for example, strongly affecting the growth of Germany's GDP.

The growth of populist and nationalist tendencies has been enhancing this uncertainty.

Against this background, while we must be cautious in the policies to be implemented, we are convinced that this is the moment to invest in order to ensure that we are prepared with the platforms and tools to be pro-active in an economy in transition, expanding the digital component, a process started last year, as well as being alert to movements in terms of the supply chain and consolidation in the market.

The challenge is to cease maintaining the Group's policy of incrementally optimising the efficiency of the model with which we are familiar, but instead to look for behavioural trends in a non-linear future, in order to leverage exponential growth of our business.

In this way we will strengthen the resilience of our organisational model by removing complexity and increasing the level of modularity of subsidiaries and manufacturing units, while continuing the process of centralising support activities to ensure that a gain in one area does not affect the integrity of the whole.

These times of uncertainty are conducive to consolidation movements, so, without abandoning the prudence that characterises us, we believe it is critical for the Group to strengthen its relative weight in the markets and segments where we have competitive advantages. The south of Europe and the decorative paints and industrial coatings segments are priorities for us in terms of investment in 2019.

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, 2 May 2019

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 2018 and 2017

(Amounts expressed in Euro)

ASSETS	Notes	IAS/IFRS 31/12/18	IAS/IFRS 31/12/17
NON CURRENT ASSETS:			
Goodwill	7	26 918 498	26 670 398
Intangible assets	8	5 263 850	3 651 554
Tangible assets	6	99 800 336	102 188 791
Investment properties	9	11 060 872	9 644 577
Other financial assets	10, 11	2 824 504	2 788 679
Other investments	4	847 125	53 001
Deferred tax assets	12	4 078 238	4 361 708
Other non current assets	10, 13	498 056	264 293
Total non current assets		**151 291 478**	**149 623 001**
CURRENT ASSETS:			
Inventories	14	45 029 635	43 696 879
Customers	10, 15	39 733 026	37 910 338
Other current debtors	10, 16	3 762 299	3 950 453
State and other public entities	10, 26	3 718 137	4 373 396
Other current assets	10, 17	2 100 717	2 624 075
Other financial assets	10, 11	13 045 415	15 199 001
Cash and cash equivalents	10, 18	26 253 005	25 327 543
Total current assets		**133 642 234**	**133 081 685**
Total assets		**284 933 712**	**282 704 686**
SHAREHOLDERS' FUNDS AND LIABILITIES			
SHAREHOLDERS' FUNDS:			
Share capital	19	25 000 000	25 000 000
Legal reserve	20	5 000 000	5 000 000
Revaluation reserves	20	2 758 445	2 758 445
Conversion reserves	20	(16 359 548)	(7 414 217)
Cash-Flow Hedging reserves	20	(220 259)	(30 352)
Fair value reserves	20	(299 080)	(354 232)
Other reserves		59 182 537	57 369 398
Consolidated net profit for the year		8 221 138	7 609 480
		83 283 233	**89 938 522**
Non-controlling interests	21	2 837	2 637
Total shareholders' funds		**83 286 070**	**89 941 159**
LIABILITIES:			
NON CURRENT LIABILITIES:			
Bank loans	10, 22	81 704 855	91 739 028
Other non current creditors	10, 25	2 355 418	3 514 933
Derivative financial instruments	10	296 418	51 375
Retirement benefit obligations	23	1 780 166	1 461 611
Deferred tax liabilities	12	5 217 826	6 931 578
Total non current liabilities		**91 354 683**	**103 698 525**
CURRENT LIABILITIES:			
Bank loans	10, 22	45 169 712	22 748 153
Suppliers	10, 24	32 093 425	30 075 369
Other current creditors	10, 25	6 228 880	4 434 512
State and other public entities	10, 26	6 986 791	7 967 587
Other current liabilities	10, 27	13 889 627	15 182 434
Provisions	28	5 924 523	8 656 947
Total current liabilities		**110 292 958**	**89 065 002**
Total shareholders' funds and liabilities		**284 933 712**	**282 704 686**

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2018.

ACCOUNTANT Nº 63002
Paula Macedo

THE BOARD OF DIRECTORS
João Manuel Fialho Martins Serrenho, *President*
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Ângelo Barbedo César Machado, *Member*
Manuel Fernando de Macedo Alves Monteiro, *Member*

Consolidated statements of profit and loss
for the years ended as of 31 December 2018 and 2017

(Amounts expressed in Euro)

	Notes	IAS/IFRS 31/12/18	IAS/IFRS 31/12/17
Operating income:			
Sales	29	231 014 861	227 799 208
Services rendered	29	7 896	20 820
Other operating income		3 728 769	2 970 401
Total operating income		**234 751 526**	**230 790 429**
Operating expenses:			
Raw materials and consumables used	14	112 239 704	110 154 200
Changes in inventories of finished goods and work in progress	14	2 861 073	(2 220 020)
External supplies and services		41 886 793	41 146 883
Payroll expenses		53 321 186	54 581 171
Amortisation and depreciation expenses	6, 8, 9	8 969 624	9 316 172
Provisions and impairment losses	28	-	1 471 796
Other operating expenses		3 403 570	3 167 488
Total operating expenses		**222 681 950**	**217 617 690**
Operating results		**12 069 576**	**13 172 739**
Impact of Hyperinflation in Angola	1.2.d)	496 487	-
Financial expenses	30	(3 347 309)	(3 271 628)
Financial income	30	571 807	760 876
Results before income taxes		**9 790 560**	**10 661 987**
Income taxes	31	(1 569 222)	(3 054 858)
Consolidated net profit for the year		**8 221 338**	**7 607 129**
Attributable to:			
Group		8 221 138	7 609 480
Non-controlling interests	21	200	(2 351)
		8 221 338	**7 607 129**
Earnings per share			
Basic	34	0,329	0,304
Diluted	34	0,329	0,304

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2018.

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Consolidated statements of changes in shareholders' funds for the years ended as of 31 December 2018 and 2017

(Amounts expressed in Euro)

	Capital share	Reserves							Non-controlling interests	Net profit	Total
		Legal reserve	Revaluation reserves	Conversion reserves	Holding reserves	Fair value reserves	Other reserves	Total reserves			
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 2015:											
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**
Balances as of 1 January 2017	25 000 000	5 000 000	2 758 445	(4 327 808)	-	(419 065)	54 913 877	57 925 449	4 987	7 326 121	90 256 557
IAS 29 effect as of 1 of January 2017				(844 257)				(844 257)			(844 257)
Appropriation of consolidated net profit of 2016:											
Transfer to other reserves	-	-	-	-	-	-	3 826 121	3 826 121	-	(3 826 121)	-
Distributions	-	-	-	-	-	-	-	-	-	(3 500 000)	(3 500 000)
Comprehensive income for the year	-	-	-	(2 242 152)	(30 352)	64 833	-	(2 207 671)	(2 351)	7 609 480	5 399 459
Changes in perimeter	-	-	-	-	-	-	(414 483)	(414 483)	-	-	(414 483)
Others	-	-	-	-	-	-	(956 117)	(956 117)	-	-	(956 117)
Balances as of 31 December 2017	**25 000 000**	**5 000 000**	**2 758 445**	**(7 414 217)**	**(30 352)**	**(354 232)**	**57 369 398**	**57 329 042**	**2 637**	**7 609 480**	**89 941 159**

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2018.

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Consolidated statements of comprehensive income for the years ended as of 31 December 2018 and 2017

(Amounts expressed in Euro)

	IAS/IFRS 31/12/18	IAS/IFRS 31/12/17
Consolidated comprehensive income for the year, including non-controlling interests	8 221 338	7 607 129
Other consolidated comprehensive income:		
Items to be reclassified to net profit in the future:		
Net actuarial gains and losses	(565 338)	-
Variation in hedging reserves	(189 907)	(30 352)
Variation in exchange conversion reserves	(4 873 746)	(2 242 152)
Variation in fair value reserves	55 152	64 833
Balances as of 31 December	**2 647 499**	**5 399 459**

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2018.

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Consolidated statements of cash flows
for the years ended as of 31 December 2018 and 2017

(Amounts expressed in Euro)

OPERATING ACTIVITIES:	Notes	IAS/IFRS 31/12/18	IAS/IFRS 31/12/17
Receipts from customers		266 608 776	259 415 888
Payments to suppliers		(180 180 371)	(170 225 991)
Payments to employees		(30 619 356)	(29 843 967)
Cash generated from operations		**55 809 049**	**59 345 930**
Income taxes paid		(1 950 941)	(2 187 775)
Other receipts/(payments) relating to operating activities		(44 580 904)	(46 222 361)
Flows generated before extraordinary items		**(46 531 846)**	**(48 410 136)**
Discontinued operations		-	-
Net cash generated by operating activities (1)		**9 277 203**	**10 935 794**
INVESTING ACTIVITIES:			
Receipts relating to:			
Investments available for sale		3 145 559	3 265 015
Investment properties		-	420 000
Tangible assets		949	5 489
		3 146 508	**3 690 504**
Payments relating to:			
Other investments		-	(4 127 679)
Investments available for sale		(2 617 168)	(4 987 992)
Investment properties		(1 280 273)	(2 746 743)
Tangible assets		(8 429 990)	(7 817 597)
Intangible assets		(919 263)	(9 800)
		(13 246 693)	**(19 689 811)**
Net cash used in investing activities (2)		**(10 100 185)**	**(15 999 307)**
FINANCING ACTIVITIES:			
Receipts relating to:			
Borrowings	22	43 948 878	44 226 108
Interest and similar income		515 174	590 017
		44 464 052	**44 816 125**
Payments relating to:			
Borrowings	22	(31 561 493)	(41 506 827)
Dividends		(4 500 000)	(3 500 000)
Interest and similar costs		(3 103 919)	(3 141 578)
		(39 165 412)	**(48 148 405)**
Net cash used in financing activities (3)		**5 298 640**	**(3 332 280)**
Variation of cash and cash equivalents (4) = (1) + (2) + (3)		4 475 658	(8 395 793)
Cash and cash equivalents at the beginning of the year		25 327 543	33 862 242
Changes in perimeter	5	-	110 354
Exchange variation in cash and cash equivalents at the beginning of the year		(3 550 196)	(249 260)
Cash and cash equivalents at the end of the year	18	**26 253 005**	**25 327 543**

The accompanying notes form an integral part of the consolidated statement for the year ended as of 31 December 2018.

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Notes to the Consolidated Financial Statements as of 31 December 2018

(Amounts expressed is Euro)

Introduction

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

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

As of 31 December 2018, Pleso Holding B.V. (with headquarters located in Netherlands) fully owns CIN's share capital.

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

1. Main accounting policies

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

1.1. Basis of presentation

The accompanying consolidated financial statements have been prepared on a going concern basis from the books and accounting records of the companies included in the consolidation (Note 3), maintained in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union for financial years started as from 1 January 2018. These standards include the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), the International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and respective interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and by the Standing Interpretations Committee ("SIC"), as adopted by the European Union. The standards and interpretations mentioned above will generally be presented as "IFRS".

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

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 2018:

Financial Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
IFRS 9 – Financial Instruments	1-Jan-18	This standard is included in the draft revision of IAS 39 and establishes the new requirements regarding the classification and measurement of financial assets and liabilities, the methodology for calculating impairment and the application of hedge accounting rules.
IFRS 15 – Revenue from contracts with customers	1-Jan-18	This standard introduces a principles-based revenue recognition framework based on a template to be applied to all contracts entered into with clients, replacing IAS 18 - Revenue, IAS 11 - Construction contracts; IFRIC 13 - Loyalty programs; IFRIC 15 - Agreements for the construction of real estate; IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Transactions of direct exchange involving advertising services.

Clarifications on IFRS 15 - Revenue from contracts with customers	1-Jan-18	These amendments introduce a number of clarifications in the standard in order to eliminate the possibility of divergent interpretations of various topics.
Amendment to IFRS 4: Application of IFRS 9, Financial Instruments, with IFRS 4, Insurance Contracts	1-Jan-18	This amendment provides guidance on the application of IFRS 4 in conjunction with IFRS 9. IFRS 4 will be replaced with IFRS 17 once IFRS 17 comes into force.
Amendment to IFRS 2: Classification and measurement of share payment transactions	1-Jan-18	This amendment introduces several clarifications in the standard related to: (i) registering share-based payment transactions that are settled with cash; (ii) recording changes in share-based payment transactions (from cash settled to settled with equity instruments); (iii) the classification of transactions with off-setting characteristics.
Improvements to international financial reporting standards (cycle 2014-2016)	1 January 18, with the exception of amendments to IFRS 12, whose application date is January 1, 17	These improvements involve the clarification of certain aspects related to: IFRS 1 - First-time adoption of international financial reporting standards: eliminates some short-term exemptions; IFRS 12 - Disclosure of interests in other entities: clarifies the scope of the rule regarding its application to interests classified as held for sale or held for distribution under IFRS 5; IAS 28 - Investments in associates and joint ventures: introduces clarifications on the fair value measurement by results of investments in associates or joint ventures held by venture capital companies or by investment funds.
IFRIC 22 - Foreign currency transactions including advances for the purchase of assets	1-Jan-18	This interpretation establishes the date of the initial recognition of the advance or deferred income as the date of the transaction for the purpose of determining the exchange rate of the revenue recognition.
Amendment to IAS 40: Transfers of Investment Property	1-Jan-18	This amendment clarifies that a change in classification of or for investment property should only be made when there is evidence of a change in the use of the asset.

No significant effects were recorded in the Group's financial statements for the year ended 31 December 2018 as a result of the adoption of the standards, interpretations, amendments and revisions referred to above.

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	
IFRS 16 - Leases	1-Jan-19	This standard introduces the principles of recognition and measurement of leases, replacing IAS 17 - Leases. The standard defines a single model for the accounting of leases which results in the lessee's recognition of assets and liabilities for all leases, except for leases with a period of less than 12 months or for leases involving low value assets. Lessors will continue to classify the leases between operational or financial, and IFRS 16 will not entail substantial changes to such entities as defined in IAS 17.
Amendment to IFRS 9: Prepayment Features with Negative Compensation	1-Jan-19	This amendment allows financial assets with contractual conditions which, in their early amortization, provide for payment of a considerable amount by the creditor, can be measured at the amortized cost or fair value for reserves (depending on the business model), provided that: (i) on the date of the initial recognition of the asset, the fair value of the early amortization component is insignificant; and (ii) the possibility of negative compensation in early amortization is the only reason that the asset in question is not considered as an instrument that only includes principal and interest payments.

IFRIC 23 - Uncertainties in the treatment of income tax	1-Jan-19	This interpretation provides guidance on the determination of taxable income, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty as to the treatment of income tax.

At the present date, in addition to the estimated effects arising from the adoption of IFRS 16, no significant impacts resulting from the adoption of the standards, amendments and interpretations mentioned above are expected.

As a result of the adoption of IFRS 16, using the retrospective model modified with the initial cumulative effect recognized in retained earnings as of January 1, 2019, and considering, at that date, the lease liability equal to the right of use, the estimated increase in assets and in liabilities on 1 January 2019 will provisionally amount to Euro 8 million.

In addition, in the calculation referred to above, the Group only considered contracts with a residual maturity of more than 12 months (counted after 31 December 2018) and assets with a unit value of more than 5,000 Euros.

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.
Improvements in international financial reporting standards (cycle 2015-2017)	1-Jan-19	These improvements involve the clarification of some aspects related to: IFRS 3 - Concentration of business activities: requires re-measurement of interests previously held when an entity obtains control when it previously held joint control; IFRS 11 - Joint ventures: clarifies that there should be no re-measurement of interests previously held when an entity obtains joint control over a joint operation; IAS 12 - Income Tax: clarifies that all tax consequences of dividends should be recorded in profit or loss, regardless of how the tax arises; IAS 23 - Borrowing costs: clarifies that the part of the loan directly related to the acquisition / construction of an asset, outstanding after the corresponding asset has been ready for the intended use, is, for the purpose of determining the capitalization rate, considered an integral part of the entity's general financing.
Amendment to IAS 28: Long-Term Investments in Associates and Joint Arrangements	1-Jan-19	This amendment clarifies that IFRS 9 should be applied (including related impairment requirements) to investments in associates and joint arrangements when the equity equivalence is not applied in the measurement thereof.
Amendments to IAS 19: Change in Plan, Restriction or Settlement	1-Jan-19	If an amendment, cut or liquidation of the plan occurs, it is now mandatory that the current service cost and the net interest of the period after re-measurement are determined using the assumptions used for re-measurement. In addition, amendments were included to clarify the effect of a change, reduction or liquidation of the plan on the asset ceiling requirements.

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 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.
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.

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 2018.

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 to above, the accounting policies and measurement criteria adopted by the Group at 31 December 2018 are comparable to those used in the preparation of the financial statements as at 31 December 2017.

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

São os seguintes os métodos de consolidação adoptados pelo Grupo:

a) Investments in Group companies

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

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

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

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

Whenever the Group has, in substance, control over other entities created for a specific purpose ("Special Purpose Entities – SPE´s"), even if no share capital interest is directly or indirectly held in those entities, these are consolidated by the full consolidation method. As of 31 December 2018 and 2017, there are no special purpose entities within the Group perimeter.

b) Investments in associated companies

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

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

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

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

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

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

c) Goodwill

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

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

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

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

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

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

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

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

d) Conversion of financial statements of foreign companies

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

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

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

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

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

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

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

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

The Group's Board of Directors has opted not to affect the statement of profit and loss, as required by the standard, with the impact of approximately 4.100.000 Euros relative to the re-expression of the year of 2018 (1.500.000 Euros in 31 of December 2017) of the non-monetary assets and liabilities, equity, and items of the consolidated statement of comprehensive income and of the adjustment of indexed assets and liabilities, opting to record this amount against caption "Retained earnings", as it is the understanding of the Board of Directors that the affectedness of CIN Angola's profit and loss statement of 2018 of this amount would distort the aforementioned statement, not providing a truthful and appropriate image of the operational activity of this subsidiary for the year ending of 2018 and 2017. It is worth mentioning that such procedure does not affect the value of the consolidated shareholder's funds of the CIN Group.

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

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

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

	31 of December 2018		31 of December 2017	
	Year End	Average	Year End	Average
Angolan Kwanza (AOA)	351,390	296,581	185,400	185,393
Mozambican Metical (MZN)	70,249	71,301	70,637	64,701
South African Rand (ZAR)	16,476	15,609	14,817	15,041
Mexican Peso (MXM)	22,491	22,693	23,582	21,335
Turkish Lira (TRY)	6,053	5,690	4,534	4,210

1.3. Main accounting policies

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

a) Tangible assets

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

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

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

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

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

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

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

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

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

b) Intangible assets

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

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

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

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

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

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

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

c) Investment properties

Investment properties corresponding to real estate assets held for rental or capitalization rather than industrial or administrative purposes are stated at acquisition cost.

d) Financial instruments

<u>Accounting policy adopted by the Group in 2018 with respect to financial assets and liabilities (under IFRS 9)</u>

• Financial assets and liabilities

Financial assets and liabilities are recognized in the Group's consolidated statement of financial position when it becomes part of the instrument's contractual provisions.

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 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.

<u>Classification of financial assets</u>

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 (comprising 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 is to receive both 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 (equities) 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 or 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 them.

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 hedged.

Financial liabilities 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 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.

Accounting policy adopted by the Group up to 31 December 2017 in respect of financial assets and liabilities (under IAS 39)

i) Investments

The Group classified financial investments in the following categories: "Investments recorded at fair value through profit or loss", "Loans and receivables", "held-to-maturity investments" and "Available-for-sale investments". The classification depended on the intention underlying the acquisition of the investment.

Investments recorded at fair value through profit or loss

This category is divided into two subcategories: "financial assets held for trading" and "investments recorded at fair value through profit or loss". A financial asset is classified in this category if it is acquired for the purpose of sale in the short term or if the adoption of the valuation through this method eliminates or significantly reduces an accounting gap. Derivative instruments are also classified as held for trading unless they are hedged. Assets in this category are classified as current assets if they are held for trading or are expected to be realized within less than 12 months of the balance sheet date.

Held-to-maturity investments

This category includes non-derivative financial assets with fixed or variable repayments that have a fixed maturity and for which the Board of Directors intends to maintain them until the date of maturity. These investments are classified as non-current assets, unless their maturity is less than 12 months from the balance sheet date.

Available-for-sale investments

These include non-derivative financial assets that are designated as available-for-sale or those that do not fall under the previous categories. This category is included in non-current assets, unless the Board of Directors intends to dispose of the investment within less than 12 months of the balance sheet date.

All purchases and sales of financial investments are recognized at the date of the transaction, i.e. the date on which the Group assumes all risks and obligations inherent in the purchase or sale of the asset. Investments are initially recognized at fair value plus transaction costs, with the only exception being "investments carried at fair value through profit or loss". In the latter case, investments are initially recognized at fair value and transaction costs are recognized in the statement of profit and loss.

Investments are derecognised when the right to receive financial flows has expired or has been transferred and consequently all associated risks and benefits have been transferred.

"Available-for-sale investments" and "investments registered at fair value through profit or loss" are subsequently registered at fair value by reference to their market value at the balance sheet date, without any deduction relating to transaction costs that may arise until it is sold.

"Loans and accounts receivable" and "Held-to-maturity investments" are recorded at amortized cost using the effective interest rate method.

Gains and losses, realized or not, arising from a change in the fair value of "Investments recorded at fair value through profit or loss" are recorded in the statement of profit and loss for the year. Gains and losses, realized or not, arising from a change in the fair value of non-monetary investments classified as available for sale, are recognized in equity under "Fair value reserves" until the investment is sold, received or until the fair value of the investment is below its cost of acquisition and that it corresponds to an impairment loss, at which point the accumulated loss is recorded in the statement of profit and loss.

The fair value of financial investments held for sale is based on current market prices. If the market in which the investments are inserted is not an active / net market (unlisted investments), the Group records the cost of acquisition, taking into account the existence or not of impairment losses. It is the belief of the Group's Board of Directors that the fair value of these investments does not differ significantly from their acquisition cost. The fair value of quoted investments is calculated based on the closing price of the stock market, where they are traded, at the date of each statement of financial position.

The Group carries out assessments at the date of each statement of financial position whenever there is objective evidence that a financial asset may be impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in their fair value to levels below their cost is indicative that the asset is impaired. If there is any evidence of impairment of "available-for-sale investments", accumulated losses - calculated by the difference between the acquisition cost and the fair value less any impairment loss previously recognized in the statement of profit and loss - are deducted from equity and recognized in the statement of profit and loss.

All purchases and sales of these investments are recognized at the date of execution of the respective purchase and sale agreements, regardless of the date of their financial settlement.

ii) Third-party debts

Debtors of non-interest bearing third parties are recorded at their nominal value less any impairment losses so that they reflect their present net realizable value. These amounts are not discounted because the effect of their financial update is not considered material.

iii) Loans

Loans are recorded in liabilities at their nominal value less transaction costs that are directly attributable to the issuance of these liabilities. The financial charges are calculated at the effective interest rate and recorded in the statement of profit and loss for the year in accordance with the accrual principle.

iv) Debts to third parties

Debts to non-interest bearing third parties are recorded at their nominal value, except in situations where the effect of the financial update is considered material.

v) Derivative instruments and hedge accounting

The Group uses derivatives in the management of its financial risks solely as a means of hedging these risks, and derivative instruments are not used for the purpose of trading (speculation).

The cash-flow hedges used by the Group relate to interest rate swaps to hedge interest rate risk on borrowings.

The criteria used by the Group to classify derivative instruments as cash flow hedging instruments are as follows:

– Coverage is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
– The effectiveness of the coverage can be reliably measured;
– There is adequate documentation on the transaction to be covered at the beginning of coverage;
– The transaction covered is highly probable.

Interest rate hedging instruments are initially recorded at cost, if any, and subsequently re-valued to their fair value. Changes in the fair value of these instruments are recognized in equity in the caption "Hedging reserves" and are transferred to profit and loss in the same period in which the hedged instrument affects results.

If derivative instruments do not meet the above-mentioned requirements for classification as hedging instruments, although initially contracted for this purpose, changes in their fair value are recognized directly in the statement of profit and loss.

The hedge accounting for derivative instruments is discontinued when the instrument matures or is sold. In situations where the derivative is no longer qualified as a hedging instrument, the accumulated fair value differences recorded in equity under "Hedging reserves" are transferred to profit or loss for the period or accounting value of the asset to which the hedged transactions originated, and subsequent revaluations are recorded directly in the statement of profit and loss headings.

When derivatives are embedded in other financial instruments or other contracts, they are treated as separate derivatives in situations where the risks and characteristics are not closely related to the host contracts and in situations where the contracts are not presented at fair value with unrealized gains or losses recorded in the statement of profit and loss.

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

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

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

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

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

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 28). Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and has been communicated to those affected by it.

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 costs and all conditions to reimbursement are fulfilled.

j) Pension complements

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

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

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

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

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 an reassessed on a yearly basis using the tax rate that is expected to be in force at the time these temporary differences are reversed.

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

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

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

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 attributable unless the Company is under liquidation, but it can be used either to absorb losses after the extinction of all the other reserves or to be incorporated in share capital.

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

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

Evidence of impairment in accounts receivable arises when:

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

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

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 twelve month period ended 31 December 2018 and 31 December 2017 include:

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

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

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

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 focuses in the financial market unpredictability and aims to minimize the collateral effects in its financial performance.

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

i) Exchange rate risk

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

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

	Tintas Cin Angola	Tintas Cin Moçambique	Tintas Cin México	Tintas Cin África do Sul	Tintas Cin Turquia
December 31, 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**
December 31, 2017					
Assets	32.102.915	4.619.788	618.105	1.160.863	887.243
Liabilities	(3.327.455)	(711.597)	(87.481)	(46.582)	(153.985)
	28.775.460	**3.908.191**	**530.624**	**1.114.281**	**733.258**

Foreign companies' financial statement translation risk or accounting risk consists of the impact on the Parent company's net equity as a result of having to 'translate' the foreign subsidiaries' financial statements. The existing guidelines to cover this risk include an individual approach of each hedging opportunity given the specific currency at stake and the subsidiary's capital structure (as of 31 December 2018, this situation only applies to subsidiaries disclosed above).

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

ii) 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 through futures' market hedging. As of 31 December 2018 and 2017 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 Group loss.

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

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

Accounts receivables impairment losses are computed according to the following criteria: (a) the customer credit profile; (b) the average days of sales outstanding; (c) the customer's financial position. Adjustments recorded in the years ended as of 31 December 2018 and 2017 are disclosed in Note 28.

As of 31 December 2018 and 2017 the Group does not consider the need for any additional impairment losses, besides those recorded and disclosed in Note 28.

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

iv) Liquidity Risk

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

CIN Group's liquidity risk management aims to:

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

The Group's procedures seek to match assets and liabilities maturity dates. Group's balances as of 31 December 2018 and 2017 show that the 'permanent capital' is higher than non-current assets, thus confirming Group's concern towards a well-balanced financial management. The Group ensures that the financial instruments, credit lines, and amounts meet the businesses and subsidiaries' specific needs and allow a reasonable liquidity surplus. Typically, these credit facilities are obtained without the concession of guarantees.

v) Interest rate risk

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

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

As of 31 December 2018 and 2017, the financial net debt of the Group amounts to 87,576,148 Euros and 73,960,637 Euros, respectively. These balances are composed of current and non-current loans (Note 22), and cash and cash equivalents (Note 18) celebrated with different entities. Additionally, there is the amount of 13,045,415 euros (15,199,001 euros in 2017) included in "Other financial assets" short-term, depending on their characteristics.

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

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

Interest Rate Sensitivity Analysis

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

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

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

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

	2018		**2017**	
	-0,75 b.p.	+0,75 b.p.	-0,75 b.p.	+0,75 b.p.
Net profit (1)	455.000	(465.000)	426.000	(403.000)
Net equity (2)	(12.000)	8.000	(16.000)	8.000

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

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

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

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 2018 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 2018, 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	45%	-	45%
Atossa Imobiliária, Sociedade Unipessoal, Lda. ("Atossa")	Maia	100%	-	100%
With headquarters in others countries:				
CIN Valentine, S.A. ("CIN Valentine")	Barcelona (Spain)	-	100%	100%
Pinturas Cin Canarias, S.A. ("Pinturas Cin Canarias")	Tenerife (Spain)	-	100%	100%
Amida Inversiones, S.L. ("Amida Inversiones")	Madrid (Spain)	5%	95%	100%
Cin Inmuebles, S.L. ("Cin Inmuebles")	Barcelona (Spain)	-	100%	100%
Cin Pinturas & Barnices, SLU ("Cin Pinturas & Barnices")	Madrid (Espanha)	-	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 (Turquia)	-	100%	100%
CIN Govesan, S.A. ("CIN Govesan")	Madrid (Spain)	-	100%	100%

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

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

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

4. Subsidiaries excluded from consolidation

The subsidiaries excluded from consolidation, their respective headquarters and the proportion of capital held as of 31 December 2018, are as follows:

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

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

The Group owns the subsidiaries "CINBRASIL Participações, Ltda." (Brasil) and "Cin Coatings Polska Sp. Zoo.", which do not have relevant activity, thus being excluded from consolidation. Additionally, net investment for these entities amounts to, approximately, 847 thousand euros. Cin's Board of Directors believes that not consolidating these entities does not produce a relevant effect on the consolidated financial statements.

5. Changes in the consolidation perimeter

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

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

Net assets acquired	Notes	Accounting Amount	Adjustments Fair Value	Fair Value
Tangible assets	6	3.500.000	5.151.700	8.651.700
Intangible assets	8	100.000	-	100.000
Inventories	14	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 Accrual	28	-	(5.942.699)	(5.942.699)
Other finantial liabilities		(934.586)	-	(934.586)
Suppliers and other creditors		(29.578)	-	(29.578)
Deferred Taxes Liabilities		-	(1.289.000)	(1.289.000)
		3.353.021	**(2.151.151)**	**1.201.870**
Goodwill	7			2.899.078
Acquisition Price				4.100.948
Net cash flow arising from the acquisition:				
Payments made				(4.100.948)
Cash and cash equivalents acquired				2.392
				(4.098.556)

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

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

At 31 of December 2018, after the initial identification of fair value of assets and acquired liabilities, the Group reviewed the period and proceeded as follows:

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 Accrual	-	(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 Taxes 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

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

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

6. Tangible assets

During the years ended 31 December 2018 and 2017, the movements in the gross value of tangible fixed assets, as well as in the respective depreciation and accumulated impairment losses, was as follows:

	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								
Opening balance	-	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**

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

As of 31 December 2018 and 2017, the caption "Tangible assets in progress" was made up as follows:

	31.12.2018	31.12.2017
Design-New manufactures and warehouses of raw materials [1]	5.641.321	2.645.545
Industrial installations in Angola	990.712	991.070
Administrative facilities in Angola (Talatona)	1.068.296	-
Investments in information technology	-	379.822
Others	1.270.528	2.076.702
	8.970.856	**6.093.569**

(1) The group is developing the expansion of its factory located in the city of Maia, notably through a new production ship, as well as an expansion of the warehouse of raw materials.

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

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

7. Goodwill

During the period ended as of 31 December 2017 the Company recorded the Goodwill generated in the acquisition of CIN Govesan in the value of 2,899,078 Euros. Which has been changed to 3,147,178 Euros during the financial year of 2018 (Note 5).

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

As of December 31, 2018 and 2017, the net book value of goodwill, which was originated by acquisitions made by the Group in the referred markets in order to expand its operations in these markets, was made up as follows:

Country / business	31.12.2018	31.12.2017
Spain	10.629.560	10.381.460
- CIN Govesan (Note 5)	3.147.178	2.899.078
- Others	7.482.382	7.482.382
France		
- Celliose Group	8.704.940	8.704.940
- Monopol Group	3.693.586	3.693.586
Portugal	3.890.412	3.890.412
	26.918.498	**26.670.398**

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

Main assumptions	Spain	France	Portugal
Discount rate	10,00%	10,00%	10,00%
Explicit projection period	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 does not imply the need to record impairment losses as of 31 December 2018. Similarly, a decrease of 0.5% on the perpetuity growth rate would not result in significant losses as of 31 December 2018.

8. Intangible assets

During the years ended as of 31 December 2018 and 2017, the movement in intangible assets as well as in the respective accumulated depreciation and accumulated impairment losses, was as follows:

	2018					
	Instalation expenses	Development expenses	Industrial property and other rights	Goodwill	Working 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**

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

The net amount of the transfers occurred in 2018 is related to transfers between tangible assets and intangible assets, due to its intrinsic nature (new ERP) (note 6).

On December 31, 2018, the "intangible assets working progress" is related to investments in information technologies (new ERP)

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

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

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

9. Investment properties

As of 31 December 2018, the caption "Investment properties" includes real estate assets held by CIN Group, mainly located in Guardeiras, Maia that is held for capital appreciation. These assets are stated at the respective acquisition cost.

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

As of 31 December 2018 and 2017, the movement in these captions was as follows:

	31.12.2018	31.12.2017
Investment properties:		
Balance as of 1 January	9.644.577	6.958.781
Aditions	1.452.347	2.685.796
Depreciation Charge	(36.052)	-
Balnce as of 31 December	**11.060.872**	**9.644.577**

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. In 2018, the amount related to additions refers to two real estate projects that the group is developing.

The investment properties generated costs on 31 December 2018 and 2017 in the total amount of approximately 61,248 Euros (including amortization of 36,052 Euros in the current year) and 5,736 Euros (there were no amortizations in the current year), 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 76,050 Euros, registered under the "Other operating income".

10. Classes of financial instruments

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

Financial assets

	Notes	Loans and account receivables	Investments availaable for sale	Assets not covered by IFRS 7	Total
December, 31 2018					
Non-current assets					
Other financial assets	11	-	2.824.504	-	2.824.504
Other non-current assets	4	498.056	-	-	498.056
		498.056	2.824.504	-	3.322.560
Current Assets					
Customers	15	39.733.026	-	-	39.733.026
Other current debtors	16	3.762.299	-	-	3.762.299
State and other public entities	26	-	-	3.718.137	3.718.137
Other current assets	17	2.100.717	-	-	2.100.717
Other financial assets	11	13.045.415	-	-	13.045.415
Cash and cash equivalents	18	26.253.005	-	-	26.253.005
		84.894.462	-	3.718.137	88.612.599
		85.392.518	**2.824.504**	**3.718.137**	**91.935.159**
December, 31 2017					
Non-current assets					
Other financial assets	11	-	2.788.679	-	2.788.679
Other non-current assets	4	264.293	-	-	264.293
		264.293	2.788.679	-	3.052.972
Current Assets					
Customers	15	37.910.338	-	-	37.910.338
Other current debtors	16	3.950.453	-	-	3.950.453
State and other public entities	26	-	-	4.373.396	4.373.396
Other current assets	17	2.624.075	-	-	2.624.075
Other financial assets	11	15.199.001	-	-	15.199.001
Cash and cash equivalents	18	25.327.543	-	-	25.327.543
		85.011.410	-	4.373.396	89.384.806
		85.275.703	**2.788.679**	**4.373.396**	**92.437.778**

Financial liabilities

	Notes	Coverage Derivatives	Financial liabilities recorded at amortized cost	Liabilities not covered by IFRS 7	Total
December, 31 2018					
Non-current liabilities					
Financing obtained	22	-	81.704.855	-	81.704.855
Other debts to third parties	25	-	2.355.418	-	2.355.418
Financial derivative instruments		296.418	-	-	296.418
		296.418	84.060.273	-	84.356.691
Current liabilities					
Financing obtained	22	-	45.169.712	-	45.169.712
Suppliers	24	-	32.093.425	-	32.093.425
Other creditors	25	-	6.228.880	-	6.228.880
State and other public entities	26	-	-	6.986.791	6.986.791
Other current liabilities	27	-	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**
December, 31 2018					
Non-current liabilities					
Financing obtained	22	-	91.739.028	-	91.739.028
Other debts to third parties	25	-	3.514.933	-	3.514.933
Financial derivative instruments		51.376	-	-	51.376
		51.376	95.253.961	-	95.305.337
Current liabilities					
Financing obtained	22	-	22.748.153	-	22.748.153
Suppliers	24	-	30.075.369	-	30.075.369
Other creditors	25	-	4.434.512	-	4.434.512
State and other public entities	26	-	-	7.967.587	7.967.587
Other current liabilities	27	-	15.182.434	-	15.182.434
		-	72.440.468	7.967.587	80.408.055
		51.376	**167.694.429**	**7.967.587**	**175.713.392**

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.

	31-12-2018		
	Level 1	Level 2	Level 3
Financial assets measured			
Investments available for sale (Note 11)	-	-	**2.824.504**
Financial assets measured at fair value			
Investments in financial derivatives	-	**296.418**	-

	31-12-2017		
	Level 1	Level 2	Level 3
Financial assets measured			
Investments available for sale (Note 11)	**2.115.063**	-	**673.616**
Financial assets measured at fair value			
Investments in financial derivatives	-	**51.375**	-

At December 31, 2018, the Group has derivative contracts to hedge interest rates on its financing with the following characteristics:

Contractual Fixed Rate		Notional Value		Fair Value	
31-12-2018	31-12-2017	31-12-2018	31-12-2017	31-12-2018	31-12-2017
0,19%	0,19%	35.000.000	35.000.000	(296.418)	(51.375)

11. Other financial assets

As of 31 December 2018 and 2017, these captions included financial investments classified as available for sale and had the following movement in the year:

	2018		
	Gross value	Impairment losses (Note 28)	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**

	2017		
	Gross value	Impairment losses (Note 28)	Net value
Investments available for sale:			
Opening balance	4.756.400	(994.439)	3.761.961
Fair value variations	133.332	-	133.332
Increases	265.942	(644.162)	(378.220)
Decreases	(728.395)	-	(728.395)
Final balance	**4.427.280**	**(1.638.601)**	**2.788.679**

As of 31 December 2018, the fair value of the Boero Bartolomeo, S,p,A, shares, corresponding to 2,515% of this entity's share capital, amounted to, approximately, Euro 2,236,568 (2,115,063 Euro as of 31 December 2017), based on the year end stock quotation.

During the period ended 31 December 2018, the Group carried out the sale of shares which it possessed relative to publicly-traded entities quoted in the Euronext Lisboa stock market, in the amount of 240,948 Euros.

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

As of 31 December 2018 and 2017, the amounts classified as short-term, included investments in banks that did not meet the requirements for classification as "Cash and cash equivalents", namely bank deposits and investments within economies suffering from restrictions on capital transfers.

12. Taxes

The detail of the amounts and nature of assets and liabilities for deferred taxes recorded in the accompanying consolidated financial statements, and the respective movement as of 31 December 2018, are as follows:

Deferred tax assets:	Opening balances	Perimeter variations	Effect on results	Effect on equity	Closing balances
Depreciation not taxed	520.896	-	62.918	-	583.814
Provisions and adjustments not accepted for tax purposes	2.175.124	-	(59.307)	(167.080)	1.948.738
Pension fund (relating to accrued cost)	328.862	-	71.675	-	400.537
Merger reserve	617.225	-	(194.002)	-	423.124
Tax loses	553.044	-	80	-	553.124
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	-	(2.534)	-	12.105
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 investments held for sale	1.653.007	-	-	(1.004.596)	648.411
Write-off of provisions	2.481.988	-	(72.958)	-	2.409.030
Adjustments in fair value of properties IAS 29 effect	1.683.790	-	-	(664.796)	1.018.994
Others	32.458	-	2.547	-	29.911
	6.931.578	**-**	**(80.367)**	**(1.633.390)**	**5.217.826**

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

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

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

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

In accordance with the applicable legislation, the income tax returns of CIN and other Group companies are subject to review and correction by the tax authorities for a 4-year period (5-year for Social Security) except when tax losses have occurred or tax benefits have been granted, or tax inspections, claims or refutations are in progress, in which cases and depending on the circumstances, the deadlines are delayed or suspended, Therefore, the tax declarations of the Group Companies (established in Portugal) since 2015 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 2018.

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

As of 31 December 2018, 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	1.838.301
Year 2012	9.669.035	1.442.147
Year 2013	6.943.987	443.956
Year 2014	4.607.897	1.348.948
Year 2015	5.203.274	-
Year 2016	4.681.090	-
Year 2017	7.999.218	-
Year 2018	9.015.573	-
	80.687.209	**5.073.352**

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

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

As of 31 December 2018 and 2017, the tax rates used to calculate the assets and liabilities for deferred taxes can be detailed as follows:

	Tax rates	
	31.12.2018	**31.12.2017**
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) (i) Spain - Canary Islands

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

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

Assets must remain operational in the company at least five years without being transferred, leased or transferred to third parties for use. The reserve, which is included in the equity caption "Other reserves" is unavailable while goods that should remain associated with the Company, and the amount at 31 December 2018 amounted to 4,993,975 Euros, Pending realizable values were recorded in taxes of the respective companies, in a total amount of 265,235 Euros.

13. Other non-current assets

As of 31 December 2018 and 2017, the composition of the caption was up as follows:

	31.12.2018	31.12.2017
Retirement benefits (Note 23)	53.803	65.063
Guarantee	444.253	199.230
	498.056	**264.293**

14. Inventories

As of 31 December 2018 and 2017, the composition of the caption was up as follows:

	31.12.2018	31.12.2017
Raw, subsidiary and consumable materials	17.724.984	16.453.045
Merchandise	6.727.244	4.278.996
Finished and intermediate goods	26.589.734	29.358.696
	51.041.963	**50.090.737**
Accumulated impairment losses on inventory (Note 28)	(6.012.328)	(6.393.858)
	45.029.635	**43.696.879**

The cost of goods sold and consumed for the years ended as of 31 December 2018 and 2017 were computed as follows:

	31.12.2018	31.12.2017
Opening balances:		
Raw, subsidiary and consumable materials	16.453.045	8.572.886
Merchandise	4.278.996	3.507.149
Changes in perimeter (Note 5)	-	750.355
Purchases	119.015.924	116.581.346
Inventory adjustments	234.508	(364.141)
IAS 29 effect	(3.042.909)	1.408.750
Exchange rate effect	(247.631)	429.896
Closing Balance:		
Raw, subsidiary and consumable materials	(17.724.984)	(16.453.045)
Merchandise	(6.727.244)	(4.278.996)
	112.239.704	**110.154.200**

The changes in inventories of finished goods and work in progress for the years ended as of 31 December 2018 and 2017, was calculated as follows:

	31.12.2018	31.12.2017
Closing balances	26.589.734	29.358.696
Inventory adjustments	(92.111)	150.175
Opening balances	(29.358.696)	(27.288.851)
	(2.861.073)	**2.220.020**

15. Customers

As of 31 December 2018 and 2017, this caption was composed as follows:

	31.12.2018	31.12.2017
Customers, current accounts	38.085.333	35.744.702
Customers, notes receivable	3.036.963	3.484.477
Customers, doubtful accounts	8.674.767	9.949.273
	49.797.063	**49.178.452**
Accumulated impairment losses on costumers (Note 28)	(10.064.036)	(12.268.114)
	39.733.026	**37.910.338**

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

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

	31.12.2018	31.12.2017
Not due:	30.493.867	29.498.494
Due and not adjusted:		
0-30 outstanding days	6.885.971	6.728.078
30-90 outstanding days	1.426.964	1.610.052
More than 90 outstanding days	926.233	73.714
Due and adjusted:		
0-90 outstanding days	370.705	276.992
90-180 outstanding days	374.892	241.779
180-360 outstanding days	997.505	1.019.148
More than 360 outstanding days	8.320.926	9.730.195
	49.797.063	**49.178.452**

16. Other debtors

As of 31 December 2018 and 2017, this caption was made up as follows:

	31.12.2018	31.12.2017
Suppliers debtors balances	338.956	338.837
Personnel	140.569	128.069
Advances to suppliers and suppliers of fixed assets	-	2.682
Others debtors	5.293.547	4.039.122
	5.823.081	**4.508.710**
Accumulated impairment losses (Note 28)	(2.060.782)	(558.257)
	3.762.299	**3.950.453**

17. Other current assets

As of 31 December 2018 and 2017, this caption was made up as follows:

	31.12.2018	31.12.2017
Bonus Receivable from suppliers	671.196	875.544
Prepaid insurance	64.357	114.686
Prepaid rents	142.408	235.564
Interest receivable	140.989	60.146
Prepaid financial charges	459.429	430.545
Other	622.338	907.590
	2.100.717	**2.624.075**

18. Cash and cash equivalents

As of 31 December 2018 and 2017, the caption "Cash and cash equivalents" was as follows:

	31.12.2018	31.12.2017
Cash and cash equivalents:		
Cash	28.459	51.192
Bank deposits on demand	26.178.210	25.230.701
Cash equivalentes	46.335	45.650
	26.253.005	**25.327.543**

As of 31 December 2018, the Company and its subsidiaries have credit facilities amounting to 38,600,000 Euros available for future operating activities and to meet financial commitments, without any restriction to its use.

19. Share capital

As of 31 December 2018, 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 2018, Pleso Holding B.V. owned 100% of the Company's share capital (Introduction).

20. Equity

Legal Reserve

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

Revaluation reserves

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

Currency conversion reserves

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

Fair value reserves

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

21. Non-controlling interests

During the year ended 31 December 2018 and 2017, the movement in the caption "Non-controlling interests", is detailed as follows:

	31.12.2018	31.12.2017
Balance as of 1 January	2.637	4.987
Net profit of the period	200	(2.351)
Balance as of 31 December	**2.837**	**2.637**

22. Loans

As of 31 December 2018, the detail by nature of bank loans was made up as follows:

	Plafond	Amount in use	Current	Non current
Bank loans	5.321.302	669.712	669.712	-
Commercial Paper Programs	114.000.000	80.100.000	24.500.000	55.600.000
Bonds	45.000.000	45.000.000	20.000.000	25.000.000
Investment subsidies	1.150.269	1.150.269	-	1.150.269
Effect effective interest rate use	n.a.	n.d.	-	(45.414)
	165.471.571	**126.919.981**	**45.169.712**	**81.704.855**

Bank loans

As of 31 December 2018, the detail of bank loans (except for commercial paper programs) was made up as follows:

Company	Plafond	Amount in use	Current	Non current
CIN	2.500.000	-	-	-
CIN Valentine	2.500.000	598.410	598.410	-
CIN Soritec	321.302	71.302	71.302	-
	5.321.302	**669.712**	**669.712**	**-**

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

Commercial Paper Programs

As of 31 December 2018, the Commercial Paper Programs can be detailed as follows:

	Program total amount	Nominal value	Current	Non current	Interest	Book value as of December 31, 2018
CIN- Corporação Industrial do Norte, S.A						
Contract (37.000.000 Euros) 14th Emission	37.000.000	24.000.000	-	24.000.000	45.414	23.954.586
Contract (9.500.000 Euros) 43rd Emission	9.500.000	9.500.000	9.500.000	-	2.889	9.500.000
Contract (12.500.000 Euros) 14th Emission	12.500.000	8.850.000		8.850.000	13.982	8.850.000
Contract (15.000.000 Euros) 68th Emission	15.000.000	11.500.000	11.500.000	-	14.535	11.500.000
Contract (10.000.000 Euros) 16th Emission	10.000.000	10.000.000	-	10.000.000	15.167	10.000.000
Contract (10.000.000 Euros) 12th Emission	10.000.000	10.000.000	-	10.000.000	25.278	10.000.000
Contract (10.000.000 Euros) 12th Emission	10.000.000	2.750.000	-	2.750.000	8.342	2.750.000
Contract (10.000.000 Euros) Not used	10.000.000	-	-	-	-	-
Cin Valentine SL						
Contract (15.000.000 Euros) 69th Emission	grouped contract	1.000.000	1.000.000	-	1.264	1.000.000
Amida Inversiones						
Contract (15.000.000 Euros) 70th Emission	grouped contract	2.500.000	2.500.000	-	3.160	2.500.000
	114.000.000	**80.100.000**	**24.500.000**	**55.600.000**	**130.029**	**80.054.586**

Commercial Paper Program balances have the following underlying contracts:

Company	Program Total Amount	Beggining date	Maturity
CIN - Corporação Industrial do Norte, S.A.	37.000.000	June 2017	June 2022
CIN - Corporação Industrial do Norte, S.A.	15.000.000	September 2014	September 2020
CIN - Corporação Industrial do Norte, S.A.	12.500.000	June 2017	June 2020
CIN - Corporação Industrial do Norte, S.A.	9.500.000	June 2017	September 2021
CIN - Corporação Industrial do Norte, S.A.	10.000.000	June 2016	June 2020
CIN - Corporação Industrial do Norte, S.A.	10.000.000	May 2017	May 2022
CIN - Corporação Industrial do Norte, S.A.	10.000.000	May 2017	May 2024
CIN - Corporação Industrial do Norte, S.A.	10.000.000	March 2014	March 2019
	114.000.000		

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

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

Bonds

Em 31 de Dezembro de 2018, esta rubrica era constituída por dois empréstimos denominados "CIN / 2016-2021" e "CIN/ 2014-2019", nos montantes de 25.000.000 Euros e 20.000.000 Euros, respectivamente, emitidos pela CIN – Corporação Industrial do Norte, S.A.. Estes empréstimos de acordo com as suas condições vencem juros indexados à Euribor, com spread de 1,8625% e 3,35%, e vencem-se em Dezembro de 2021 e Dezembro de 2019, respectivamente.

Borrowings payback plans

EAs of 31 December 2018, Commercial Paper Programs classified as non-current and the bonds, had the following projected repayment and interest payment plan, considering full use of the existing programs:

	Effective interest rate	2019	2020	2021	2022	2023	2024	Total
Repayment		-	25.500.000	28.000.000	38.000.000	-	10.000.000	101.500.000
Interest	1,15%	1.325.250	1.286.063	903.116	237.500	175.000	72.917	3.999.846
		1.325.250	**26.786.063**	**28.903.116**	**38.237.500**	**175.000**	**10.072.917**	**105.499.846**

The detail of the liabilities occurring from financing activities as of the period ended 31 December 2018 can be found below:

Borrowwings	2018	2017
Opening balance	114.487.181	112.567.181
Cash-Flows:		
Income from financial debt	43.948.878	44.226.108
Expense from financial debt	(31.561.493)	(41.506.827)
Conversion of borrowings into non-repayable subsidies	-	(726.319)
Others	-	(72.962)
Final Balance	**126.874.566**	**114.487.181**

23. Pension commitments

CIN Pension Fund:

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

In accordance with an actuarial valuation performed by the Fund manager, the present value of the liabilities for past services of retired and current employees as of 31 December 2018 and 2017 was as follows:

	31.12.2018	31.12.2017
Current	4.654.563	5.073.396
Retired	3.124.845	2.519.036
	7.779.408	**7.592.432**

As of 31 December 2018 and 2017, those liabilities were calculated using the "Projected Unit Credit" method and the mortality table TV 88/90 and disability table SR (Suisse Re). In addition to the technical parameters referred to above, the valuation was made assuming annual salary increases of 0.5% (0.5% in 2017), a rate of return for the fund of 3.77 (3.77% in 2017, zero rate of increase of the pensions on payment, technical interest rate of 3.77 (3.77% in 2017) and personnel "turnover" computed in accordance with the average historical data for the Company between 1994 and 2016.

The movement in the liabilities for past services for the periods ending 31 December 2018 and 2017 was as follows:

	31.12.2018	31.12.2017
Liabilities for past services as of 1 January	7.592.432	7.149.622
Current services cost	190.948	190.246
Interest cost	287.659	264.639
Actuarial losses (gains)	12.983	267.435
Retirement supplements paid	(304.614)	(279.510)
Liabilities for past services as of 31 December	**7.779.408**	**7.592.432**

During the years 2018 and 2017, the movement in the net assets of the Fund was as follows:

	31.12.2018	31.12.2017
Balance as of 1 January	6.130.821	5.918.344
Contributions	500.000	300.000
Fund income, net	(326.965)	215.835
Retirement supplements paid	(304.614)	(279.510)
Difference related to the prior period valuation	-	(23.848)
Estimated balance as of 31 December	**5.999.242**	**6.130.821**

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 2018, totalling the balance of this caption Euro 1,780,166 as of 31 December 2018 (Euro 1,461,611 as of 31 December 2017), which was subjected to an increase in financial year 2018 of Euro 246,310 (increase of Euro 498,244 in 2017), as detailed below:

	31.12.2017	31.12.2017
Cost of current services	190.948	190.246
Interest cost	287.659	264.639
Fund income, net	326.964	(215.835)
Actuarial losses (gains)	12.983	267.435
Cost of past services ("Deffered Costs")	11.260	11.260
Other income	(565.338)	-
Diference related to prior period valuation	(18.166)	(19.501)
	246.310	**498.244**

Consequently, the movement occurred during periods ended 31 December 2018 and 2017 on the caption "Retirement benefit obligations" for retirement benefits not covered by the assets of the Pension Fund was as follows:

	31.12.2018	31.12.2017
Balance as of 1 January	1.461.611	1.231.278
Personnel	246.310	498.244
Contributions to the pension Fund	(500.000)	(300.000)
Cost of past services ("Deffered Costs")	(11.260)	(11.260)
Other Income	565.338	-
Diference related to prior period valuation	18.166	43.349
Estimated balance as of 31 December	**1.780.166**	**1.461.611**

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

Movements in this caption in 2018 and 2017 related to retirement benefits were made up as follows:

	31.12.2018	31.12.2017
Balance as of 1 January	65.063	76.323
Amortization of the cost of past services	(11.260)	(11.260)
Estimated balance as of 31 December	**53.803**	**65.063**

24. Suppliers

As of 31 December 2018 and 2017, this caption refers to accounts payable for acquisitions resulting from the normal course of the Group's activities, and has the following composition:

	31.12.2018	31.12.2017
Suppliers – current accounts	31.708.395	29.568.360
Suppliers – outstanding bills	385.031	507.009
	32.093.425	**30.075.369**

As of 31 December 2018 and 2017, payables to suppliers are due within less than four months.

25. Other creditors

Current

As of 31 December 2018 and 2017, this caption was made up as follows:

	31.12.2018	31.12.2017
Fixed assets suppliers	5.057.993	2.423.151
Clients credit balance	559.481	478.217
Personnel	242.782	252.652
Others	368.623	1.280.492
	6.228.880	**4.434.512**

The fixed asset suppliers refers to the debts with the debts with the investments made in tangible fixed assets (note 6).

Non-Current

As of 31 December 2018 and 2017, this caption respects entirely about leasing contracts related to computer hardware in the amounts of 1,797,256 Euros and 2,721,116 Euros respectively.

The minimum payments for leases as of 31 December 2018 and 2017 are detailed as follow:

	Minimum payment		Present value of minimum payments	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Until 1 year	936.184	877.036	902.846	860.066
Between 1 and 5 years	1.891.582	2.904.998	1.797.256	2.721.116
More than 5 years	-	-	-	-
	2.827.766	3.782.034	2.700.102	3.581.183
Discount financial effect	(127.664)	(200.851)	n/a	n/a
Present value of minimum payment	**2.700.102**	**3.581.183**	**2.700.102**	**3.581.183**

26. State and other public entities

As of 31 December 2018 and 2017, the amounts of liabilities in this caption were as follow:

	Asset		Liability	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Corporate Income Tax	2.384.519	2.508.392	(2.632.289)	(3.762.246)
Value Added Tax	299.284	1.025.583	(1.963.899)	(2.152.239)
Social Security contribution	-	-	(1.527.614)	(1.211.041)
Withholding Income Taxes	169.165	190.474	(649.166)	(656.142)
Others	865.170	648.947	(213.822)	(185.919)
	3.718.137	**4.373.396**	**(6.986.791)**	**(7.967.587)**

27. Other current liabilities

EAs of 31 December 2018 and 2017, this caption was made up as follows:

	31.12.2018	31.12.2017
Accrued costs:		
Accrued payroll	6.058.629	5.963.811
Rappel	4.781.170	5.489.217
Accrued interest	5.656	134.617
Accrued insurances	47.278	17.328
Royalties	17.376	16.284
Others	2.363.293	2.694.201
	13.273.402	**14.315.458**
Deferred income:		
Investments Subsidies	585.081	838.993
Others	31.143	27.983
	616.224	866.976
	13.889.627	**15.182.434**

28. Provisions and accumulated impairment losses

The movement occurred in provisions and accumulated impairment losses for the years ended as of 31 December 2018 and 2017 was as follows:

	2018						
	Opening balances	Increase	Utilization	Decrease	Transfer	Var. Perímetro	Closing
Impairment losses in accounts receivable (Notes 15 and 16)	11.826.371	1.512.736	(767.211)	(1.810.833)	1.363.756	-	12.124.818
Impairment losses in inventories (Note 14)	6.393.858	1.986.435	-	(2.367.966)	-	-	6.012.328
Impairment losses in available for sale Investments (Note 11)	1.638.601	100.000	-	-	-	-	1.738.601
Provision	8.656.947	675.001	(1.590.717)	(452.951)	(1.363.756)	-	5.924.523

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

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

29. Sales and services rendered by geographic markets

Sales and services rendered by geographic markets during 2018 and 2017 were as follows:

	31.12.2018	31.12.2017
Domestic market	196.529.120	194.004.273
International market	34.493.637	33.815.755
	231.022.757	**227.820.028**

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

30. Financial results

As of 31 December 2018 and 2017, the financial results were as follows:

	31.12.2018	31.12.2017
Financial expenses:		
Interest	1.786.538	1.750.916
Other financial expenses	1.560.771	1.520.712
	3.347.309	3.271.628
Financial results	(2.775.502)	(2.510.752)
	571.807	**760.876**
Financial income:		
Interest	515.995	705.708
Other financial income	55.812	55.168
	571.807	**760.876**

31. Corporate income tax

The Corporate Income Tax recorded in the years ended as of 31 December 2018 and 2017 can be detailed as follows:

	31.12.2018	31.12.2017
Current tax	1.498.176	3.251.643
Deferred taxes (Note 12)	71.045	(196.785)
	1.569.222	**3.054.858**

32. Responsibilities for guarantees provided

As of 31 December 2018, 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
Others	149.713

33. Operating leases

During the year end as of 31 December 2018, was recognized as expense of the period the amount of 1.279.544 Euro (1,380,948 Euro as of 31 December 2017) relating to operating lease contracts.

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

	31.12.2018	31.12.2017
Due in N+1	902.754	864.651
Due in N+2	646.631	518.177
Due in N+3	394.099	303.440
Due after N+3	195.156	107.863
	2.138.640	**1.794.131**

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

34. Earnings per share

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

	31.12.2018	31.12.2017
Profit/(Loss):		
Net profit for the period	8.221.138	7.609.480
Number of shares		
Average number of shares in circulation	25.000.000	25.000.000
Basic earnings per share	0,329	0,304

35. Contingent assets and liabilities

Tax Payments:

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

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

Lawsuits:

On the date of approval of these accounts, the group company, CIN Valentine S.A., is co-defendant in several lawsuits brought against the modification of the "General Plan Metropolitano" and, as a consequence of the referred land division plan mentioned in Note 6. The financial statements at December 31, 2018 do not include any provision, since the Board of Directors, supported in its legal counsel, believe that the outcome of such lawsuits will be favorable to the group, as any loss generated will be subject to an indemnity from the state authorities in accordance with the contracts in force.

36. Statutory bodies' members remuneration

As of 31 December 2018 and 2017, CIN ("Mother Company") attributed to its statutory bodies members of the parent company the following remuneration:

	31.12.2018	31.12.2017
Board of Directors	399.000	373.700
Supervisory Board	21.700	21.050
General Assembly	6.750	4.300

37. Number of personnel

As of 31 December 2018 and 2017, the number of employees of the companies included in consolidation was 1,344 e 1,364, respectively.

38. Financial statements approval

The consolidated financial statements were approved by the Board of Directors and authorized for issuance as of 2 May 2019. Additionally, the attached financial statements as of 31 December 2018 are pending approval by the General Assembly of Shareholders. However, the Board of Directors believes that they will be approved without significant changes.

39. Environmental area information

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

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

The Board of Directors of CIN Group believes that there are no risks associated to environmental protection and improvement, and confirms that no communication or sanction related with these matters was received during 2018.

40. Explanation added for translation

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

Maia, May 2th, 2019

THE ACCOUNTANT number 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*

Statutory Audit Report

Deloitte.

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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 2018 (that presents a total of Euro 284,933,712 and equity of Euro 83,286,070, including a net profit of Euro 8,221,138), the consolidated statement of profit and loss by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including a summary of the significant accounting policies.

In our opinion, except for the effects of the matter described in the "Basis for qualified opinion" section, the accompanying consolidated financial statements present true and fairly, in all material respects, the consolidated financial position of CIN – Corporação Industrial do Norte, S.A. as at 31 December 2018 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 a qualified opinion

As mentioned in Note 1.2 d) of the Annex to the consolidated financial statements, the Group applied the requirements of IAS 29 - Financial Reporting in Hyperinflationary Economies regarding the subsidiary CIN Angola since the year of 2017, as from the analysis performed to the requirements of that standard, the Group´s Board of Directors´ understands that the functional currency of the financial statements of that subsidiary, for the years ended as of 31 December 2018 and 2017, were consistent to the one of a hyperinflationary economy. However, as stated in the above mentioned Note, the Group recorded the restatement of the non-monetary assets and liabilities, of the equity items and of the statement of comprehensive income items, in equity caption "Conversion reserves" in the amount of, approximately, 4.1 million Euros (approximately, 1.5 million Euros as of December 31, 2017, regarding the restatement in that year of the same items of the financial statements of that subsidiary), and not as an expense in the consolidated statement of profit and loss by natures, as determined by that standard.

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

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

Deloitte.

Deloitte & Associados, SROC S.A.
Registo na OROC nº 43
Registo na CMVM nº 20161389

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, 6 May 2019

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

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