MOTA-ENGIL
AFRICA

# Consolidated Report & Accounts 2014

## Highlights

> Group’s turnover increased 4.3% to €1,048 million

> SADC became the primary market with a growth of 16.6% to €555 million

> Group’s net income decreased 4% to €73 million

> Orderbook reached €1.4 billion

> East and West regions already represent 10% of the orderbook

> Net debt decreased 2.9% to €145 million

> Average debt maturity extended to 2.2 years in 2014 from 1.8 years in 2013

> The Nacala Corridor Project was delivered ahead of schedule in December 2014

> Diversification in 2014 into new markets, such as Zimbabwe, Ghana, Zambia and Uganda

thousand euros

| | 2014 | % T | Δ | 2013 (*) | % T |
|---|---|---|---|---|---|
| | (audited) | | | (non audited) | |
| **Turnover** | **1.048.065** | | **4,3%** | **1.005.306** | |
| **Adjusted EBITDA** | **261.095** | **24,9%** | **7,5%** | **242.855** | **24,2%** |
| EBIT | 152.211 | 14,5% | (20,6%) | 191.787 | 19,1% |
| | | | | | |
| Net financial income | (50.932) | (4,9%) | 10,6% | (56.949) | (5,7%) |
| Net income/losses from equity method | 339 | 0,0% | 180,9% | 121 | 0,0% |
| Income before taxes | 101.618 | 9,7% | (24,7%) | 134.959 | 13,4% |
| | | | | | |
| Net income | 82.094 | 7,8% | (21,8%) | 104.950 | 10,4% |
| Attributable to: | | | | | |
| Non-controlling interests | 9.147 | 0,9% | (68,2%) | 28.783 | 2,9% |
| Group | 72.948 | 7,0% | (4,2%) | 76.167 | 7,6% |

The Group defines adjusted EBITDA as consolidated net profit before depreciation and amortisation, provision and impairment losses, financial income and costs, gains in associates and jointly controlled companies and income tax. EBIT is computed as adjusted EBITDA – Depreciation and amortisation – Provisions and impairment losses

(*) 2013: Combined figures, considering the effects of the demerger of Mota-Engil Engenharia e Construção, S.A into Mota-Engil Engenharia e Construção África, S.A. in December 2013 (see starting paragraph of “2. Analysis of the economic and financial performance” of this report)

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# Message from the Chief Executive Officer

The results related to Mota-Engil Africa's operation in 2014 are solid and evidence a turnover growth of around 4.3%, along with a keeping of the EBITDA margin at 24% and a net income of 7.8%, representing a reduction of 21.8% when compared to 2013.

The results of the operation confirm unequivocally that we are on the right track as to the outlined strategy, having a geographically expanded to the East and West Africa regions and a strengthened the activity in the SADC region, currently with a turnover and EBITDAS of around 24%.

The completion of the works in the Nacala Corridor, within schedule and with an exceptional performance in terms of safety, with over 23 million work-hours with no fatalities, is a clear sign that MEAFR has a natural capacity for large infrastructure projects, as was well evidenced with the awarding of the Mbalam project in Cameroon, for the Mining Sundance company.

The sustainability of the activity is evident in a solid order book with over 1.4 B Euros and an extremely strong project pipeline, which clearly show that MEAFR will have an activity growth based on a diversified business portfolio distributed by activity and region.

Mota-Engil Africa is a resilient company, ready for the challenges generated by economic cycles often associated with the variability of commodity prices and their impact on the preparation of State Budgets in the countries where we operate. Nowadays the company is better prepared and able to respond to these challenges, with a cash-associated management, which allowed stabilizing the net debt/EBITDA at 0.8 and place the working capital at around 25% of turnover, with a significant improvement of balance ratios associated with the average time of receipt from clients.

The operation growth encompassing 12 countries and an added motivation for reaching an operation focused on the efficiency of processes, leveraged by the transformational effort and reinforcement of our core competencies, will ensure a high level of competitiveness in markets where the presence of many global players creates an increasingly higher level of demand and commitment.

The fact that MEAFR is currently traded in the Amsterdam Stock Exchange, since November 24, 2014, is an historical fact of which we are particularly proud, as we are an African company with demanding compliance and governance levels, which represents an added value and a structuring reply from the company to the major challenges generated by the evolution of the Energy sector, namely Oil& Gas in Mozambique.

This has allowed us to reach a positive distinction in a highly demanding and competitive sector.

The results now evidenced represent a clear commitment of the Executive Committee towards our shareholders, our 12,000 employees and other stakeholders that the company will continue to operate guided by its levels of excellence, efficiency, quality, safety and contract compliance, pursuing a growth and value gain dynamic that will benefit all.

Gilberto Rodrigues
Chief Executive Officer

# Message from the Chairman of the Board of Directors

Dear Shareholders,

In fulfilment of my statutory duties I come to you by means of the present Report with a view to providing an overview of the company's business in 2014, which was itself a decisive year in the history of Mota-Engil Africa due to the achievement of a series of strategic, operational and financial objectives of major relevance to the present and to the future of the business.

In 2014 Mota-Engil Africa entered a new phase in its history when it became a public company, thus providing its activity with greater exposure and a higher profile, together with an inherent increase in responsibility.

The fulfilment of the objective of having Mota-Engil Africa's shares quoted on the Amsterdam Stock Exchange, the second most important financial market in Europe and the fifth at a global level, placed great demands on the whole of our business structure, while simultaneously representing a further cornerstone for the company, which is increasingly widely recognised on the African continent and is the market leader in the SADC region along with the markets where the company has a presence.

Although the company is a part of a Group which has several decades of experience on the capital markets, it is now opening its capital up to new investors and complying with the indispensable regulations and procedures of strict transparency and compliance, compatible with the requirements of Euronext Amsterdam, while at the same time applying the highest standards of governance called for by the most demanding investor community; being a business that operates exclusively in sub-Saharan Africa, this demonstrates a pioneering spirit and a maturity of which we are proud.

It is however important to stress that, in accordance with the commitment taken on, we only made a technical listing which, as soon as market conditions are favourable, will be complemented by a significant increase in free float which will allow a dynamic position for Mota-Engil Africa's shares on capital markets. This means that company's strategy and that of our reference shareholders remains unchanged as to this central objective.

Nevertheless, the project for the quoting of Mota-Engil Africa's shares did not distract us from the company's operational targets and the fulfilment of the objectives set towards our clients and the communities in which we are present.

On the operational development front, I would like to stress the completion in full of the Nacala Corridor project, a demanding project carried out on Malawian territory and in which we fully succeeded, in all its components.

As the biggest railway construction project in Africa in the past 50 years, the Nacala Corridor places Mota-Engil in an unrivalled position with regard to activities on the continent of Africa in recognition of its competencies and its capacity to mobilise the resources necessary for major projects.

It was also a year when the business on the continent of Africa was expanded, extending the company's presence steadily and in a planned fashion into new markets in partnership with some of the world's biggest private conglomerates, thus allowing the company's sustained growth while extending the coverage of the business' activities in the identification of new projects, associating an advisable policy of risk aversion to this strategic orientation.

In 2014, in Angola, we also acted in line with our history and capacity for action in this market, by maintaining, through Mota-Engil Angola, the highest levels of quality in the execution of infrastructure projects, as also in Mozambique, also a market where we continue to achieve significant growth and where we completed a large scale project with major implications for the development of the country, with the inauguration of the Kasuende Bridge, which is a part of the 700 kilometre Estradas do Zambeze railway franchise.

2014 thus drew to a close with the business looking to the future with even greater confidence.

Our confidence in Africa's potential is recognised due to our experience accumulated over some 70 years in that territory. Our confidence is backed by our growing and well-deserved recognition on the part of our partners, suppliers and customers as well as by the financial system, which has supported the growth of the business. To everyone, our most profound thank you.

We continue therefore, in the firm conviction of the wisdom of our continental strategy based on the extension of our corporate skills and capacities, along with our widely recognised operational resources, to explore the opportunities for the development of various types of infrastructure and throughout its useful life, on a continent where the lack of infrastructure is a changing reality as a critical factor to a successful, prosperous future development in Africa; everyone anticipates that this, in time, may be realised. Finally, I would like to leave a message of recognition of the collective efforts of the more than 12,000 employees who make up Mota-Engil Africa and who have contributed decisively with their skills and talent to the results achieved and to make the company into a business organisation which is more and more cohesive in its approach to business, generating opportunities in solidarity with the promotion of the development of the countries where it operates.

Gonçalo Moura Martins
Chairman of the Board of Directors

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## YEARS

**REFERENCE WORKS:**

Luanda International Airport
Rehabilitation of Luanda Bay
Nacala Corridor
Tete Bridge


# *A strong link to Africa*

In 1946, the Mota-Engil Group began its activity in Angola, a country with which it shares a strong link of cooperation and investment. Today we are a key Angolan company, with a reputation we have built over almost seven decades of working day in, day out, in a relationship with ties that last a lifetime. Based on a strong sense of partnership and shared technical skills placed at the service of the country's development, we are constructing modern, innovative infrastructures, and betting on areas such as the environment, logistics and industry.

MOTA-ENGIL
AFRICA

01

# MANAGEMENT REPORT

**ANGOLA**
LUANDA BAY

## 1. Macroeconomic environment

In 2014, the economy of the sub-Saharan Africa region posted a growth of 4.8%, generally supported by an increase in domestic demand and progress in the energy and mining sectors that boosted production and exports of commodities, namely oil and industrial metals. Growth was further supported by the execution of infrastructure investments and the growth in the agricultural sector. In 2015, the economic growth in the sub-Saharan Africa region should slightly accelerate, with a growth estimated at 4.9%. However, this growth may be negatively impacted by the countries in the sub-Saharan Africa region whose economies are exposed to commodities exports, such as oil, whose price has been falling from the fourth quarter of 2014. Moreover, this growth may be negatively impacted by a deceleration of the Chinese economy.

The Gross Domestic Product (GDP) growth in Angola is estimated to have reached 3.9% in 2014, impacted by the decrease in oil production in the first half of the year, following unplanned maintenance of some oil fields. This effect was offset by the growth in Angola's non-oil economy, in particular, the agricultural, manufacturing and services sectors. For 2015, the economy of Angola is expected to grow 5.9%. This growth will be largely dependent on the development of oil prices through 2015 and notwithstanding any expected oil production growth in Angola.

In the Southern African Development Community (SADC) region, GDP growth in 2014 in Mozambique, Zambia and Malawi reached 7.5%, 6.5% and 5.7%, respectively. In Mozambique, growth was supported by the mining, agriculture, manufacturing and financial services sectors, and by infrastructure investments, in particular those related to transports and natural resources. In 2015, Mozambique's economy is expected to grow at the same 7.5% rate as in 2014, driven by the natural resources related sectors and infrastructure investments. It should be noted that this growth is very dependent on the development of coal prices, which started to decline by the end of 2014, and on the effect of the floods that impacted the northern and central regions of Mozambique in the beginning of 2015. In Zambia, economic growth is expected to reach 7.2% in 2015, supported by copper production and several mining and electricity supply projects. GDP in Malawi is expected to reach 6.0% in 2015 with strong contributions from the agriculture, information and communications, wholesale and retail trade sectors. With a less stellar growth, Zimbabwe and South Africa's GDP in 2014 are expected to have reached growth rates of 3.1% and 1.4%, respectively. South Africa's growth was impacted by weak external demand, decreased productivity and structural factors such as the infrastructure bottlenecks in the power sector. For 2015, economic growth is expected to recover to 3.2% in Zimbabwe and to 2.1% in South Africa.

In the sub-Saharan Africa West region, meaning in Cameroon, Ghana and Cape Verde, GDP growth in 2014 is estimated to have reached 5.1%, 4.5% and 1.0%, respectively. It is expected that public infrastructure projects in Cameroon will continue to drive its GDP growth, which is expected to reach 5.2% in 2015. The GDP in Ghana is expected to grow 4.7% in 2015, but also be impacted by lower disposable income and subdued economic activity due to high interest rates and currency depreciation which feeds into inflation. Economic growth in Cape Verde has been impacted by the downturn in Europe and by the deterioration of domestic confidence. Still, GDP growth for 2015 is expected to be 3.0%.

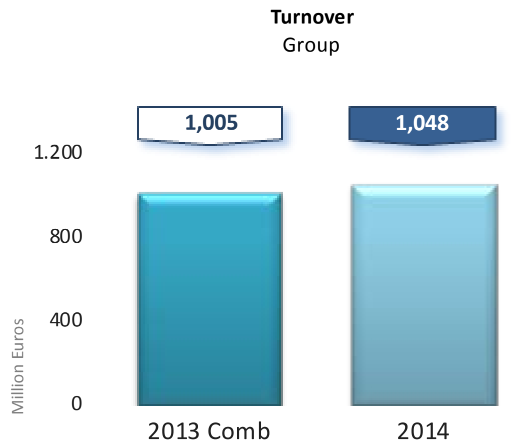
In the sub-Saharan Africa East region, Tanzania's economic growth in 2014 is estimated at 7.2%, driven by infrastructure projects in the energy sector and by the services, construction and manufacturing sectors. For 2015, Tanzania's economic growth is expected to slightly slow down to 7.0%. The economy in Rwanda is expected to have expanded 6.0% in 2014, on the back of strong agricultural growth and the implementation of public infrastructure projects, in particular targeting the increase in electricity capacity. For 2015, the economy in Rwanda is expected to further grow 6.7% and it might also benefit from lower oil prices, as the country is an oil importer. GDP growth in Uganda is estimated to have reached 5.9% in 2014, benefiting from the service sector, in particular tourism and business travel, and investments in projects to increase Uganda's electricity capacity. However, Uganda's GDP was impacted by slower execution of externally-financed public investments. For 2015, Uganda's growth is expected to accelerate to 6.3%, positively impacted by infrastructure projects, such as in the energy and transport sectors. Kenya's economy expanded 5.3% in

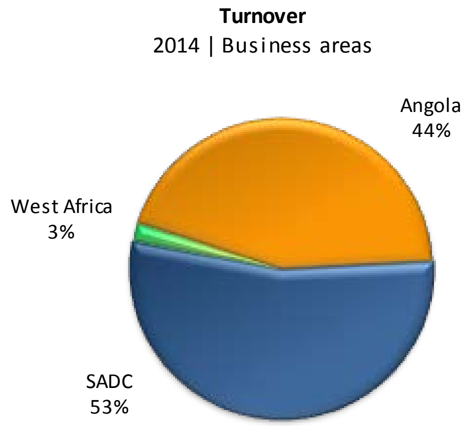
2014, driven by the construction, manufacturing, and retail trade sectors. This growth was realised despite constraints in agriculture growth due to adverse weather conditions and security concerns that impacted the tourism sector. In 2015, Kenya's economy is expected to grow 6.2%.

## 2. Analysis of the economic and financial performance

In December 2013, Mota-Engil SGPS, S.A. (the "Parent Company", and holding company its group, i.e. the "Parent's Group") performed a demerger of Mota-Engil Engenharia e Construção ("MEEC"), which, until then, held all of the engineering and construction companies of the Parent's Group, into Mota-Engil Engenharia e Construção África ("MEEC Africa"). This operation allowed for the detachment of part of the assets of MEEC, some of which were already allocated to the different existing branches, corresponding to the civil construction and public works activities that MEEC had been conducting in the African continent and integrating them, through a merger, in MEEC Africa. In January 2014, the Parent Company, as holder of the entire share capital of Mota-Engil Africa N.V. (the "Company") and MEEC África, S.A., transferred its shares in MEEC Africa to the Company for the issuance of new shares in the Company. For comparative reasons, 2012 and 2013 figures of this management report are based on the non-statutory (non-audited) combined consolidated financial statements, which represent an aggregation of the financial information of the Group as if the assets, liabilities and activities of the Africa business of the Parent's Group were already part of the Company ("2013 Comb" or "Dec-13 Comb"; "2012 Comb" or "Dec-12 Comb"). The figures have been derived from the accounting records of MEEC Africa and its subsidiaries using principles consistent with IFRS by aggregating the Group's historical results of operations, and the historical basis of assets and liabilities.

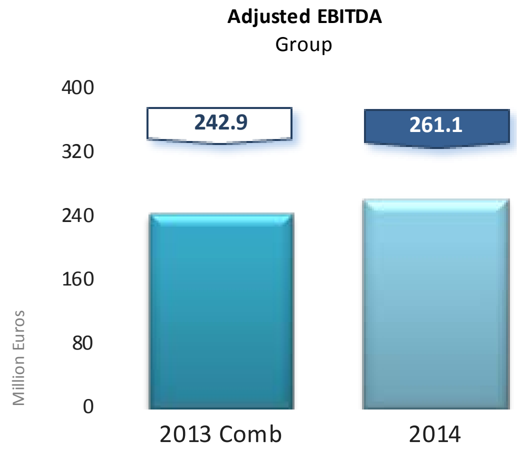
The above mentioned MEEC Africa contribution in kind transaction is described in paragraph 0, on pages 71 and 72 of the consolidated financial statements, and constitutes a transaction under common control. In the absence of specific guidance of IFRS-EU the company believes that carry-over accounting is an acceptable accounting policy. This accounting policy elected by the company presents the legal reality and is consistent with a book value approach.

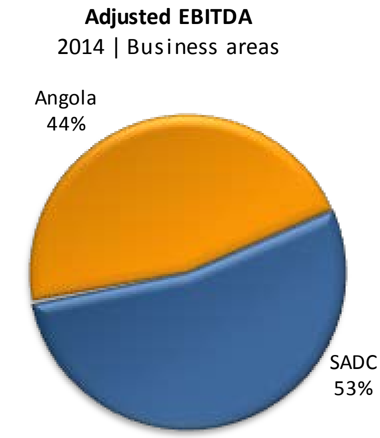



**2013**: Combined and unaudited figures, considering the effects of the demerger of Mota-Engil Engenharia e Construção, S.A into Mota-Engil Engenharia e Construção África, S.A. in December 2013.

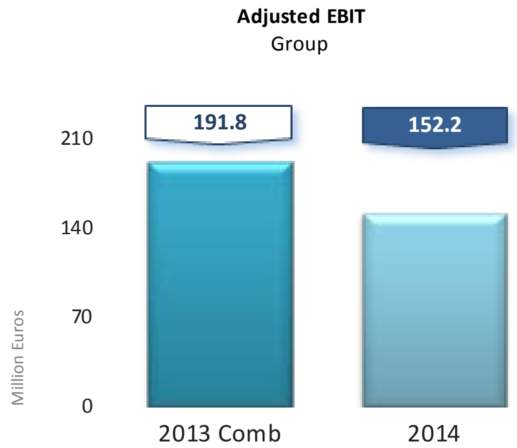
In 2014, turnover increased 4.3% year on year (YoY) to €1,048 million. This was realised, mainly, by the increase in business activity in the SADC region, which more than offset the business slow down in Angola. Therefore, in 2014, the SADC region represented 53% of the total turnover compared with 47% in 2013 Comb.

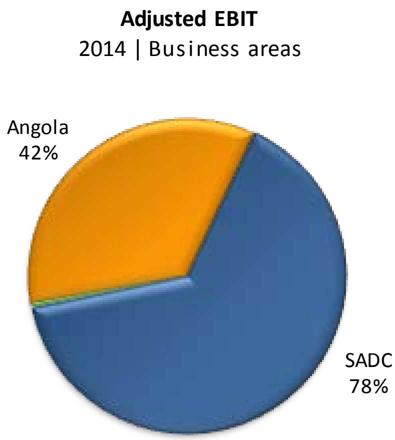


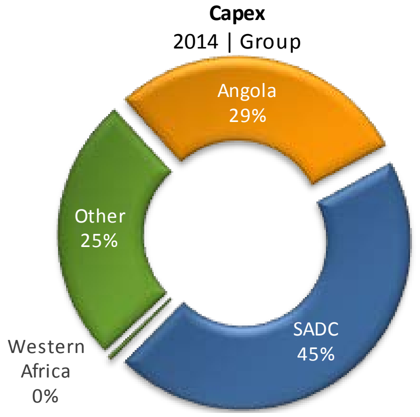

**2013**: Combined and unaudited figures, considering the effects of the demerger of Mota-Engil Engenharia e Construção, S.A. into Mota-Engil Engenharia e Construção África, S.A. in December 2013.

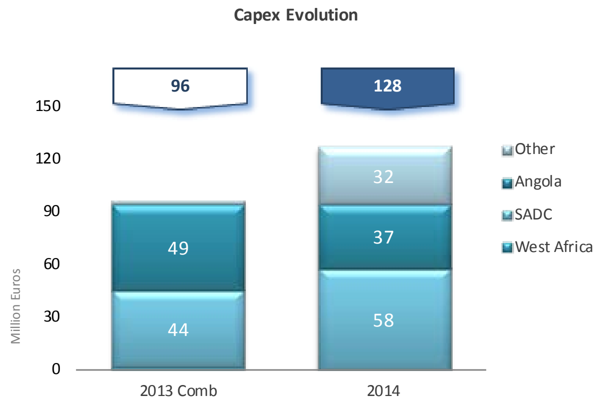
Adjusted EBITDA of the Group in 2014 increased 7.5% YoY to €261.1 million due to the improved performance both in Angola and in the SADC region. The majority of the total adjusted EBITDA in 2014 can be attributed to these regions. Adjusted EBITDA margin in 2014 reached 24.9%, in line with 2013 Comb and reflecting continuing excellent operating performance in both Angola and the SADC region, along with the execution of a major project, the Nacala Corridor in Malawi.



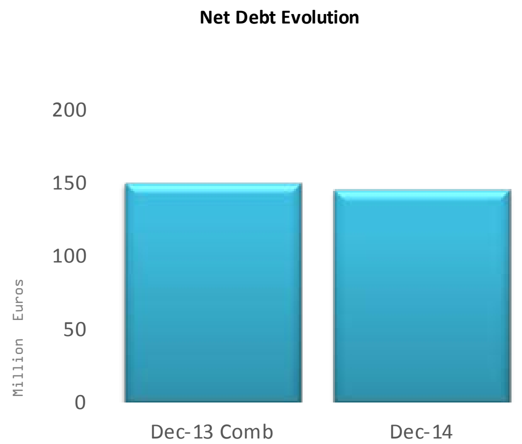

EBIT of the Group in 2014 decreased 20.6% YoY to €152 million, notwithstanding an increase of 3.6% in SADC region. In fact, EBIT development was negatively impacted by the allocation of overhead costs to the Group, whereas those had been accounted at the Parent Company level before. It should be stressed that the increase in depreciation and amortisation by €16 million, compared with 2013 Comb, to €65 million, was mainly due to the increase in depreciation and amortisation in the SADC region. This increase was caused by the strong impact of asset depreciation and amortisation related to the Nacala Corridor project in Malawi. Therefore, in 2014, EBIT margin decreased to 14.5% from 19.1% in 2013 Comb, negatively influenced by the reduction in SADC operating margin.




**2013**: Combined and unaudited figures, considering the effects of the demerger of Mota-Engil Engenharia e Construção, S.A. into Mota-Engil Engenharia e Construção África, S.A. in December 2013.

Investment in 2014 amounted to €128 million and was mainly allocated to the SADC region, which represented 45% of the total investment, and to Angola that accounted for 29% of the total. It should be noted that €71 million were related to replacement investments, due to intense activity carried out by the Group in the region and which required the replacement of equipment and machinery in Angola and Malawi. The investment allocated to expansion activities reached €57 million and was mainly channelled to operations in Angola, Malawi and Zambia.





**2013**: Combined and unaudited figures, considering the effects of the demerger of Mota-Engil Engenharia e Construção, S.A. into Mota-Engil Engenharia e Construção África, S.A. in December 2013.

Net debt[1] at December 2014 was €145 million, a decrease of €4 million from the same period in 2013 Comb. Net debt including leasing was €206 million.

The reduction in net debt followed the improvement in operating performance, which more than compensated for the investment in fixed assets and in working capital, together with financial costs and dividends paid in the period.

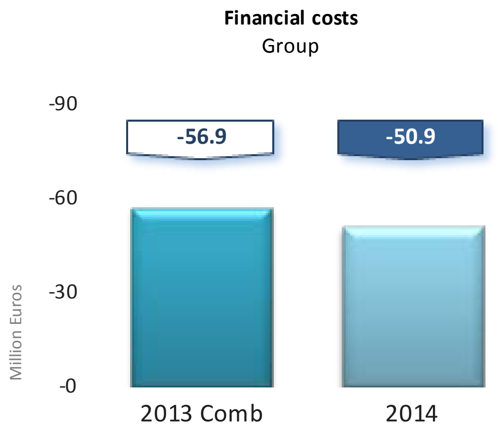
[1] Net debt = Debt – cash and cash equivalents

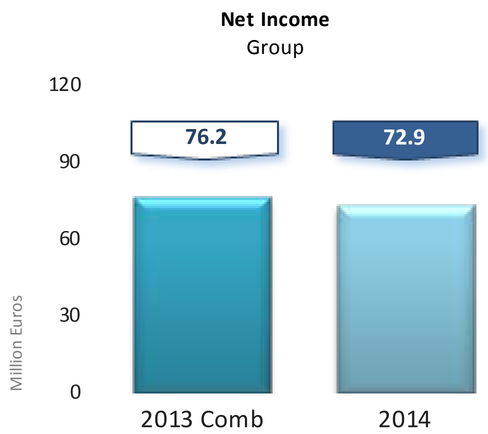
Gross debt at the end of December 2014 stood at €398 million, which represented a reduction of €10 million compared to the same period of 2013 Comb. The average cost of debt fell from 8.9%, at the end of December in 2013 Comb, to 8.8% at the end of December 2014, with 42.1% of the gross debt being denominated in Angolan Kwanzas and 49.8% in Euros. It should be highlighted that at the end of 2014, 39.3% of the gross debt, including leasing, was contracted in Africa compared with 32.7% in December 2013.

At 31 December 2014, the average debt maturity was 2.2 years, increasing from 1.8 years in the same period in 2013. This reflects the financial strategy which targeted the respective increase, with the goal to better align debt maturity with cash flow generation. Therefore, 44.7% of the total gross debt had a maturity greater than one year compared to 36.7% in December in 2013 Comb.

The ratio of net debt to adjusted EBITDA at the end of December 2014 was 0.6x, the same as 2013 Comb. Including leasing, the ratio at the end of December 2014 also remained unchanged at 0.8x, when compared to the same period in 2013 Comb.

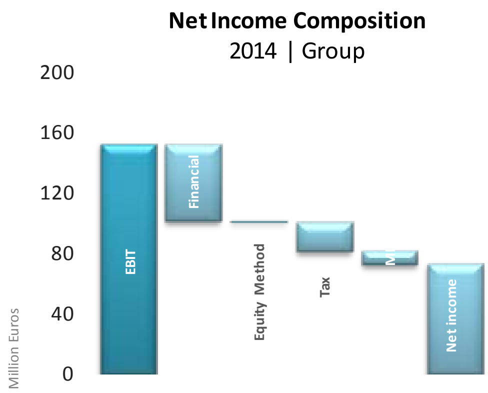
At the end of December 2014, the available and undrawn credit lines amounted to €71 million.

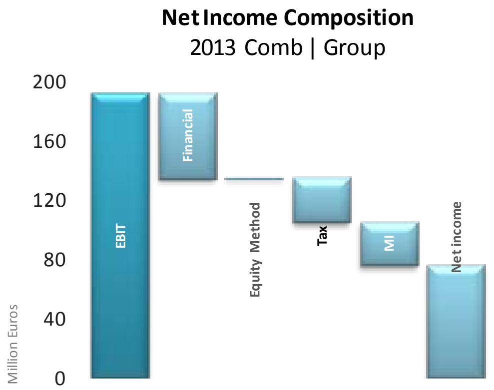



**2013**: Combined and unaudited figures, considering the effects of the demerger of Mota-Engil Engenharia e Construção, S.A. into Mota-Engil Engenharia e Construção África, S.A. in December 2013.

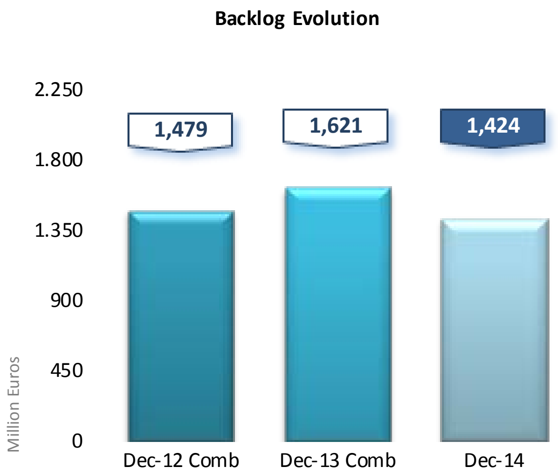
Financial costs in 2014 reached €51 million, of which €32 million was related to net interest expenses. It is worth mentioning that the financial results were negatively influenced by €19 million in financial costs relating mainly to bank guarantees.

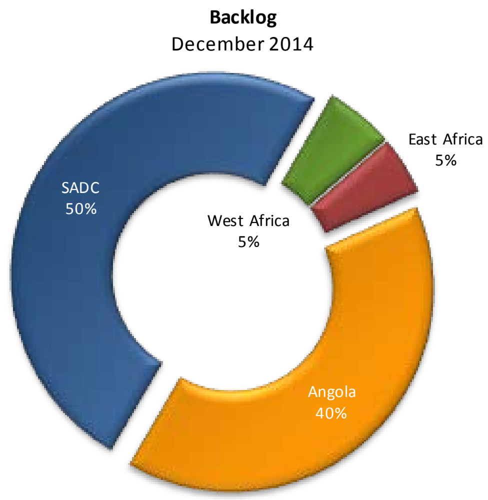



**2013**: Combined and unaudited figures, considering the effects of the demerger of Mota-Engil Engenharia e Construção, S.A. into Mota-Engil Engenharia e Construção África, S.A. in December 2013.

Taxes in 2014 were €20 million and the effective tax rate, excluding gains from associated companies, reached 19.5%. This was 22.3% in 2013. Results attributed to non-controlling interests fell by €20 million to €9 million, mainly due to the lower results of the subsidiary Mota-Engil Angola, in which the Group has a 51% stake. As such, Net income attributable to the Group in 2014 decreased by 4.2% YoY to €72.9 million.



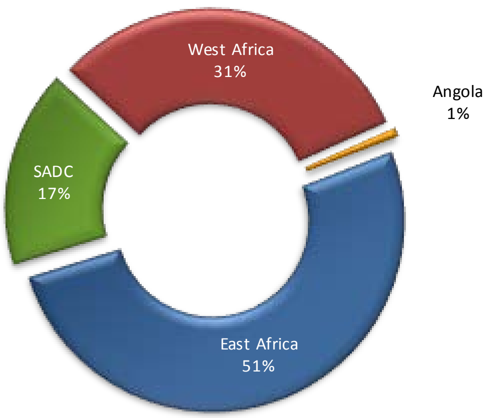




**2012** and **2013**: Combined and unaudited figures, considering the effects of the demerger of Mota-Engil Engenharia e Construção, S.A. into Mota-Engil Engenharia e Construção África, S.A. in December 2013.

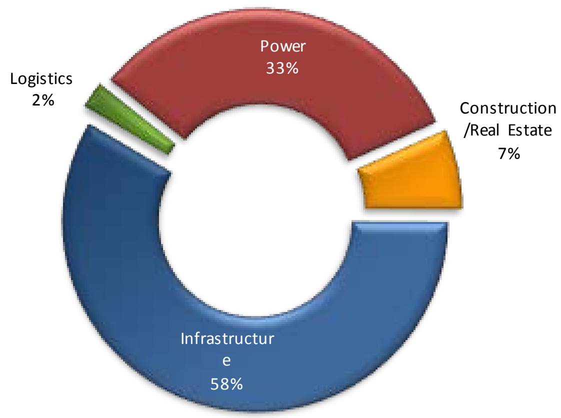
The backlog at 31 December 2014 stood at €1,424 million, which corresponded to a ratio of backlog to turnover of 1.3 years. In 2014, the increase in the backlog in Angola of €53 million and in East Africa of €65 million was not enough to offset the €305 million reduction in the SADC region. This reduction resulted from the completion of the Nacala Corridor Project in Malawi in 2014, which led to the drop in the weight of the SADC region in the total backlog, from 62.5% in 2013 Comb to 49.8% in 2014. West and East Africa represented 10.1% of the total backlog compared to 5.5% in 2013 Comb, reflecting the diversification strategy outlined by the Company. Of the total backlog in the Engineering & Construction business, that is 96.5% of the total, 50.9% corresponded to public sector contracts. As far as the sector exposure is concerned, 33.4%, 23.2%, 14.9% and 10.8% corresponded to road infrastructure, civil construction, mining services and railway infrastructure in 2014, respectively. Among the major projects that contributed to the backlog are the projects related to the Hwange Colliery mine in Zimbabwe, the Calueque dam in Angola, railway infrastructure projects in Mozambique and road infrastructure projects in Angola, Mozambique, Zambia, Uganda and Malawi.

Currently, the project pipeline is approximately US$10 billion, out of which 55% are Public and 45% are Private clients. The largest projects in the pipeline are in new countries including Cameroon, Rwanda, Kenya and Gabon, and countries where the Group is already present, including Mozambique, Zambia, Zimbabwe and Uganda. It should be noted that contracts included in the pipeline are those where the Group has either pending bids, been pre-qualified to tender or has already signed a contract with the client, but the project is not yet fully financed.

**Pipeline**
December 2014




**Pipeline**
December 2014




In addition regarding Pending Bids and Projects, the Company has been pre-qualified to tender for projects with potential aggregate value of more than US$ 3 billion.

In terms of geographic exposure, 31% of the pipeline corresponds to projects in countries in West Africa, 51% in countries in East Africa, 17% in countries which are members of the SADC region and 1 % for Angola. It should be stressed that the majority of the projects are large projects related to infrastructure and civil construction, which represent 58% and 7% of the total pipeline, respectively. The pipeline amount includes the US$3.5 billion Mbalam-Nabeba project in Cameroon, announced in June 2014. This project is not yet included in the backlog despite it being formally awarded, because the financial close has not yet been achieved.

Therefore, the strategy for the region has the objective of developing a strong project pipeline, extending it to new countries and sectors, in particular to business areas with the greatest growth potential, such as energy, oil and gas, mining, logistics and agriculture, which could allow for the development and the construction of infrastructures.

MOTA-ENGIL
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## 3. Business areas analysis

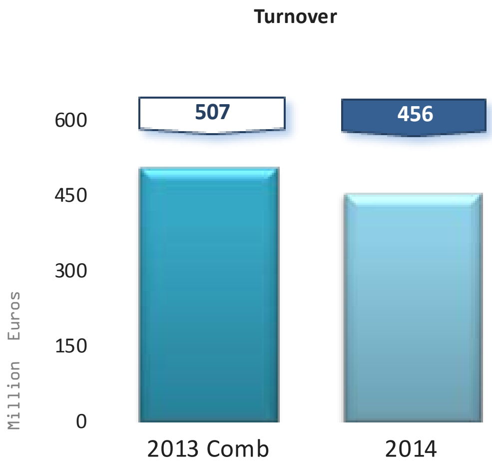
The Group is currently present in twelve countries and, in the course of 2014, it has continued to expand its presence in the African sub-Saharan region. It began activities in new countries in that region, including Zimbabwe, Zambia and Uganda, in line with the pursued geographic diversification strategy.

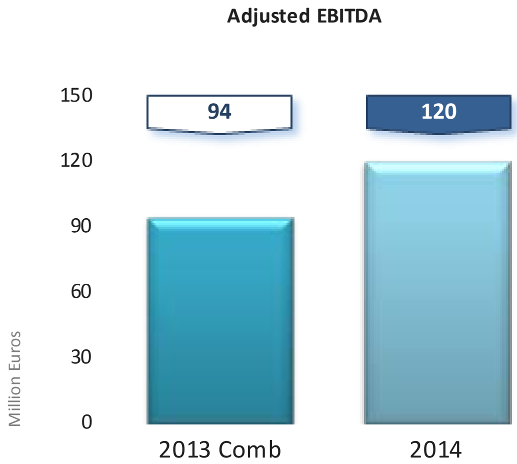
The Group strategy seeks to maintain and reinforce its leading position in its primary markets of Angola, Malawi and Mozambique by continuing to offer a diverse portfolio of services and leveraging the strong relationships it has developed with its key stakeholders. It will further leverage the depth and breadth of its presence and its substantial expertise and experience in these primary markets to pursue large, cash-generative infrastructure projects. The Group will particularly pursue those projects where funding is ensured from the outset by supranational entities and those projects where there are significant advance payments. The Group aims to respond to the demand for infrastructure in sub-Saharan Africa and target larger contracts with higher margins, thereby reducing its reliance on its primary markets and pursuing targeted expansion into new geographies with high economic growth potential.

The Group has developed substantial expertise and experience in each of its business areas. In particular, the Group has developed the expertise to provide fully-integrated solutions to satisfy its clients' requirements. Thus, allowing it to provide the full spectrum of project-related services its clients require, from the design and engineering stage through to facilitating discussions with clients and potential financiers and eventually carrying out the projects. As a result, and unlike many other large construction companies, the Group is largely self-reliant and does not typically seek to engage sub-contractors.

The Company's shares were listed on the Euronext Amsterdam stock exchange on 24 November 2014, following a resolution from the Parent's general meeting of shareholders in December 2013. Following the listing, the Parent came to hold 82% of the Company's issued share capital. It should be noted that the Company intends to pursue a further dispersement of its issued share capital. This would increase the free-float of the Company, which is currently only 5.5%, thus contributing to properly reflect the value of the business and promote the sustainable growth of the business in the region.

## Angola



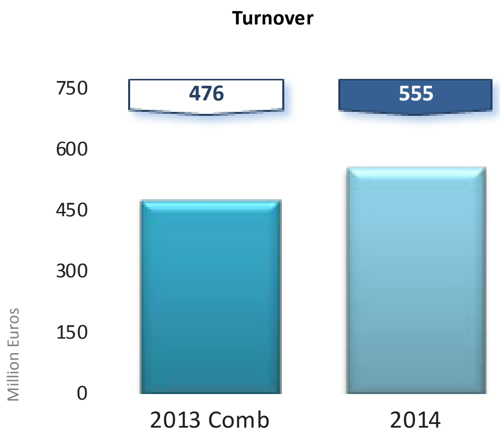



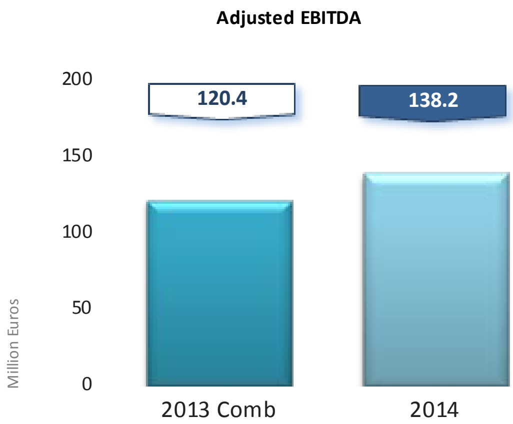

2013: Combined figures, considering the effects of the demerger of Mota-Engil Engenharia e Construção, S.A. into Mota-Engil Engenharia e Construção África, S.A. in December 2013.

Turnover in Angola was €456 million in 2014, a reduction of 9.9% YoY from €507 million in 2013 Comb. The reduction resulted from the completion of some relevant projects and some market contraction. However, adjusted EBITDA increased by 27% to €120 million, with the margin reaching 26.3% in 2014 compared to 18.6% in 2013. This increase mainly results from the increased weight of the Environment & Services business in total turnover.

Angola, the country where the Parent's Group began its activities in 1946, is a core market for the Group. In 2014, major projects continued to be executed, such as the Calueque dam. Other projects were concluded, such as the development of the second zone of the Special Economic Zone in Luanda, urban reorganisation and infrastructure works in Luanda Bay and the Lobito Hanha road. During 2014, the Group won several tenders in Angola. These tenders mainly related to civil construction projects, such as the first phase of Muxima's building and urban infrastructures in Luanda Bay, both in Luanda. The tenders further related to road infrastructure projects, namely the Cacolo/Cocumbi/Xassengue and Dala/Luma Cassai roads, that together sum up around 160 kilometres. Thus, major projects are still in progress. Around 57% of the backlog is contracted with private clients and is unrelated to the Angolan government. Notwithstanding the excellent operating performance of the country, taking into account the geographical profile of the current pipeline of the Group and the diversification strategy, it is expected that the contribution from Angola to the Group's activity will already decrease in 2015.

## SADC




2013: Combined figures, considering the effects of the demerger of Mota-Engil Engenharia e Construção, S.A. into Mota-Engil Engenharia e Construção África, S.A. in December 2013.

The turnover in the SADC region increased by 16.6% YoY to €555 million, mainly resulting from the increase in business activity in Mozambique and in Malawi. The latter continued to benefit from the construction of the Nacala Corridor in 2014, which was completed at the end of that year.

Adjusted EBITDA increased by 14.7% YoY to €138 million. Adjusted EBITDA margin in 2014 increased to 24.9% from 25.3% in 2013 Comb, following the improvement in operating performance in Mozambique and in Malawi.

SADC is currently the region with the greatest weight, both in terms of turnover and backlog. The contributions from Mozambique, Zimbabwe and Zambia should be noted in particular, as those are expected to increase in 2015. In Malawi, the activity in 2014 mostly related to road and railway infrastructure projects in the context of the government's objective of improving and maintaining an efficient logistics network for the transport of goods. The Nacala Corridor project was successfully completed in 2014, in line with the schedule set by the client, the Brazilian company Vale. This was the largest contract ever carried out by the Group, with a total value of US$820 million. It represented a major challenge, which was largely overcome in terms of its execution and logistics, by guaranteeing the supply of all of the material necessary for the facilities and factories which were built for that purpose.

The activity in Mozambique has been a major success, with the Group strengthening its position in 2014 to become the leading business in the Engineering & Construction sector in the country. Currently, the Group is involved in around 50 projects related to several areas of construction and in almost every province of Mozambique, reflecting the transversal management approach to that market. The Group is involved in the construction of the tallest building in Maputo and is about to commence the construction of the largest hotel in the province of Nampula. In 2014, several projects were completed in Mozambique, including, among others, the Base Kassuende Bridge and the improvement of road infrastructures Milange Mocuba Phase I, Chimoio Espungabera. New contracts were awarded to the Group that mainly relate to roads and railway infrastructure as well civil construction. It is expected that the business activity in Mozambique will increase in 2015.

## West and East Africa

The regions of West and East Africa, despite of currently having a lower contribution to the business activities of the Group, present activity indicators that reflect the potential increase of the business activity going forward, namely in what regards the current backlog, namely in Uganda, and as well the level of projects in the pipeline, namely in Cameroon, Uganda, Kenya, Gabon and Rwanda, essentially focused on infrastructure and civil construction. The US$3.5 billion Mbalam-Nabeba project announced in Cameroon in June 2014, which is not included in the backlog, is currently in the phase of obtaining finance. It is expected that the conclusion of that process will be postponed, given the negative context in iron-ore prices on the international markets. Furthermore, the Group was awarded a €65 million contract in Uganda to increase the capacity of Kampala Northern bypass.

## 4. Stock performance and dividends

The Group issued share capital comprises 100 million ordinary shares. The shares were listed on Euronext Amsterdam on 24 November 2014. The listing followed the Parent's shareholders' meeting, on 27 December 2013, where it was approved the distribution of an extraordinary dividend in the form of 20% of the Group issued share capital to the Parent's shareholders. This dividend issue was to be facilitated by the approved listing of the Group's ordinary shares on a regulated stock exchange of a European Union member state. Originally, a capital increase and an institutional offer were envisaged by means of an Initial Public Offering in July 2014. Due to the deterioration of financial market conditions, this Initial Public Offering was postponed. By listing the ordinary shares on Euronext Amsterdam, the expiration of the dividend rights, due 31 December 2014, that were granted to the Parent's shareholders on 22 January 2014, was avoided.

Following the listing, the free float of the Group's ordinary shares corresponds to around 5,5%, as it does not take into account the ordinary shares of the Group attributed to Mota Gestão e Participações, SGPS, S.A., the Parent's major shareholder. Although subject to market conditions, the Group intends to, and understands that the Parent's management team is committed to, raise the issued share capital of the Group and launch an institutional share offering in the foreseeable future.

On 31 December 2014, the Group's market capitalisation was €716 million, calculated with the closing price of €7.16 per ordinary share. Between the listing date and 31 December 2014, the ordinary share price reached a maximum and a minimum of €11.50 and €5.70, respectively. During that period, the price dropped 37.8% while the MSCI Emerging Markets index was down 5.4%. The share price performance was negatively impacted by the low free float. This was combined with an increased investor risk aversion regarding companies with activities in emerging markets that are exposed to commodities exports, in particular oil, as a result of the downward trend in those commodity prices at the end of 2014.

Between the listing date and 31 December 2014, the volume of the Group's ordinary shares traded on Euronext Amsterdam reached 1.8 million shares, with an average daily volume of 71,000 shares.

It should be noted that the Group's dividend policy targets a payout ratio between 50% and 75% of net income adjusted for significant non-recurring and extraordinary items.

## 5. Outlook for 2015

2015 will be a year of transition for Mota-Engil Africa, with stable margins in the traditional markets which will be impacted by the new markets that have recently opened and are gaining dimension. We expect stable growth in turnover as these new markets will replace the big Nacala Corridor project, which was finalized last year.

In terms of its Order Book, the Group expects to achieve at least one big project, taking into consideration the present pipeline.

It should be noted that these prospects do not correspond to an engagement regarding the future performance of the Mota-Engil Africa, but merely the greater capacity of prediction, on this date, regarding the future activity of its companies. Therefore, the performance that may be effectively achieved in 2015 could differ significantly from these forecasts. Moreover, Mota-Engil Africa does not undertake to update or correct this information due to the modification of any endogenous or exogenous factor that could change the performance of the Group.

# 4

## GEOGRAPHIES

**ANGOLA**
Angola

**WEST AFRICA**
Sao Tome and Principe
Cape Verde
Ghana

**SADC**
Malawi
Mozambique
South Africa
Zambia
Zimbabwe

**EAST AFRICA**
Uganda


# *Expanding our business horizons*

Thanks to a diversified portfolio, operating excellence and the ability to mobilise resources for very large projects, Mota-Engil Africa has expanded its business horizons to 10 countries. Today it is the leading company in the SADC space in terms of heavy construction equipment and is working to fulfil its mission to raise the African continent to the level of its potential for economic development.

MOTA-ENGIL AFRICA

02

# GOVERNANCE

**SADC**

BASE KASSUENDE BRIDGE
MOZAMBIQUE

# Index

## Governance

Mota-Engil Africa N.V. (the "**Company**") is a public limited liability company (*naamloze vennootschap*) incorporated under the laws of the Netherlands, with its corporate seat (*statutaire zetel*) in Amsterdam, The Netherlands. The Company's ordinary shares are listed on Euronext Amsterdam, the regulated market operated by Euronext Amsterdam N.V.

## 1. Board

The Company has a one-tier board (the "**Board**") comprising five (5) executive members (the "**Executive Directors**") and four (4) non-executive members (the "**Non-Executive Directors**"). As the Company does not qualify as a 'structure company' (*structuurvennootschap*) within the meaning of the Dutch Civil Code (*Burgerlijk Wetboek*), it is not subject to the Dutch 'structure regime' (*structuurregeling*).

| Name | Date of birth | Gender | Nationality | Position |
|---|---|---|---|---|
| Gonçalo Moura Martins | 26 October 1965 | Male | Portuguese | Chairman, Non-Executive Director |
| Gilberto Rodrigues | 2 July 1971 | Male | Portuguese | Chief Executive Officer, Executive Director |
| Pedro Antelo | 24 April 1965 | Male | Portuguese | Chief Financial Officer, Executive Director |
| Paulo Pinheiro | 27 August 1959 | Male | Portuguese | Executive Director |
| Carlos Pascoal | 4 June 1953 | Male | Portuguese | Executive Director |
| Bruno Machado | 4 July 1971 | Male | Portuguese | Executive Director |
| David Hobley | 9 December 1946 | Male | British | Senior Independent Non-Executive Director |
| Francisco Seixas da Costa | 28 January 1948 | Male | Portuguese | Independent Non-Executive Director |
| Maria Paula Mota | 14 March 1958 | Female | Portuguese | Non-Executive Director |

**Mr. Gonçalo Nuno Gomes de Andrade Moura Martins** was appointed Chairman of the Company in June 2014 and his term will expire in the annual general meeting of the shareholders of the Company (the "**General Meeting**") of the Company to be held in 2018. He began his career as a lawyer at the Engil group in January 1990 and has since held a number of roles in the Engil group and, since 2003, in the Mota-Engil group. He is currently Chief Executive Officer and Vice-Chairman of the Board of Directors of Mota-Engil S.G.P.S., S.A. and holds positions in other related companies. Mr. Moura Martins has a degree in Law from the Law University of Lisbon, a post-graduate degree in Management from Instituto Superior de Gestão as well as Advanced Management training from the Catholic University of Portugal and the University of Northwestern—Kellogg School of Management.

**Mr. Gilberto Silveira Rodrigues** was appointed Chief Executive Officer of the Company in June 2014 and his term will expire in the annual General Meeting to be held in 2018. He began his career at Mota e Companhia S.A. as a civil engineer in March 1994 and moved to Africa as Production Manager in Malawi with Mota-Engil Engenharia e Construção, S.A. in 2001. He has held a number of roles in Africa with the Mota-Engil group, including Coordinator of External Markets in Africa Austral before becoming director of Mota-Engil Engenharia e Construção, S.A. in 2009 and Chairman of the Board of Mota-Engil Angola, S.A. from 2010 to 2012. In 2012, he was appointed Chief Executive Officer of Mota-Engil Engenharia e Construção, S.A. and is currently a member of the Board of Directors of Mota-Engil S.G.P.S., S.A. Mr. Rodrigues is also Honorary Consul to Malawi and Chairman of the Board of the Portuguese Association in Malawi. He has a Civil Engineering degree from the Instituto Superior de Engenharia do Porto, University of Porto and a post-graduate qualification in Advanced Management from the Catholic University of Portugal and the University of Northwestern—Kellogg School of Management. Mr. Rodrigues also has a qualification from the Executive Education programme at Harvard Business School.

**Mr. Pedro Manuel Teixeira Rocha Antelo** was appointed Chief Financial Officer in June 2014 and his term will expire in the annual General Meeting to be held in 2018. Mr. Antelo began his career as an auditor at Moore Stephens in 1987 before joining Portugal Telecom International as Group Financial Controller and later becoming Director of Finance. He was also the Director of Finance and Planning at Maxitel Services and Telecommunications from 1996 to 2001. In addition, Mr. Antelo has served as CFO of Tecnipublicaciones España, S.L. and as General Manager and CFO of

Germinus S.A. In March 2006, he joined the Mota-Engil group and has held a number of roles, including CFO of Mota-Engil Engenharia e Construção, S.A. and a member of the Board of Directors of Mota-Engil S.G.P.S., S.A. and Ascendi Group S.G.P.S., S.A. Mr. Antelo has a degree in Organisation and Management from INP and a PAFE in Finance from CIFAG.

**Mr. Paulo José Ferreira de Sousa Dias Pinheiro** was appointed as an Executive Director of the Company in June 2014 and his term will expire in the annual General Meeting to be held in 2018. Mr. Pinheiro is also the Chairman of the Board of Directors of Mota-Engil Angola, S.A. and heads the Angola business segment. He began his career at ENGIL Sociedade de Construção Civil, S.A. in October 1983 where he became a Director and Chairman of the Board of Directors of Engil Investimentos, S.G.P.S., S.A. in 2001. Mr. Pinheiro was also the General Manager of Mota-Engil Engenharia e Construção, S.A. and held several managerial and director positions within the Mota-Engil group before becoming Deputy Director at Monte Adriano S.G.P.S., S.A. in 2006. Prior to joining the Company, he was President of the Board of Directors of Indaqua—Indústria e Gestão de Águas, S.A. Mr. Pinheiro also held managerial and director positions of various Indaqua group companies and was the Chairman of the Board of Directors of several Indaqua entities. He holds a Civil Engineering degree from the University of Porto.

**Mr. Carlos Alberto Grilo Pascoal** was appointed as an Executive Director of the Company in June 2014 and his term will expire in the annual General Meeting to be held in 2018. He began his career as an engineer at Direcção de Edifícios dos C.T.T. in 1977. From 1981, he worked at Construções Técnicas S.A. as Site Manager, Production Manager, Coordinating Manager, and Manager at Censul—Centro de Exploração Autónomo do Centro e Sul. Mr. Pascoal then joined the Mota-Engil group in October 1991 and held the positions of Production Manager and Production Director at Engil S.A. Following the merger between Mota e Companhia S.A. and Engil S.A., Mr. Pascoal was the General Manager of Production at Mota-Engil Engenharia e Construção, S.A. He was concurrently Director of Sedengil—Sociedade Imobiliária, S.A., Grossiman S.L., Sociedade Unipersonal and Maprel—Empresa de Pavimentos e Materiais Pré-Esforçados Lda. Mr. Pascoal graduated with a degree in Civil Engineering from the Superior Technical Institute and holds a post-graduate qualification in the Advanced Executive Management Programme from the Portuguese Catholic University. He is also a Senior Member of the Order of Engineers.

**Mr. Bruno de Almeida Matos Monteiro Machado** was appointed as an Executive Director of the Company in June 2014 and his term will expire in the annual General Meeting to be held in 2018. He started his career as an engineer in the Planning Department at Engil S.A. in 1994 and later served as a Site Manager for the Post-Tension Department and Project Manager. From 2001, Mr. Machado was the Production Manager for waste management at Serub S.A. before becoming Executive Director at Gintegral S.A. in 2003. Mr. Machado served as Director for Procurement, Planning, Controlling and Balance Score Card Implementation at Adrianos ACE. From 2005 to 2007, he was the Country Manager at the Romanian branch of MonteAdriano Engenharia & Construção S.A., and, from 2007 to 2009, the Managing Director of Real Estate Development at Öböl XI. Ingatlanhasznosítási Beruházó És Szolgáltató Kft and Bergamon A.S. Mr. Machado joined the Mota-Engil group in August 2009 and is a member of the Board of Directors of Mota-Engil Angola, S.A.. He has a degree in Civil Engineering from the University of Porto.

**Mr. David Hobley** was appointed as an Independent Non-Executive Director of the Company in June 2014 and his term will expire in the annual General Meeting to be held in 2018. He has spent 40 years in investment banking with SG Warburg & Co (now UBS) and Deutsche Bank, London from which he retired in 2011. For part of his time at Warburg, Mr. Hobley was seconded to the Overseas Advisory Division which advised a number of governments in the developing world on certain financial issues in Africa and Asia. He has also helped with the execution of various privatisations in Portugal including with Portugal Telecom and Brisa. He has been visiting Portugal on business primarily in a banking capacity since 1982. He has held numerous directorships with companies such as Orange S.A. in Paris, France, Mobinil, S.A. in Cairo, Egypt, incadea PLC in Munich, Germany and Sonaecom S.A. in Porto, Portugal. Mr. Hobley qualified as a chartered accountant with Deloitte in the UK in 1968 and worked for the firm until 1970. Mr. Hobley is a Fellow of the Institute of Chartered Accountants in England and Wales.

**Mr. Francisco Seixas da Costa** was appointed as an Independent Non-Executive Director of the Company in June 2014 and his term will expire in the annual General Meeting to be held in 2018. He started his career as a diplomat for the Portuguese Ministry of Foreign Affairs. In 1995, he became Secretary of State for European Affairs where he held a number of roles including Portuguese chief negotiator of the European Union Amsterdam Treaty and President of the Council of Ministers of the European Union Internal Market. Mr. da Costa has served as Permanent Representative to the United Nations in New York from 2001 to 2002. He was also the Permanent Representative to the Organisation for Security and Cooperation in Europe. From 2004 until 2012, he served as Ambassador to Brazil and France and was a Permanent Representative to UNESCO. Since 2013 he has been member of the Consultative Council of Fundação Calouste Gulbenkian and member of the Strategic Council of Mota-Engil S.G.P.S., S.A. He holds a degree in Political and Social Sciences from the Universidade Técnica of Lisbon.

**Mrs. Maria Paula Queirós Vasconcelos Mota de Meireles** was appointed as a Non-Executive Director of the Company in June 2014 and her term will expire in the annual General Meeting to be held in 2018. She began her career at Mota-Engil in December 1983 as a manager and is currently a member of the Board of Directors of Mota-Engil S.G.P.S., S.A. She is also a member of the Board of Directors of FM—Sociedade de Controlo, S.G.P.S., S.A. and holds positions in other related companies. Mrs. Mota de Meireles is also part of the Board of Trustees of Fundação Manuel António da Mota. She holds a Civil Engineering degree from the University of Porto.

## 2. Board Report

**Listing on Euronext, Pre-Listing Reorganisation and Shared Services**

Listing on Euronext Amsterdam and Relationship with the Majority Shareholder

The year under review has been one of substantial change. As of 24 November 2014, the Company's ordinary shares are admitted to listing and trading on Euronext Amsterdam, the regulated market operated by Euronext Amsterdam N.V. (the "**Listing**"). Prior to the Listing, the Company was a wholly-owned subsidiary of Mota-Engil S.G.P.S., S.A. ("**ME SGPS**" or "**Mota-Engil**"). Following the Listing, ME SGPS continued to hold a majority interest in the Company.

Historically, the operations carried on and owned by the companies now comprising the Company and its subsidiaries ("**Mota-Engil Africa**" or, the "**Group**") formed part of the African business of Mota-Engil Engenharia e Construção, S.A. ("**MEEC**"), a company then wholly-owned by ME SGPS.

During 2012, ME SGPS restructured its organisational model and refined its strategy to, amongst other things, increase its operational efficiency, enhance its ability to obtain financing in each of its markets and support the growth of its international activities. The revised strategy was further intended to facilitate the autonomous growth of ME SGPS's geographical segments through supporting four strategic pillars: (i) financial sustainability, (ii) international expansion, (iii) diversification and (iv) organisation and human capital. The focus on strategizing the ME SGPS group's business on geographic regions rather than business areas (as was previously the case) was to enable the respective regional management to operate autonomously to:

- expand activity in Angola, Malawi and Mozambique in areas such as Environment and Services and Logistics;
- focus on infrastructure connected to large mining-related projects for private multinational groups; and
- grow the share of backlog generated from private customers and projects financed by multilateral entities.

To implement this new strategic focus, the operations of ME SGPS were reorganised into a separate corporate group pursuant to the pre-listing reorganisation, and the Company is now the holding company of other companies that together comprise the Group (see "*The Pre-Listing Reorganisation*" below).

To further give effect to the revised strategic focus and to provide its shareholders with the benefits associated with attaining direct exposure to its operations in the African continent, ME SGPS convened a meeting of its shareholders, which was held on 27 December 2013, where shareholders of ME SGPS approved, amongst other things, a special dividend comprising shares in the Company.

ME SGPS' shareholders include free float of 44 per cent. and family holding 56 per cent. ME SGPS has entered into a relationship agreement with the Company. In addition to being the majority shareholder, ME SGPS will continue to provide a number of services to the Group.

The Pre-Listing Reorganisation

Prior to the pre-listing reorganisation, the Group's activities in Sub-Saharan Africa were housed within MEEC. As part of the pre-listing reorganisation, all of the businesses carried out in Sub-Saharan Africa by MEEC were split and subsequently incorporated into Mota-Engil Engenharia e Construção África, S.A. ("**MEEC Africa**").
The pre-listing reorganisation was effected through:

a. the creation of Mota-Engil Africa B.V. (now Mota-Engil Africa N.V.) as the new holding company for African operations;
b. a demerger-merger transaction which transferred all of the civil construction and public works businesses that MEEC developed in Sub-Saharan Africa (specifically Angola, Cape Verde, Malawi, Mauritius, Mozambique, South Africa, São Tomé e Príncipe and Zimbabwe), other than MEEC's support and expertise centres in Portugal (which provides certain engineering know-how to the African business), to the Company's subsidiary, MEEC Africa. The assets and liabilities transferred include shareholdings, movable and immovable assets (which are located outside of Portugal), other tangible and intangible assets (with or without accounting entries), inventories, deposits, credits, guarantees, licenses, industrial or intellectual property rights, other rights and obligations, other legal procedural and contractual positions (including employees) and all financial obligations formerly attributable to operations in Sub-Saharan Africa. However, in line with article 12(3), (5) and (6) of the Sixth Council Directive 82/891/EEC of 17 December 1982 based on Article 54 (3) (g) of the Treaty establishing the European Economic Community, concerning the division of public limited liability companies, the Portuguese Companies Code provides that MEEC will remain jointly and severally liable for the debts that, by virtue of the demerger-merger transaction, were assigned to MEEC Africa, which, in turn, may also be liable on the same terms, up to the amount of the net assets that were transferred to it in the merger, for MEEC's debts prior to the registration of the demerger-merger. Net assets that were transferred to MEEC Africa in the merger amount to approximately €229.9 million. If either MEEC or MEEC Africa would be required to pay any amounts under these provisions, either entity would then have the right to claim compensation from the primary debtor;
c. facilitating the acquisition by Mota-Engil Angola, S.A. of certain of the ME SGPS group's investments in Africa, namely 50 per cent. of Vista Energy Environment & Services S.A. ("**Vista**"), which is the holding company of Vista Waste Management, Lda. and Vista Water, Lda. The remaining shares of Vista were also acquired by Mota-Engil Angola, S.A., which is now the sole shareholder of this company; and
d. a non-cash contribution (consisting of the total shares in MEEC Africa) by ME SGPS to the Company.

The partial demerger of MEEC, undertaken pursuant to the terms of article 118(1)(c) of the Portuguese Companies Code, resulted in the splitting of the assets of MEEC into two parts in order for one of those parts to be merged into MEEC Africa. MEEC's demerged assets, which comprised the assets and liabilities related to ME SGPS group's civil construction and public works activities in Angola, Cape Verde, Malawi, Mauritius, Mozambique, Zimbabwe, São Tomé e Príncipe and South Africa were transferred by way of merger to MEEC Africa. Pursuant to the option provided under article 119(i) of the Portuguese Companies Code and under article 74(3) of the Portuguese Corporation Tax Code, from a tax and accounting standpoint, the demerger-merger, including the transfer to MEEC Africa of the assets of MEEC, took place on 1 January 2013.

<u>Shared Services and Intercompany Arrangements</u>

ME SGPS has been providing until the end of 2014, through its wholly-owned subsidiary Mota-Engil Serviços Partilhados Administrativos e de Gestão, S.A. ("**MESP**"), certain services to companies within the ME SGPS group in respect of the operation of their respective businesses. The rationale for this arrangement is, among other things, to optimise back-office functions within the Mota-Engil group, take advantage of potential synergies across the Mota Engil group by providing a common support infrastructure, share common knowledge, cut bureaucracy, ensure effective circulation of information within the Mota-Engil group, accelerate decision and approval processes and provide Mota-Engil group companies access to best practices and technological platforms at low cost. As from January 2015, Mota-Engil Africa began to develop these tasks internally.

The services that have been provided at arm's length by MESP, and from 2015 onwards will be assured by the ME Africa Shared Services, to companies within the Group fall within the following service areas: (i) Human Resources (including services in connection with the development and motivation of the workforce, recruitment, strategic planning, payroll processing, handling changes in employee terms and conditions, registration of employee transfers and exits and integration of time sheets), (ii) Finance and Accounting (including debt management, cash-flow management, credit control and payments to suppliers), and (iii) Controlling & IT (including preparation of internal reporting, supporting and controlling the IT operating budget and IT budget control, hardware and software supply, technology maintenance and assistance, management of the e-mail system and information technology infrastructure services). In addition, MEEC provides specialist engineering support and know how (particularly in the areas of rail and port construction) to members of the Group through its support and expertise centres based in Portugal. Suma-Serviços Urbanos e Meio Ambiente, S.A., another company within the Mota-Engil group, also provides certain services (principally relating to the supply of materials and expatriate personnel) to Vista Waste Management, Lda., a Group company.

The Mota Engil group's shared services model allows companies within the Mota-Engil group, including members of the Group, to elect the nature and extent of the services they require from MESP, bearing in mind their individual operational needs and requirements. As such, companies within the Group may elect to take direct or greater responsibility in respect of certain of its processes where required by its local business and operational environment.

The services provided to Group companies are rendered by ME Africa Shared Services pursuant to service level agreements entered into with each relevant Group company ("**SLA**"). Each SLA is based on a template formulated by the Company which is adapted to the particular type and recipient of services and sets out the detailed scope of services to be provided by ME Africa Shared Services to the relevant Group company. SLAs in respect of most non-information technology-related services typically have a term of one or three years, are automatically renewable for periods of one year at the end of the relevant term and generally contain one of the following two termination provisions: either that (i) the agreement may be terminated at any time by either party with a minimum of 90 days' prior notice; or (ii) either party may terminate the agreement by objecting to its renewal with a minimum of 60 days' prior notice, before the relevant SLA's termination date. SLAs generally have a fixed price which is established based on expected transactional volumes and revisited upon renewal of the relevant contract, taking into account expected inflation. It may also be updated by means of an amendment to the relevant SLA. Certain of the SLAs entered into by Group companies are based on variable prices such as SLAs in respect of information technology related services (where a fixed price per unit is established, but the monthly fee depends on periodic counting of certain variables (for example, active e-mail accounts)) and SLAs in respect of certain other services (for example, help desk and administrative support services), where a variable nominal fee is charged depending on the level of activity performed by the ME Africa Shared Services. Where any company within the Group requires services not specifically contemplated under an existing SLA, these can be provided by ME Africa Shared Services on an ad-hoc basis which is usually the case with small Group companies which do not require a full spectrum of services.

**Activities of the Board**

As evidenced above, the year 2014 was a year of substantial change, both for the Group and the Board. The Board focused on creating appropriate structures and guidelines for the functioning of the Board as well as establishing and implementing the corporate governance structure of the Company. The Board drafted and approved several governance documents including the Board rules and the terms of reference for the Board committees. As the Board was expanded with new Executive Directors and Non-Executive Directors and installed the Board committees mid-year, this had a substantial impact on the Board's activities in 2014.

**Board Meetings**

The Board met two times in 2014 and several conference calls were held. These meetings were held to discuss among other regular aspects, a number of specific issues, such as conditions of the Listing, the prospectus and the Share Dealing Code. There were also discussions about the Board's own performance (both as a whole and of the individual Board members) and that of the Board's committees. Matters discussed here included the composition and profile of the Board, the decision-making process, the quality of the supervisory process and of the supervision itself and the relationship of the Non-Executive Directors with the Executive Directors.

The issues on which the Board focused during 2014 due to the Listing and as a result of the pre-listing reorganisation included the following subjects:

- Development and implementation of the Company's structure and governance charters, including but not limited to the articles of association, board rules, Code of Ethics and Business Conduct, Anti-Corruption and Bribery Policy and committee charters.
- Establishment and composition of the Board, its Audit Committee and its Nomination and Remuneration Committee.
- Listing the shares in the Company on Euronext Amsterdam.
- Full understanding of the businesses and training from third party advisors on topics including tax, industry, audit controls and risk assessment, legal and compliance.
- Discussion of the audit approach and risk assessment with Deloitte.

The comprehensive decisions adopted were:

1. Appointment of chairman of the Board.
2. Appointment of senior independent non-executive director.
3. Appointment of secretary of the Company.
4. Adoption of the Board rules.
5. Installation of the Audit Committee and appointment of its members.
6. Adoption of the Audit Committee terms of reference.
7. Installation of the Nomination and Remuneration Committee and appointment of its members.
8. Adoption of the Nomination and Remuneration Committee terms of reference.
9. Adoption of the Anti-Corruption and Bribery Policy, the Code of Ethics and Business Conduct, the Share Dealing Code, the Policy on Bilateral Contacts with Shareholders, the RPT Policy and the Whistleblower Rules.
10. Discussion and approval (where necessary) of transaction documents (including, among other things, the draft relationship agreement).
11. Resolution to approve all actions in relation to the transaction documents.
12. Approval of the draft prospectus.
13. Appointment of pricing committee members and grant of authorisation to issue shares.
14. Grant of power of attorney to pricing committee for transaction documents.
15. Entrance into and execution of the service agreements with each Board member.
16. Resolution to take all further actions in relation to the Listing.

17. Update from the Company's chief executive officer regarding current business of the Company and respective subsidiaries
18. Approval of the first semester accounts of the Company

## 3. Corporate Governance

**Governance Structure**

The corporate governance framework of the Company is based on the requirements of the Dutch Civil Code, the Dutch Corporate Governance Code as well as applicable securities laws. In addition, the Company is governed by its articles of association (the "**Articles**") and internal procedures such as the rules of the Board (the "**Board Rules**"). The Articles were last amended on 20 November 2014 and the Board Rules were last amended on 14 November 2014. The Articles are available at the trade register (*handelsregister*) of the Dutch Chamber of Commerce and, together with the Board Rules, on the Company's website, www.africa.mota-engil.com. The Articles may be amended by a resolution of the Company's general meeting of shareholders (the "**General Meeting**") adopted by a simple majority of the votes cast on the basis of a specific proposal to that effect of the Board.

**The Board**

Composition and Responsibility

The Board currently comprises five Executive Directors and four Non-Executive Directors. Two of the Non-Executive Directors are considered by the Board to be independent within the meaning of the Dutch Corporate Governance Code. The Company strives for a mixed composition in respect of gender as referred to in Section 2:166 of the Dutch Civil Code. However, as the Board consists of a limited number of members, the balanced gender diversity is not easy to achieve and has not been achieved in 2014. Moreover, selection and appointment of Board members is based on expertise, skills and relevant experience.

The Board is assisted by the Company secretary, who was appointed to the role on 18 June 2014.

The Board has the ultimate responsibility for the management, day-to-day affairs and strategy of the Company and the business affiliated therewith. The Non-Executive Directors supervise the policy of the Company and the fulfilment of duties by the Board members, as well as the general affairs of the Company.

As part of the duties under its terms of reference, at least once a year the Nomination and Remuneration Committee evaluates the desired profile, composition and competence of the Board as a whole and the functioning of each individual Board member, both executive and non-executive.

Appointment, Suspension and Dismissal

The General Meeting appoints, suspends and dismisses the members of the Board. The Articles provide that Board members will be appointed for a period of time to be determined by the General Meeting, provided that a Board member's term of office ends no sooner than on the day of the General Meeting held in the first year after the year of such Board member's appointment and not later than on the day of the General Meeting to be held in the fourth year after the year of such Board member's appointment, unless such Board member has resigned or has been dismissed at an earlier date. A Board member's appointment may be renewed by the General Meeting with due observance to the rules and regulations as applicable to the Company.

Conflicts of Interest

Conflicts of interest procedures are incorporated in the Articles and the Board Rules. These procedures reflect the conflict of interest provisions of the Dutch Civil Code and the principles and best practice provisions of the Dutch Corporate Governance Code.

There have been no transactions during 2014, and there are currently no transactions, between the Company or any of its subsidiaries, and any significant shareholder, Board member or any relative or spouse thereof, other than ordinary course compensation arrangements.

Remuneration

The general policy for the remuneration of Board members will be determined by the General Meeting in accordance with Dutch law and the Articles. The remuneration of each Board member will be set by the General Meeting in accordance with the remuneration policy. You can find the details of this remuneration policy under "*Remuneration Report*" below.

Board Committees

The Board has established two committees: the Audit Committee and the Nomination and Remuneration Committee. Both committees consist of three Non-Executive Directors. With the exception of one member per committee, all members of these committees are independent within the meaning of the Dutch Corporate Governance Code.

**The Audit Committee** consists of the following three Non-Executive Directors: David Hobley (chairman and independent Non-Executive Director), Francisco Seixas da Costa (independent Non-Executive Director) and Gonçalo Moura Martins. Mr David Hobley is a financial expert. The Audit Committee must consider, amongst other matters: (i) the integrity of the financial statements of the Company, including its annual and interim accounts and the effectiveness of the Company's internal controls and risk management systems; (ii) auditors' reports; and (iii) the terms of appointment and remuneration of the auditor. The Audit Committee supervises and monitors the Board on Risk Management and Control Systems and the implementation of codes of conduct. In addition, the Audit Committee supervises the submission by the Company of financial information and a number of other audit-related issues.

The Audit Committee was established in June 2014, and has formally met three times during 2014 on various topics including results publication, defining material risks and controls and setting the agenda with the external auditors. In addition, four conference calls took place most of these with external auditors present. Among the other subjects for discussion were the liquidity of the Group, specifically the liquidity in Angola, progress with implementing appropriate Ethics and Whistleblowing policies, a number of key accounting issues, and fraud and corruption processes and controls. The Audit Committee was also involved in the selection of the external auditors and approved compensation levels. Members of the Audit Committee were present on regular calls and in certain meetings with the external auditors reviewing real time progress of, and issues pertaining to, the audit process. The Audit Committee also reviewed the material risks to the business as presented by the management.

**The Nomination and Remuneration Committee** consists of the following three Non-Executive Directors: Francisco Seixas da Costa (chairman and independent Non-Executive Director), Maria Mota de Mereiles and David Hobley (independent Non-Executive Director). The responsibilities of the Nomination and Remuneration Committee include the preparation of, amongst other matters, the decision of the Board relating to the remuneration of the Board members and senior management reporting to the Board and any incentive plans of the Company. Under Dutch law and the Articles, the General Meeting must determine the principal guidelines of the remuneration of the Executive Directors and Non-Executive Directors. In addition, pursuant to Dutch law and the Articles, the General Meeting has to approve the individual remuneration of all the Board members within such guidelines, including but not limited to granting of options and share incentive plans to such Board members. The Remuneration Committee prepares an annual report on the remuneration policies of the Company. No Executive Director may be involved in any discussions or decisions as to the remuneration of Executive Directors. Furthermore, the responsibilities of the Nomination and Remuneration Committee include preparing selection criteria and appointment procedures for Board members and reviewing on a regular basis the structure, size and composition of the Board. In undertaking this role, the Nomination and Remuneration Committee should refer to the skills, knowledge and experience required of the Board given the Company's stage of development and make recommendations to the Board as to any changes. The Nomination and Remuneration Committee should also consider future appointments in respect of the Board's composition.

The Nomination and Remuneration Committee was established in June 2014, prior to the Company's admission to listing and trading at Euronext Amsterdam and after the key appointments for the Company had been made. Due to the listing late in 2014 and the fact that, with the exception of one Board member, all Board members were appointed mid 2014, the Nomination and Remuneration Committee did not hold a formal meeting during 2014. The Nomination and Remuneration Committee is currently scheduled to meet at the end of April 2015.

The role and responsibilities of the Audit Committee and the Nomination and Remuneration Committee are set out in written terms of reference for each committee, available on the Company's website.

**Shareholders**

Share Capital

The Company's authorised share capital amounts to €200,000,000 divided into 200,000,000 shares each with a par value of €1.00. The Company's issued and outstanding share capital amounts to €100,000,000 and is divided into 100,000,000 shares. All shares that are issued are fully paid up.

The Company's shares are in registered form and are subject to, and have been created under, the laws of the Netherlands. All the Company's shares rank *pari passu* in all respects with each other. The Company does not issue share certificates.

The Company's shares are admitted to trading on Euronext Amsterdam. The shares trade in euros under the symbol "MEAFR" and with the ISIN code NL0010969408.

Transfer of Shares

The Company's shares can be freely transferred. There are no contractual commitments in place that limit the transfer of the shares. Under the Articles, there are no disposal prohibitions or restrictions regarding the transferability of the shares. A transfer of a share or a restricted right thereto requires a deed of transfer and the acknowledgement in writing by the Company of the transfer. Such acknowledgement is not required if the Company itself is party to the transfer.

However, if a registered share is transferred for inclusion in a collection deposit (*verzameldepot*), the transfer will be accepted by the intermediary concerned. If a registered share is transferred for inclusion in a giro deposit (*girodepot*), the transfer will be accepted by the central institute, being Euroclear Nederland. The transfer and acceptance of the Company's shares in the collection deposit or giro deposit, respectively, can be effected without the cooperation of the other participants in the collection deposit or giro deposit, respectively.

General Meeting of Shareholders

The Company's shareholders exercise their rights through annual and extraordinary General Meetings. The Company is required to convene an annual General Meeting in the Netherlands each year, no later than six months after the end of the Company's financial year. Additional extraordinary General Meetings may be convened at any time by the Board or by one or more shareholders representing at least 10 per cent. of the issued capital. The agenda for the annual General Meeting must contain certain matters as specified in the Articles and under Dutch law, including the adoption of the Company's annual financial statements. Shareholders are entitled to propose items for the agenda of the General

Meeting provided that they hold at least 3 per cent. of the issued capital or the shares that they hold represent a market value of at least €50 million. Proposals for agenda items will have to be received by the Board no later than on the sixtieth day prior to the date of the General Meeting. The General Meeting is also entitled to vote on important decisions regarding the identity of the character of the Company, including major acquisitions and divestments.

Dutch law prescribes a record date to be set 28 days prior to the date of the General Meeting to determine whether a person may attend and exercise the rights relating to the General Meeting. Shareholders registered at that date are entitled to attend and to exercise their rights as shareholders in relation to the General Meeting, regardless of a sale of shares after the record date. Shareholders may be represented by written proxy that meets the requirements set out in the Company's articles of association.

Voting Rights

Each share entitles the holder to cast one vote. Subject to certain exceptions provided by Dutch law or the Articles, resolutions are passed by a simple majority of the votes cast. A resolution providing for an amendment of the Articles, a merger, division or the dissolution of the Company must be adopted by the General Meeting on the basis of a specific proposal to that effect of the Board.

Issue of Shares and Pre-Emptive Rights

The Articles provide that the General Meeting may resolve to issue shares or grant rights to subscribe for shares. The General Meeting may resolve to designate this authority to the Board. Under Dutch law and the Articles, each shareholder has a pre-emptive right in proportion to the aggregate nominal value of its shareholding upon the issue of shares or granting of rights to subscribe for shares. The General Meeting may resolve to limit or exclude the pre-emptive rights, which resolution requires a majority of at least two-thirds of the votes cast, if less than half of the issued share capital is present or represented at the General Meeting. The General Meeting may also designate this authority to the Board.

On 14 November 2014, the General Meeting designated the Board as the body authorised to resolve to issue shares, to grant rights to subscribe for shares and to limit or exclude statutory pre-emptive rights in relation to the shares. This designation is limited to up to 10 per cent. of the number of issued and outstanding shares on the date following the date of completion of the admission of all of the issued shares in the capital of the Company to listing and trading on Euronext Amsterdam. Pursuant to such designation (and to a delegation agreement dated 14 November 2014 between the major shareholder, the Company, and the Board members), the Board is bound to, in the event of any issuance of shares or rights to subscribe for shares during such term, provide qualified investors (*gekwalificeerde beleggers*) as defined in Section 1:1 of the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*) residing in the European Economic Area that hold shares (or depositary receipts representing such shares) the opportunity to subscribe for such shares or rights to subscribe for shares for at least their respective *pro rata* interest in the capital of the Company. These authorisations have been granted for an eighteen month period starting on the date following the date of completion of the admission of all of the issued shares in the share capital of the Company to listing and trading on Euronext Amsterdam. The General Meeting may not withdraw this delegation.

Repurchase of Shares

The Company may acquire its own fully paid up shares at any time for no consideration (*om niet*) or for consideration, subject to certain provisions of Dutch law and the Articles, if: (i) the shareholders' equity reduced by the purchase price for the acquisition does not fall below the sum of the paid and claimed portion of the share capital and the reserves that must be maintained in accordance with provisions of Dutch law and the Articles; (ii) thereafter, the Company and its subsidiaries would not hold shares or hold a pledge over the shares with an aggregate nominal value exceeding 50 per cent. of the Company's issued share capital; and (iii) the Board has been authorised thereto by the General Meeting.

Such authorisation may be granted for a period not exceeding 18 months and shall specify the number of shares, the manner in which shares may be acquired and the price range within which shares may be acquired. In the event that a financial year has lapsed for more than six months without the annual accounts being adopted, any acquisition in accordance with this paragraph will not be permitted.
No voting rights may be exercised in respect of any share held by the Company or its subsidiaries nor will such shares be counted for the purpose of calculating a voting quorum.

Major Shareholders and Board Member Interests

Pursuant to the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*), any person who, directly or indirectly, acquires or disposes of a capital interest and/or voting rights in the Company must immediately give written notice to the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the "**AFM**") of such acquisition or disposal if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person reaches, exceeds or falls below the following thresholds: 3 per cent., 5 per cent., 10 per cent., 15 per cent., 20 per cent., 25 per cent., 30 per cent., 40 per cent., 50 per cent., 60 per cent., 75 per cent. and 95 per cent. The following table lists the shareholders on record with the AFM register on 28 April 2015 that hold an interest of 3 per cent. or more.

| Shareholder | Date of disclosure | Capital | Voting rights |
|---|---|---|---|
| Mota-Engil, S.G.P.S., S.A. | 24 November 2014 | 81.92% | 81.92% |
| FM- Sociedade de Controlo, S.G.P.S., S.A.[1] | 24 November 2014 | 12.58% | 12.58% |

The Company declares that all transactions with shareholders who hold at least ten per cent. of the shares in the Company have been concluded at arm's length. Pursuant to the Related Party and Conflict Policy, decisions to enter into transactions in which there is a conflict of interest with such shareholders and that are of material significance require the approval of the Board, as such, the Company has observed best practice provision III.6.4 of the Dutch Corporate Governance Code.

In addition, the Board members must notify the AFM of the number of shares and voting rights such Board member holds in the Company. The following table lists the Board members on record with the AFM register on 28 April 2015.

| Board Member | Date of disclosure | Shares | Voting rights |
|---|---|---|---|
| P. Antelo | 13 February 2015 | 17,000 | 17,000 |
| D. Hobley | 18 December 2014 | 3,000 | 3,000 |
| B. Machado | 24 November 2014 | 200 | 200 |
| G.M. Martins | 24 November 2014 | 925 | 925 |

The following table lists the board members of ME SGPS holding shares and/or voting rights in the Company on 28 April 2015.

| Board Member | Date of disclosure | Shares | Voting rights |
|---|---|---|---|
| António Manuel Queirós Vasconcelos da Mota | Not applicable | 2,000 | 2,000 |
| Gonçalo Nuno Gomes de A. Moura Martins | 24 November 2014 | 925 | 925 |
| Maria Manuela Queirós V. Mota dos Santos | Not applicable | 270,194 | 270,194 |

[1] As reported to the AFM on 26 November 2014, the capital interest and voting rights of FM- Sociedade de Controlo, S.G.P.S., S.A. are held indirectly through its subsidiary, Mota Gestão e Participações, S.G.P.S., S.A. The Company understands that the actual indirect capital interest and voting rights of FM- Sociedade de Controlo, S.G.P.S., S.A. in the Company as at 28 April 2015 had increased to 12.6 per cent., but such capital interest and voting rights have not, as far as the Company is aware, exceeded or fallen below the applicable thresholds triggering additional notifications to the AFM.

| Board Member | Date of disclosure | Shares | Voting rights |
|---|---|---|---|
| Ismael Antunes Hernandez Gaspar | Not applicable | 82 | 82 |
| José Pedro Matos Marques Sampaio de Freitas | Not applicable | 946 | 946 |
| Luís Filipe Cardoso da Silva; | Not applicable | 930 | 930 |

Distributions to shareholders

In respect of the current year, the directors propose that a dividend of 28 cents per share be paid to shareholders on 21 July 2015. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements. The proposed dividend is payable to all shareholders on the Register of Members on the third business day following the date of the AGM in which the dividend payment is adopted (such date being 26 June 2015 assuming the dividend payment is adopted by the AGM on 23 June 2015. The total estimated dividend to be paid is 28 million euros.

**Auditor**

The General Meeting appoints the external auditor. Pursuant to the Articles, the Board may appoint the external auditor if the General Meeting does not proceed to do so. The Audit Committee recommends the appointment, re-appointment and removal of an external auditor by the General Meeting and assesses the remuneration and terms of engagement of the external auditor. If the external auditor resigns, the Audit Committee investigates the issues giving rise to such resignation and considers whether any action is required. On 19 November 2014, the General Meeting appointed Deloitte Accountants B.V. as external auditor for the Company for the financial year 2014.

**Dutch Corporate Governance Code**

The Company acknowledges the importance of good corporate governance. The Company has made an effort in drawing up internal corporate governance regulations that comply, to the fullest extent possible, with the Dutch Corporate Governance Code. Where deviations from the Dutch Corporate Governance Code have been made, these are indicated below. The Company has not applied a limited number of principles and best practice provisions from the Dutch Corporate Governance Code, as it has not considered them to be in the interests of the Company and its stakeholders. The Company does not comply with the following principles and best practice provisions of the Dutch Corporate Governance Code:

- Best practice provision II.2.13, sub f, which requires a description in the remuneration report of the performance criteria on which the performance-related component of the variable remuneration is dependent in so far as disclosure would not be undesirable because the information is competition sensitive. The Company believes this information is competitively sensitive and as such is not required to disclose such information. Please refer to the Remuneration Report (page 45) and Section 1.2 of the Remuneration Policy.

- Best practice provision III.3.1 which requires a (separate) profile of the number and composition of the Non-Executive Directors, taking account (*inter alia*) the nature of the Company's business, its activities and the desired expertise and background of the Non-Executives Directors. This best practice provision was originally intended for the supervisory board in a traditional two-tier model. Considering the Company employs a one-tier board, the Company has opted not to have two separate profiles for its Executive and Non-Executive Directors, but rather employs a single such profile for the entire Board.

- Best practice provision III.3.3 which requires Non-Executive Directors to follow an induction programme and, if needed, additional training. The Company currently has no such programme in place, as it believes the profile it uses to select Directors is sufficiently robust so as to ensure suitably knowledgeable and experienced Non-Executive Directors and thus, subject to the review of training requirements recommended by the Audit Committee and adopted by the Board no further training is required at this stage.

- Best practice provision III.3.6 which requires a retirement schedule for Non-Executive Directors in order to avoid, as much as possible, a situation in which many Non-Executive Directors retire at the same time. The Company believes that a retirement schedule is not necessary, as retirement of Non-Executive Directors will be discussed within the Board on time and measures will be taken on a case by case basis.

- Principle III.5 which requires the establishment of separate remuneration, audit and nomination and selection committees. The Company believes that the Board can operate most efficiently if it limits the number of Board committees. Accordingly, the Company has combined the remuneration and nomination and selection matters in one single committee, while still establishing a separate audit committee.

- Best practice provision III.5.9 which requires that the audit committee shall meet with the external auditor as often as it considers necessary, but at least once a year, without management board members being present. The Company's audit committee has met with the external auditor in 2014, but the Company's CFO was present. The Company does intend to comply with this best practice provision in 2015.

- Best practice provision III.7.2 which requires any shares held by a Non-Executive Director in the Company on are long-term investments. Although there is no regulation stating that such investments shall be long-term, it is established practice for the Non-Executive Directors to hold any shares in the Company as long-term investments. Moreover, all Directors are subject to a six month lockup-period after the purchase thereof under the Company's Share Dealing Code. As such, the Company believes it does not require further regulation to ensure investments by Non-Executive Directors are long-term investments.

- Best practice provision III.8.4 which requires that the majority of the Board members are Non-Executive Directors and are independent within the meaning of the Dutch Corporate Governance Code. Only two of the four Non-Executive Directors are independent. The Company believes that there is a satisfactory balance for the purposes of decision-making at the Board level which is in line with the aims of the Dutch Corporate Governance Code.

For the full text of the Dutch Corporate Governance Code, please refer to the website http://www.commissiecorporategovernance.nl.

**Decree Article 10 EU Takeover Directive**

Pursuant to the Decree Article 10 EU Takeover Directive (*Besluit artikel 10 overnamerichtlijn*), the Company must report on, among other things, its capital structure, restrictions on voting rights and the transfer of securities, significant shareholders of the Company, the rules governing the appointment and dismissal of Board members, the powers of the Board (in particular, the power to issue or repurchase shares), the amendment of the Articles, significant agreements to which the Company is a party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid (except where their nature is such that their disclosure would be seriously prejudicial to the Company), and any agreements between the Company and the Board members or employees providing for compensation if their employment ceases due to a takeover bid.

The information required by the Decree Article 10 EU Takeover Directive is included in this *Corporate Governance* Chapter.

**Corporate Governance Statement**

Pursuant to Section 2a of the Decree on additional requirements for annual reports (*Vaststellingsbesluit nadere voorschriften inhoud jaarverslag*, the "**Decree**"), the Company must make a statement on corporate governance. The information required to be included in this corporate governance statement as described in Sections 3, 3a and 3b of the Decree can be found in the following paragraphs of this chapter of the Annual Report:

- the information concerning compliance with the principles and best practice provisions of the Dutch Corporate Governance Code, as required by Section 3 of the Decree, can be found under "*2.3 Corporate Governance – Dutch Corporate Governance Code*";

- the information concerning the Company's risk management and control frameworks relating to the financial reporting process, as required by Section 3a, under a, of the Decree, can be found under "*Risk Management*";

- the information regarding the functioning of the General Meeting, and the authority and rights of the Company's shareholders, as required by Section 3a, under b, of the Decree, can be found within the relevant subparagraphs under "*2.3 Corporate Governance – Shareholders*";

- the information regarding the composition and function of the Board and the committees of the Board, as required by Section 3a, under c, of the Decree, can be found under the relevant subparagraphs under "*2.1 The Board*" and "*2.3 Corporate Governance – The Board*"; and

- the information concerning the inclusion of the information required by the Decree Article 10 EU Takeover Directive, as required by Section 3b of the Decree, can be found under "*2.3 Corporate Governance – Decree Article 10 EU Takeover Directive*".

**Corporate social responsibility**

<u>Historical roots</u>

Historically, the Company has a profound sense of solidarity resulting from the legacy of Manuel António da Mota, founder of the Group, who was considered a philanthropist spirit, with a permanent concern for maintaining the cultural values of local communities and the corporate identity of the Company through active and responsible corporate citizenship.

<u>Governance</u>

The Company is committed to conducting all business activities responsibly, efficiently, transparently, and with integrity and respect towards all stakeholders. All employees are subject to a number of codes to ensure these values are upheld and to ensure compliance with local laws. The Company believes that ethical business conduct increases competitiveness in the market and as such contributes to innovation and improves quality.

The Company's values and expected behaviours are contained in the Code of Ethics and Business Conduct. The Company has adopted a policy against bribery and corruption, as laid out in its Anti-Corruption and Bribery Policy. The Whistleblower Rules exist to ensure that any and all employees of the Group have the possibility of reporting alleged irregularities or unethical conduct in any of the Group companies. The Related Party Transactions Policy lays out a number of procedural matters to be considered in order to properly cope with possible conflicts of interests. The Code of Practice for Dealing with Insider Trading provides a set of trading rules to mitigate the risk of trading with insider knowledge by employees of the Group. This is further strengthened by the Company's bilateral contact policy for its shareholders, which aims to facilitate an open and constructive dialogue with shareholders and analysts whilst simultaneously ensuring all financial market participants are provided with equal information.

Even though not yet all measures with regard to the full implementation of these governance policies throughout the Group were taken during the year 2014, the Group is dedicated to full implementation in 2015 with the utmost effort. In addition, the Group is preparing several training programs in this respect in 2015. The contracts of new recruits contain provisions requiring them to acknowledge and comply with those policies as well as allowing for dismissal for violations.

## Stakeholder Engagement

*Providers of financial capital*
The Company strives to facilitate an open and constructive dialogue with (potential) investors and analysts. This communication usually takes place through investment meetings and press releases. The Company provides relevant information for investor relation purposes through its website.

*Employees*
The Company considers its employees as its most important asset and is committed to providing a safe and healthy workplace for all of its employees. In addition, the Company greatly values equal opportunity and diversity in the workplace and believes that more diverse teams are better aligned to the wishes and expectations of the Group's stakeholders and society as a whole.

*Suppliers and subcontractors*
The Company is in daily contact with suppliers and subcontractors and invests in sustainable, long term relationships.

*Society*
The Company believes that, in Africa, the close and permanent relationship between the Company and the community is a way to create a more prosperous and fair society in each country. In addition to the Group's focused corporate social responsibility outreach, by its very nature, the Company's construction activities have an impact on local communities and society as a whole by providing communities with vital infrastructure. Furthermore, the Company provides economic prosperity to local communities through job opportunities and subcontracting.

## Environmental impact

The Company's activities can potentially have a large impact on the environment. The Company has a continuous need for raw materials, water and energy while producing significant amounts of waste. As such, the Company greatly values compliance with all applicable legislation regarding the environment so as to minimize its impact.

## 4. Audit Committee Report

Composition of the Audit Committee

The Audit Committee comprises three members, being non-executive directors of the Board of the Company. The Board determines the composition of the Audit Committee, meaning non-executive directors shall be appointed as members of the committee by the Board and may be replaced by other non-executive directors at any time at the Board's discretion. The current members of the Audit Committee are David Hobley (chairman and independent Non-Executive Director), Francisco Seixas da Costa (independent Non-Executive Director) and Gonçalo Moura Martins (Non-Executive Director). Mr David Hobley is a financial expert.

Responsibilities

The role and responsibilities of the Audit Committee are to assist the board in fulfilling its oversight responsibilities with respect to, amongst other matters: (i) the integrity of the financial statements of the Company, including its annual and interim accounts, the effectiveness of the Company's internal controls and risk management systems; (ii) the supervision of financial information by the Company; (iii) auditors' reports; and (iv) the terms of appointment and remuneration of the auditor. The Audit committee supervises and monitors the Board on Risk Management and Control Systems and the implementation of codes of conduct. In addition, the Audit Committee supervises the relationship with the Company's external auditor, its independence and a number of other audit-related issues.

It is the intention that at least once a year the Audit Committee reports to the Board on the developments concerning the relationship with the external auditor, in particular its independence.

Committee Meetings

The committee met three times during 2014 and four conference calls took place, most of these took place with external auditors present.

Activities

The subjects discussed by the Audit Committee over the year 2014 included results publication, defining material risks and controls and setting the agenda with the external auditors on key audit related matters. Among the other subjects for discussion were the liquidity of the Group, specifically the liquidity in Angola, progress with implementing appropriate Ethics, Anti-Corruption and Whistleblowing policies and a number of key accounting issues, including, inter alia, Revenue Recognition for contracts in progress, Provisions and Guarantees, valuation of Financial Investments and Goodwill, Tax and Transfer Pricing, Related Party Transactions and Disclosures, Management Override.

The activities of the Audit Committee since June 2014, the date of its creation, also involved the selection of the external auditors, the approval of compensation levels and the review of the material risks to the business as presented by the management. In addition, members of the Audit Committee were present on regular calls and in certain meetings with the external auditors reviewing real time progress of, and issues pertaining to, the audit process.

Risk management and internal control

With respect to these issues, the Audit Committee has reviewed, with the assistance of external advisors, the principal risks facing the business, listed elsewhere in this report.

While the design of the Company's compliance program is considered to be appropriate by the Company, the formal implementation and operational effectiveness of its policies, controls and processes regarding, inter alia, the prevention of fraud and corruption is still developing. The Company maintains an Anti-Corruption and Bribery Policy and has implemented other safeguards and programs across its business. However, it may not be able to detect or prevent every instance of crime, bribery and corruption in every jurisdiction in which its employees, agents, subcontractors or joint venture partners are located or operating. The Audit Committee has approved the Company's plan to take steps to make changes in this area as part of a continuous program of improvement, including through increased training and enhanced policies and controls. The Company has also retained professional external advisors to support its efforts in this regard. Such control enhancements are designed to reduce the risk of non-compliance with the above mentioned policies and until they are fully implemented, the Company may be subject to a higher risk of non-compliance with such policies. The Board has initiated a review of certain types of historical transactions which may entail a higher compliance risk. The Board is conducting this review with the assistance of third party advisers, including external legal counsel and a specialist advisory firm.

Hitherto the Company relied exclusively on support from Mota-Engil S.G.P.S., S.A. for the provision of internal audit systems and other services, which it will continue to access. The Audit Committee considered and approved the formation of a stand-alone internal audit and compliance department which has been established and is hiring additional compliance and audit personnel. Their program of work has been presented to the Audit Committee to whom this department will report.

External auditor

The Company appointed Deloitte Accountants B.V. as the external auditor of the Company in 2014. The effectiveness of the external auditor, Deloitte Accountants B.V., and the external audit process was evaluated by the Audit Committee over the year 2014. This evaluation focused on the integrity and objectivity, efficiency, professionalism of the external auditor and its compliance with relevant legislative, regulatory and professional requirements.

Non-audit services

The external auditors performed minor non-audit services to the Company for a total fee of EUR 24,000. Certain Deloitte affiliate entities perform non-audit services to the parent company, Mota-Engil S.G.P.S., S.A. and other subsidiaries of the parent. Total audit and non-audit fees are disclosed in note 37 of the consolidated financial statements.

## 5. Remuneration Report

The following remuneration report from the Board describes how the remuneration policy has been put into practice during the past financial year. The report includes summaries of information concerning remuneration received in 2014 and also contains a summary of the remuneration policy for the coming financial year and subsequent years.

**Remuneration**

Service Agreements

In 2014, each Board member entered into a service agreement with the Company. The Board members' respective service agreements end on the date of the annual general meeting held in the fourth year after the date of their respective appointments as Board member, upon termination of the relevant Board member's membership of the Board, upon resignation by the relevant Board member as member of the Board or by notice of either party. Termination of the service agreements by either party is possible with a three months' notice period. Notice does not have effect until the end of a calendar month. Board members are not eligible for severance payments under the terms of their service agreements with the Company. The service agreements between the Company and the Board members also do not provide for compensation if their employment ceases due to a takeover bid for the Company. The Company does not grant loans or guarantees, including mortgage loans, to the Board members.

The service agreements entered into between the Company and the Executive Directors do not currently provide for the payment of a salary. Salary is currently received by the relevant Executive Directors under their respective service or employment agreements with other entities within the Group or the ME SGPS group. Currently, only David Hobley and Francisco Seixas da Costa receive a salary under their respective service agreements as Non-Executive Directors entered into with the Company.

Annual Cash Bonus

In determining an executive director's annual cash bonus, the individual performance is also taken into account. Variable remuneration will be based on an individual's performance rating, whereas individual performance is assessed against personal objectives. Certain Board members were awarded variable remuneration (in the form of a cash bonus) in 2014 in relation to quantitative and qualitative objectives. The individual qualitative objective for the Board members consisted of a joint sustainable enterprise objective. This objective was to comply with the Code of Ethics and Business Conduct, to further reduce the number of safety incidents, to implement and realise the Group strategy and to enhance teamwork amongst the individual members of the Board. Further detailed disclosure of the objectives of the variable remuneration is undesirable because of its commercially sensitive nature.

The Company has not awarded and does not intend to, in the foreseeable future, award any options or shares to Board members, the Group's senior management or employees. The Company's general meeting of shareholders did not use its statutory powers in 2014 to adjust or reclaim any variable or long-term remuneration awarded to Board members.

**Remuneration Policy**

The Board remuneration policy is prepared, in accordance with all relevant Dutch legal requirements, by the Nomination and Remuneration Committee. The Company's general meeting of shareholders formally adopts the remuneration policy. Once the remuneration policy has been adopted, the Company's general meeting of shareholders determines the remuneration for the Executive Directors, on the basis of recommendations by the Nomination and Remuneration Committee, and for the Non-Executive Directors. The terms of reference for the Nomination and Remuneration Committee are published on the Company's website. The Board members received remuneration in 2014 in line with the remuneration policy adopted by the General Meeting on 17 June 2014.

Design Principles

The Board remuneration policy intends to facilitate that the Company attracts, motivates and retains qualified and expert individuals who possess both the necessary background and experience in the areas of the Company's business activities and who will perform senior positions within the Company's group to the benefit of the Company. Under the Board remuneration policy, the remuneration of the Board members is based on each member's experience and responsibility. This is achieved through alignment of a Board member's remuneration package with the responsibilities, relevant experience, required competences and performance of the Board member. Consequently, there may be substantial differences in remuneration between Board members, especially between Executive Directors and Non-Executive Directors.

Remuneration Package

The remuneration package of each Board member consists of a fixed component base pay. In addition, the remuneration package of Executive Directors may further consist of a variable pay component comprising a short term incentive (annual cash bonus).

The criteria for the amount and structure of the remuneration of the Board members are predefined in clear, assessable and influenceable quantitative and qualitative objectives. Examples of quantitative objectives for Board members are: economic profit and operational result. Examples of qualitative objectives for Board members are compliance with any applicable code of conduct and leadership/employee engagement of the Board member. Factors to be taken into consideration in determination of the amount and structure of the remuneration of the Board members include: the trend in results, the development of the Company's share price and other measures of performance relevant to the Company. The specific annual performance targets will not be disclosed as they are considered competitively sensitive.

To provide a consistent review of the amount and structure of the total remuneration to the Board, the Board remuneration policy focuses on positioning the remuneration package at a competitive level in the European and African markets for directors of boards of companies of comparable size and complexity.

Gross Salary

The Nomination and Remuneration Committee evaluates the development of each Board member's salary. The annual evaluation of the annual salary takes place on 1 January of each year. Even though the Nomination and Remuneration Committee have not yet formally met during 2015, it has evaluated each Board member's salary. The evaluation considers personal performance, the results of the past year, the extent to which the Board member's current salary is below the standard salary and general market changes.

Variable Remuneration

Each Executive Director is eligible for an annual cash bonus, with the level depending on the achievement in the year concerned of targets proposed by the Nomination and Remuneration Committee that support the execution of the Group strategy. A responsible balance is struck between short-term and long-term focus. The cash bonus actually paid is determined by the Company's general meeting of shareholders based on the advice of the Nomination and Remuneration Committee, at which moment also an assessment is made of the possible results of the cash bonus and its consequences for the total remuneration of the Board members.

Ensuring proper justifiable expectations, the maximum annual variable cash bonus is 30 per cent. of the fixed part of the Board member's annual salary, a percentage which the Nomination and Remuneration Committee considers at this point to be properly proportionate to the fixed element of the remuneration package. When this percentage was set, it has been designed to be in line with the relevant remuneration market and the levels of variable remuneration appropriate for senior officials of the Group.

The annual cash bonus depends on the achievement of previously set, measurable targets which are assessable and which can be influenced.

In cases where the cash bonus is awarded on the basis of inaccurate (financial) data, the General Meeting has the statutory right to adjust the cash bonus accordingly, and the Company is entitled to reclaim (any part of) the cash bonus paid to a Board member on the basis of incorrect (financial) information.

In the case of new awards of variable remuneration to Board members, based on quantified performance criteria, the Company's general meeting of shareholders has the right to amend the awards in relation to the level of previous years if it considers that this would lead to an unreasonable outcome.

The Company's General Meeting also has the power to amend the existing conditional awards of variable remuneration with quantifiable performance criteria if, in its opinion, applying the award without amendment would have an unreasonable and unintended outcome.

<u>Other Conditions for Employment</u>

The Group does not award any long-term incentives to Board members. Nor does the Group have any pensions arrangements in place and accordingly it does not set aside any amounts in respect of pension, retirement or similar benefits for Board members.

Current and former members of the Board are covered by the indemnity, under the Company's articles of association, against claims made against them in respect of actions or omissions in the performance of the duties of their position, unless, among other things, said actions or omissions constituted wilful, intentionally reckless or seriously culpable conduct.

<u>Remuneration Policy for 2015 and Subsequent Years</u>

In the first half of 2015, the Nomination and Remuneration Committee will evaluate the current short term and (need for a) long term benefit plan as a result of which it may be possible that proposals for amendment of this plan may be submitted for approval to the General Meeting.

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**Board Remuneration**

The total remuneration[1] of the Directors (the key management personnel as defined in IAS 24 – Related Parties) amounted in 2014 to €1,781,261 and is comprised as follows:

| Year ended 31 December 2014 | Executive Director/ Non-Executive Director | Company | Base Salary in € | Attendance fees | Bonus in € | Total in € |
|---|---|---|---|---|---|---|
| Gonçalo Moura Martins | Non-Executive | N/A | [2]N/A | N/A | [2]N/A | [2]N/A |
| Gilberto Rodrigues | Executive (CEO) | MEEC África | 352,257 | N/A | 100,000 | 452,257 |
| Pedro Antelo | Executive (CFO) | N/A[1] | [3]206,000 | N/A | [3] 65,000 | [3]271,000 |
| Paulo Pinheiro | Executive | Mota-Engil Angola | 340,001 | N/A | 70,000 | 410,001 |
| Carlos Pascoal | Executive | MEEC África | 263,923 | N/A | 50,000 | 313,923 |
| Bruno Machado | Executive | Mota-Engil Angola | 269,080 | N/A | 40,000 | 309,080 |
| Maria Paula Mota | Non-Executive | N/A | [2]N/A | N/A | [2]N/A | [2]N/A |
| David Hobley | Non-Executive | N/A | N/A | 10,000 | N/A | 10,000 |
| Francisco Seixas da Costa | Non-Executive | N/A | N/A | 15,000 | N/A | 15,000 |
| | | | 1,431,261 | 25,000 | 325,000 | 1,781,261 |

(1) There are no other short term employee benefits, including non-monetary benefits. There are no long-term employee benefits, termination benefits or share-based payment.
(2) Remuneration at the level of Mota-Engil SGPS, SA: Gonçalo Moura Martins (in 2014, €376,000 of base salary and €100,000 of bonus), Maria Paula Mota (in 2014, €251,000 of base salary and €50,000 of bonus);
(3) Received remuneration in 2014 at the level of Mota-Engil SGPS, SA but charged to Mota-Engil África NV.

## 5. Risk Management

**Introduction**

Our business inherently involves risks. The operations of the Group on the African continent expose the Group's business to risks associated with social, economic and political conditions which could have a material adverse effect on the Group's business, financial condition and results of operations (in those markets).

Our management is conscious of the main risks the Group is exposed to and takes a measured mitigation approach to maximise our ability to successfully pursue sustained growth.

Our Board and management foster a transparent Group-wide approach to risk management and internal controls, which allows our businesses to operate effectively.

Following the split-off from the parent company at the beginning of 2014, and as expected in such a process, the Group remained reliant on the parent company during 2014 on the provision of certain services and strategic support. These services included, among others, human resources, finance and accounting and controlling and IT services. The Group has taken and will continue to take steps to internalise these services and work on a stand-alone basis.

The Group is continuously working to further enhance our internal risk management and control system within the Group (the "**Risk Management and Control System**").

**Risk Appetite**

The risk appetite is the total residual impact of risks that the Group is willing to accept in the ordinary course of business in the pursuit of its strategic objectives.

The risk appetite per strategic area is determined annually by the Board.

Our risk appetite is tailored in six main categories: strategic, operational, financial, legal, regulatory and information technology ("**IT**") risk. The principal risks that the Group faces within these six categories are described in further detail below.

Effective risk management is a key success factor for realising the Group's strategic objectives.

**The Risk Management and Control System**

The Board is ultimately responsible for risk management and has developed and implemented a Risk Management and Control System, supported by the different departments within the Group.

The Risk Management and Control System of the Company is designed to mitigate the strategic, operational, financial, legal, regulatory and IT risks. This framework is integrated into the regular planning and control cycle and involves achieving the strategic objectives, the effectiveness and efficiency of business processes, the reliability of information provision (including financial information) and compliance with the relevant laws and regulations. The Risk Management and Control System provides reasonable, but not absolute, assurance against material misstatement or loss.

The Group's strategy and the Risk Management and Control System are shared with the operating companies within the Group, which operate in the specific industries and geographical areas of Sub-Saharan Africa. The strategic plans and risk assessment for each operating company are shared within the Group, resulting in a platform where best practices are shared and implementation and improvement plans are executed collectively by the operating companies where possible. Staff positions and networks of subject matter experts accelerate this process of acquiring and sharing knowledge and expertise through a consistent risk management language and approach.

The Group uses a variety of general mitigating measures as part of its Risk Management and Control System. The principal risks that the Group faces within the six main risk categories (strategic, operational, financial, legal, regulatory and IT risk) are specified below, together with the description of the specific measures taken to mitigate such principal risks. As stated above, the Group currently remains dependent on its major shareholder, ME SGPS, for the management and mitigation of certain risks due to the shared services arrangements with that shareholder.

Key Risk Factors

The principal risk factors that may impair the achievement of the Group objectives with respect to strategic, operational, financial, legal, regulatory and IT matters are described in this paragraph together with the description of the specific measures taken to mitigate such principal risk factors. The sequence in which these risks are presented in no way reflects any order of importance, chance of occurrence or materiality. If any of the following risks actually occurs, the Group's business, prospects, financial condition or operational results may be materially affected.

Although the Board believes that the risks and uncertainties described in this paragraph are the most material risks, they are not the only risks the Group may face. All of these factors are contingencies that may or may not occur. Additional risks and uncertainties not presently known to the Board or that are currently deemed immaterial may also have a material adverse effect on the Group's business, prospects, financial condition or operational results. In particular, it is noted that the Group operates in emerging markets of the African Continent that represent political, economic, fiscal, legal, regulatory and social risks that are not encountered in countries with well-established economic and political systems.

*Strategic Risk*

The Group's operations are currently exposed to the political, economic and financial conditions of Angola, Malawi and Mozambique as well as Cape Verde, Ghana, São Tomé and Príncipe, South Africa, Uganda, Zambia and Zimbabwe. The risks related to these conditions also relate to the fact that structural improvements are still needed in many sectors in these markets, including transport, energy, agriculture and mineral sectors as well as land, social and fiscal reforms.

The above mentioned markets, and other countries in Africa into which the Group may expand in the future, can suffer from some instability and also involve negotiations with governments, national companies and third parties. These negotiations may be subject to economic and political considerations, for example: changing political conditions; changes in laws and/or taxation policies; currency fluctuations or exchange restrictions; inflation; imposition of withholding or other taxes, interest, capital gains or other income; imposition of export or import controls; activism by non-governmental organisations; and others. Any of the factors detailed above or similar factors could unfavourably affect the Group's business, financial condition and results of operations.

The Company has taken and continues to take measures to mitigate these strategic risks. The Company's executive committee and the Board are the ultimate decision makers to provide the necessary validation of any investment project in new markets. These decisions are always complemented with the help of different levels of technical, economic and financial analysis, a promoted organisational premise of an effective internal control system, mitigation of risks and promotion of a strategic alignment at all levels of the Group's organisation.

In addition, with a diversified geographic exposure and depth of maturity in most countries, the Group is still seeking further expansion in different countries of Africa. The Company believes that this broad, on-the-ground footprint across Sub-Saharan Africa and the significant resources which the Group has dedicated to the region have been integral to its success in winning competitive tenders for a wide range of projects. In particular, the Company believes that these factors have facilitated the Group's expansion by ensuring that the Group has the resources and ability to respond to new opportunities as and when they arise, both in its existing markets and markets in which the Group does not currently operate.

We actively monitor economic, political and legal developments and strive to be a 'local' player in each of our markets.

We work closely with the governments in the countries in which we do business to maintain positive working relationships. Our legal team also works diligently to monitor and review our practices and any changes in laws or regulations in the countries in which we operate to provide reasonable assurances that we remain in line with all relevant laws. Management has also drafted contingency plans for various unforeseen events and adverse scenarios.

*Operational Risk*

The Group's results of operations depend on the award of new contracts. As a substantial portion of the Group's revenue is generated from large scale projects and medium to large scale engineering and construction projects, named Capital Projects, and the timing of the awards of new contracts is unpredictable, the Group's results of operations and cash flow may be subject to significant periodic fluctuations that impact liquidity. Despite that, and after the conclusion of the Nacala Corridor Project, the Group is reliant on the award to it of large scale infrastructure projects to maintain and achieve growth in its margins (given that such projects are generally more profitable for the Group than its smaller projects). It is therefore imperative for the Group to maintain, and be awarded, a balanced mix of large scale infrastructure projects with larger margins in addition to smaller and medium sized projects. In addition, the Group must deliver these projects in due time and with a high and recognized quality level. The failure to secure awards of new contracts or delays in the timing of project awards could have a material adverse effect on the Group's results of operations.

The Group also faces other operational risks that we think are inherent to the construction business and that may impair the future success of the Group's operations including, for example:

- The highly competitive nature of the construction industry.
- The cyclical nature of the construction industry.
- The Group bids for large long-term projects for which it assumes completion, technical, cost-related and other unforeseen risks.
- The dependence on third parties for the operation of its business, including dependence on business partners to perform under the contracts with such business partners and on suppliers.
- The ability to attract and retain key personnel/employees.

The Group takes into account the risks above in each investment decision-making process as they can have a material adverse effect on the Group's business, financial condition and results of operations. In addition, the significant local resources the Group has dedicated to the region have enabled it to effectively respond to the logistical challenges of operating in Sub-Saharan Africa. For example, maintaining prudent levels of stocks of key raw materials, equipment and components for its operations, reducing the Group's reliance on third party dealers and suppliers. The Group also has the resources and capability to ensure, to a large degree, the self-reliance of its operations in remote and challenging environments.

To address these challenges, we have policies in place to respond to competitive factors, including pricing and industry terms, and carefully select our partners. We manage each of these factors, as well as maintain mutually beneficial relationships with our key customers, in order to effectively compete and achieve our business plans.
We have been able to attract, motivate and retain knowledgeable and experienced employees due to our reputation and market position, our in-house training programs promoted in Angola by the Formation Center as an example of our Training Programs in Africa.

*Financial Risk*

The Group activities are exposed to a variety of financial risks, in particular, risks related to interest rates, foreign exchange rates for transactions and conversion, liquidity and credit. These financial risks arise from the development of business activity and lead to uncertainties regarding the Company's capacity to generate cash flows and returns that are adequate for the remuneration of equity.

The Group financial risk management policy within the Risk Management and Control System seeks to minimise the adverse impacts and effects resulting from the uncertain nature of financial markets. This uncertainty, reflected in various aspects, requires special attention and specific and effective management measures.

Financial risk management is coordinated by the Finance Department and carried out under policies approved by the Board and with the advisory interventions of the Company's audit committee, without ever ceasing to be the responsibility of the management bodies of each of the business units of the Group. The Board provides the written principles for overall financial risk management, as well as written policies covering specific areas, such as interest rate risk, foreign exchange rate risk, liquidity risk and credit risk.

The Company believes that the Group's position in relation to financial risk management is cautious and conservative. The Group seeks to resort, when advisable, to derivative instruments for hedging, always from the perspective that these are related to the normal and daily business activity of the Company. The Group aims not to assume positions in derivatives or other financial instruments of a speculative nature. The different types of financial risks are interrelated and the various management measures, even if specific to each risk, are to a large extent interconnected, where this integration contributes to the pursuit of the same objective, which is the reduction of the volatility of cash flow and expected levels of profitability.

- Interest Rate Risk

  Our capital structure includes a substantial number of loans at floating interest rates, which exposes us to interest rate risk. Interests rate movements may impair our ability to fund projects. The interest rate risk management policy is achieved by optimising the cost of debt and by obtaining a low level of volatility in the financial burden. The Group aims to control and mitigate the risk of incurring losses as a result of variations in the interest rates that its financial debt is indexed to, most of which is denominated in Euro, Angolan Kwanza and US Dollar, through natural hedging.

  The Group does not have any financial instruments in place to hedge against interest rate movements as it expects interest rates to remain at the same level for the expected term of the Group's loans.

- Foreign Exchange Rate Risk

  The Group is exposed to currency exchange-rate fluctuations primarily with respect to the US Dollar, the Angolan Kwanza, Malawian Kwacha, the Mozambique Metical and the South African Rand against the Euro, the Group's reporting currency.

The risk management policy of exchange rate aims to reduce the volatility of investments and transactions expressed in foreign currencies (currencies other than Euro) and contributes to reduce the sensitivity of the results to currency fluctuations.

The risk of exchange rate on the Group can be synthesised in two ways:

- Transaction exposure – This exposure arises from the effect that exchange rate fluctuations have on a company's obligations to make or receive payments denominated in foreign currency in the future. This type of exposure is short-term to medium-term in nature;

- Translation exposure – This exposure arises from the effect of currency fluctuations on a company's consolidated financial statements, particularly when it has foreign subsidiaries. This type of exposure is medium-term to long-term in nature.

The Group reports in Euro but operates internationally in ten countries. Assets, liabilities and transactions for certain of the Group's reporting subsidiaries are measured in the entity's functional currency and are then translated into Euro for presentation of the Group's consolidated results of operations. As currency exchange rates fluctuate, translation of the operating results of the Group's subsidiaries that have a functional currency other than Euro affect its reported results of operations. The Group is mainly exposed to movements in the Euro against the US Dollar, the Angolan Kwanza and Malawian Kwacha and to a lesser extent against the Mozambique Metical, the South African Rand and other currencies.

The Group seeks to mitigate its exposure by attempting to have each Group company match its purchasing and sales, and raise its required debt financing predominantly in its functional currency (Euro). During 2014, no hedge transactions were effected at the Group to mitigate foreign exchange rate risk.

- Liquidity Risk

The Group's liquidity risk is based on the financial resources generated by or used in operating and investing activities, the characteristics of debt maturity and the use of cash, as well as contingent cash terms of financial markets.

The Group aims to maintain sufficient cash margins, and opens and maintains surplus short-term lines of credit that serve as liquidity reserves that are readily available. By creating, and periodically revising, cash budgets, the Group's financial planning makes it possible to forecast and anticipate future cash surpluses or deficits. By monitoring rolling forecasts of its liquidity requirements, the Group is able to ensure that it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.

Achieving high levels of financial flexibility, fundamental to the management of this risk, has been pursued by recourse to the following management measures:

- Settling and maintaining short-term credit lines, to act as a liquidity reserve, available for use at any time;

- Carrying out thorough financial planning per company, involving the preparation and periodic review of cash budgets, allowing a prediction of future surpluses and deficits of cash, and the optimisation and integrated management of the cash flows within the Group;

- Financing of investments in the medium and long term, adapting the debt maturities and the payment plan of the liabilities arising from the loans to the generating capacity of each project or company cash flows;
- Negotiation of the refinancing process of the medium and long term loans, at least one year in advance of the respective maturity;
- Maintenance of a debt structure for the companies with funding levels in the medium and long term standing between 60 per cent. to 70 per cent., thereby reducing their dependence on more volatile short-term funds, creating a certain immunity to financial market factors; and
- Staggered maturity of the debt over time, to extend the average maturity of the debt to make it more consistent with the media release cycle and the degree of permanence of some long-term assets held by the Group.

Effective management of liquidity risk is closely related to the proper management of other financial risks, which complement the pursuit of this goal, ensuring the achievement of cash flows at times and in amounts provided.

- Credit Risk

The Group may face delayed payments from clients and customers, adversely impacting the Group's working capital position. The credit risk management policy aims to ensure that the Group companies promote the effective collection and receipt of their credit claims within the deadlines set or negotiated.

The Group's exposure to credit risk is related mainly to the receivable accounts from the normal course of its various activities, with special attention to the activities of services and sales. Mitigation of this risk is preventively achieved with the use of entities that provide information of credit risk profiles, which support the Group's lending decisions.

The Group offers credit control and collection structures, which are implemented in each market, and in some cases promote the use of trade credit insurance instruments from reputable specialised reinsurance companies. These measures contribute to the maintenance of loans to customers within not susceptible levels affecting the financial health of Group companies.

Despite the tendency for the development of large projects, the Group has a significant dispersion of its commercial relationship, with the payment of advances that allow a significant reduction in credit risk. The Group is also involved within some multilateral investment projects, which are guaranteed by different renowned agencies, for example, the World Bank Group or the European Union. The participation in these kinds of projects, with some relevant renowned agencies, may be compared to financing credit guarantee instruments.

*Legal Risk*

Legal risks result from the operating activities of the Group. The assumption of legal obligations whose risk has not been adequately evaluated, nor minimised, together with the exposure to a diversity of legal systems in which the Group is represented, can generate financial impacts or high levels of litigation.

The legal risk management policy aims to ensure that the Group companies, in the exercise of their activities, comply with standards and regulations, and that the level of negotiations and contracting and M&A transactions are advised by lawyers, both in-house and external. The policy further ensures that a preliminary assessment is made of the legal risk inherent in the project in question, as well as to find legally admissible solutions to limit the risk to acceptable levels by the management bodies of the Group.

The Group activities are spread in various countries with different legal systems and with each its own local characteristics. This may involve a high degree of discretion on the part of governmental authorities and potential difficulty of obtaining legal redress in these various jurisdictions. The Group addresses and mitigates this risk by having the projects, negotiations and contracting accompanied by local lawyers, knowledgeable and qualified in the legal systems concerned. In addition, to minimise the Group's risk of high levels of litigation, pre-litigation management of disputes is done in order to, whenever possible, reach a settlement.

*Regulatory Risk*

In light of the Group's presence in several markets, the Group monitors the technical and operational level on which each Group company and each business unit operates, and ensures that the Group meets the respective legal standards established in each market; in particular, ensuring appropriate technical and legal compliance in projects, including in the negotiations relating to each such project.

Furthermore, the Company's shares have been listed on Euronext Amsterdam since 24 November 2014, and thus the Company is subject to the AFM's supervision. During 2014, the Company believed to be in compliance with all its regulatory duties and was not subject to any kind of admonition by any financial or regulatory supervisory entity, including the AFM.

The audit and compliance function of the Group has a leading role in the pursuit of compliance with the various regulations and rules which the Group has an obligation to fulfil. This function also makes the assessment of policies and procedures assess the effectiveness of internal controls, and supports, by preventing and mitigating, both control and compliance risks.

*Information Technology Risk*

The Group depends heavily on IT to run its processes and operations in the various businesses and countries where it operates. The Group works constantly on the standardisation of platforms and processes in order to increase the confidence level of the use of IT. As a mitigating action, the Group developed a governance model in use by different business areas within the Group, led by a corporate IT department. This corporate IT department defines, implements and oversees the governance model ensuring that the information systems and processes are developed transversely within the Group, that information is traceable and that it has appropriate mechanisms for information security control.

Given the increasing complexity of infrastructure technologies in the Group present in different geographies, information security has also become an essential function of the IT mission. The information security governance has different characteristics and its own set of requirements. In this regard, the Group has defined a governance policy in terms of data management, access, identification of profiles, supervising and monitoring.

<u>Risk Management Approach</u>

We are making progress in developing our Risk Management and Control System to be aligned with the Dutch Corporate Governance Code. Our risk management framework is being improved and refined to provide reasonable assurance that the risks we face are properly identified, evaluated and mitigated and that management is informed in a timely manner.

The key elements of the Risk Management and Control System in 2014 were:

- **Code of Ethics and Business Conduct**

The Company is committed to conducting all business activities responsibly, efficiently, transparently, and with integrity and respect towards all stakeholders.

Our values and expected behaviours are mentioned in the Company's Code of Ethics and Business Conduct, which contains the policies and principles that govern how each member (director, executive officer and employee) of the Group is expected to conduct his or her duties and responsibilities on behalf of the Company.

The Board is responsible for overseeing the implementation of this code, as well as conducting an annual review of the principles contained therein in order to ensure the effectiveness and implementation of the Code of Ethics and Business Conduct. If any employee, officer or director within the Group violates this code or any other Group policy he or she will face disciplinary action, which could result in his or her dismissal.

The Group has distributed the Code of Ethics and Business Conduct to current employees, who are deemed to have agreed to comply with the Code of Ethics and Business Conduct unless they specifically raise an objection. The Group intends to prepare and deliver several training programs on these and related matters during 2015. Existing employees will be deemed to have agreed to comply with the Code of Ethics and Business Conduct unless they specifically raise an objection. Also, the employment contracts for new recruits contain provisions requiring them to acknowledge and comply with these policies as well as allowing for sanctions, including dismissal, for violations.

The Company's Code of Ethics and Business Conduct is available at:
http://www.africa.mota-engil.com/media/1604/me_africacodigo_etica.pdf.

- **Whistleblower Rules**

The Company's Whistleblower Rules applies to all employees, officers and directors of the Group. This procedure exists to ensure that any and all employees of the Group have the possibility of reporting alleged irregularities of a general, operational or financial nature and breaches of the Company's Code of Ethics and Business Conduct in any of the Group companies to a reporting official designated by the Board, without jeopardising their legal position as a result of the report, if and to the extent the employee(s) who reported an alleged irregularity acted in good faith. In 2014, no alleged irregularities were reported.

The Group has distributed the Whistleblower Rules to current employees, who are deemed to have agreed to comply with the Whistleblower Rules unless they specifically raise an objection. The Group intends to prepare and deliver several training programs on these and other related matters during 2015. Also, the employment contracts for new recruits contain provisions requiring them to acknowledge and comply with these policies as well as allowing for sanctions, including dismissal, for violations.

The Company's Whistleblower Policy is available at:
http://www.africa.mota-engil.com/media/1603/whistleblower-policy.pdf.

- **Code of Practice for Dealing with Insider Trading**

The Company's Code of Practice for Dealing in Securities defines the insider trading rules that apply to all employees, officers and directors of the Group and prohibits every employee from, among other things, using insider information to execute transactions of the Company's securities. In the event of breach of one or more of the provisions of this code by an employee or insider, the Company and Group companies reserve the right to impose any such sanctions that it may impose on such person pursuant to Dutch law and (employment) agreements, including summary dismissal. The Company and the Group companies may also decide to inform the

AFM of their findings. Breach of some of the provisions of this code can be punished by a custodial sentence or a fine.

The Company's Code of Practice for Dealing with securities by restricted persons is available at: http://www.africa.mota-engil.com/media/1672/project-cape-share-dealing-code-final-19-november-2014.pdf.

- **Internal Financial Reporting**

The Company's subsidiaries are required to provide regular management reports, with a detailed monthly review of performance, financials and operating issues for each such subsidiary.

A detailed budget for each of the Company's subsidiaries is prepared and presented to the Group's management in the fourth quarter of each preceding year, and includes a one year forecast. The subsidiary budgets are updated monthly to account for actuals, and the forecasts are updated at a mid-year review. These budgets and forecasts are consolidated into the Company's budget and forecast, which is used by management as a tool to evaluate the Company's investment strategy, performance indicators, and operations.

The Board is given a full financial, operational, and strategic update by the Executive Directors at each Board meeting. The Group controller provides guidance on internal and financial controls that must exist for each process and monitors the implementation of these controls in collaboration with the internal audit and controls department.

- **Internal Audit Function**

Hitherto, the Group was an integrated division of Mota-Engil S.G.P.S., S.A., as stated above and relied on internal support from the Mota-Engil Group, and still does. At the request of both the Audit Committee and the Board, we are in the process of establishing our own internal audit function. It is the intention that the chief internal auditor's remit will include, amongst other things, the following elements - to report to the Audit Committee and have unfettered access to all documents, records, properties and staff, to focus on evaluation of perceived business risks, to assist in assessing the quality and effectiveness of the Risk Management and Control System, and to report regularly to the Board and the Audit Committee. We expect the Internal Audit Function to be fully operational in the course of 2015.

- **Anti-Corruption and Bribery**

The Company is committed to conducting all business and relationships with integrity and professionalism and in a fair and honest manner, whilst complying with applicable regulation and legislation pertaining to its business. Consequently, the Company has adopted a policy towards dealing with bribery and corruption. In this respect, the Company aims to uphold all applicable laws relevant to countering bribery and corruption in all the jurisdictions in which it operates. The purpose of the Anti-Corruption and Bribery Policy is to set out the Company's responsibilities and of those working for us, in observing and upholding our position on bribery and corruption and providing information and guidance to those working for us on how to recognise and deal with bribery and corruption issues. However, the Company may not be able to detect or prevent every instance of crime, bribery and corruption in every jurisdiction in which its employees, agents, subcontractors or joint venture partners are located or operating.

The formal implementation and operational effectiveness of the Company's policies, controls and processes regarding the prevention of fraud and corruption is still developing. The Company has a plan to take steps to make changes in this area as part of a continuous program of improvement, including through increased training and enhanced policies and controls. The Company has also retained professional external advisors to support its efforts in this regard.

The Group has distributed the Anti-Bribery and Corruption procedures to current employees, who are deemed to have agreed to comply with these procedures unless they specifically raise an objection. Also, the employment contracts for new recruits contain provisions requiring them to acknowledge and comply with the Anti-Bribery and Corruption procedures as well as allowing for sanctions, including dismissal, for violations.

- **Policy on bilateral contacts with shareholders**

  The Company may from time to time engage in bilateral contacts with existing and potential shareholders and analysts. The Company undertakes an active approach to maintain an open and constructive dialogue with shareholders and analysts. The Company's policy with respect to the provision of material information to shareholders is to simultaneously provide all financial market participants with equal information on the Company's performance and prospects. Pursuant to the Company's policy on bilateral contacts with shareholders, the Company shall avoid disclosing non-public, price-sensitive information during bilateral contacts with analysts or shareholders. If, however, non-public, price-sensitive information is inadvertently disclosed during a meeting or conference call, this information shall be made public without delay. Until such price-sensitive information is made public, the relevant analyst(s) or shareholder(s) shall be bound by strict confidentiality and by an undertaking not to execute any transaction in the financial instruments of the Company or its subsidiaries or any related instruments to which insider dealing laws apply.

- **Related party and conflict policy**

  Pursuant to the related party and conflict policy, a number of procedural matters must be considered by the Group's operational personnel whenever the Company or any one of its subsidiaries is involved in any transaction with a related party, including, amongst others, Group directors, substantial shareholders and/or their associates. The policy deals with transactions with parties that are related to the Group and any other person that may benefit a related party. The policy contains provisions intended to prevent (i) such related parties from taking advantage of their position when involved in transactions with the Group and (ii) any perception that they may have done so.

**Control Statement and Responsibility Statement**

The Board has final overall responsibility for designing and operating an effective Risk Management and Control System. This includes implementing and, if necessary, adjusting policies and procedures, establishing and maintaining processes as well as guiding individual’s behaviour in such a way that the Group can achieve its objectives. In the year under review, we analysed and evaluated the Risk Management and Control System and considered the risks to which our organisation is exposed.

It is important to note that a risk management and internal control system, no matter how well designed and operated, provides only reasonable assurance regarding the achievement of an entity’s objectives. Achievement of objectives is affected by limitations inherent in all management processes, including the inherent risk that errors and violations can occur as a result of human failure, the possibility of poor judgment in decision-making, control processes being deliberately circumvented by professionals, management overriding controls, and unforeseen circumstances.

The internal Risk Management and Control Systems have not been fully independently set-up during the financial year 2014 as a result of the fact that the Group remained partially reliant on the internal risk management and control system of ME SGPS following the spin-off of the Group from ME SGPS. Prior to Listing, the Group relied exclusively on support from ME SGPS for the provision of internal audit, systems and other services, which it will continue to access. While the design of the Group's compliance program is considered to be appropriate by the Company, the formal implementation and operational effectiveness of its policies, controls and processes is still developing. The Company maintains an Anti-Corruption and Bribery Policy and has implemented other safeguards and programs across its business. However, it may not be able to detect or prevent every instance of crime, bribery and corruption in every jurisdiction in which its employees, agents, subcontractors or joint venture partners are located or operating. The Board is of the opinion that this does not affect the reasonable assurance obtained from the internal Risk Management and Control Systems. After the admission to listing and trading on Euronext Amsterdam, the following significant changes to the internal Risk Management and Control Systems were made: (i) the establishment of ME Africa Shared Services as a result of the split off of ME SGPS Shared Services; and (ii) the establishment of the Company's own risk management team. Both the ME Africa Shared Services and the risk management team were staffed with experienced staff, formally employed by ME SGPS. The optimisation of the internal Risk Management and Control System remains a key priority for the Board. The Audit Committee has approved the Company's plan to take steps to make changes in this area as part of a continuous program of improvement, including through increased training and enhanced policies and controls ("**Compliance and Internal Controls Programme**"). The Company has also retained professional external advisors to support its efforts in this regard.. The establishment of an internal audit team, their programme of work and the hiring of additional compliance and audit personnel has been approved by the Audit Committee for the financial year 2015.

Given that the Compliance and Internal Controls Programme has not been fully implemented, and in an effort to assess the formal implementation and test the effectiveness of the Company’s compliance infrastructure, the Board has initiated a review of certain types of historical transactions which may entail a higher compliance risk. The Board is conducting this review with the assistance of third party advisers, including external legal counsel and a specialist advisory firm. At this time, the precise number and value of transactions that will be subject to review is unknown, and it is not possible to predict the timetable or outcome of the review. In accordance with the Company’s overall Compliance and Internal Controls Programme, the Company will report the findings of this review as appropriate in due course.

With due consideration of the above and with reference to best practice provision II.1.4 and
II.1.5 of the Dutch Corporate Governance Code, the Board believes that our Risk Management and Control System provides reasonable assurance that the 2014 financial statements do not contain any material errors. The Board cannot guarantee that no risks will occur and it does not mean that the Risk Management and Control System require no further improvement.

The outcome of this review and analysis has been discussed with the non executive directors of the Board and has been shared with the Audit Committee.

## 6. Declarations

**Introduction**

This 2014 Annual Report dated 30 April 2015 comprises regulated information within the meaning of Section 1:1 and 5:25c of the Dutch Act on Financial Supervision.

The Board members have signed the 2014 financial statements pursuant to their obligation under Section 2:101, paragraph 2, of the Dutch Civil Code.

**Declarations**

As required by Section 5:25c, paragraph 2, under c of the Dutch Act on Financial Supervision, the Board members confirm that, to the best of their knowledge:

- the 2014 financial statements included in this Annual Report give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the management report included in this Annual Report gives a true and fair view of the position of the Company and the undertakings included in the consolidation taken as a whole as of 31 December 2014 and of the development and performance of the business for the financial year 2014; and
- the management report includes a description of the principle risks and uncertainties that the Company faces.

Amsterdam, The Netherlands, 30 April 2015

The Board of Mota-Engil Africa N.V.
Gonçalo Moura Martins, Chairman
Gilberto Rodrigues, CEO
Pedro Antelo, CFO
Paulo Pinheiro
Carlos Pascoal
Bruno Machado
David Hobley
Francisco Seixas da Costa
Maria Paula Mota

**38**
**COMPANIES**

**BUSINESS AREAS:**

Engineering and Construction

Transport and Logistics

Environment and Services

Mining

Energy

Oil & Gas


# *Creating value for the future*

Mota-Engil Africa executes projects tailored to its customers in a close partnership with them, in a variety of business areas that improve the life of the communities and the economy of each country: essential infrastructures such as bridges, dams, motorways, railways, hospitals, transports, ports and logistics, sanitation, water and waste treatment facilities at the service of comfort, progress and the future.

MOTA-ENGIL AFRICA

03

# FINANCIAL STATEMENTS

**SAO TOME AND PRINCIPE**

SOUTH EASTERN FILL BANK

MOTA-ENGIL
AFRICA

# Index

**Financial statements**

## Consolidated statement of profit or loss

for the year ended 31 December 2014

| | Notes | Year ended 31/12/14 | Year ended 31/12/13 |
|---|---|---|---|
| | | € '000 | € '000 |
| | | | |
| Revenue | 6 | 1,048,065 | 2,277 |
| Other gains | 6 | 6,957 | - |
| Changes in inventories of finished goods and work in progress | 7 | (45,324) | - |
| Raw materials and consumables used and subcontracts | 7 | (335,207) | |
| Third-party suppliers and services | 8 | (223,145) | (182) |
| Employee benefits expense | 9 | (168,251) | (2,009) |
| Other expenses | 10 | (22,000) | (6) |
| Depreciation and amortisation expenses | 11 | (65,323) | - |
| Guarantee expenses and impairments losses | 12 | (43,561) | - |
| Finance costs | 13 | (50,932) | (1) |
| Share of profit of associates | 14 | 339 | - |
| **Profit before tax** | | **101,618** | **79** |
| Income tax expense | 15 | (19,524) | (15) |
| **Profit for the year** | | **82,094** | **64** |
| | | | |
| Attributable to: | | | |
| Non-controlling interests | 33 | 9,147 | - |
| Owners of the Company | | 72,948 | 64 |
| | | | |
| Earnings per share | | | |
| Basic | 17 | € 0.32 | € 3.55 |
| Diluted | 17 | € 0.32 | € 3.55 |

# Consolidated statement of other comprehensive income

for the year ended 31 December 2014

| | Year ended 31/12/14 | Year ended 31/12/13 |
|---|---|---|
| | € '000 | € '000 |
| **Consolidated net profit for the year** | 82,094 | 64 |
| **Other comprehensive income that might be recognized in the income statement** | | |
| Exchange differences stemming from translation of financial statements expressed in foreign currencies | 39,891 | - |
| Other comprehensive income/(expense) in investments in associates using the equity method (net of tax) | (244) | - |
| **Total comprehensive income for the year (tax included)** | **121,742** | **64** |
| Attributable: | | |
| to non-controlling interests | 19,604 | - |
| to owners of the company | **102,138** | **64** |

## Consolidated statement of financial position

at 31 December 2014

| | Notes | 31/12/14 | 31/12/13 |
|---|---|---|---|
| | | € '000 | € '000 |
| **Assets** | | | |
| Non-current | | | |
| Goodwill | 18 | 31,379 | - |
| Intangible assets | 19 | 3,129 | - |
| Property, plant and equipment | 20 | 319,173 | - |
| Financial investments under the equity method | 21 | 740 | - |
| Available for sale financial assets | 22 | 45,629 | - |
| Investment properties | | 1,120 | - |
| Trade and other receivables | 24 | 21,973 | - |
| Other non-current assets | | 832 | - |
| Deferred tax assets | 15 | 4,071 | - |
| Financial assets -term deposits | 26 | 68,067 | - |
| | | **496,112** | **-** |
| Current | | | |
| Inventories | 23 | 95,020 | - |
| Trade receivables | 24 | 665,857 | 368 |
| Other receivables | 24 | 167,481 | 1 |
| Taxes receivable | 24 | 189 | 2 |
| Other current assets | 25 | 146,249 | 694 |
| Cash and cash equivalents – demand deposits | 26 | 123,814 | 148 |
| | | **1,198,609** | **1,215** |
| **Total Assets** | | **1,694,721** | **1,215** |
| | | | |
| **Liabilities** | | | |
| Non-current | | | |
| Borrowings | 28 | 151,140 | - |
| Other payables | 29 | 81,624 | 15 |
| Provisions | 30 | 40,418 | - |
| Deferred tax liabilities | 15 | 1,269 | - |
| | | **274,452** | **15** |
| Current | | | |
| Borrowings | 28 | 185,811 | - |
| Trade payables | 29 | 234,672 | 27 |
| Other payables | 29 | 269,641 | 70 |
| Taxes payable | 29 | 39,251 | 15 |
| Other current liabilities | 31 | 260,073 | 1,009 |
| | | **989,449** | **1,122** |
| **Total Liabilities** | | **1,263,901** | **1,137** |
| | | | |
| **Shareholders' equity** | | | |
| Issued capital and share premium | 27 | 229,922 | 18 |
| Reserves | 27 | 25,449 | (4) |
| Consolidated net profit for the year | | 72,948 | 64 |
| **Own funds attributable to the Group** | | **328,318** | **78** |
| Non-controlling interests | 33 | 102,502 | - |
| **Total shareholders' equity** | | **430,820** | **78** |
| **Total shareholders' equity and liabilities** | | **1,694,721** | **1,215** |

MOTA-ENGIL AFRICA

## Consolidated statement of changes in equity

| | Share capital | Share premium | Rese |
|---|---|---|---|
| | | | Foreign currency translation reserve |
| **Balance as at January 1, 2013** | 0 | - | - |
| Profit for the year | | | |
| Other comprehensive income for the period | - | - | |
| **Total comprehensive income** | - | - | - |
| Capital increase | 18 | - | - |
| Appropriation of net result | - | - | - |
| **Balance as at December 31, 2013** | **18** | **-** | **-** |
| | | | |
| **Balance as at January 1, 2014** | 18 | - | - |
| Profit for the year | | | - |
| Other comprehensive income for the period | - | - | 29,229 |
| **Total comprehensive income** | - | - | **29,229** |
| Capital contribution in kind (MEEC Africa) (see Note 0) | 99,982 | 126,120 | - |
| Dividend distribution | - | - | - |
| Other movements | - | - | - |
| Appropriation of net result | - | - | - |
| **Balance as at December 31, 2014** | **100,000** | **126,120** | **29,229** |

## for the year ended 31 December 2014

| ...rves<br>Other reserves | Profit for the year | Attributable to owners of the company | Non-controlling interests | Total |
|---|---|---|---|---|
| - | (4) | (4) | - | (4) |
| | | | | |
| | 64 | 64 | - | 64 |
| **-** | **64** | **64** | **-** | **64** |
| - | - | 18 | - | 18 |
| (4) | 4 | - | - | - |
| **(4)** | **64** | **78** | **-** | **78** |
| | | | | |
| (4) | 64 | 78 | - | 78 |
| - | 72,948 | 72,948 | 9,147 | 82,094 |
| (39) | - | 29,190 | 10,457 | 39,647 |
| **(39)** | **72,948** | **102,138** | **19,604** | **121,742** |
| - | - | 226,102 | 101,624 | 327,726 |
| - | - | - | (18,561) | (18,561) |
| - | - | - | (165) | (165) |
| 64 | (64) | (0) | - | (0) |
| **21** | **72,948** | **328,318** | **102,502** | **430,820** |

# Consolidated statement of cash flows

for the year ended 31 December 2014

| | Notes | 2014 | 2013 |
|---|---|---|---|
| | | € '000 | € '000 |
| Profit for the year | | 82,094 | 64 |
| **Adjustments for:** | | | |
| Depreciation and amortization | | 65,323 | - |
| Guarantee expenses and impairment losses | | 43,561 | - |
| Financial income | | (11,805) | - |
| Financial costs | | 62,737 | 1 |
| Gains / (losses) in associates and jointly controlled companies | | (339) | - |
| Income tax | | 19,524 | 15 |
| **Changes in:** | | | |
| Inventories | | (14,824) | - |
| Trade and other receivables | | (37,449) | (1,067) |
| Trade and other payables | | (47,586) | 1,121 |
| **Cash flow from / (used in) operating activities** | | **161,236** | **135** |
| **Cash receipts from:** | | | |
| Financial investment (see Note 0) | | 150,365 | - |
| Property, plant and equipment | | 4,664 | - |
| Interest and similar receipts | | 10,165 | - |
| Dividends | | 1,679 | - |
| | | **166,873** | **-** |
| **Cash paid in respect of:** | | | |
| Financial investment | 36 | (1,800) | |
| Intangible assets | | (1,398) | - |
| Increase in restricted cash | | (14,515) | |
| Property, plant and equipment | | (100,474) | - |
| | | **(118,188)** | **-** |
| **Cash flow from / (used in) investing activities** | | **48,685** | **-** |
| **Cash receipts from:** | | | |
| Loans obtained | | 12,098 | - |
| | | **12,098** | **-** |
| **Cash paid in respect of:** | | | |
| Loans repaid | | (28,644) | |
| Repayment of finance lease contracts | | (23,466) | - |
| Interest paid | | (60,227) | - |
| Dividends to minority interests | | (5,185) | |
| | | **(117,522)** | **-** |
| **Cash flow from / (used in) financing activities** | | **(105,424)** | **-** |
| Net increase (decrease) in cash and cash equivalents | | 104,497 | 135 |
| Cash and cash equivalents at 1 January | | 148 | 13 |
| Effects of exchange rate changes on the cash held in foreign currencies | | 19,169 | - |
| Cash and cash equivalents at 31 December | | **123,814** | **148** |

## 0. General information and background

Mota-Engil Africa N.V. (hereafter also referred to as “the Company”) is a public limited company incorporated under the laws of the Netherlands, having its official seat in Amsterdam, the Netherlands, and its principal place of business at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The Company’s shares are listed on the Euronext Amsterdam.

The Company was incorporated on October, 2012 by Mota-Engil SGPS, S.A. (hereafter also referred to as “the Parent Company”), a public limited company incorporated under the laws of Portugal, having its official seat in Porto, Portugal, and its principal place of business at Rua do Rego Lameiro 38, parish of Campanhã, municipality of Porto, Portugal, registered with the Porto Registry of Companies under file number 502 399 694. Mota-Engil SGPS, S.A. is listed on the PSI-20, the main stock market index of Euronext Lisbon. The principal activity of the Company and its subsidiaries (collectively, “the Group”) is public and private construction work, transport concessions and environment services in Africa.

The principal activities of the Parent Company and its subsidiaries (collectively, the “Parent Group”) are public and private construction work, transport concessions and environment services in the following regions: Africa (hereafter also referred to as “Africa Business”), Europe and Latin America.

In 2012 the Parent Company started a process of internal reorganisation of shareholding stakes it owned in several companies of Africa Business, such as:

- In October 2012 the Company was incorporated to be the holding company for the African Business, with an outstanding share capital of 18,000 euros.

- In December 2013, the Parent Company performed a breakup-merger of Mota-Engil Engenharia e Construção, S.A. (hereafter also referred to as “MEEC”), until then holding all engineering and construction companies of the Parent’s Group, into Mota-Engil Engenharia e Construção África, S.A. (hereafter also referred to as “MEEC Africa”), a company headquartered in Portugal. This operation allowed the detachment of part of the assets of the former, some of which were already allocated to the different existing branches, corresponding to the civil construction and public works activities MEEC had been conducting in the African Continent and integrating it, through a merger, in the latter company. The assets and liabilities of that company include all civil construction and public works activities that were conducted in South Africa, Angola, Cape Verde, Malawi, Mauritius, Mozambique, Zimbabwe and S. Tomé and Príncipe and are described in the demerger and merger by incorporation project approved by the companies involved in the process, together with the balance sheet of the merger as at 31 December 2012.

- In January 2014, the Parent Company, acting as the holder of the entire share capital of Mota-Engil Africa N.V. and Mota-Engil, Engenharia e Construção África, S.A., proceeded to transfer its shares in MEEC Africa to Mota-Engil Africa N.V. This operation was performed as an issuance of new shares of the Company against the non-cash contribution of the Parent Company, consisting in the contribution of the total shares of MEEC Africa. With this operation the Company’s equity raised 229,904 thousand euros with the issuance of 99,982,000 new shares with a nominal value of 1 euro each and the correspondent recording of a share premium of 129,922 thousand euros. With this operation the Company was left with an outstanding share capital of 100,000,000 euros as at December 31, 2014.

The non-cash contribution of the Parent Company regarding the capital increase in Mota-Engil Africa NV comprises the following assets and liabilities of capital contribution in kind MEEC Africa and its subsidiaries:

| | capital contribution in kind MEEC Africa |
|---|---|
| **Non-Current Assets** | |
| Goodwill | 23,153 |
| Intangible assets | 1,901 |
| Property, plant and equipment | 261,650 |
| Financial investments under the equity method | 712 |
| Available for sale financial assets | 43,085 |
| Trade and other receivables | 1,272 |
| Deferred tax assets | 34 |
| Cash and cash equivalents | 53,552 |
| | 385,359 |
| **Current Assets** | |
| **Inventories (net value)** | **80,195** |
| Inventories | 83,409 |
| Impairment | (3,214) |
| **Trade receivables (net value)** | **722,115** |
| Trade receivables | 743,069 |
| Impairment | (20,954) |
| **Other receivables (net value)** | **193,447** |
| Other receivables | 193,491 |
| Impairment | (44) |
| Taxes receivable | 18,438 |
| Other current assets | 94,406 |
| Cash and cash equivalents – demand deposits | 118,935 |
| Cash and cash equivalents - term deposits | 31,430 |
| | 1,258,967 |
| **Total Assets** | **1,644,326** |
| | |
| **Non-current liabilities** | |
| Borrowings | 129,783 |
| Other payables | 53,989 |
| Provisions | 3,864 |
| Deferred tax liabilities | 2,000 |
| | 189,636 |
| **Current liabilities** | |
| Borrowings | 223,715 |
| Trade payables | 147,519 |
| Other payables | 362,383 |
| Taxes payable | 51,314 |
| Other current liabilities | 342,033 |
| | 1,126,964 |
| **Total Liabilities** | **1,316,600** |
| | |
| **Total Net Assets** | **327,726** |
| Attributable to: | |
| Non-controlling interests | 101,624 |
| **Owners of the Company** | **226,102** |

– In June 2014, the Parent Company announced its intention to proceed with an Initial Public Offering (IPO) of Mota-Engil Africa and to apply for admission of its shares on the main market for listed securities of the London Stock Exchange. In July 2014, due to the deterioration in market conditions and the resulting impact on investor sentiment, it was decided postpone the IPO process and to follow a “listing by introduction” requesting the admission to listing and trading of its shares on the Amsterdam Stock Exchange. In November 2014, the Company began the listing of its shares in the Euronext Amsterdam and avoided the expiration of Mota-Engil Africa’s rights that were distributed to Parent Company’s shareholders as of 22 January 2014. Following the listing, the free float of Mota-Engil Africa’s shares corresponds to around 5%, as it also excludes the shares attributed to Mota Gestão e Participações, SGPS, S.A., Mota-Engil SGPS’s major shareholder. The ultimate shareholder of Mota-Engil África NV is FM – Sociedade de Controlo, SGPS, SA.

## 1. Adoption of new and revised IFRS

In the year ending on the 31st of December 2014 the following standards, interpretations, alterations and revisions endorsed by the European Union became applicable:

| EU Regulation | Standard | Issued in |
|---|---|---|
| | **New/Revised Standards** | |
| Regulation no. 1254/2012 | IFRS 10 – Consolidated Financial Statements | May 2011 |
| | IFRS 11 – Joint Arrangements | |
| | IFRS 12 – Disclosure of Interests in Other Entities | |
| | IAS 27 – Separate Financial Statements | |
| | IAS 28 – Investment in Associates and Joint Ventures | |
| | **Amendments** | |
| Regulation no. 1256/2012 | IAS 32 – Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities | December 2011 |
| Regulation no. 313/2013 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) | June 2012 |
| Regulation no. 1174/2013 | Investment entities (Amendments to International Financial Reporting Standards 10, IFRS 12, and IAS 27) | October 2012 |
| Regulation no. 1374/2013 | IAS 36 Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets | May 2013 |
| Regulation no. 1375/2013 | IAS 39 Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting | June 2013 |

The effects of the adoption of the above mentioned standards, interpretations, alterations and revisions were not significant.

The following standards, interpretations and amendments have been endorsed, or are still pending for endorsement by the European Union, but are not applicable in the year ending on the 31st of December 2014:

| Standard | Issued in | EU Endorsement | Applicable from |
|---|---|---|---|
| **New/Revised Standards** | | | |
| IFRS 9 – Financial Instruments | July 2014 | n.a. | n.a. |
| IFRS 14 – Regulatory Deferral Accounts | January 2014 | n.a. | n.a. |
| IFRS 15 – Revenue from Contracts with Customers | May 2014 | n.a. | n.a. |
| IFRIC 21 – Levies | May 2013 | Regulation no. 634/2014 | June 17, 2014 |
| **Amendments** | | | |
| IAS 19 Employee Benefits: Defined Benefit Plans - Employee Contributions (Amendment) | November 2013 | Regulation no. 2015/29 | February 1, 2015 |
| Annual Improvements to IFRS's 2010–2012 Cycle: IFRS 2 Share-Based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets (Amendment) | December 2013 | Regulation no. 2015/28 | February 1, 2015 |
| Annual Improvements to IFRS's 2011–2013 Cycle: IFRS 1 First-time Adoption of IFRS, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property (Amendment) | December 2013 | Regulation no. 1361/2014 | January 1, 2015 |
| IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception | December 2014 | n.a. | n.a. |
| IAS 1: Disclosure Initiative | December 2014 | n.a. | n.a. |
| Annual Improvements to IFRSs 2012–2014 Cycle | September 2014 | n.a. | n.a. |
| IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | September 2014 | n.a. | n.a. |
| IAS 27: Equity Method in Separate Financial Statements | August 2014 | n.a. | n.a. |
| IAS 16 and IAS 41: Bearer Plants | June 2014 | n.a. | n.a. |

| Standard | Issued in | EU Endorsement | Applicable from |
|---|---|---|---|
| IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation | May 2014 | n.a. | n.a. |
| IFRS 11: Accounting for Acquisitions of Interests in Joint Operations | May 2014 | n.a. | n.a. |

Since they are not mandatory, the Group has not applied any of the standards referred to above, and the effects of their application have not yet been fully estimated at the present date.

## 2. Significant Accounting Policies

### 2.1 Basis of preparation

The accompanying consolidated financial statements are stated in thousand of EUR unless otherwise indicated and rounding differences might occur. These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB), and with the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standards Interpretation Committee (SIC), as adopted by the European Union as at December 31, 2014.

The Company previous applied Dutch general accepted accounting policies. As explained in the accounting policy for the common control transaction, there are no past transactions in 2013 to restate. Accordingly, no IFRS 1 disclosures are applicable.

For the Group, there are no differences between the IFRS adopted by the European Union and the IFRS published by the International Accounting Standards Board.

The consolidated financial statements have been prepared on historical cost convention unless stated otherwise. The principal accounting policies adopted are set out below. All estimates and assumptions made by the Board of Directors were based on their knowledge of the events and transactions in course, as at the date of approval of the financial statements.

The MEEC Africa contribution in kind transaction described constitutes a transaction under common control. In the absence of specific guidance of IFRS-EU the Company believes that carry-over accounting is an acceptable accounting policy. This accounting policy elected by the Company presents the legal reality and is consistent with a book value approach (see Note 0).

### 2.2 Use of estimates

The preparation of the accompanying consolidated financial statements in conformity with IFRS-EU requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the dates of the consolidated statement of financial position and the reported amounts of net sales and costs during the reported period. Actual results could differ from those estimates

### 2.3 Foreign currency translation

The individual financial statements of each group entity are presented in their functional currency. For the purpose of these Consolidated Financial Statements, the result and financial position of each entity are expressed in euros, which is the Company functional currency and the presentation currency of the consolidated Financial Statements.

The subsidiaries in foreign currency were converted into euros in accordance with the accounting policies described in subparagraph xiii) of the main valuation criteria herein.

### 2.4 Basis of consolidation

The consolidated financial statement incorporate the financial statement of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. All intercompany profits, balances and transactions have been eliminated in the consolidation

The following methods of consolidation are adopted by the Group:

#### a) Group Companies

The consolidated financial statements incorporate the financial statement of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company has power over the investee, is exposed or has the right variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

The equity and net income of these companies corresponding to third party holdings in these companies are presented in the statement of the consolidated financial position (under the equity heading) and in the consolidated income statement (included in consolidated net income), respectively, under the subheadings of non-controlling interests.

When losses attributable to minorities exceed the minority interest in the equity of the subsidiary, the Group absorbs this excess and any additional loss, unless the minorities have the obligation and capacity to cover these losses. If the subsidiary subsequently reports profits, the Group appropriates all the profits until the minority's share of the absorbed losses have been recovered.

The net income of the subsidiaries acquired or sold during the fiscal year are included in the income statements as of their date of taking control or up to the date of their sale (assignment of control).

Transactions, balances and dividends distributed between Group companies are eliminated in the consolidation process.

#### b) Associates

Financial investments in associates (companies where the Group exercises significant influence, but does not control them, through participation in the financial and operating decisions of the associate – generally investments representing 20% to 50% of the share capital of a company) are recorded through the equity method, under the heading Financial investments stated through the equity method.
Pursuant to the equity method, financial holdings are recorded at their acquisition cost, adjusted by the value corresponding to the Group's holding in the changes in equity (including net income) of the associates against gains or losses for the fiscal year and by the dividends received, net of accumulated impairment losses.

The assets and liabilities of each associate (including contingent liabilities) are identified at their fair value on the acquisition date. Any surplus/shortfall of the acquisition cost relative to the fair value of the net assets and liabilities acquired is recognised, respectively, as a positive consolidation difference (Goodwill), and added to the value of the financial investment, or, in the case of a shortfall which is maintained after reconfirmation of the fair value measurement process, stated in the income statement for the year.

A valuation is made of the investments in associates when there is indication that the asset might be impaired, with a loss being recorded in the income statement whenever this is confirmed. When impairment losses recognised in previous periods no longer exist, they are reversed.

When the Group's proportion in the accumulated losses of the associate exceeds the value at which the investment is recorded, the investment is stated at zero until the equity becomes positive, unless the Group has assumed commitments with the associated company, in which case a provision is recorded to meet such liabilities.

Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the associate against the investment in that same associate. Unrealised losses are likewise eliminated, but only up to the point at which the loss does not show evidence that the transferred asset is in a situation of impairment.

Whenever necessary, the financial statements of the associates are adjusted to ensure their consistency with the accounting policies used by the Group.

### c) Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Financial interests in joint ventures are consolidated in the financial statements attached herewith through the equity method. Pursuant to this method, financial holdings are recorded at their acquisition cost, adjusted by the value corresponding to the Group's holding in the changes of equity (including net income) of these companies against gains or losses for the year and by the dividends received, net of accumulated impairment losses.

### d) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:
– Its assets, including its share of any assets held jointly.
– Its liabilities, including its share of any liabilities incurred jointly.
– Its share of the revenue from the sale of the output by the joint operation.
– Its expenses, including its share of any expenses incurred jointly.

### 2.5 Main valuation criteria

The main valuation criteria, judgments and estimates used in the preparation of the Group's consolidated financial statements during the periods under review are as follows:

#### i) Business Combinations and Goodwill

Acquisitions of subsidiaries and businesses other than those under common control are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Differences between the acquisition price of the financial investments in Group companies (subsidiaries), plus the value of non-controlling interests, and the amount attributed at fair value of the identifiable assets and liabilities of these companies on the date of their acquisition, when positive, are recorded under the heading "Goodwill" and, when negative, after revaluation of their calculation, are recorded directly in the income statement. Differences between the acquisition price of financial investments in associates and joint ventures, and the amount attributed at fair value of the identifiable assets and liabilities of these companies, on the date of their acquisition, when positive, are maintained under the heading "Financial investments stated through the equity method" and when negative, after revaluation of their calculation, are recorded directly in the income statement.

Furthermore, differences between the acquisition cost of investments in subsidiaries based abroad and the fair value of the identifiable assets and liabilities of these subsidiaries on the date of their acquisition are recorded in the reporting currency of these subsidiaries, and converted to the Group's reporting currency (Euro) at the exchange rate in force on the reporting date. Any currency conversion differences created during this conversion are recorded under the heading "Currency conversion reserve".

The value of future contingent payments is recognised as a liability at the time of the business combination in accordance with its fair value, with any change of the initially stated value being recorded against the value of Goodwill, but only if this occurs within the remeasurement period (12 months after the acquisition date) and if it is related to events prior to the acquisition date, otherwise it should be recorded against profit or loss.

For each business combination the Group measures any non-controlling interest in the acquired entity in proportion to the non-controlling interest in the identifiable net assets of the acquired entity.

Transactions of purchase or sale of interests in entities that are already controlled, without such resulting in loss of control, are treated as transactions between equity holders affecting only the equity headings, without there being impact under the "Goodwill" heading or in the income statement.

Furthermore, when a sale transaction results in a loss of control, the assets and liabilities of the entity are derecognised, and any interest retained in the disposed entity is remeasured at fair value, where any loss or gain calculated with the disposal is recorded through profit or loss.

On an annual basis and with reference to the accounts closing date, the Company carries out formal tests of impairment of goodwill. Whenever the amount at which the positive consolidation difference is recorded is higher than its recoverable amount, an impairment loss is recognised, recorded in the income statement under the heading "Other operating costs". The recoverable amount is the highest value between net sales price and the value in use. The net sales value is the amount which would be obtained with the disposal of the asset in a transaction within the reach of the parties involved, minus the costs directly attributable to the disposal. The value in use is the present value of the estimated future cash flow that is expected to arise from the continued use of the asset and from its disposal at the end of its useful life. The recoverable amount is estimated for each asset, individually or, where this is not possible, for the cash generating unit (CGU) to which the asset belongs.

An impairment loss is recognised for a CGU if, and only if, its recoverable amount is less than its carrying amount. The impairment loss is allocated to reduce the carrying amount of the assets of the unit or group of units in the following order:

- first, to goodwill allocated to the CGU; and
- then, to the other assets of the unit or group on a pro rata basis based on the carrying amount of each asset in the unit or group of units.

Impairment losses on goodwill cannot be reversed.

For business combination involving entities under common control, assets and liabilities are valued at book value and there are no impacts recognised in profit and loss.

### ii) Intangible assets other than goodwill

Intangible assets with finite useful lives are recorded at acquisition or production cost, minus amortisations and any accumulated impairment losses, and recognised only if it is likely that they will generate future economic benefits for the Group, and if their value can be reasonably measured and if the Group has control over them. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Research expenses are recognised as costs for the year when they are incurred.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### iii) Property, plant and equipment

Property, plant and equipment are recorded at acquisition cost minus any subsequent accumulated depreciation and any accumulated impairment losses. Construction in progress represent assets still under construction/development, and are recorded at acquisition cost minus any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the asset’s useful life. Depreciation begins as long as the underlying asset is available for use and in the necessary conditions, in terms of quality and technical reliability, to operate as intended by the Group’s Board of Directors. Useful life is determined by management based on the asset’s expected use term; wear out rate, technical obsolescence and the residual value. Residual value attributable to the asset is estimated based on the residual value prevailing at the date of estimate of a similar asset which has reached the end of its useful life and has been operating under conditions similar to those in which the asset will be used.

Depreciation rates used correspond to the following years of estimated useful lives:

| | |
|---|---|
| Buildings | 20 to 50 |
| Equipment | |
| Basic equipment | 3 to 10 |
| Administrative equipment | 4 to 10 |
| Transport equipment | 3 to 10 |
| Tools and utensils | 3 to 6 |
| Other tangible assets | 3 to 10 |

Freehold land has unlimited used life.

Expenses related to replacement of property plant and equipment components are added to the respective asset, with the net value of the replaced component written off and recorded at “Other operating costs” line.

Maintenance and repair costs that neither increase useful life nor give rise to significant improvements of the asset are expensed when they occur.

Depreciation and amortisation of the tangible and intangible assets are recorded on a monthly basis under the heading “Amortisation”, in the income statement. Any changes to the period of estimated useful life of the tangible assets are carried out prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### iv) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets other than goodwill with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### v) Leasing

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

The classification of leasing into finance or operating is undertaken based on the substance and not the form of the contract.

Tangible assets acquired under finance lease contracts are recorded as property, plant and equipment, at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments, and their corresponding accumulated depreciation and any outstanding debts are stated in accordance with the contractual financial plan. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

In leases considered as operating, the lease payments owed are recognised as an expense in the income statement on a linear basis during the lease period.

### vi) Financial assets and liabilities

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

a) <u>Financial assets</u>

The Group classifies financial investments into the following categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The classification is defined at the time of the initial recognition and reappraised on a semi-annual basis.

- Financial assets at FVTPL
  Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified into this category, particularly, when acquired for the purpose of its sale in the short term or if the adoption of valuation through this method eliminates or significantly reduces an accounting lag. Derivative instruments are also classified as held for trading, unless they are assigned to hedging operations. Assets of this category are classified as current assets if they are held for trading or if expected to be realised within 12 months of the reporting date. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

- Held-to-maturity investments
  Investments held to maturity are classified as non-current investments, unless they fall due within 12 months as of the reporting date. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

- Loans and accounts receivable
  These are non-derivative financial assets, with fixed or variable repayment, which are not quoted in active/liquid markets. These financial investments arise when the Group provides cash, products or services directly to a debtor with no intention to negotiate the debt. Loans and accounts receivable are classified as current assets, except in cases where their maturity is longer than 12 months after the reporting date, in which case they are classified as non-current assets. Loans and receivables (including trade and other receivables, bank balances and cash, and other debtors) are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

- Available-for-sale financial assets (AFS financial assets)
  These include non-derivative financial assets, which are named as available for sale, or those that do not fall under the previous categories. This category is included under non-current assets unless the Board of Directors intends to sell the investment within 12 months as of the reporting date.

All purchases and sales of these investments are recognised on the date of the signing of the respective purchase and sale contracts, regardless of the financial settlement date.

These investments are initially recorded at their acquisition value, which is the value paid on the acquisition date and corresponds to their fair value on that date, including transaction costs.

After initial recognition, investments recorded at fair value through profit or loss and investments available for sale are revalued at their fair values as marked to market as at the reporting date, with no deduction relative to any transaction costs which might occur up to their sale. In the absence of a determinable fair value, certain available for sale investments may be recorded at cost, less impairment (if any).

Gains or losses arising from a change in the fair value of investments available for sale are recorded in the consolidated statement of comprehensive income, under the heading "Fair value reserves – investments available for sale" until the investment is sold, received or disposed of in any form, or in situations where the fair value of the investment is lower than its acquisition cost and this situation is considered a significant or permanent impairment loss, at which time the accumulated gain or loss is recorded separately in the income statement.

Gains or losses arising from a change in the fair value of the investments held for trading are recorded in the income statement for the year.

Gains and losses realised or not arising from a change in the fair value of "Investments recorded at fair value through profit or loss" are recorded in the income statement for the year.

Fair value of investments is based on current market prices. If the market to which the investments belong is not an active market (unlisted investments), the Group records them at acquisition cost minus any accumulated impairment losses. The fair value of listed investments is calculated based on the closing price of the respective market as at the reporting date.

Investments held to maturity are recorded at amortised cost through the effective interest rate method, net of amortisation of principal and interest received. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

All financial investments available for sale representing shares in unlisted companies are recorded at their acquisition cost, always considering any impairment losses in the event of objective evidence of impairment. The Group's Board of Directors believes that the fair value of these investments does not differ significantly from their acquisition cost.

Dividends received relative to equity instruments classified as Investments available for sale are recognised in the income statement in the year when the right to receive them was established.

b) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

c) Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

– Financial liabilities at FVTPL
  Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if: (a) it has been incurred principally for the purpose of repurchasing it in the near term; or (b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (c) it is a derivative that is not designated and effective as a hedging instrument. A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if: (a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (b) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or (c) it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

– Other financial liabilities
  Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined using generally accepted valuation techniques. These valuation techniques include estimates and assumptions about forward rates, discount rates based on a single interest rate or on a yield-curve based on market conditions existing at the balance sheet date. The fair value of borrowings and interest rate swaps is calculated based on the present value of the estimated future cash flows based on the yield-curve applicable at the balance sheet date. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. The net carrying amount of trade receivables and trade payables is assumed to approximate the fair value due to the short term nature. The fair value of non-current financial liabilities is estimated by discounting the future cash flows using yield-curves. For unlisted equity securities is the available-for-sale category the equity-method is used as a proxy for fair value. In using the equity method, input is derived from the financial statements of the unlisted equity investments. Counterparty risk in connection with triggers for impairment are based on judgment of the financial position of the counterparty. A significant and prolonged decline in fair value of available-for-sale financial assets is depending on the average volatility of the instrument, if an instrument exceeds certain ranges in both time frame and negative volatility, a trigger for impairment is considered. This is considered on an item by item bases.

d) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

### vii) Cash and cash equivalents

The amounts included under the heading “Cash and cash equivalents” correspond to cash, bank sight and term deposits and other cash investments falling due within less than three months, that are repayable on demand and have an insignificant risk of change of value.

### viii) Inventories

Merchandise and raw materials and consumables are valued at the lowest value between the average acquisition cost and the respective market value (estimate of their sales price minus the costs to be incurred with their disposal). Finished and semi-finished products, by-products, and products and work in progress are valued at production cost, which is lower than their market value. Production costs include the cost of raw material, direct labour and general factory costs.

Inventory obsolescence provision is recorded to reflect the difference between the cost value of the inventories and their respective net realisation value, in cases where the latter is lower than the cost as at the reporting date.

### ix) Accrual accounting

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt.

“Other current assets” and “Other current liabilities” include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but will only correspond to income or expenses in future years, thus being recorded in the income statement of the future period.

### x) Revenue

Revenue is recorded at the fair value of the consideration received or receivable. Revenue is deducted for estimated customer returns, rebates and other similar allowances.

a) Production and services rendered that have not been invoiced

The Group recognises the net income of the works of each contract in accordance with the percentage of completion method, which is defined as being the ratio between the costs incurred in each work up to a given date and the sum of these costs with the costs estimated to complete the work. The differences obtained between the values resulting from the application of the percentage of completion to the estimated income and the invoiced values are stated under the subheadings "Production not invoiced" or "Advance billing", included under the headings "Other current assets" and "Other current liabilities" respectively.

Variation in the work relative to the amount of revenue agreed in the contract is recognised through profit or loss for the year when it is probable that the customer will approve the amount of revenue arising from the variation and it may be measured reliably.

Claims for reimbursement of costs not included in the contract price are included in the revenue of the contract when the negotiations reach an advanced stage, indicating that it is likely that the customer will accept the claim and it can be measured reliably.

In order to meet costs to be incurred during the works' warranty period, the Group recognises a liability on an annual basis to meet this legal obligation, which is calculated taking into account the annual volume of production and the historical records of costs incurred in the past with works during the warranty period.

When it is likely that the total costs foreseen in the construction contract exceed the income defined therein, the expected loss is recognised immediately in the income statement for the year.

b) Civil construction works and public works of short duration

In these service contracts, the Group recognises the income and costs as incurred, respectively.

c) Sales and all other businesses

Revenue arising from sales and all other business is recognised at the time of its realisation or with reference to the completion stage of the transaction as at the reporting date, provided that all of the following conditions are met:

- the amount of the revenue can be measured reliably;
- it is probable that future economic benefits associated to the transaction will flow into the Group;
- the costs that have or will be incurred with the transaction can be measured reliably;
- the completion stage of the transaction as at the reporting date can be measured reliably;
- the significant risks and rewards of ownership of the goods is transferred to the buyer; and
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

### xi) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

### xii) Own work capitalised

Own work capitalised basically corresponds to construction and improvement work, carried out by the actual companies, as well as major repair of equipment and includes costs related to materials, direct labour and general expenses.

These expenses are capitalised only when the following requirements are met:

- the assets developed are identifiable;
- there is strong probability that the assets will generate future economic benefits; and
- the development costs are measurable in a reliable manner.

### xiii) Foreign currency translation

All transactions in foreign currency are recorded in the functional currency at the time of their initial recognition through the application, to the amount in foreign currency, of the spot exchange rate between the functional currency and the foreign currency as at the transaction date.

At the end of each reporting period: a) monetary items in foreign currency are converted at the closing rate; b) non-monetary items which are measured in terms of historical cost in a foreign currency are converted through use of the exchange rate as at the transaction date; and c) non-monetary items which are measured at fair value in a foreign currency are converted at the exchange rates as at the date when the fair value was determined.

Currency conversion differences arising from the settlement of monetary items or from the conversion of monetary items at rates which are different from those used to convert them in the initial recognition during the period or in previous financial statements are recognised through profit or loss for the period when they occur, unless they arise from a monetary item which is part of a net investment in a foreign operating unit. In this case, these currency conversion differences are initially recognised in other comprehensive income and reclassified from equity to profit or loss at the time of the disposal of the net investment.

In preparing the accompanying consolidated financial statements, the net income and financial position of entities belonging to the scope of consolidation, whose functional currencies are not the currency of a hyperinflationary economy, are converted into Euro, which is the presentation currency of the Group, using the following procedures: a) the assets and liabilities of each statement of the financial position presented are converted at the closing rate as at the reporting date; b) the income and costs of each comprehensive income statement or separate income statement that is presented are converted at the annual average rates; and c) all the resulting currency translation differences are recognised under other comprehensive income, affecting the equity heading “Currency translation reserve”. At the time of the disposal of these foreign entities, the accumulated currency translation differences are recorded in the income statement for the year.

The information on the functional currencies (primary economic environment) of the main subsidiaries is broken down as follows:

| Subsidiary | Head Office | Business segment | Country/foreign currency | Functional currency |
|---|---|---|---|---|
| Mota-Engil Engenharia e Contrução África, S.A. | Portugal | Holdding | Euro (EUR) | Euro (EUR) |
| Mota-Engil Angola, S.A. | Angola | Angola | Angolan kwanza (AOA) | US Dollar (USD) |
| Vista Waste Management, Lda | Angola | Angola | Angolan kwanza (AOA) | Angolan kwanza (AOA) |
| Angola branch of Mota-Engil Engenharia e Contrução África, S.A. | Angola | Angola | Angolan kwanza (AOA) | US Dollar (USD) |
| Malawi branch of Mota-Engil Engenharia e Contrução África, S.A. | Malawi | SADC | Malawian kwacha (MWK) | Euro (EUR) |
| Mozambique branch of Mota-Engil Engenharia e Contrução África, S.A. | Mozambique | SADC | Mozambican metical (MZN) | Euro (EUR) |
| Cosamo (Proprietary) Limited | South Africa | SADC | South African rand (ZAR) | South African rand (ZAR) |

Consolidation differences and adjustments to fair value of the assets and liabilities of foreign entities are treated as assets and liabilities in foreign currency and are converted into Euro using the exchange rates as at the reporting date. The financial statements of subsidiaries and branches expressed in foreign currency are converted into Euro.

The main exchange rates used to convert the accounts of the Group's foreign companies, joint ventures and associates into Euro were as follows:

| Currency exchange | | Year end | Average |
|---|---|---|---|
| | | 2014 | 2014 |
| US Dollar | EUR / USD | 1.21 | 1.32 |
| Angola Kwanza | EUR / AOK | 125.11 | 129.99 |
| S. Tomé and Príncipe Dobra | EUR / STD | 24,500.00 | 24,500.00 |
| Cape Verde Escudo | EUR / CVE | 110.27 | 110.27 |
| Malawian Kwacha | EUR / MWK | 570.66 | 552.96 |
| Mozambique Metical | EUR / MZN | 38.44 | 40.67 |
| South Africa Rand | EUR / ZAR | 14.04 | 14.34 |

### xiv) Income tax

Income tax represents the sum of the tax currently payable and deferred tax. The Group is subject to income taxes in numerous jurisdictions. The amount of income tax included in the income statement is determined in accordance with the rules established by the different domestic tax authorities, based on which income taxes are payable or recoverable.

Taxable profit differs from "profit before tax" as reported in the consolidated financial statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Deferred tax assets and liabilities, arising from temporary differences between the carrying amounts of assets and liabilities and the tax base of assets and liabilities, are calculated using the substantively enacted tax rates expected to apply when they are realised or settled. Deferred tax assets are recognised if it is probable that they will be realised. Deferred tax assets and liabilities where a legally enforceable right to offset exists and within the same tax group are presented net in the balance sheet.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are recognised in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Portuguese companies which are members of an economic group may opt to be taxed under the special tax regime of group taxation (RETGS). In this regime companies are subject to overall taxation on the mathematical sum of their respective taxable profits, whether positive or negative. Since January 2010 the Parent Company is covered by the referred regime and covers all the subsidiaries held directly or indirectly by the Parent Company through at least 90% (this threshold was reduced to 75% as at January 1, 2014) of the share capital and which are resident in Portugal and subject to Corporate Income Tax. MEEC Africa is included in this tax group (see Note 0).

According to the Portuguese Controlled Foreign Corporations (CFC) rules, in force until 31 December 2013, profits of companies resident outside Portugal and subject to a more favourable taxation regime are imputed to the Portuguese resident shareholders. This provision is applicable where the Portuguese resident shareholders hold, directly or indirectly, at least 25% of the non-resident company or where more than 50% of the non-resident company is held, directly or indirectly, by Portuguese residents, each holding 10%. In this context profits obtained by Mota & Companhia Maurícias, an entity tax resident in Mauritius, should be allocated to MEEC Africa in Portugal, in light of the fact that Mauritius is currently listed as a more favourable tax regime by Portuguese Tax Authorities (see Note 0).

However, as at January 1, 2014, CFC rules as described above were changed and profits of companies' resident outside Portugal and subject to a more favourable tax regime should not be imputed to the Portuguese resident shareholders provided that certain conditions are met. In essence, these conditions demand that at least 75% of the income derived by the non-resident entity originates from an operational activity (be it (i) agricultural or industrial; or (ii) commercial or rendering of professional services, not predominantly directed to the Portuguese market). As such, in so far that Mota & Companhia Maurícias derives at least 75% of its income from the rendering of services, profits obtained by the Company afterwards should not be imputed to MEEC Africa (see Note 0). Notwithstanding, future dividends from Mota & Companhia Maurícias paid to MEEC Africa, that arises from profits not yet imputed for taxation in Portugal, will be subject to Portuguese corporate income tax (see Note 0).

As from January 1, 2014, and provided that certain conditions are met, Portuguese tax resident entities can opt to disregard income derived from their non-resident permanent establishments for Portuguese corporate income tax purposes, effectively excluding them from the basis of its corporate taxation in Portugal. MEEC Africa opted to disregard income derived from its following non-resident permanent establishments: Malawi branch, Mozambique branch, Zambia branch and Cape Verde branch. We also note that this regime must be left in place for at least 3 years (see Note 0).

The Group has been granted exemption of Corporate Income Tax for MEEC Africa Angola branch (8 years, starting in fiscal year of 2007 and ending in fiscal year of 2014), for Mota-Engil Angola (for 8 years, starting in fiscal year 2011 and ending in fiscal year 2018) and for Vista Waste (for 4 years, starting in fiscal year 2011 and ending in fiscal year 2014).

### xv) Borrowing costs

Financial costs related to loans received are generally recognised in profit and loss in the period in which they are incurred, in accordance with the accrual accounting principle.

Financial costs directly attributable to loans received that are directly related to the acquisition, construction or production of fixed assets, if qualifying assets, are capitalised, thus being incorporated in the cost of the asset. Borrowing costs capitalisation starts after the beginning of preparation to the construction or development of the asset and is interrupted after the beginning of its use, the end of production or construction of the asset, or when the project in question is suspended.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### xvi) Provisions

Provisions are recognised when, and only when, the Group has a present obligation (legal or constructive) arising from a past event, it is likely that in order to resolve this obligation there will be an outflow of funds and the amount of the obligation can be estimated reasonably. Provisions are reviewed on each reporting date and adjusted so as to reflect the best estimate on that date, taking into account the risks and uncertainties inherent to such estimates. When a provision is calculated in view of the future cash flow required to settle this obligation, it is recorded at the current values of this future cash flow (when the effect of the time value of money is material).

Provisions for restructuring costs are recognised by the Group whenever there is a formal and detailed restructuring plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

### xvii) Employee benefits

Retirement benefits

Certain Group subsidiaries in Angola are legally required to pay a lump-sum retirement benefit to their employees who leave the Company upon reaching the legal age of retirement. This benefit is calculated on the basis of their seniority, by multiplying 25% of the monthly base salary paid on the date of retirement by the number of years of service on the same date. A liability is recognized for the amount expected to be paid.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

### xviii) Current and non-current classification

Financial assets that are realisable and financial liabilities that are payable more than one year after the reporting date are classified, respectively, as non-current assets and non-current liabilities.

### xix) Contingencies

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed in the Notes, unless the possibility of an outflow of funds is remote.

A contingent asset is not recognised in the financial statements, but is disclosed in the Notes whenever it is likely that there will be a future economic benefit.

### xx) Subsequent events

Events occurring after the reporting date that provide additional information on conditions that existed as at the reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the reporting date that provide information on conditions that occur after the reporting date (non-adjusting events), if material, are disclosed in the Notes to the consolidated financial statements.

### xxi) Cash flow statement

The accompanying consolidated cash flow statement is prepared in accordance with IAS 7, through the direct method. The Group classifies investments falling due in less than three months and for which the risk of alteration of value is insignificant, as well as deposits given in guarantee under contractual clauses, under the heading “Cash and cash equivalents”.

The cash flow statement is classified into operating, financing and investment activities. Operating activities comprise receipts from customers, payments to suppliers, payments to staff and others related to operating activity. The cash flow involved in investment activities includes, in particular, acquisitions and disposals of investments in subsidiaries and receipts and payments arising from the purchase and sale of fixed assets.

The cash flow related to financing activities includes, namely, payments and receipts relative to loans received, finance lease contracts and payment of dividends.

### xxii) Judgments and estimates

In the application of the Group’s accounting policies, which are described in note 2, the Board of Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only the period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

The most significant accounting estimates reflected in the consolidated financial statements for the year 2014 include:

- Recording of provisions and impairment losses for accounts receivable;
- Revenue recognition and costs for works in progress;
- Fair value measurement and valuation processes, including goodwill;
- Estimations of provisions for guarantee and other responsibilities;
- Estimations of useful life of tangible and intangible assets.

Some of these accounting policies require the application of significant judgment by management to select the appropriate assumptions to determine these estimates. These assumptions and estimates are based on our historical experience, advice from experienced consultants, forecasts and other circumstances and expectations as of the close of the financial period. The assessment is considered in relation to the global economic situation of the industry and region where the Group operates, taking into account future development of our businesses. By their nature, these judgments are subject to an inherent degree of uncertainty; therefore, actual results could materially differ from the estimates and assumptions used. In such cases, the carrying values of assets and liabilities are adjusted.

As of the date of preparation of these Consolidated Financial Statements, no relevant changes in the estimates made are anticipated and, therefore, no significant changes in the value of the assets and liabilities recognized at December 31, 2014 are expected.

Although these estimates and assumptions are being made using all available facts and circumstances, it is possible that future events may require management to amend such estimates and assumptions in future periods. Changes in accounting estimates are recognized prospectively, in accordance with IAS 8, in the Consolidated Income Statement of the year in which the change occurs.

The Company is in the process of implementing an enhanced Compliance and Internal Controls Programme (as defined in the Control Statement of the Management Report). Until such Programme is fully implemented, the Company may be subject to a higher compliance risk and has initiated a review of certain types of historical transactions to assess such risk. At this time, the precise number and value of transactions that will be subject to review is unknown, and it is not possible to predict the timetable or outcome of the review.

## 3. Financial Risk Management and Capital Management

### Overview

The Group activities are exposed to a variety of financial risks, in particular risks related to liquidity, credit, interest rates and foreign exchange rates for transactions and conversion. This series of financial risks arises from the development of business activity and leads to uncertainties regarding the capacity to generate cash flows and returns that are adequate for the remuneration of equity.

The financial risks are managed by the Group's finance department under policies approved by the Board. These policies are established to identify and analyse financial risk faced by the Group, to set appropriate risk limits and control, and to monitor adherence to those limits. The Group's finance department manages these risks in close cooperation with the Group companies, business operations and other corporate departments.

The Group has exposure to the following risks arising from financial statements:

- Liquidity Risk;
- Credit Risk;
- Foreign Exchange Rate Risk; and
- Interest Rate Risk.

The exposure to these risks occurs by the normal course of business and is managed on a consolidated basis.

### Exposure to Liquidity Risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash flows from its operations to meet its financial obligations arising from contracts and from its short-term financial commitments. The Group's liquidity risk is based on the financial resources generated by or used in operating and investing activities, the characteristics of debt maturity and the use of cash, as well as contingent cash terms of financial markets.

The Group aims to maintain sufficient cash margins and opens and maintains surplus short-term lines of credit that serve as liquidity reserves that are readily available. By creating, and periodically revising, cash budgets, the Group's financial planning makes it possible to forecast and anticipate future cash surpluses or deficits. By monitoring rolling forecasts of its liquidity requirements, the Group is able to ensure that it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.

The information regarding the amounts of debt of the financial liabilities on the remaining maturities as of 31 December 2014 is disclosed in note 28.Borrowings.

The policy of liquidity risk management seeks to guarantee that there are funds available at all times in the Group and its subsidiaries, sufficient for them to meet all the financial obligations assumed in a timely manner.

The achievement of high levels of financial flexibility, fundamental for the management of this risk, has been accomplished through the following management measures:

- Settling and maintaining short-term credit lines, to act as a liquidity reserve, available for use at any time;

- Carrying out thorough financial planning per company, involving the preparation and periodic review of cash budgets, allowing a prediction of future surpluses and deficits of cash, and the optimisation and integrated management of the cash flows within the Group;
- Financing of investments in the medium and long term, adapting the debt maturities and the payment plan of the liabilities arising from the loans to the generating capacity of each project or company cash flows;
- Negotiation of the refinancing process of the medium and long term loans, at least one year in advance of the respective maturity;
- Maintenance of a debt structure for the companies with funding levels in the medium and long term standing between 60 per cent. to 70 per cent., thereby reducing their dependence on more volatile short-term funds, creating a certain immunity to financial market factors; and
- Staggered maturity of the debt over time, to extend the average maturity of the debt to make it more consistent with the media release cycle and the degree of permanence of some long-term assets held by the Group.

The effective management of liquidity risk is closely tied to the appropriate management of the remaining financial risks that contribute simultaneously to the accomplishment of this objective, ensuring the obtaining of cash flows at the planned times and in the planned amounts.

The information regarding the amounts of cash and cash equivalents as of 31 December 2014 is disclosed in note 26.Cash & cash equivalents.

### Exposure to Credit Risk

The Group's exposure to credit risk is related mainly to the receivable accounts, from the normal course of its various activities, with special attention to the activities of services and sales. Mitigation of this risk is preventively achieved with the use of entities that provide information of credit risk profiles, which support the Group´s lending decisions.

The organisation offers credit control and collection structures, which are implemented in each market, and in some cases promote the use of hiring credit insurances from reputable specialised reinsurance companies. These measures contribute to the maintenance of loans to customers within not susceptible levels affecting the financial health of Group companies.

Despite the tendency for the development of large projects, the Group has a significant dispersion of their commercial relationship, with the payment of advances that allow a significant reduction in credit risk. The Group is also involved within some multilateral investment projects, which are guaranteed by different renowned agencies, for example, the World Bank Group or the European Union. The participation in these kinds of projects, with some relevant renowned agencies, may be compared to financing credit guarantee instruments.

The credit risk management policy ensures that the Group is not exposed to significant credit risk exposure to any particular client.

### Exposure to Foreign Exchange Risk

The Group's activities are exposed to foreign currency exchange risks. The exposure to exchange rate risks relate to payments made on international markets due to the acquisition of materials and revenues from works that are calculated in a currency other than the functional currency of the Company that has carried out the works. The Group's shareholdings in companies that use a functional currency other than Euro are subject to a risk of exchange rate fluctuation in the conversion of the companies' financial statements during the consolidation process.

The Group is exposed to currency exchange-rate fluctuations primarily with respect to the US Dollar, the Angolan Kwanza, Malawian Kwacha, the Mozambique Metical and the South African Rand against the Euro, the Group's reporting currency.

The table below provides the Group exposition to the significant rates on 31 December 2014:

The information on the functional currencies (primary, economic enviroment) of the main subsidiaries is broken down as follows:

| Subsidiary | Head Office | Business segment | Country/foreign currency | Functional currency |
|---|---|---|---|---|
| Mota-Engil Engenharia e Contrução África, S.A. | Portugal | Holdding | Euro (EUR) | Euro (EUR) |
| Mota-Engil Angola, S.A. | Angola | Angola | Angolan kwanza (AOA) | US Dollar (USD) |
| Vista Waste Management, Lda | Angola | Angola | Angolan kwanza (AOA) | Angolan kwanza (AOA) |
| Angola branch of Mota-Engil Engenharia e Contrução África, S.A. | Angola | Angola | Angolan kwanza (AOA) | US Dollar (USD) |
| Malawi branch of Mota-Engil Engenharia e Contrução África, S.A. | Malawi | SADC | Malawian kwacha (MWK) | Euro (EUR) |
| Mozambique branch of Mota-Engil Engenharia e Contrução África, S.A. | Mozambique | SADC | Mozambican metical (MZN) | Euro (EUR) |
| Cosamo (Proprietary) Limited | South Africa | SADC | South African rand (ZAR) | South African rand (ZAR) |

The information regarding the Group consolidation differences and adjustments of the assets and liabilities of foreign entities over the last years as of 31 December 2014 is disclosed in note 28.Borrowings.
The Group seeks to mitigate its exposure by attempting to have each Group company match its purchasing and sales, and raise its required debt financing predominantly in its functional currency (Euro).
During 2014, no hedge transactions were effected at the Group to mitigate foreign exchange rate risk.

### Interest rate risk

The Group does not have in place any financial instruments to hedge against interest rate movements as it expects interest rates to remain at the same level for the expected term of the Group's loans.

The Group incurs indebtedness as a result of the cost of financing its operations and the interest charges on such financing is dependent on the financing terms established at the beginning of a debt transaction and subsequent interest rate fluctuations.

The objective of the interest rate risk management policy is the optimisation of the cost of debt and achievement of a low level of volatility in financial costs, and to control and mitigate the risk of incurring losses as a result of variations in the interest rates to which the Group's financial debt is indexed, most of which is denominated in US Dollar and EUR.

Information regarding average interest rates paid for borrowings and a sensitivity analysis to alterations in the interest rate for the years ended 31 December 2014 is disclosed in note 28.Borrowings.

### Capital Management

The Board's management policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of business.

The Group's capital management is carried out with the primary goal of ensuring the continuity of operations of the Group, seeking to maximise value creation for its shareholders, in particular, through the adoption of an efficient capital structure employed, through optimisation on its balance sheet the ratio between own and borrowed funds.

The Group's net debt / adjusted EBITDA at 31 December 2014 was as follows:

| | 2014 |
|---|---|
| Total Borrowings (carrying values) | 336,952 |
| Leasing | 60,894 |
| Adjusted gross debt | 397,845 |
| Cash | 191,881 |
| Net debt (including leasing) | 205,964 |
| Adjusted EBITDA | 261,095 |
| Net debt/EBITDA | 0.79 |

## 4. Companies included in the consolidation

After completion of the break-up-merger of MEEC into MEEC Africa in 2013 and the transfer of MEEC Africa to Mota-Engil Africa N.V. in 2014, the Company became the holding company of the Group that includes the following material subsidiaries and foreign branches (held directly or indirectly by the Company), all of which are engaged in the Company's business, including the ownership of trademarks and licences related to the Company's business, the breakdown as at 31 December 2014 is as follows (see Note 0):

| Name | Country of incorporation | Business segment | Percentage held by the Company (directly or indirectly) (*) |
|---|---|---|---|
| Mota-Engil Africa B.V. | Netherlands | Holding | 100.00% |
| Mota-Engil Engenharia e Contrução África, S.A. | Portugal | Holding | 100.00% |
| Mota-Engil Angola, S.A. | Angola | Angola | 51.00% |
| Vista Waste Management, Lda | Angola | Angola | 26.01% |
| Angola branch of Mota-Engil Engenharia e Contrução África, S.A. | Angola | Angola | 100.00% |
| Malawi branch of Mota-Engil Engenharia e Contrução África, S.A. | Malawi | SADC | 100.00% |
| Mozambique branch of Mota-Engil Engenharia e Contrução África, S.A. | Mozambique | SADC | 100.00% |
| Cosamo (Proprietary) Limited | South Africa | SADC | 100.00% |

(*) The total percentage of ownership represents the total direct and indirect percentage on the share capital held by the Group. The Group assumes control in a subsidiary taking into consideration the following control indicators: held the majority of voting rights, held by Management control. The control is assumed by the Group, even in the circumstances where that control is obtained indirectly.

The companies included in these accompanying consolidated financial statements and respective consolidation methods, effective percentage and holding are presented in Appendix A. Companies. The main changes to the scope of consolidation during 2014 are referred to in Note 35.Scope of consolidation.

The information regarding non-controlling interests is disclosed in note 33.Non-controlling interest.

## 5. Business and geographical segments

Management has determined operating segments based on the monthly management reporting package reviewed by them, which is used to assess business performance and to allocate resources within the Group. Operating and reportable segments of the Group, whose results are regularly reviewed by the chief operating decision maker and for which discrete financial information is available, are primarily based on the following geographical areas:

- Angola;
- Southern African Development Community (SADC) – Mozambique, Malawi, Zimbabwe, South Africa, Zambia and Mauritius;
- West Africa – Cape Verde, Sao Tome and Principe and Ghana;
- East Africa – Uganda.

The statement of consolidated net profit by operating segment for the year 2014 is broken down as follows:

| 2014 | Angola | SADC | West Africa | East Africa | Other, eliminations and intercompany | Total |
|---|---|---|---|---|---|---|
| Revenue | 456,286 | 554,751 | 19,257 | 2,054 | 15,717 | 1,048,065 |
| Changes in inventories of finish goods and work in progress, raw materials and consumables used and subcontracts | (138,774) | (260,080) | (8,628) | (236) | 27,185 | (380,531) |
| Third parties suppliers and services | (99,635) | (113,718) | (9,048) | (1,681) | 937 | (223,145) |
| Employees benefits expense | (91,614) | (44,713) | (696) | (105) | (31,122) | (168,251) |
| Operating profit before depreciation and amortisation expenses and provisions and impairment losses | 119,948 | 138,163 | 557 | (641) | 3,068 | 261,095 |
| Depreciation and amortisation | (24,058) | (19,209) | (733) | (40) | (21,282) | (65,323) |
| Provisions and impairment losses | (32,482) | (786) | - | - | (10,293) | (43,561) |
| Operating profit/(loss) (*) | 63,408 | 118,168 | (176) | (681) | (28,507) | 152,211 |
| Finance costs | (32,302) | (10,265) | (223) | (13) | (23,248) | (66,051) |
| Finance income | 5,555 | 6,496 | - | 1 | 3,068 | 15,119 |
| Share of profit of associates | 333 | 5 | - | - | - | 339 |
| Income tax expense | (4,399) | (12,162) | (138) | - | (2,825) | (19,524) |
| Profit for the year attributable: | | | | | - | |
| to non-controlling interests | 13,914 | - | - | - | (4,767) | 9,147 |
| **to Owners of the Company** | **18,681** | **102,241** | **(536)** | **(694)** | **(46,745)** | **72,948** |

(*) "Operating profit/(loss)" corresponds to the "Profit for the year before income tax expenses" Share of profit of associates", "Finance costs" and "Finance income".

The net profit of column "Other, eliminations and intercompany" includes mainly financial results (interest expense) of MEEC Africa. The caption "Operating profit before depreciation and amortisation and provisions and impairment losses" of this column includes mainly the amounts debited by MEEC Africa to its subsidiaries and branches in Angola and SADC regarding the rental of equipment. The caption "Depreciation and amortisation" of this column" refers essentially to depreciation of MEEC Africa's equipment. The pricing of intercompany transactions is made at arm's length (see Note 0).

The breakdown of the Group's total net assets and liabilities by business segments is as follows:

| | Non current assets | | Non current liabilities | | Current assets | | Current liabilities | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Angola | 206,830 | - | 49,238 | - | 672,460 | - | 593,463 | - |
| SADC | 164,417 | - | 15,404 | - | 469,174 | - | 331,263 | - |
| West Africa | 3,382 | - | 844 | - | 26,357 | - | 30,600 | - |
| East Africa | 612 | - | - | - | 13,159 | - | 14,542 | - |
| Other, Eliminations and Intercompany | 120,871 | - | 208,967 | - | 17,458 | - | 19,582 | - |
| | **496,112** | **-** | **274,452** | **-** | **1,198,609** | **-** | **989,449** | **-** |

The caption “Other, eliminations and intercompany” includes mainly: (i) intercompany balances of MEEC Africa with its subsidiaries and branches in Angola and SADC; (ii) equipment of MEEC Africa rented to subsidiaries and branches in Angola and SADC; (iii) debt of MEEC Africa (see Note 0).

The Group's investments and amortisation by business segments are as follows:

| | Net investment | | Depreciation & Amortisation | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Angola | 36,746 | - | 24,058 | - |
| SADC | 57,690 | - | 19,209 | - |
| West Africa | 28 | - | 733 | - |
| East Africa | 623 | - | 40 | - |
| Other, Eliminations and Intercompany | 32,464 | - | 21,282 | - |
| | 127,551 | - | 65,323 | - |

The heading “Other, eliminations and intercompany” of “Depreciation and amortization” refers essentially to depreciation of MEEC Africa’s equipment, which is rented to subsidiaries and branches in Angola and SADC (see Note 0).

## 6. Revenue and other gains

The breakdown of revenue during the years ended on December 31st, 2014 and 2013 is as follows:

| | 2014 | 2013 |
|---|---|---|
| Services rendered | 1,036,739 | 2,277 |
| Sales of merchandise | 1,838 | - |
| Other | 9,488 | |
| | 1,048,065 | 2,277 |

Revenue by business segment is as presented in Note 5 and refers mainly to construction works.

As of 31 December there is an only trade debtor that, individually, represented more than 10% of the Group revenue.

Other gains amounting 6,957 euros are related with miscellaneous income not considered revenue as described in period above.

## 7. Changes in inventories of finished goods and work in progress, raw materials and consumable used and subcontracts

The cost of merchandise and raw materials and consumables, and subcontracts for the year ended on 31st December 2014 is broken down as follows:

| 2014 | Goods | Raw materials and consumables | Total |
|---|---|---|---|
| **Opening stocks** | - | - | - |
| **Capital contribution in kind MEEC Africa (see Note 0)** | 1,083 | 48,567 | 49,651 |
| Transfers | 13,246 | 2,811 | 16,057 |
| Regularizations | 2,017 | (4,401) | (2,384) |
| Change in scope of consolidation | - | (10,905) | (10,905) |
| Purchases | 43,264 | 237,272 | 280,536 |
| **Closing stocks (Note 23)** | (14,285) | (48,134) | (62,420) |
| | 45,324 | 225,210 | 270,535 |
| Variation of production | | | (3,613) |
| Subcontracts | | | 113,609 |
| Changes in inventories of finish goods and work in progress and raw materials and consumables used and subcontrats | | | 380,531 |

## 8. Third-party Supplies and Services

Third party supplies and services for the years ended on 31st December 2014 and 2013 are broken down as follows:

| | 2014 | 2013 |
|---|---|---|
| Leases and rent | 68,421 | - |
| Specialised works | 72,442 | - |
| Transport, travel and board and lodging | 39,197 | - |
| Fuel and other fluids | 4,081 | - |
| Maintenance and repairs | 5,527 | - |
| Insurance | 6,772 | 138 |
| Water and electricity | 1,116 | - |
| Vigilance and security | 7,879 | - |
| Communications | 4,230 | - |
| Commissions and fees | 3,876 | 44 |
| Office equipment | 3,735 | - |
| Advertising and publicity | 470 | - |
| Other supplies and services | 5,400 | 0 |
| | 223,145 | 182 |

The heading "Leases and rents" essentially refers to lease payments for equipment, machines, vehicles and rents for premises.

The heading "Specialised work" essentially refers to technical support services, auditing and consultancy.

The main lease and rent contracts of the Group essentially refer to the lease of machines and equipment by construction companies, as well as the rental of premises and the lease of vehicles and information technology equipment.

The heading "Leases and rents", as at 31st December 2014 includes the value of 71,072 euros related to operating lease payments, essentially relating to the lease of vehicles and computer equipment.

The income from operational leases due for which there is a viable contract as follows:

| Maturity | 2014 | 2013 |
|---|---|---|
| 1 year | 181 | - |
| Between 2 and 5 years | 155 | - |
| | 337 | |

The main operating lease contracts of the Group essentially refer to the lease of vehicles and equipment.

## 9. Employee benefits expense

Staff costs for the years ended on 31st December 2014 and 2013 are broken down as follows:

| | 2014 | 2013 |
|---|---|---|
| Remuneration | 140,008 | 1,997 |
| Other | 28,243 | 12 |
| | 168,251 | 2,009 |

Other remuneration included costs paid in relation to Social Security or other similar contribution systems in each country, meals allowances and cash sickness benefits, occupational accident insurance and indemnities.

Allocation of Employee benefits expense by operating segments is presented below:

| | 2014 | 2013 |
|---|---|---|
| Angola | 91,614 | - |
| SADC | 44,713 | - |
| West Africa | 696 | - |
| East Africa | 105 | - |
| Other, Eliminations and Intercompany | 31,122 | 2,009 |
| | 168,251 | 2,009 |

### Number of employees at the end of the year

During 2014 and 2013, the final number of employees working for the Group is detailed as follows:

| | 2014 | 2013 |
|---|---|---|
| Management | 12 | 2 |
| Employees (permanent personnel) | 2,560 | - |
| Workers (non-permanent personnel) | 9,018 | 92 |
| | 11,590 | 94 |

The number of employees by operating segments is presented below:

| | 2014 | 2013 |
|---|---|---|
| Angola | 5,631 | - |
| SADC | 4,739 | - |
| West Africa | 160 | - |
| East Africa | 122 | - |
| Other | 938 | 94 |
| | 11,590 | 94 |

## 10. Other expenses

Other expenses for the years ended on 31st December 2014 and 2013 are as follows:

| | 2014 | 2013 |
|---|---|---|
| Donations | (763) | - |
| Gains/(losses) on the sale of fixed assets | 368 | - |
| Taxes other than income tax | (11,790) | - |
| Own work capitalised | 2,589 | - |
| Other expenses | (12,404) | (6) |
| | (22,000) | (6) |

“Taxes other than income tax” refers essentially to stamp duties, custom duties and building permit fees.

As at 31st December 2014, the “Other expenses” includes 10,267 euros of insufficiency estimate for income tax, a net operating exchange gain of 937 euros and other expenses related to the activity.

## 11. Depreciation and amortisation expenses

The amortisation and depreciation for the years ended on 31st December 2014 and 2013 are as follows:

| | 2014 | 2013 |
|---|---|---|
| **Amortisation of intangible assets for the year:** | | |
| Development costs | 32 | - |
| Software and other rights | 91 | - |
| Concession Operation Licenses | 11 | - |
| Other intangible fixed assets | 19 | - |
| | 154 | - |
| **Depreciation of tangible fixed assets for the year:** | | |
| Land and buildings | 7,897 | - |
| Equipment | | |
| Angola | 20,702 | - |
| SADC | 14,497 | - |
| West Africa | 680 | - |
| East Africa | 36 | - |
| Other and eliminations | 21,235 | - |
| Other tangible fixed assets | 122 | - |
| | 65,169 | - |
| | 65,323 | - |

Other and eliminations of property plant and equipment depreciation refer mainly to depreciation of MEEC Africa's equipment, which is rented to subsidiaries and branches in Angola and SADC (see Note 0).

## 12. Guarantee expenses and impairment losses

Guarantee expenses and impairment losses for the years ended on 31st December 2014 and 2013 are as follows:

| | 2014 | 2013 |
|---|---|---|
| **Guarantee expenses** | | |
| Angola (see Note 30.Provisions) | 3,881 | - |
| | **3,881** | **-** |
| **Adjustments and Impairment Losses** | | |
| **Tangible fixed assets** | | |
| Angola | 8,000 | - |
| | **8,000** | **-** |
| **Trade and other receivables** | | |
| Angola (see Note 24. Trade receivables and other receivables) | 18,954 | - |
| SADC | 2,901 | |
| Other and eliminations | 11,999 | - |
| | **33,854** | **-** |
| **Reversal of guarantee expenses and impairment losses** | | |
| Angola (see Notes 24. Trade receivables and other receivable, 23. Inventories and 30. Provisions) | (5) | - |
| SADC | (2,115) | |
| Other and eliminations | (55) | - |
| | **(2,174)** | **-** |
| **Total of guarantee expenses and impairment losses** | **43,561** | **-** |

## 13. Finance costs

The financial results for the years ended on 31st December 2014 and 2013 are broken down as follows:

| | 2014 | 2013 |
|---|---|---|
| **Financial income and gains** | | |
| **Loans and accounts receivable:** | | |
| Interest income | 9,219 | - |
| | | |
| **Other financial assets and liabilities:** | | |
| Income from equity investments | 1,679 | - |
| Other financial income | 907 | - |
| | **11,805** | **-** |
| **Financial costs and losses** | | |
| **Loans and accounts payable:** | | |
| Interest expenses | 41,021 | - |
| Payments discounts given | 178 | - |
| Exchange expenses | 991 | - |
| | | |
| **Other financial assets and liabilities:** | | |
| Other financial expenses | 20,546 | 1 |
| | **62,737** | **1** |
| | **(50,932)** | **(1)** |

Income from equity investments essentially refer to dividends received from investment in BAI - Banco Angolano de Investimentos (792 thousand euros) and Auto Sueco Angola (887 thousand euros).

As at 31st December 2014 and 2013, the heading “Interest expense” is broken down as follows:

| | 2014 | 2013 |
|---|---|---|
| **Non-convertible bond loans** | 5,283 | - |
| Loans for participation in securities | - | - |
| **Amounts owe to credit institutions:** | | |
| Bank loans | 6,264 | - |
| Overdraft facilities | 2,445 | - |
| Guaranteed accounts | 18,873 | - |
| **Other loans obtained:** | | |
| Commercial paper issues | 2,616 | - |
| | **35,482** | **-** |
| | | |
| **Other interest expense (leasing and others)** | 5,539 | - |
| | **41,021** | **-** |

As at 31st December 2014 and 2013, no capitalised financial costs were registered in the financial statements.

As at 31st December 2014 and 2013, the Group’s sensitivity to alterations in the reference interest rate is broken down as follows:

| | Estimated impact | |
|---|---|---|
| | 2014 | 2013 |
| Variation of financial profit and loss on a 1 p.p. alteration of the interest rate applied to the entire debt (excluding leasing) | 1,325 | - |
| Fixed-rate hedging | (740) | - |
| **Sensitivity of financial profit and loss to interest-rate variations:** | **585** | **-** |

As at 31st December 2014 and 2013, the Group’s assets and liabilities by currency are as follows:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| Currency of register | Assets | Liabilities | Assets | Liabilities |
| Euro (EUR) | 325,739 | 400,083 | 1,215 | 1,137 |
| S. Tomé and Príncipe Dobra (STD) | 4,098 | 2,014 | - | - |
| US Dollar (USD) | 1,032,702 | 617,088 | - | - |
| Cape Verde Escudo (CVE) | 823 | 5,361 | - | - |
| Angola Kwanza (AOK) | 92,585 | 44,059 | - | - |
| Mozambique Metical (MZM) | 219,116 | 186,875 | - | - |
| South Africa Rand (ZAR) | 8,848 | 7,196 | - | - |
| Malawi Kwacha (MWK) | 10,746 | 1,212 | - | - |
| Pound Sterling (GBP) | 64 | 12 | - | - |
| | **1,694,721** | **1,263,901** | **1,215** | **1,137** |

As at 31st December 2014, the Group’s sensitivity to exchange rate variations of the United States Dollar (USD) and Kuanza (AOK) is broken down as follows:

| 2014 | Net Result | Equity |
|---|---|---|
| Estimated impact of the appreciation in 1% | | |
| of US Dollar (USD) to Euro (EUR) | 1,168 | 2,365 |
| of Angola Kwanza (AOK) to Euro (EUR) | (74) | 94 |

## 14. Share of profit of associates

Share of profit of associates for the year ended on 31st December 2014 and 2013 are broken down as follows:

| Gains in associates and jointly controlled companies | 2014 | 2013 |
|---|---|---|
| Icer | 247 | - |
| Ecolife | 5 | - |
| Automatriz | 87 | - |
| | 339 | - |

## 15. Income tax expense

The detail and movement of deferred tax assets and liabilities, as at 31st December 2014, in accordance with the temporary differences that gave rise to them, are as follows:

| Deferred tax assets | Opening balance | capital contribution in kind MEEC AFRICA (see Note 0) | Perimeter variation | Effect in results | Effect in reserves | Closing balance |
|---|---|---|---|---|---|---|
| Provisions not accepted for tax | - | - | - | 432 | - | 432 |
| Tax losses | - | 34 | 1,992 | (34) | - | 1,992 |
| Other | - | - | - | 1,638 | 9 | 1,648 |
| | - | 34 | 1,992 | 2,037 | 9 | 4,071 |

| Deferred tax liabilities | Opening balance | capital contribution in kind MEEC AFRICA (see Note 0) | Perimeter variation | Effect in results | Effect in reserves | Closing balance |
|---|---|---|---|---|---|---|
| Other | - | 2,000 | - | (817) | 86 | 1,269 |
| | - | 2,000 | - | (817) | 86 | 1,269 |

In 2014 the values recorded in scope of consolidation, of deferred tax assets, refer to ME Construction South Africa, which was acquired at the end of the year (Note 35 – Scope of consolidation alterations).

The values recorded in "Other", of deferred tax assets, include temporary differences resulting from exchange differences in Malawi.
As at 31 December 2014 the deferred tax liabilities are related to temporary differences resulting from exchange differences in Mozambique, which were relevant for tax purposes only in the moment of its realization.

As at 31st December 2014, the effect on the profit and loss account by the recording of assets and liabilities for deferred tax was positive at 2,854 euros with a negative impact on equity of 77 euros.

As at 31st December 2014 and 2013, according to the tax returns of the companies which recorded deferred tax assets for tax losses, using for this effect the exchange rates on that date, the following deferred tax assets were carried forward:

| 2014 | Tax Losses | Deferred Tax Losses |
|---|---|---|
| **Year:** | | |
| 2012 | 7,113 | 1,992 |
| | 7,113 | 1,992 |

| 2014 | Tax Losses | Deferred Tax Losses |
|---|---|---|
| **Time limit:** | | |
| 2018 | 7,113 | 1,992 |
| | 7,113 | 1,992 |

As at 31st December 2014, an assessment was made of the deferred tax assets to be recognised arising from tax losses. For situations where this generated deferred tax assets, they were only recorded when it was considered likely that there would be taxable profits in the future and that they could be used to recover the deductible tax losses or taxable differences. This assessment was based on the business plans of the companies of the Group, which are periodically reviewed and updated, and on the available and identified tax planning opportunities.

As at 31 December 2014 the deferred tax assets refer to ME Construction South Africa.

As at 31st December 2014, the tax losses carried forward reached 3,151 thousand euros, whose deferred tax assets are not recorded, for inexistence of evidence of its recovery.

| 2014 | Tax Losses | Deferred Tax Losses |
|---|---|---|
| **Year:** | | |
| 2013 | 871 | 261 |
| 2014 | 2,280 | 684 |
| | **3,151** | **945** |

| 2014 | Tax Losses | Deferred Tax Losses |
|---|---|---|
| **Time limit:** | | |
| 2016 | 871 | 261 |
| 2017 | 2,280 | 684 |
| | **3,151** | **945** |

Income tax recognised for the year ended on 31st December 2014 and of 2013 is detailed as follows:

| | 2014 | 2013 |
|---|---|---|
| Current tax | 22,378 | 15 |
| Deferred tax | (2,854) | - |
| | **19,524** | **15** |

The reconciliation between the nominal and effective income tax rates for 2014 and 2013 is presented as follows:

| 2014 | Angola | SADC | West Africa | East Africa | Portugal / Other | Total |
|---|---|---|---|---|---|---|
| **Accounting profit before taxes** | 36,994 | 114,404 | (399) | (694) | (48,687) | **101,618** |
| Tax at the domestic rates applicable to profits in the country concerned | 1,369 | 15,878 | (256) | (208) | (16,598) | **185** |
| Tax related to associate companies | (117) | (2) | - | - | - | **(118)** |
| Tax losses for which no deferred taxes were recognized | 3,901 | 2,867 | 413 | 208 | 131 | **7,521** |
| Current year utilization of previously unrecognized tax losses | - | - | - | - | - | **-** |
| Autonomous taxation | - | - | - | - | 55 | **55** |
| Tax effect of expenses/(gains) that are not relevant for tax purposes | (754) | (6,582) | (19) | - | 19,236 | **11,881** |
| **Tax expense** | **4,399** | **12,162** | **138** | **-** | **2,825** | **19,524** |

| 2013 | Angola | SADC | West Africa | East Africa | Portugal / Other | Total |
|---|---|---|---|---|---|---|
| **Accounting profit before taxes** | - | - | - | - | 79 | **79** |
| Tax at the domestic rates applicable to profits in the country concerned | - | - | - | - | 16 | **16** |
| | | | | | | - |
| Tax related to associate companies | - | - | - | - | - | **-** |
| Tax losses for which no deferred taxes were recognized | - | - | - | - | - | **-** |
| Current year utilization of previously unrecognized tax losses | - | - | - | - | - | **-** |
| Autonomous taxation | - | - | - | - | - | **-** |
| Tax effect of expenses/(gains) that are not relevant for tax purposes | - | - | - | - | (1) | **(1)** |
| **Tax expense** | **-** | **-** | **-** | **-** | **15** | **15** |

The Company has been granted exemption of Corporate Income Tax for MEEC Africa Angola branch (8 years, starting in fiscal year of 2007 and ending in fiscal year of 2014), Mota-Engil Angola (for 8 years, starting in fiscal year 2011 and ending in fiscal year 2018) and for Vista Waste (for 4 years, starting in fiscal year 2011 and ending in fiscal year 2014).

There are no tax positions claimed by the group that have resulted in any liabilities or reductions to assets recorded in the financial statements or should be disclosed in these Notes.

## 16. Dividends

In respect of the current year, the directors propose that a dividend of 28 cents per share be paid to shareholders on 21 July 2015. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements. The proposed dividend is payable to all shareholders on the Register of Members on the third business day following the date of the AGM in which the dividend payment is adopted (such date being 26 June 2015 assuming the dividend payment is adopted by the AGM on 23 June 2015. The total estimated dividend to be paid is 28 million euros.

## 17. Earnings per share

The Company has only issued ordinary shares, hence there are no special rights to dividends or voting.

There is no situation in the Group which might lead to a reduction of earnings per share as a result of options, warrants, convertible bonds or other rights associated to ordinary shares.

Therefore, there is no dissimilarity between the calculation of basic earnings per share and the calculation of diluted earnings per share.

For the fiscal years of 2014 and 2013, the calculation of the earnings per share may be demonstrated as follows:

| | | 2014 | 2013 |
|---|---|---|---|
| Consolidated net profit/(loss) attributable to the Group | (I) | 72,948 | 64 |
| | | | |
| Total number of ordinary shares | (II) | 229,922 | 18 |
| **Number of shares outstanding** | | **229,922** | **18** |
| Earnings per share: | | | |
| basic | (I) / (II) | € 0.32 | € 3.55 |
| diluted | (I) / (II) | € 0.32 | € 3.55 |

## 18. Goodwill

The information on goodwill, for the years ended on 31st December 2014 and 2013, is broken down as follows:

| | 2014 | 2013 |
|---|---|---|
| **Angola** | | |
| Vista Waste | 23,689 | - |
| Vista Water | 2,766 | - |
| | 26,455 | - |
| **SADC** | | |
| Cecot | 1,440 | - |
| ME Construction South Africa | 3,341 | - |
| | 4,781 | - |
| | | |
| **West Africa** | | |
| Mota-Engil S. Tomé | 143 | - |
| | 143 | - |
| | 31,379 | - |

The movements which occurred in goodwill during the years ended on 31st December 2014 and 2013 are as follows:

| % de aquisição | 2014 | 2013 |
|---|---|---|
| Goodwill at the beginning of the year | - | - |
| **Goodwill carried out from capital increase with non-contribution MEEC Africa (See Note 0)** | **23,153** | - |
| Vista Waste | 19,135 | - |
| Vista Water | 2,435 | - |
| Cecot | 1,440 | - |
| Mota-Engil S. Tomé | 143 | - |
| | | |
| **Increase of goodwill** | | |
| Acquisition of ME Construction South Africa | 3,341 | - |
| | 3,341 | |
| **Effect of foreign currency exchange differences** | | |
| Vista Waste | 4,554 | - |
| Vista Water | 331 | - |
| | 4,885 | - |
| Goodwill at the end of the year | 31,379 | - |

Differences between the consideration transferred on the acquisition of the financial investments in Group companies (subsidiaries), plus the amount of non-controlling interest, and the fair value of the identifiable net assets of these companies at the date of their acquisition, when positive, are recorded under the heading "Goodwill" and, when negative are recorded directly in the income statement.

Goodwill impairment tests were performed on an annual basis, as defined in note 1. Accounting policies. As at 31 December 2014, the methods and assumptions used in the appraisal of the existence, or not, of impairment tests are as follows:

| Assumptions | Vista Waste | Vista Water |
|---|---|---|
| Method used | Discounted Cash Flow model | Discounted Cash Flow model |
| Basis used | Forecasts | Forecasts |
| Period used | 7 years | 7 years |
| Growth rate of cash-flows in perpetuity | 6.8% | 6.8% |
| Discount rate used | 12.4% | 9.5% |

The value in use corresponds to the estimated present value of future cash flow, calculated based on budgets and business plans duly approved by the Group's Board of Director, which, with the exception of those relative to concession projects, cover, on average, a period of five years. Cash flow projections beyond five years were extrapolated by applying a fixed growth rate in perpetuity, which does not exceed the average rate of future growth of revenue of the sector in which the Company operates. Cash flows after the first 7-year period were extrapolated using a perpetual growth rate, in order to calculate the terminal recoverable amount. The total value of Vista Waste amounts to 153 million dollars and includes a terminal value of 128 million dollars.

The outcome of a sensitivity analysis of a 100 basis points adverse change in key assumptions (lower growth rates or higher discount rates respectively) did not result in a materially different outcome of the impairment test.

| Sensitivity analysis | Vista Waste | Vista Water |
|---|---|---|
| Growth rate in perpetuity | [ -1%] | [ -1%] |
| **Growth rate in perpetuity Sensitivity analysis impact** | ***no impairment*** | ***no impairment*** |
| Discount rate used [+1%] | [ +1%] | [ +1%] |
| **Discount rate Sensitivity analysis impact** | ***no impairment*** | ***no impairment*** |

Differences between the acquisition price of the financial investments in Group companies (subsidiaries), increased by the value of non-controlling interests, and the amount attributed to the fair value of the identifiable assets and liabilities of these companies as at the date of their acquisition, when positive are recorded under the heading “Goodwill” and, when negatives, after a revaluation of their measurement, are recorded directly in the income statement.

The main assumptions used in the calculation of the value in use included in particular: (i) the subsidiary’s market share; (ii) growth prospects of the market in which the subsidiary operates; (iii) regulatory alterations which might influence the subsidiary’s business in the future; (iv) the necessary level of investment, etc. These assumptions were quantified based on historical data, as well as on the experience of the Group’s Board of Directors. However, these assumptions might be affected by phenomena of political, economic or legal nature which are unpredictable at this moment in time.

Acquisitions of interests in entities which are already controlled and sales of interests in entities, which do not lead to a loss of control, are treated as transactions between shareholders affecting only the equity headings, with there being no impact on the heading “Goodwill” or on net income.

The acquisitions of financial holdings which occurred during 2014, consolidated through the full method, did not have any material impact on the Group’s assets, liabilities, costs and income, hence they were not disclosed.

The Group did not acquire any financial holding of material significance between 31st December 2014 and the date of approval of these financial statements.

## 19. Intangible assets

The information on the net values of intangible assets by segment, for the fiscal years of 2014 is broken down as follows:

| | Angola | SADC | West Africa | East Africa | Other, eliminations and intercompany | Total |
|---|---|---|---|---|---|---|
| **2014** | | | | | | |
| Development costs | 129 | - | - | - | - | 129 |
| Software and other rights | 1,474 | 110 | - | 10 | 100 | 1,694 |
| Intangible assets in progress | 110 | - | - | - | - | 110 |
| Other intangible assets | 238 | - | - | - | - | 238 |
| | **2,909** | **110** | **-** | **10** | **100** | **3,129** |

The caption "software and other rights" includes 1,398 euros of leasehold rights in Angola.

The information on the gross values of intangible assets for the years ended on 31st December 2014 is broken down as follows:

| | Development costs | Software and other rights | Concession Operation Licenses | Intangible assets in progress | Other intangible assets | Total |
|---|---|---|---|---|---|---|
| **2014** | | | | | | |
| Opening balance at 1 January 2014 | - | - | - | - | - | - |
| Capital contribution in kind (MEEC Africa) (See Note 0) | 248 | 1,718 | - | 247 | 297 | 2,511 |
| Additions | 64 | 343 | 991 | - | - | 1,398 |
| Write-offs | (16) | - | - | - | - | (16) |
| Exchange differences | 28 | 51 | 99 | 34 | 36 | 247 |
| Transfers and other movements | (0) | 60 | (99) | (170) | 39 | (170) |
| | **325** | **2,172** | **991** | **110** | **372** | **3,970** |

The information on the accumulated amortisation and impairment losses of intangible assets, for the years ended on 31st December 2014, is broken down as follows:

| | Development costs | Software and other rights | Concession Operation Licenses | Intangible assets in progress | Other intangible fixed assets | Total |
|---|---|---|---|---|---|---|
| **2014** | | | | | | |
| Opening balance at 1 January 2014 | - | - | - | - | - | - |
| Capital contribution in kind (MEEC Africa) (See Note 0) | (150) | (363) | - | - | (96) | (610) |
| Additions (see Note 11) | (32) | (91) | (11) | - | (19) | (154) |
| Write-offs | 8 | - | - | - | - | 8 |
| Exchange differences | (21) | (45) | (3) | - | (19) | (87) |
| Transfers and other movements | (0) | 21 | (19) | - | - | 2 |
| | **(196)** | **(478)** | **(33)** | **-** | **(134)** | **(841)** |
| **Net asset** | | | | | | |
| **2014** | **129** | **1,694** | **958** | **110** | **238** | **3,129** |

## 20. Property, plant and equipment

The information on the net values of the Property, plant and equipment by business segment, for 2014 is broken down as follows:

| | Angola | SADC | West Africa | East Africa | Other, eliminations and intercompany | Total |
|---|---|---|---|---|---|---|
| **2014** | | | | | | |
| Land and buildings | 67,941 | 31,599 | 4 | 8 | 143 | 99,695 |
| Equipment (see Note 29) | 83,549 | 47,497 | 896 | 475 | 70,860 | 203,277 |
| Construction in progress | 5,044 | 8,651 | 755 | 118 | 152 | 14,721 |
| Other fixed assets | 546 | 898 | 36 | - | (0) | 1,481 |
| | 157,080 | 88,645 | 1,691 | 602 | 71,155 | 319,173 |

Other, Eliminations and Intercompany included essentially the equipment owned by MEEC Africa and rented to subsidiaries and branches in Angola and SADC segments.

The information on the gross values of the tangible assets for the years ended on 2014 is broken down as follows:

| | Land and buildings | Equipment | Property, Plant and Equipment in progress | Other fixed assets | Total |
|---|---|---|---|---|---|
| **2014** | | | | | |
| Opening balance at 1 January 2014 | - | - | - | - | - |
| Capital contribution in kind (MEEC Africa) (See Note 0) | 99,832 | 299,605 | 20,201 | 1,038 | 420,676 |
| Additions | 30,358 | 86,945 | 13,202 | 103 | 130,607 |
| Disposals | (371) | (4,353) | (80) | (47) | (4,851) |
| Write-offs | (36) | (16,645) | - | - | (16,681) |
| Revaluations | (28) | - | - | - | (28) |
| Exchange differences | 10,010 | 17,610 | 280 | 49 | 27,949 |
| Change in scope of consolidation | 738 | 765 | | | 1,503 |
| Transfers and other movements | (9,979) | 15,561 | (18,882) | 886 | (12,415) |
| | 130,524 | 399,488 | 14,721 | 2,029 | 546,761 |

The values of write-offs refer to basic equipment and transport equipment in capital contribution in kind MEEC Africa and Mota-Engil Angola.

In 2014 the values recorded in change in scope of consolidation refer almost to ME Construction South Africa (2014), which was acquired at the end of the year.

Impairment tests are performed on an annual basis as defined in Note 1.Accounting policies. As at 31 December 2014 the Company registered an impairment loss in the industrial plant in the amount of 8,000 euros.

The key assumptions used for the value-in-use calculations are as follows:

• Cash flows were projected based on actual operating results, actual experience, analysis of market growth and the expected market share;
• Margin development was forecasted on actual experience and management's medium and long-term projections;
• Cash flows after the first 7-year period were extrapolated using a perpetual growth rate equal to the expected long-term constant prices GDP growth rate for each market;
• The estimated pre-tax cash flows are discounted to their present value using a pre-tax weighted average cost of capital. The discount rates were determined for each business unit and range from 10.7 percent to 12.4 percent.

| Assumptions | Novicer |
|---|---|
| Method used | Value in use |
| Basis used | Forecasts |
| Period used | 7 years |
| **Growth rate** | |
| Year n+1 | 6.4% |
| CAGR for the following 6 years | 19.7% |
| Growth rate of cash-flows in perpetuity | 6.8% |
| Discount rate used | 10.7% |

| Sensitivity analysis | Novicer |
|---|---|
| Growth rate in perpetuity | [ -1%] |
| **Growth rate in perpetuity Sensitivity analysis impact** | ***3,020*** |
| Discount rate used [+1%] | [ +1%] |
| **Discount rate Sensitivity analysis impact** | ***3,937*** |

As at 31 December, the information on the accumulated depreciation and impairment losses in tangible assets for the year ended on 2014 is broken down as follows:

| | Land and buildings | Equipment | Property, Plant and Equipment in progress | Other fixed assets | Total |
|---|---|---|---|---|---|
| **2014** | | | | | |
| Opening balance at 1 January 2014 | - | - | - | - | - |
| Capital contribution in kind (MEEC Africa) (See Note 0) | (14,888) | (143,716) | - | (423) | (159,026) |
| Additions(Note 11) | (7,897) | (57,150) | - | (122) | (65,169) |
| Impairment losses | (8,000) | | | | (8,000) |
| Disposals | 155 | 3,308 | - | 42 | 3,506 |
| Write-offs | 32 | 11,834 | - | - | 11,866 |
| Exchange differences | (1,282) | (7,445) | - | (46) | (8,773) |
| Change in scope of consolidation | | (3) | | | (3) |
| Transfers and other movements | 1,050 | (3,039) | - | (0) | (1,988) |
| | (30,829) | (196,211) | - | (548) | (227,588) |
| **Net asset** | | | | | |
| **2014** | 99,695 | 203,277 | 14,721 | 1,481 | 319,173 |

In 2014 the Group has no significant amounts of restriction on title and property, plant and equipment pledged as security for liabilities. Additionally, the Group has no significant commitments for the acquisition of property, plant and equipment.

The most significant values included under the heading “Tangible assets in progress”, for 2014, refer to the following projects:

| Description | 2014 | 2013 |
|---|---|---|
| Damen ship (Malawi) | 5,280 | - |
| Morro Bento operational base (Angola) | 3,453 | - |
| Dry Port Liwond land (Malawi) | 2,243 | - |
| Work Shop building (Malawi) | 837 | - |
| | 11,814 | - |

The adopted valuation criteria, the depreciation rates used and the residual values defined are referred to Note 1.Accounting policies.

## 21. Financial investments under the equity method

As at 31st December 2014, the values relative to financial investments stated through the equity method are broken down as follows:

| | 2014 | 2013 |
|---|---|---|
| **Angola** | | |
| Ecolife | 34 | - |
| Automatriz | 706 | - |
| | **740** | **-** |

During 2014 the following movement occurred in the value of the financial investments stated through the equity method:

| 2014 | Opening balance | capital contribution in kind MEEC AFRICA | Effect on profit and loss | Effect on reserves (1) | Transfers and variation of perimeter | Acquisitions/ Disposals | Closing balance |
|---|---|---|---|---|---|---|---|
| **Angola** | | | | | | | |
| Icer (see Note 30) | - | - | 247 | - | (247) | - | - |
| Ecolife | - | - | 5 | 29 | - | - | 34 |
| Automatriz | - | 712 | 87 | (93) | - | - | 706 |
| | **-** | **712** | **339** | **(63)** | **(247)** | **-** | **740** |

(1) Essentially includes currency conversions.

The Icer value was transferred to provisions due to the fact that its book value is negative and Company is liable for its obligations.

As at 31st December 2014, the main information on the most relevant financial investments stated through the equity method is as follows:

| 2014 | Share | Assets | Equity | Sales and services rendered | Net profit |
|---|---|---|---|---|---|
| Ecolife | 40% | 2,207 | 86 | 1,945 | 13 |
| Automatriz | 45% | 15,416 | 1,560 | 21,591 | 192 |

The appraisal of the existence, or not, of impairment for the main values of the financial investments stated through the equity method is based on the Business Plans of the respective companies.

## 22. Available for sale financial assets

As at 31st December 2014 the detail of financial investments available for sale is as follows:

| | 2014 | 2013 |
|---|---|---|
| **Investments in equity instruments** | | |
| BAI - Banco Angolano de Investimentos | 40,435 | - |
| Auto Sueco Angola | 2,724 | - |
| Other | 670 | - |
| | **43,829** | **-** |
| | **2014** | **2013** |
| **Advances and other investment** | | |
| Estradas do Zambeze | 1,800 | - |
| | **1,800** | **-** |
| **Financial investments available for sale** | **45,629** | **-** |

The investment in BAI – Banco Angolano de Investimentos refers to the acquisition from Mota-Engil SGPS, SA of a 3% stake in this financial institution incorporated and with operations in Angola. The amount due is recorded as a liability (see Note 29.Trade payables and other payables).

As at 31 December 2014, the amount of Auto Sueco Angola relates to the 5% shareholding retained in Auto Sueco Angola at deemed cost that resulted of the valuation in accordance with the equity method prior to the sale of the 21% stake.

During 2014 the Group made an advanced investment for the future acquisition of 40% of Estradas do Zambeze.

During the years ended on 31st December 2014, the following movement occurred in the value of financial investments available for sale:

| | 2014 | 2013 |
|---|---|---|
| Opening Balance on January 1st | - | - |
| Capital contribution in kind (MEEC Africa) (See Note 0) | 43,085 | - |
| Acquisitions and advances | 2,543 | - |
| | **45,629** | **-** |

## 23. Inventories

The information relative to inventories for the years ended on 31st December 2014 and 2013, is broken down as follows:

| | 2014 | 2013 |
|---|---|---|
| **Gross amount:** | | |
| Raw materials and consumables (Note 7) | 48,134 | - |
| Products and work in progress | 16,758 | - |
| Finished goods | 7,968 | - |
| Goods (Note 7) | 14,285 | - |
| Prepaid expenses | 12,014 | - |
| | **99,160** | **-** |
| **Accumulated adjustments** | | |
| Raw materials and consumables | (5,639) | - |
| Finished goods | (100) | - |
| Goods | 1,599 | - |
| | **(4,140)** | **-** |
| | **95,020** | **-** |

The movement in the accumulated adjustments to inventories, for the years ended on 31st December 2014 and 2013, is as follows:

| | 2014 | 2013 |
|---|---|---|
| Opening balance | - | - |
| Capital contribution in kind (MEEC Africa) (see Note 0) | 3,214 | - |
| Transfers and change in scope of consolidation | 926 | - |
| | **4,140** | **-** |

## 24. Trade, tax and other receivables

The information relative to trade receivables from customers, for the years ended on 31st December 2014 and 2013, is broken down as follows:

| | Non-current | | Current | |
|---|---|---|---|---|
| Trade receivables | 2014 | 2013 | 2014 | 2013 |
| | | | | |
| Gross value: | | | | |
| Angola | 50 | - | 552,845 | - |
| SADC | - | - | 165,447 | - |
| West Africa | - | - | 11,563 | - |
| Other, eliminations and intercompany | - | - | 7,510 | 368 |
| | 50 | - | 737,365 | 368 |
| Accumulated impairment losses | - | - | (71,508) | - |
| | 50 | - | 665,857 | 368 |

The Government and other Public Institutions of Angola and Sonangol (Angolan state oil firm and business partner and shareholder of Mota-Engil Angola) are the most significant debtors of Angola segment and each customer balance approximates 30% of total segment's receivable. SADC balances are mainly receivable from public and private entities in Malawi and Mozambique.

The information relative to other receivables, for the years ended on 31st December 2014 and 2013, is broken down as follows:

| | Non-current | | Current | |
|---|---|---|---|---|
| Other receivables | 2014 | 2013 | 2014 | 2013 |
| **Associates and related companies** | | | | |
| Gross value | 2,956 | - | 16,985 | - |
| | 2,956 | - | 16,985 | - |
| **Advances to suppliers** | - | - | 21,027 | - |
| **State and other public entities** | 18,783 | - | - | - |
| **Other** | | | | |
| Gross value | 184 | - | 131,026 | 1 |
| Accumulated impairment losses | - | - | (1,557) | - |
| | 18,967 | - | 129,469 | 1 |
| | 21,923 | - | 167,481 | 1 |

Associates and related companies included balances receivable from companies consolidated through the equity method.

Gross value of other advances to suppliers included the following amounts: integration of incorporated joint ventures, assignment of materials in works under consortium.

The amount included in the caption "State and other public entities" relates to withholding taxes to be received from Angolan State. The recoverability of these balances is subject to offsetting these against future payables to these authorities. In order to allow such offsetting certain agreement needs to be obtained which as this date has not been approved by local authorities.

The exposure of the Group to credit risk is attributable, above all, to the accounts receivable of its operating activity. Accumulated impairment losses were estimated by the Group, in accordance with its experience and based on its appraisal of overall economic and financial circumstances.

As at 31st December 2014 and 2013, the age structure of the commercial balances relative to financial assets that were not impaired was as follows:

| Age in the balance sheet 2014 | Trade debtors | Other Debtors (Other) |
|---|---|---|
| **Overdue amounts** | | |
| [0 ; 3] months | 9,730 | 40,651 |
| [3 ; 12] months | 197,982 | 7,279 |
| [1 ; 3] years | 187,026 | 49,775 |
| Over 3 years | 205,188 | 6,774 |
| | | |
| | **599,925** | **104,479** |
| | | |
| **Not overdue amounts** | 65,981 | 25,174 |
| **Total** | **665,906** | **129,653** |

| Age in the balance sheet 2013 | Trade debtors | Other Debtors (Other) |
|---|---|---|
| **Not overdue amounts** | 368 | 1 |
| **Total** | **368** | **1** |

The Group exposure net of accumulated impairment losses, to balances aged over one year primarily arises from: (i) confirmed debts of public entities (mainly Angolan public bodies), (ii) withheld amounts by customers during the period of guarantee and (iii) customer balances with debt settlement agreements. The Group's Board of Directors believes that these accounts receivable are not impaired.

Adjustments to accounts receivable due to impairment losses are recorded when there is objective indication that the Group will not receive the full amounts to which it was entitled pursuant to the original terms of established contracts. The adjustments are calculated considering the age of the accounts receivable, the risk profile of the debtor and its financial conditions.

As at 31st December 2014 and 2013, the balances of the heading "Taxes receivable" are broken down as follows:

| | 2014 | 2013 |
|---|---|---|
| Personal income tax | 22 | - |
| Other | 167 | 2 |
| | **189** | **2** |

The movement of the impairment losses trade and other receivables is as follows:

| | 2014 | 2013 |
|---|---|---|
| **Trade receivables:** | | |
| Opening balance | - | - |
| Capital contribution in kind (MEEC Africa) (See Note 0) | 49,137 | - |
| Increase | 33,854 | - |
| Other movements | (11,483) | - |
| | **71,508** | **-** |
| **Other receivables** | | |
| Opening balance | 44 | - |
| Other movements | 1,513 | - |
| | **1,557** | **-** |

As part of Capital contribution in kind MEEC Africa as detailed on page 79, certain receivables have been contributed into the Company for which an impairment for the time value of money is accounted. The discount rate applied to the adjustment for the long term overdue receivables impairment losses was calculated through the aggregated contribution of reference interest rate, spread and financing operations costs. Therefore the reference interest rate was obtained through the average 3M LIBOR forward calculated until 2017 (1%), plus a spread for loans in USD of 5% and a small percentage for financing operations costs of 0.5%.

Despite not being approved by local authorities, the Company expects to set off the amount of 13,208 euros included in trade receivables by receiving Angolan state bonds.

## 25. Other current assets

The heading "Other current assets" is broken down as follows:

| | 2014 | 2013 |
|---|---|---|
| **Accrued income** | | |
| Production not invoiced: | | |
| Angola | 27,625 | - |
| SADC | 36,684 | - |
| West Africa | 2,257 | - |
| Other, Eliminations and Intercompany | 2,054 | - |
| Other accrued income | 2,728 | - |
| | **71,348** | **-** |
| **Deferred costs** | | |
| Insurance | 881 | - |
| Other deferred costs | 74,021 | 694 |
| | **74,902** | **694** |
| | **146,249** | **694** |

Other accrued income included costs related to maintenance contracts concluded and other payments made in advance.

"Other deferred costs" includes deferred costs related to the production.

The information on construction contracts in progress is broken down as follows:

| | 2014 | 2013 |
|---|---|---|
| Construction costs incurred to date | 2,013,719 | - |
| Construction costs incurred during the year | 772,048 | - |
| | | |
| Income recognized to date | 2,642,538 | - |
| Income recognized during the year | 990,961 | - |
| | | |
| Customers prepayments | 89,029 | - |
| Sums withheld by customers | 74,597 | - |
| Guarantees given by customers | 126,808 | - |
| | | |
| Accrued income - excess of production over billing | 68,620 | - |
| Deferred income - shortfall of production over billing | 9,469 | - |

## 26. Cash and cash equivalents and financial assets – term deposits

As at 31st December 2014 and 2013 the heading "Cash and cash equivalents" is broken down as follows:

| | Cash and cash equivalents - demand deposits | | Financial assets - term deposits | | TOTAL | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Other applications** | 2,340 | - | - | - | 2,340 | - |
| **Bank dep. and cash in hand** | | | | | | |
| Bank deposits | 117,909 | - | 68,067 | - | 185,976 | - |
| Cash on hand | 3,565 | 148 | - | - | 3,565 | 148 |
| | **123,814** | **148** | **68,067** | **-** | **191,881** | **148** |

"Cash and cash equivalents" include cash held by the Group and short term bank deposits with original maturity equal to or less than three months, for which the risk of alteration of value is insignificant. The value at which this group of assets is recorded is close to its fair value.

Financial assets relates to a term deposit not immediately available, due to restricted access under contracts with financial institutions.

## 27. Issued capital and share premium

In January 2014, the Parent Company, acting as the holder of the entire share capital of Mota-Engil Africa N.V. and Mota-Engil, Engenharia e Construção África, S.A., proceeded to transfer its shares in MEEC Africa to Mota-Engil Africa N.V. This operation was performed as an issuance of new shares of the Company against the non-cash contribution of the Parent Company, consisting in the contribution of the total shares of MEEC Africa. With this operation the Company's equity raised 229,904 thousand euros with the issuance of 99,982,000 new shares with a nominal value of 1 euro each and the correspondent recording of a share premium of 129,922 thousand euros. With this operation the Company was left with an outstanding share capital of 100,000,000 euros as at December 31, 2014 (see Note 0).

| | 2014 | 2013 |
|---|---|---|
| Opening balance | 18 | 0 |
| Capital increase | 99,982 | 18 |
| Share premium | 129,922 | - |
| | **229,922** | **18** |

## 28. Borrowings

The contractual maturities of debt as of 31st December 2014 were as follows:

| | Current 1 year | 2 years | 3 to 5 years | over 5 years | Total Non-Current | Total |
|---|---|---|---|---|---|---|
| 2014 | | | | | | |
| **Non-convertible bond loans** | 9,655 | 9,308 | 64,865 | - | 74,174 | **83,829** |
| **Amounts owed to credit institutions** | | | | | | |
| Bank loans | 56,001 | 14,802 | 17,033 | - | 31,835 | **87,835** |
| Overdraft facilities | 19,441 | - | - | - | - | **19,441** |
| Current account facilities | 120,675 | - | - | - | - | **120,675** |
| **Other loans obtained** | | | | | | |
| Commercial paper issues | 3,122 | 3,122 | 62,311 | - | 65,433 | **68,555** |
| Other loans | 515 | - | - | - | - | **515** |
| | 209,410 | 27,232 | 144,209 | - | 171,441 | 380,851 |

Although the commercial paper issues fall due at one year, they are covered by medium and long-term programmes which ensure their automatic renewal over time. In view of these circumstances, and since the Group's Board of Directors intends to continue to use the said issues in the long-term, these debts were recorded as a non-current liability.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
• Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
• Level 3: inputs for the asset or liability that are not based on observable market data (unobservable).

Details of the determination of level 3 fair value Borrowings measurements:

| | Nominal interests rate | Level | Fair value | Carrying amount |
|---|---|---|---|---|
| **2014** | | | | |
| **Non-convertible bond loans** | 6.9% | 3 | 73,197 | 69,074 |
| **Amounts owed to credit institutions** | | | | |
| Bank loans | 9.6% | 3 | 79,682 | 79,784 |
| Overdraft facilities | 8.5% | 3 | 17,173 | 18,471 |
| Current account facilities | 12.6% | 3 | 112,082 | 110,346 |
| **Other loans obtained** | | | | |
| Commercial paper issues | 5.3% | 3 | 59,583 | 59,173 |
| Other loans | 9.6% | 3 | 515 | 515 |
| **Total borrowings** | | | 342,232 | 337,364 |

As at 31st December 2014, the amounts related to debt are denominated in the following currencies:

| | Bonds | Credit institutions | Commercial paper | Other loans | Total |
|---|---|---|---|---|---|
| **2014** | | | | | |
| Angola Kwanza | - | 141,844 | - | - | 141,844 |
| Euros | 69,074 | 39,704 | 59,173 | - | 167,951 |
| Malawian Kwacha | - | 83 | - | - | 83 |
| Mozambique Metical | - | 186 | - | - | 186 |
| South Africa Rand | - | 4,907 | - | - | 4,907 |
| US Dollar | - | 21,464 | - | 515 | 21,980 |
| | 69,074 | 208,189 | 59,173 | 515 | 336,952 |

The average interest rates paid in the main debt headings during the fiscal years of 2014 are as follows:

| | 2014 | |
|---|---|---|
| | Average Rates (%) | Rates Interval (%) |
| Non-convertible bond loans | 7.10 | [ 7,1 ; 7,1 ] |
| Amounts owed to credit institutions: | | |
| Bank Loans | 9.88 | [ 4,89 ; 39,5 ] |
| Overdraft facilities | 10.68 | [ 6,04 ; 39 ] |
| Current Account facilities | 10.69 | [ 5,13 ; 17,38 ] |
| Other loans obtained: | | |
| Commercial paper issues | 4.88 | [ 4,88 ; 4,88 ] |
| Other loans | - | - |

The main debenture loans and commercial paper programmes obtained by the Group and outstanding as at 31st December 2014, are as follows:

| 2014 | | | | | | |
|---|---|---|---|---|---|---|
| Type of issue / Issuer | Date of emission | Date of expiration | Indexation | Reimbursement Condition | Amount | Maturity |
| **Bonds:** | | | | | | |
| Mota-Engil Engenharia e Construção África | Dec 13 | Dec 18 | EURIBOR 6M+6.75% | i) | 70,000,000 | |
| **Commercial paper programmes:** | | | | | | |
| Mota-Engil Engenharia e Construção África | Dec 10 | Dec 17 | EURIBOR PRAZO+5,1% | | 44,800,000 | Direct placement: From 90 to 181 days/ Auctioning: From 3,4,5 or 6 months |

The main other debt contracts and outstanding amounts as at 31 December 2014 were broken down as follows:

| 2014 | | | |
|---|---|---|---|
| Debtor | Type of debt | Loan Amount | Amount outstanding |
| **Other Operations:** | | | |
| Mota-Engil Angola | Current Account Facilities | 67,140,378 | 49,525,843 |
| Mota-Engil Angola | Short term loan | 23,179,416 | 23,179,416 |
| | | | |
| Mota-Engil Engenharia e Construção África | Current Account Facilities | 19,695,311 | 19,695,000 |
| Mota-Engil Engenharia e Construção África | Medium & long term loan | 10,000,000 | 10,000,000 |
| Mota-Engil Engenharia e Construção África | short term loan | 9,883,864 | 9,883,864 |
| Mota-Engil Engenharia e Construção África | Overdraft facilities | 15,000,000 | 5,229,420 |
| Mota-Engil Engenharia e Construção África | Commercial paper | 40,000,000 | 15,000,000 |

The borrowings have some financial covenants related with net debt/adjusted ebitda, and equity/net assets. The Company is complying with that financial indicators and do not expect uncomply in the future.

## 29. Trade payables and other payables

The information on trade liabilities and other liabilities payable, for the years ended on 31st December 2014 and 2013, is broken down as follows:

| | Non-current | | Current | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **Trade payables** | | | | |
| Angola | 1,511 | - | 75,310 | - |
| SADC | 1 | - | 77,877 | - |
| West Africa | 514 | - | 12,994 | - |
| East Africa | - | - | 5,199 | - |
| Other, Eliminations and Intercompany | 24 | - | 63,292 | 319 |
| | 2,049 | - | 234,672 | 319 |
| **Payables for fixed assets** | - | - | 27,370 | - |
| **Financial leasing** | 33,736 | - | 27,158 | - |
| **Associates** | 15 | - | 21,998 | - |
| **Customer prepayments received** | - | - | 94,726 | - |
| **Other creditors** | 45,824 | - | 98,389 | 782 |
| | 79,575 | - | 269,641 | 782 |
| | 81,624 | - | 504,314 | 1,101 |

These amounts refer mainly to debts derived from subcontracting during the implementation of contract work awarded to the Group.

The amounts recorded under the heading “Associates” include balances owed by Group to companies accounted through the equity method.

Other, Eliminations and Intercompany included intercompany balances of MEEC Africa with its subsidiaries and branches in Angola and SADC (see Note 0).

As at 31 December 2014 “Other” for non-current creditors included 40,435 euros concerning to the purchase of a 3% stake in BAI - Banco Angolano de Investimentos (see Note 22. Available for sale financial assets).

“Other” includes for current creditors 18,395 euros related to the acquisition of “Vista, SA”.

The Board of Directors believes that the book value of these liabilities in the balance sheet represents their fair value.

As at 31 December 2014 the residual contractual maturity of trade payables was as follows:

| | 2014 | 2013 |
|---|---|---|
| **Outstanding contractual maturity:** | | |
| ] 0 ; 1 ] month | 202,839 | 319 |
| ] 1 ; 3 ] months | 32,717 | - |
| ] 3 ; 12 ] months | 7,023 | - |
| ] 1 ; 3 ] years | 1,716 | - |
| Over 3 years | 333 | - |
| | **244,629** | **319** |

As at 31 December 2014 the residual contractual maturity of other creditors was as follows:

| | 2014 | 2013 |
|---|---|---|
| **Outstanding contractual maturity:** | | |
| ] 0 ; 1 ] month | 82,199 | 782 |
| ] 1 ; 3 ] months | 2,434 | - |
| ] 3 ; 12 ] months | 13,755 | - |
| ] 1 ; 3 ] years | 44,236 | - |
| Over 3 years | 1,589 | - |
| | **144,213** | **782** |

As at 31 December 2014 the Group had liabilities payable to lessors, recorded under the heading "Payables for fixed assets", relative to lease payments, payable in the future, of finance lease contracts to the values of 65,135 euros with the following maturity periods:

| | Outstanding rents on lease contracts | | Current value of lease contracts | |
|---|---|---|---|---|
| Lease contracts | 2014 | 2013 | 2014 | 2013 |
| 1 year | 29,650 | - | 27,158 | - |
| 2 years | 20,455 | - | 19,231 | - |
| 3 years | 9,817 | - | 9,351 | - |
| 4 or more years | 5,214 | - | 5,154 | - |
| | **65,135** | **-** | **60,894** | **-** |
| | | | | |
| Interests included in the rents | (4,241) | - | - | - |
| **Current value of lease contract rents** | **60,894** | **-** | **60,894** | **-** |

As at 31 December 2014, the most significant finance lease contracts were as follows:

| 2014 | | | | |
|---|---|---|---|---|
| Contracting party | Amount | Asset | Lease life (years) | Purchase option |
| Mota-Engil Angola | 8,928 | Sundry Equipment | 4 | 184 |
| Mota-Engil Engenharia e Construção África | 70,937 | Sundry Equipment | 4 | 2,229 |

As at 31 December 2014 the net book value of assets under finance lease contracts was broken down as follows:

| | 2014 | 2013 |
|---|---|---|
| Basic equipment | 55,169 | - |
| Transport equipment | 15,454 | - |
| | 70,623 | - |

As at 31 December 2014 the balances of Taxes payable were detailed as follows:

| | 2014 | 2013 |
|---|---|---|
| Income tax | 14,208 | 15 |
| Value added tax | 23,877 | - |
| Social security | 407 | - |
| Personal income tax | 501 | - |
| Other taxes | 258 | - |
| | 39,251 | 15 |

## 30. Provisions

The information on provisions, for the years ended on 31st December 2014 and 2013 may be summarised as follows:

| | 2014 | 2013 |
|---|---|---|
| Provisions for investments valued using the equity method (Note 21) | 270 | - |
| Provisions for construction works guarantees | 38,653 | - |
| Other contingencies | 1,496 | - |
| | **40,418** | **-** |

“Other contingencies” include legal actions in course and employee benefits.

The group provisions by business segment are as follows:

| | 2014 | 2013 |
|---|---|---|
| Angola | 26,718 | - |
| SADC | 13,611 | - |
| Outros eliminações e intragrupo | 90 | - |
| | **40,418** | **-** |

“Other contingencies” include legal actions in course and employee benefits.

The information related to the movement of provisions, relative to the fiscal year of 2014 is as follows:

| 2014 | Opening balance | capital contribution in kind MEEC AFRICA | Increase | Reduction | Usage | Transfers and perimeter variation | Closing balance |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| Provisions for construction works guarantees | - | - | 2,789 | - | - | 35,864 | 38,653 |
| Other contingencies | - | 3,390 | 1,092 | (55) | - | (2,931) | 1,496 |
| | **-** | **3,390** | **3,881** | **(55)** | **-** | **32,933** | **40,149** |
| Provisions for investments valued using the equity method | - | 474 | - | - | - | (204) | 270 |
| | | **3,864** | **3,881** | **(55)** | **-** | **32,729** | **40,418** |

As at 31 December 2014 investments valued through the equity method for which provisions were accrued comprised as follows (see Note 21. Financial investments under the equity method):

| | 2014 | 2013 |
|---|---|---|
| Icer (Ang) | 270 | |
| | **270** | **-** |

## 31. Other current liabilities

Other current liabilities as of 31 December 2014 comprised as following:

| Other current liabilities | 2014 | 2013 |
|---|---|---|
| **Accrued costs** | | |
| Vacation and bonus to be paid | 10,018 | - |
| Interest payable | 1,219 | - |
| Accrued expenses - construction work in progress | | |
| Angola | 146,133 | - |
| SADC | 102,790 | - |
| West Africa | 200 | - |
| Other, eliminations and intercompany | (14,135) | - |
| Other accrued costs | 2,592 | 1,009 |
| | 248,817 | 1,009 |
| **Deferred income** | | |
| Deferred revenue (Note 12) | 10,583 | - |
| Other deferred income | 673 | - |
| | 11,257 | - |
| | 260,073 | 1,009 |

Accrued expenses - construction work in progress are mainly costs related to works-in-progress which have not yet been invoiced by suppliers, as well as provisions for costs which may be incurred during the period of guarantee of construction works.

The value recorded under the heading “Deferred revenue” refers to the application of the policy described in Note 2. Accounting policies, for recognition of revenue in construction contracts.

## 32. Commitments

As at 31st December 2014 the guarantees provided by the Group to third parties relative to bank guarantees and fidelity insurance provided to owners of works whose contracts are under various companies of the Group, detailed by currency, are as follows:

| | 2014 | 2013 |
|---|---|---|
| Angolan Kwanza | 37,392 | - |
| Cape Verde Escudos | 919 | - |
| Euros | 60,852 | - |
| Malawi Kwashas | 1,669 | - |
| Mozambican Meticais | 4,183 | - |
| US Dollars | 131,966 | - |
| Other | 3,264 | - |
| | **240,244** | **-** |

As at 31 December 2014 the Group had no capex, forward sales or purchases commitments.

Details by Group companies are as follows:

| | 2014 | 2013 |
|---|---|---|
| Emocil (Moç) | 2,297 | - |
| Mota-Engil Angola | 59,170 | - |
| Mota-Engil Engenharia e Construção África | 11,805 | - |
| Branch ME Eng. e Const. África Angola | 16,603 | - |
| Branch ME Eng. e Const. África Cabo Verde | 919 | - |
| Branch ME Eng. e Const. África Malawi | 83,526 | - |
| Branch ME Eng. e Const. África Moçambique | 17,694 | - |
| Branch ME Africa Zambia | 47,438 | - |
| Other | 792 | - |
| | **240,244** | **-** |

## 33. Non-controlling interests

The information related to the movement of non-controlling interests is as follows:

| | 2014 | 2013 |
|---|---|---|
| Balance at beginniing of the year | - | - |
| Capital contribution in kind (MEEC Africa) (See Note 0) | 101,624 | - |
| Share of profit for the year | 9,147 | - |
| Other comprehensive income for the period | 10,457 | - |
| Dividend distribution | (18,561) | - |
| Non-controlling interests arising on the acquisition of Vista Waste | (165) | - |
| Balance of the ending of the year | **102,502** | **-** |

As at 31 December 2014 the equity attributable to non-controlling interests comprised as below:

| Own funds attributable to non-controlling interests | 2014 | 2013 |
|---|---|---|
| Mota-Engil Angola | 76,655 | - |
| Vista Waste | 23,067 | - |
| Other | 2,780 | - |
| | 102,502 | - |

During 2014 net income attributable to non-controlling interests is broken down as presented below:

| Consolidated net profit of the year attributable to non-controlling interests | 2014 | 2013 |
|---|---|---|
| Mota-Engil Angola | 15,810 | - |
| Vista Waste | (4,162) | - |
| Other | (2,501) | - |
| | 9,147 | - |

## 34. Transactions with related parties

Balances and transaction with associates and joint ventures, stated through the equity method, are not eliminated, and were as follows:

| | 2014 | 2013 |
|---|---|---|
| Trade and other receivables | 8,090 | - |
| Trade and other payables | 6,229 | - |
| Loans granted | 1,997 | - |
| | | |
| Sales and services rendered | 680 | - |
| Cost of merchandise sold | 13 | - |

Balances and transactions with shareholders of the Group with qualifying holdings or with other companies held by the Mota-Engil Group are as follows:

| | 2014 | 2013 |
|---|---|---|
| Trade and other receivables | 67,150 | 1 |
| Trade and other payables | 175,627 | 2 |
| Loans granted | 33 | - |
| Loans obtained | 1,040 | 15 |
| | | |
| Sales and services rendered | 32,238 | - |
| Cost of merchandise sold | 64,641 | - |
| Third-party supplies and services | 83,186 | 0 |

The heading “Trade and other payables” at the 31st of December 2014 includes 40,435 thousand euros related to the acquisition of the 3% stake in BAI – Banco Angolano de Investimentos (Note 29).

Balances and transactions were carried out with the following companies with shareholders that are common to the Group:

| 2014 |
|---|
| Aqualevel - Gestão de Sistemas de informação, Soc. Unipessoal, Lda. |
| Ascendi - Serviços de Assessoria, Gestão e Operação,S.A. |
| Ascendi Group, SGPS |
| Chinalog - Serviços Logísticos e Consultadoria, Lda. |
| Estradas do Zambeze, SA |
| Imolap – Sociedade Imobiliária Lar do Patriota, Lda |
| Indaqua – Indústria e Gestão de Águas, S.A. |
| Largo do Paço – Investimentos Turísticos e Imobiliários, Lda. |
| Manvia - Manutenção e Exploração de Instalações e Construção, S.A. |
| Manvia Condutas Moçambique |
| Manvia II Condutas, Lda. |
| MESP - Mota Engil , Serviços Partilhados, Administrativos e de Gestão, S.A. |
| Mota-Engil Central Europe, S.A. |
| Mota-Engil Central Europe, SGPS, S.A |
| Mota-Engil Energia, S.A. |
| Mota-Engil Engenharia e Construção, S.A. |
| Mota-Engil II, Gestão, Ambiente, Energia e Concessões de Serviços, S.A. |
| Mota-Engil Indústria e Inovação, SGPS, S.A. |
| Mota-Engil Latin America BV |
| Mota-Engil Minerals and Mining Investments BV |
| Mota-Engil Mining Management (Proprietary) Limited |
| Mota-Engil, Ambiente e Serviços, SGPS, S.A. |
| Mota-Engil, SGPS, S.A., Sociedade Aberta |
| Nortenha Angola, SGPS, S.A. |
| RTA - Rio Tâmega, Turismo e Recreio, S.A. |
| SIGAMB - Sistemas de GesT. Ambiental (Angola) |
| STM - Sociedade de Terminais de Moçambique |
| Suma – Serviços Urbanos e Meio Ambiente, S.A. |
| Tertir - Terminais Portuários, SGPS, S.A. |
| Transitex - Trânsitos de Extremadura, S.A |
| Transitex Global Logistics Operations |
| Transitex Moçambique, Lda |
| VBT - Projectos e Obras de Arquitectura Paisagística, Lda |
| Vibeiras – Sociedade Comercial de Plantas, S.A. |

**Remuneration of the Directors (Key Management Personnel)**

During 2014, we considered the members of the Board (both the Executive Directors and the Non-Executive Directors) to be the key management personnel as defined in IAS 24 - Related parties (the “**Key-Management Personnel**”).

The total remuneration of the Key-Management Personnel amounted in 2014 to €1,781,261 and is comprised as follows:

| Year ended 31 December 2014 | Executive Director / Non-Executive Director | Company | Base Salary [2] | Attendance fees | Bonus [2] | Total [2] |
|---|---|---|---|---|---|---|
| Gonçalo Moura Martins | Non-Executive | N/A | [1] N/A | N/A | [1] N/A | [1] N/A |
| Gilberto Rodrigues | Executive (CEO) | MEEC África | 352,257 | N/A | 100,000 | 452,257 |
| Pedro Antelo | Executive (CFO) | N/A [1] | 206,000 | N/A | 65,000 | 271,000 |
| Paulo Pinheiro | Executive | Mota-Engil Angola | 340,001 | N/A | 70,000 | 410,001 |
| Carlos Pascoal | Executive | MEEC África | 263,923 | N/A | 50,000 | 313,923 |
| Bruno Machado | Executive | Mota-Engil Angola | 269,080 | N/A | 40,000 | 309,080 |
| Maria Paula Mota | Non-Executive | N/A | [1] N/A | N/A | [1] N/A | [1] N/A |
| David Hobley | Non-Executive | N/A | N/A | 10,000 | N/A | 10,000 |
| Francisco Seixas da Costa | Non-Executive | N/A | N/A | 15,000 | N/A | 15,000 |
| | | | 1,431,261 | 25,000 | 325,000 | 1,781,261 |

(1) Remuneration at the level of Mota-Engil SGPS, SA: Gonçalo Moura Martins (in 2014, €376,000 of base salary and €100,000 of bonus) and Maria Paula Mota (in 2014, €251,000 of base salary and €50,000 of bonus);
(2) Received remuneration in 2014 at the level of Mota-Engil SGPS, SA but charged to Mota-Engil África NV.

The above information regards to short-term benefits. The Group does not have any post-employment benefits, other long-term benefits, termination benefits or any share-based payment. The remuneration of the Board is determined by the Remuneration Committee having regard to the performance of individuals, financial performance of the Company and market trends.

The directors of the holding Mota-Engil SGPS, S.A., which holds Mota-Engil Africa BV are as follows:

- António Manuel Queirós Vasconcelos da Mota;
- António Martinho Ferreira de Oliveira;
- Arnaldo José Nunes da Costa Figueiredo;
- Gilberto Silveira Rodrigues
- Gonçalo Nuno Gomes de A. Moura Martins;
- João Pedro dos Santos Dinis Parreira
- Maria Manuela Queirós V. Mota dos Santos;
- Maria Teresa Queirós V. Mota Neves da Costa;
- Maria Paula Queirós V. Mota de Meireles;
- Ismael Antunes Hernandez Gaspar;
- Luís Filipe Cardoso da Silva;
- Carlos António Vasconcelos Mota dos Santos;
- José Pedro Matos Marques Sampaio de Freitas;
- Luís Valente de Oliveira;
- António Bernardo A. da Gama Lobo Xavier;
- António Manuel da Silva Vila Cova.

Balances and transactions between members of the Group and shareholders of Mota-Engil Angola comprised the following amounts as at the dates indicated:

| Balances - 31 December 2014 | Accounts receivable (1) | Accounts payable (2) | Shareholders (3) | Suplementary capital |
|---|---|---|---|---|
| BPA | 4,021 | 0 | 3,710 | 3,083 |
| FINICAPITAL | 49,253 | 19,228 | 0 | 9,250 |
| GLOBALPACTUM | 0 | 0 | 0 | 5,550 |
| SONANGOL GROUP | 57,932 | 132 | 14,839 | 12,333 |
| **Total** | **111,206** | **19,360** | **18,549** | **30,216** |

(1) Balances from the Group's ordinary course activity and made at arm's length. Balance with Finicapital relates primarily to the Financial City project in Luanda. Balance with Sonangol Group relates mainly to the Special Economic Zone project in Luanda and with the Gas Stations expansion projects in Luanda, Huambo and Lundas.

(2) Balance from Finicapital includes 18 million euros regarding the acquisition of Vista Waste and Vista Water stakes of Finicapital at market value. The remaining amounts arose from Group's ordinary course activity and were made at arm's length.

(3) Balances regarding dividends not yet paid.

| Transactions - year ended 31 December 2014 | Services rendered (1) | Other income | Purchases (1) | Third-party supplies & services (1) |
|---|---|---|---|---|
| BPA | 14,301 | 0 | 0 | 0 |
| FINICAPITAL | 47,441 | 0 | 0 | 777 |
| GLOBALPACTUM | 0 | 0 | 0 | 0 |
| SONANGOL GROUP | 30,385 | 264 | 7,201 | 7 |
| **Total** | **92,127** | **264** | **7,201** | **784** |

(1) Transactions from the Group's ordinary course activity and made at arm's length.

## 35. Change in scope of consolidation

In 2014 there were no significant changes to the scope of consolidation; hence the effects are not presented under the main headings of the statement of the financial position and income statement.

In 2014 the changes which occurred in the combination scope of consolidation, in terms of companies entering and leaving, were as follows:

Acquisition of companies

| Business Area - Africa |
|---|
| Acquisition of 20% of Vista Multi Services by Mota-Engil Angola |
| ME Construction South Africa |

Companies consolidated for the first time

| Business Area - Africa |
|---|
| Ecolife |

Constitution of companies

| Business Area -Africa |
|---|
| ME Africa Finance BV |
| ME Africa GTS BV |
| ME Investments South Africa |

## 36. Notes to the consolidated cash-flow Statement

During the years ended on 31st December 2014 and 2013, the amounts paid for the acquisition of financial investments are detailed as follows:

| | 2014 | 2013 |
|---|---|---|
| Advanced payment to the future acquisition of Estradas do Zambeze | 1,800 | - |
| | **1,800** | **-** |

The amounts paid related to income tax were 57,060 euros.

## 37. Audit remuneration

The audit fee remuneration on 31st December 2014 is as follows:

| Audit fee remuneration | Deloitte Accountants B.V. | Other Deloitte Network | Total 2014 |
|---|---|---|---|
| Audit of annual accounts | 590 | 329 | 919 |
| Other assurance services | 41 | 1,365 | 1,406 |
| Tax advisory services | - | 24 | 24 |
| Other non-audit services | - | - | - |
| **'otal principal auditor's renumeration** | **631** | **1,718** | **2,349** |

## 38. Subsequent events

In 2015, up to the publishing of the present report the following relevant event took place, the details of which is disclosed, on what publication of privileged information is concerned, on the websites of Mota-Engil Africa and AFM:

“Recent contract awards

Mota-Engil Africa has been awarded contracts in six markets in the infrastructure segment comprising different technical expertise, totalling €565 million. These awards reinforce the Group’s backlog in markets such as Angola, Mozambique and Malawi, and helps to consolidate the Group's market position in markets such as South Africa, São Tomé and Príncipe, and Rwanda, with the latter representing a new market for the Group, in line with its expansion and diversification strategy.

Accordingly, the contract awards were in the following countries:

- Angola: roads infrastructures and civil construction amounting to €115 million;
- Malawi: roads and railway infrastructures totalling €109 million;
- Mozambique: roads and railway infrastructures, mining exploration related works, and maintenance and emergency works in Nacala’s Corridor that also spins to Malawi territory, all amounting to €233 million;
- São Tomé and Príncipe: construction of a tourist resort and water infrastructures totalling €13 million;
- South Africa: civil construction, namely a hospital and apartments totalling €69 million; and
- Rwanda: expansion works in the Kigali’s International Airport amounting to €26 million.”

## 39. Approval of the financial statements

These financial statements were approved by the Board of Directors of the Group on 30 April 2015. However, they are still pending approval by the General Meeting of Shareholders, although the Group’s Board of Directors believes that they will be approved without alteration.

MOTA-ENGIL AFRICA

## Appendix A. Consolidated companies

Investments in subsidiaries included in consolidated financial statements

Investments in subsidiaries included in consolidated financial statements using the full consolidation method, their registered offices, the percentage of share capital held, their business, their constitution date, are as follows:

| Designation | Headquarters | Effective holding percentage | Activity | Set up date | Acquisition Date |
|---|---|---|---|---|---|
| Parent Company of Group and Connected Activities | | | | | |
| **Mota-Engil África, N.V. ("ME África NV")** | Netherlands | **100,00** | Holding Company | Oct-12 | - |
| Through Mota-Engil,SGPS | (Amsterdam) | 100,00 | | | |
| **Mota-Engil Engenharia e Construção África, S.A. ("MEEC África")** | Portugal | **100,00** | Construction works | Aug-12 | - |
| Through ME África NV | (Oporto) | 100,00 | | | |
| **Mota-Engil África, SGPS, S.A. ("Mota-Engil África")** | Portugal | **100,00** | Management of financial holdings | May-10 | - |
| Through MEEC África | (Oporto) | 100,00 | | | |
| **Mota-Engil África Finance B.V. ("ME Africa Finace BV")** | Netherlands | **100,00** | Management of societies' management | May-14 | - |
| Through Mota–Engil África N.V. | (Amsterdam) | 100,00 | | | |
| **Mota-Engil África Global Technical Services B.V. ("ME Africa GTS BV")** | Netherlands | **100,00** | Management of societies' management | May-14 | - |
| Through Mota–Engil África N.V. | (Amsterdam) | 100,00 | | | |
| **Mota Internacional – Comércio e Consultadoria Económica, Lda. (“Mota Internacional”)** | Portugal | **100,00** | Trade and management of international holdings | Sep-97 | Dec-98 |
| Through Mota–Engil África | (Funchal) | 100,00 | | | |
| **Cosamo (Proprietary) Limited ("Cosamo")** | South Africa | **100,00** | Commercial | Dec-76 | - |
| Through Mota International | (Johannesburg) | 100,00 | | | |
| Angola | | | | | |
| **Fatra - Fábrica de Trefilaria de Angola, S.A. ("Fatra")** | Angola | **35,70** | Manufacture of iron-derived products | - | Nov-10 |
| Through Mota-Engil Angola | (Luanda) | 35,70 | | | |
| **Martinox, SA ("Martinox")** | Angola | **48,45** | Stainless steel works | Feb-08 | Dec-11 |
| Through Mota-Engil Angola | (Benguela) | 48,45 | | | |
| **Mota-Engil Angola, S.A. ("Mota-Engil Angola")** | Angola | **51,00** | Construction works and public and private works | May-10 | - |
| Through Mota International | (Luanda) | 51,00 | | | |
| **Novicer-Cerâmicas de Angola, Lda. ("Novicer")** | Angola | **51,00** | Manufacturing and trade in clay goods | Sep-07 | - |
| Through Mota Engil Angola | (Luanda) | 51,00 | | | |
| **Prefal – Préfabricados de Luanda, Lda. (“Prefal”)** | Angola | **45,90** | Manufacturing of prestressed goods | Dec-93 | - |
| Through Mota-Engil Angola | (Luanda) | 45,90 | | | |
| **Rentaco Angola- Equipamentos e Transportes, Lda. ("Rentaco Angola")** | Angola | **51,00** | Rental of construction equipment | Jan-08 | - |
| Through Mota-Engil Angola | (Luanda) | 51,00 | | | |
| **Sonauta - Sociedade de Navegação, Lda. (“Sonauta”)** | Angola | **100,00** | Sea transport, excluding coastal transport | Nov-94 | - |
| Through Mota International | (Luanda) | 100,00 | | | |
| **Tracevia Angola - Sinalização, Segurança e Gestão de Tráfego, Lda. ("Tracevia Angola")** | Angola | **40,80** | Road signs | - | Sep-07 |
| Through Mota-Engil Angola | (Luanda) | 40,80 | | | |
| **Akwangola, S.A. ("Akwangola")** | Angola | **28,03** | Exploitation of water market | Dec-10 | Dec-13 |
| Through Vista Water | (Luanda) | 28,03 | | | |
| **Vista Energy Environment & Services ("Vista SA")** | Angola | **51,00** | Management of financial holdings | Jul-08 | Dec-13 |
| Through Mota-Engil Angola | (Luanda) | 51,00 | | | |
| **Vista Waste Management, Lda ("Vista Waste")** | Angola | **26,01** | Collection of waste | Dec-09 | Dec-13 |
| Through Vista SA | (Luanda) | 20,91 | | | |
| Through Mota-Engil Angola | | 5,10 | | | |
| **Vista Multi Services, Lda ("Vista Multi Services")** | Angola | **51,00** | Urban services | May-09 | Dec-13 |
| Through Vista SA | (Luanda) | 40,80 | | | |
| Through Mota-Engil Angola | | 10,20 | | | |
| **Vista Water, Lda. ("Vista Water")** | Angola | **28,05** | Exploitation of water market | May-09 | Dec-13 |
| Through Vista SA | (Luanda) | 21,68 | | | |
| Through Mota-Engil Angola | | 6,38 | | | |

| Designation | Headquarters | Effective holding percentage | Activity | Date Founded | Acquisition Date |
|---|---|---|---|---|---|
| SADC | | | | | |
| **Cecot - Centro de Estudos e Consultas Técnicas, Lda. ("Cecot")** | Mozambique | **100,00** | Construction woks' projects and | Sep-98 | Apr-11 |
| Through MEEC África | (Maputo) | 100,00 | inspection | | |
| **Fibreglass Sundlete (Moç), Lda. ("Fibreglass")** | Mozambique | **100,00** | Commercial | Aug-62 | Mar-99 |
| Through MEEC África | (Maputo) | 100,00 | | | |
| **Emocil – Empresa Moçambicana de Construção e Real Estate Promotion, Lda. ("Emocil")** | Mozambique | **100,00** | Real Estate development | Jul-94 | - |
| Through MEEC África | (Maputo) | 50,00 | | | |
| Through Indimo | | 50,00 | | | |
| **Malawi Ports Company Limited ("Malawi Ports Company")** | Malawi | **100,00** | Sea transport | Nov-10 | - |
| Through MEEC África | (Lilongwe) | 88,00 | | | |
| Through ME Malawi | | 12,00 | | | |
| **Malawi Shipping Company Limited ("Malawi Shipping Company")** | Malawi | **100,00** | Sea transport | Nov-10 | - |
| Through MEEC África | (Lilongwe) | 88,00 | | | |
| Through ME Malawi | | 12,00 | | | |
| **Indimo, Lda. ("Indimo")** | Mozambique | **100,00** | Real Estate development | - | Out-04 |
| Through Cecot | (Maputo) | 50,00 | | | |
| Through MEEC África | | 50,00 | | | |
| **Mota & Companhia Maurícias, Lda. ("Mota Maurícias")** | Maurícias | **100,00** | Construction works | May-10 | - |
| Through MEEC África | (Ebene) | 100,00 | | | |
| **Mota-Engil (Malawi) Limited ("ME Malawi")** | Malawi | **99,99** | Public works and / or construction | Jul-11 | - |
| Through MEEC África | (Lilongwe) | 99,99 | works contractor | | |
| **Mota-Engil Construction South Africa ("ME Construction South Africa")** | South Africa | **100,00** | Construction works | Mar-14 | - |
| Through ME Investments South Africa | (Johannesburg) | 100,00 | | | |
| **Mota-Engil Investments (Malawi) Limited ("ME Investments Malawi")** | Malawi | **99,00** | Public works and / or construction | Mar-11 | - |
| Through Mota Engil Africa SGPS | (Lilongwe) | 99,00 | works contractor | | |
| **Mota-Engil Investments South Africa ("ME Investments South Africa")** | South Africa | **100,00** | Public works and / or construction | - | Mar-14 |
| Through Mota-Internacional | (Johannesburg) | 100,00 | works contractor | | |
| West Africa | | | | | |
| **Mota-Engil S.Tomé e Principe, Lda. ("Mota-Engil S.Tomé")** | S. Tomé and | **100,00** | Public works and / or construction | Dec-04 | - |
| Through Mota International | (S. Tomé) | 95,00 | works contractor | | |
| Through MEEC África | | 5,00 | | | |
| **Penta - Engineering e Construção, Lda. ("Penta")** | Cape Verde | **100,00** | Public works and / or construction | Apr-07 | - |
| Through MEEC África | (Praia) | 96,00 | works contractor | | |
| Through Mota International | | 4,00 | | | |

Investments in associates using equity method

Group and associate companies included in the consolidation using the equity method, their registered offices and proportion of share capital held as at December 31, 2014, are as follows:

| Designation | Headquarters | Effective holding percentage |
|---|---|---|
| **Angola** | | |
| Automatriz, SA ("Automatriz") | Angola | 45,00 |
| Ecolife, S.A. ("Ecolife") | Moçambique | 40,00 |
| Icer – Indústria de Cerâmica, Lda. (“Icer”) | Angola | 25,50 |

## Company statement of financial position

**(before profit appropriation, in € '000)**

| | Note | 2014 € '000 | 2013 € '000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current** | | | |
| Tangible fixed assets | 3 | 26 | 0 |
| Financial assets | 4 | 331,635 | 0 |
| | | **331,661** | **0** |
| **Current** | | | |
| Receivables third parties | 5 | 4 | 0 |
| Receivables group companies | 5 | 0 | 370 |
| Prepayments | 5 | 694 | 694 |
| Corporate income tax | 5 | 13 | 0 |
| VAT | 5 | 48 | 3 |
| Cash and cash equivalents | 6 | 371 | 148 |
| | | **1,130** | **1,215** |
| **Total Assets** | | **332,791** | **1,215** |
| | | | |
| **Liabilities** | | | |
| **Current liabilities** | 8 | 4,473 | 1,145 |
| | | | |
| **Shareholder's equity** | 7 | | |
| Ordinary share capital | | 100,000 | 18 |
| Share premium | | 126,121 | 0 |
| Reserve for translation differences | | 29,198 | 0 |
| Other reserves | | 52 | (4) |
| Profit for the year | | 72,947 | 56 |
| | | **328,318** | **70** |
| **Total shareholder's equity & liabilities** | | **332,791** | **1,215** |

To be read with the Notes to the Company Financial Statements

## Company income statement

| | | Year | |
|---|---|---|---|
| | Notes | 2014<br>€ '000 | 2013<br>€ '000 |
| Net income from subsidiaries | 4/7 | 76,219 | 0 |
| Company result after tax | | (3,271) | 56 |
| **Net profit for the year** | | **72,948** | **56** |

To be read with the Notes to the Company Financial Statements

# Notes to the company financial statements

## 1. General information

Mota-Engil Africa N.V. ("the Company") was incorporated as a limited liability company under the laws of The Netherlands on 31 October 2012 and has its registered address at Prins Bernhardplein 200, 1097 JB in Amsterdam.

The principal activities of the Company are to act as a holding company for the Group's operations in Africa.

The Company has several branch offices in Uganda, Zimbabwe, Kenya, South-Africa and Zambia. With the exception of the Uganda branch, these branches in 2014 and 2013 only carried out commercial activities. There are no income and expenses or balance sheet items in these branches as per year-end. Only the Uganda branch had financial transactions during 2014, which are consolidated in the company financial statements.

As from 24 November 2014, the Company is listed with Euronext Amsterdam.

The financial statements of the Company are included in the consolidated statements.

## 2. Accounting policies

The company financial statements have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards as issued by the Dutch Accounting Standards Board. In accordance with sub article 8 of article 362, Book 2 of the Dutch Civil Code, the company's financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements.

As the financial data of the company are included in the consolidated financial statements, the income statement in the company financial statements is presented in its condensed form (in accordance with article 402, Book 2 of the Dutch Civil Code).

All amounts are presented in EUR '000, unless stated otherwise.

In addition to those accounting policies the following accounting policy applies to the Company financial statements:

The MEEC Africa contribution in kind transaction described in paragraph 0, on pages 71 and 72 of the consolidated financial statements constitutes a transaction under common control. In the absence of specific guidance of IFRS-EU the company believes that carry-over accounting is an acceptable accounting policy. This accounting policy elected by the company presents the legal reality and is consistent with a book value approach. Further reference is made to Note 4 and 7 of the company-only financial statements.

### 2.1 Participating interests in group companies

Participating interests are accounted for using the net asset value method, if the company has a significant influence on the commercial and financial policies of these entities. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements.

Participating interests in group companies are recognized from the date on which control is transferred to the company or its intermediate holding entities. They are derecognized from the date that control ceases. When the company ceases to have control over a subsidiary, any retained interest is re measured to its fair value with the change in carrying amount to be accounted for in the income statement.
When the company's share of losses in participating interests in group companies equals or exceeds its interest in the investment, the company does not recognize any further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the investment. In such case the company will recognize a provision.

An other legal reserve is formed for the share in the positive results and in the direct equity movements of the participation less the distributions of the participation to which the Company is entitled, up to the date of adoption of the financial statements and distributions which may be received without restrictions.

## 3. Tangible assets

| | 2014 | 2013 |
|---|---|---|
| Equipment | 26 | 0 |
| | **26** | **0** |

Movements in tangible assets can be specified as follows:

| | 2014 |
|---|---|
| **At 1st January** | 0 |
| Purchases | 32 |
| Amortization | (6) |
| **At 31st December** | **26** |

## 4. Financial assets

Movements in financial assets can be as follows:

| | 2014 |
|---|---|
| **At 1st January** | 0 |
| Acquisition of Mota-Engil, Engenharia e Construção Africa, S.A. | 226,102 |
| Acquisition of Mota-Engil Africa, Global Technical Services, B.V. | 18 |
| Acquisition of Mota-Engil Africa Finance B.V. | 20 |
| Net income from subsidiaries | 76,219 |
| Translation differences | 29,276 |
| **At 31st December** | **331,635** |

*List of Participating interests in group companies*

Mota-Engil Africa N.V. has direct interests in the following associates:

| Name, registered office | Share in equity (%) |
|---|---|
| Mota-Engil, Engenharia e Construção Africa, S.A., Porto | 100.00 |
| Mota-Engil Africa, Global Technical Services, B.V., Amsterdam | 100.00 |
| Mota-Engil Africa Finance B.V., Amsterdam | 100.00 |

The Company exercises decisive control over its participating interests in group companies. For the list of participations reference is made to the group structure information as part of the consolidated notes to the balance sheet.

## 5. Receivables

| | 2014 € '000 | 2013 € '000 |
|---|---|---|
| Receivable third party | 1 | 0 |
| Receivable group company | 0 | 370 |
| Security deposits | 3 | 0 |
| Prepaid borrowing costs | 694 | 694 |
| Corporate income tax | 13 | 0 |
| VAT | 48 | 3 |
| | 759 | 1,067 |

All receivables fall due in less than one year.

The Company has capitalized certain borrowing costs related to a third-party bank financing, which is envisaged to occur in the financial year 2015 however through its 100% subsidiary, Mota-Engil Africa Finance B.V. The capitalized borrowing costs will then be assigned to Mota-Engil Africa Finance B.V.

## 6. Cash and cash equivalents

| | 2014 € '000 | 2013 € '000 |
|---|---|---|
| Cash and cash equivalents | 371 | 148 |
| | 371 | 148 |

Cash and cash equivalents are free at the Company's disposal.

## 7. Shareholder's Equity

| | Issued share capital | Share premium | Reserve for translation differences | Other Legal Reserves | Other reserves | Profit for the year | Total |
|---|---|---|---|---|---|---|---|
| At 1st January 2013 | - | - | - | - | - | (4) | (4) |
| **Changes** | | | | | | | |
| Issue | 18 | - | - | - | - | - | 18 |
| Corporate income tax | - | - | - | - | (4) | 4 | - |
| VAT | - | - | - | - | - | 56 | 56 |
| At 1st January 2014 | 18 | - | - | - | (4) | 56 | 70 |
| **Changes** | | | | | | | |
| Issue of ordinary shares | 99,982 | - | - | - | - | - | 99,982 |
| Paid in | - | 119,258 | - | 6,863 | - | - | 126,121 |
| Other changes in legal reserves | - | - | 29,197 | - | - | - | 29,197 |
| Profit appropriation | - | - | - | - | 56 | (56) | - |
| Profit for the year | - | - | - | - | - | 72,948 | 72,948 |
| At 31st December 2014 | 100,000 | 119,258 | 29,197 | 6,863 | 52 | 72,948 | 328,318 |

### Share capital

The authorised share capital of the Company amounts to € 200,000,000 divided into 200,000,000 ordinary shares of € 1 each. 100,000,000 shares have been issued and paid up.

Movements in the number of shares in 2014 were as follows:

| | Ordinary shares € '000 |
|---|---|
| **At 1st January 2014** | 18 |
| Issue of ordinary shares | 99.982 |
| **At 31st December 2014** | **100.000** |

The payment on the shares issued in 2014 was made in kind through a contribution of the shares of Mota-Engil, Engenharia e Construção Africa, S.A.

**Share premium**

The share premium amounts to EUR 119,258 and was contributed in kind through a contribution of the shares of Mota-Engil, Engenharia e Construção Africa, S.A.

**Reserve for translation differences**

The Company formed a reserve for translation differences following the consolidated financial statements of Mota-Engil, Engenharia e Construção Africa, S.A.

**Other Legal Reserve**

As part of the described contribution in note 2, the Company obtained an other legal reserve related to restricted reserves from one of its subsidiary, which was included in the equity of the contributed company which for this reason was also reflected in the company only equity as per yearend.

## 8. Current liabilities

| | 2014 € '000 | 2013 € '000 |
|---|---|---|
| Amounts due to group companies / subsidiaries | 2.963 | 782 |
| Wage tax | 10 | 0 |
| Corporate income tax | 0 | 15 |
| Other debts, accruals and deferred income | 1.500 | 348 |
| | **4.473** | **1.145** |

All current liabilities fall due in less than one year.

## 9. Director's remuneration

The remuneration paragraph is included in Note 34 in the Consolidated Financial Statements.

## 10. Audit fees

The audit fees paragraph is included in Note 37 in the Consolidated Financial Statements.

## 11. Employees

The Company assigned, following a deed of assignment with effective date 2 June 2014, its technical assistance services contract and its corresponding employee contracts to its 100% participation Mota-Engil Africa Global Technical Services B.V. Therefore, as per year 2014, the Company does not have any employees (31 December 2013: 96 employees).

## 12. Related parties

For the purpose of understanding the transactions contained in these Company financial statements, the Company considers the following entities to be related parties: Mota-Engil, Engenharia e Construção Africa, S.A., Mota-Engil, Engenharia e Construção, S.A., Mota-Engil, Serviços Partilhados Administrativos e de Gestão, S.A., Mota-Engil SGPS, S.A., Mota-Engil Africa Global Technical Services B.V. and Mota-Engil Africa Finance B.V.

## 13. Commitments and contingencies not included in the balance sheet

*Tax group liability*

The Company forms a VAT fiscal unit with Mota-Engil Africa Global Technical Services B.V. and Mota-Engil Africa Finance B.V.. Under the Dutch Collection of State Taxes Act, the Company and its fellow group members are jointly and severally liable for any VAT taxes payable by the fiscal unit.

The financial statements were approved by the board and authorized for issue on 30 April 2015 and signed by:

Amsterdam, 30 April 2015

Mota-Engil Africa N.V.
Prins Bernhardpein 200
Amsterdam, 1097 JB, the Netherlands

**Executive Management Board,**

G. Silveira Rodrigues

P.M. Teixeira Rocha Antelo

P.J. Ferreira de Sousa Dias Pinheiro

C.A. Grilo Pascoal

B. de Almeida Matos Monteiro Machado

**Non-executive Management Board,**

| | |
|---|---|
| G.N. Gomes de Andrade Moura Martins | D.C.D. Hobley |
| F. Seixas da Casto | M.P. Queirós Vasconcelos Mota de Meireles |

## Other Information

**Profit appropriation according to the Articles of Association**

According article 29 of the Articles of Association the annual net profit is at free disposal of the annual shareholders meeting.

**Branch offices**

The Company has the following branches (100%): Uganda, Zimbabwe, Kenya, South-Africa and Zambia.

**Proposed profit appropriation**

In respect of the current year, the directors propose that a dividend of 28 cents per share be paid to shareholders on 21 July 2015. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements. The proposed dividend is payable to all shareholders on the Register of Members on the third business day following the date of the AGM in which the dividend payment is adopted (such date being 26 June 2015 assuming the dividend payment is adopted by the AGM on 23 June 2015). The total estimated dividend to be paid is 28 million euros.

**Appropriation of 2013 results**

The 2013 profit of 56 thousand euros was transferred to the other reserves.

**Events after the balance sheet date reporting period**

No events have occurred since balance sheet date, which would change the financial position of the Company and which would require adjustment of or disclosure in the annual accounts now presented.

## Independent auditor's report

To the Shareholders and Board of Directors of Mota-Engil Africa N.V.

**Report on the audit of the financial statements 2014**

**Our opinion**
We have audited the financial statements 2014 of Mota-Engil Africa N.V. ("the Company"), based in Amsterdam, the Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of Mota-Engil Africa N.V. as at December 31, 2014, and of its results and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the company financial statements give a true and fair view of the financial position of Mota-Engil Africa N.V. as at December 31, 2014 and of its results for 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at December 31, 2014;
2. the following statements for 2014: the consolidated statement of profit and loss, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows; and
3. the notes to the consolidated financial statements comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company statement of financial position as at December 31, 2014;
2. the company income statement for 2014;
3. the notes to the company financial statements comprising a summary of the significant accounting policies and other explanatory information.

**Basis for our opinion**

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Mota-Engil Africa N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

**Materiality**

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 10 million. The materiality is based on ten percent of normalized profit before taxation. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the consolidated financial statements for qualitative reasons.

We agreed with the Audit Committee that misstatements in excess of EUR 500,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

**Scope of the group audit**

Mota-Engil Africa N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Mota-Engil Africa N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and / or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities. Our assessment of entities that are significant to the group was done as part of our audit planning and was aimed to obtain sufficient coverage of the risks of a material misstatement for significant account balances and disclosures that we have identified. In addition we considered qualitative factors as part of our assessment which entities are significant to the group, such as:

- The risk profile and type of construction projects;
- The complexity and nature of operations, internal controls and accounting;
- The degree of centralization of processes and controls and entity-level controls;
- The extent and nature of internal control deficiencies and financial statement misstatements identified in prior year as part of the audit of Mota-Engil SPGS, S.A.;
- Turnover in key leadership and management positions.

As part of our year-end audit procedures we have reconsidered our assessment of significant group entities in order to ensure we have obtained appropriate coverage of the risks of a material misstatement for significant account balances and disclosures that we have identified.

The group engagement team has:

- performed audit procedures at Mota-Engil Africa N.V.;
- used the work of other auditors when auditing Mota-Engil Engenharia e Construção África, S.A., the Angola, Malawi, Mozambique and Zambia Branch of Mota-Engil Engenharia e Construção África, S.A., Cosamo (Proprietary) Limited, Mota-Engil Angola, S.A., Mota & Companhia Mauricias, Lda, Vista Waste Management, Lda;
- performed review procedures or specific audit procedures at the other group entities.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

**Our key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Impairment of accounts receivable*

Mota-Engil Africa N.V. is exposed to credit risk, mainly in relation to the accounts receivable from operations. We refer to note 24 Trade and other receivables in the consolidated financial statements for information about the carrying amounts per segment, by ageing and nature. In accordance with IAS 39 *Financial Instruments: Recognition and Measurement* management has assessed the accounts receivable for impairment. As part of the assessment management uses judgements and estimates. The risk that existing impairments of accounts receivable at December 31, 2014 are not recognized in the financial statements is a key matter in our audit. In responding to the assessed risks we have: i. Performed tests of the design and implementation of the controls over how management made the assessment on impairment of accounts receivable; ii. Evaluated how management made the assessment on impairment of accounts receivable and the data on which it is based, including an evaluation of the appropriateness of the method used and the reasonableness of the assumptions applied by management; iii. Corroborated the data and assumptions used by management; and iv. Challenged management's assessment. Further we assessed that proper disclosures have been made of the impairments. We refer to note 12 Guarantee expenses and impairment losses in the consolidated financial statements.

*Time value of money*

The normal business cycle in which receivables are expected to be realized is twelve months. We refer to the significant accounting policies of Mota-Engil Africa N.V. For certain receivables there is a significant time lag between the period during which the construction or environmental services are provided and the consideration is received. We refer to note 24 Trade and other receivables in the consolidated financial statements. In accordance with IAS 39 *Financial Instruments: Recognition and Measurement* the effect of the time value of money should be reflected when this is material. The Company has made an assessment at the level of the client to determine the impact of time value of money when payment is expected to be received beyond the normal business cycle. The assessment made by management requires judgements and estimates and is significant to our audit due to the related amount that is outstanding beyond the normal credit terms and the judgement involved.

We have evaluated the assessment made by the Company, determined based on the work performed on the receivables in the significant group entities that management has included all receivables which have extended ageing in their assessment, we have evaluated the reasonableness of the interest rate applied and we have challenged management's assumptions about the expected time of collection. We refer to note 24 in the consolidated financial statements.

*Impairment evaluation of goodwill and tangible assets*

Mota-Engil Africa N.V. has capitalized goodwill. We refer to note 18 Goodwill in the consolidated financial statements. In accordance with the significant accounting policies of the Company, on an annual basis at year-end, goodwill is evaluated for impairment. In addition at year-end the Company evaluates for tangible and intangible assets other than goodwill if there is an indication of impairment and if any such indication exists, the carrying amount is evaluated for impairment. We refer to the significant accounting policies and note 20 Property, plant and equipment in the consolidated financial statements. The risk that existing impairment losses for goodwill and tangible assets are not recognized is a key matter in our audit. We have reviewed management's assessment of the recoverable amount for goodwill, mainly the goodwill in relation to Vista Water and Vista Waste, and tangible assets, mainly the tangible assets in relation to Novicer in Angola and the Nsanje Port in Malawi. Our procedures included validating and recalculating management's future cash flow projections and key assumptions, challenging management's assumptions and assessing the status of significant commercial contracts under negotiation for the currently underutilized tangible assets relating to the Nsanje Port in Malawi. Further, as part of our audit procedures, we instructed valuation experts to review management's future cash flow projections, perform sensitivity analyses on the robustness of the forecasts and review the discount rate used by the Company to determine recoverable value and have assessed the results of their work as part our audit. We have evaluated whether appropriate disclosure of impairments were made in accordance with IAS 36 *Impairment of Assets.* We refer to note 12 Provisions and impairment losses in the consolidated financial statements.

*Income taxes*

Mota-Engil Africa N.V. operates in various tax jurisdictions. Both the evaluation of areas of tax risk, and the valuation of deferred tax assets in respect of taxable losses, were significant to our audit because the assessment requires significant judgment and is based on assumptions that are affected by uncertain future events such as profitability of operations, availability of tax planning structures and possible discussions with tax authorities. As a result, our audit procedures included, among others, evaluating management's assessment of risk areas, reviewing supporting documentation where appropriate, assessing available options for risk mitigation and evaluating the availability of tax optimization opportunities. Further, as part of our audit procedures, we instructed tax experts to review tax positions and tax risks and have assessed the results of their work as part of our audit. We have evaluated whether appropriate disclosure of the tax position, tax loss carry forwards and tax risks were made in accordance with IAS 12 *Income Taxes.*

We refer to notes 15 Income tax expense, 24 Trade and other receivables – Taxes receivable and 29 Trade payable and other payables – Taxes payable in the consolidated financial statements.

*Non-cash contribution of Mota-Engil, Engenharia e Construção África, S.A.*

In January 2014 Mota-Engil SGPS, S.A., which at that time owned all of the shares outstanding of the Company, made a non-cash contribution of Mota-Engil, Engenharia e Construção África, S.A. against the issue of new ordinary shares of the Company. We refer to the general information and background for more information about the transactions in connection with the contribution of the African business of Mota-Engil SGPS, S.A. to the Company. As the non-cash contribution significantly impacts the carrying amount of all balance sheet captions it has been a key matter in our audit. The Company has accounted for the assets and liabilities included in the non-cash contribution on the basis of carry-over accounting, as the transaction was done under common control. In line with the legal documentation of the non-cash contribution, the Company used the book value of the related assets and liabilities that were contributed at Mota-

Engil SGPS, S.A. as the initial measurement at recognition. As part of our audit we have evaluated, based on the work performed by other auditors when auditing Mota-Engil, Engenharia e Construção África, S.A. as part of the audit of Mota-Engil SGPS, S.A. for the year ended December 31, 2013, whether the book value of the assets and liabilities that were contributed contained misstatements that could materially affect the current period's financial statements. Further we have evaluated if the accounting method applied by the Company to the transaction was in agreement with EU-IFRS. We have evaluated whether appropriate disclosure of the non-cash contribution was made in line with IFRS 3 *Business Combinations.* We refer to note 0 General information and background in the consolidated financial statements.

*Compliance with applicable laws and regulations*

The principal activity of the Company and its subsidiaries is construction and environmental services in Africa. Due to the geographical location of the activity, the risk of material misstatements due to fraud or non-compliance with applicable laws and regulations is a key matter in our audit. As part of our audit procedures and as far as applicable to the scope of a financial statement audit, we instructed forensic audit experts to i. Evaluate the design and implementation and operating effectiveness of the Company's policies, controls, processes and training for the prevention of fraud and non-compliance with applicable laws and regulations; ii. Perform tests of details of transactions which are more susceptible to the risk of fraud and non-compliance with applicable laws and regulations; and iii. Evaluate the possible effect on the financial statements of the Company's Compliance and Internal Controls Programme, which is currently being implemented, and the review of certain transactions, initiated by the Board of Directors, which may entail a higher compliance risk, as described in the Control Statement and Responsibility Statement of the Board of Directors. Further we assessed the adequacy of the disclosure in this respect.

Amongst others as a result of the evaluation of the design and implementation and operating effectiveness of the Company's policies in this respect we have made recommendations to the Board of Directors concerning formal implementation and on further improvements which are being included in the Company's Compliance and Internal Controls Programme referred to above. We refer to note 2 significant accounting polocies in the consolidated financial statements and the Control Statement and Responsibility Statement of the Board of Directors.

**Responsibilities of the Board of Directors for the financial statements**

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going-concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

**Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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;
- Obtaining 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 Company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Concluding on the appropriateness of the Board of Directors' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures;
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with the Board of Directors all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

**Report on other legal and regulatory requirements**

*Report on the report of the Management Board and the other information*

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the report of the Management Board and other information):

- We have no deficiencies to report as a result of our examination whether the report of the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed;
- We report that the report of the Management Board, to the extent we can assess, is consistent with the financial statements.

*Engagement*

- We were appointed by the Shareholders as auditor of Mota-Engil Africa N.V. on November 19, 2014, as of the audit for the year 2014 and have operated as statutory auditor since that date.

Amsterdam, April 30, 2015

Deloitte Accountants B.V.

Signed on the original: L. Albers

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# Consolidated Report & Accounts 2014

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