

# 2017

## ANNUAL REPORT

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**PORTUGAL**  
Rua de Quintã, 8/10  
Frossos  
4700-023 Braga - Portugal  
T: +351 253 283 370 F: +351 253 283 371

**FRANCE**  
2, Rue des Investisseurs 91560  
Crosne - Île de France - France  
T. +33 (0)1 69 72 76 24

**DENMARK**  
Marielundvej 46B, 1  
2730 Herlev - Denmark  
T. +45 911 08 932

[www.vlopes.pt](http://www.vlopes.pt)  
[geral@vlopes.pt](mailto:geral@vlopes.pt)



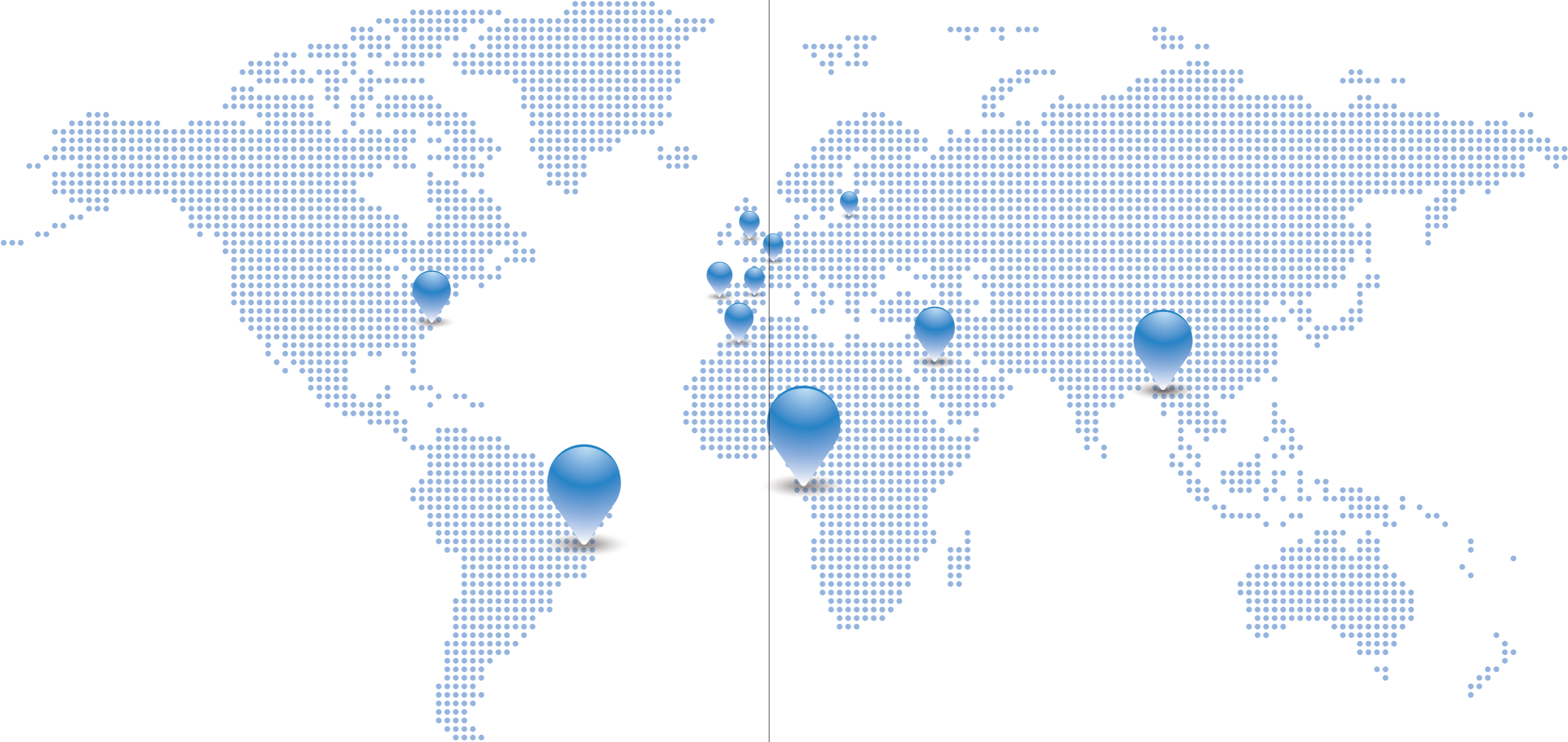
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2017

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# MESSAGE FROM THE CEO

2017 is left behind now. Another cycle reaches its end for Vieira Lopes / Ocram. In a time of evaluation, we should not limit ourselves to make a simple balance of the year coming to an end. We should be extending boundaries to apprehend almost 20 years of existence in the market.

In this corner-stone, we want to do more than acknowledge our presence in the market. We expect to celebrate the company that has been intersecting generations but, at the same time, we want to face the responsibility that comes with providing occupation for several households. This is the time to work collectively. To design a strategy that will support a solid and reliable company in the long-term. Grounded in strong foundations.

One of the main goals for 2017 has been to increase the international presence. The numbers clearly show that we reached the target and went beyond.

We know that our team has the best attributes a company might ask for, and it has been because of this team we went further. Responsibility, dedication, availability and continuous effort along with some personal and family commitment - all these have made for our success. We are grateful to each one of you!

We do not forget our partners and clients. To all who trusted our work along this annual cycle, we want to express our gratitude.

When we look at the group activity as a whole, accuracy and professionalism are the most important standards. They set the tone for a multidisciplinary team who develops and

manufactures the unities for air treatment, certified by EUROVENT and ILH BERLIN.

OCRAMclima manufactures products designed to create a comfortable and healthy indoor environment to use in different types of buildings including hospitals, universities, laboratories, hotels, museums, commercial and public spaces and other.

Our references are spread throughout Europe, as we mention the biggest hospital in Copenhagen, in Herlev; the peculiar glass tower of Saint-Gobain group, at La Defense, Paris; the Airbus, where we equipped the extra painting cabinets for the new models A320 and A350; Bial lab, in Porto, Portugal; Ikea building, in Loulé; Bosch, at Ovar; the Ritz Hotel, in Lisbon, and the Crown Plaza, in Porto. We are proud of our references and we promise to do more and better projects!

The significant increase in business turnover of VLopes Clim SARL, of more than 24% when compared to 2016, can be translated in a bigger share of the French market, known for being demanding and for its competitiveness.

The supply and assembling for air distribution and AVAC installation during 2017 continued at Orly airport renovation; L'OREAL labs at CHEVILLY LARUE; the carbon fibers factory of HEXCEL LYON; the Paris Chamber of Commerce; the tower PARIS LYON, at Gare de Lyon; LATÉCOÈRE factory, in Toulouse, and with the Hotel Ritz of Paris renovation. Those build for good examples.

The VLopes Scandinavia APS, in Denmark, registered a growth of 161% when compared to

the previous year, presenting a solid and structured behavior in the market.

The records for 2017 are notably positive and benefit the consolidated results. We highlight Herlev Hospital in our contracts portfolio. It is a reference in Copenhagen, both for OCRAM machines and assembling service. The large dimension of the project and the level of commitment to quality it demands are the main aspects of this long-term contract.

One of our main focuses in this moment is to strategically diversify our client portfolio, thus reducing the business risk while maintaining our organization and quality standards. These are fundamental values that we want to express on every product we develop and manifest in each service we provide.

When entering 2018, we have 365 days of opportunities and challenges. Vieira & Lopes has been following an investment trajectory, on technology and innovation, because we know that innovation adds value to products. It can carry them across more borders. And it will empower us with the right tools to handle the challenges of this year and the years to come.

Nano Purifying System project (NPS) mirrors this description. The company's effort has already been acknowledged in 2012 and awarded. Our current endeavor is the investment in the international patent, the work it involves and the development of tests. This project already relies on the European Community support through the SME Instrument. The difficult admittance to this project's short list of recipients led the European Union Commissioner for the Investigation Science and Innovation, Carlos Moedas, to name it "The Champions League of European Innovation".

This comes as a great responsibility for the company, but also as a great honor. It will make the difference to our organization in the future.

At last, we would like to mention a project we are all very proud of: the construction of our new facilities, located at Prado, Vila Verde in Braga District.

The building isn't born here by coincidence because this location is my homeland. This

project will contribute to create added value in the local economy and provide jobs in the area. There is, however, serendipity in the fact that we are building a production unit, where pure air machines will be manufactured, settled in Vila Verde (in English, Green Villa), whose name is a synonym of our activity.

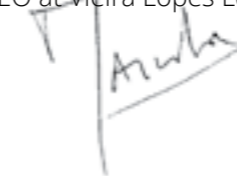
The 4500m<sup>2</sup> of building area holds the capacity to accommodate the whole team, who is now working in two different buildings. The new structure will allow us to drastically reduce operating costs, efficiently permit teamwork monitoring, improve the production control process and give us room to develop the right leadership for our expansion strategy.

We already have a glimpse of our future and we are focused on the target, stepping on the right path that will lead us there!

To all of our clients and employees, we wish a successful 2018.

MARCO LOPES

CEO at Vieira Lopes Lda.

A handwritten signature in blue ink, appearing to read 'Marco Lopes', is written over a horizontal line.

# CORPORATE GOVERNANCE CONSOLIDATED INCOME STATEMENT 2017

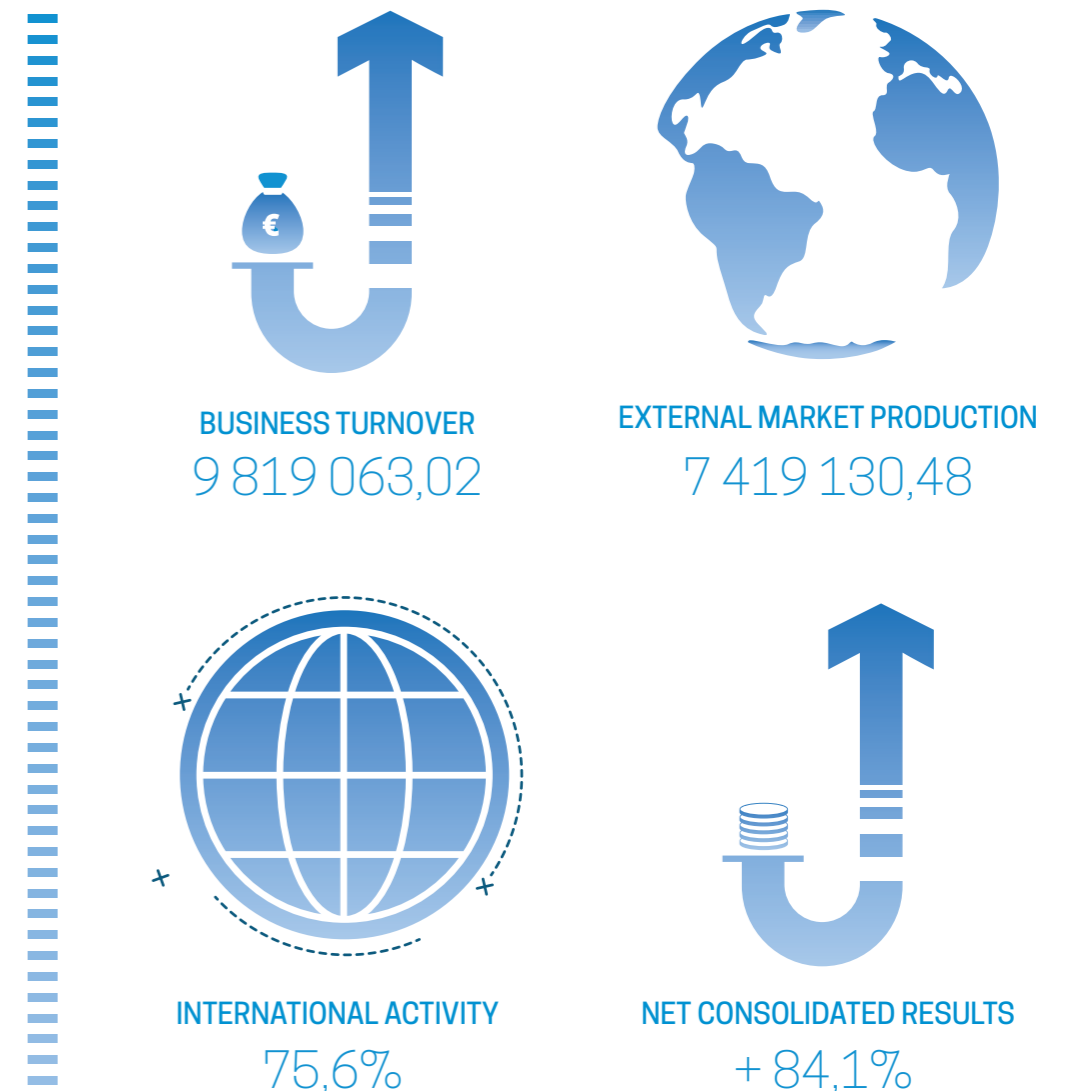
## EXECUTIVE SUMMARY

In 2017 Vieira & Lopes sustained the continuous growth trend that has been a reality since its establishment. The company grew stronger and solidified its international operation, especially in the Scandinavian market, which became a significant part of the company's strategic plan. OGRAMclima increasing reputation both in Portuguese and international markets, a broad product portfolio focusing on energy-efficient ventilation product and innovative developments have been the drive behind the financial and strategic position the company holds today.

## SUMMARY NOTES:

- ▶ Company's turnover had the best year to date, reaching EUR 9 819 063,02 in 2017, resulting on a 6.7% growth when compared to the previous year (EUR 9 206 360,82);
- ▶ Net consolidated result reached EUR 262 633,19, which stands for an 84.1% growth in comparison to 2016 (EUR 142 685,54);
- ▶ Consolidated EBITDA performance of Vieira & Lopes during 2017 was also underpinned by continued improvement, EUR 584 547,66, increasing 30.9% in contrasting 2016's period (EUR 446 428,18).

- ▶ Vieira & Lopes Group International activity represented 75.6% of consolidated business turnover during 2017;
- ▶ Consolidated production of the whole group targeted for foreign markets reached EUR 7 419 130,48 which stands for an 8.5% growth when compared to the previous year (EUR 6 835 087,17);
- ▶ Sales derived from HVAC equipment produced by OGRAMclima corresponded to EUR 2.051.781,59, resulting in 19.9% rise in comparison to 2016 and representing 20.9% of the business-consolidated turnover.



# 1.

## VIEIRA & LOPES GROUP ACTIVITY

Vieira & Lopes Group - here referred to as VL, with headquarters located at Rua da Quintã, 8/10, Frossos, Braga - area of business is focused on manufacturing, distributing and installation of Air Handling Units technologic solutions and Environmental Air Control Systems.

The following annual consolidated report expresses, in the most appropriate manner, the financial statement and the business results, regarding the economic period ending on the 31<sup>st</sup> of December of 2017.

Written accordingly to 66<sup>th</sup> Code of the Portuguese Code of Business Companies (Código das Sociedades Comerciais – CSC), this document comprises an accurate, clear and concise analysis of the business evolution, performance, and financial position, properly framed by the inherent complexity of company's activity, including the inbuilt uncertainties and risk of the trade it pertains to.

# 2.

## MACROECONOMIC DEVELOPMENT IN 2017

### 2.1. GLOBAL OVERVIEW

2017 can be distinguished by sheer, broad and harmonized growth globally, which represents its best performance since the 2008 global crisis. The cyclical upturn initiated in the mid-2016 continued through 2017, enjoying a boost and subsequently undergoing through upward revision. Developed and emerging economies both recorded rising levels of activity, above the previous years records. World Economy is estimated to have grown around 3.7%, around half a percentage point higher than what has been registered in 2016.

The year has been characterized by the increasing prices of oil and energy. Commodities were moderately valued, in a general manner. In political terms, the subject of the year has been the new US administration arrival at the oval office. Several elections took place in Europe. Although generally addressed and counterbalanced, there were increasing fears of political instability, less consensual forces rising to power and populist measures trying to reacquire control.

In China, the 19<sup>th</sup> Congress of The Chinese Communist Party took place. The year in the economy was dominated by the long-term trade agreements between the European Union, the United Kingdom and NAFTA talks, still ongoing. Nonetheless, the international trade recovery was obvious and estimated to have grown an average 4.7%. The monetary policy remained accommodative. China is thought to have kept the level of growth; Brazil and Russia overcame their worst economical stage of 2016 and reverted to a journey of growth; India and Mexico grew, though less than before and less than expected for 2017. The asset prices for the stock

market preserved a growth course, supported by positive expectations concerning business results; favored by the gradual normalization of financing conditions and less volatility than predicted. The long-term interest rate retained their relatively lower level, due to a growing economic cycle. 2017 was still marked by the Euro's appreciation against other major currencies. US dollar maintains the position as a dominant quotation currency for international trade and exchange transaction, though the tendency has been of general loss.

The Euro Zone, on the other hand, showed an expansion of 2.4%, speeding up in comparison to the previous year, and recording the highest growth rate since 2007. Expansion has been surprisingly high and occurred in parallel with the remission of political risk, improving significantly the perceptions about sovereign debt risks and strengthening companies solidness. Economic growth has been strongly supported by a gradual recovery of the labor market. Unemployment has declined from 10.0% to 9.2%, and employment recovered to levels not seen since before the financial crisis. Domestic demand retrieved a strong pace; demand from external partners was also beneficial - the growth in Europe is estimated to have exceeded 5.0% - together with extremely favorable financial conditions. Inflation level held 1.5%, clearly above the previous year, although below the target established by the monetary authorities.

The United States recorded growth around 2.3%, performing almost 1.0% above 2016. This was, however, expectable a year before. It has been the 8th consecutive year of expansion. The developments near the end of the year have been particularly encouraging, offsetting the mistrust and disappointment that existed in the initial months, as to whether the Trump Administration would show the ability with both public works proposal and implementation of fiscal measures. On the investment segment, there has been recovery. The labor market managed to maintain its positive evolution, with 4.1%, close to full employment. Inflation rose marginally above 2.0%. The end of 2017 has been marked by the approval of The Cuts and Jobs Act, the tax plan designed by Trump Administration.

Japan registered, in 2017, the most noticeable rate since 2013, with 1.8%. The economy, backed by private consumption, ended the year with a positive growth rate, therefore recording eight quarters of uninterrupted growth. This has been the longest period of continuous expansion since last century's 1980 decade. Positive evolution raised expectations whether if decades of stagnation were finally over. Price variation was finally thrown to something closer to the 2.0% target. Thoughts are that deflation has been definitively annulled.

BREXIT and its correlated political noise overtook the United Kingdom macro context again.



The convening of an early election in June speckled the domestic political affairs, which were already affected by the ongoing negotiations with the European Union. Oscillations amidst this sensitive background ultimately led to lower the growth rate, in comparison to 2016, which is now estimated to be around 1.7%. Australia suffered a soft slowdown when compared to the previous growth rate. It is estimated that an increase of 2.2% has been recorded in the product. As for the emerging and developing economies, they have surpassed the growth of the previous year, making evident a level of expansion close to 4.7%.

China's growth is thought to have increased marginally above the level of 2016 and it is estimated to be at a 6.8% growth rate. It has registered an evolution in the second half of the year, above the predicted, following a growing tendency. India, another reference economy on the Asian continent, slowed to something around 6.7%; Brazil is thought to have emerged from the recession, with an estimated growth of 1.1%. In Mexico, as a reflection of uncertainty, concerning the institutional governing relations with the United States (NAFTA, border), the



level of expansion slowed down to around 2.0%. In the meantime, Russia, capitalizing from the appreciation in energy factors, profiting from a very strict banking sector management and a cautious monetary policy, returned to economic growth of around 1.8%. South Africa, facing political instability, affected by the rating decline and threatening revisions, grew marginally below 1.0%.

In 2017, the US Federal Reserve maintained the process of monetary normalization that began in 2015, increasing interest rates in three moments. The divergent viewpoint facing other monetary authorities was noticeable in the first half of the year. Conversely, in the second half of 2017, there was a predisposition amongst other developed economies to start diminishing extraordinary monetary measures, culminating with a joined position in Central Banks meeting held in July, in Sintra, Portugal. Still, the Bank of England and the Bank of Canada were the only ones to implement interest rate hikes. The changes were mainly focused on how reality was perceived and on the announcement of future changes.

In the emerging economies, although performance was far from being identical, there has been a gradual decrease in federal interest rates, with a highlight on Brazil and Russia. OPEC and ex-cartel producers, distinctly Russia, complied with some control of production levels that they had agreed upon, hence determining a detailed management of the oil supply. They renewed the commitment last November, and the price followed an upward trend. Inflation underperformed and showed a non-linear behavior: increasing in the first half of the year and decelerating during the second half. Developed economies recorded higher levels than in 2016, but they fell short of expectations in the price control targets, while the levels of economic activity were enhanced and the unemployment followed a tendency for decreasing. In emergent and developing economies, inflation followed a path of stability, with exception to the particular cases of Brazil and Russia, where a noticeable decrease has been recorded.



## 2.2. PORTUGAL OVERVIEW

Portugal recorded the fourth consecutive year of economic growth in 2017. After one of the most severe economic and financial crises that the Portuguese economy has experienced in recent decades, there has been a sustained recovery, as demonstrated by the indicators, denoting an overall sense of confidence. The growth is estimated around 2.7%, a higher pace than the average Euro Zone, not perceived since 1999.

The growth, the sharpest since 2000, has been coerced by private consumption and by investment, thus ensuring a larger relative contribution from internal demand and also from export.

The year was also marked by the rise of Portugal's rating by two agencies, for investment grade, resulting on a tendency to downgrade the level of public debt interest rates and, by consequence, inducing benchmarks for the remaining economic agents.

Tourism continued (and even hastened) its dynamic behavior from 2016, reaching a record number of foreign tourists in 2017 (a growth of 11.6% in the first eleven months of the year). This sector corresponds to 68% of the balance of services, 7% of national GVA and 10% of direct employment. The weight of total exports increased. Private consumption grew firmly and mirrored the recovery registered in employment, in the available income, and in consumer's credit. The investment saw a significant increase. This marks a clear contrast with the previous three years, with a correction in the pattern of growth.

The variation has been almost entirely supported by the private sector. For the first time, in many years, the recovery in exports exceeded the imported goods and services (maintaining a significant increase in imports of industrial goods and capital assets). However, the commercial surplus pointed to a slight degradation.

Regardless of the good moment among main trading partners, the balance of goods has depreciated and has not been counterbalanced by an increase in services surplus.

Real estate showed signs of stimulation during the year, especially in the last two quarters. The demand for real estate assets has registered a sharp increase, causing a growing number of transactions; the volume of new housing loans increased; there has been a boosting in the price of residential and non-residential housing. The efforts to consolidate public accounts continued during 2017, and Portugal has been able to exit the Excessive Deficit Procedure. The budget deficit is estimated to have decreased to levels around 1.4% of GDP. Portuguese economy has lowered its financing capacity in comparison with the previous year, and the current balance of capital estimated at 1.5% of GDP.

Portuguese economy lowered its financing capacity in comparison with the previous year and the current balance of capital is estimated at 1.5% of GDP. It should be brought to light, however, that 2017 was the sixth consecutive year in which the foreign net borrowing requirements recorded a surplus. The labor's market dynamism has been optimistic along the whole year. Employment grew at a faster pace than economic activity, translating an increase in the labor force. The downward trend of unemployment from previous years kept its trajectory. The minimum recorded has been of 7,8% in December or 8.1% for the whole 4th quarter (rates without seasonal correction). The average rate for the year has recorded 8.9%, in contrast with the 11.1% registered in 2016. Inflation has increased throughout the year, although following an unsteady behavior. This rate of 1.6 %, in 2017, lies beneath the 2.0% maximum since October 2012 till April (due to the Easter effect and rising energy inputs) and a minimum of 0.9% in June and July. Wage dynamics have remained moderate.

### 3.

# VIEIRA LOPES ECONOMICAL ACTIVITY FRAMEWORK

From a purely geographical viewpoint, VL has a broad national and international position. At a national level, VL operates throughout the country, being a major player in the market for producing and trading in technologic solutions for air conditioning, Ventilation, and Environmental Control. The international market is the group's main strategic focus. In the French market, where VLopes Clim SARL has been established, VL retains a very significant presence and is building a local mediators network, involving them in the OCRAMclima project.

The Scandinavian market is another strategic target for the group. The Danish market opened in 2014, through a partnership with a company from Spain. Towards the end of that year, VLopes Scandinavia APS has been part of the group that intends to explore the stable markets of northern Europe. In the Spanish market, the company holds a strong commercial relationship with local distributors. One of these has a very significant presence in Hispanic markets of South America.

Bangladesh commercial relations have been intensified and, in Morocco, the level of involvement with local partners, of French origin, has been established. 2017 also marked the strengthening of the strategic partnership that gave the reason to OCRAM México, which resulted in the concession of the license to use the brand by a representative in the local market.

In the near future, information regarding 2018 will disclose the origin of a commercial liaison with the Indian market, where the company holds an official representative. 2018 should also mark the entrance into the Bolivian market, through a partnership business group, with a Portuguese background. By extension, strategic alliances and partnerships in Iran and Saudi Arabia are under evaluation. Northern Europe and Chinese markets might also be achieved in a short-term.

The following is a brief structure of the group, with the participation in each market:

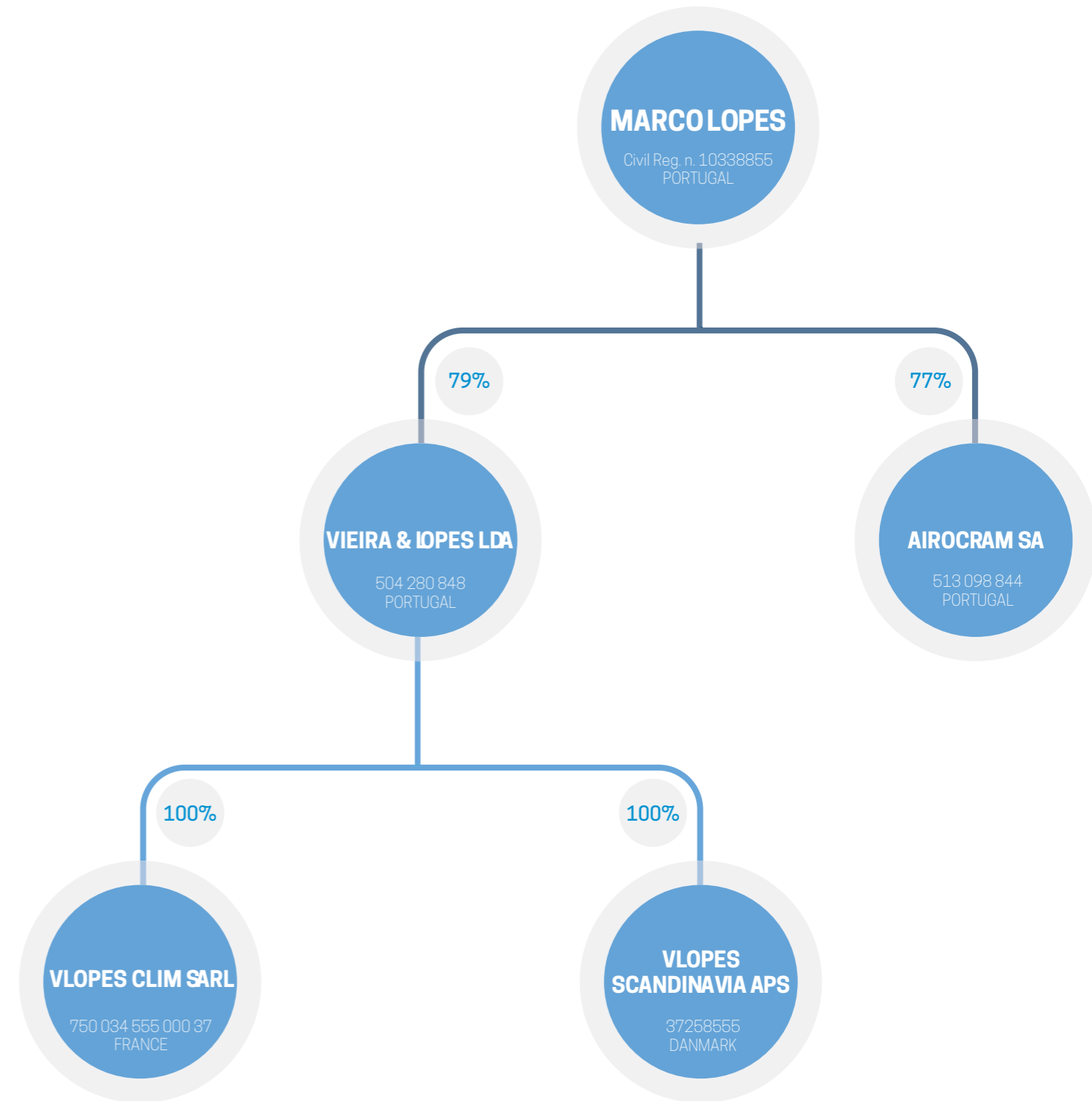
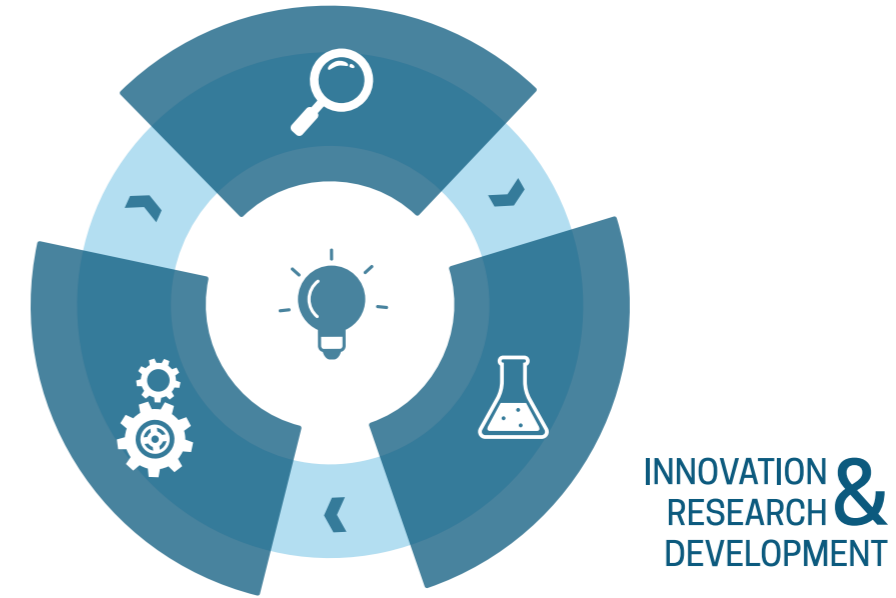
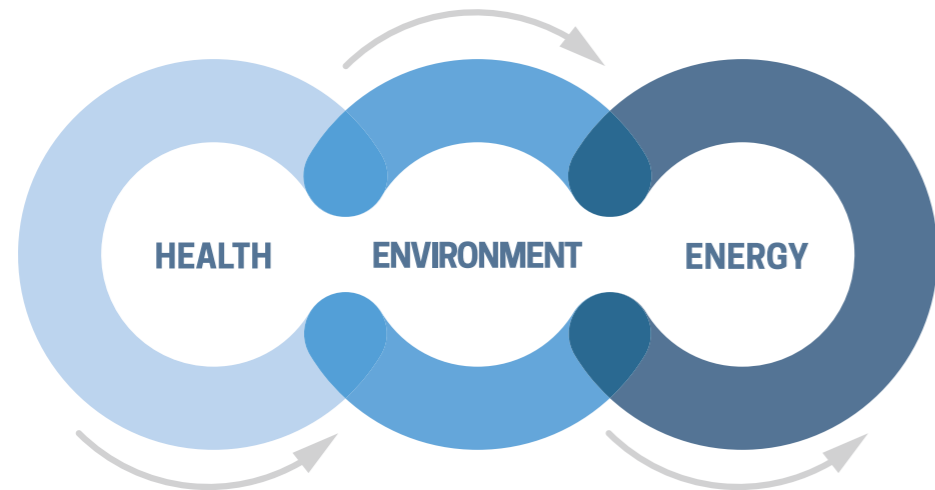


FIGURA 1 Group's Structure

Despite the great challenges of the internationalization process, VL has achieved a very relevant economic and financial performance during 2017. Thanks to a clear strategic orientation towards the international market, the productive activity for Air Treatment Units (UTAs) and technological solutions for air conditioning has been restructured. There has been a continuous focus on innovation, research, and development for new products. The mindset to discover new methods and earn new skills also provided ground for success.

All businesses related with Health, Energy and Environment, namely the air treatment and air purifying system, as well as the use of the so-called “clean” energies, have been recording sustained growth both in Portugal and most of the developed economies. In this sense, we consider the strategic thought of health-energy-environment triad as an area of priority, with room for growth and expansion. For the company, this means an improvement in the production. It also means optimizing air treatment units with hygienic certification and the technological inclusion of monitoring, decontamination, and air purification systems, for hospital environments. Therefore, the crucial commitment for OCRAMclima brand is also the cornerstone of the national and international strategy for Vieira & Lopes, both for the present and the near future.

The permanent and growing focus on Research & Development is a fundamental point on VL’s business strategy. It became our standing point in the market. As a result of its dynamic, innovative and entrepreneurial attitude, VL nurses several ongoing research protocols with



Institutions and Research Centers that are international references. The continuing research project in the Department of Physics and Mechanical Engineering, at the University of Minho, in Portugal, is a wonderful example of a commitment made by the company, centering on air quality and energy efficiency.

Simultaneously, VL takes part in a cross-border project, Nanovalor. This project’s mission is strengthening links between key players in the nanotechnology area, located at the North of Portugal and Galicia, through the establishment of a Competitiveness Hub. VL is also a member of COTEC SMS Innovation Network and holds an SI Internationalization project happening, which aims to support the qualification and internationalization of SMEs.

Recently, VL has been approved for a project under the SME Instrument program of Horizon 2020, promoted by the European Commission. This project aims to support relevant business ideas in the European context. In this particular case, for VIEIRA LOPES, it intends to back the study for developing a multifunctional air purification model, to be installed in sensitive environments.

VL is also a certified company, holding a Certificate of Quality by the norm NP EN ISO 9000: 2000 (for installation and project).

# 4.

## ACTIVITIES AND FINANCIAL POSITION ANALYSIS

The organic growth of the group, based on a geographical operations matrix, supports the need to make a formal presentation of the consolidated report of the Vieira & Lopes group. In this sense, this accurate and detailed analysis for each business unit cannot be detached from the international expansion process, in which the whole group is involved. 2017 ended in growth and autonomy for these international business units. Given the integrated connection of the different business units that build Vieira & Lopes Group, this document describes and analyses the group activity during 2017 in a transparent, integrated and reliable analysis.

From a financial perspective, VL achieved clearly positive results in 2017. The company has been able to sustain and maximize its competitive standards.

During 2017, the group has solidified its position as far as operational results are concerned. The consolidated business turnover of Vieira & Lopes has recorded its best year ever, reaching EUR 9 818 063,02, which represents a growth of 6.7% comparing to the previous year.

Consolidated net profit of Vieira & Lopes stands in EUR 262 633,19 for 2017, expressing a growth of 84.1% in comparison with 2016. There has been an equal growth trend for the consolidated EBITDA, ending 2017 with EUR 584 547,66 and demonstrating a 30.9% growth when compared to the previous year's equivalent period.

Amongst the achieved results, as an indicator of economic activity profitability, EBITDA becomes highlighted as a percentage of business turnovers. The value of 6.0% expressed a net growth of 1.2% in comparison to the previous year (Chart 1).

	2016	2017	VARIATION	
			VALUE	%
<b>Business Turnover</b>	9 206 360,82	9 819 063,02	612 702,20	6,7%
<b>Net Results</b>	142 685,54	262 633,19	119 947,65	84,1%
<b>EBITDA</b>	446 428,18	584 547,66	138 119,48	30,9%
<b>EBITDA in % w/ SL</b>	4,8%	6,0%	1,2%	22,8%

TABLE 1 Evolutionary Analysis for consolidated results

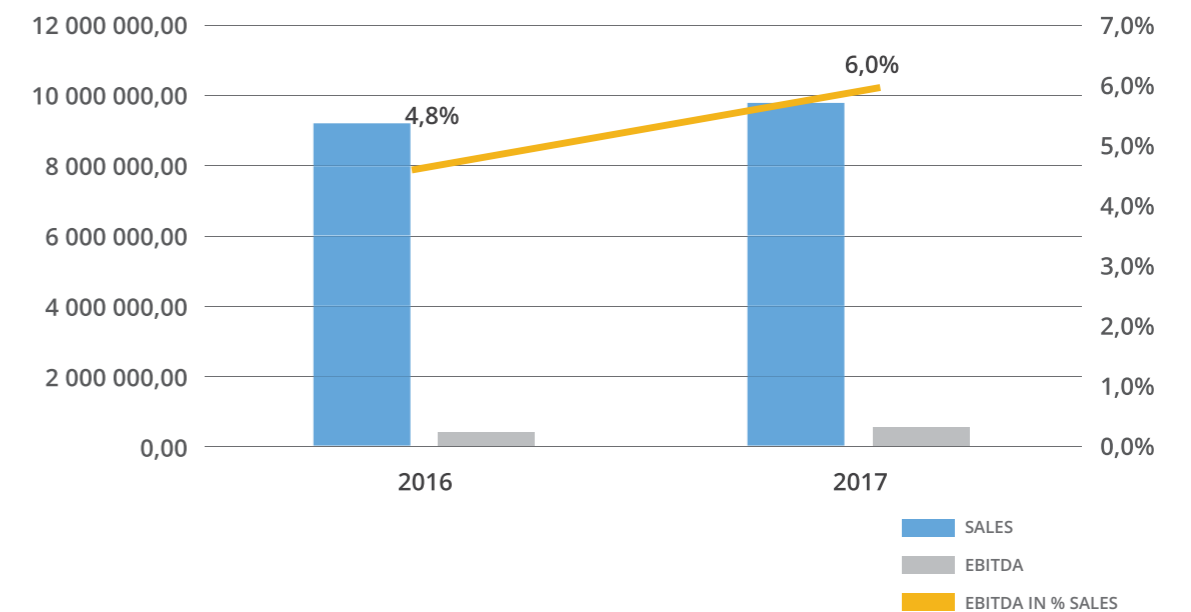


CHART 1 Evolutionary Analysis for consolidated results

In what concerns production destination, and looking forward to an evaluation of the business turnover (both for the national and international market), the data for the ending period show the achievement and the success of the new strategic orientation for external markets.

During 2017, from a consolidated perspective, the production for external markets reached a EUR 7 419 130, 48, translating an 8.5% growth compared to the previous year (Table 2 and Chart 2). The external market has been the source for 75.6% of the consolidated business turnover of the group (Chart 3).

On the other hand, the production for the national market also recorded a growth between 2016 and 2017 (growth of 1.2%, registering EUR 2 400 237,54).

The data now presented reinforce the growing trend of the latest years. It also provides a reason for the investment in external markets, decreasing the risk level for company's activity. French and Danish markets were the main destinations for the 2017's production.

	2016	2017	VARIATION	
			VALUE	%
National Market	2 371 273,65	2 400 237,54	28 963,89	1,2%
EU Market	2 371 273,65	7 362 216,91	951 020,69	14,8%
Other Markets	423 890,95	56 913,57	-366 977,38	-86,6%
GLOBAL VALUE OF EXTERNAL MARKETS	6 835 087,17	7 419 130,48	584 043,31	8,5%

TABLE 2 Destination for the consolidated production

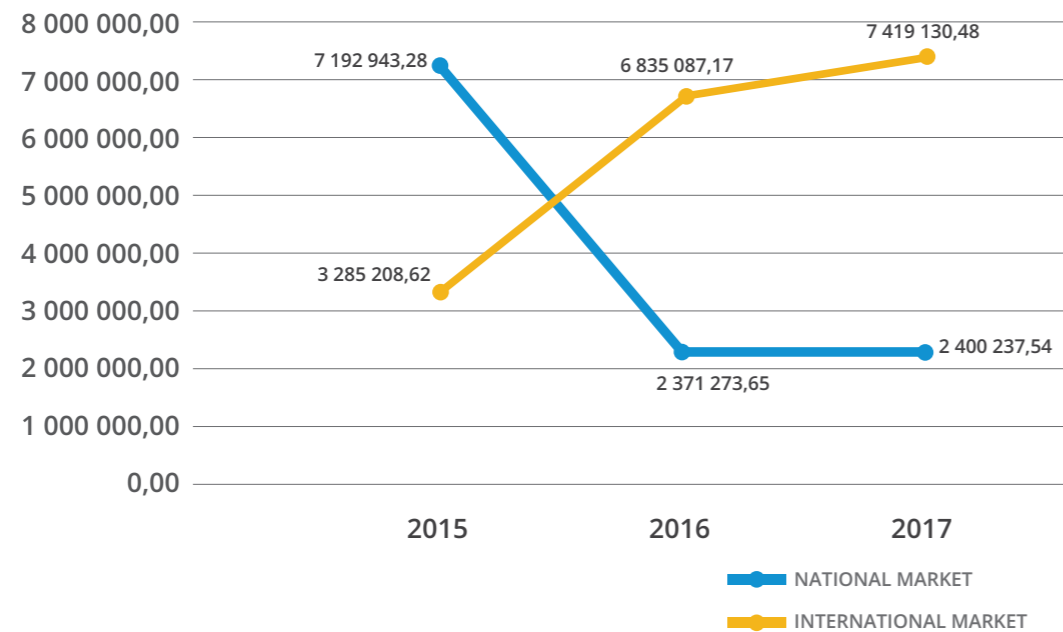


CHART 2 Evolutionary Analysis for consolidated results

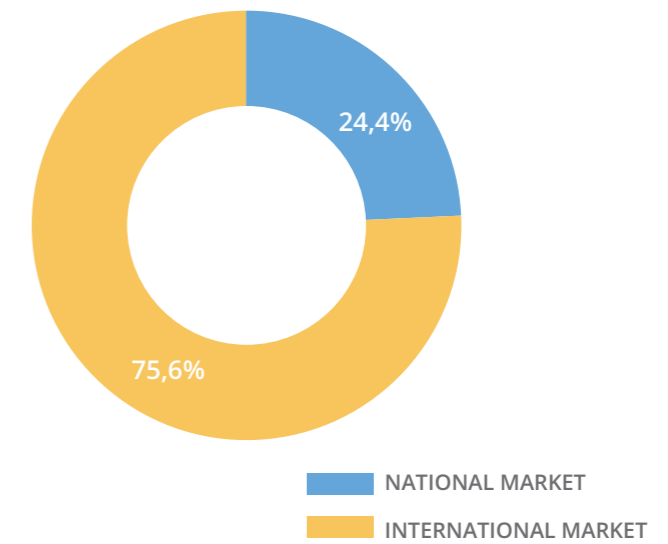


CHART 3 Destination for the consolidated production

In what concerns income structure, and looking forward to dividing revenue having service delivery and equipment sales as a source, it is important to highlight the growing trend expressed by business turnover. This evolution is a straightforward result of the strategy towards diversity, both in production and sales of acclimatization equipment and environmental air quality control systems, branded by OCRAMclima. In 2017, the revenue derived from equipment produced by OCRAMclima ascended to EUR 2 051 781,59, translating a growth of 19.9% in comparison to the previous year, and which corresponded to 20.9% of the business turnover of the whole group (Chart 4).

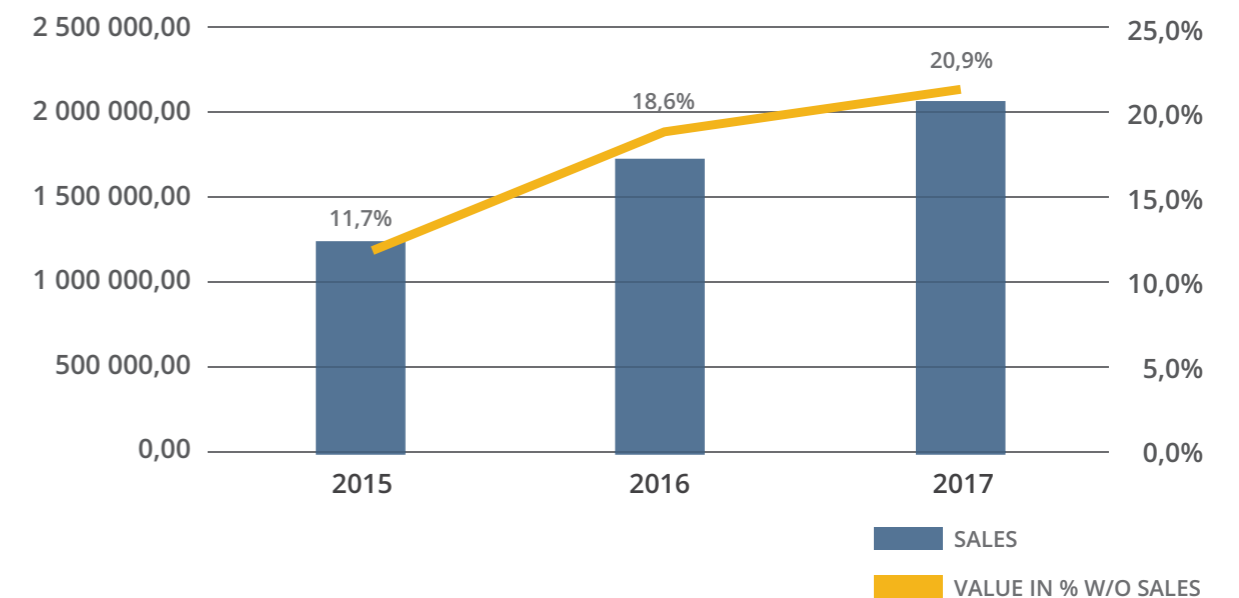


CHART 4 Income Structure having equipment sales as source (tradable goods)

Regarding the evolutionary analysis of expenses for the period ending now, Table 3 and Chart 5 present all the expenses of the group, arranged by its weight on the entire group expenditures, and differentiated by nature.

It is particularly relevant to highlight the strong reduction on External Supply and Services (fixed in EUR 1 725 004,33 and representing a 16.5% reduction in comparison to 2016) and the Payroll Costs (to EUR 3 273 434,66, reducing 2.9% from preceding year).

In the opposite sense, the CGSMC (Cost of Goods Sold and Materials Consumed) increased 33.8% (to EUR 4 354 802,62). This outcome is due to the increasing activity of the group, while impairment losses, considered to settle the map of construction works, have ascended to EUR 364 345,46.

	2016	2017	VARIATION	
			VALUE	%
Cost of Goods Sold and Materials Consumed	3 255 063,77	4 354 802,62	1 099 738,85	33,8%
Payroll Costs	3 371 545,88	3 273 434,66	-98 111,22	-2,9%
External Supply and Services	2 064 769,86	1 725 004,33	-339 765,53	-16,5%
Impaired losses	12 324,68	364 345,46	352 020,78	2856,2%
Expenses and Financing Losses	117 003,34	123 025,31	6 021,97	5,1%
Expenditures with Depreciation and Amortization	102 566,60	84 746,53	-17 820,07	-17,4%
Other Expenses and Losses	53 977,72	82 727,53	28 749,81	53,3%

TABLE 3 Evolutionary Analysis of the consolidated expenses structure

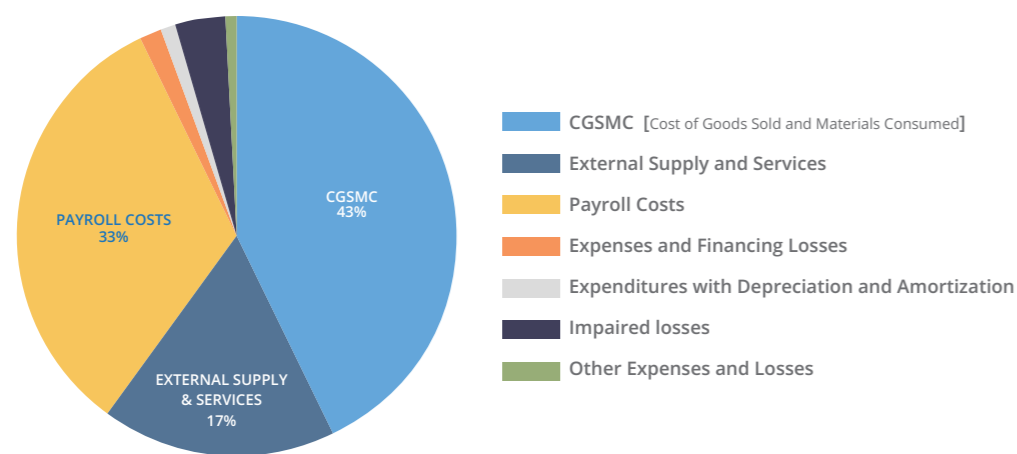


CHART 5 Consolidated Structure of Expenses (in %)

From a detailed point of view, it is possible to analyze the consolidated financial position of the group through the examination of the following Consolidated Annual Balance Structure (Table 4 and Chart 6).

	2016		2017	
Non-current assets	1 276 786,57	15,8%	1 541 094,75	16,1%
Current assets	6 805 486,16	84,2%	8 019 070,92	83,9%
<b>TOTAL ASSETS</b>	<b>8 082 272,73</b>		<b>9 560 165,67</b>	
Equity	1 781 303,24	22,0%	2 100 498,79	22,0%
Non-current Liabilities	1 331 702,49	16,5%	997 872,47	10,4%
Current Liabilities	4 969 267,00	61,5%	6 461 794,41	67,6%
<b>TOTAL LIABILITIES</b>	<b>6 300 969,49</b>		<b>7 459 666,88</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8 082 272,73</b>		<b>9 560 165,67</b>	

TABLE 4 Consolidated Annual Balance Structure

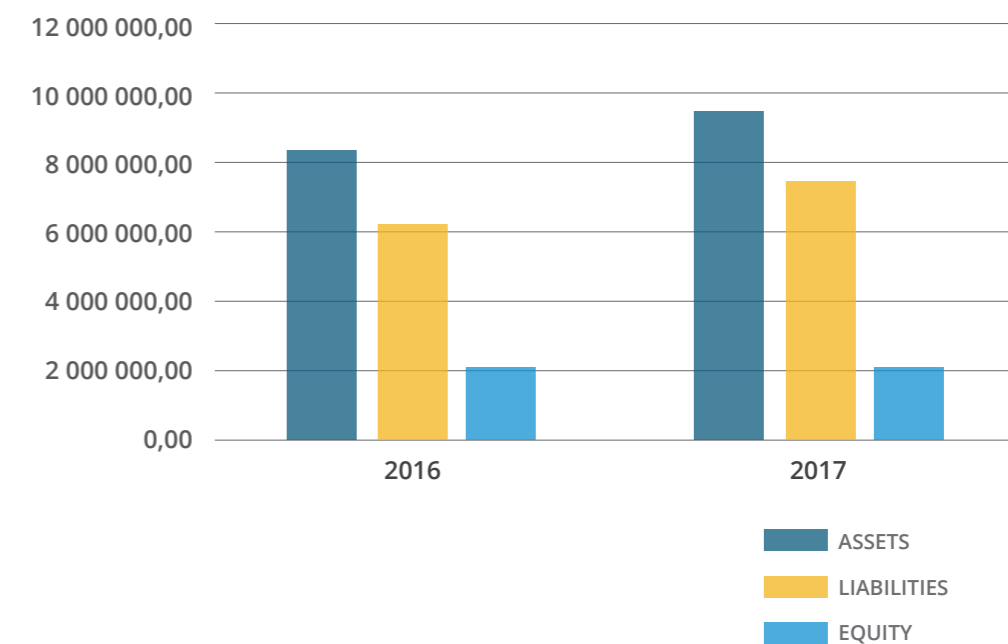


CHART 6 Evolution of Consolidated Assets, Liabilities and Equity

# 5.

## EXPECTATIONS FOR THE FUTURE

### 5.1. MICROECONOMICAL ENVIRONMENT

After a less dynamic performance during 2016, World Economy should have caught the pace in 2017, for a growth around 3.4%.

The rhythm should speed, due to the emerging economies contribution. The fact that IMF kept the assessment launched in October unaltered is also significant. The document forecasted 3.6% acceleration for 2017 and 2018. The good performance of developed economies during the second half of 2016 granted more optimistic expectations for 2017. This achievement should counterbalance the weaker performance in emerging economies and developing countries.

The ground for a more confident mood is found on a set of financial stimuli, expected from the North-American administration, to be implemented in a growing economy. A faster normalization of monetary conditions is also expected, mainly in the United States of America, as a reaction to the inflationist pressure, derived from the stronger demand. There is, nonetheless, a wide range of different projections, because there is a lack of knowledge about the policies to be followed by the Trump Administration.

The international trade should sprout, doubling the values registered in 2016, especially in emerging economies. Oil prices should remain approximately the same, thanks to the agreements settled to impose limits on production India and Mexico should expand at a faster pace than 2016, though beneath the predictions - this comes as a reflection of the cancelation of the means of funding the fight against corruption, in the first case, and the impact of Trump's presidency posture, on the second case.

Brazil should mirror the recent economic frailty; the lowering of global financial expansion conditions; and the Latin America's own shortening of the economic growth (e.g. Mexico and Venezuela). Russia is estimated to get back in the path of economic growth. China, by its turn, should demonstrate a more favored evolution than could be anticipated just a few months



ago, grounded in a set of stimuli to the implemented. The excessive business debt though still poses very significant challenges.

The risks pending on world's evolution appear balanced, facing the extra protectionist positions; the inclinations towards domestic agendas; the geopolitical instability, and the narrowed financial conditions on a global level. All these counteract the positive effects introduced by significant incentives, both in the United States and China.

In Europe, the electoral agenda is intense and sets the mood for the economic scenario and the trust of multiple agents; growing expectations towards the early cut on monetary stimuli might lead to an increase in the risk premium of some economies; the Brexit negotiations will still dominate the spirits, while migration flows still pose critical challenges.

Above all, there are still some confirmations expected after the shockwaves felt during 2016. The climbing oil prices and the rising inflation closer to the year's end, both have reshaped the evolution of long-term financial conditions.



## 5.2. PORTUGAL

In 2018 Portugal should be registering economic growth of around 2.3%, slowing marginally in comparison to the previous year. Since 2017, there will be two consecutive years of growth over 2.0%, a clear progress. Less unemployment, positive growth of net export, especially for automotive field, should anticipate and support the economic activity.

Activity increment will still be, nonetheless, dependent on the domestic demand, first of all. The continuous recovery of employment and available income should favor consumption. In contrast with previous years, public consumption should contribute positively to the economic expansion. Despite good intentions, revealed by economic agents, particularly the companies, less growth of investment ( and its contribution) can be anticipated.

Growth above expected from the main trading partners might contribute to boosting external demand. The consolidating status of Portugal as a tourism destination is believed to operate as an added positive factor. But the domestic bank system still exhibits high credit stock with impairments; there is an ongoing consolidation in bank activity; public debt is elevated in absolute terms, and the financial normalization process is not over yet. There are still challenges to overcome.

Fiscal policy should be moderately expansionist - unfreezing careers of public employees will translate an increase in expenditure.. After a trend inversion recorded in 2017, it is estimated that the public debt ratio/GDP starts a descending trend. The balance of trade surplus is estimated to diminish slightly during 2018. The aggregate deficit of current and capital accounts should, however, record a positive evolution, driving to a surplus of around 2.3% of GDP.

For the seventh consecutive year, it will ensure a positive capacity for financing the economy. The prospective indicators of the real estate sector point to the maintenance of the trend of improvement of the construction activity. Inflation should show a rhythm similar to that of 2017, around 1.5%. Employment is expected to grow faster than the economy. Thus, unemployment is expected to maintain its declining trend since 2013. This indicator may be marginally below 8.0%.



## 5.3. FORESEEABLE EVOLUTION OF SOCIETY

Facing the opportunities rose by the international macroeconomic scenario and profiting from the expanding perspectives for the Portuguese economy, there are four main dimensions for the Vieira & Lopes Group during 2018:

- a. The clear commitment to the internationalization process, aiming to conquer new markets, with an objective goal of two (2) new markets each year. At present VL holds a meaningful presence in France, Denmark, Spain, Republic of Congo, Morocco and Bangladesh. The prospects of 2017 seem to harden the position in the Scandinavian market, through the expansion of VLOPES SCANDINAVIA APS. The Mexican and South American markets are also to expand. The entrance to Iran and the Middle East Region, namely Saudi Arabia, the United Arab Emirates, Oman, and Dubai;
- b. Increase the expansion, value, and acknowledge OCRAMclima as an international player. Become a distinguished brand in the production and trade of Air Treatment Units; developer of technological solutions for acclimatization, offering innovative proposals; expand product portfolio, with an accent in air monitoring and air quality control in a clinical environment; streamlining the commercial network and building strategic alliances, able to widening the markets and strengthening the image of the OCRAMclima brand;
- c. Maintain the innovation and entrepreneurship effort, with the purpose



of achieving unique products, offering added value throughout the entire portfolio and granting our customers competitive advantages when trading with the company; sustaining and enhancing Research and Development protocols with Universities and Research Centers of reference, both in Portugal and abroad.

- d. The continuous and sustained growth of the group, coupled with the increasingly technical and scientific demand of the market, brought to attention the urgency of new facilities for the company. Multiple years of anguish will now come to an end. At the beginning of 2018, the construction shall start, aided by IAPMEI's support, under Portugal2020 Productive Innovation. With an investment already made by the company of EUR 300 000.00, the new headquarters will be located in Vila de Prado, with a total area of 8 330 m<sup>2</sup>, and 4 152 m<sup>2</sup> of building area. This essential investment, not only signals the 20<sup>th</sup> anniversary of the company but definitively provides a crucial impetus on quality, requirements, control and competitiveness of each technological solution produced and sold by the group.

In the presence of the company's solidity; the diversity of supply and solutions; the growing trend for national and international expansion, and the culture of continuous innovation, we believe that VIEIRA LOPES group will improve the already relevant position in the Portuguese market and will become a relevant player internationally.

## 6. OTHER INFORMATIONS

After the 31<sup>st</sup> of December of 2017, no relevant events occurred that could affect the economic and financial position of the company. This is denoted by the Financial Statements at the end of the 2017 economic period. The company is not exposed to financial risks that could potentially damage its financial position and its operations maintenance.

Administration's decisions, based on rules of financial prudence, provide an understanding that the obligations assumed are not able to jeopardize the organization, with risks that cannot be regularly backed by the company. There are no overdue debts, neither to the State Public Sector nor to Social Security.

### 6.1. AUTHORIZATION DATE FOR FINANCIAL DEMONSTRATION EMISSION

The consolidated financial statements for the period ended on the December 31<sup>st</sup> of 2017 were approved by the administration and authorized for issue on the July 5<sup>th</sup> of 2018.



## 7. FINAL NOTES

We would like to acknowledge all those who expressed their trust and preference, particularly our customers and suppliers, to whom much of the growth and development of our business is due. They are the reason for being of our company.

To our employees, we express our gratitude for the professionalism and commitment. They are fundamental to the competitiveness and sustainability of Vieira & Lopes group, and they will continue to be in the future.

The following sections include a consolidated financial statement for the period, which comprise the Consolidated Balance Sheet, the Consolidated Income Statement by nature, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the Consolidated Annex.

Braga, 05<sup>th</sup> of July of 2018

The administration,

A handwritten signature in blue ink, appearing to read 'A. Silva', is written over a horizontal line.

# 8. CONSOLIDATED BALANCE SHEET

ON THE 31<sup>ST</sup> OF DECEMBER 2017

CONSOLIDATED BALANCE			EURO
ITEMS	NOTE	2017	2016
<b>ASSETS</b>			
Non-current assets			
Tangible Fix Assets	6	723 710,81	553 794,49
Intangible assets	5	640 918,10	529 547,94
Goodwill		5 500,00	5 500,00
Other Financial Investments	14,2	170 965,84	160 782,66
Accounts Receivable			27 161,48
		1 541 094,75	1 276 786,57
Current assets			
Inventory	10	1 499 738,76	898 848,17
Clients	16,1	3 433 679,54	2 832 188,21
State and other public entities	18,1	488 323,37	377 057,27
Other Accounts Receivable	11,16.1	2 249 876,66	2 264 788,52
Deferrals	18,2	22 990,10	17 949,02
Non-current assets held for sale	16,3	101 875,93	146 936,14
Cash in hand and bank deposits	4	222 586,56	267 718,83
		8 019 070,92	6 805 486,16
<b>TOTAL ASSETS</b>		<b>9 560 165,67</b>	<b>8 082 272,73</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Subscribed Capital	19,1	500 000,00	500 000,00
Other Instruments of Equity	19,2	130 000,00	130 000,00
Legal Reserves	19,3	57 149,40	57 149,40
Other Reserves		25 000,00	25 000,00
Exchange rate differences		(80,82)	
Retained Earnings	19,4	1 066 977,92	924 292,54
Adjustments/other variation on Equity	19,5	58 819,10	2 175,76
		1 837 865,60	1 638 617,70
Net Profit for the period		262 633,19	142 685,54
Non-controlling interests			
Total Equity		2 100 498,79	1 781 303,24
<b>LIABILITIES</b>			
Non-current Liabilities			
Loans obtained	7	997 872,47	1 331 702,49
		997 872,47	1 331 702,49
<b>Current Liabilities</b>			
Suppliers	16,1	3 394 283,71	2 495 886,11
State and other Public Entities	18,1	737 829,84	571 678,98
Loans Obtained	7	1 414 134,29	1 046 788,35
Other payable debts	16,1	540 702,71	783 079,85
Deferrals	18,2	374 843,86	71 833,71
		6 461 794,41	4 969 267,00
<b>Total Liabilities</b>		<b>7 459 666,88</b>	<b>6 300 969,49</b>
<b>Total Equity and Liabilities</b>		<b>9 560 165,67</b>	<b>8 082 272,73</b>

THE CERTIFIED ACCOUNTANT

Rogério Vieira

THE ADMINISTRATION

Vieira & Lopes, Lda  
A Gerente  
Armando

# 9.

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

### ON THE 31<sup>ST</sup> OF DECEMBER 2017

#### CONSOLIDATED INCOME STATEMENT BY NATURE

ITEMS	NOTE	2017	EURO 2016
<b>INCOME AND EXPENSES</b>			
Sales and Service Rendered	12	9 819 063,02	9 206 360,82
Operating Subsidies	13	22 977,11	4 372,89
Changes in Inventory of production	10	371 516,91	(108 296,35)
Own Work	5	131 899,20	61 688,58
Costs of goods sold and materials consumed	10	(4 354 802,62)	(3 255 063,77)
External Supply and Services	18,3	(1 725 004,33)	(2 064 769,86)
Staff Costs	17	(3 273 434,66)	(3 371 545,88)
Imparity of Receivables (losses/reversals)	8	(364 345,46)	(12 324,68)
Increases/reuctions of fair value		3 000,00	4 950,00
Other Income	18,4	36 406,02	35 034,15
Other Expenditure	18,5	(82 727,53)	(53 977,72)
<b>Results before depreciation, financing expenses, and taxes</b>		<b>584 547,66</b>	<b>446 428,18</b>
Expenses/reversals of depreciation and amortization	5,6	(84 746,53)	(102 566,60)
<b>Operational results (before financing expenses, and taxes)</b>		<b>499 801,13</b>	<b>343 861,58</b>
Interest and similar charges obtained			(12,46)
Interest and similar charges supported	18,6	(123 025,31)	(117 003,34)
<b>Result before taxes</b>		<b>376 775,82</b>	<b>226 845,78</b>
Income tax for the period	15	(114 142,63)	(84 160,24)
Current tax		(114 142,63)	(60 330,06)
Deferred tax			(23 830,18)
<b>NET PROFIT FOR THE PERIOD</b>		<b>262 633,19</b>	<b>142 685,54</b>
Result for discontinued operations (net of tax included in net results for the period)			
Net results for the period attributable to:			
Equity holders of the parent company		<b>262 633,19</b>	<b>142 685,54</b>
Non-controlling interests			
<b>BASIC RESULT PER SHARE</b>			

THE CERTIFICATE ACCOUNTANT

Rogério Vieira

THE ADMINISTRATION

Vieira & Lopes, Lda  
A Gerência  
Armando