

VLOPES

ANNUAL REPORT

2018

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2018

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ANNUAL REPORT

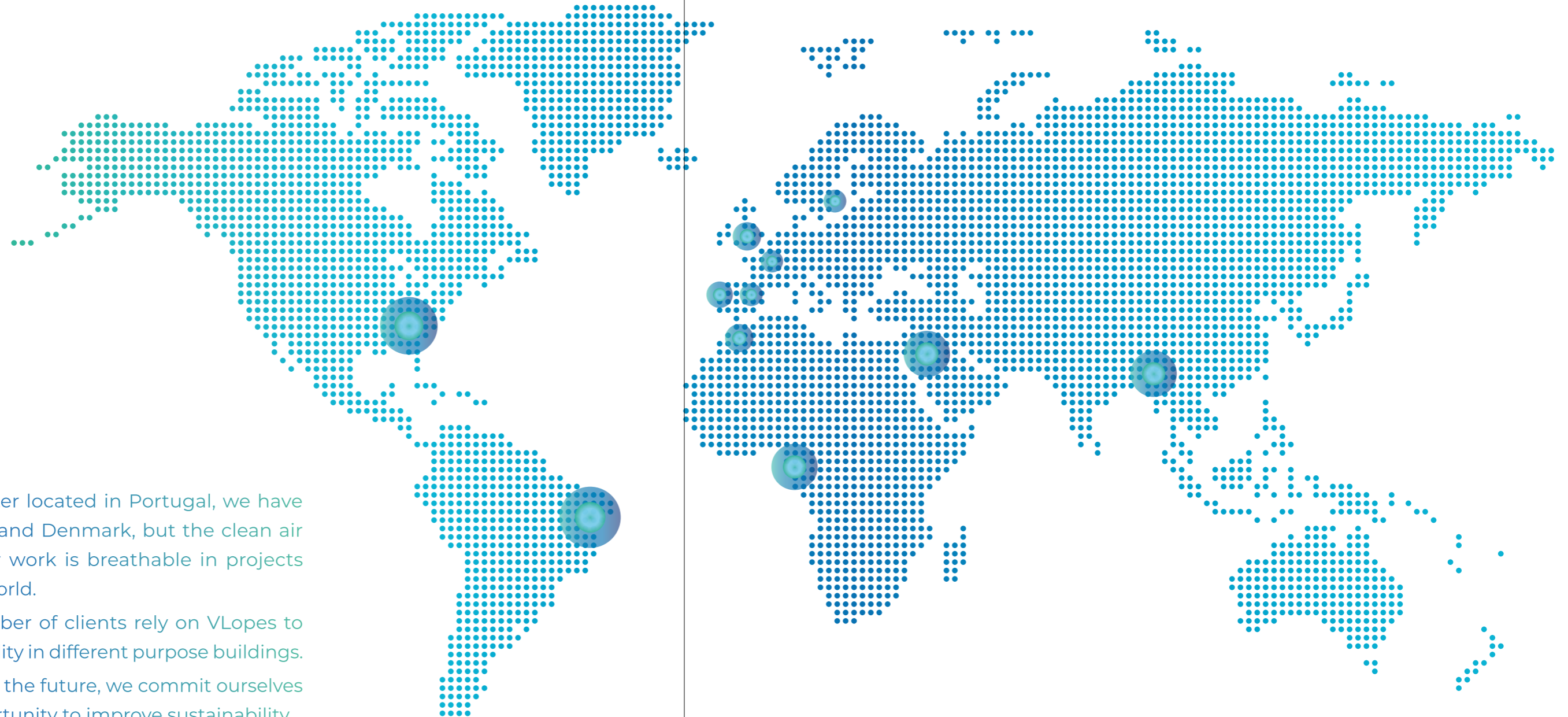
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VLOPES

A WORLD OF CLEAN AIR



With headquarter located in Portugal, we have offices in France and Denmark, but the clean air coming from our work is breathable in projects throughout the world.

A growing number of clients rely on VLOpes to ensure the air quality in different purpose buildings.

With eyes set on the future, we commit ourselves to use every opportunity to improve sustainability.

We have an entire world of clean air solutions.

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MESSAGE FROM THE CEO

Last year has been anything but ordinary. It was a corner-stone we hold to celebrate two decades of existence. 2018 was the moment to be proud of a company that intersects generations and has been conquering the market step by step. We got acquainted with clients' deepest concerns and made them our own. We deployed our solutions to different latitudes and expanded our vision.

We tested our limits every day. We kept trying and trying over. Failing, failing again, failing better, and succeeding in creating a sustainable and robust ecosystem. Most of all, we worked collectively to build and uphold a trustworthy and reliable company in the long-term.

Our growth results for 2018 are very pleasing and a clear demonstration of our execution capabilities. Our consolidated business volume for the entire group reached 10,7M €, which stands for a 9,4% growth in comparison to the previous year. 2018 has been the best year in terms of business volume to date.

This volume is a direct consequence of a deeper understanding of our own business and our route-to-market. Our updates with fresh and innovative insights, addressing more stable and developed economies, promote our brand farther than before.

Our customers are key stakeholders. Understanding their needs remains crucial for us while developing bespoke solutions. We are bringing new effective products to daylight, making sure we can support the existing clients in the established channels.



2018 was the moment to be proud of a company that intersects generations and has been conquering the market step by step.



2018 has been the best year in terms of business volume to date.

We are also mindful of all the other stakeholders we can engage with, from investors and new customers to employees and suppliers. We grasp how we can remain fit to our purpose and collectively energise growth in a changing world.

It is essential for me how well-entrenched our goals are in the hearts and minds of our people and culture. These are the most differentiating factors of our company and the main drivers of our success.

The financial results speak for themselves. But it's relevant to shed light over the primary reasons contributing to the evolution and strengthening of our position.

Denmark's strategy to achieve the right balance in the client's diversification has been successful and supported a revenue growth from 1,7M€ in 2017 to 4M€ in last year. The New Herlev Hospital is almost complete, but there are still assessments to be done and ongoing labour-cost to negotiate.

The French market revenue overcomes 4,5M€ for the year. Although 22% lower than 2017 due to human resources deployment in Denmark, gross margin increased from 357 000 € to 374 000€, supporting an 8,45% growth.

We are proud to be awarded 3 Seals of Excellence H2020 SME Instrument, received directly from the European Commission, toward NPS® Nano Purifying System is the result of our ongoing research and development in air purification segment. This innovation develops a new revenue pool, expands our product portfolio and raises a new business model with the potential to shift the company's core business. NPS is being installed and tested in a Key customer, Sonae MC, who is currently developing a plan to replace the system at 50 Continente Bom Dia stores.

Last year marked the entrance in the Indian market through Serum Institut of India, the world's largest vaccine company in terms of produced units. Our debut in controlled environments and rooms segment gave greater impetus amidst rough competitors setting our value towards our price-quality ratio.

We have been adding significantly to the list of projects both in Portugal and other countries, driving sales volume for pieces of equipment. The largest hospital in Denmark; the plan to expand Norte Shopping; Continental Mabor; Portuguese Institut of Oncology (IPO) of Lisbon; Pescanova; Pulido Valente Hospital, amongst others, are further extending our vast array of references.

Our commitment to continuous efficiency improvements gave reason to start building our new facilities last year, under an H2020 project to implement in Prado, Braga. The new plant of over 4500 m² will join the production and other departments. The same building will accommodate our ambitious production plans and the development of novel products to be launched while reducing management costs.

If 2018 is the best year to date, it owes to our stakeholders, particularly employees and their dedication, commitment, responsibility and ambition.

We have defined meaningful values, where we ground our behaviour. These are the building blocks of our culture, and we can expect these core values to remain unchanged. Our commitment to people in the first place, responsibility, innovation, flexibility and quality come fore with the evolution of business.



We are proud to be awarded 3 Seals of Excellence H2020 SME Instrument, received directly from the European Commission, toward NPS[®], Nano Purifying System.

These are the behaviours we encourage, embedded in the adoption of innovative ideas, taking risks, and constant learning from winning and failing. Our promise to efficiency and sustainability remains unchanged, as does our steady focus on attracting, developing and retaining the best people.

Putting people in the first place means there are likewise identifiable behaviours not aligned with our strategy, as accepting the status quo or failing to respond to customer needs. Customers and population lives, as well as the environment, are changing. Understanding these trends is vital, not only to evolve our business but mostly to find channels that meet the challenging needs of all humanity.

We are grateful to all those who remained faithful to VLopes and allowed us to achieve our goals internationally. We expect to maintain business relationships for years to come.

2018 was a pivotal year. We are furthermore thrilled into the year ahead. There is a particularly strong pipeline of product innovation and commercial activity around our route to market. There is good momentum in the business, and we are determined to build on our success.

Two decades of work made us become what we are today. 2019 will be another successful year because the best and most significant challenge is always the next one.

MARCO LOPES
CEO at Vieira Lopes Lda.



VISION

Our vision is to grow into a world-renowned company as a synonym for customized, holistic, and smart air purification solutions.

MISSION

Develop and support a solid company structure with qualified, informed, responsible, and happy employees focused on the client.

Being a reliable partner for each client, using experience and know-how to create made to measure solutions for each building, securing optimal indoor air quality anywhere in the world.

Market a whole line of innovative, high-quality, and efficient products for sensitive indoor environment, with low environmental impact thus contributing to enhancing good health and quality of life for every people.

Working continuously to the international expansion of VLOpes. Speaking global, becoming global!



VALUES

We ground our work and behaviour on core values and principles. These policies define our performance and positioning across all areas in a responsible manner.



People in first-place

We seek to foster a well-balanced, inspiring environment where each employee can thrive and take new challenges.



Innovation & Know-how

Innovating and challenging the limits are part of our DNA, so we can build smarter solutions, and grow sustainably.



Quality

Committed to quality in all strands of our activity, we know that indoor air quality can be achieved only through the excellence products and services.



Flexibility

We work side by side with the most demanding client, determined to overcome limits, short the distance and bring the right answer wherever needed.



Responsibility

Working to the quality of life of every people in the world with energy efficient environments and products for healthy, clean environment, fostering the healing process and life.

CORPORATE GOVERNANCE CONSOLIDATED INCOME STATEMENT 2018

EXECUTIVE SUMMARY

In 2018 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. OCRAMclima 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 10 739 476,83 in 2018, resulting on an expressive 9,4% growth when compared to the previous year (EUR 9 819 063,02);
- Net consolidated result reached EUR 238 215,67, maintaining its consistency and solidity;
- Consolidated EBITDA, expressing resources obtain through the group's operation, was EUR 584 547,66, increasing 19.0 percentage points in comparison to 2017 and 55,9% when compared to 2016.
- Vieira & Lopes Group International activity represented 82,2% of consolidated



**BUSINESS
TURNOVER**
€ 10 739 476



€ 8 828 692
**EXTERNAL MARKET
PRODUCTION**



**INTERNATIONAL
ACTIVITY = 82,2%**



**30,6%
GROWTH
IN HVAC
EQUIPMENT
PRODUCTION**

business turnover during 2018, which can be translated in positive evolution when compared to 2017 – during this period international markets represented 75,6% of the consolidated business volume.

- Consolidated production of the whole group targeted for foreign markets reached EUR 8 828 692,79 which stands for an 8,5% growth when compared to the previous year (EUR 7 419 130,48) and 29,2% in face of 2016 (EUR 6 835 087,17).
- Sales derived from HVAC equipment produced by OCRAMclima corresponded to EUR 2 679 799,24, resulting in a meaningful growth of 30,6% rise in comparison the previous year and and 25,0% business consolidated turnover for the group.

1. VIEIRA & LOPES GROUP ACTIVITY

Vieira & Lopes Group here referred to as VL - with headquarters located at Rua da Quintã, 8/10 Frossos, Braga - businesses are currently 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 31st of December of 2018.

Written accordingly to 66th 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 2018

2.1. GLOBAL ASSESSMENT

2018 diverged from the worldly synchronized and wholistic evolution that occurred during 2017 and was expected by then to reappear in the following year. The growth rate slowed down both for developed and underdeveloped economies if compared to the previous year when the growth rate has been the highest since the 2008 crisis. The slowdown happened amidst the decline of enthusiasm in financial markets, the uncertainty regarding commercial policies, and the Chinese economy depravity expectations. It estimates the global economy to have grown at a 3,7% rate, with developed economies marginally slowing 2,3% and emerging registering 4,6%.

International commerce softened to lower levels than 2017. Inflation remained contained at a global scale, incrementing only in the United States. Notwithstanding the action of the Federal Reserve (FED) and some other Central Banks, monetary policy remained globally accommodative. However, the reversal (or the reversal intentions announcement) of exceptional financial measures, limiting liquidity and worsening economic conditions, has been the dominant critical factor for financial markets and its increased volatility.

The broad appreciation of USD marked the year. In the particular case of EUR/USD, the European Currency gains endured till the middle of April, downshifting since then; the last quarter was about consolidation in a tight variation range.

Metal and agricultural commodities moderate depreciation in the latter half of 2018 reflected lower demand from China. Crude (brent) recorded sharp fluctuations: starting the year at USD 69,00/barrel; followed this trend with in-between corrections up to USD 86,00/barrel at the beginning of October; and, against all the odds, foreseen after the sanctions policy on Iran, minimums were reached late in December, of USD 50,00/barrel. The new agreement to implement production cuts implemented by the Organisation of Petroleum Exporting Countries (OPEP) brought fluctuation to terms and stabilizing prices since then.

The Euro Zone showed an expansion of 1,8%, lower than predicted by most of the reference organizations. The positive environment during 2017, soon yielded to a gradual downward revision, mostly during the second half of 2018.

Political differences between Italy and the European Commission have contributed to increasing uncertainty and financial risk. Social protests marked the last quarter of the year in France. Germany has been affected by broad conjuncture factors and registered a disappointing economic performance along the second half of the year. Unemployment kept decreasing while inflation had meaningful oscillations without ever achieving price stability, recording 1,7% per year. For the third consecutive year, the political, macro, social context has been taken over by Brexit. A large host of negotiations has not been enough to reach an agreement up to the 29th of March 2019, the formal date of exiting. Nonetheless, macroevolution was positive, around 1,4%.

The United States recorded a 2,9% growth, higher than the long term trend. The positive effect of Fiscal Plan, implemented by the Trump administration during 2017 and rising to its peak in 2018, has been decreasing ever since. Labour market kept the improving trend registered before, with the unemployment rate shrinking to 3,7%, the lowest in 50 years. Credit market tendentially increases corporate bonds spread, mirroring less optimism and increased risk of the energetic sector. Inflation trended upwardly, and estimates are at 2,4%.

Japan's growth was roughly half of the previous year, at a 0,9% pace in 2018. Unusual factors, some of which related to climate have limited economy during the second half of the year. Australia recorded a marginal growth above 3,0%, speeding up in comparison to the previous year as an outcome of the performance during the first phase of the year. Real Estate market corrected when compared to 2017.

Emerging and developing economies recorded expansion at a pace close to 4,6%, in a slight slowdown to what has driven during 2017. China decreased speed continuously along 2018, displaying the effects of all the measures taken to control the economy's credit overflow and high pollution levels mitigation. The commercial dispute with the United States and enforced export taxes, as well as international repercussions of "One belt one road" initiative together with China 2025, had negatively influenced the performance of the world's second-largest economy. Estimates point to a 6,6% expansion against 6,9% recorded in 2017. Argentina is expected to register a contraction of around 2,6%; South Africa is supposed to have increased economy



roughly 0,8% thus exhibiting the institutional uncertainty and the dominant political instability at the beginning of the year, as well as extreme drought, felt in part of the country.

Despite East Europe's struggle with lack of skilled labour, stable growth rates endured although slightly lower than the previous year. Russia was in the third consecutive year of economic expansion after 2015's contraction. The country is estimated to have grown 2.3%, speeding up in the face of 1,6% recorded in 2017, profiting from global price recovery on crude and natural gas, as well as liquid exports.

A Rússia deverá ter registado em 2018 o terceiro ano consecutivo de expansão económica após a contração de 2015. Estima-se que tenha crescido 2,3%, uma aceleração face aos 1,6% registados em 2017, com o contributo positivo da recuperação dos preços internacionais do crude e do gás natural, in addition to liquid export.

2.2. PORTUGAL OVERVIEW

Portugal recorded the fourth consecutive year of economic growth after the 2011/2013 crisis. An ascending trajectory, albeit slowing, increased 2,1%, sustained by private consumption, profiting from a rise in employment and the modest gain in salary level.

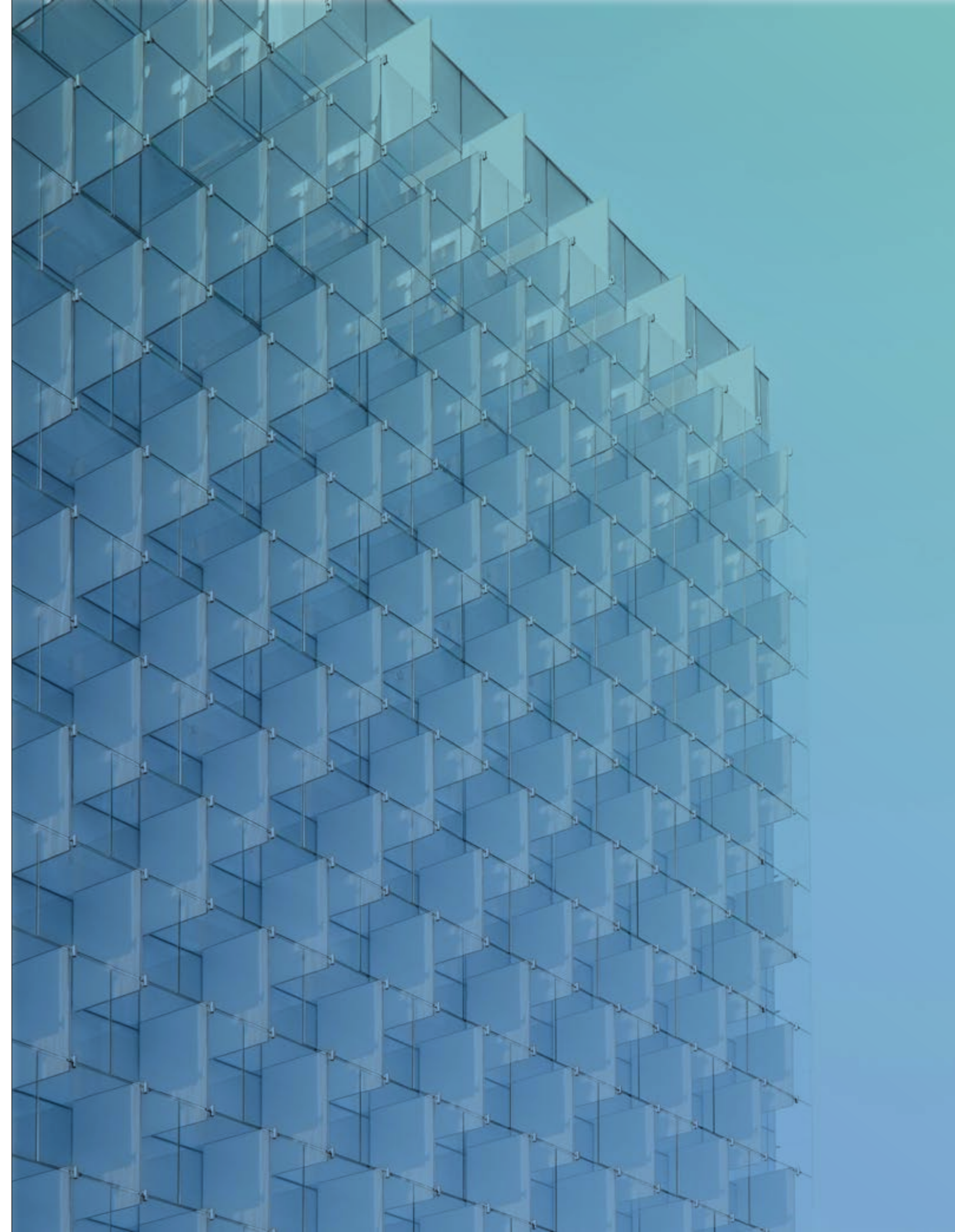
Retail remained robust. The investment, on its turn, grew significantly less than in 2017 reflecting the postponement for projects financed by structural funds of the European Union and more limited execution for public investment. External demand has suffered from less dynamic traditional partners and, on the other side, reflected the unexpected industrial suspensions.

The balance of goods recorded a higher deficit than 2017, marginally compensated by a surplus on services - goods export and industrial production experimented a less dynamical evolution while tourism slowed down. Public consumption has been the only item that recovered the rhythm of 2015/16.

In October Moody's raised Portuguese rating for Investment Grade, in alignment with what two other agencies had already announced in the previous year. As in recent years, fiscal consolidation was dominant, and 2018 was not an exception with the following moderate budgetary policy. The deficit estimated at 0,6% of GDP, profiting from the cyclical increase of fiscal revenue, less debt interest, the good performance on expenditure and the variance between budgeted public investment and the one effectively concluded.

Like 2017, financing capacity for the Portuguese economy has been positive, although diminished as a consequence of significant efforts of investment from non-financial companies and private consumption above families income.

Labour market kept the same recovery rhythm from recent years, diminishing unemployment, maybe the best current economic recovery; unemployment rate decreased 7,0% to the lowest level from 2004; at the end of the year it came down to 6,7% (last quarter data), not seen since 2002. Inflation was 1,4%, confirming less pressure from consumer prices, though volatile through the year.



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. 2018 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 next page shows a brief structure of the group, with the participation in each market.

Despite the great challenges of the internationalization process, VL has achieved a very relevant economic and financial performance during 2018. Thanks to a clear

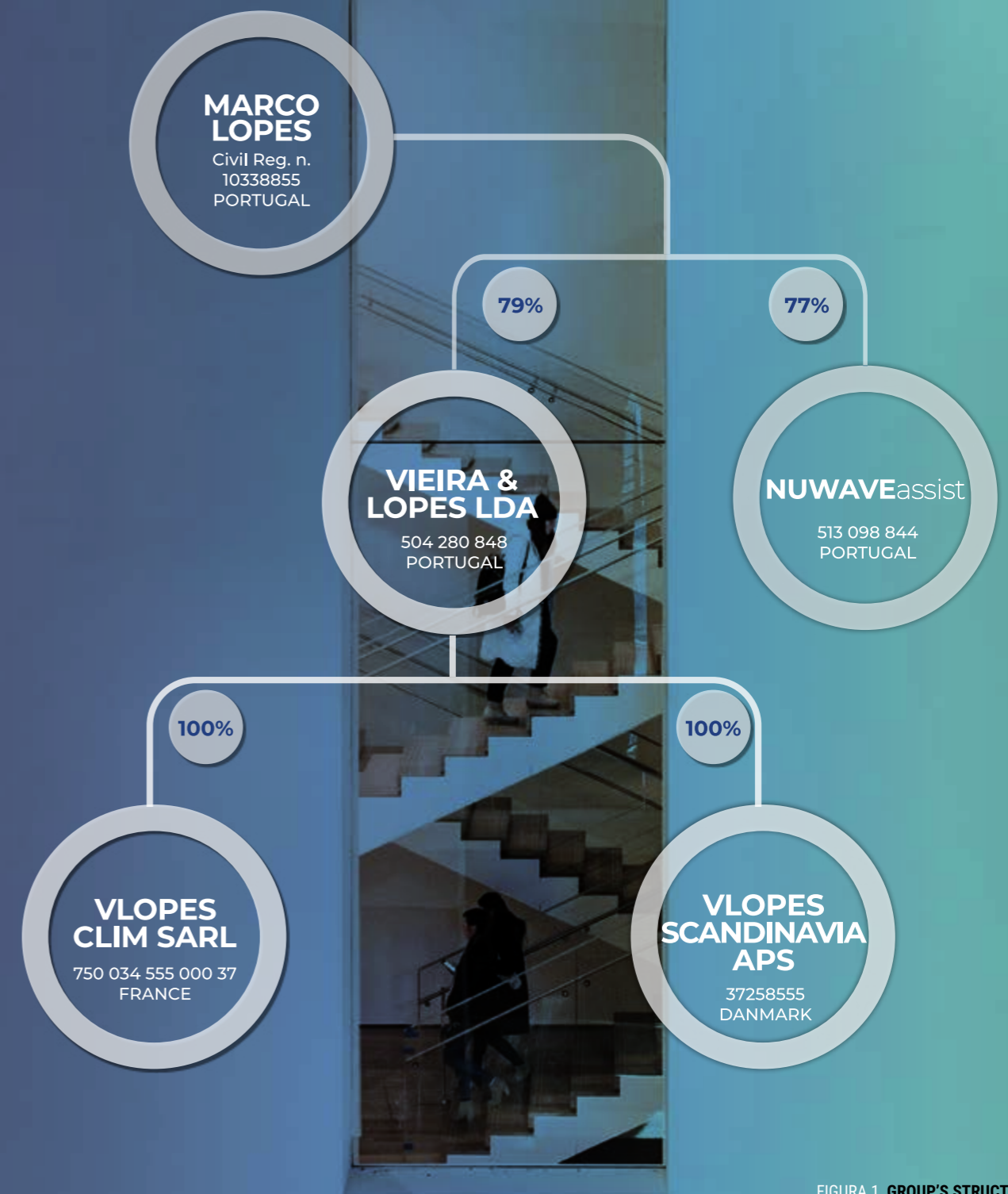


FIGURA 1 GROUP'S STRUCTURE

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.



ENERGY

ENVIRONMENT

HEALTH



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 awarded “The Seal of Excellence” under the SME Instrument program of Horizon 2020, promoted by the European Commission. Currently under the third phase of this program. 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.

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. 2018 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 2018 in a transparent, integrated and reliable analysis.

From a financial perspective, VL achieved clearly positive results in 2018. The company has been able to sustain and maximize its competitive standards.

During 2018, the group has solidified its position as far as operational results are concerned. The consolidated business turnover of Vieira & Lopes has recorded again its best year ever, reaching EUR 10 739 476,83, which represents a growth of 9,4% in relation to the previous year (Table 1).

Consolidated net profit of Vieira & Lopes stands in EUR 238 215,67 for 2018, slightly adjusting in face of 2017 but securing significant growth when compared to 2016.

Special remarks on EBITDA, expressing the resources generated by the company's operational activity, at EUR 695 778,79, translating 19 percentage points growth in face of the previous 55,9% from 2016.

Amongst the achieved results, as an indicator of economic activity profitability, EBITDA becomes highlighted as a percentage of business turnovers. The value of 6.5% expressed a net growth of 0,5% in comparison to the previous year and 1,7% in face of 2016 (Chart 1).

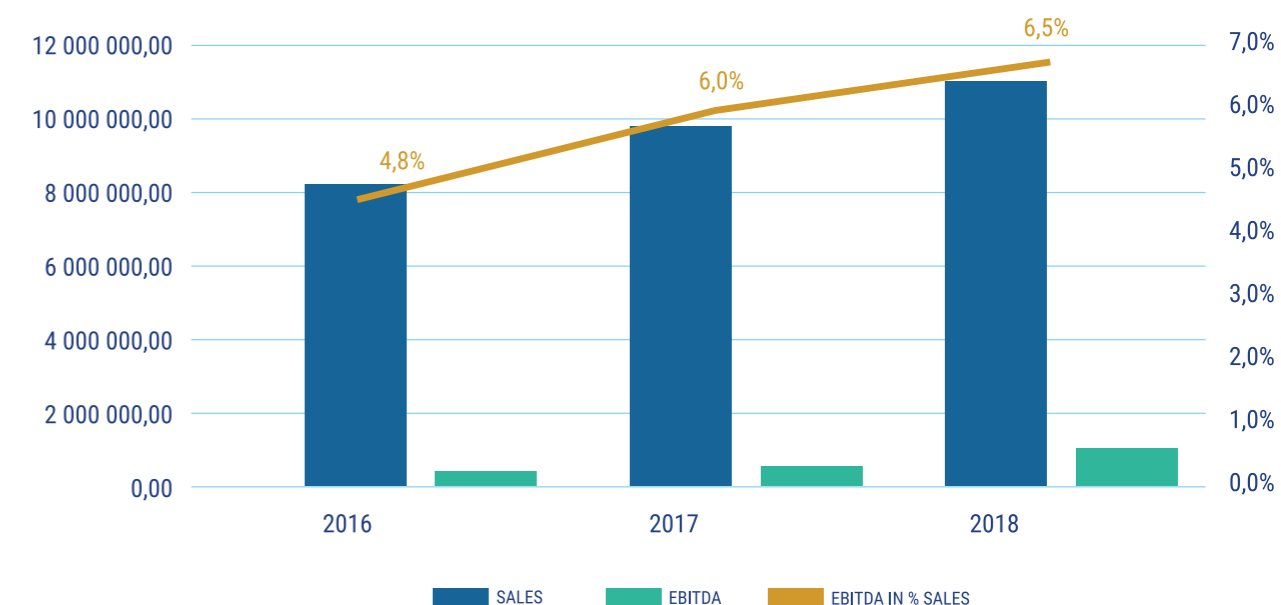


CHART 1 Evolutionary Analysis for consolidated results

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 shows the achievement and the success of the new strategic orientation for external markets.

During 2018, from a consolidated perspective, the production for external markets reached an EUR 8 828 692,79, thus translating an 19,0% growth relative to the previous year EUR 7 419 130,48) and of 29,2% in face of 2016 (EUR 6 835 087,17) (Table 2 e Chart 2).

External markets were responsible for 82,2% of consolidated business volume of the group, representing a significant increase when compared to 2017, During that period international market have been equivalent to 75,6% of consolidated business volume for the group (Chart 3 and 4).

On the other hand, the production for the national market dropped 20,4% between 2017 and 2018 (to EUR 1 910 784,04) which follows the strategic guides of the company to privilege international markets in order to reduce risks and unfold new business opportunities.

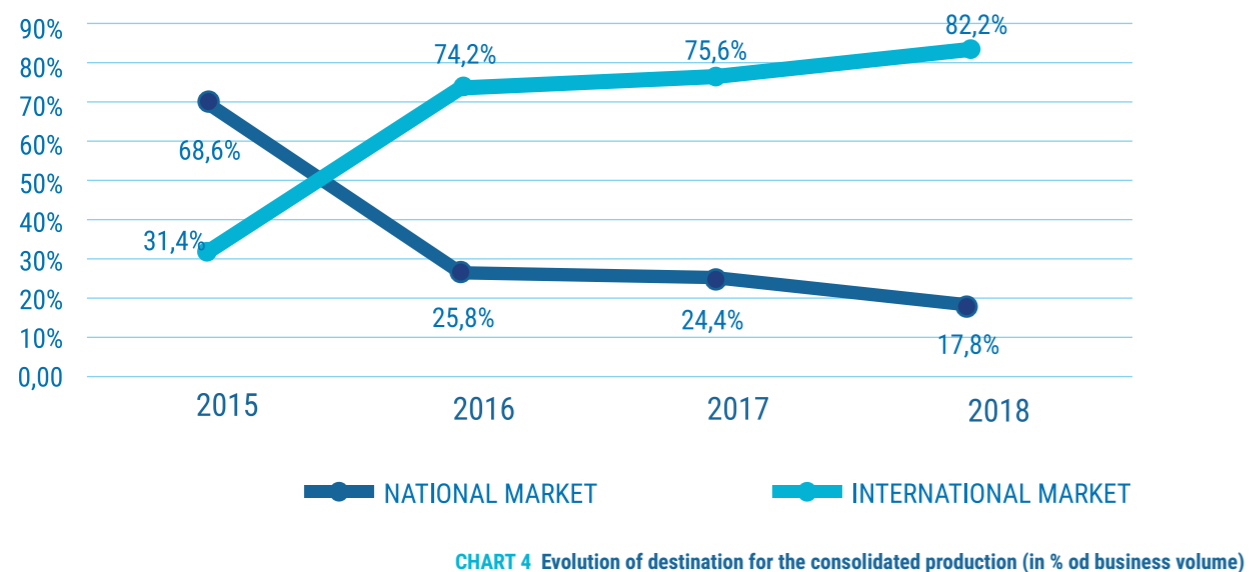
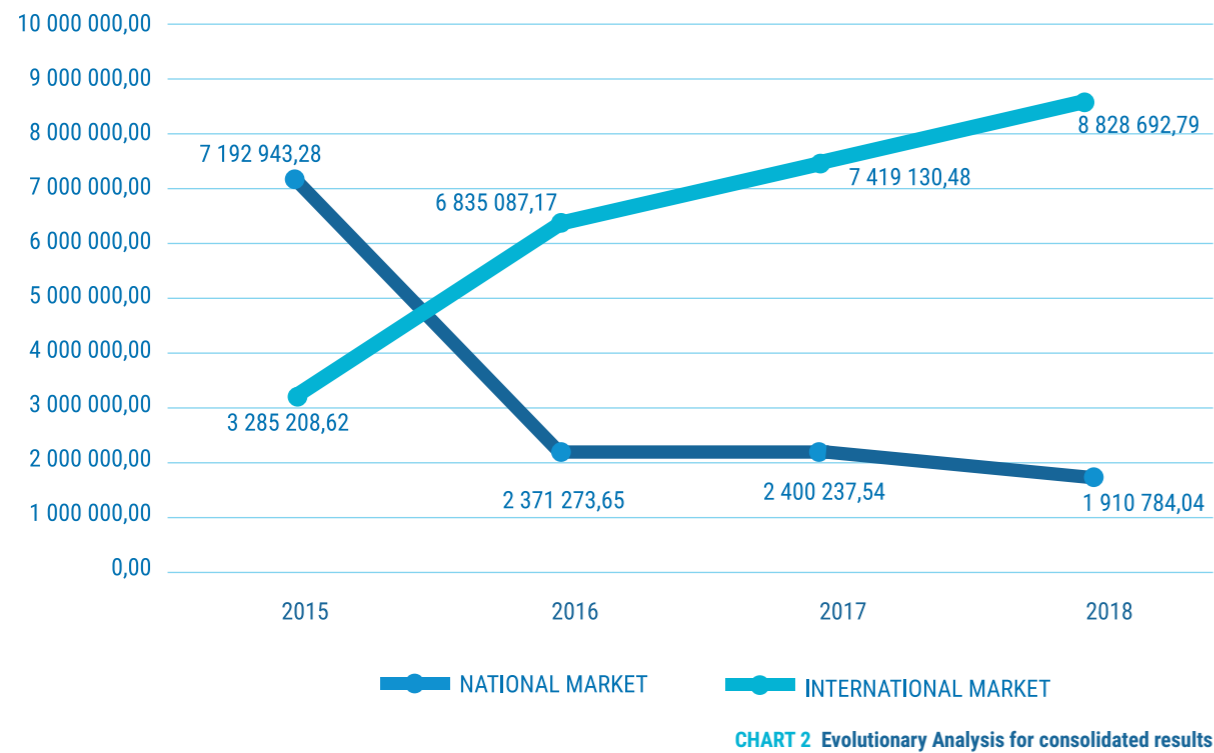
The data now presented reinforces the growing trend of the latest years. It also provides a reason for the investment in external markets, decreasing the risk level for company's activity. French and Danish markets are the main destinations for the 2018's production.

	2016	2017	2018	Value	Variation %
National Market	2 371 273,65	2 400 237,54	1 910 784,04	-489 148,50	-20,4%
EU Market	2 371 273,65	7 362 216,91	8 785 692,79	1 423 475,88	19,3%
Other Markets	423 890,95	56 913,57	43 000,00	-13 913,57	-24,4%
GLOBAL VALUE OF EXTERNAL MARKETS	6 835 087,17	7 419 130,48	8 828 692,79	1 409 562,31	19,0%

TABLE 2 Destination for the consolidated production

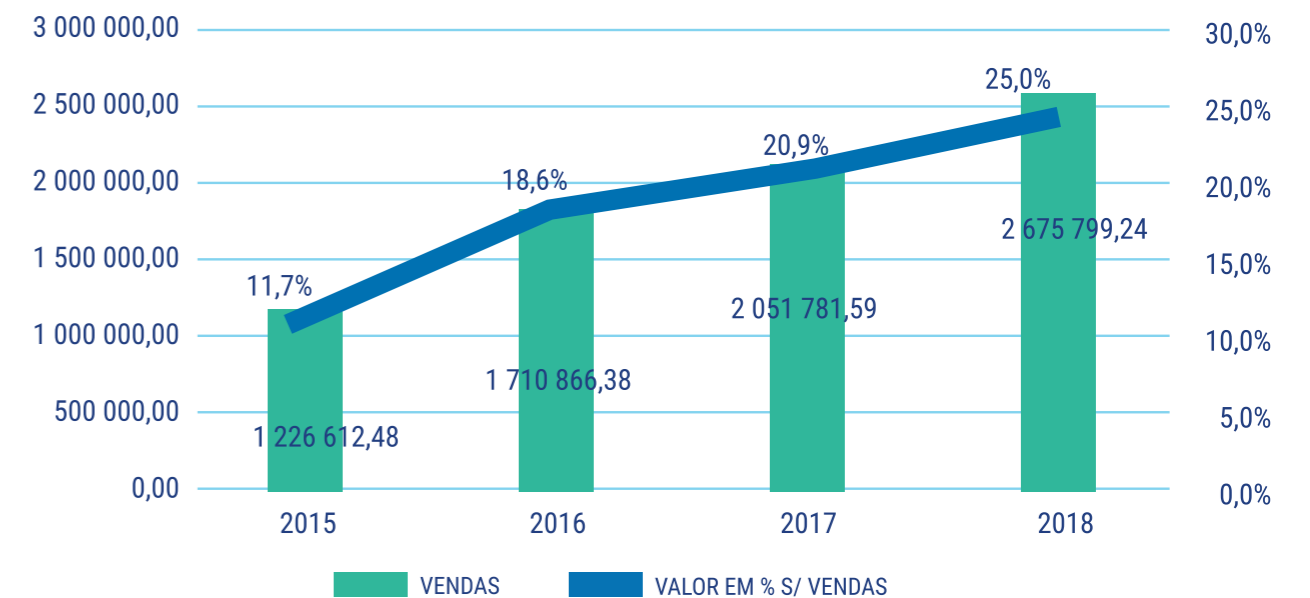
	2016	2017	2018	Value	Variation %
Business Turnover	9 206 360,82	9 819 063,02	10 739 476,83	920 413,81	9,4%
Net Results	142 685,54	262 633,19	238 215,67	-24 417,52	-9,3%
EBITDA	446 428,18	584 547,66	695 778,79	111 231,13	19,0%
EBITDA in % w/ SL	4,8%	6,0%	6,5%	0,5%	---

TABLE 1 Evolutionary Analysis for consolidated results



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 2018, the revenue derived from equipment produced by OCRAMclima ascended to EUR 2 679 799,24, translating a growth of 30,6% in comparison to the previous year, corresponding to 25,0% of the business turnover of the whole group (Chart 5).



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 substantial reduction on impairment losses (to EUR 15 718,54; a decrease of 95,7% in comparison to the previous year) and the Cost of Goods Sold and Materials Consumed (to EUR 4 093 616,00; decrease of 6,0% in comparison to 2017). Oppositely, External Supply and Services with a 16,5% reduction in 2017 in comparison to the

previous year but an increase of 27,7% (to EUR 2 201 999,02) as a result of increased activity for the group. For this same reason, Payroll Costs reached EUR 3 937 650,97 (positive variation of 20,3%), and Expenses and Financing Losses were of EUR 159 777,95 (raised in 29,9%). Expenditures with Depreciation and Amortization have been EUR 178 708,67 (increasing 110,9% in comparison with the same period last year).

	2017		2018		VARIATION	
	VALUE	%	VALUE	%	Value in €	%
Cost of Goods Sold and Materials Consumed	4 354 802,62	43,5	4 093 616,00	38,4	-261 186,62	-6,0
Payroll Costs	3 273 434,66	32,7	3 937 650,97	36,9	664 216,31	20,3
External Supply and Services	1 725 004,33	17,2	2 201 999,02	20,7	476 994,69	27,7
Impaired losses	364 345,46	3,6	15 718,54	0,1	-348 626,92	-95,7
Expenses and Financing Losses	123 025,31	1,2	159 777,95	1,5	36 752,64	29,9
Expenditures with Depreciation and Amortization	84 746,53	0,8	178 708,67	1,7	93 962,14	110,9
Other Expenses and Losses	82 727,53	0,8	75 069,37	0,7	-7 658 16	-9,3
TOTAL	10 010 103,44	100	10 662 540,52	100		

TABLE 3 Evolutionary Analysis of the consolidated expenses structure

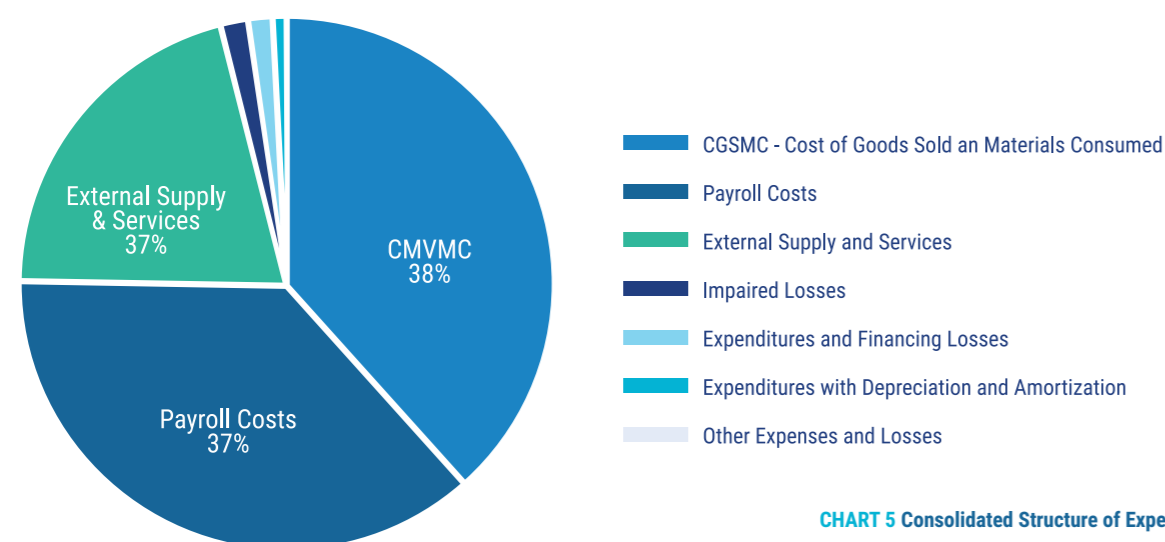


CHART 5 Consolidated Structure of Expenses (in %)

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).

	2017		2018	
Non-current assets	1 541 094,75	16,1%	1 844 630,71	21,2%
Current assets	8 019 070,92	83,9%	6 871 395,25	78,8%
TOTAL ASSETS	9 560 165,67		8 716 025,96	
Equity	2 100 498,79	22,0%	1 934 933,88	20,2%
Non-current Liabilities	997 872,47	10,4%	723 150,12	7,6%
Current Liabilities	6 461 794,41	67,6%	6 057 968,96	63,4%
TOTAL LIABILITIES	7 459 666,88		6 781 119,08	
TOTAL EQUITY AND LIABILITIES	9 560 165,67		8 716 052,96	

TABLE 4 Consolidated Annual Balance Structure

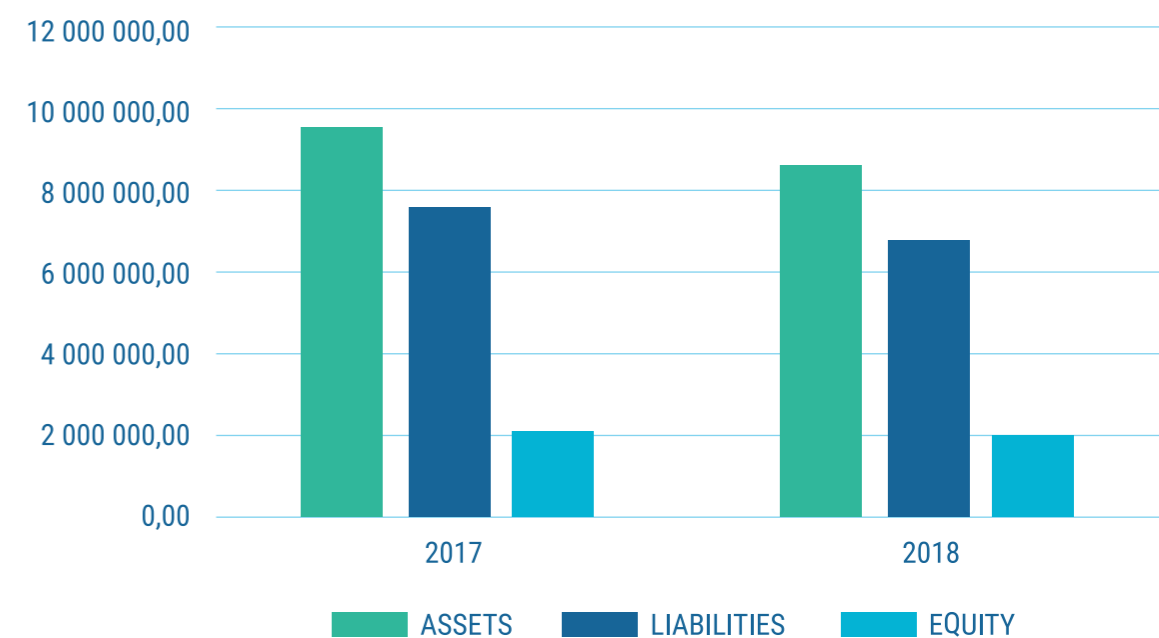


CHART 6 Evolution of Consolidated Assets, Liabilities and Equity

5. EXPECTATIONS FOR THE FUTURE

5.1. MICROECONOMICAL ENVIRONMENT

The world economy is expected to have during 2019 a less exciting evolution when compared to recent years. Following a downward revision of IMF projections from last October, a 3,5% rate includes the adverse effects as a result of a commercial dispute and mutual tax imposition from the United States and China.

The less powerful economic expansion in the latest months of 2018 would have sanctioned companies trust and the expectations towards future activities, mainly about new orders and investment intentions. The risks pending on showed projections are harmful and might determine an additional degradation of financial conditions, containing and lowering the security of economic agents.

Beyond the surge in the economic dispute - risking the rise of commercial tensions in Spring and a general increase in protectionism - the United Kingdom disordered departure from European Union, the slowdown in China (punishing trade partners and determining negative evolution on commodities) or a less consensual political context in Europe compose the actual group of potential threats to growth.

If these risks were to become a reality, even separately, it would determine and harmful context for investment, question supply chains and limit productivity gains. International trade should rise at a rhythm similar to last year, around 4,0%. A less positive contribution from emerging economies is expected, and a faster pace from developed economies is previewed. The coordinated action between OPEP and a group of ten other countries producing oil (with a highlight on Russia), the so-called OPEP+, should be able to secure the crude price. The United States production increase should act as a counterforce.

Critical management of stocks and a moderate increase in the energy factors are anticipated. Estimates indicate the average cost for crude will be marginally bellowing USD 60,0/barrel. As in 2018, Chinese authorities will look for the fragile balance between managing economy excess at leverage, installed capacity and pollution by one side, and economic slowdown and insolvent companies on the other side.

The Euro Zone should be able to maintain the economic expansion trend, although at a substantially lower rhythm than what took place during 2018. It is expected to reflect the notorious slowdown of 2018's second half and the less optimistic perspectives about external demand evolution. The ballpark figure for expansion is around 1,6% with harmful risks hovering on forecasts.

European elections in May; talks on the budget for the next seven-year framework in the European Union, and the anti-European political movements will determine the political context, with all the challenges expected.

After the decision to put an end to assets acquisition in December 2018, BCE should be able to keep the interest rates at the present levels at least until de Summer. There might be complementary measures to assure long-term financing and, favourable to the European banking sector.

One year ago, negotiations between the EU and the United Kingdom restrained the future economic performance of both. Today, there are no certainties about the terms for the United Kingdom to leave EU, neither to what type of commercial and financial relationship will exist in the future.

In the eminence of an exit without pre-defined rules to minimize negative impact, a less favourable scenario can be expected. Adjustments are already being made in the commercial relationships between both parts, and there will be financial costs. The United Kingdom is supposed to grow at a 1,5% rate during 2019. Central and East Europe should maintain strong growth from recent years.

5.2. PORTUGAL

In 2019 predictions for Portugal economic growth are below the last three years. The economy is expected to decelerate for a rhythm around 1,8%, primarily due to the decline of external demand. Private consumption, supported by employment creation and salary progression, should be evolving to a rate only slightly inferior to 2018 and private consumption will follow the same path. Investment forecasts are of positive evolution and above what has been recorded the previous year in the face of Structural Funds from EU postponements.

Exports will reflect less demand from commercial partners and should rise way below recent evolution. Import will also perform under the rhythm of previous years, although in part due to the increased exporter profile of the Portuguese economy and internal demand sustainability. Still, are expected to grow at a higher rate than export, with the worsening of the trade balance.

The consolidation of public finances will continue. The expectations towards the increase of fiscal revenues and reduction of the amount of public debt interest are estimated to result in a deficit below 1,0%.

The aggregate current and capital accounts balance should have a positive evolution, aligned with the recent past. It is estimated that the surplus reaches 1,3% of GDP. For the eighth consecutive year, this will result in a positive capacity to finance the economy. Prices will suffer moderate pressure and prices for consumers will rise roughly 1,4%. AS a consequence of unemployment rate downturn, expected to decline to 6,5%, increase on salary references and public employers careers unfreezing with less labour market gap it is expectable a rise in the salary levels and, therefore, services and inflation.





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 strategy of the Vieira & Lopes Group during 2019 to overcome results from 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. The commitment for 2019 is to strengthen the presence in Scandinavian Market through VLOPES SCANDINAVIA APS. To expand operations in the Mexican and South American market. Increase our presence in India and make our entrance to Iran and the Middle East Region, namely Saudi Arabia, the United Arab Emirates, Oman, and Dubai;

- b. Increase the expansion, value, and acknowledgement of 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 m², and 4 152 m² of building area. This essential investment, not only signals the 21st 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 international player in the sector.

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 31st of December of 2018, 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 2018 economic period. The company is not exposed to financial risks that could potentially damage its financial position and its operations maintenance.

6.1. AUTHORIZATION DATE FOR FINANCIAL DEMONSTRATION EMISSION

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. The consolidated financial statements for the period ended on 31st of December 2018 were approved by the administration and authorized for issue on July 02, 2019.

7. FINAL NOTES

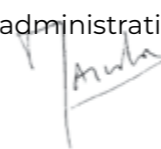
We would like to acknowledge all those who expressed their trust and preference, particularly our customers and suppliers, to whom much of the growth and development of our business is due. They are the reason for being of our company.

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, 02th of July of 2019

The administration,



8. CONSOLIDATED BALANCE SHEET

ON THE 31ST OF DECEMBER 2018

CONSOLIDATED BALANCE			EURO	
ITEMS	NOTE	2018	2017	
ASSETS				
Non-current assets				
Tangible Fix Assets	6	863 406,65	723 710,81	
Intangible assets	5	790 771,71	640 918,10	
Goodwill		5 500,00	5 500,00	
Other Financial Investments	16,2	184 952,35	170 965,84	
Accounts Receivable				
		1 844 630,71	1 541 094,75	
Current assets				
Inventory	10	1 562 174,41	1 499 738,76	
Clients	16,1	3 437 715,87	3 433 679,54	
State and other public entities	18,1	169 730,58	488 323,37	
Other Accounts Receivable	11	1 112 366,27	2 249 876,66	
Deferrals	18,2	18 898,62	22 990,10	
Non-current assets held for sale	16,3	101 875,93	101 875,93	
Cash in hand and bank deposits	4	468 633,57	222 586,56	
		6 871 395,25	8 019 070,92	
TOTAL ASSETS		8 716 025,96	9 560 165,67	
EQUITY AND LIABILITIES				
EQUITY				
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		(142,20)	(80,82)	
Retained Earnings	19,4	923 838,70	1 066 977,92	
Adjustments/other variation on Equity	19,5	60 872,31	58 819,10	
		1 696 718,21	1 837 865,60	
Net Profit for the period	15	238 215,67	262 633,19	
Non-controlling interests				
Total Equity		1 934 933,88	2 100 498,79	
LIABILITIES				
Non-current Liabilities				
Loans obtained	7	723 150,12	997 872,47	
		723 150,12	997 872,47	
Current Liabilities				
Suppliers	16,1	3 515 517,55	2 495 886,11	
State and other Public Entities	18,1	432 172,00	571 678,98	
Loans Obtained	7	1 571 869,99	1 046 788,35	
Other payable debts	16,1	273 227,58	783 079,85	
Deferrals	18,2	265 154,84	71 833,71	
		6 057 941,96	4 969 267,00	
Total Liabilities		6 781 092,08	6 300 969,49	
Total Equity and Liabilities		8 716 052,96	8 082 272,73	

O CONTABILISTA CERTIFICADO.

Rogério de Sá

A GERÊNCIA.

Vieira & Lopes, Lda
A Gerência

9. PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

ON THE 31ST OF DECEMBER 2018

CONSOLIDATED INCOME STATEMENT BY NATURE

ITEMS	NOTE	2018	EURO 2017
INCOME AND EXPENSES			
Sales and Service Rendered	12	10 739 476,83	9 819 063,02
Operating Subsidies	13	171 587,26	22 977,11
Changes in Inventory of production	10	(215 758,09)	371 516,91
Own Work	5	197 396,87	131 899,20
Costs of goods sold and materials consumed	10	(4 093 616,00)	(4 354 802,62)
External Supply and Services	18,3	(2 201 999,02)	(1 725 004,33)
Staff Costs	17	(3 937 650,97)	(3 273 434,66)
Imparity of Receivables (losses/reversals)	8	(15 718,54)	(364 345,46)
Increases/reuctions of fair value		2 000,00	3 000,00
Other Income	18,4	125 129,82	36 406,02
Other Expenditure	18,5	(75 069,37)	(82 727,53)
Results before depreciation, financing expenses, and taxes		695 778,79	584 547,66
Expenses/reversals of depreciation and amortization	5,6	(178 708,67)	(84 746,53)
Operational results (before financing expenses, and taxes)		517 070,12	499 801,13
Interest and similar charges obtained	18,7	6 397,98	
Interest and similar charges supported	18,6	(159 777,95)	(123 025,31)
Result before taxes		363 690,15	376 775,82
Income tax for the period	15	(125 474,48)	(114 142,63)
Current tax		(125 474,48)	(114 142,63)
Deferred tax			
NET PROFIT FOR THE PERIOD		238 215,67	262 633,19
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		238 215,67	262 633,19
Non-controlling interests			
BASIC RESULT PER SHARE			

O CONTABILISTA CERTIFICADO,

Bequed da gpf

A GERÊNCIA,

Vieira & Lopes, Lda
A Gerência