To the Future, fast.

Annual Report and Accounts 2020

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Chapter 1

Shaping the future

1.Message from the Chairman of the Board of Directors and Chairman of the Executive Committee of Efacec Power Solutions

20/20 One year at two paces

2020 was a particularly complex year, challenge over challenge, worldwide. We all felt and experienced this complexity, both in our personal and professional spheres. **It was a year marked by dichotomies, often experienced simultaneously, revealing our essence and determining our path.**

For Efacec, 2020 was also a dichotomous year, derived from the many crises that the company faced.

20/ The time of crisis

Worldwide, the year was marked by the COVID-19pandemic, which continues to have a strong impact in 2021 and which has claimed millions of lives, has tested the resilience of millions of people, livelihoods, health systems, economies, governments and citizens, as we could never have anticipated.

For Efacec, in particular, 2020 was perhaps the most challenging year in its 72 years of history. In addition to the crisis resulting from the COVID-19 pandemic, the company started the year with a shareholder crisis caused by the Luanda Leaks episode, followed by the consequent blockade of a significant part of the financial system, after the two crises mentioned.

Obviously, Efacec's activity was affected by these events, which triggered a series of chain reactions that had an impact on the company's relationship with its Clients, Suppliers and, in particular, with the financial system.

I would like to acknowledge and to thank the Efacec team, on behalf of the entire board, for the resilience, creativity, humanism and spirit of mutual help, which the team showed during 2020, which was a difficult year.

Ângelo Ramalho,
Chairman of the Board of Directors
Chairman of the Executive Committee
Efacec Power Solutions

The "first half of the year" was thus marked by a succession of crises, which placed the company in a position of imminent unsustainability, despite the positive results achieved in previous years. On 2 July 2020, the Government of the Portuguese Republic announced the nationalization of 71.7% of Efacec's capital, with the objectives of solving the deadlock experienced in the shareholder reconfiguration process, enabling the continuity of the company and ensuring the stability of its financial and operational value. An unprecedented act towards a company in our sector, which recognizes the **Eface's Economic and Strategic Value, which is absolutely unavoidable for the country.**

This shareholder change allowed Efacec to normalize its relationship with the different *stakeholders* and to recover the activity, allowing for a gradual resumption of operations over the last quarter of the year, with a positive effect on the orders, revenues and results in the last quarter.

So it begins the 2nd time The recovery time. /20

Inevitably, 2020 revenues fell by 39%, reaching 216 million years, greatly impacted by factors exogenous to the Group.

In terms of results, and despite the positive impact of the cost structure adjustment in progress since 2019, this was not enough to compensate for the fall in the volume of activity and, therefore, the operating results reduced significantly.

However, Efacec's financial strength made it possible to accommodate the impact of these negative results and end the year with equity of 180.2 million euros, which corresponds to a 28.7% financial autonomy ratio.

Last quarter's revenues were 91 million euros, more than double the average of previous quarters, and recurring EBITDA for this quarter was already positive by 10 million euros.

Despite the countless crises - the internal, the external, the ones imposed on us, the fluctuations in the market and the social and economic instability that resulted from them - Efacec remained determined.

VISION TO CREATE

With our teams and resources, we continue to create high added value solutions, while supporting the sustainable development of markets, guaranteeing Client satisfaction worldwide and strengthening our position as a technological reference company. **And, even in a year of enormous difficulties, total investment in R&TD activities increased compared to 2019, amounting to 4% of the revenues for the year.**

- Nine new projects, in a total of 27 R&TD projects under implementation;
- High and well above average success rate, at European and national level, in the approval of R&TD projects with external incentives for technological development and innovation.
- Cooperation with more than 60 entities;
- We launched a new product development concept, based on design and modularity - Modular Systems by Efacec. Applied to the new Efacec products and solutions, it allows each equipment to receive new features at the pace of the Client's needs and focuses on Digitalization and Decarbonisation. In December 2020 we introduced the concept to the market, patented and applied by the company, for the first time, in a Core 40 MVA Transformer, strengthening Efacec's permanent innovation and pioneering spirit.
- Based on the new product development principles, Efacec applied for the Red Dot Awards, the most prestigious industrial design contest in the world, with two products launched in 2020 in the Transportation and Transformers areas.

PROMOTING KNOWLEDGE, DEVELOPING TALENT

- We created a Talent Management team, whose mission is to capture, develop and retain the best talent, from and to Efacec;
- We repositioned the internal mobility programme, now called MovIN, which means a "new destination, inside", a destination that allows the achievement of the professional and personal objectives of our Employees;
- We adapted training opportunities and content to the context of a pandemic, so that all Employees, even in teleworking, can develop their own knowledge;
- We created a new organisational structure and a new management model that promote autonomy and knowledge sharing, empowering our leaders and all of our people.

INNOVATING WITH SUSTAINABILITY

In this context, Energy, Environment and Mobility are three strategic pillars for the development of sustainable societies, on which Efacec bases its entire activity. We are committed to fulfilling the United Nations 2030 Agenda for Sustainable Development, whose objective is to promote **Prosperity while protecting the Planet**.

The new products presented in 2020, as well as the new solutions for Electric Mobility that we presented in February 2021, show our contribution to a more sustainable world. **Increased features with digital connectivity, environmental gains by offering more electric charging solutions, with less implementation space, focusing on reliability, durability and high performance.**

With the ambition of helping Portugal to build a more sustainable development model, Efacec signed the Manifesto promoted by BCSD Portugal "Harnessing the crisis to launch a new sustainable development paradigm". The Manifesto is based on the awareness of companies that the world depends, more than ever, on our ability as a society to move from words to actions. For the same reason, we remain pioneers alongside the Católica Business School, in support of the Center for Responsible Business, promoting the importance of conducting business responsibly, for the sake of sustainability.

Thus, we started 2021 with the prospect of a clear consolidation of this recovery and normalization of the company's activity, facing the new year with the confidence of a solid backlog, with a new matrix for approaching projects, oriented towards the cashrelease, with recovered and normalized operations, with lower structure costs and with a technological roadmap that provides for the rapid launch of new solutions in the sectors in which we operate.

We knew how to face fear with collective intelligence, which is what distinguishes organisations that create value and those that last. And the proof of that was the fact that we never stopped, giving our best every day, for our company, our Efacec and for our stakeholders. In Portugal and in all geographies where we operate.

Therefore, I would like to acknowledge and thank the Efacec team, on behalf of the entire board, for the resilience, creativity, humanism and spirit of mutual help, which the team showed during 2020, which was a difficult year, and, above all, for continuing to fight daily for everyone's future.

To our Clients, Suppliers, Partners, Shareholders and other *Stakeholders*, I thank you for your choice and trust.

On this path towards the Future, which is to be fast, efficient and sustainable, we will continue to honour the Purpose that unites us: **the creation of a smarter future for a better life!**

To the future fast

Ângelo Ramalho,
Chairman of the Board of Directors
Chairman of the Executive Committee
Efacec Power Solutions

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Chapter 2

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2020 KEY FACTS

2. 2020 Key Facts

2.1. 2020, a year of contrasts

The year 2020 will be forever marked in the collective memory of the world by the COVID-19 pandemic outbreak. A year of huge losses, starting with the worldwide total of almost 2 million people who lost their lives to COVID-19. A year that required enormous capacity for containment, adaptation, resilience, unity and solidarity.

But for Efacec, the difficulties started at the very beginning of the year, with a shareholder crisis with enormous repercussions, namely reputational ones, which led to the company's partial nationalization. Unprecedented event in a history of more than 70 years.

After a first half immersed in internal and external crises and deep uncertainty, in the second half of 2020, Efacec manages to meet the conditions to manage the company with a view to sustained growth.

2.2. The pandemic

No company was prepared to deal with a catastrophic event of this dimension, with a worldwide spread and such a strong impact on the economy.

Governments, companies and citizens around the world have taken measures especially focused on ensuring safety and social distancing, often applying a total quarantine regime, determining the lockdown of the population and the closure of most activities. All this with the objective of winning the war against the new Coronavirus.

Teleworking

The Information Systems team doubled the available bandwidth for accessing the intranet and tripled the VPN capacity. Computers and monitors were also delivered at home to Employees with fixed working positions and with specific functions.

Efacec Helpline

Contact channels were created to clarify Employees' doubts, either through the intranet or through the creation of a specific e-mail and face-to-face support by the Human Resources & Organisation team. (covid19@efacec.com).

Efacec was one of the first companies to act and implement preventive measures, both in Portugal and in the different countries and projects in which it operates, worldwide. ↘

Communication

We strengthened our platforms in order to be in permanent contact with our Employees, assuring them that everything was being done to ensure safety at Efacec facilities.

1 → **Internal Communication**
One of the priorities is to bring together the different Efacec realities. In a first phase, and in order for all Employees to feel safe, internal memos were shared daily, and then weekly when the situation became more stable. The press releases include information about the pandemic in Portugal and in the world, as well as the measures implemented at Efacec.

2 → **"Living and working during COVID-19" guide**
A guide was created with tips to help people live social isolation in a more peaceful manner, with suggestions for activities to do as a family and individually. This guide had three different editions and was shared with all Employees.

3 → **Intranet**
We developed a page entirely dedicated to Covid-19 where we have: all the memos, contingency plans for Portugal and for the other geographies where Efacec operates, unlock plan, safety and hygiene measures applied at the company's facilities, the three editions of the "Living and working during Covid-19" manual, instructions for external visits and also some practical issues and materials for printing.

Support and guidance campaign, with new rules, for all Employees

Several media were developed, digital and employed, for all Employees in teleworking or in-person work, with the objective of clarifying and guiding on the main measures: return to in-person work campaign, etc.

Cleaning and sanitization

The cleaning and sanitization of all spaces was reinforced and measures were implemented for their use.

1 → All Employees were given masks. Production areas workers were also provided with face shields.

2 → Dispensers were placed in all Efacec facilities, alcohol gel dispensers.

3 → In the canteens, in Portugal, acrylic protections were placed on the tables, the seats were reorganized in order to guarantee social distancing and the cleaning of all furniture was ensured after each use. We also defined circulation routes and established shifts for meals. And in order to guarantee the maximum safety of all the Employees and the respective social distancing between co-workers, the dining space in the Arroteia canteen has been extended to the old bar room and terrace. The garden is now also a dining space.

The confinement and protection measures applied in the Portuguese territory also had a considerable impact on the company's productive capacity, since it was necessary to change shifts, reduce teams, and create reserve groups to face possible outbreaks and, in specific cases, place teams in mandatory quarantine and stop production lines and areas for total disinfection.

At Efacec and in most companies, the teleworking regime developed throughout 2020 and is expected to extend up by 2021. Given the profile of the population, it was possible to keep a large number of Employees working from. The strategy of acquiring computer services and hardware equipment allowed for the rapid adaptation to new work processes. We should also mention the online alternatives that were created for situations that previously required travel, such as: equipment tests, equipment acceptance and audits.

The quick and efficient response allowed Efacec to maintain its productive activities throughout 2020 but, even so, it was unable to prevent the strong impact.

As an exporting company, Efacec was strongly impacted by the COVID-19 pandemic due to two effects:

- About 85% of the company's revenues and activity come from the sale of products and equipment abroad and from the execution of large electrical infrastructure projects abroad;

- Efacec imports part of the products in its supply chain, having a large number of Suppliers in Italy, Spain and, of course, in China. Thus, significant difficulties were felt in obtaining raw materials and components for its products and projects, throughout the first half of 2020.

Countless Efacec projects and contracts were impacted in their execution for several reasons, from disruptions in the transport of people and goods by air, sea and even road, to situations of mandatory quarantine and state of emergency declarations in the different countries where the company operates. We highlight Spain, India, Chile, United States of America, Argentina, Qatar, Bahrain, Singapore, Mozambique, Angola, Algeria, Czech Republic, Austria, among others.

From June 2020, after the most critical phase of the pandemic crisis, our Clients gradually resumed their activities. From the commercial point of view, there were no changes to the Investment Plans of our Clients, namely due to the cancellation of projects, although there is a tendency to postpone investments for the beginning of 2021 that were planned for the second semester of 2020. The projects and supplies in progress at the time of the almost global stoppage of the economy are being resumed, after renegotiating the global calendars with the Clients, in line with the unlocking of the supply chains themselves in order to mitigate potential penalties. It should be noted that the COVID-19 pandemic crisis is a force majeure event, and therefore the interruption of the large majority of projects and supplies is legally protected.

Changes are expected in the form of contracting, project management and supplies in critical infrastructures, such as energy and mobility. In order to protect against future pandemic crises, Clients begin to discuss with Efacec alternatives for risk mitigation, such as the constitution of strategic stocks , the provision of mostly local services, the geographical redundancy of suppliers of raw materials and equipment, among others.

Emphasis should also be given to the positive effects of the pandemic. In addition to accelerating the development of competences, across the majority of generations, with regard to the use of digital tools, there is a greater interest in Sustainability, with, in general, a greater sensitivity to the need of greener solutions and with the integration of new technologies that allow for more sustainable behaviours.

Efacec believes that this trend will shape new economic and financial recovery projects.

Solidarity, care for the other and proximity to the family, albeit by telematic means, should also be highlighted.

At the beginning of 2021, there was a marked worsening of the pandemic in Portugal, which forced a strengthened lockdown, the consequences of which were not yet known at the date of this report.

Electric Mobility Factory - Portugal

Efacec Industrial Hub - Spain

Efacec Industrial Hub - Angola

2.3. The Luanda Leaks and the Nationalisation

The publication of the so-called Luanda Leaks, in mid-January 2020, triggered a succession of reactions which had an impact on Efacec's relationship with its Clients, Suppliers and, in particular, with the financial system.

From the beginning, Efacec's Board of Directors sought to protect the company and its assets as much as possible, having formally asked, on 23 January 2020, the majority shareholder to put its stake up for sale and leave the corporate structure of the Efacec Group to the benefit of the company. This request was immediately granted. Additionally, its representatives resigned from the governing bodies.

The swift announcement of a process to change the shareholder structure and the resignation of the majority shareholder representatives allowed to minimize damage in terms of Clients, Suppliers and Partners, and the company was able to keep the contracts in force.

However, the complex picture of the combined effects of issues of compliance issues, breach of trust and reputational impact led, gradually, the major banks with which Efacec has a relationship to hinder the issuance of trade finance instruments (bank guarantees, letters of credit and confirming) and the granting of treasury financing, subjecting its release to changes in the shareholder structure. For a strongly exporting company such as Efacec, this blockade presented significant difficulties in the execution of projects already contracted or in the signing of new orders.

Credit insurers also reduced the exposure limits to Efacec, in some cases even suspending its allocation, contributing to the increase in Suppliers' requirements and the reduction of agreed payment terms, often requiring early payment for unlocking of production and delivery, with the consequent negative impact on treasury.

The Axesor rating agency, used as a reference in the bond issue process, reduced the company's rating from BBB-, with stable outlook , to BB+, with negative outlook due to shareholder uncertainty and fears of the impact on Efacec's performance. At the end of March 2020, Efacec was informed of the existence of an agreement between representatives of the majority shareholder and the financing banks, of the former and of Efacec, which defined a time frame for the departure of the majority shareholder from the company's corporate structure. This agreement established the transfer, in the short term, of the respective participation to a transitional vehicle, which would have the exclusive purpose of selling Efacec to a final investor within a period of between six and twelve months.

For reasons external to Efacec, the preceding conditions required by the mentioned agreement for the creation of the transitional vehicle and the consequent transfer of Efacec's shares did not successively occurred, delaying the lifting of the financial system blockade, and reinforcing Efacec's operational bottleneck by conditioning the implementation of the action plan outlined at the end of 2019 and, consequently, the regularization of supply chains and operations.

Since the beginning of 2020, Efacec's board made efforts to mitigate the damage caused by the dragging out of a shareholder solution with all interested parties, seeking to reassure them about the swift completion of the sale process and the normalization of the company's operation. However, almost six months after the emergence of Luanda Leaks, it has become more difficult to calm Suppliers that began to demand more severe conditions concerned about their credits, and Clients that began to cancel the contracts already awarded due to the Efacec's inability to comply with its obligations in terms of deadlines, or not to award new orders.

In order to contribute to solving this situation, the Board of Directors of Efacec launched, in May 2020, a process with a view to the presentation of expressions of interest and non binding offers for the acquisition of the majority shareholding position of Efacec. At the end of June 2020, a dozen of non-binding offers had been submitted.

The lack of an agreement between all interested parties, despite the existence of formal proposals for the acquisition of Efacec, also affected by the effects of the COVID-19 pandemic, threatened, almost irreversibly, the company's sustainability. A situation that led to the intervention of the Portuguese State, on 2 July 2020, with the objective of safeguarding the national public interest. On that date, pursuant to Decree-Law No. 33-A, the Government nationalized Efacec's shareholder control, through the public appropriation of the shareholding held by Winterfell 2 Limited.

The combination of the reported facts made the entire situation much more complex. The repercussion of the events related to the shareholder structure gradually intensified Efacec's difficulties in the commercial and operational plan, translating into a substantial and accelerated deterioration of the company's financial situation, worsened by the impact of the COVID -19 pandemic. The need for one-off treasury support at the end of 2019, aimed at reversing the negative treasury cycle and unblocking the supply chain, became an urgent need for immediate liquidity to guarantee the fulfilment of the company's primary obligations towards its employees, the State and its Suppliers. This support was fully blocked due to the deadlock in the change of the shareholder structure, which was possible with the intervention of the State The partial nationalization aimed at ensuring the stability of Efacec's financial, operational and commercial value, and allowing the safeguarding of jobs, industrial value and technical knowledge.

According to Decree-Law no. 33-A/2020, of 2 July, public appropriation through the nationalization of the share (71.73%) held by Winterfell 2 Limited in Efacec is of a transitory nature The same Decree-Law started the reprivatisation process of the nationalized shareholding.

In this context, Efacec continues to be governed by commercial legislation and by its bylaws, and the legal regime of the public business sector is not applicable, in accordance with the provisions of article 3, number 2, of Decree-Law No. 33-A/2020. Similarly, Efacec remains the holder of the universality of assets, rights and legal and contractual obligations that it holds at the date of entry into force of the mentioned decree-law and continues to exercise all rights and obligations that are committed to it under the law, agreement or its bylaws.

Efacec's governing bodies were dissolved, in accordance with the decree-law, with the outgoing members of governing bodies remaining in office, with limited competence to the practice of day-to-day management acts until the appointment of new members, which took place in October. Also, in accordance with the provisions of article 9 of DL no. 33-A/2020, the reprivatisation of Efacec should take place in the shortest possible time and shall be carried out through the direct sale of the shares under the terms of article 6, number 3, subparagraph b) of Law 11/90 of 5 April (Privatization Framework Law).

However, the public appropriation through the nationalization of the shareholding held by Winterfell 2 Limited provided Efacec with access to financing lines and liquidity to reverse the negative treasury cycle and put the company back on the path to normality, while being economically viable and having high potential. Efacec negotiated a financing agreement with a bank syndicate to support the treasury, which was contracted on 14 August 2020. This financing allowed the settlement of debts to critical Suppliers and, consequently, began the process of normalizing the supply chain and the Company's operations.

The new governing bodies of Efacec Power Solutions were elected at a general meeting on 2 October beginning, on the same day, the mandate for the triennium 2020 to 2022. The new governing bodies have Ângelo Ramalho as Executive Chairman, and as members, Manuel Ferreira, Michael Silva, Nuno Silva, Fernando Vaz, Jaime Andrez, Carlos Ribeiro, Gabriela Chouzal, Rui Diniz and Manuel Gonçalves.

2.4. New Organisational Structure and Management Model

Following the shareholder change and with the beginning of the new Board's term of office, the conditions for the management of Efacec were assured.

Thus, a new Organisational Structure and a new Management Model are presented, which advocate an Efacec centred and managed by projects, organised around the Client and the generation of value for all *stakeholders*.

The same Efacec, based on its *expertise* and *know-how* to achieve excellence, but with a different *modus operandi* .

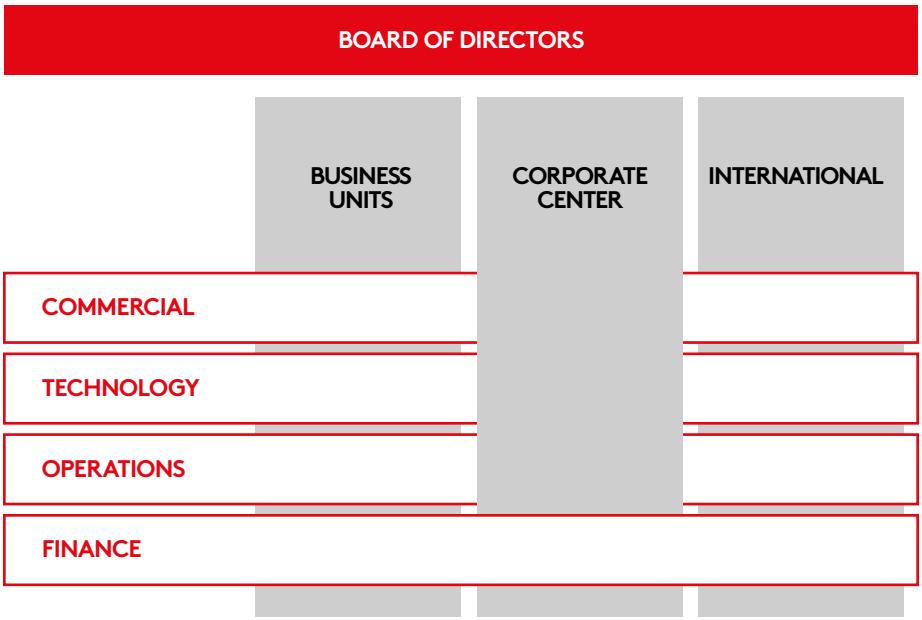
"This is a facilitator model that promotes a new relationship between Employees and the Executive Committee, giving more responsibility and autonomy to the directors of the business areas",
Ângelo Ramalho,
Efacec CEO & Chairman

The new organisational matrix has as main objectives:

- Support the strategic development of each business;
- Maximize coherence across the company;
- Facilitate growth, strengthening operational capacities, increasing the pace and competitiveness in order to respond to business needs, market challenges and industry trends;
- Overcome potential difficulties resulting from the strategic co-development of the operational areas;
- Promote technology transfer and technological sharing between areas;
- Implement co-development strategies across the organisation:
  - → Each functional axis - Commercial, Technology, Operations and Finance - is transversal to the business areas, the international area and the Corporate Centre.
  - → The Corporate Centre focuses on four core *topics*: Governance, Strategy, Finance and Systems and its purpose is to provide services to support business and the Board, defining practices, policies and procedures in the different operating vectors.

GROUP STRUCTURE

ORGANISATIONAL CHART
reflecting the business strategy and specialization according to job titles, focusing on the development of strategies.



Organisational Chart

The corporate areas are, therefore, more connected to the business, resulting in a more collaborative work "to achieve a common goal: that the projects are successful". "We are a project company and we all have to work for them to be successful in time, cost and quality", explained Ângelo Ramalho.

The new organisational matrix reflects the business strategy and functional specialization, focused on improving synergies. This is medium- and short-term financial management, to the detriment of the long term management.

Business planning requires a dynamic approach to overcome a change and uncertainty setting. Define a target, monitor, analyse and forecast trends for better decision making and resource allocation. Relative goals, rolling forecast, dynamic resource allocation and decentralized management based on accountability and transparency are the keys to success.

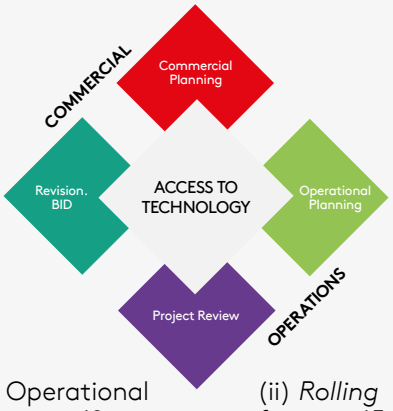
The reorganisation is an opportunity to start a process for standardizing structures. This process facilitates the identification of strategic teams and the unfolding of objectives and goals across the organisation.

Based on the context experienced in 2020, the expected macroeconomic evolution and the new management model and organisational matrix, the risk management area took on a more transversal role and, in this sense, there was a review of some risk management processes, involving the different areas of the Organisation (legal, risk, operational, management control, administrative and finance) in order to evolve in terms of risk identification, measurement and mitigation, while enhancing, given the new circumstances and challenges of management, economic rationality and conservatism criteria in the presentation of financial information.

Dynamic Management Model

NEW RITUALS: INTEGRATED MANAGEMENT RITUALS

Continuous/Weekly



(i) Operational planning 12 weeks.

(ii) *Rolling forecast* 15 months.

Monthly

BUSINESS REVIEW

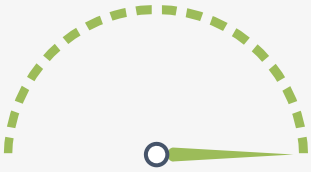
Business Unit

Financial and business performance

BUSINESS PERFORMANCE

Executive Committee

Financial, business and strategic performance



CHECK PERFORMANCE

INFORM ON THE LATEST FORECASTS

CHECK ALIGNMENT

Annual / Quarterly

BUSINESS ANALYSIS

From key value drivers to performance

CHECK ALIGNMENT AND DEFINITION OF OBJECTIVE

2.5.
2021 Strategic Guidelines for Efacec

After presenting the new Organisational Structure and the new Management Model, the Strategic Guidelines, defined for the entire Efacec Group, for the year 2021 were subsequently presented.

These will be the basis of all actions and have as main objective to ensure the sustainability of the Group and all those who work for it, transmitting the Efacec's priorities and those of all its members, in Portugal and in the world.

1 → PROMOTING SUSTAINED GROWTH

Recovering our financial sustainability and the trust of *stakeholders*.

STRATEGIC OBJECTIVES What we want to achieve	KPIs How we assess the achievement of objectives
1. Meet financial targets	• Earnings before interest, taxes, depreciation and amortization (EBITDA) • Cash *Flow* • Net Debt • Return on Capital Employed (*ROCE*)
2. Deliver to our Clients with quality and reliability, on time	• On time delivery () • Client satisfaction index • Costs not quality
3. Run the backlog with positive cash flow	• Invoicing • Gross Margin • Cash *Flow*
4. Increase order volume and profitability	• Orders • Gross margin • Business mix • Cash *Flow* • Book-to-bill • Tendering *efficiency*

2 → STRENGTHENING OUR PORTFOLIO

Accelerate the development, technological innovation and sustainability of our portfolio.

STRATEGIC OBJECTIVES What we want to achieve	KPIs How we assess the achievement of objectives
1. Prioritize and accelerate product development	• Level of execution of the product development plan • R&D+i *time-to-market*
2. Optimize internal and external synergies	• Number of projects with two or more units • Level of execution of projects with two or more units • Number of integrated solutions launched on the market • Productivity of the new portfolio
3. Accelerate value creation through digital transformation	• Level of investment in R&D+i • Level of investment in financed R&D+i • Conversion rate of investment in R&D + i into value
4. Minimize environmental impacts	• Number of products with circularity studies • % of recyclable materials in the new portfolio

3 → ACCELERATING EFFECTIVENESS AND EFFICIENCY

Optimize operational *performance* along the entire chain value.

STRATEGIC OBJECTIVES What we want to achieve	KPIs How we assess the achievement of objectives
1. Homogenize the planning process (products vs systems)	• On time receiving • On time delivery • Working capital • Stocks Accrued income
2. Normalize the production process in the different units	• Productivity • Direct costs
3. Leveraging India's industrial platform	• Procurement *gains* • Engineering gains • Lead time
4. Promote the digital integration and transformation of our internal processes and operations	• Process improvement gains • Level of plan implementation

4 → LIVING AND SHARING OUR PURPOSE

Create a positive impact on people's lives.

STRATEGIC OBJECTIVES What we want to achieve	KPIs How we assess the achievement of objectives
1. Deliver the commitments assumed to all stakeholders, managing the business with ethics, integrity, responsibility and transparency	• Reputation
2. Engage our people in the objective of creating a greener world	• CO2 emissions • Recycled waste
3. Develop the critical competences of the future, by improving the well-being, autonomy, leadership and knowledge of our people	• No. of training hours • No. of knowledge sharing hours • No. of hours dedicated to groups • Frequency index • Internal Climate • *Employer branding* % of women
4. Inspire our people to leverage new opportunities in communities	• No. of volunteering work hours • Investment in community

Once the Strategic Guidelines were defined, Efacec's objectives were structured for each strategic orientation and the respective KPIs (key *performance* indicators), which will be applied to all areas of the organisation.

Executive Committee Responsability
CEO Global Responsability

	Business Units and International Network						Corporate Center			
COMMERCIAL	Customer satisfaction	Orders	Orders gross margin	On time receiving						
	Business mix	Book to bill	Tendering efficiency							
TECNOLOGY	Customer satisfaction	R&D+i time to market	R&D+i financed projects	Projects with two or more business units	% recyclable materials	New portfolio productivity				
	Product development plan execution	R&D+i investment	Conversion R&D+i into value	Integrated solutions	No. of products with circularity studies (P)					
OPERATIONS	Customer satisfaction (PM)	On time receiving (PM)	On time delivery (PM)	Productivity	Managed working capital	Procurement & engineering gains				
	Direct costs	Process improvement gains	Non quality costs (PM)	Invoicing	Frequency index	Lead time				
FINANCIAL	EBITDA	On time receiving	Cash flow operacional	Suppliers overdue			Internal customer satisfaction	Area costs	Suppliers overdue	Cost of debt
							SLAs Compliance	Process improvement gains	Clients overdue	Net debt
Internal climate	Reputation	No. hours training	No. hours knowledge sharing	No. hours dedicated groups	Employee branding	No. hours volunteering				
	Community investment	% women	Carbon footprint	% recycled waste	Corporate initiatives execution					

(P) Product only
(PM) Project manager

2.6. The Re-privatisation

In a market economy such as the Portuguese, subject to national and European constitutional frameworks, a company's nationalization could only be seen as temporary and justified by the extraordinary events that prevented the private corporate law mechanisms from functioning, namely the set of legal and reputational events that followed the Luanda Leaks' disclosure.

For this reason, reprivatisation is a need included inscribed from the first moment in the government's nationalization decision:

"State intervention is therefore required to guarantee the stability of its financial and operational value, allowing the safeguarding of jobs, industrial value, technical knowledge and excellence in strategic areas, thus ensuring the pursuit of the public interest. (...) Given the transitory nature of the intervention, the immediate opening of the reprivatisation process of the position now the object of public intervention, that is, and this step is not to be understood as a lasting nationalization, rather as a transitory solution between lasting marketplace solutions."

It is through the proposal selection criteria established in article 5 of Resolution 113/2020 of the Council of Ministers, that we believe will be safeguarded, when transferring it to the private sector, the preservation of the reasons that made the Government consider Efacec a high public interest company.

The criteria are as follows:

a. Global financial proposal;

b. Commitment to strengthening Efacec's economic-financial capacity and capital structure;

c. Strategic project presented to Efacec, with a view to strengthening its competitiveness and developing its international activities, within a framework of Efacec's sustainability in its various dimensions;

d. Proven knowledge and technical and management experience;

e. Absence or minimization of legal, labour and/or economic-financial constraints of the proposer(s), which condition(s), hinder(s) or prevent(s) the achievement of the direct sale;

f. Suitability and financial capacity of the tenderer, as well as any guarantees that may be provided to comply with the criteria established in the preceding subparagraphs.

2.7. Efacec in 2020

240.6 M €
in orders

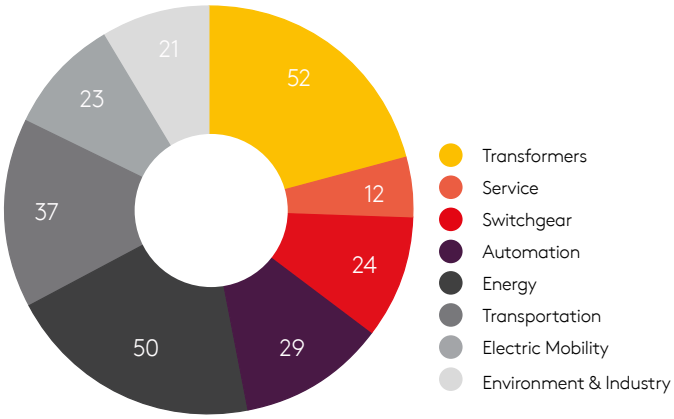
216.0 M €
in revenue

-20.2 M €
in EBIT

-83.6 M €
in EBT

Revenue per Business Unit

Million euros, not consolidated

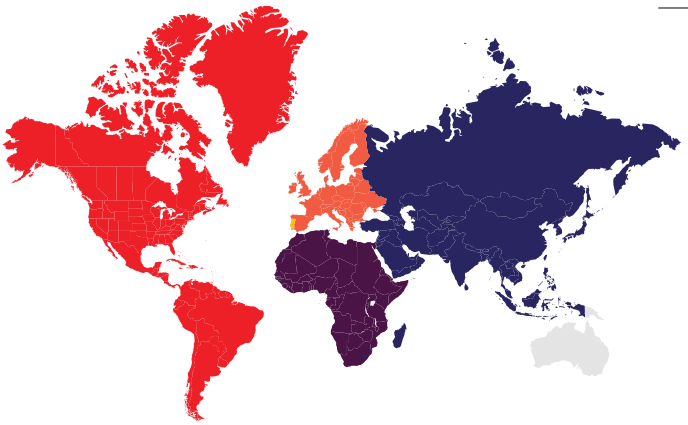


Active Markets

Revenue per region, million euros

36% in Portugal

64% Worldwide



- **Portugal → 78**
- **Europe → 84**
- **Americas → 26**
- **Africa → 22**
- **Middle East & Asia → 6**

The figures presented do not include the Environment & Industry Business Unit

72 years of technological innovation

20
no. of patents

3
accident frequency index

27
R&TD projects

33.5%
reduction in the accident severity index (2019/2020)

4%
investment in R&TD

75%
Client satisfaction

> 60
number of entities with technological and scientific cooperation

36%
reduction in CO_2 emissions (2019/2020)

2,304
Employees

16.959h
Employees' training

95%
waste recovery index

79%
in Portugal

21%
Worldwide

7h
training per Employee

34%
reduction in water consumption (2019/2020)

212h
volunteering work

well,

Chapter 3

Doing doing right

28 ○ 47

GOVERNANCE AND ORGANISATION

3. Governance and Organisation

3.1. Governance Model

The corporate governance model adopted by Efacec is in line with the best national and international practices in good governance, governed by a set of rules, principles and recommendations aimed at the quality and transparency of management, the correct control and inspection of the activity, the proper implementation of the corporate strategy and the creation of value for its shareholders, employees, Clients, Partners and the community in general, following the legal rules and guidelines of the Portuguese Securities Exchange Market Commission (CMVM) and the Portuguese Institute for Corporate Governance (IPCG) applicable on this matter, as well as the Corporate Governance Principles of the Organisation for Economic Cooperation and Development (OECD).

Efacec's management is carried out through its *holding* Efacec Power Solutions, SGPS, S.A. (EPS) which adopted the governance model provided for in subparagraph a) of article 278 of the Commercial Companies Code (CCC), referred to as the classic or monist model. The corporate governance model adopted by EPS promotes the segregation of powers among the several corporate bodies in order to ensure adequate control and inspection of its Board's activities.

Pursuant to subparagraph a) of number 1 and number 3 of article 278 and subparagraph b) of number 1 of article 413, all of the CCC and article 10 of the EPS Bylaws , the governing bodies of the Company are the General Meeting, the Board of Directors (which is responsible for the management of the Company), the Supervisor Board and the Statutory Auditor (who is responsible for supervising the Company).

Accordingly, the Board of Directors (BD) delegated to an Executive Committee (EC), under the terms of article 407, number 3 of the CCC and article 15 of its bylaws, the day-to-day management of the Group, reserving for itself, in addition to matters that are legally non-delegable, the definition of the Group's strategic orientation, the approval of the Group's strategic and business plans, its annual and multi-annual budgets and investment plans, as well as those not provided for in the budget, activities, investment plan or resource allocation, and the decision on the most relevant businesses, in terms of value and risk, as well as on any relevant change in the Group's business structure. This division of functions allows the Board of Directors, namely the non-executive directors, to better monitor the management and to supervise and control the EC management.

The model in force also includes a strengthened inspection structure, which includes the Supervisory Board and the Statutory Auditor. It also includes a Company Secretary, appointed under the terms of article 446 of the CCC, who is responsible for providing specialized support to corporate bodies and other legally established functions.

In accordance with the recommendations of the CMVM and the IPCG, a Remuneration Committee was also appointed, pursuant to Article 399 of the CCC, to define and set the remuneration models for the Efacec Group's directors and officers.

As a result of the nationalization of Efacec's shareholding control by the Portuguese State, carried out on 2 July 2020 through Decree-Law No. 33-A, the governing bodies were dissolved, remaining only in office for the exercise of current management, pursuant to article 8, number 2, of the aforementioned Decree-Law. Consequently, the specialized committees existing up to that date, namely, the Corporate Governance Committee, the Finance and Risk Committee and the Corporate Ethics Committee were extinguished, under the terms and for the purposes of the respective Regulations.

Finally, under the terms of article 3 of the aforementioned Decree-Law, EPS is not subject to the Legal Regime of the Public Business Sector, provided for in Decree-Law no. 133/2013, of 3 October, nor is it transformed in a public limited company, with article 12 of the Legal Regime for Public Appropriation, provided for in Law no. 62-A /2008, of 11 November, being inapplicable.

Kick-off Transformers in industrial unit - Portugal

CHANGES TO CORPORATE GOVERNANCE IN 2020

In 2020, several changes and events relevant to the government of the Efacec Group took place, several of them arising from the situation caused by Luanda Leaks and the subsequent nationalization of part of EPS's share capital, namely the following:

- On 21 January, following Luanda Leaks, Fernando Teixeira dos Santos resigned from his position as Chairman of the Remuneration, Assessment and Appointment Committee.

- On 23 January, following Luanda Leaks, Mário Leite da Silva resigned from his position as Chairman of the Board of Directors, with the appointments for all other positions held in Specialized Committees terminating, namely Member of the Finance and Risk Committee and the Remuneration, Assessment and Appointment Committee.

- On 28 January, also following Luanda Leaks, Jorge Brito Pereira resigned from his position as Chairman of the Board of the General Meeting and Chairman of the Corporate Ethics Committee.

- By letter dated 12 March, and as a result of Luanda Leaks, PricewaterhouseCoopers & Associados, SROC, Lda, represented by Joaquim Miguel de Azevedo Barroso resigned as Statutory Auditor, being replaced by the Statutory Auditor Mazars & Associados, SROC, SA, represented by José Fernando Abreu Rebouta and by Patrícia Alexandra Faria Cardoso.

- On 2 July, the Portuguese Government appropriated the shareholding corresponding to 71.73% of EPS's share capital held by the former majority shareholder, Isabel dos Santos, through Decree-Law no. 33-A/2020, from that date ('Nationalization').

- Pursuant to article 8, number 2 of the aforementioned Decree-Law, the governing bodies of EPS were dissolved, remaining only in office for the exercise of day-to-day management. Consequently, the specialized commissions existing up to that date, namely, the Corporate Governance Committee, the Finance and Risk Committee and the Corporate Ethics Committee were extinguished, under the terms and for the purposes of the respective Regulations.

- On 21 September, Rui Carlos de Carvalho Lopes resigned as a member of the Board of Directors and a member of the Executive Committee.

- On 2 October, new members of the Board of Directors, the Supervisory Board and the Statutory Auditor were appointed at the General Meeting.

- On 9 October, the Board of Directors delegated to the Executive Committee the day-to-day management of the company, appointing and approving its composition, having also approved the Regulations of the Board of Directors and the Regulations of the Executive Committee.

GOVERNING BODIES

General Meeting

The General Meeting is the maximum body of Efacec, being composed of all shareholders who, up to five days before the Meeting, hold shares that, under the terms of the law and the bylaws, give them the right to vote.

The General Meeting is responsible for resolving on matters that are specially assigned by law and by the bylaws, namely the election and dismissal of members of the other governing bodies (Board of Directors, Supervisor Body and Statutory Auditor), the approval of the Management Report and the Accounts for the Year, the application of results and distribution of profits, the increase and reduction of capital and other amendments to the company's bylaws.

The General Meeting is also responsible for appointing, for three-year terms, the members of the Board of the General Meeting, as well as the members of the Remuneration Committee, and to elect the respective Chairmen.

During 2020, the General Meeting met twice.

Composition on 31 December 2020

Chairman
António José de Castro Guerra

Secretary
Rafael Lucas Pires

Remuneration Committee

The organisation and operation of the Remuneration Committee of the General Meeting are regulated in the applicable legal and statutory provisions.

Among others, the Commission has the following powers:

- Establish the remuneration of each member of the governing bodies;
- Plan the succession of the members of the Board of Directors;
- Monitor the processes for identifying potential candidates for top positions and 1st line of management;
- Establish contingency plans for top managers;
- Review, annually, proposals and remuneration policies;
- Conduct, annually, the assessment of the members of the Executive Committee, the global assessment of the Board of Directors and its Committees.

Composition on 31 December 2020

Chairman
Jaime Serrão Andrez

Members
Maria Gabriela de Castro Chouzal
Luís Miguel Oliveira Nogueira Freire Cortes Martins

The Board of Directors

The Board of Directors is the governing body responsible for the representation and management of the company, namely the effective guidance of its activity, and its competences are defined in the law and in the Bylaws.

It consists of three to fifteen members, elected every three years by the General Meeting, and on 31 December 2020, it consists of ten directors, five non-executive and five executive directors, who make up the Executive Committee.

The composition of the management body reflects the knowledge, competences and experience necessary to fulfil its obligations. This means that, collectively, the management body shows an adequate understanding of the areas for which its members are collectively responsible, as well as the competences to effectively manage and supervise the company.

The Board of Directors is responsible for resolving on any matter of the company's management, without prejudice to the Company's day-to-day management powers of the Executive Committee, under the terms of the delegation of powers approved at the meeting of the Board of Directors of EPS held on 9 October 2020 and that remains in force. Among the matters that are especially reserved for the Board of Directors are the definition of the Group's strategic orientation, the approval of the Group's strategic and business plans, its annual and multi-annual budgets and investment plans, as well as those not foreseen in the budget, activity plans, investment or resource allocation plans, the deliberation on the most relevant businesses, in terms of value and risk, including, among others, the acquisition and sale of companies and business units, the contracting of financing that has not previously been included in the approved budgets, business or investment plan and the signing of commercial agreements of greater economic importance for the Group, as well as any relevant changes in the Group's business structure.

The Board of Directors is also responsible for overseeing and supervising the performance and activity of the Executive Committee for the full achievement of the corporate purpose, maintaining the competence and responsibility on matters delegated to the Executive Committee. The Board of Directors is also responsible for appointing the members of the Specialized Committees, as well as the respective Chairmen.

During 2020, the Board of Directors met 19 times.

Pursuant to article 8, no. 1 of Decree-Law no. 33-A/2020, of 2 July, which nationalized 71.73% of EPS's share capital, its governing bodies were dissolved, keeping its outgoing members in office, limited to the practice of day-to-day management. Consequently, on 2 October 2020, new members of the Board of Directors were appointed by the General Meeting for the 2020-2022 three-year period.

Composition of the Board of Directors

Executive	Non-executive
Ângelo Manuel da Cruz Ramalho CEO	**Jaime Serrão Andrez** Member
Manuel Alberto Pontes Ferreira Member	**Carlos Ribeiro** Member
Michael Barroso da Silva Member	**Maria Gabriela de Castro Chouzal** Member
Nuno Filipe Gonçalves da Silva Member	**Rui Alexandre Pires Diniz** Member
Fernando José Rabaça Vaz Member	**Manuel António Carvalho Gonçalves** Member

Executive Committee

In order to promote the efficiency of the company's management, the day-to-day management of EPS belongs to an Executive Committee, composed of five members of the Board of Directors, appointed by this board, which also appointed its Chairman. The activity of the Executive Committee is regulated in the respective Regulation, approved by the Board of Directors, under the terms of article 407, no. 3 of the CCC.

The Executive Committee is responsible for managing the Group's activity, pursuing its objectives and contributing to its long-term success and to the sustainability of the company and the community in general.

The Executive Committee meets once a week. During 2020, the Executive Committee met 49 times.

Specialized Committees

Following the Nationalization and the dissolution of the governing bodies under the terms of article 8, no. 2 of Decree-Law no. 33-A/2020, of 2 July, the specialized committees existing up to that date, namely the Corporate Governance Committee, the Finance and Risk Committee and the Corporate Ethics Committee were extinguished, under the terms and for the purposes of the respective Regulations.

Following the events originated by Luanda Leaks, the Finance and Risk Committee met three times, on 23 January 2020, on 18 March 2020 and on 6 May 2020, to monitor, in particular, the situation of the Company during that period of time. The Commission was extinguished with the Nationalization and no new members were appointed with the appointment of the new Board of Directors.

Finally, in compliance with the provisions of article 18 of the EPS Bylaws, the company has a Remuneration Committee.

Supervisory Board

The Supervisory Board is responsible for supervising Efacec's management, monitoring compliance with the law and the articles of association, supervising the process of preparing and disclosing financial information and auditing the accounts and also proposing to the General Meeting the appointment of the statutory auditor in addition to the other competences legally established in articles 420, 420-A and 422 of the CCC.

Furthermore, the Supervisory Board has the function of ensuring that the risks incurred by Efacec are consistent with the objectives established by its Board of Directors and acceptable in the perspective of a sound and prudent management of the Company.

Under the terms of the applicable legal and statutory rules, the Supervisor Body consists of three independent members and one alternate member, elected at the General Meeting, which elects the respective Chairman.

Composition on 31 December 2020

Chairman
Vítor Manuel Batista de Almeida

Members
António Santiago de Freitas e
José Manuel Gonçalves de Morais Cabral

Alternate Member
Ana Paula Ribeiro

Statutory Auditor

The Statutory Auditor is responsible for carrying out the Legal Certification of the Company's Accounts and communicating to the Chairman of the Board of Directors the facts of which they are aware that they consider to be burdensome for Efacec's activity.

Statutory Auditor
Mazars & Associados, SROC, SA, registered at the Institute of Statutory Auditors under number 51 and at CMVM (Securities Market Commission) under number 20161394, represented by José Fernando Abreu Rebouta, ROC nº 1023 and by Patrícia Alexandra Faria Cardoso, ROC 1483.

Alternate Member
Luis Filipe Soares Gaspar, ROC No. 1003

Company Secretary

The Company also has a Company Secretary, appointed by the Board of Directors, under the terms and for the purposes of article 446-A of the CCC, having the powers provided for by law, with his/her appointment terminating at the end of the term of office of the Board of Directors that appointed him/her. The Company Secretary, in accordance with the legally provided powers, is responsible for supporting the governing bodies, the EPS and the respective subsidiaries and other Efacec entities in matters related to the commercial companies and corporate governance law, implementing and ensuring the fulfilment of the formalities necessary for holding the meetings of the Board of Directors, the Executive Committee and the General Meeting and provide information to shareholders and members of the governing bodies that perform supervisory duties on the resolutions of the Board of Directors or the Executive Committee.

In 2020, the position of Permanent Secretary was held by Adeodato Alexandre Freire Pinto, who was reappointed by the new Board of Directors by decision of 9 October 2020, when Cathy Stevens was appointed as Alternate Secretary.

THE REMUNERATION AND ASSESSMENT POLICY OF THE CORPORATE BODIES

The Remuneration and Assessment Policy of Efacec's Governing Bodies aims at achieving the following objectives:

- Attracting, at a cost economically justified by their situation, qualified professionals, induce the alignment of interests with those of shareholders, promoting a culture of professionalization, sustainability, merit and transparency in the Group;
- Being a good governance instrument;
- Promoting transparency in matters of remuneration policies.

This Policy is based on a set of guiding principles:

- Being simple, clear, transparent and aligned with Efacec's culture, namely with regard to individual *accountability* sustainability of results and creation of value for interested parties;
- Being adequate and adjusted to the size, nature, scope and specificity of Efacec's activity;
- Ensuring a competitive and equitable total remuneration, in line with the best practices and latest trends at national and international level, in particular with companies of a similar size to Efacec;
- Relating the fixed component of remuneration to the positions and responsibilities of the different members of the Management and Supervisory bodies, in a coherent and homogeneous manner;
- Establishing a variable remuneration, whenever justified, indexed to the assessment of individual and organisational performance, according to the degree of fulfilment of the performance and/or strategic objectives set and the creation of value for the company and shareholders, comprising a short term-component and another medium-term component, both with maximum limits;
- Being adapted to the economic situation.

In the decision taken on the remunerations to be applied in the present mandate, the remuneration committee took into account the context of State intervention and the need to encourage the implementation of a set of measures with a view to improving its economic and financial situation through a greater efficiency and effectiveness in the use of its resources in view of the financial and operational balance of the company and the maximization of its results. **In this sense, the Remuneration Committee decided to suspend, until a new resolution to the contrary, the annual variable remuneration, since the conditions for its assignment are not met.**

CONFLICTS OF INTEREST

The Efacec Group has a formal policy for the prevention of Conflicts of interest. According to this Policy, the existence of actual or apparent, current or potential conflicts of interest between the members of the governing bodies and the Efacec Group must be previously communicated and mitigated, through the removal of the conflicting member from the decision process, in terms of the applicable legal rules and the Efacec Group's Conflicts of Interest Policy.

The EPS directors may exercise positions in companies directly or indirectly participated by the companies of the Efacec Group, as well as in companies that directly or indirectly participate in it, with no limit on access to information being applied to them, according to the resolution taken at the General Meeting of 2 October 2020.

SHAREHOLDER STRUCTURE

→ Share capital
308,949,250.00 €

→ Total number of shares
61,789,850

→ Nominal value
5.00 €/per share

Ownership of Share Capital:

→ Parpública, Participações Públicas, SGPS, S.A.
44,319,256 shares
representing
71.73%
of the share capital of the company

→ MGI Capital, S.A.
17,470,594 shares
representing
28.27%
of the share capital of the Company

Efacec Power Solutions SGPS, S.A. does not hold its own shares, nor have its own shares been acquired or disposed of during the year of 2020.

3.2. Values and corporate statements

Efacec's corporate culture is defined by all its manifestations: from verbal and visual identity, to its Purpose, set of Values, Sustainability Policy and Code of Conduct, up to the way in which each of the Employees represents the Group in daily interactions .

A set of corporate statements defines the ethical rules that Efacec uses in all its businesses:

Values

- Principles that guide Efacec's and its Employees' attitude in all relationships: Clients, Suppliers, Partners and other interested parties;
- Representation of everything that Efacec believes in, its corporate principles and beliefs.

Sustainability Policy

- Organisation of Efacec's policies, values and principles by the Sustainability components (3P model: economic, environmental and social) and alignment with the ESG aspects (Environment, Social and Governance);
- Translation of the UN Global Compact principles into Efacec principles;
- Inclusion of the defence of Human Rights in all companies of the Efacec Group, regardless of the geography.

Code of Conduct

- Set of principles and rules of behaviour that must be recognized and adopted by all Efacec Employees, without prejudice to other applicable rules of conduct;
- Reference regarding Efacec's standards of conduct in its relationship with third parties in order to encourage the creation of a climate of trust between the company and all interested parties;
- Application to Partners and other interested parties.

3.2.1. Compliance

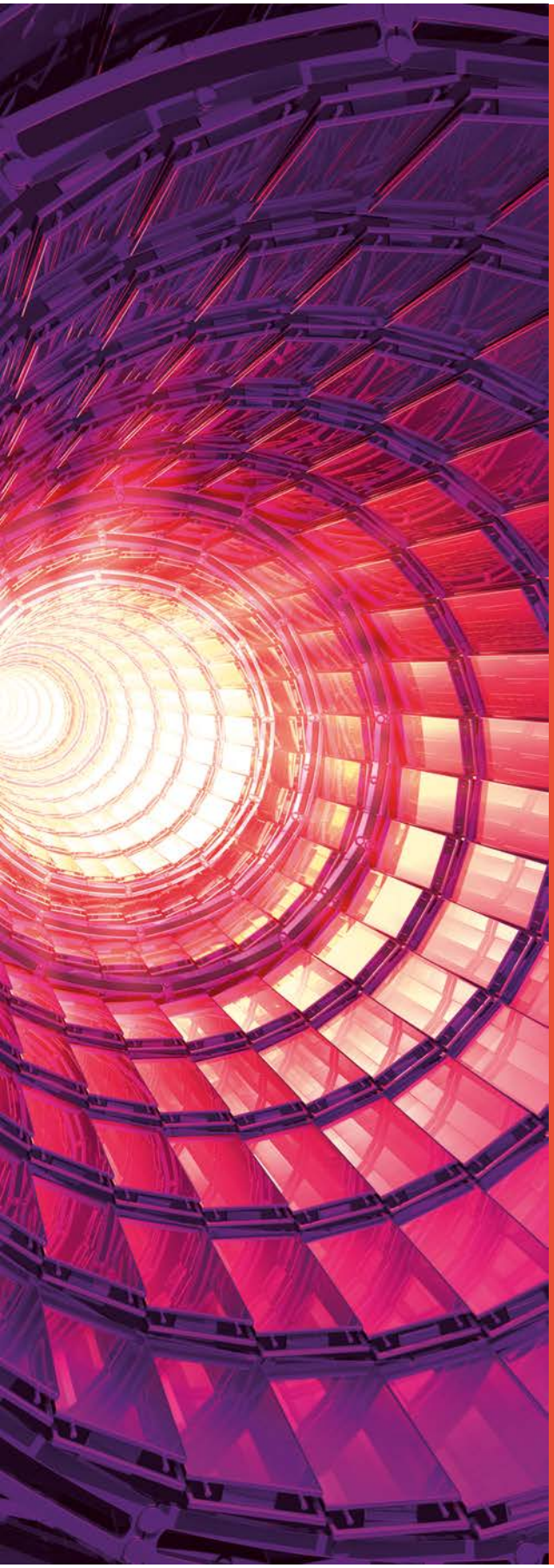
The fulfiment of Efacec's Compliance Programme is the responsibility of the Board of Directors, which integrates as its objectives the respect for (i) the applicable national and international legal and regulatory provisions, including those related to the prevention of corruption and related infractions, fraud and money laundering and financing of terrorism, as well as (ii) for the Code of Conduct of Efacec Group and corresponding policies and procedures, and (iii) for the highest standards of ethics, both in internal relations and in the relations with the Clients and other stakeholders.

Thus, the Board of Directors promotes a culture of compliance and ensures that management bodies, functional structures, Group Employees and representatives acting in their interest, in all geographies, comply with legislation, rules of conduct and ethical principles and values that guide Efacec's activity and to which it is subject, preventing and mitigating the risk of sanctions of a legal or regulatory nature, of financial and reputational loss, of limiting business opportunities and consequent reduction of the potential for expansion of the activity, as well as financial or reputational losses.

The year 2020 was marked by major challenges to the compliance function, caused by the impact of the COVID-19 pandemic. In fact, the inevitable use of teleworking and the lay-off of part of the Group's human resources, the disruptions in supply chains, the increasing difficulties in accessing public and government entities, among others, created new compliance risks that the Efacec Group sought to mitigate through the creation of working groups with the objective of implementing the necessary measures to mitigate the several risks, and by establishing a frequent and transparent communication channel with its Employees and main Clients and Partners.

Throughout 2020, the main actions taken to strengthen and implement the compliance system were the implementation of the Conflicts of Interest Policy, the revision and updating of the Code of Conduct, the new version of which will be published in the different work languages of the Efacec Group , at the beginning of 2021, Efacec's participation as a member of the Platform for Integrity, composed of several companies and entities operating in the Portuguese market, with the objective of deepening the pressing issues of Integrity, Transparency, Ethics and Good Governance.

In 2021, the focus will be on training, through e-learning solutions, to Employees from different geographies, as well as to other stakeholders in the Efacec Compliance Programme, such as Clients, Suppliers and other Partners. The prevention and mitigation of the several compliance risks along the supply chain will also be worked on, implementing a code of conduct for Suppliers and export control mechanisms and compliance with the applicable international and jurisdictional sanctions legislation. Finally, efforts will be made to strengthen Efacec's Partner Management Programme, in order to improve the mechanisms for conducting due diligence on Efacec's Partners and representatives, in the different geographies.



THE ETHICS LINE

Efacec has an Ethics Line comprising several specific communications means and instruments for the disclosure of any irregular practices carried out by Employees or other interested parties, which do not respect the legal rules applicable to the company and its Employees, the Code of Conduct and other internal rules and regulations that comprise the Efacec's Compliance Programme.

The Ethics Line is a communication channel, managed by the **Compliance**, area, together with Internal Audit, which allows sharing, in a safe and confidential manner, the occurrence of practices contrary to the Code of Conduct.

Confidentiality
Confidentiality is privileged over anonymity, which is, however, guaranteed whenever requested. The Compliance area has the duty of confidentiality, undertaking not to use the data for different purposes and respecting the data retention period. Anonymity is ensured in the event of an express request by the user, and may only disclose the identification to Efacec in the event of a legal dispute.

Independence
Complaints are registered and classified by the Compliance area and subsequently analysed by the Legal & Compliance Department or by the Internal Audit, in case it is necessary to carry out an internal investigation.

Security
The use of the Ethics Line cannot determine any retaliation by the company or any person against the user, except in cases of abuse and bad faith.

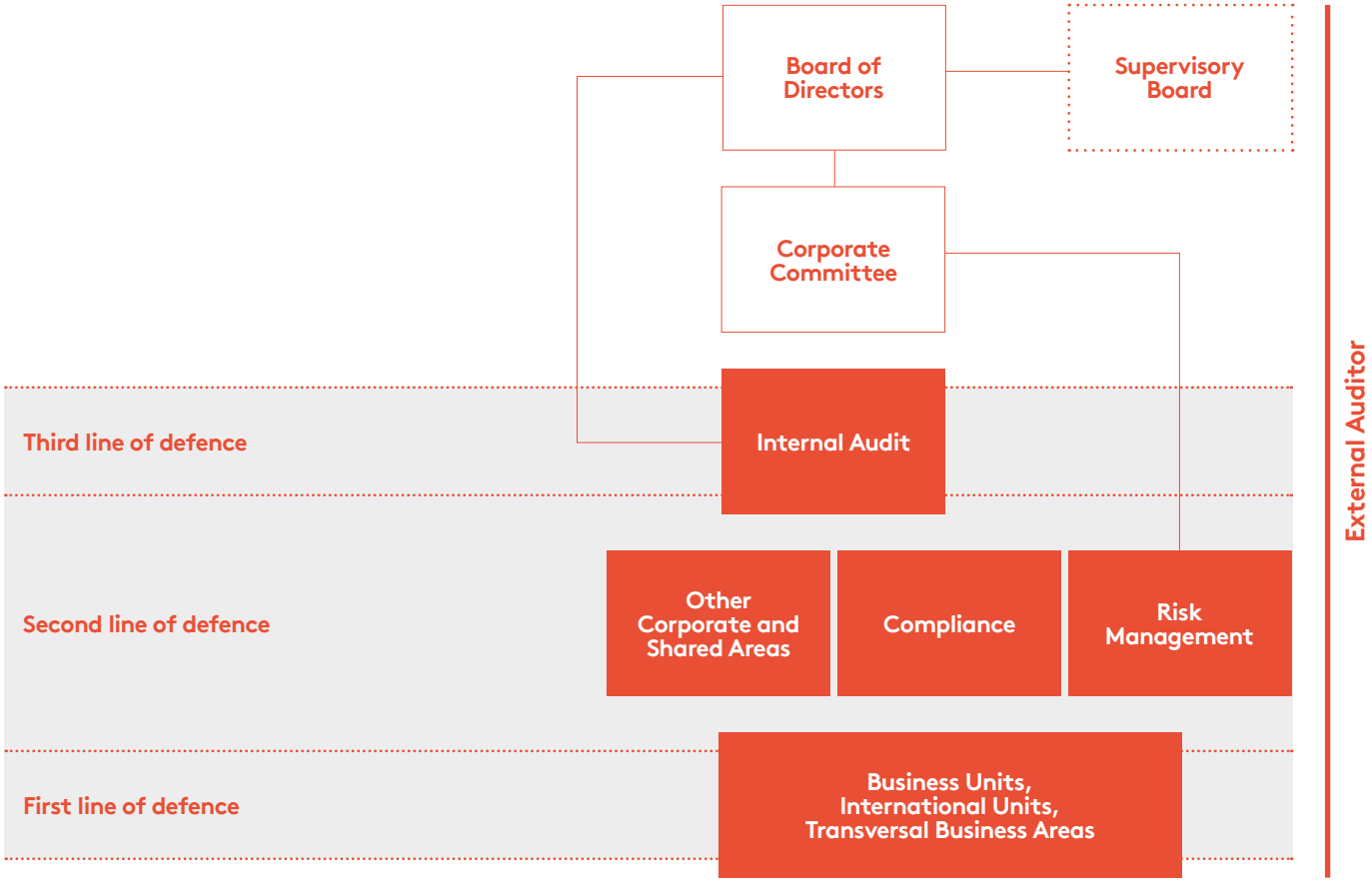
3.3. Internal Control System

Efacec's Internal Control System follows the three lines of defence model of the Institute of Internal Audit (IIA), as well as the Enterprise Risk Management (ERM) principles and methodology of the Committee of Sponsoring Organisations of the Treadway Commission (COSO), and takes into account ISO 31.000 standard.

All levels of the organisation are involved in the Internal Control System. In the first line of defence, the Business Units, the International Units and the Transversal Areas carry out business monitoring and control activities. The Corporate and Shared Areas centrally monitor several critical aspects of Efacec's activities and are in a second line of defence. Finally, the Internal Audit monitors compliance with all regulations and is located in the third line of defence.

It should be noted that the Internal Audit reports to the Board of Directors in order to guarantee the necessary independence of its function. In addition to other duties, the Compliance and Risk Management functions support the Internal Audit with regard to the choice of topics and critical areas that must be controlled in greater depth.

The Internal Control System is therefore the object of monitoring and control by the Executive Committee and the Board of Directors to whom these functions report and propose actions to correct the deviations found, and their efficiency is supervised by the Supervisory Board.



Efacec Group's Internal Control System

Risk Management

Responsibilities of the Board of Directors

Efacec's risk policy and management are developed through a cross-cutting and international control functional model whose governance is the responsibility of the Board of Directors, which delegates the responsibility for monitoring global levels of risks incurred to the Executive Committee in the CFO function, ensuring that those levels of risk are compatible with the objectives and strategies approved for the development of the activity.

The Risk Management area is responsible for the risk management process that involves defining the context, identifying, assessing, communicating, prioritizing, treating and monitoring Efacec's corporate risks. It is also responsible for promoting the implementation of risk policies approved by the Board of Directors, ensuring the monitoring of risk management within Efacec, as well as strengthening the risk management culture in the Group.

Efacec's business, given its diversity and dispersion, makes risk management a crucial mechanism to mitigate potential risks that may affect the Group and identify future risks. By developing and implementing risk management across the entire Group, Efacec enhances the creation of value, the accountability and the strengthening of its competitiveness.

The Efacec Group regularly conducts an assessment of the risks that affect its activity. The identified risks are aligned with the Group's objectives and strategies. Once identified, the different risks are mapped in a risk matrix, reviewed periodically. An impact assessment is carried out, gaps are identified and existing controls are mapped to reduce the impact of these risks. As a result, mitigation measures are defined and implemented for risks with a relevant impact (high and very high risk).

Obviously, the macroeconomic and social situation as a result of the pandemic situation, together with the need for a restructuring of the Group's organisational matrix resulting from a shareholder change, more precisely, the nationalization of 71.7% of the Efacec Group's capital, led to a review of the existing matrix, identifying new risks that affect the Group's activity. It currently recognizes the existence of six risk categories: External, Commercial, Financial, Reputational, Operational, Information and Technology.

The following table summarizes the relevant main cross-cutting risks identified in 2020 and which are being monitored:

Category	Risk	Mitigation Measures
External	Change in the competitive paradigm	• Adapt Efacec products and systems to the Client's • Develop R&D projects that allow for increased efficiency in terms of production; • Proactive product identification and certification process.
	Supply chain disruptions	• Diversify the base of Suppliers and geographies; • Ensure the effective implementation of a Supplier qualification process.
	Price of *Commodities*	• Monitor the price evolution of the main *commodities;* • Plan and negotiate the acquisition of the main *commodities* according to the expected operational needs.
	Country - Geopolitical Instability	• Country Risk analysis/assessment in the commercial phase.
	Pandemic	• Implement and regularly disclose a contingency plan (communicate contingency measures internally and externally as well as the application of Employee protection measures); • Implement rules for visitors and people external to the Organisation as well as their effective dissemination; • Communicate regularly the impacts of confinement and de-confinement measures.

External	Exchange rate	• Act proactively to ensure a net structural and balanced exposure to different currencies.
	Natural Disasters	• Implement a business continuity plan in all Business Units and ensure its effective monitoring.
Commercial	Counterparty	• Develop control and mitigation procedures for accounts receivable; • Proactively manage Clients' credit risk; • Regular reporting of information to the Executive Committee; • Implement and communicate collection policy and counterparty analysis process (KYC & KYS).
	Portfolio	• Regularly monitor the evolution of the backlog; • Define KOIs and targets on a regular basis in order to ensure adequate production levels.
	Fiscal	• Involve taxation from the business development phase to its implementation, ensuring the identification and analysis of all tax implications; • Collect, analyse and process the entire group's tax information in all its geographies.
Financial	Liquidity / Obtaining credit	• Diversify the financing base, in number of bank entities and in the different geographies where Efacec operates; • Work closely with Financial Institutions in order to ensure that short- and medium-term refinancing needs are not compromised; • Prioritize the allocation of available liquidity according to the expected profitability of the projects (compliance with financial ratios and performance target); • Create financing lines according to the cashflow and treasury forecast plan.
Reputational	Fraud and Corruption	• Ensure effective implementation of the Code of Conduct and Anti-Corruption Policy; • Disseminate and promote the Efacec Ethics Line; • Define contractual procedures and standards in the relationship with counterparties with the highest identified risk; • Regularly audit business practices with the highest identified risk; • Regularly train the different (internal and external) interested parties; • Disclose and promote the implementation of the Gifts and Hospitality and Conflict of Interest Policy; • Implement a procedure for controlling commercial sanctions and restrictions.
Operational	Health and Safety	• Develop and promote a safety culture; • Implement preventive measures to reduce occupational risks; • Carry out regular awareness actions.
	Environmental and Sustainability	• Design and implement procedures to ensure compliance with international commitments undertaken by the Group.
	Cash flow	• Compliance with financial ratios and performance target justifying and approving deviations; • Regularly monitor the projects' projected cash flow in order to ensure the real needs in terms of financing and liquidity to fulfil the commitments undertaken by the Group.
	Supply chain delays and inefficient inventory management	• Implement and monitor options and processes established within the scope of the Driving Logistics Together project.

Information & Technology	Cybersecurity	• Disclose and disseminate within the Group the Information Security Policy; • Train Employees on the information and security management rules; • Raise awareness, alert and create a cybersecurity culture related to the commercial management process and the project management process.
	Technological Disruption	• Invest in the promotion of new technologies, in the different stages of the value chain.

3.4. Internal Audit

An interaction work with other Efacec programmes and areas.

The mission of the Internal Audit Office is to ensure the compliance of operational procedures with the standards and other instructions of the management structure, as well as the identification of opportunities for improvement of the Internal Control System as a whole, aiming at its continuous alignment with Efacec's risk identification and management processes and governance processes.

The Internal Audit activity is developed in an independent and objective manner. In order to ensure its independence, the Internal Audit reports directly to the Chairman of the Board of Directors, reporting functionally to the Executive Committee. The objectivity arises from the adoption of internationally recognized internal audit principles.

As a result of its activity, the Internal Audit issues reports with recommendations identified as useful for improving the qualitative and quantitative control of operations, while trying to identify added value for the Group and contributing to the achievement of Efacec's strategic interests.

Given the particularities of 2020, the activity was substantially affected. During 2021, we intend to promote interaction with other Efacec programmes and areas, namely Risk Management, Compliance and the Corporate Ethics Committee, rationalizing the complementarity of the respective action spheres.

3.5. Relationship with interested parties

Efacec recognizes that the engagement with its interested parties is a value creation factor and continuously works towards developing dialogue strategies that allow to continuously measure and improve their level of satisfaction, as well as to identify business risks and opportunities.

Efacec identifies Clients, Employees, Suppliers/Partners, Shareholders, the media and society in general as strategic interested parties.

Efacec's interaction is subject to internal and external requirements, which apply to all of its processes in a different manner, therefore, relations with interest parties are a complex system, using different consultation mechanisms. All elements captured in the relationship with the different interested parties are analysed and the results taken into account in the company's continuous improvement processes.

Interested Parties	Consultation Methods	Assessment Methods	Expectations
Clients	Face-to-face and periodic consultation: Voice of the Client	Client Satisfaction Analysis	Quality of the product/service/ solution
	Satisfaction Surveys	Systematic analysis of Clients' complaints	Innovation in product/service/ solution
	Complaints system	Constant analysis of Client information, resulting from visits, facilities and services	Efacec's credibility and image
	Specific business support communications	Analysis of the results of Client audits	Adoption and implementation of citizenship values and other sustainability aspects
	Communications of bid preparation and contract execution processes	Analysis and response to questionnaires and other supply qualification requirements	Business Ethics
	Presence in trade and technological fairs and events		Compliance
	Client Audit		
Employees	More Performance (performance management and development)	Performance, career, mobility and training needs analyses	Well-being (pride, occupation, compensation, equity, climate)
	Organisational Health Index	Organisational Health Index results analyses	Socialization
	One-off/planned meetings and knowledge meetings (for example, breakfasts with the Chairman, Sales Convention, events to communicate initiatives and results)	Training and development actions assessment	Personal development
	Internal satisfaction questionnaires on training, events, etc.	Assessment of meetings, events, etc.	Best support services
	Questionnaires for the assessment of the services provided by the Corporate areas	Assessment of the service level and quality of services provided by the Corporate areas	

Suppliers/ Partners	Supplier management process (supported by the efasst system)	Assessment, qualification and recognition of Suppliers and Partners	Corporate ethics
	Visits and audits to Suppliers and Partners	Project management analyses	Fair Assessment of Partners and Suppliers
	Reciprocal training		Qualification of new Suppliers and Partners
	Projects with Partners		
	Business projects (contracts)		
	Events with Partners		
Shareholders	General meetings and other meetings attended by the shareholders or their representatives	Opinions issued at meetings of the Board of Directors or others	Business growth
	Bi-annual financial reports		Profitability of activities
	Visits by shareholders (or their representatives), whose meetings include Efacec Employees		Group sustainability and risk management
			Project progress
			Compliance and corporate ethics
Media	Conferences	Analysis of references to Efacec in the media	
	Presentations	Reputation reports	
	Interviews		
	Responses to specific questions		
Society and all Interested Parties	Efacec Portal / general email	Reports on the application for public recognition	Sharing knowledge and experiences
	Participation in public recognition processes	Management of support and sponsorship proposals	Support to society / community initiatives
	Presence in society events (communications, round tables, etc.)	Reflections on Efacec's holdings abroad	Collaboration in several studies with provision of information
	Communication with community institutions	Internal diagnostics	Participation in community projects
	Participation in publications		Corporate Ethics
	Participation in associative movements		Compliance

Empowering the future
Annual Report and Accounts 2020

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Chapter 4

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BUSINESS FOR PEOPLE

4. Business for People

4.1. Our purpose and clusters

With a 70-year history of technological innovation, Efacec's Purpose is to ***"design a smarter future for a better life"***. Anchored in innovation, technology and proximity, Efacec intends to anticipate and shape the future through the development of integrated solutions for the Energy, Mobility and Environment sectors, promoting smart and sustainable solutions for Cities, always taking into account Digital Connectivity.

We develop solutions for T&D, integrating conventional and renewable energy systems, aiming at offering the best and most innovative solutions in terms of efficiency, resilience and reliability.

Mobility

We want to anticipate electric mobility and sustainable transport solutions so that people will be able to choose in terms of mobility.

Environment

We manage the wastewater cycles and the solid waste cycles, reducing the carbon footprint and developing *green* solutions that improve the quality of life.

We provide the necessary connections between equipment, systems and applications so that cities, industries and our day-to-day life can become smart, offering the essential elements of the digital infrastructure and future key technologies.

We think, create, build and offer Client-focused sustainable solutions for smart cities making water, energy, security and mobility work in complex systems and networks.

4.2.
Business portfolio

We offer a comprehensive portfolio, delivering tailor-made solutions according to the specificities of each Client and market.

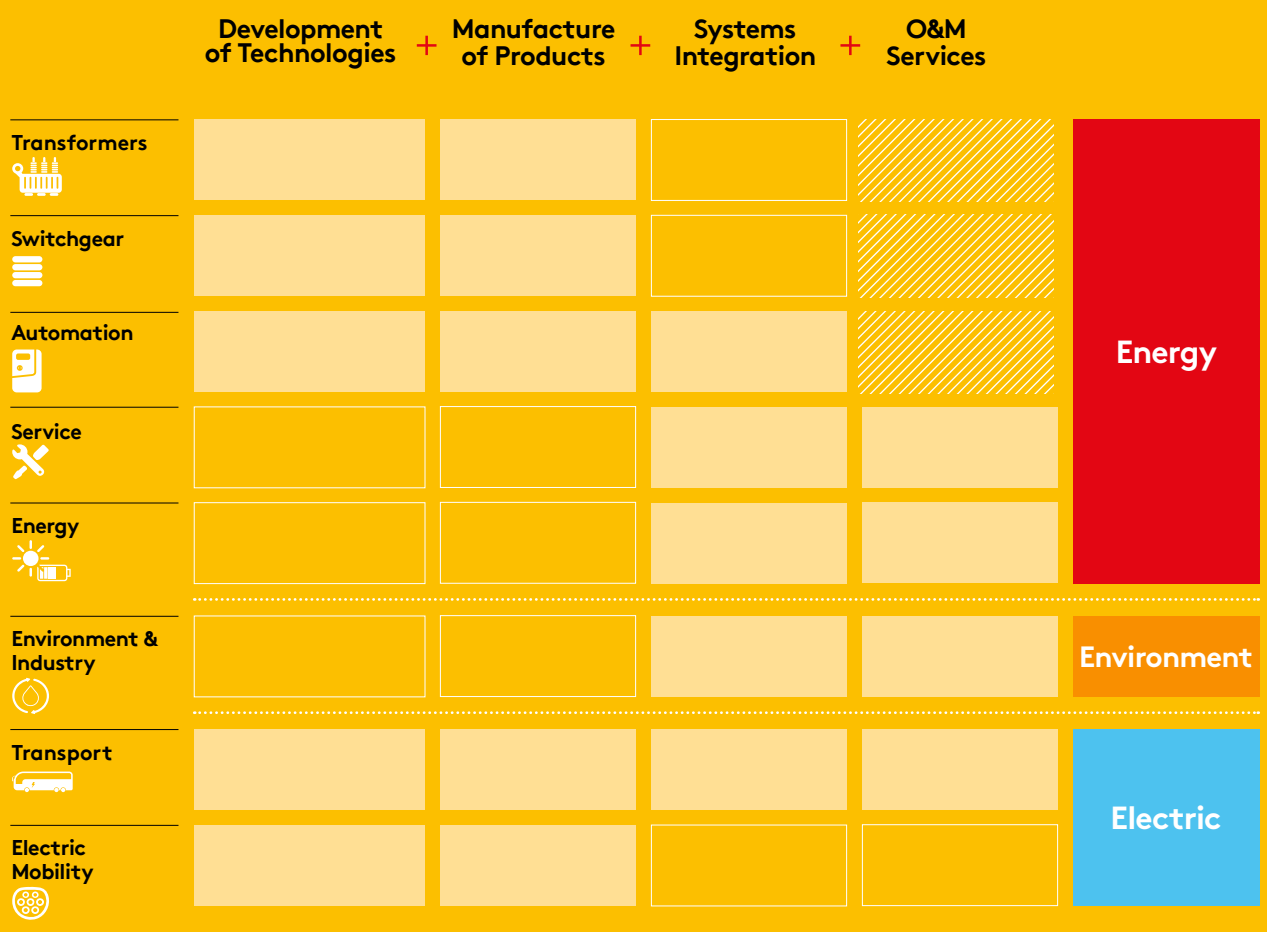
We anticipate and shape the future through transformers, equipment, service, automation solutions, energy systems, environmental and industry projects, transportation and electric mobility solutions.

Our world

Efacec has a global footprint, with a presence in 11 countries and sales in more than 80 countries.

Head office · Manufacturing Units and Branches · Countries where Efacec sells

Efacec positions itself on the market as a Supplier of fully integrated solutions, from:



Transformers Service, Switchgear and Automation

4.2.1. BUSINESS PORTFOLIO

Transformers

We are guided by the highest quality in the technological development of power transformers, distribution transformers and mobile substations, ensuring that all solutions are reliable and competitive.

TURNOVER
(M€)

2019 113.4

2020 **51.9**

EBITDA
(M€)

2019 0.7

2020 **-15.6**

AVERAGE NUMBER OF EMPLOYEES

2020 **599**

Brief Description

The Transformers business unit (TRF) develops and manufactures, in Portugal, products and solutions for the production, transport and distribution of electricity.

Efacec's commercial activity is carried out through a network of distributors, Partners and agents located in the geographies with the greatest potential, as well as through its own commercial team.

Offer Portfolio

Power Transformers
- shell type and core type (up to 1500MVA; 550kV)

Mobile substations
- (up to 90MVA; 245kV)

Distribution Transformers
- immersed type (up to 20MVA; 72,5kV)
- dry type (up to 6300kVA; 36kV)

QAS Certifications

ISO 9001 (Quality)
ISO 14001 (Environment)
ISO 45001 (Safety)

Main Geographies

Strategic Markets
Portugal, Spain, France, United Kingdom, Netherlands and the USA

Developing Markets
Northern Europe, Middle East and Latin America

4.2.2. BUSINESS PORTFOLIO

Switchgear

We develop flexible and sustainable solutions. Our product engineering and operations team works around the world, offering a comprehensive, turnkey service.

TURNOVER
(M€)

2019 60.4

2020 **24.2**

EBITDA
(M€)

2019 4.7

2020 **-8.4**

AVERAGE NUMBER OF EMPLOYEES

2020 **334**

Brief Description

The Switchgear business unit (AMT) develops solutions for the generation, transmission and distribution of high and medium voltage power, operating in primary and secondary distribution and providing transformation stations and switchgear equipment. It has a transversal offer comprising manufacture, installation and after-sales service.

The AMT has an industrial presence in Portugal, Spain, the Czech Republic and Argentina, it also has its own commercial teams and with the support of a network of agents, distributors and Partners.

Offer Portfolio

Primary distribution: medium voltage solutions (up to 36kV; 4000A; 50kA);

Secondary distribution: AIS and GIS solutions, including modular switchgear (up to 36kV; 1250A; 20kA) and compact switchgear (up to 36kV; 630A; 20kA);

Transformation stations: turnkey solutions for energy distribution (up to 36kV; 1250A; 20kA);

Switchgear: product range comprising, among others, disconnectors and circuit breakers up to 550kV, and overhead switches and reclosers designed to integrate automatic energy distribution systems.

QAS Certifications

Portugal
ISO 9001:2015 (Quality)
PI 14001: 2015- (Environment)
OSHAS 18001: 2008 (Safety)
NP4457:2007 (Innovation)

Prague
ISO 9001:2015 (Quality)

India
ISO 9001:2015 (Quality)
PI 14001: 2015- (Environment)
PI 45001: 2018 (Safety)

Spain
ISO 9001:2015 (Quality)

Argentina
ISO 9001:2015 (Quality)

Main Geographies

Saudi Arabia, Argentina, Dubai, Spain, France, Maghreb (Algeria and Morocco), Portugal, Qatar and the Czech Republic

4.2.3. BUSINESS PORTFOLIO

Automation

With over 30 years of experience in implementing Energy Systems, we provide innovative products and solutions, according to the specific needs of each market.

TURNOVER
(M€)

2019 50.4

2020 **29.1**

EBITDA
(M€)

2019 5.3

2020 **-1.9**

AVERAGE NUMBER OF EMPLOYEES

2020 **314**

Brief Description

The Automation business unit (ASE) operates in the development and supply of products and solutions for control, automation and management of power grids. It also includes a division dedicated to aerospace projects.

Combining systematic and Technological partner competences, ASE operates as a Supplier of customized products and solutions, including command centre solutions for the safe and efficient management of generation, transmission, distribution, renewables and transportation operators; digital solutions for the protection, automation and control of the power grid; micro-network management tools; feeding systems; inverters for photovoltaic parks and power conversion systems for energy storage.

Offer Portfolio

- Advanced Network Management;
- Automation, Protection and Control (APC);
- Feeding Systems;
- Smart Power (Inverters and PVStations, e Energy storage);
- Aerospace Industry Projects.

QAS Certifications

Portugal
ISO 9001 (Quality)
ISO 14001 (Environment)
OSHAS 18001 (Safety)

Brazil
ISO 9001 (Quality)

India
ISO 9001:2015 (Quality)
PI 14001: 2015- (Environment)
PI 45001: 2018 (Safety)

Central Europe
ISO 9001 (Quality)
ISO 14001 (Environment)
OSHAS 18001 (Safety)

Main Geographies

Algeria, Bahrain, Brazil, Chile, United Arab Emirates, Greece, Holland, India, Portugal, Romania

4.2.4. BUSINESS UNIT

Service

Our accumulated experience and competence allow us to add value in all our services, offering solutions with the highest quality standards, always bearing in mind the circular economy principles in favour of a more sustainable world.

TURNOVER
(M€)

2019 18.8

2020 **12.0**

EBITDA
(M€)

2019 1.2

2020 **-1.8**

AVERAGE NUMBER OF EMPLOYEES

2020 **174**

Brief Description

The Service business unit (SRV) provides a wide range of highly specialized solutions focused on assessing the state of condition and asset management, as well as the maintenance, repair and commissioning of the main equipment present in the energy infrastructure.

The SRV provides technical assistance, both at the Client's facilities and in the workshop, to transformers, motors, alternators, generators, circuit breakers, disconnectors, switches, switchgear of different manufacturers and models. It also offers global maintenance contracts that ensure reduced response times and permanent monitoring of the facilities.

This business area has dedicated teams in Portugal, Angola, Spain, and France, supported by a knowledge and support centre in Portugal.

Offer Portfolio

- Digital asset management solutions;
- Specialised consulting;
- Transformation of infrastructures;
- Maintenance contracts;
- Specialized technical assistance;
- Decommissioning services.

QAS Certifications

Portugal
ISO 9001 (Quality)
ISO 14001 (Environment)
OSHAS18001 (Safety)

Spain
ISO 9001 (Quality)
ISO 14001 (Environment)
OSHAS18001 (Safety)

Angola
ISO 9001 (Quality)

Main Geographies

Angola, Algeria, Spain, France, Mozambique and Portugal

4.2.5. BUSINESS UNIT

Energy

Providing efficient and resilient solutions for a sustainable world is what drives us. We deliver value through our turnkey engineering systems and our Research and Development activity.

TURNOVER
(M€)

2019 57.5

2020 **49.9**

EBITDA
(M€)

2019 3.8

2020 **-1.2**

AVERAGE NUMBER OF EMPLOYEES

2020 **184**

Brief Description

The Energy business unit (ENE) is responsible for developing projects for the construction of electrical and mechanical infrastructures for the industrial, energy generation, transmission and distribution sectors in a turnkey/EPC (Engineering, Procurement & Construction) system. This area also provides Operation & Maintenance (O&M) services for the installed infrastructure.

The Energy unit has a global activity and an international presence, developing its business through five competence centres spread over five geographies: Portugal, Austria, Chile, Angola and Mozambique. The ENE develops its activities by strengthening local and technological partnerships, which allow access to specific markets and applications.

Offer Portfolio

- Solutions for VHV (Very High Voltage), HV (High Voltage) and MV (Medium Voltage) substations, digital substations, power transmission lines and electrical grid improvement systems;
- Turnkey solutions for hydroelectric power plants: plants for the production and storage of energy from water resources;
- Solutions for renewable energy: generation of photovoltaic energy (*utility scale* solar power plants and self-consumption plants) and hybrids (solar, thermal and storage) for connection to the grid;
- O&M of substations, hydroelectric and photovoltaic power plants.

QAS Certifications

Portugal
ISO 9001 (Quality)
ISO 14001 (Environment)
OSHAS 18001 (Safety)

Europe
ISO 9001 (Quality)

Main Geographies

Albania, Angola, Armenia, Chile, Georgia, Mozambique, Norway, Kenya, Tunisia and Portugal

4.2.6. BUSINESS UNIT

Environment & Industry

Green and integrated solutions that improve the quality of life around the world. That is what we do. We deliver excellence in each project.

TURNOVER
(M€)

2019 18.7

2020 **20.6**

EBITDA
(M€)

2019 -4.1

2020 **-3.6**

AVERAGE NUMBER OF EMPLOYEES

2020 **122**

Brief Description

The Environment and Industry (AMB) business unit develops integrated solutions, from conception and design to the execution and commissioning and operation of systems, in the fields of Water and Solid Waste (Environment) and Thermal and Dedusting Plants (Industry). Efacec also operates in the Operation & Maintenance (O&M) segment, which consists in the operation and maintenance of critical infrastructures in the Water area.

The AMB develops its business globally from Portugal, also counting on its own local teams with commercial and project management competences in Algeria, Angola, Mozambique and Romania, and with a network of partnerships/agents that bring Efacec closer to the international local markets.

Offer Portfolio

Water and Solid Waste

- Water abstraction, pumping and delivery stations and pumping stations;
- Water Treatment Plants (WTP);
- Wastewater Treatment Plants (WWTP);
- Simple mechanic, automated and biological treatments by anaerobic digestion and aerobic compost without or with organic recovery;
- Preparation of Refuse-derived Fuels (RDF);
- Energy recovery of biogas from anaerobic digestion and landfill;
- Landfills and gas fields sealing;
- Infrastructure remote management and supervision systems.

Thermal and Dedusting Plants

- Conventional plants (example: gas, diesel, HFO);
- Systems integration for generation of renewable gases;
- Combined cycles and cogenerations;
- Biomass power plants;
- Hybrid plants (conventional + photovoltaic);
- Electrical and control systems;
- Bag and electrostatic filters;
- Silage and discharge systems;
- Mechanical and pneumatic transport of materials.

QAS Certifications

Portugal
ISO 9001 (Quality)
ISO 14001 (Environment)
OSHAS 18001 (Safety)

Europe
ISO 9001 (Quality)

Main Geographies

Angola, Algeria, Denmark, Guinea--Bissau, Ireland, Malta, Morocco, Mexico, Mozambique, Norway, Portugal, Romania and São Tomé and Principe

4.2.7. BUSINESS UNIT

Transportation

We operate in the Railways, Light Rails and Highways segments. Our work focuses on energy, telecommunications, signalling, command and control. We are driven by a strong commitment to the technological development and innovation.

TURNOVER
(M€)

2019 36.0

2020 **36.6**

EBITDA
(M€)

2019 7.1

2020 **2.0**

AVERAGE NUMBER OF EMPLOYEES

2020 **230**

Brief Description

The Transport business unit (TRP) designs, develops, markets, supplies, commissions and maintains its own and customized products and solutions, in addition to integrating them into turnkey projects for Clients in the public road and rail transport markets.

The TRP has an integrated offer dedicated to the supply of energy, telematics and signalling solutions for the railway (light rail, heavy rail and railways) and road transport segment, incorporating products and technology of its own development, which are the differentiation basis of its international operation in the most demanding markets. It also develops integrated telecommunications projects for fixed and mobile network operators.

Business development is carried out globally, with projects installed in more than 15 countries, with the Transport competence centres located in Portugal.

Offer Portfolio

- Power and traction energy systems;
- SIL4 railway signalling and safety (interlocking (AEGIS) and level crossings (XSafe));
- Telematics and telecommunications (INOSS);
- Real time circulation and operation management systems (TimeKeeper, TramKeeper);
- Integrated command and control platforms (EFARAIL);
- Maintenance contracts with 24/7 support.

QAS Certifications

ISO 9001 (Quality)
ISO 14001 (Environment)
OSHAS 18001 (Safety)

Main Geographies

Algeria, Brazil, Denmark, Spain, Ethiopia, Ireland, Norway, Poland, Portugal, United Kingdom, Sweden and Tunisia

4.2.8. BUSINESS UNIT

Electric Mobility

Contribute to making electric mobility a reality in society and in people's lives, while contributing to the sustainability and decarbonisation of the economy.

TURNOVER
(M€)

2019 40.8

2020 **23.2**

EBITDA
(M€)

2019 4.8

2020 **-0.5**

AVERAGE NUMBER OF EMPLOYEES

2020 **175**

Brief Description

The Electric Mobility (EEM) business unit offers a full range of charging solutions, network management and infrastructure maintenance for electric vehicles (EV) for the private and public cargo segments, of the fast, ultra-fast type.

Electric Mobility develops its business on a global level with a large network of commercial Partners and after-sales support that allows ensuring close support and a commitment to high levels of service to a high number of Clients on the markets where it operates, with a special focus on Europe and the USA.

With an industrial unit located in Maia (Portugal), an operation in Norcross-GA (USA) that carries out commercial, project management and client support activities in and a network of strategic Partners, EEM ensures a response in the electric mobility business on a global level.

Offer Portfolio

- Electric chargers for implementation in public or private domain:
  - → Alternating current load chargers (up to 43 kVA), fast and ultra-fast (350kW) direct current load;
  - → Chargers and specific solutions for charging bus;
- EVCORE CPMS charging point network management platform;
- Preventive and corrective maintenance of electric vehicle chargers;
- Software *"as a service"* with the development of specific solutions for CPOs.

QAS Certifications

Portugal
ISO 9001 (Quality)
ISO 14001 (Environment)
OSHAS 18001 (Safety)

Product certifications in the World
Europe: CE marking
USA and Canada: UL and CSA Certifications
Colombia: RETIE Certifications

Main Geographies

Portugal, Spain, France, Germany, Luxembourg, Netherlands, United Kingdom, Sweden, Denmark, Finland, Norway, Poland, Switzerland, Croatia, Slovakia, Slovenia, Romania, Greece, Italy, USA, Canada, Brazil, Mexico, Colombia, Chile , Hong-Kong, Macau and Thailand

4.3. Main orders of the year

PRODUCTS

ENEL Itália selected Efacec for a **two-year frame agreement** to supply 2,287 secondary distribution cells and 333 secondary distribution cells with SF6 *free* technology, to be installed in its energy network.

Efacec was selected, for the first time, by a major European *Transmission System Operator* (TSO) - the French company **Réseau de Transport d'Electricité (RTE)** to supply the R#SPACE project that includes critical products for the protection and control of transmission networks. This project includes **the change of the set of transmission substation automation specifications for digital solutions**, with architectural and engineering optimizations, which position Efacec solutions applied in the French network at the level of what is best done in the world.

The **European Space Agency (ESA)** commissioned Efacec to **develop and produce a laser altimeter**, from a first prototype to the flight model that will integrate the HERA mission satellite. This joint ESA and NASA mission is destined for the asteroid belt of our Solar System, located in an orbit between Mars and Jupiter. More specifically, the target is a small asteroid that, in a first phase, will be impacted by NASA's satellite, DART and, in a second phase, will be studied by ESA's satellite, HERA.

One of HERA's study equipment will be the **Light Detection And Ranging (LIDAR)** instrument, developed and produced by Efacec, which will measure distances with great precision and will serve, for example, to map the crater left by DART.

Through the **LUXX consortium**, Luxembourg took the first step in creating its network of ultra-fast chargers for electric vehicles, awarding Efacec **88 ultra-fast charging stations at 19 service areas**, located on motorways and other key locations, covering all regions in the country. The first two SuperChargy terminals are operational in the car park at the University of Luxembourg, on the Kirchberg Campus, and the remaining equipment will be installed by Creo Luxembourg by the end of 2023.

SYSTEMS

Efacec is part of the construction of the 400kV Chimuara/Nacala Transmission Line in northern Mozambique, a region that suffers from severe power cuts and scarcity, and is currently supplied by a limited 220kV system and is unable to sustain the expected growth. Efacec will supply **Elecnor with four Shell autotransformers with 250MVA 400/220/33kV decoupled phases and two with reserve phases** for the Chimuara and Alto Molocue Substations. This exclusive top technology has important advantages in transport and installation logistics, as well as technical characteristics of unique mechanical and electrical robustness. The completion of this project will provide countless local jobs and boost industrial growth in the central and northern provinces, such as the projects in Cabo Delgado province, facilitating regional interconnectivity with Tanzania.

PEGOP again chose Efacec to provide CPEP **mechanical, electrical and instrumentation, lubrication and tooling services** at the Pego Thermoelectric Power Plant. In a period of energy transition, Pego Power Plant plans, in 2021, to switch to the production of energy from charcoal instead of the current highly polluting mineral coal. The charcoal results from a biomass roasting process resulting from the residues removed from the forest after cleaning, thus contributing to the prevention of forest fires and to environmental sustainability.

Efacec obtained and delivered its largest ever Renewables project in the national territory: more than **120 thousand photovoltaic panels, 250 inverters, eight transformation stations, and an annual production capacity of 80,000 MWh**. These are some of the big figures of the **Mogadouro Photovoltaic Power Station**, in the district of Bragança. Installed in 65 hectares, the Photovoltaic Power Plant was connected to the national power grid at the end of 2020 and has the capacity to supply energy to approximately 20 thousand inhabitants. The use of this renewable energy will avoid the emission of 31 thousand tons of CO2 per year.

EPAL - Empresa Portuguesa das Águas Livres of the Águas de Portugal Group selected the Efacec-OLIVEIRAS S.A. consortium for the construction of its first mini-hydroelectric plant, within the scope of the **Asseiceira 0% Water Treatment Station (WTS) project**. The contract will be executed on a turnkey basis (integrated EPC system), including six months of O&M, with Efacec developing the *water-to-wire* solution. The main objective of the project is guaranteeing energy neutrality, making this WTS the first in the world to be 100% self-sustainable in terms of energy.

Efacec won, in partnership with a Danish construction company, its first wastewater treatment project in Denmark. The project consists of the modernization of the **Nykøbing WWTP**, with a capacity for 35 thousand inhabitants, and aims at improving the operating conditions of the facility, the quality of treated water and the optimization of operating costs.

Two contracts were signed with **MUSAMI** (Azores, Portugal) in the areas of mechanical treatment and anaerobic digestion in tunnels. The first contract concerns the design, construction and supply of a **Mechanical Waste Treatment Centre on the Island of São Miguel**, with capacity to treat 55 thousand t/year of solid urban waste, from undifferentiated collection. The second contract concerns the design, construction and supply of a **Biological Waste Treatment Centre on the Island of São Miguel**, with capacity to treat and recover 12 thousand t/year of organic fraction from mechanical treatment and selective collection, and with production of biogas and compost.

Efacec was elected by the construction consortium for the supply and installation of energy for the **Copenhagen Rail** tunnels, Denmark, having also securing the maintenance of the **Cádiz Light Rail**, Spain.

Also, in the Transportation area and in Portugal, Efacec was awarded the construction of the **Runa Traction Railway Substation** and the maintenance of part of the telecommunications and substations for **Infraestruturas de Portugal**.

4.4. Main technological developments of the year

Although we experienced, in 2020, an unforeseen pandemic situation, we continued with our strategy of investing in Technological Innovation as a key element to generate value through differentiation and as a critical vector to better respond to market trends and challenges posed by each Client.

Efacec's strategic commitment to Technological Innovation based on the existing endogenous know-how skills has led to an update and expansion of the offer portfolio, through own innovative, sustainable and value generating technological solutions, on an international scale. This bet is also reflected in the creation of new technological areas of activity.

Aware of the importance of Technological Innovation, a consistent effort has been made to expand the ecosystem with differentiating and complementary partnerships in terms of know-how skills and scientific and technological-based knowledge in areas leading to energy transition and decarbonisations of energy and mobility sectors. Thus, during 2020, we accelerated the focus on the development of digital solutions, more efficient and that enhance a higher level of integration of energy from renewable sources.

EDGE – EFACEC DIGITAL ENGINE

Aiming at strengthening Efacec's commitment to offering digital platforms and client-oriented operation and command centres, in 2020 a strategic study was developed involving multiple Units and Corporate Areas. This study aimed at creating a Competence Centre specializing in IT for high flexibility, scalability and resilience IoT (Internet of Things) platforms, which enhances a strategic alignment for generating added value, extracting information from large amounts of data, as well as the maximization of internal synergies in the offer and availability of innovative services based on the use of these digital platforms.

And because creativity is the basis of Technological Innovation, Efacec maintains a strong commitment to internal idea generation programmes extended to all Employees, enhancing innovation and continuous improvement, with a view to the activities' operational efficiency, to the reduction of primary materials used and their circularity, enhancing the reduction of the environmental footprint.

The **Technology Management area** coordinates the definition of Efacec's medium and long-term technological strategy across all Business Units, defining and guiding technological goals and strategic synergies throughout the internal and external ecosystem, including Clients, Partners and Suppliers, SMEs and *Startups*, Research Centres and Universities. In this spirit, the definition of the technology and innovation strategy is based on contributions from different sources:

- Current and future needs of Clients and the market sectors in which Efacec operates;
- Market development, including technological trends;
- Evolution of competition, based on technological radar and *benchmarking*;
- Society requirements and macro trends;
- Internal analysis, namely skills and abilities;
- New business areas: synergies and *clusters* of skills and development.

The Technology Management area also has the mission of promoting the accelerated development of disruptive technological ideas, with great future potential for generating new business.

VISION FOR TECHNOLOGICAL INNOVATION

Technological Innovation at Efacec has, at its origin, a multidisciplinary team that responds to the needs of Clients and to the current - and future - challenges of society.

This internal endogenization process of vast and additional technical competences is supported by a strong internal investment in Research and Technological Development (R&TD) and supplemented by a continued technological cooperation policy with a large group of reference entities at a global level.

It is through innovation that Efacec makes its products evolve and today develops the right solutions for tomorrow's needs, keeping in mind the energy transition and decarbonisation for a better and more sustainable world.

The R&TD strategy focuses on balance and sustainability in the distribution of resources, based on the 70-20-10 principle: 70% of incremental innovation (to keep the current portfolio updated), 20% invested in exploratory activities (for the creation of new solutions in exploratory areas) and 10% allocated to disruptive innovation (seeking to reach future opportunities and create greater differentiation factors for solutions made available).

EFACEC'S TECHNOLOGICAL PARTNERS

- Startups HCapital New Ideas and HiSeedTech Association
- National Innovation Agency (ANI), Portuguese Agency for Investment and Foreign Trade (AICEP), Foundation for Science and Technology (FCT), Business Association for Innovation (COTEC), Portugal Space, Cluster TICE.pt, Portugal, European Space Agency (ESA) and European Commission
- Universities, polytechnics and other higher education schools in Portugal and Europe
- Research centres, technology transfer centres, in Portugal and in Europe, but also in the USA
- Collaborative laboratories and technical laboratories
- Industrial and business partners
- City councils, municipalities and associations of energy users
- World Energy Council, Future Energy Leaders and Portuguese Association of Energy

4.4.1. Technological innovation indicators

	Our 2020 objectives	Our progress
Technological intensity (Inv. in R&TD/ Revenue)	**3.5%**	**4%**
Number of entities with technological and scientific cooperation		> 60
Number of strategic R&TD projects with external partners		27
Number of PhDs in progress		5
Number of technical papers published		4
Number of patents (active or under analysis)		20
No. of IP protections granted		5
Number of participations in Startups (venture capital)		6

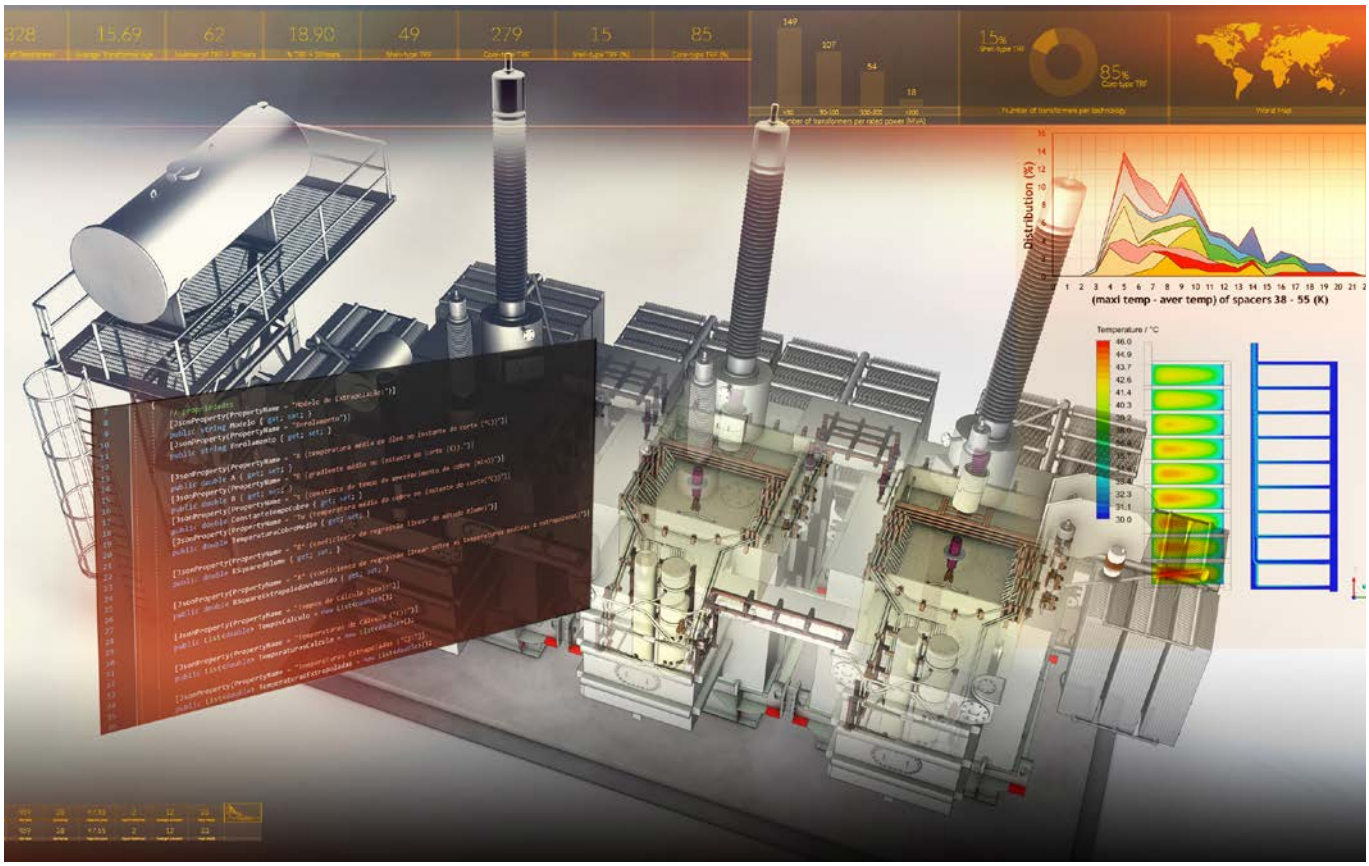
The creation, in 2017, of the **Efacec Technological Roadmap** (ETR) introduced a practical methodology, which we consolidated, of strategic definition of the Technological Innovation key activities with a horizon of five years. This occurs in a collaborative and substantiated way in the Technological Development Strategic Plans (TDSP) of each Business Unit, resulting in a participatory structured process of the various functional business areas.

Although 2020 was a particularly challenging year, we sought to maintain technological development activities, having started nine new R&TD projects with external incentive, which resulted **in a total of 27 projects in execution. This significant increase is the result of the strong and continued focus on expanding Efacec's R&TD ecosystem and diversifying sources of incentives.**

In addition, it was possible to maintain a high rate of success in the approval of R&TD projects with external incentive, at European and national level, which is well above the general average of the programmes in question. **The maintenance of Efacec's commitment to R&TD and innovation activities has resulted in a growth in Technological Intensity, with the total investment in 2020 reaching 4% of the year's revenue volume.**

Efacec participations in start-ups

Start-up	Business/Product description	SUPPORT AREA
ENEIDA	Smart sensors and collaborative IoT platform (with machine learning algorithms) for management and monitoring of electrical power grids (typically for Low Voltage power grids)	IoT / Energy
OmniFlow	Smart energy generation platform (wind and solar) for IoT, in the context of the Smart Cities & Territories	IoT / Smart Cities
GLAREVISION	Software solutions to optimize the maintenance processes of industrial equipment, highlighting the use of Augmented Reality in the user interface	Industry / Augmented Reality
LOQR	Digital identity management platform that allows Clients onboarding in a quick, easy and compliant manner, through identity check and digital contract signing	Cibersecurity/ Software as a Service
proGrow	Advanced technological platform to support Kaizen methodologies and continuous improvement processes in the factory context with a view to Industry 4.0	Digitalization manufacturing pro-cesses and i4.0 / SaaS
Enline	Digital Twins solution for optimized management of medium and very high voltage power lines, supported by proprietary artificial intelligence algorithms	Power grids/SaaS Digi-tal Twins



4.4.2 Technological projects of the year

By developing the strategy of creating and offering Clients more valuable and more comprehensive technological solutions, Efacec maintained its focus on digital, efficient and sustainable solutions.

Medium and Low Voltage Networks

In recent years, the technological offer for low and medium voltage networks has been boosted through multiple complementary R&TD initiatives that seek to strengthen Efacec's digital offer. This strategy continued, in 2020, with several R&TD projects, namely the **GPDER+** project that aims at developing advanced solutions for predictive management of distributed energy sources to maximize the integration of renewable energy into the power grid.

In a similar context, the developments of the **FLEXERGY** project continued, which conceives an advanced platform for the optimized management of battery storage and flexibility management in terms of demand.

Also, the offer for digital asset management, in particular for power grids, was developed, seeking to provide more digital and more efficient technological solutions and boosting new digitally supported services that bring value to the Client.

With these and other R&TT projects underway, the objective is to rejuvenate the offer with more and better digital solutions that ensure a more effective and efficient management of the power grids and boost the acceleration of the energy transition and the decarbonization of the electricity sector.

In terms of strengthening Efacec's offer with more environmentally friendly equipment, it is worth noting the start of the execution of the **GreenGear36,** project, which concerns the development of a new line of medium voltage equipment, using SF6-free insulation technology, that is, using vacuum or another more environmentally friendly synthetic insulating gas.

We should also mention the continued execution of the **FST - *Flexible Solid State Transformer*** project in the design and development of an innovative solution, on an international scale, of a modular transformer in power electronics. This project is partially financed by Red Eléctrica de España.

High Voltage Networks

The high voltage segment is now more relevant at European level with the need to increase interconnection between countries. Technological challenges also take on greater importance, with the need to increase the efficiency of assets, their level of digitalization and the management of the full life cycle taking on particular importance. In 2020, **NEXTRA**'s developments followed. This is a project aimed at developing the basic technologies needed for future more efficient and smarter power transformers.

We started the **TRANSFORMER 4.0** project, which aims at researching and developing multi-physical digital models and advanced algorithms for the creation of *digital twins* for the power transformers, through massive data collection and respective intensive processing by advanced algorithms and artificial intelligence techniques.

2020
Featured projects

Representative model of the NEXTRA project

Mobility and Transportation

In Electric Mobility, the development of new technological solutions continued under the **Fast EV 2.0** project, strengthening the offer in DC charging systems for very high-power electric vehicles, as well as advanced solutions for specific applications and smart integration in the electrical network. A significant investment was also made in the development of a multiplatform digital offer for advanced management of electric mobility systems and services, which resulted in the launch of the EVCORE digital platform.

In Transportation, the operational execution of the **DigiXSafe** project was finished, with excellent results in the development of an innovative barrier mechanism with a high level of security for level crossings, with the solution having been the target of intellectual property protection The first pieces are already in operation in the demanding climatic context of Sweden's railway network, with very positive results in terms of performance.

Also, in the Rail-Railway systems, the **DigiLightRail** project started with the objective of improving the competitiveness of Efacec offer in signaling systems for light rails, in terms of portfolio and efficiency in the execution of the integrated technical project. This project aims at unifying the solution of communications that support the different subsystems to support the operation in the operation of light rails, the development of an ATP *(Automatic Train Protection*) and the creation of an innovative integrated process, supported by data and digital tools, which allows the automatic generation of configurations for the equipment used and for the synoptics of the command-and-control centre of each rail system.

Seeking to anticipate the future potential that the innovative 5G communications system may bring to Efacec's offer portfolio, the company has actively participated in several European and national R&TD projects, focused on the development of this technology and its experimentation in real industrial applications.

In 2020, the Automation area finished, with considerable success, participation in the **SliceNet** project, in which it contributed with functional and technical requirements for future 5G networks to be able to support the implementation of *self-healing* solutions in managing electricity distribution networks. Closer to real applications demonstrating in the field the capabilities of 5G technology, to support the operation and management of smart distribution networks and the safe operation of railway level crossings, the Automation and Transport Units continued the implementation of the **5GROWTH** and **5G Mobilizer** projects, with a view to implementing real environment pilots supported by 5G communications.

We should also mention the beginning of three Mobilizer R&TD projects: the **CityCatalist**, the **FERROVIA 4.0** and the **BATERIAS 2030**. Efacec is the promoter-leader of the first two, which aim at strengthening the portfolio in areas with high future potential by addressing sectors essential to decarbonizing the economy and combating climate change.

Also important was the beginning of the activities of the **IANOS** project, led by EDP, and in which Efacec, in cooperation with Eletricidade dos Açores (EDA) and several other European Partners, will contribute to demonstrate a new generation of high flexibility and resilience substation, which will include an innovative Efacec transformer with continuous voltage regulation, using power electronics and several EV chargers.

Lastly, we highlight the beginning of the **MAGAL CONSTELLATION** project, led by Efacec. In cooperation with the University of Austin, USA, and with other national Partners, an innovative microsatellite will be developed that integrates the LIDAR altimeter, developed by Efacec and other environmental sensors, and which will make it possible to build a constellation of satellites for monitoring multiple environmental parameters of the Atlantic Ocean.

4.4.3 Innovation management systems

The development of a culture and a mindset for innovation, promoting internal entrepreneurship and facilitating the manner in which new R&TD projects are developed remained one of the focuses of the Technology Management action.

Resulting from a participatory effort by multiple teams from different Business Areas, which led to the development of nine technological challenges, Efacec submitted, on the international open innovation platform PITTCH, led by several international laboratories, including the Iberian Nanotechnology Laboratory (INL), the technological challenge **Smart Digital Transformer Management**, which involved the Service, Automation and Transformers areas. This will be one of the challenges to be addressed in 2021 through solutions coming from outside the Efacec's usual innovation ecosystem, in addition to others that will be launched at Efacec's Open Innovation home, Hop.in, *home of open innovation*.

Hop.in was developed in late 2019 and early 2020, with the objective of boosting Efacec's open innovation strategy, seeking to attract greater creativity, complementary technological competences and "out of the box" perspectives". The pandemic situation made us postpone the official launch of the platform to the 1st quarter of 2021.

The digital pltaform **Balcão de Inovação Tecnológica** (BIT), which aims at the ideation and consolidation of R&TD initiatives across Efacec, continued to be a key part in streamlining technological innovation processes in the different areas of Efacec. The systematic use of the BIT platform was the starting point for an efficient and effective operational management of technological innovation proposals at Efacec, from the ideation to the execution, as well as the regular assessment of their potential impacts and closure of the R&TD project.

Additionally, BIT also offers the **Intellectual Property Management System** (SGPI), a digital tool that facilitates the preparation, registration and management of Efacec's Intellectual Property (IP), capturing more value from technological innovation while protecting the most relevant and disruptive results. During 2020, three new requests for IP protection were made. Five IP protections were also granted to Efacec: two patents in the field of advanced photovoltaic solar panel technologies, one in protection systems for DC electrical systems and two in drawings/models related to an innovative Power Transformers Modular architecture and also a new Barrier System for intrinsically safe railway level crossings.

There was also a considerable increase in the cooperation with the academic ecosystem in the co-advising of technological-based work in master's degrees and undergraduate programmes, presenting innovation challenges related to digital asset management, large-scale data processing, using artificial intelligence techniques or the use of augmented reality in electrical systems maintenance contexts, following and *mentoring* the transformation of disruptive ideas and technologies into possible new businesses.

4.4.4 Expectations for 2021

Technological innovation and development are the basis of Efacec's value offer 2021 will be a year of consolidation of the *pipeline* of ongoing projects with a focus on digitalization, decarbonization, energy decentralization and optimization of the Energy, Environment and Mobility value chains.

The technological *roadmap* involves the execution of **27 R&TD projects in cooperation** with national and international industrial, technological and scientific Partners. These projects aim to launch differentiating and innovative solutions that combine reliability and technical-economic efficiency and are generating new opportunities and revenue *streams* for the ecosystem value chains in which we operate.

The main technological development domains for 2021 include

- Solutions for micro-networks, integrated energy storage systems and power electronics solutions for managing the power grid flexibility;
- Ultra-fast DC electric charging systems and *smart charging* innovative solutions;
- Solutions for efficient and predictive technical and economic management of medium and low voltage power grids, micro-grids, renewable generation and electric mobility infrastructures;
- Next generation digital substations and new automation architectures for autonomous and flexible energy systems;
- Digital asset modelling and technical and functional constructive optimization;
- Solutions and services for digital asset management and performance optimization throughout the life cycle including advanced sensing;
- Digitization of engineering and operations processes with a view to optimizing technical-economic performance and *lead time* in the operation;
- Energy efficiency and reduction of the sustainability *footprint* through the design of products and solutions, including reducing the use of materials, increasing the degree of incorporation of biodegradable components or minimizing noise and harmful gas emissions;
- Smart solutions to support the operation of mobility systems for people and goods;
- Application of advanced analytics technologies, artificial intelligence, augmented reality and cybersecurity.

Recognizing the importance of diversity and multifunctionality in innovation, as well as agility and *time-to-market* in technology and market contexts with increasingly shorter cycles, Efacec launched a **new transversal technology management model**, integrated in the new Organisational Structure, which balances synergy and focus among internal competence centres and in the context of the open innovation ecosystem.

The foundations of this model will continue in 2021 with the creation of two transversal areas of Technology (Product Technology and System Technology) and with the creation of technology areas explicitly defined in all Business Areas, encompassing R&TD, Engineering, Product Management and Tests/ Certifications. The organisational change will be strengthened and supported by new processes, ensuring coordination and alignment of the different areas of technology competence, the execution, sustainability and *accountability* of all the Group's technological initiatives.

In this context, in 2021, two **new competence centres will be launched for digitalization and decentralization of electricity generation and distribution systems**.

We should also mention the launch, in 2021, of two new strategic R&TD projects in co-promotion. The **NEXTGENHPC**, in collaboration with the Instituto de Ciência e Inovação em Engenharia Mecânica e Engenharia Industrial (INEGI), aims at developing high power DC charging solutions (up to 1MW) for electric vehicles. The **MEGASOLAR**, in collaboration with the University of Minho, involves an internal consortium of three Business Units and aims at developing PV Stations more adapted to large-scale photovoltaic parks, including the development of 3MW inverters.

2021 will be a year of acceleration in terms of open innovation, with the launch of the digital platform for open innovation **Hop. in**, and the integration of Efacec in PITCCH, the international open innovation network. These are two pillars for the progressive opening of the company to cooperation, creativity and the sharing of ideas and challenges with the outside context.

In strategic terms, we should also highlight Efacec's position in the hydrogen economy and the equally important active participation in the definition of national agendas for the sea, space and energy, which are an integral part of the implementation of the National Recovery and Resilience Plan.

Additionally, Efacec will continue to develop products, based on its **modularity system concept**, presented to the market for the first time applied to a Core 40MVA Transformer. An innovative concept, which offers the Client a greater capacity for adaptation, performance and choice, which is also reflected in investment optimization. Still in the first quarter of 2021, four new products/solutions in the Electric Mobility area will be presented. They incorporated, in its development, this concept, which generates added value for the Client.

Efacec launches innovative modular system concept for power equipment

Efacec took another step in the field of technology with the launch of the innovative modular system concept for power equipment, unprecedented and pioneering in the market: the Modular System Patent by Efacec, applied, in a first phase, to the power transformers segment.

This system allows the same equipment to receive new features at the pace of the Client's needs. In the future, it will be applied to Efacec's various equipment and solutions, making them more modern, sustainable and prepared for the new features brought by digitalization. With this concept, transformers will be prepared for the digitalization era and industry 4.0, allowing them to explore new features and applications in the digital management of networks and equipment. The Modular System Patent by Efacec combines technology and design to provide greater efficiency, versatility, safety and sustainability.

4.5. Main Achievements of the Year

PRODUCTS

Efacec supplied **to Shell power transformers to Scottish & Southern Energy** in Scotland. With 480MVA each, they total the capacity of almost 1GW installed in the **Forte Augustus Substation**, which has its capacity expanded with the increase of hydro generation in the region. This structural energy project for the Scottish network uses decoupled phase Shell transformers supplied by Efacec, which allow their transport to places of difficult access.

Transformer - USA

In France, **ENEDIS**, main energy distributor in France, awarded the supply and installation of **one 100MVA, 220kV transformer in the centre of Paris**, which required assembly in an underground substation and which will be crucial to the strengthening of the distribution network during the 2024 Olympic Games.

Efacec also supplied **two transformers, 62MVA and 48MVA** for the **Rhine hydroelectric power plants**, located on the Franco-German border and started the installation project of **three ester transformers** (coolant that replaces mineral oil, making the transformer more environmentally friendly) for the **Saint Esteve hydroelectric power plant**, belonging to **EDF-CIH**.

Also, in 2020, and in the transformers area, a **new concept of transformer modular system** , exclusive to Efacec, was launched, that is changing the way our Clients perceive the transformers and energy asset management.

ENEL Global awarded order for **Fluofix cells** and **Revac Reconnectors** . Fluofix cells, destined for Italy, represent a significant batch of 18% of the global value, against extremely aggressive competition from local and international manufacturers. The same order also included a batch of **Fluofix SF6 free cells** . The Revac reconnectors will be destined for South America (Colombia and Brazil).

In line with the strategy defined for the Middle East, the presence in Saudi Arabia (KSA) was strengthened with an order from **Alfanar**, relating to High Voltage disconnectors to replace Hapam disconnectors.

In the equipment area, Efacec expanded its product portfolio in European reference Clients, including the *utility* **ENEL/ENDESA**, completing the **homologation processes of** Fluofix GC 24kV & 36kV cells (ENDESA), Fluofix GC 36kV cells (Ministry of Industry of Spain) and Efacec VPIS/Phase Comparator (ENEDIS).

Internal tests were also carried out and the prototype units were finished for the completion, in 2021, of the homologation processes for Revac 27kV Reconnectors (ENEL/LATAM & Naturgy) and Fluofix GC 24kV Cells (ENEL/LATAM).

Normacel – Saudi Arabia

The **renewable energy management system for a multinational in the sector** was put into partial service, aiming at the supervision and control of several wind farms and solar power plants, worldwide. The system is based on the latest Automation bet, the ScateX# REMS, and will be installed in three command centres located in Europe and the United States of America. The assets to be managed by the system total more than 10GW of installed power, 11,000MW of wind energy (more than 270 wind farms) and 145MW of solar energy (more than 14 photovoltaic parks).

The supply of the last **project of 16 ICS (Integrated Control System) batch** for Bahrain. The solutions provided include the **substation panel control units (BCU 500), the central units, (UC 500E) and software for the user interface (HMI 500**. This project proves Efacec's strong presence in Bahrain, where it has already installed more than 50 substations, for the end Client **EWA (Electricity and Water Authority)**, with whom Efacec has had a commercial relationship since the early 90s.

Substation - Portugal

Power Transformer Refurbishment

Ultra-fast chargers - Benelux

Photovoltaic Power Plant - Portugal

The new **Azores dispatch centre was put into service. The system based on ScateX # ADMS**, and located on the island of São Miguel, performs the supervision and management of assets of all islands, including the (hydro, thermal, wind, solar) generation, transmission and distribution networks. Two dispatch centres located on the islands of São Miguel and Terceira are aimed at the local supervision and management. An *emergency office*, was also placed on the island of São Miguel, to support the central command centre and the operator training simulator.

In the domestic market, the homologation processes with REN for the protection relays of the 500 range, the TPU L500 and TPU D500, destined for transmission networks, were successfully completed. With regard to distribution, the **programme contracts for the supply** of protection, automation and control for a set of **EDP Distribuição** substations were revalidated, as well as the **supply of OCRs and MV remote control**.

Efacec is supplying **protection and control relays to UTE**, a new Client in **Uruguay**. In total, there are 135 units of the TPU D500, the differential protections for the 150kV underground lines and cables.

The **refurbishment of a 92.5MVA 225/55-20kV power transformer** was finished. Owned by one of the largest private consumers of energy in France, the work included transportation, replacement of winding, general improvement of the structure, high voltage tests at the Efacec laboratory and commissioning.

Two hydroelectric power plants in the Douro were refurbished, involving the replacement of medium and low voltage switchboards, respective power cables, alteration of the associated command and control systems. Medium voltage switchgear, power cables and auxiliary service transformers were replaced in the power plant locks.

The **first 15 HV160 ultra-fast chargers were installed for the Benelux market**, under a programme contract with the *utility* **Q8**. Q8 is a giant in the oil industry that is integrating ultra-fast chargers into its service areas.

As part of the expansion of ultra-fast charging solutions in Portugal, Efacec supplied **the first two systems to the charging network operators EDP, Galp and Mobilectric.**

The **platform for managing** charging stations for electric vehicles and the application for mobile devices from **Sonae/ Elergone**. The Continente *Plug&Charge* marks the entry of the Sonae network into a market where other large distribution brands are already present, also betting on a generalized coverage of the country.

Supply of the **first ultra-fast loaders to Hydro Quebec**, the largest public charging network in **Canada** and to **Volvo Trucks, Sweden. 90 ultra-fast chargers** were supplied to the Partner **Garo**, to be installed in Norway, Sweden and Poland.

SYSTEMS

During 2020, Efacec put several photovoltaic power plants into service in the national territory:

- **Mogadouro photovoltaic power plant**, with an installed power of 48.9MWp, consisting of about 121 thousand solar panels and an area of 65 hectares. Awarded by **IGNICHOICE RENEWABLE ENERGY**, the contract includes the construction, on an EPC basis, of a new 60kV substation and a line, also 60kV, to allow the connection of the plant to the EDP distribution network;

- **Glória photovoltaic power plant**, with an installed power of 24MWp, consisting of about 800 followers, about 70 thousand solar panels and an area of 50 hectares. Awarded by **IGNICHOICE RENEWABLE ENERGY**, the contract also includes the construction, on an EPC basis, of a new 30/60kV substation and a new sectioning station to allow the connection of the plant to the EDP distribution network;

- **Infantado photovoltaic power plant**, with an installed power of 14.4MWp, consisting of 450 followers, about 42 thousand solar panels and an area of 40ha. The contract was signed with the **Central Solar do Infantado**.

Three substations were put into service in Ruanda, under the contract signed with STEG INTERNACIONAL (Société Tunisienne de l'Electricité et du Gaz Internacional). For the first time, the electrical network of this African nation reaches 220kV, with all substations integrated in the Rwandan Electricity Transport Network. Efacec thus contributed to a historic objective for the Republic of Rwanda: the full electrification of the country in 2023.

Also in the substation area, the expansion of the 220kV **Don Goyo Substation**, was completed and put into service, and involved the construction, under EPC system, of several panels, including the HV line sectioning. This project concerns contracts signed with the companies **Don Goyo Transmisión** and **Transemel**.

Efacec participated in the construction of the **Korskro Plant**, in Denmark. The Client, **Nature Energy**, is one of the most active worldwide in the field of renewable energies. It is the largest biogas production plant in Europe, capable of treating both solid and liquid biomass. Efacec was responsible for the engineering, supply, installation and commissioning of the electrical and electromechanical systems, including the automation and control system. In its genesis, aspects of reduction of operating costs and environmental impact were also present, having implemented systems with low energy consumption and a high level of automation, with reduction of operation and maintenance costs.

In a partnership with **DP World Maputo**, Efacec participated in the **expansion project for the Port of Maputo**, whose objective was to respond to the increase in port traffic in the southern region of the African continent.

The scope of supply included the engineering, supply, assembly and commissioning of two 1.5MVA generator sets, an 11kV substation, two 11/0.4 kV transformers, the control system and the respective mechanical and electrical auxiliaries, as well as electrical supply systems to the refrigerated container parks in the port.

Completion and commissioning of the new **liquid fuel and LPG storage and handling parks in Matola**, Mozambique. Under this project, which resulted from the contract signed with **GIMTL** (Galp-IPG Matola Terminal, Lda), Efacec was in charge of the assembly of the electrical and I&C facilities. With around five hectares, a storage capacity of 60,000 m^3 for liquid fuels and 6,000 m^3 for LPG, the intention was to strengthen the reliability and security of fuel supply to the entire southern region of Mozambique and to double the domestic gas (LPG) reception and storage capacity.

Under the **Agreement service for O&M WWTP and Pumping Stations for the Ave and Vila do Conde Subsystems, the pursuit of energy neutrality continued.** In this sense, in 2020, real-scale co-digestion tests were carried, with very promising results, with 132% of energy autonomy achieved in April, that is, it was possible to operate the installation with a positive energy balance. From the start of operations to the present day, the energy autonomy of the Ave WWTP has increased from 30% to 75%. This increase shows that it is possible to change paradigms and contribute to a better future, through the bet on sustainable energies (solar and biogas) and the circular economy.

Completion and commissioning of a **gas treatment plant** from the biomass boiler at Navigator, in Figueira da Foz, within the scope of the contract signed with **Andritz Oy**. This was a turnkey project, engineering, supply, assembly and start-up of a bag filter to capture the ash suspended in the gases and a calcium hydroxide injection and dosing system to reduce acid gases (SOx, HCl and HF).

The installation of the **main energy, signalling and telecommunications systems** started, including the **systems of the new Command Centre of Odense's new Light Rail**, which will change urban mobility in the Danish city.

The **first Level Crossing** was put into service in Sweden for **Trafikverket**, the entity that manages the railway infrastructure, and this supply includes a new mechanism fully developed by Efacec in collaboration with INEGI.

Commissioning of the two new facilities on **Line 2 of the KVMRT Kuala Lumpur Rail**, in Malaysia was completed. The system will be put into service in June 2021, the date on which the line will start operating.

In 2020, Efacec **strengthened maintenance activities** in several national Clients (such as Metro do Porto and Infraestruturas de Portugal), and international Clients (Cádiz Rail, Spain, Dublin, Bergen, among others).

ESTEL Rail Automation, an Algerian engineering company specialized in railway signalling and telecommunications, awarded Efacec **alarm and telecommunications collection systems** for the Boughzoul - M'Sila and Tissemsilt - Boughzoul railway lines. Efacec was responsible for providing a test centre and two alarm collection systems based on the CLP 500SAS platform, as well as several control cabinets based on the DCU 500 automation and control unit. The supply also includes local training and commissioning services.

Europe's Largest Biogas Plant - Denmark

First Efacec level crossing and new mechanisms - Sweden

4.6. Economic and Financial Performance

The objective of this chapter is to address the main aspects with financial impact on the Efacec Power Solutions (EPS) Group in 2020, namely with regard to the Group's activity this year, the evolution of its financial situation and the financing policy adopted.

The indicators used are based on reports to the Management Bodies that regularly monitor EPS activity (which we call management information). The concepts used in this context differ, in the formation of the result, from the accounting criteria followed in the financial statements. The overall result is obviously the same. This information considers, as in the financial statements, the discontinuing of the Environment & Industry (AMB) Business Unit (BU), whose impacts are presented separately in the Notes to the Accounts (note 4.3) and, briefly, later in this chapter.

For a better understanding of the figures presented in this analysis (management information), compared to the numbers present in the Income and Financial Position Statements (statutory information), a reconciliation of the main indicators presented is included at the end of this chapter.

Change in revenue recognition policy (IFRS15):

As disclosed in note 1 of the notes attached to the financial statements, in the period under analysis the company made the decision to change the revenue recognition policy under IFRS15, seeking to bring revenue recognition closer to invoicing, namely in product units (Transformers, Equipment, Automation and Mobility). This decision resulted essentially from the need to adapt the recognition of revenue to the current business reality, with the reduction of contract terms and conditions negotiated with the Clients, in an atmosphere of uncertainty regarding economic development.

On the other hand, this policy change, by moving from a revenue logic based on receipts and purchases to an invoicing logic, will allow (in terms of management): a) to improve the ability to define and assess the performance; b) to improve the ability to manage stocks and inventories (just-in--time purchasing); c) to improve financial management (cash); d) and, to facilitate the audit and analysis work by stakeholders, namely with regard to risk assessment.

As part of this change, the information related to 2019 was restated in order to maintain the comparability of the analyses in this report.

Analysis of the activity in 2020

EPS's activity, in the period under analysis was affected by the global situation associated with the COVID-19 pandemic, as well as by the change in its shareholder structure, with the partial nationalization of the company taking place at the beginning of the 2nd semester, thus justifying, to a large extent, the negative deviations from 2019, presented in this chapter.

During 2020, EPS received **orders** in the amount of 240.6 million euros, 32% lower than the previous year, with only the Electric Mobility Unit (EEM) showing a positive deviation. The main negative contributions occurred in the Transformers (TRF), Transportation (TRP), Automation (ASE), and Service (SRV) BUs.

The **revenue volume** in the amount of 216.0 million euros represented a 39% reduction compared to the preceding year, which results from differentiated developments in the several BUs of the Group (described in this Report, in the chapters dedicated to each BU). The main negative impacts occurred in the TRF BU, with a reduction of 59 million euros, Equipment(AMT), with a reduction of 36 million euros and ASE, with a reduction of 24 million euros. The Energy Business Unit (ENE), in turn, had a turnover identical to the preceding year.

The international market continues to have a fundamental importance in the business, representing 68% of the orders and 64% of the revenues in the financial year.

Million euros

	2019	2020	Δ	Δ%
Orders	355.2	**240.6**	-114.6	-32%
Revenues	355.1	**216.0**	-139.0	-39%
Direct costs	-280.1	**-197.5**	82.6	-29%
Gross margin	75.0	**18.5**	-56.5	-75%
Indirect costs	-52.5	**-38.7**	13.9	-26%
Other results	0.0	**0.0**	0.0	n.a.
Management EBITDA	22.5	**-20.2**	-42.6	-190%

Management EBITDA, used to measure the performance of the Group and each BU, is obtained by deducting direct and indirect costs from revenues:

- **Direct costs** group all the cost elements allocated to projects or manufactured products (materials, direct labour, outsourced services, general charges and expenses directly related to sales), operational exchange rate differences and other costs necessary for operational activity (quality, logistics and product development). The deduction of direct costs from revenues determines the **gross margin** (GM) whose average value in 2020 was 8.6% compared to the 21.1% recorded in the same period in 2019. This deterioration in the GM results from: i) a reduction in the margin of projects as a result of impacts on production, reducing the capacity to negotiate with Suppliers and ii) the increase in expenses with transportation and subcontracts to compensate for delays in execution. On the other hand, he strong reduction in activity resulting from COVID-19 and the *Trade Finance* blockade led to a relevant increase in the workforce inactivity and the consequent impact on the global gross margin.

- **Indirect costs** essentially include structure costs, encompassing commercial, administrative and management roles and their reduction is essentially related to i) the fixed cost reduction plan defined at the end of 2019 and applied in 2020, and ii) the effect of lay-off (reduction of around 8 million euros in terms of personnel costs and about 6 million euros in terms of supplies and external services).

The management EBITDA, unlike the statutory EBITDA, does not include non-recurring headings (see section on the reconciliation of the main indicators at the end of the chapter)

In 2020, the Group's **management EBITDA** fell from a positive amount of 22.5 million euros to a negative amount of 20.2 million euros, representing an EBITDA margin of -9.3% of the turnover, compared to 6.3% in the preceding year. This reduction resulted essentially from a decrease of 56.5 million euros in GM resulting from the reduction in activity previously mentioned that did not allow to cover, in the same proportion as in 2019, the amount of structural costs. This decrease in EBITDA is explained by: a) the volume effect, -53 million euros; b) the contribution margin effect (materials and project ESF), -8 million euros; c) operating exchange differences, -2.6 million euros; d) reduction of fixed expenses by 21 million euros.

The deterioration in EBITDA was generally observed in all BUs, with special emphasis on the TRF (revenue reduction), AMT (revenue reduction), ASE (revenue reduction and GM% improvement), EEM (fall in revenues and improvement in GM%) and ENE (lower GM% and reduction in revenues).

	2019	2020	Δ	Δ%
Management EBITDA	22.5	**-20.2**	-42.6	-190%
Costs with contract terminations	-1.5	**-0.5**	1.0	
Extra-operating results	5.9	**-15.2**	-21.1	
Statutory EBITDA	26.8	**-35.9**	-62.7	-234%
Amortization and depreciation	-14.2	**-15.1**	-0.9	
Provisions and impairments	-23.7	**-23.2**	0.6	
Net financial costs	-10.0	**-9.5**	0.5	
Result before taxes	-21.1	**-83.6**	-62.5	296%
Taxes	-0.4	**17.7**	18.1	
Discontinuing activities	-6.8	**-7.4**	-0.6	
Consolidated net profit/loss	-28.3	**-73.3**	-45.0	159%

The amount of Extra-operating results for 2020 includes around 15 million euros related to costs incurred with projects from previous periods, namely penalties, *reworking* and after-sales costs, among others. Of this amount, about half relates to projects prior 2016.

The amount relating to **provisions and impairments** recorded in 2020 is similar to the amount recorded in the same period. In 2020, the amount results mainly from: i) provisions for contingencies in projects at the ENE, TRF and ASE BUs, and for repairs in the warranty period in some Product BUs (8.6 million euros); ii) the need to record impairments for Clients and other debtors (12.1 million euros), and iii) the record of impairments for inventories (2.5 million euros).

Financial costs recorded a 0.5 billion euro reduction:

Million euros

	2019	2020	Δ	Δ%
Interest on gross debt (*all-in*)	-4.3	**-5.5**	-1.2	29%
Financial guarantees	-1.5	**-1.5**	0.0	2%
Factoring *discounts*	-1.4	**-0.5**	1.0	-66%
Banking services expenses	-0.8	**-0.6**	0.3	-33%
Other net gains/losses	-1.1	**-0.7**	0.4	-39%
Subtotal *cash*	-9.1	**-8.8**	0.4	-4%
Amortized cost (impact in result in 2019)	-0.8	**-0.7**	0.1	
Financial charges	-10.0	**-9.5**	0.5	-5%

The heading interest also increased, as a result of a higher average gross debt (increase of 28 million euros in 2020, compared to the same period in 2019).

The heading other income/net financial losses is influenced, in 2020, by a gain of 0.1 million euros in exchange differences (compared with a 0.25 million euros cost in 2019).

The Group's **result before taxes** fell from -21.1 million euros in 2019 to 83.6 million euros in 2020, due to the previously mentioned reduction in EBITDA.

The Group's **net result** was -73.3 million euros in 2020 (including -7.4 million euro from the AMB BU, which is being discontinued), compared to a negative amount of 28.3 million euros in 2019.

The main indicators of the AMB BU, which is being discontinued, are the following:

Million euros

	2019	2020
Orders	26.3	10.2
Revenues	18.5	20.6
Gross margin	1.5	0.5
Management EBITDA	-4.2	-3.6
Costs with contract terminations	-0.3	0.0
Statutory EBITDA	-4.5	-3.6
Result before taxes	-6.8	-7.7
Net profit/loss	-6.8	-7.4

At the end of 2020, the Group's **consolidated assets** were 627.1 million euros and **equity** was 180.2 million euros, with the **financial autonomy** ratio having achieved 28.7%.

Million euros

	2019	2020	Δ	Δ%
ASSETS	**714.6**	**627.1**	**-87.5**	**-12%**
major headings and changes				
Tangible and intangible assets	189.9	**180.5**	-9.4	-5%
Deferred tax asset	60.9	**79.8**	18.9	31%
Stock and inventory	70.2	**50.6**	-19.6	-28%
Accrued income	61.2	**30.3**	-30.9	-51%
Clients	105.6	**74.5**	-31.1	-29%
Cash and cash equivalents	51.1	**33.0**	-18.1	-35%
LIABILITIES	**454.8**	**446.9**	**-7.9**	**-2%**
major headings and changes				
Debt to credit institutions	119.3	**182.5**	63.2	53%
Suppliers	125.7	**73.8**	-51.9	-41%
Other creditors and accrued expenses	53.7	**47.2**	-6.5	-12%
Income to be recognized	54.1	**57.5**	3.4	6%
EQUITY	259.8	**180.2**	-79.6	-31%

The table above highlights the most relevant balance sheet headings, with **tangible and intangible asset** reducing by 5%, mainly due to a lower investment volume. **Clients' debts** showed a sharp reduction, of around 30%, following the trend presented in recent years, as a result of the new collection policy established in this period. This reduction is also associated with the fall in activity and the consequent reduction in the invoicing occurred in 2020. The increase in the heading **accrued income**, from 61.2 to 30,3 million euros, results essentially from a lower level of project execution compared to the invoicing that was possible, namely in the ENE and ASE BUs (this heading has deserved special attention and monitoring since the end of 2019).

The amount recorded in the heading **deferred tax asset** includes the tax effect of 44 million euros recorded by Efacec Energia in 2014, as a result of the sale of assets held by the subsidiary PTI, in the United States. In 2016, PTI was settled, and the effective loss already recognized in previous years materializing and allowing, from that the use of the corresponding tax credit.

On the liabilities side, the largest variation was recorded in the heading **Suppliers**, which decreased by 41%, essentially due to the need to recover the average payment terms, which had been worsening in preceding years.

The gross **financial debt** increased in the period to 182.5 million euros (63 million euros more). This increase resulted from the need for one-off support to the treasury, aiming at reversing the negative cycle started in 2019, and unlocking the supply chain that made it possible to recover the payment terms to Suppliers.

The heading **other creditors and accrued expenses** presents around 7.8 million euros of debts to the shareholder MGI Capital, mainly due to the distribution of additional paid-in capital decided at the General Meeting on 24 April 2018, and this amount must be settled by means of offsetting of accounts that has not yet been made. The reduction in this heading was mainly due to the increase in costs with works in progress and advances from Clients.

Million euros

	2019	2020	Δ
Equity at the beginning of the year	316.2	**259.8**	-56.5
Capital increase/decrease	0.0	**0.0**	0.0
Supplementary capital contributions	0.0	**0.0**	0.0
Net profit/loss	-28.5	**-73.4**	-45.0
Other changes	-28.0	**-6.1**	21.9
Equity at the end of the year	259.8	**180.2**	-79.6

Equity was reduced by about 79.6 million euros resulting mainly from the:

a. Negative impact of net income of 73.4 million euros (with IFRS16);

b. Unfavourable currency conversion effects in the amount of 5.6 million euros reflected in "Other changes", resulting from the transposition of the balance sheets of foreign Subsidiaries, which in 2020 had the effect of the strong depreciation occurred in the Kwanza and the Argentine Peso, in line with the provisions of IAS 21, described in the Notes to the financial statements.

In terms of financing, **net debt** included in the Statement of Financial Position on 31 December 2020 and 31 December 2019 was as follows:

Million euros

	2019	2020	Δ	Δ%
Financial debt	121.1	**184.2**	63.1	52%
Cash and cash equivalents	-51.1	**-33.0**	18.1	-35%
Financial leasing	0.7	**0.5**	-0.2	
Net financial debt	70.7	**151.7**	81.1	115%
Amortized cost	-1.8	**-1.7**	0.1	-4%
IFRS16	9.0	**6.6**	-2.4	
Balance sheet net debt	77.9	**156.7**	78.7	101%

During 2020, the Group increased its **financial debt** by 63.1 million euros. The maturity of the medium- and long-term bank debt extends until 2024, with the bond loan being repaid in 2024. The average cost of the Group's debt at the end of 2020 was 3.7% against 3.6% in the December 2019. At the end of the year, the Group's Statement of Financial Position presented **net financial debt** in the amount of 151.7 million euros, which represented an 81.1 million euros increase compared to end of 2019.

Million euros

	2019	2020	Δ	Δ%
Initial net financial debt	57.4	**70.7**	13.2	23%
Management EBITDA	22.5	**-20.2**	-42.6	-190%
AMB discontinued (EBITDA)	-4.2	**-3.6**	0.6	
Capex	-23.1	**-9.4**	13.7	
Change in the working capital [1]	38.1	**-20.0**	-58.1	
Other headings	-20.2	**0.0**	20.2	
Operating cash-flow	13.0	**-53.1**	-66.1	-509%
Financial charges [2]	-11.1	**-9.6**	1.5	
Other entries [3]	-15.2	**-18.3**	-3.2	
Net debt Increase	-13.2	**-81.1**	-67.8	
Final net financial debt	70.7	**151.7**	81.1	115%

› Notes

		2020	
1	Working capital *	-1.7	Change in the working capital cf. Balance Sheet
		-1.9	Working capital 2020, discontinuing of AMB
		17.2	Impairments/provisions set up in 2020
		2.3	Accounting for current taxes
		4.1	Currency conversion differences and others
		20.0	
2	Financial charges	-5.5	Interest on gross debt (*all-in*)
		-3.3	Other financial costs
		-8.8	**Sub-total P&L**
		-0.2	Discontinuing of AMB
		-0.7	Amortized cost (new financing)
		-9.6	
3	Other entries	-0.5	Restructuring costs
		-15.1	Extra-operating costs **
		-2.7	Others (bond deposit)
		-18.3	

* The working capital includes the headings Clients, accrued income, stocks and inventories, Suppliers and deferred income. In the management report, non-operating items are disregarded. The amounts in the Statement of Financial Position, as of December 2020, show an increase in the consolidated working capital (from an operating perspective) of 20 million euros compared to December 2019 (including the AMB BU's flows). This increase is due to the sharp decrease in the Suppliers balance through the regularization of the payment terms mentioned above.
(**) Relating to costs incurred with projects from previous periods, namely penalties, reworking and after-sales costs, among others. Of this amount, about half relates to projects prior 2016.

EPS Group financing policy

The year 2020 was marked by the events related to the shareholder structure that blocked Efacec's access to additional credit lines during the first semester, which are essential for the development of the activity, namely to reverse the negative treasury cycle, normalize the relationship with Suppliers and stabilize the supply chain.

The repercussion of these events was exacerbated by the impact of the COVID-19 pandemic, which intensified Efacec's difficulties in the commercial and operational plan, making it essential to unblock the access of Group companies to liquidity lines, which occurred as a result of the State intervention through public appropriation of the shareholding held by Winterfell 2 Limited in Efacec Power Solutions.

Thus, in August, two loans with the same characteristics were contracted with a bank syndicate, one in the amount of 20 million euros for Efacec Engenharia e Sistemas and another in the amount of 50 million euros for Efacec Energia, intended to support the companies' treasury. These loans benefited from a guarantee by Norgarante in an amount equivalent to 90% of the amount owed at each moment. The utilization period of the principal is one year (at the end of 2020, Efacec Engenharia e Sistemas financing was used in full and Efacec Energia was used in 40 million euros) and its repayment will be made in quarterly instalments, the first in November 2021 and the last in June 2024.

During 2020, Efacec adhered to legal moratoriums with the objective of extending the maturity of some of its financing, namely the syndicated loan taken out in 2014, whose repayment was changed to January 2023 and January 2024, and several shorter-term credit lines with maturity from September 2021.

In the last quarter, the waiver of compliance at the end of fiscal year 2020 of the **Net Debt/EBITDA** financial ration associated with the bond loan and its change to 4.5x at the end of 2021, remaining unchanged the 2.75x ratio from 2022 onwards, was obtained at the Bondholders General Meeting. The waiver of compliance with the **Net Debt/EBITDA** financial ratio at the end of 2020 and its modification to 4.5x at the end of 2021, while maintaining the 2.75x ratio from 2022 was also obtained from the bank syndicated with which the financing contract was entered into in 2014. This authorization by the bondholders and the financing banks is essential to support the recovery of activity throughout 2021 and following years.

At the end of the financial year 2020, about 85% of Efacec's debt corresponded to a bond loan in the amount of 58 million euros with a *bullet* maturity in 2024, a syndicated loan, whose use was 38.1 million euros, with maturity in January 2023 and January 2024, and two other syndicated loans, use full use was 60 million euros, with maturity between November 2021 and June 2024.

In terms of maturity, the debt is structured in order to guarantee stability to the operations and to remove pressure related to its repayment or refinancing. In fact, 92.1 million euros (about 50% of the debt) are due only in 2024, 39.2 million euros in 2023 and 22.3 million euros in 2022. The remaining debt, which includes lines in a *revolving* system - totalling approximately 30 million euros - will be repaid or refinanced throughout 2021, in accordance with the planned debt reduction plan.

The financing policy established for the Group determines that the medium/long-term debt, and the majority of the short-term debt, should be concentrated mainly in Portugal, with companies abroad being able to keep some credit lines to support possible treasury needs. At the end of 2020, lines used abroad amounted to 0.8 euros.

Reconciliation of management indicators with statutory financial statements

The EPS Group analyses its performance on a monthly basis based on management accounts from a double perspective of: i) organisation per BU and ii) functional formation of results. The economic and financial analysis of the consolidated accounts carried out herein is also based on this double perspective, and should therefore be analysed together with the consolidated Income Statement and the Financial Position Statement.

Below you will find comments, justifications and respective 2020 figures that reconcile management accounts with statutory accounts (amounts in millions of euros).

Indicator	Management accounts	Statutory accounts	Difference	Justification
Statutory EBITDA	-35.9	-32.6	3.3	Management accounts do not include application of IFRS16. In the statutory accounts, EBITDA = Operating income + Amortization and depreciation + Provisions and asset impairment.
			3.3	Effect of IFRS 16
Amortization and depreciation	-15.1	-18.2	-3.0	Management accounts do not include application of IFRS16
Net financial costs	-9.5	-9.8	-3.2	Management accounts do not include application of IFRS16
Result before taxes	-83.6	-83.7	-0.1	Management accounts do not include application of IFRS16
Consolidated net profit/loss	-73.3	-73.4	-0.1	Management accounts do not include application of IFRS16

To complement the information in the table above, the main management and statutory headings for the year 2019 (million euros) are also reconciled.

Indicator	Management accounts	Statutory accounts	Difference	Justification
Statutory EBITDA	26.8	30.2	3.4	Management accounts do not include application of IFRS16. Management EBITDA shows income and costs related to operating Activities in the different business segments. Income and costs of an extra-operational nature or related to other functions are revealed after EBITDA. In the statutory accounts, EBITDA = Operating income + Amortization and depreciation + Provisions and asset
			3.4	Effect of IFRS16
Amortization and depreciation	-14.2	-17.4	-3.2	Management accounts do not include application of IFRS16
Net financial costs	-10.0	-10.3	-0.3	Management accounts do not include application of IFRS16

Proposed distribution of profit/loss

Considering that the net result for the financial year of 2020 was negative by 5,295,837.70 euros (five million, two hundred and ninety-five thousand, eight hundred and thirty-seven euros and seventy cents), the Board of Directors proposes, under the terms of applicable legal and statutory provisions, that the amount be transferred to results carried forward.

4.7. Outlook for 2021

With the completion of the financing operation carried out at the beginning of the second semester of 2020, a normalization process of the relationship with the different stakeholders and the recovery of activity started, which allowed the gradual resumption of operations throughout the last quarter of the year, with a positive effect in terms of orders, revenues and results.

For 2021, the perspective is for a clear consolidation of this recovery and for the normalization of the company's activity. New orders are expected to grow significantly to levels close to those of previous years and, despite the still existing constraints related to the evolution of the pandemic, revenue growth is expected to resume, through the execution of a solid portfolio of orders received since the end of 2020, and EBITDA.

The growth in EBTIDA will be achieved by increasing the activity volume and optimizing and easing structural costs resulting from the feasibility and sustainability plan, whose implementation started in 2020 with very positive results.

A reduction in the Working Capital over 2021 is also expected, based on a higher quality of operations and on two fundamental axes: i) the normalization of the relationship with Suppliers, with gains in terms of payment terms, ii) and the recovery of Client balances in higher risk geographies, as a result of the collection effort that started in 2020.

For 2021, no significant investment needs are estimated, due to the high investments in 2018 and 2019, therefore, Capex levels will be clearly lower than in previous years.

The combination of these different factors will allow, during 2021, the generation of positive cash flow, with the consequent reduction of net debt to sustainable levels for the company's future.

Despite this debt reduction planned for 2021, it will be essential to continue to receive the support of the company's banks in terms of financing the activity and trade finance operations that support it.

In short, after a first half of 2020 strongly impacted by factors external to the company and the recovery trajectory that started in the last months of the year, Efacec will face 2021 with the confidence of a solid backlog, a revisited and strengthened matrix for approaching projects, oriented towards the release of cash, with operations recovered and normalized and with lower structure costs, which will allow the company to return, in 2021, to the sustainable growth and profitability trajectory, interrupted in the last two years.

Empowering the future
Annual Report and Accounts 2020

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Chapter 5

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COMMITMENT TO SUSTAINABILITY

Efacec's Contribution to Sustainable Development Goals (SDGs)

At Efacec we define our strategy and act in alignment with our purpose "to create a smarter future for a better life".

The definition of our strategic guidelines and their translation into KPIs encompassed the current focus of our Sustainability Policy:

- The decarbonisation and circularity of the economy, in the Environmental dimension;
- Human rights, citizenship and involvement with communities in the Social dimension;
- Ethical principles in our Governance policies and practices.

Based on these priorities, we highlight our main contributions to the Sustainable Development Goals:

Material SDGs
6 | 7 | 9 | 11 | 12 | 14

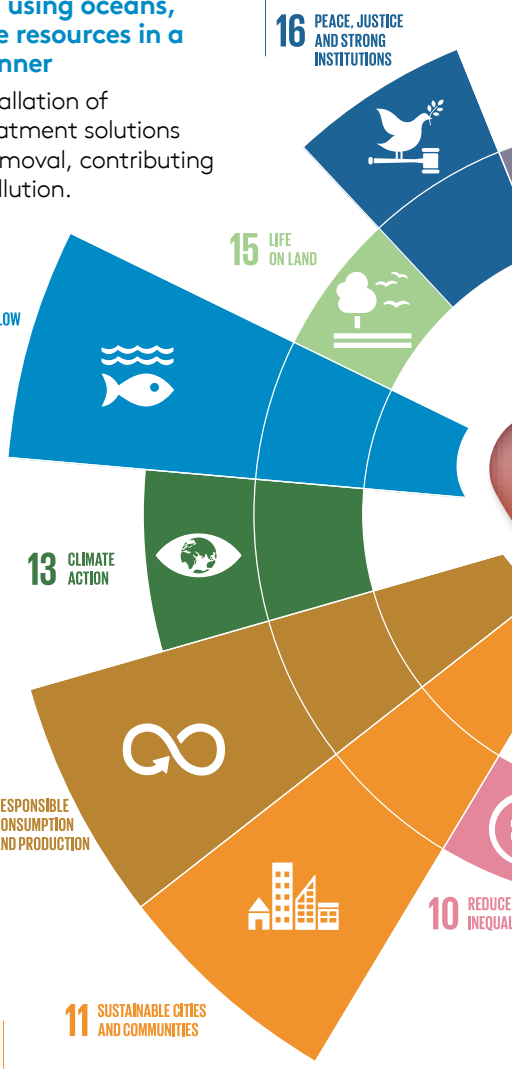
Direct SDGs
4 | 5 | 8 | 13 | 16

Partnerships for the implementation of the objectives

- Member of BCSD Portugal and active participant in the various working groups - Carbon Neutrality, Circular Economy, Value Chain and Sustainable Cities;
- Member of the PPA - Portuguese Partnership for Water Board, APEMETA - Portuguese Association of Environmental Technology Companies and AEPSA - Association of Portuguese Companies for the Environment Sector;
- Member of APREN – Portuguese Renewable Energy Association and ALER - Lusophone Renewable Energy Association;
- Founding member of the Centre for Responsible Business & Leadership at Católica-Lisbon

Conserving and using oceans, seas and marine resources in a sustainable manner

- Design and installation of wastewater treatment solutions with nutrient removal, contributing to marine depollution.



Combating climate changes and their impacts

- The company subscribed to the EV 100 – The Climate Group, Business Ambition 1,5° by UN Global Compact, Pacto Mobilidade Empresarial para a Cidade de Lisboa (Business Mobility Pact for the City of Lisbon), Manifesto Empresas pela Sustentabilidade do BCSD Portugal (BCSD Portugal's Sustainability Companies Manifesto) and BCSD Portugal's Charter of Principles).

Sustainable production and consumption

- Design and installation of waste treatment plants;
- Regeneration of used oil in Transformers installed at Clients;
- In 2020, Efacec was recognized for the second consecutive year by the EIPM (European Institute of Purchasing Management) in the 2020 Edition of the EIPM Peter Kraljic Awards.

Inclusive, safe, resilient and sustainable cities and communities

- Development of automation equipment and systems, contributing to the progress of smart cities;
- Design and installation of water and waste treatment plants, a crucial element for municipal waste management;
- Development of new urban electrified, road and rail transport systems, contributing to make communities inclusive (facilitating the mobility of people with difficulties), increasing road safety and reducing the environmental impact *per capita*.

Access to education and promotion of learning opportunities

- Active participation in citizenship training programmes and actions for children and young people of the Junior Achievement Portugal initiative;
- Creation of summer internships for higher education students and/or recent graduates.

Gender equality and women's empowerment

- 17% of female employees;
- 10% of women in management positions.

Drinking water and sanitation availability and sustainable management

- Design, installation and maintenance of water and domestic and industrial wastewater treatment (WTP and WWTP), contributing to guarantee the availability and quality of drinking water and reduce pollution levels, with a special focus on the aquatic environment.

Renewable and accessible energy

- Design, installation and maintenance of photovoltaic and hybrid parks (wind + solar pv), hydroelectric plants and biogas and biomass plants (with waste energy recover), directly contributing to the growth and accessibility to renewable energy sources.
- Implementation of *Smart Grids*, more sustainable.

Industry, Innovation and Infrastructure

- 4% of revenue invested in I&TD;
- Twenty-seven R&TD projects with external Partners and co-financed under the H2020, P2020 programmes, among others, aiming at the development of technological innovations to support the energy transition, the digitalization and automation of processes, the electrification of mobility and ecodesign;
- Partner company of INESC--TEC, CEIIA, INEGI, Instituto das Telecomunicações (Telecommunications Institute), Univ. of Porto, Univ. of Minho, Univ. of Aveiro, among many other European technological entities;
- Design and installation of substations and provision of equipment for the electrical system and digital asset management software, contributing to the reliability and resilience of power networks.
- Construction of innovative and resilient infrastructures for the electrified, road and rail transport, reducing environmental impacts and leading to an increase in the population's well-being.

Decent work and economic growth

- 12% of agreements outside Portugal and 65% of local purchases (from Suppliers in the country where the Efacec entity that originated the PO is located);
- 13% of employees under the age of 30;
- 85% of employees covered by health insurance;
- 16,959 hours of training for Employees.

Partnerships for the implementation of the SDGs

Center for Responsible Business & Leadership

The Catholic University's Centre for Responsible Business & Leadership has the main objective of contributing to make sustainability an integral part of the business strategy of Portuguese companies, not to say 'The strategy'. Based on a principle of Responsibility towards People and the Planet, the centre shows how Sustainability has become a competitive advantage. Founding partner of the Centre, Efacec supports the research and training of students and executives in order to cement awareness of the importance that each of us has in the preservation of our planet.

Represented in the Centre's Advisory Board, Efacec collaborates to develop initiatives that generate more information, greater engagement and more action in the business community. This is how the Purpose Driven Business course was born in 2020. The course joins the existing training offer of the Centre, namely the 'Responsible Business, the next competitive advantage' course. Efacec also encourages the training of its employees in these topics, which are core to its activity, and several executives have already completed the training offers of the Centre.

Responsible Business is one of the core components of business strategies and an increasingly important macro trend, and it is essential that companies incorporate social and environmental concerns in the definition of their business strategies. At Efacec, we promote the transition to a more responsible business. And this responsibility is based on our purpose, because it is through our purpose that we generate value for the business, for society and for the planet.

BCSD Portugal

Efacec was one of 64 companies that signed the Manifesto promoted by the Business Council for Sustainable Development of Portugal (BCSD Portugal) "Take advantage of the crisis to launch a new sustainable development paradigm". With the ambition to contribute to Portugal building a more sustainable development model, the Manifesto is based on the awareness of companies that the World is at a turning point, a moment that depends, more than ever, on our ability as a society to move from words to actions in the transformation of the development model.

In 2020, Efacec actively participated in several activities promoted by BCSD Portugal, contributing to the sustainable development of the Portuguese companies:

- Participation and contribution in a special newsletter - Economic Recovery Plan for Portugal 2020-2030 - through the statement by Efacec Chairman & CEO, Ângelo Ramalho;
- Preparation of a case study on Efacec's efforts to achieve carbon neutrality, namely through its fleet electrification;
- Presentation of the Digital Energy Hub (e-HUB) concept by Efacec in the Learning by Sharing session, which consisted of presenting business solutions for Carbon Neutrality.
- Participation in four working groups: Circular Economy, Carbon Neutrality, Sustainable Cities and Charter of Principles.

As part of the activities of the Sustainable Cities working group, Efacec participated in the Portugal Smart Cities Summit 2020 of the AIP Foundation and under the aegis of BCSD. Efacec also supports the Lisbon City Council's Business Mobility Pact.

It is also worth mentioning the public commitment promoted by BCSD Portugal. As a result of this commitment, Efacec, together with other reference companies in Portugal, is outlining the objectives and targets for 2030, as well as the indicators and steps for the Charter of Principles to have a broad adherence among Portuguese companies. The work that has been developed includes topics such as concern with aspects of legal compliance and ethical conduct, human and labour rights, prevention/health and safety at work, environmental and governance aspects.

5.1. Ethical and responsible governance

Efacec is committed to the improvement of its governance mechanisms, working continuously to achieve business efficiency while respecting the fair competition principles, and acting in accordance with the external controls (laws and regulations) and the internal controls to ensure our company's transparency.

In 2020, work began on revising the new Code of Conduct, which will be published in early 2021. Currently, the Code of Conduct is strengthened with additional policies that aim at deepening the core ethical guidelines applicable to all Employees and members of the governing bodies as well as to all those who act in the interest of Efacec, or who are related to it.

Anticorruption Policy

Efacec is committed to a transparency and zero tolerance policy for any form of corruption and bribery, regardless of the geography and the public or private nature of the business. In line with Principle 10 of the UN Global Compact and the OECD Anti-Corruption Convention, this Policy lists the internal rules that reflect Efacec's commitment against corruption, seeking to ensure that all actions and decisions are taken in the best interest of Clients, the market and the society in which it operates.

Conflict of Interest Policy

Although, in general, conflicts of interest are not inherently wrong or inappropriate, they have the potential to cause great damage to a company. At Efacec, all real or apparent conflict of interest situations must be immediately declared, in writing, by filling in the Conflict of Interest Statement, prior to any decision making that may reveal the potential conflict.

Gift and Hospitality Policy

The exchange of gifts and hospitality within the commercial scope is not, in itself, illegal or unethical. However, it can create (or appear to create) conflicts of interest or inappropriate influences, as well legal and reputational *compliance* risks. This Policy establishes what can be offered or received, within the commercial scope.

Privacy and Personal Data Protection Policy

Efacec is committed to ensuring the security of the personal data of its commercial and non-commercial Partners and its Employees' personal data while respecting the data protection legislation applicable in all jurisdictions where it operates. Implementation of procedures and tools for compliance with the General Data Protection Regulation (GDPR) are in place. It should also be noted that Efacec has a Privacy Team, whose primary mission is to ensure the data subjects' rights, promoting clear and objective communication with all Employees about compliance with the GDPR and other legislation applicable to Efacec.

5.2. Client management

In order to determine its Clients satisfaction, Efacec uses several evaluation mechanisms, namely:

- Analysis of responses to the Client Satisfaction survey;
- Analysis of Clients complaints;
- Results of Client audits and qualifications.

In 2020, the response rate to Client Satisfaction questionnaires was 25%. Efacec's performance was 75% and, compared to 2019, it had an increase of 3 p.p., being 7 p.p. below the goal defined by the Management (82%). The Automation area reached the goal established by the Management (80%).

The parameters with the best rating are:

- Compliance with safety requirements;
- Compliance with environmental requirements;
- Availability and courtesy.

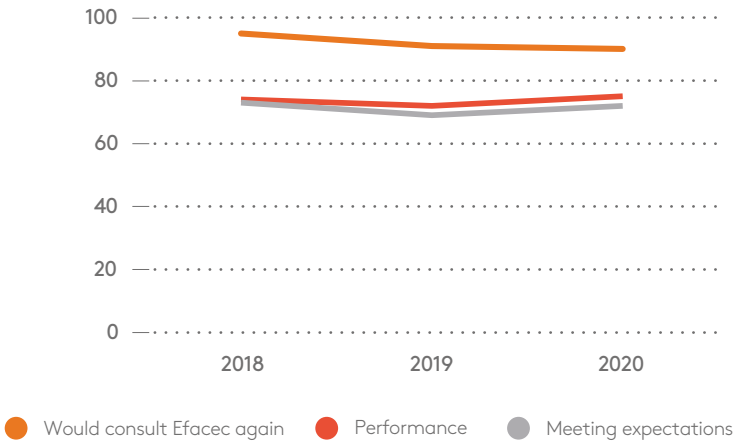
In the question "do you consider Efacec for future supplies", the Environment and Industry, Transportation and Automation business units obtained 100%.

With regard to improvement opportunities, three aspects were identified:

- Meeting deadlines;
- Supply reliability;
- Ability to respond to requests.

In 2020, 296 Client complaints were received and recorded under warranty, as well as 14 reference letters. Also during 2020, seven Client audits/qualifications took place in order to assess the quality, environment and safety management system and/or the product.

› Evolution of client satisfaction



5.3. Supplier management

One of the decisive factors in guiding and balancing Efacec's policies and strategies is based on its Sustainability programme, which instils the adoption of corporate Values and Principles in delivering solutions to the end Client as well as throughout the supply chain.

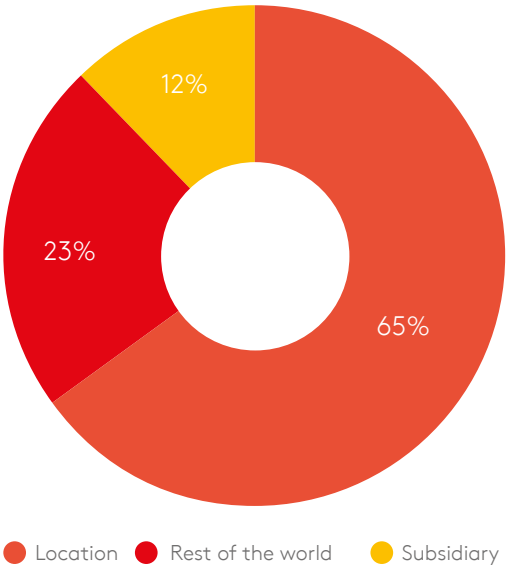
Thus, one of Efacec's main objectives is to guarantee the implementation of a Sustainable Purchases policy, as it is increasingly necessary to strengthen, in addition to economic aspects, the importance of ethical, environmental and social aspects in the Suppliers' selection process. To ensure the alignment of purchases with a focus on sustainability, throughout 2020, the review of the Supplier Qualification and Assessment procedure was continued in order to ensure that these aspects gain even more relevance in the purchase process.

Recently, Efacec joined the Business Ambition for 1.5 ° C, an initiative promoted by the United Nations, and committed itself to establishing climate goals in its operations and value chains, with the Purchasing and Logistics area having an active participation in the definition and implementation of required actions.

Efacec defends the principle of selecting Suppliers geographically closest to our facilities or projects. In 2020, 65% of the purchases originated from Suppliers located in the country where the Efacec entity that originated the Purchase Order is located. In addition to having a positive impact at the environmental level by reducing transport distances, this line of action also has a strong social impact, contributing to the development of local communities.

In 2020, the Purchasing and Logistics are was recognized for the second consecutive year by the EIPM (European Institute of Purchasing Management) in the 2020 Edition of the EIPM Peter Kraljic Awards. This edition recognized the purchasing organisations that showed good practices and good results in the way they managed their activity and their impact on the organisation, despite all the adversities that were faced throughout 2020.

› Country of origin of purchases



5.4. Environment management

Environmental Management has been a concern for Efacec for the past two decades, therefore, at the moment, it is one of the main existence factors. Countless development and improvement initiatives take place every year.

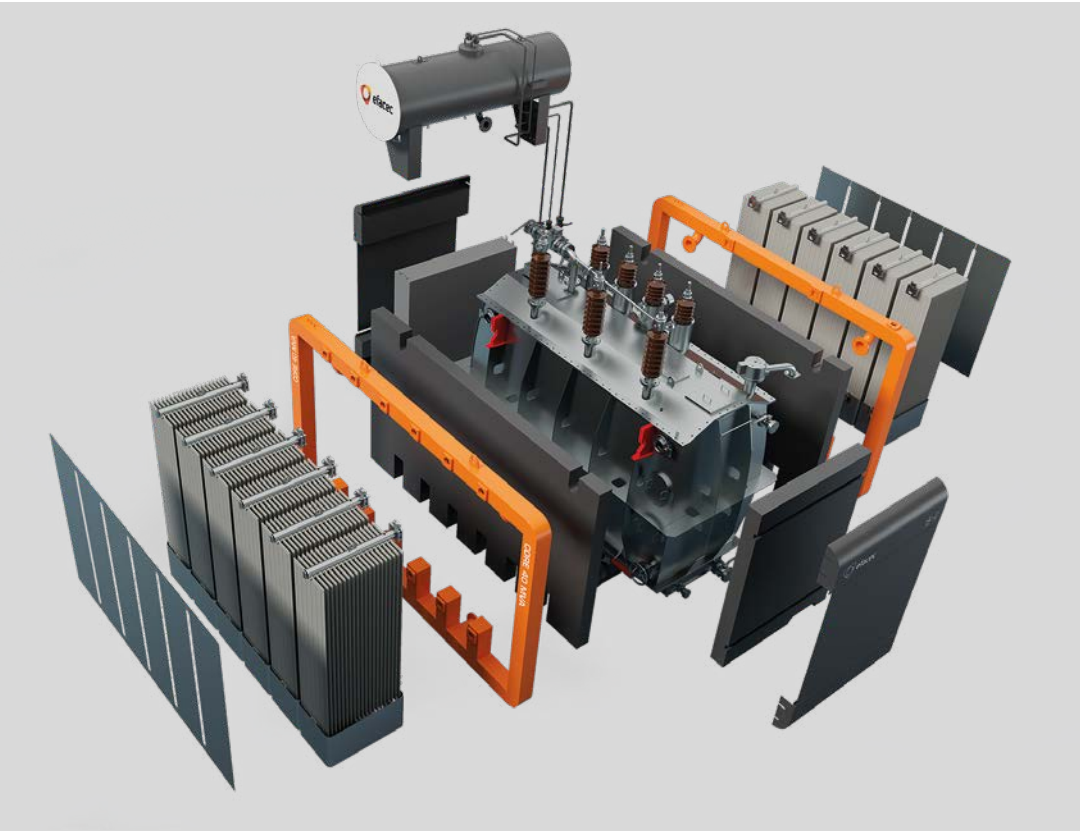
Efacec contributes to the Environment in distinctive manners

- Development of new products with better environmental performance or designed to allow a better environmental performance for Clients;
- Implementation of infrastructures that reduce the environmental impacts of the communities where the projects are located;
- Systematic reduction of environmental impacts resulting from the company's activities.

The Efacec's effort to develop new products with better environmental performance is described in the Technological Innovation chapter. The construction of infrastructures with a strong environmental (and social) impact is described in the Business chapter. This chapter reviews some aspects of the first two points and focuses especially on the third point.

Efacec's environmental effort can also be seen from the two main objectives of today's society:

- Development and implementation of Low Carbon Economy;
- Development and implementation of Circular Economy.



New innovative modular system concept for power equipment "Modular System Patented by Efacec"

5.4.1. Efacec and Low Carbon Economy

Efacec contributes significantly to Low Carbon Economy through its portfolio. Its products and systems offer allows its clients to reduce their CO_2 emissions.

On the other hand, Efacec is also determined to reduce CO_2 emissions resulting from its own activities. In 2019, the company joined two important international movements in favour of decarbonisation of the planet: the Business Ambition for 1.5° and the EV100. The commitments signed require the reduction of CO_2 emissions to 45% by 2030 and the achievement of carbon neutrality by 2050.

In 2020, the work team was defined and the action plan was initiated with a view to achieving the objectives. The decarbonisation environmental plan is now strengthened in the following areas:

- Inventory of all CO2 emissions related to Efacec (Scope 1, 2 and 3 emissions);

- Analysis of energy and environmental performance through the assessment of energy performance and procedural compliance indicators, including the breakdown of CO_2 emissions data;

Establishment of new CO_2 targets that may be validated by the SBTi (Science Based Targets Initiative) methodology;
Clarification and quantification of CO_2 emissions in the value chain and establishment of partnerships to reduce these emissions;
Continuous assessment of the need for specific investments to successfully achieve the new CO_2 emission targets;

- Continuous assessment of the results of the conversion of the fleet to electric and hybrid vehicles;

Promotion of more efficient management behaviours and policies in order to reduce energy consumption and CO_2 emissions.

The pandemic had a very relevant impact on this process, with the 2020 emission not reflecting what was expected. Further progress is expected in 2021.

Efacec has carried out important measures to reduce its carbon footprint. In 2019, the necessary investments and the use of large-scale videoconferencing were initiated, but it was in 2020, as a result of the pandemic, that the use of digital and online resources became widespread and intensified. At the same time, there was also a significant reduction in displacements between different geographies that allowed to contribute to the CO2 reduction.

Efacec has also started converting its fleet from cars to electric vehicles, having already installed 12 charging points in the Arroteia and Maia Hubs). However, 4% of the Efacec's fleet vehicles are already purely electric or hybrid. To promote electric mobility, Efacec also grants a 20% discount to all its Employees who purchase Efacec electric chargers. In 2020, the process of changing the car fleet was suspended for pandemic reasons. However, Efacec exchanged its fuel-powered forklifts for electric forklift.

In 2020, the rehabilitation works of Efacec's industrial buildings continued. The most recent investments were made in the Automation buildings and in the new facilities at Quinta da Fonte. In general, these works involved several improvements in the buildings' energy efficiency, using more modern solutions such as LED lighting, more natural lighting, solar-thermal systems for heating sanitary waters, new roofs with greater insulation, thermal cut double glazing, VRV (variable refrigerant volume) ventilation systems, automatic doors, installation of heat pumps and active/smart lighting and temperature controls.

Efacec's current Energy Efficiency Plan provides for a series of continuous actions, such as optimizing the operation of the service substation transformers, the replacement of T8 luminaries with T5 with electronic ballast, the gradual replacement of mercury vapour luminaries with LED and the replacement of metal halide lamps (400w) with T5 fluorescent lamps (2x80W).

Efacec speeds up in the race for sustainability

Efacec's partnership with the Formula E team DS TECHEETAH started in 2019 and was seen from the first moment as an opportunity to be present on the today's largest electric mobility platform.

The commitment of the Formula E team DS TECHEETAH was reflected in their victory and the Portuguese driver António Félix da Costa in the 2020 edition. These distinctions are the result of extraordinary teamwork where everyone contributed to achieving this double victory that attests to the potential of the vehicle, the drivers and the solutions presented in the area of electric mobility.

Ângelo Ramalho, Chairman & CEO of Efacec, considers that the partnership with DS TECHEETAH is a "natural extension of Efacec's DNA, clearly associated with innovation and technology". "The company's strategic investment in the development of sustainable mobility solutions has proved to be a success, with Efacec being recognized nowadays, worldwide, as one of the pioneering and leading companies in the electric mobility and light rail sector, for the technology and for the services it develops", explains the official.

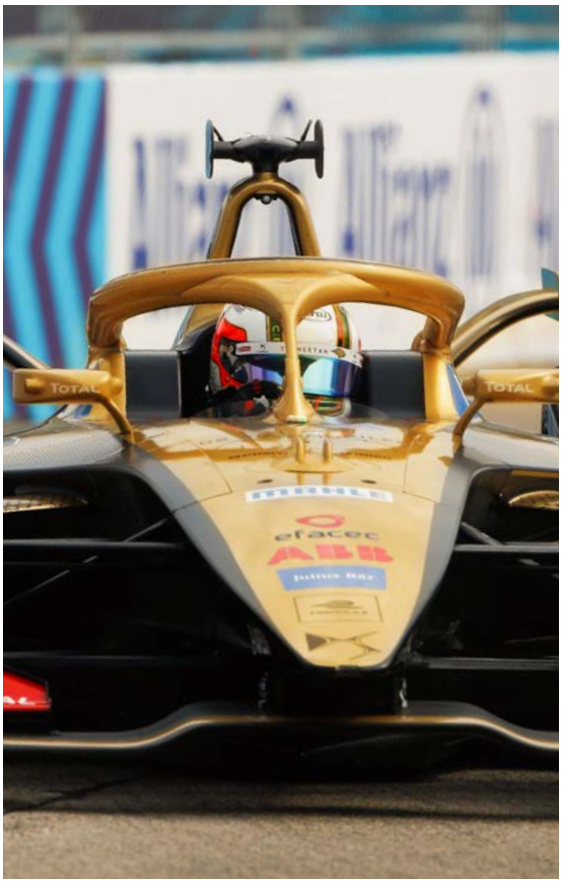
The three fundamental objectives of Efacec's presence in Formula E are: projection and brand positioning, business development comprehensively and not exclusively in electric mobility worldwide, and development and application of technologies designed by the company. By promoting electric mobility and alternative energy solutions, Formula E also allows Efacec to consolidate its contribution to the United Nations' Sustainable Development Goals (SDGs), to which the company is deeply committed. At the moment, the company already contributes to more than 11 of the 17 SDGs.

Efacec will continue to invest in Formula E through the renewal of the partnership with the DS TECHEETAH team for the 2021 Championship.

Image of the campaign to disclose the victory of the 2020 edition

António Félix da Costa celebrating the victory in the 2020 edition

Pilot in the DS TECHEETAH electric car



5.4.2. Efacec and Circular Economy

Efacec contributes significantly to Circular Economy through its portfolio. Its offer of products and services and waste management provides an increase in circularity in their value chains.

Over the years, Efacec has developed circular solutions in its products and services, having, in 2017, created a work team to develop and implement a programme based on six dimensions: design, purchasing, production, transportation, use and end of life.

Following current business requirements, Efacec frequently conducts Life Cycle studies for its products. These studies carry out a complete and systematic analysis of the products, identifying environmental aspects and impacts, throughout their history, from the extraction of raw materials, through the production, transportation, use and final destination. In 2020, the Life Cycle Assessment of the QC45 electric charger was carried out, which determined the phase with the greatest environmental impact and the end-of-life certificate of this equipment was prepared.

In 2019, the ISO 14067 (Carbon Footprint) certification of the Fluofix Circuit Breaker began, having been extended in 2020. The completion is scheduled for the 1st quarter of 2021.

Also in 2020, in partnership with BCSD, Efacec participated in a pilot project for the calculation of circularity indicators for a distribution transformer. This project consisted of testing the CTI Tool online platform with the collaboration of a working team dedicated to defining the scope, *inflow* and outflow data processing, as well as analysing the results and defining improvement measures. It should be mentioned that the indicators obtained allow measuring, in a very clear manner, the percentage of circular and linear materials used in the production of this equipment. According to the criteria of this tool, the circularity of a distribution transformer is 95%.

The Service business is a remarkable example of a business model that supports Circular Economy directly, either through the rehabilitation of energy equipment or through the oil regeneration (a competence introduced at Efacec in 2018, which allows reusing oil from transformers, thus reducing the quantity purchased and extending its useful life, contributing to waste reduction).

With regard to the work with Partners, namely Suppliers, Efacec is introducing the Material Passport to characterize environmentally the raw materials and materials that make up its products, so that more ecological choices can be made. In 2019, the collection of information on Transformers was intensified and in 2020 it was extended to two more Business Units. In this way, it is possible to know and value the quantities of raw materials that originate in a recycling process and the end use that we can give to our products.

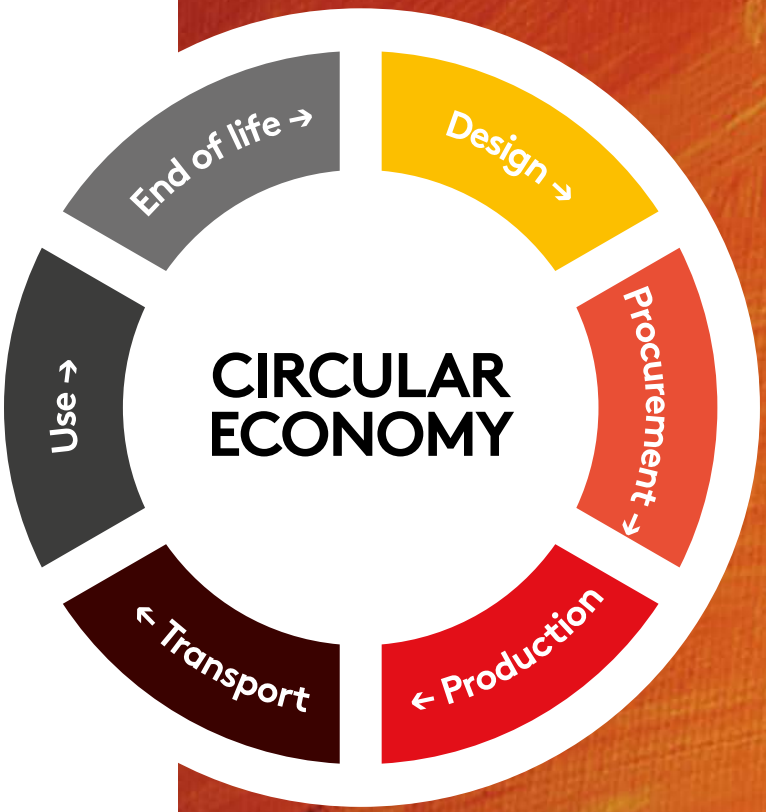
In 2020, the review of the Supplier Qualification and Assessment Procedure was also initiated, which will take into account all circular economy issues.

In 2021, the following projects are expected to be completed:

- Obtaining the ISO 14067 Certification (Carbon Footprint) of the Fluofix Circuit Breaker and the respective Environmental Certificate (ISO 14040 and ISO 14025);
- Preparation of a Life Cycle Assessment of an Automation product and a Power Transformer;
- Review of the Environmental Aspects and Impacts Assessment process;
- Development of new circularity indicators;
- Establishment of SBTi (Science based Targets) decarbonization goals;
- Renewal of the Car Fleet Certification and progress in the conversion to electric vehicles.

WHAT IS CIRCULAR ECONOMY?

Circular Economy is aimed at replacing the "end-of-life" concept of Linear Economy, based on the production and disposal of waste, with new circular flows of reuse, restoration and renewal of materials and energy.



HOW DOES EFACEC CONTRIBUTE TO CIRCULAR ECONOMY?

- Creating new business models (Sharing Economy);
- Using ecodesign solutions;
- Improving production processes;
- Reducing packaging materials and segregating waste in general;
- Regenerating used mineral oils;
- Using vegetable oils;
- Refurbishing its products;
- Developing technologies that allow reducing the use of materials;
- Collaborating with its Partners and Clients for the development of global circular processes;
- Optimizing product/material transports and reducing service trips.

› Number of pieces of equipment rehabilitated in 2020

	Type of Equipment	% of Typical Recovered Mass	Number of Pieces of Equipment Rehabilitated
	Power Transformers	50	74
	Distribution Transformers	60	184
	High Voltage Switchgear	80	84
	Medium Voltage Switchgear	90	398
	Rotating Machines	60	79

5.5. People management

In 2020, part of the world was suspended. The focus on well-being, both individual and collective, has taken on a new dimension. And nothing will be as before.

Projeto reVIVE 2020

This year it was also demonstrated, once again and unequivocally, that people are our most valuable asset. Our ecosystem and our energy are the result of people: Employees, Clients, Suppliers and Partners, Teachers and Students who build tomorrow with us and the families who are part of the Communities where we operate.

In 2020, we face an unprecedented pandemic and, with it, needs for change, adaptation, immediate reaction and, often, needs for structuring. The constant mutability of events has catapulted our creativity and flexibility, allowing us today to recognize the positive impacts that this moment has brought.

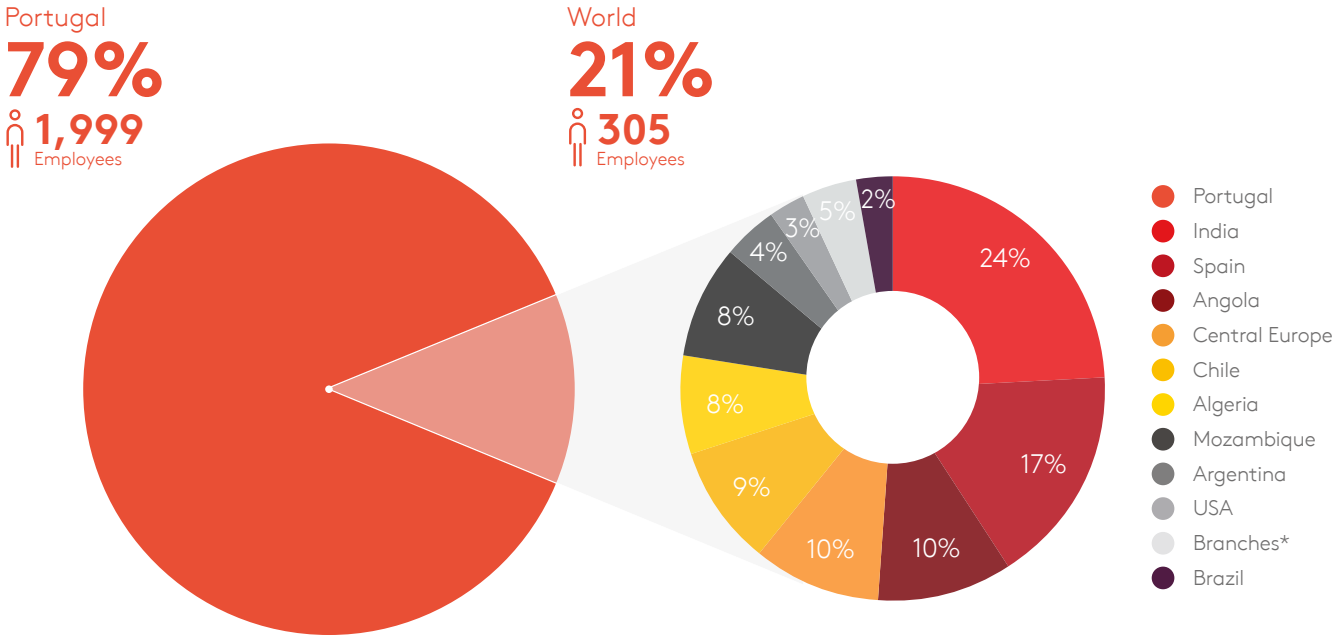
The human resources management was one of the biggest challenges: we had to implement telework for all Employees whose functions allowed it, to quickly adapt processes that, in the past, were carried out in person, of which we highlight talent recruitment, training, recruitment and selection, performance analysis and development plan events for all Employees (internally called the More Performance process, among others). We focused on looking for new formats and channels that would guarantee the maximum possible proximity between Employees, Clients, Partners and Suppliers.

In retrospect, it was a year to "look within", strengthening the close relationship with Efacec leaders, investing in the construction of more tools for aggregating internal talent indicators and defining a new proactive mobility process. It was also a year of strong inter-relationship in all areas, in order to reassure people, protect activity and design paths for the company's sustainable growth.

5.5.1 Profile of Efacec's people

On 31 December 2020, Efacec had 2,304 Employees spread across Portugal, Spain, Central Europe, India, Algeria, Angola, Mozambique, Brazil, Chile, Argentina, France, Greece, Tunisia, Morocco, Denmark, Sweden and the USA. Approximately 40% of Efacec's Employees integrate specialist functions with impacts on the several structural areas of the company. Forty-one per cent of specialists have positions in the technological area, 29% are in the operations area, 13% develop their activity in the commercial area and the remaining 19% are in management support positions.

› Efacec Employees in the World
*Branches with Efacec Employees: France, Greece, Tunisia, Morocco, Denmark and Sweden



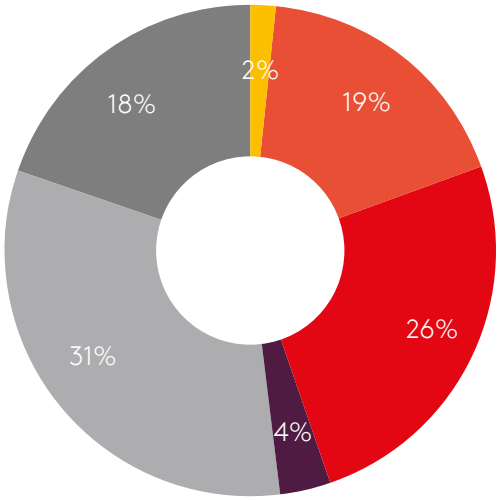
› Distribution of Employees by functional group and location on 31 December 2020

	In Portugal				In the World	Total
Category	**Arroteia**	**Maia**	**Oeiras**	**Others**		
Members of the Executive Committee	5	—	—	—	—	5
Coordinator/Corporate Director	7	6	4	—	1	18
Director	21	11	12	—	3	47
Head	55	42	11	1	5	114
Coordinator	91	77	22	1	19	210
Specialist	343	321	140	1	111	916
Technician	96	113	29	1	49	288
Supervisor	48	30	12	1	16	107
Operational	371	59	17	5	82	534
Administrative	29	9	8	—	19	65
Grand Total	**1,066**	**668**	**255**	**10**	**305**	**2,304**

While maintaining the profile of a technological company, Efacec's Employees have high academic qualifications: 53% a bachelor's degree (Before the Bologna Declaration), a bachelor's degree, a master's degree or a PhD, and only have qualifications equal to or lower than the 3rd cycle of basic education.

2,304
Total Employees

› Distribution of Efacec Employees by academic qualifications



- 1st Cycle
- 2nd and 3rd Cycles
- Complete Secondary Education
- Bachelor's Degree (Before Bologna Declaration)
- Bachelor's Degree
- Master's Degree and PhD

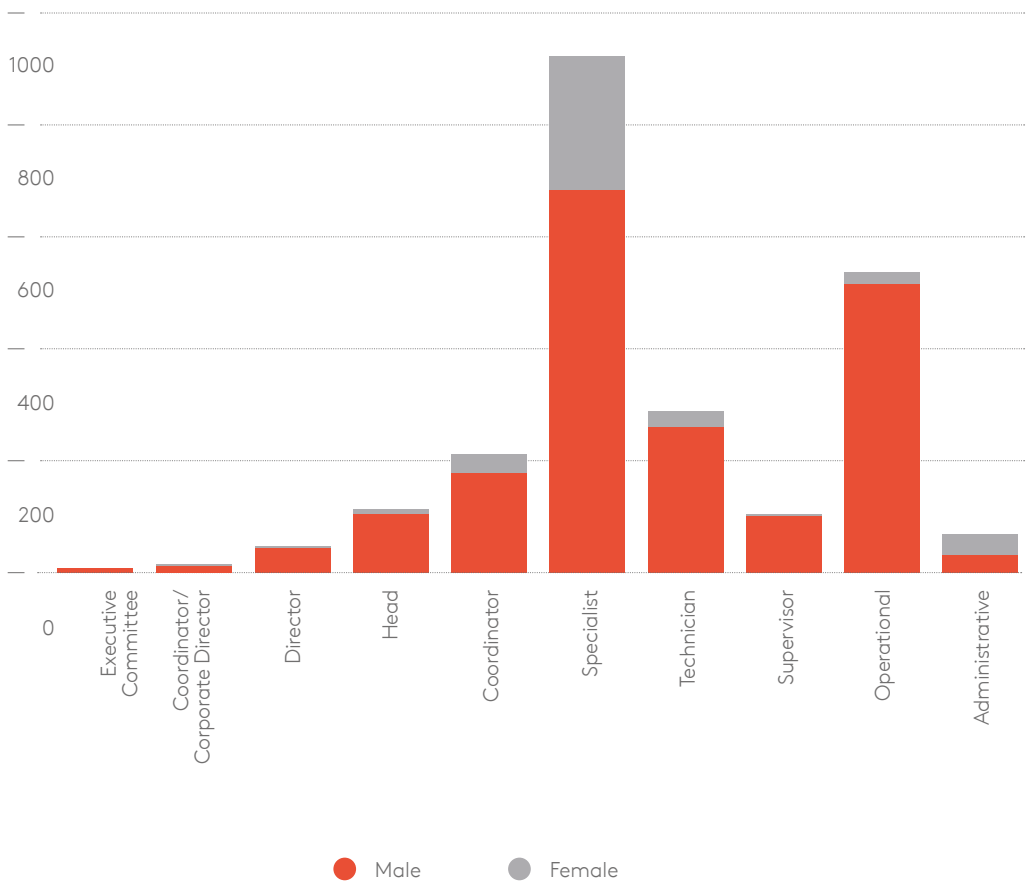
In recent years, Efacec has strengthened its commitment to gender diversification.

In 2018, Efacec made a commitment to increase gender diversity and reach 500 women by 2020 (which would represent an increase of more than 40%). On 31 December 2020, Efacec employed **389 women**. Despite not having achieved the objective and recognizing that additional efforts are needed to achieve this balance, we interpret this growth as very positive for gender diversity within the company.

Male
83%
1,915
Employees

Female
17%
389
Employees

› Distribution of Efacec Employees by gender and functional group



Women's Day Campaign

New internal mobility programme - MovIN

5.5.2. Strategic People Management

In 2020, the Talent Management team was created, whose mission is to capture, develop and retain the best talent, from and to Efacec. This team, together with Mast3r Academia, with the Administrative and Labour Relations area and with the Occupational Health team, seeks to articulate in ensuring strategic and integrated management of the Efacec Employees' life cycle.

More talent, more careers and more recognition

2020 was a year of investment and development of Efacec's internal talent. Efacec had already shown concern with internal mobility, through the creation of a programme for the internal dissemination of open recruitment opportunities. However, in 2020, this programme was *rebranded* and is now called MovIN, which means a "new destination, within", a destination that allows the achievement of our Employees' professional and personal goals. During 2020, 53 ads were released, with 121 applications.

In addition to this tool, we sought to create means to proactively promote the mobility of Employees between functions and Business Units. Thus, by signalling in Mais Performance the intention of functional mobility or increased responsibilities, Employees become eligible to integrate internal recruitment processes, thus allowing the best possible intersection between Efacec's needs and human capital.

Given the changes in organisation and structure that occurred at the end of 2020, there was a project that became a priority: the allocation of our people to the new challenges that arose from the current organisational needs. Therefore, it became urgent to gather as much information about all Employees as possible in order to be able to start the Succession Management process, which aims to capitalize on our people, their talent and skills to respond to current challenges.

Through these initiatives, the acknowledgement of internal talent was strengthened, as well as the recognition for effort, dedication and competence. There were 91 movements of professional progression and 75 movements of Employees who took on more responsibility positions, with emphasis on the several internal appointments for management/ administration positions.

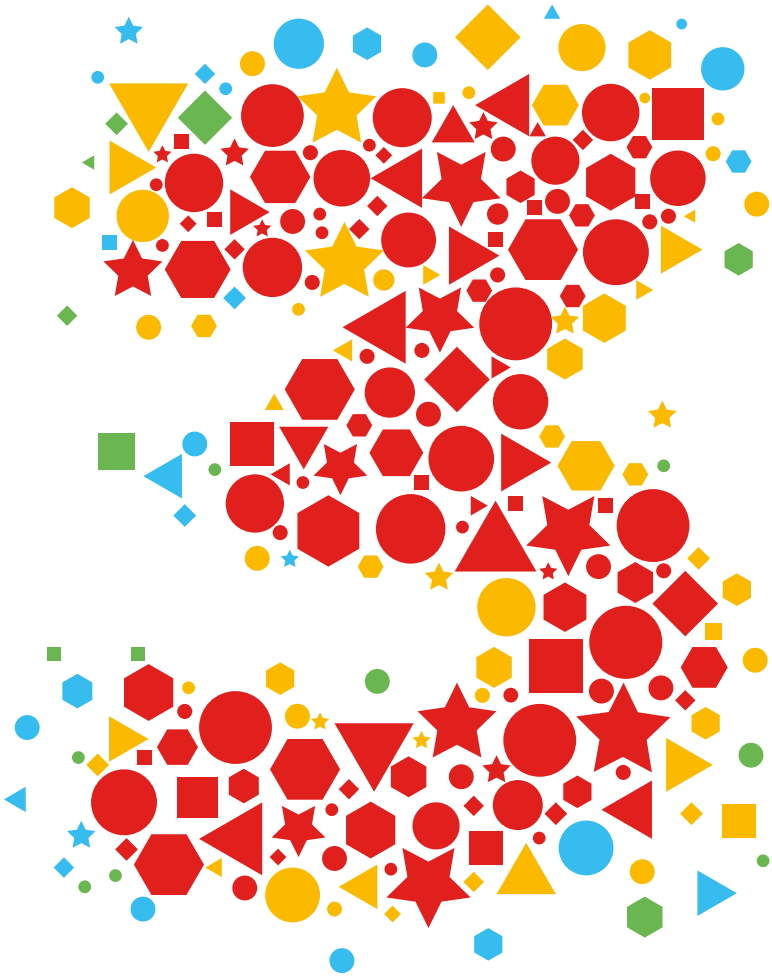
We know that retaining talent is essential for the survival of organisations, therefore, in a dynamic and increasingly global competitive market, we believe that internal mobility should not be the only answer to the Employees' needs. It is necessary and important to recognize people, also adjusting their salary position. Efacec's compensation and benefits model ensures the alignment of remuneration practices with the positioning of each position and practices/trends relevant in the market, being an important tool for the recognition and retention of talent.

Our people are an unparalleled source of knowledge. For this reason, we continue to build synergies between Efacec talent and the various universities in the country where, bilaterally, there is recognition of competence. These synergies are translated and achieved through our incessant search for young talent. Despite being atypical, 2020 was a year of strengthening partnerships, which resulted in the reception of 63 trainees in the various business units and corporate departments. Although this reception brought additional challenges, due to full or partial telework, after hearing the trainees, internship advisors and partner universities, we realized that we were able to contribute to the development and learning of students, as well as strengthening the relationship with the Partners.

Internal Human Resources Campaign "Mais Pessoas"


mais
PESSOAS
Mais Desempenho
Crescemos juntos.
Mais Formação
Faz diferente.
Chega mais longe.
Mais Carreira
Sem fronteiras.
Sem limites.
Mais Talento
Acreditamos no
teu potencial.
Mais Reconhecimento
Melhor, a cada dia.
TEMOS
EM NÓS
TODO O
POTENCIAL
DO MUNDO
O modelo de gestão de
Recursos Humanos da Efacec
Desenvolver o potencial das nossas pessoas. Reter e incentivar o talento interno. Reconhecer e valorizar o mérito. Fazer uma gestão integrada de todos os processos de Recursos Humanos. Estes são os objetivos do nosso Ciclo Anual de Gestão de Pessoas, criado a pensar em ti.
efacec
Empowering the future

MAST3R ACADEMIA EFACEC



More Training
(Mast3r Academia Efacec)

Mast3r Academia Efacec supports the development of all Employees and promotes training opportunities, regardless of age, years of service, gender or position.

We believe that continuous learning contributes to a more equitable society and we focus on accelerating development and knowledge. We also promote openness to science and technology in the communities where we operate.

Corporate School

→ It aims the training and development in the most behavioural topics, in the Efacec culture and in the company's corporate processes;

Management School

→ It focuses on the development of project management, business and leadership skills of our current and future managers;

Technological School

→ It aims at the promotion of a shared vision about the future of Efacec Technology and the development of differentiating technical skills that support the technological *roadmap* of the Group.

2020 at Mast3r Academia

During 2020, Mast3r Academia Efacec provided

16.959h

→ Number of training hours
37,039h - 2018 / **57,168h** - 2019

1,118

→ Employees who attended Mast3r Academy Efacec courses in a total of 2,178 employees.

4.2/in 5

→ Average Global Satisfaction

Distribution of types of training:

- → **Corporate School**
  1,501h (9%)
- → **Management School**
  954h (6%)
- → **Technological School**
  3,7930h (22%)
- → **Foundations - QAS**
  7,396h (44%)
- → **Foundations – Languages**
  3,315h (20%)

Efacec considers that Mast3r's role is to provide equal access to training and new learning, while believing that each person plays a fundamental role in the active construction of their own knowledge.

In 2020, this idea became more evident due to the pandemic context. Thus, two major objectives guided the activity:

- **Self-learning culture**
  Providing training opportunities and content diversified according to the interest, need and availability of each one;

- **Proximity**
  e-learning and live training solutions that enhance the proximity between Employees in the context of telework, as well as in the different geographies.

In pursuit of these objectives, we provide a digital training platform to all Employees (Mast3r Learning Hub in collaboration with LearningHubz), regardless of their functional framework.

In 2021, we continued on the path of strengthening and developing skills within the scope of the three Schools, providing training opportunities in the areas of behavioural, technological and management skills. It is worth mentioning the need to transform and adapt content to the new digital reality.

5.5.3. Human Rights

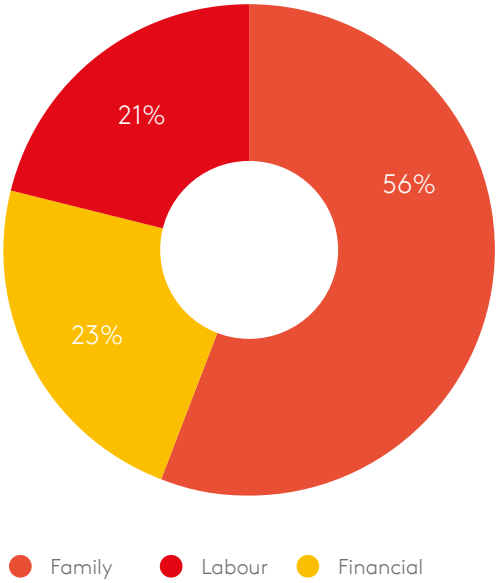
Work Ethics

Within the scope of its Sustainability strategy, Efacec sees a growing concern in order to contribute to the defence of Human Rights. It should be noted that Efacec has publicly committed to the Charter of Principles of BCSD Portugal, which includes several Human Rights principles, such as the concern with ethical aspects of work, the elimination of any type of discrimination, the improvement of safety conditions and the strict compliance with local legislation.

We should also mention the inclusion of four specific Human Rights indicators (in addition to the safety indicators and human resources diversity) relating to the discrimination and risks of operations. These indicators are reported in the appendix related to Social Indicators, and the results obtained do not point out problems in this area.

In 2020, Efacec's Modern Slavery Statement (for the 2019 fiscal year) was published for the first time. The document follows the requirements of the British legislation, UK Modern Slavery Act 2015 (MAS), whose publication has become a standard in the United Kingdom. The document ends up expressing the position that Efacec previously had on forced labour (an aspect included in the Sustainability Policy).

› Problems' nature



Internal Climate

The actions related to this theme were deeply affected by the pandemic, the *layoff* situation, the nationalization process and the reorganisation started in 2020. Efacec fully respected the indications of the Directorate-General for Health (DGS) and kept a large part of its Employees in telework.

Social Assistance

Efacec strives to support Employees from a personal and family perspective. In 2020, tailor-made social assistance services were made available at the centres in Portugal. About 870 service sessions (consultations) were carried out with Employees. The main problems dealt with are of a family, financial and labour nature.

Dynamization of the Efacec Club

Efacec continued to support the Employee associations: Clube Efacec and CCDEL. The main activities developed were divided into the following categories:

- **Sports** – fishing, mountain running;
- **Recreation** – concerts, cinema, other shows;
- **Christmas gifts** – gifts for all children.

Protocols

Efacec has established protocols that provide advantageous conditions to its Employees, namely, with clinics, schools, banks, insurance companies and other entities. In 2020, this list increased again, with currently more than 60 protocols in the areas of health, leisure and culture, education, among others.

Safety and Health

Efacec defines people safety as one of its priorities, a topic under the responsibility of the Quality, Environment and Safety (QES) corporate area, monitored by the Executive Committee.

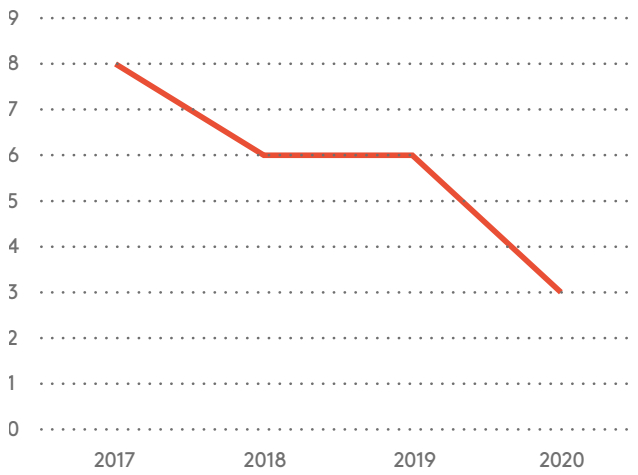
Efacec's industrial operations and external projects are covered by a Safety Management System that establishes the principles and practices required for those who work for and circulate in the company:

- Identification of hazards and risk assessment of all activities, products and services, aiming at replacing what is "dangerous" with what "is free from danger or less dangerous";
- Investigation and reporting on work accidents and near-accidents to determine causes;
- Definition of actions to correct deficiencies and prevent recurrence;
- Communication of security alerts and their monitoring;
- QAS operational visits to factories and outdoor projects;
- Implementation of the Internal Security Plan, which contains security procedures and;
- Implementation of the Country Survey concept in the external projects for definition of safety requirements from the project design phase;
- Definition and monitoring of an improvement indicator: Safety Culture.

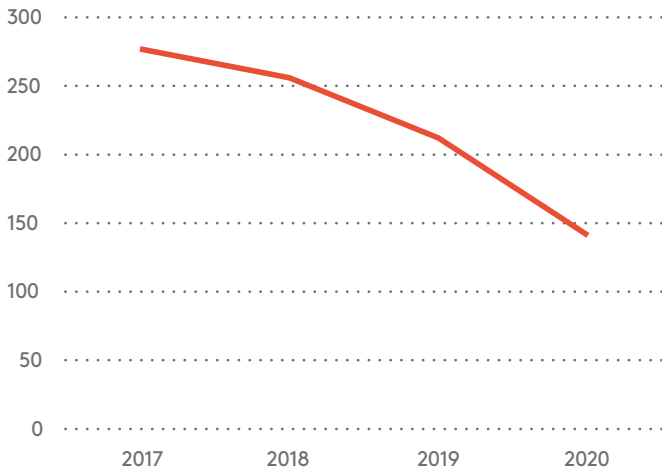
Segurança é Connosco internal campaign

Since 2016, the Valor Segurança project has been active whose ultimate goal is to eliminate accidents at work through the training and awareness of all employees and other interested parties. The results of this programme are extremely positive, having seen a 56% reduction in the number of accidents, which responded to the 71% reduction in the frequency index.

› Accidents at Work Frequency Index



› Accidents at Work Severity Index



In 2020, the Valor Segurança Project, initially focused on the Transformers and Service areas, was extended to the Equipment and Electric Mobility areas with the objective of achieving "Zero Accidents".

The programme, developed in articulation with DuPont Sustainable Solutions (DSS), a consultant specializing in the topic, has helped to change the way safety is perceived at Efacec, ensuring collaboration between all co-workers, who are now much better able to report good and bad examples. This action plan, which has already led to a significant change in behaviour, reflected in the figures above, and included awareness-raising actions, recurring follow-up visits to the production areas, training at the several hierarchical levels of the areas and accident investigation.

In addition to these initiatives, the focus was on prevention activities, with an emphasis on increasing the near-accident record and the Preventive Behaviour Observations (PBO) programme, which aims at observing work practices from the point of view of safety. In 2020, more than 1,000 PBOs were carried out, which allowed creating greater proximity and identification between those who observe and those who execute them. Employees communicate their concerns more easily, which facilitates the analysis of these practices and the achievement of a commitment to improvement. Even with the increase in the number of rules to be followed, the reduction of non-compliances is visible.

At the end of the year, the transition from the Safety Management System to the ISO 45001 standard was ensured through auditing by an external entity.

In 2021, Efacec will continue to improve several aspects of the Valor Segurança project:

- Strengthen the anticipation culture: focus on recording and analysing near misses, safety alerts and PBOs;
- Strengthen safety thinking from the design/ conception phase in the products and systems portfolio;
- Make safety more visible in factories and works abroad;
- Review of Employee consultation and participation processes in the safety system.

Labour Relations

Given the complex context of the year 2020, it was essential to use the support mechanism for maintaining jobs (simplified *layoff*) which always took place in a social dialogue atmosphere with the workers' representatives, ensuring the maintenance of social peace within the company. This mechanism, promoted by the State, made it possible to safeguard jobs, in an extreme financial difficulty context.

The workers' representative bodies and most of the workers affected by the measure showed a resilience and understanding of the company's situation, only possible when there is a sharing of values and objectives for the future.

5.6. Impact on the Community

Efacec privileges voluntary and solidarity initiatives aimed at supporting new generations, promoting school success, opening up to science and technology and the sustainability of the planet and the communities where Efacec operates.

For these same reasons, Efacec's relationship with Schools and Universities is one of its main vectors of citizenship action, developing partnerships and programmes with an impact. Additionally, the situation in the country and around the world is monitored, intervening in force majeure situations in which the skills and experience of the company and its Employees can contribute to make a difference.

5.6.1 Involvement in the community

Efacec has maintained a partnership with **Junior Achievement Portugal** (JAP Portugal) since 2007, opening its doors annually to students and collaborating with initiatives based on three fundamental pillars: Citizenship and Financial Literacy, Education for Entrepreneurship and Employability Skills.

Twenty-nine Employees signed up for volunteering at JAP Portugal in 2020, but the pandemic caused by COVID-19 meant that only 19 could participate.

Countries and companies around the world have united in the fight against the COVID-19 pandemic. Aware of the difficulties in resources to face the consequences of the pandemic, Efacec has made efforts to support several communities. Some highlights:

Information and Materials

Under the Metoro 41 MWp solar park project, located in Cabo Delgado, Mozambique, Efacec and Neoen joined their teams and started an action to raise awareness of safety rules with on-site workers and with local administrative entities, making available several protective materials and equipment:

- 3 sanitizing stations;
- 1,000 reusable cloth masks;
- 500 litres of bleach;
- 480 bars of soap.

AJUDA PORTUGAL - volunteering and support

An internal initiative created in the context of the pandemic to identify aid and volunteer solutions. Based on the Employees' solidarity suggestions, it was possible to:

- Support the Employees' children with the offer of dozens of computers for them to study at home during the school closing period.
- Provide the technological knowledge and skills of the Efacec teams to support the Matosinhos and Maia City Councils in project management and specialized services, with a focus on the assembly of electrical installations, communications infrastructures and subsequent maintenance of these and other hospital support infrastructures.
- Support the production of the Atena ventilator, *made in* Portugal, a project led by the Centro de Engenharia e Desenvolvimento (CEiiA) and supported by four foundations and three companies.
- Support the production of 142,500 face shields, donating about 127,500 sheets of acetate to Ernesto São Simão, which created and donated face shields to health professionals, homes, caregivers, police forces, volunteers, etc.

5.6. 2 Participation and presence in external events

Efacec promotes the participation of its Employees in community events to share and build knowledge and experience. It participates in events related to trends and the future in its areas of activity, Energy, Environment and Mobility, also contributing to more global discussions related to Sustainability

› Participation and presence in external events

Event	Organizing entity	Nature of participation
Solar Market Parity Portugal	Solarplaza	The industry's view of the solar future in Portugal.
CIRED Portugal annual meeting 2020	EDP Distribuição	Intervention on the technological transition as an enhancer for the energy transition.
National Electric Vehicles Meeting	UVE	Presentation of Efacec Solutions.
Private Sector Perspectives on Renewable Energy in Mozambique	AMER - Mozambican Renewable Energy	Local content in the renewable energy sector in Mozambique.
Large Scale Solar Europe Virtual Summit	Solar Media Limited e Smart Energy	Presentation of two case studies: Solar+Storage, a Developer's Guide; and The Floating Solar Opportunity.

5.6.3. Support to Universities and Schools

In 2020, Efacec established curricular internship protocols with 13 schools and colleges, namely FEUP, ISEP, ISCAP, Univ. of Minho, IPMaia, Univ. of Coimbra, Profitecla, IPAM, FCT NOVA, ESS
P. Porto, FPCEUP, FEP and FCUP.

Within the scope of the partnership with ISEP, more specifically, in the curricular unit Systems Laboratory II (LSIS2), of the Degree in Systems Engineering, in addition to receiving 12 students in the context of the curricular internship, we provide mentoring in work sessions. This is a challenging and motivating subject for students, who work according to the innovative methodology in higher education, called Challenge Based Learning (CBL), combining several different areas, namely mathematics, management, computers and electrotechnics. CBL, a new pedagogical tool, is an active form of learning and its main goal is to create business ideas that solve real problems on the part of students.

Efacec participated in several events organized by Portuguese higher education schools through the intervention of its Employees as speakers who shared their experience and vision of the future in various topics of the current sectors in which Efacec operates.

› Participation in events to support Universities and Schools

Event	Organizing entity	Nature of participation
Pitch and visit to Electric Mobility, Transportation and Storage factory	ISEP (Instituto Superior de Engenharia do Porto)	Mentoring students as part of the project for the curricular unit "Systems Laboratory II"
FINDE.U	UP(University of Porto)	Job fair
31st JA Europe Company of the Year Competition	JAP Portugal	Member of the jury
FEUP Career Fair 2020	FEUP (Faculty of Engineering of University of Porto)	Job fair
Sustainability & Energy: Technology and digitalization at the service of society	FEP (Faculty of Economics of University of Porto)	Debate on sustainability and energy
DigiEduHack	ISEP	Webinar on innovation and change
Pitch Bootcamp	Técnico de Lisboa	Participants
	ISCTE	

5.6. 4 Support to the associative movement

Efacec supports the associative movement, having, on 2020 regular links with 54 associations, 62% are national and 38% are foreign, with different objectives and purposes.

› Support to the associative movement

Associations object	Supported associa-tions
Business	32
Society and Community	9
Development of Management or Technology	13

Within the associative scope, Efacec also participated, throughout 2020, in a series of lectures and conferences, as a guest of the associations with which it has close relationships.

› Participation in lectures and conferences

Event	Organizing entity	Nature of participation
Shaping the Future of Mobility Building The Future	Ativar Portugal	Lecture on Innovation
Latam Mobility Summit 2020	Latam Mobility	Discussion on Efacec's role in energy transition
KNOWLEDGE	Católica-Lisbon | Center for Responsible Business & Leadership	Discussion on the Covid impact and the role of the SDGs
COVID-19: Energy Transition, what has changed?	The K Advisors	Discussion on Energy Transition
Continuity of activity and learning in times of uncertainty	Oracle and DCH	How companies stay active during the pandemic
The Story of Plastic	Smart Waste Portugal Young Professionals	Moderation of the debate
The future of Portugal and Angola's business relations in the Post COVID-19 era	PPA Portuguese Water Partnership	Intervention on Angola and Portugal markets
C2020 EU Sustainable Energy Week Awards	European Commission	Member of the juri
Reshaping Europe's Electric Mobility Value Chain: Challenges Ahead	COTEC Portugal	CEO as guest speaker
Portugal Smart Cities Summit 2020	AIP Foundation	Moderator at the conference "Sustainable Mobility in Challenging Times"

Leça do Balio, 11 March 2021

The Board of Directors

Ângelo Manuel da Cruz Ramalho

Manuel Alberto Pontes Ferreira

Michael Barroso da Silva

Nuno Filipe Gonçalves da Silva

Fernando José Rabaça Vaz

Jaime Serrão Andrez

Carlos Manuel de Jesus e Sousa de Araújo Ribeiro

Maria Gabriela de Castro Chouzal

Rui Alexandre Pires Diniz

Manuel António Carvalho Gonçalves

Empowering the future
Annual Report and Accounts 2020

A

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Chapter 6

Annexes

6. Annexes

6.1. Consolidated financial statements

Consolidated statement of financial position
On 31 December 2020 and 2019

Amounts in euros

	Notes	2020	2019 Restated Notes 1 and 4.1	2019 Published
Assets				
Non-current Assets				
Tangible fixed assets	5.1	63 740 641	69 557 637	69 557 637
Right-of-use assets	6	7 550 829	10 208 427	10 208 427
Intangible assets	5.2	109 225 839	110 140 623	110 140 623
Goodwill	7	118 975 168	119 967 822	119 967 822
Financial assets available for sale	8	811 132	623 632	623 632
Debtors and expenses to be recognized	11	3 824 605	1 141 390	1 141 390
Deferred tax assets	18.1	79 776 821	60 919 222	60 919 222
Total non-current		***383 905 034***	***372 558 753***	***372 558 753***
Current Asset				
Stock and Inventory	12	50 603 780	70 206 039	36 043 966
Trade	10.1	74 488 794	105 629 340	105 629 340
Accrued income	10.2	30 262 625	61 186 243	112 920 959
Loans to related entities	28.2	765 715	724 605	724 605
Debtors and expenses to be recognized	11	41 596 087	36 330 808	36 330 808
Derivative financial instruments	9	0	11 999	11 999
Cash and cash equivalents	13	33 021 907	51 133 667	51 133 667
Total current		***230 738 909***	***325 222 701***	***342 795 344***
Non-current assets held for sale	4.2	589 847	147 744	147 744
Current assets held for sale	4.2	11 853 141	16 643 932	16 643 932
Total Assets		**627 086 931**	**714 573 130**	**732 145 772**
Equity and Liabilities				
Equity				
Capital	21.1	308 949 250	308 949 250	308 949 250
Issue premiums	21.2	1 947 730	1 947 730	1 947 730
Other equity instruments	21.3	11 490 052	11 490 052	11 490 052
Reserves and accumulated results	21.4	-111 844 870	-37 787 317	-20 214 675
Other accumulated comprehensive income	21.5	-30 332 322	-24 837 776	-24 837 776
Non-controlling interests	21.6	1 499	9 041	9 041
Total Equity		***180 211 340***	***259 770 980***	***277 343 622***
Non-current Liabilities				
Provisions	19	20 772 392	13 319 891	13 319 891
Loans obtained	16	152 494 445	88 708 198	88 708 198
Lease liabilities	17	4 967 237	6 649 998	6 649 998
Deferred Tax Liabilities	18.2	20 160 962	20 750 934	20 750 934
Total non-current liabilities		***198 395 036***	***129 429 021***	***129 429 021***
Current Liabilities				
Loans obtained	16	30 050 090	30 616 277	30 616 277
Lease liabilities	17	2 178 931	3 093 387	3 093 387
Suppliers	14.1	73 790 533	125 656 801	125 656 801
Invoices - receipt and checking	14.2	17 985 891	35 381 563	35 381 563
Creditors and Accrued Expenses	15	47 187 567	55 448 059	55 448 059
Income to be recognized	20	57 510 496	54 123 058	54 123 058
Derivative Financial Instruments	9	0	125 646	125 646
Total current liabilities		***228 703 508***	***304 444 791***	***304 444 791***
Liabilities associated with assets held for sale	4.3	19 777 047	20 928 338	20 928 338
Total equity and liabilities		**627 086 931**	**714 573 130**	**732 145 773**

The subsequent Notes are an integral part of these consolidated financial statements

Person in Charge of the Consolidation ***The Board of Directors***

Consolidated income statement by nature
for the financial years ended 31 December 2020 and 2019.

Amounts in euros

	Notes	2020	2019 Restated *Notes 1 and 4.1*	2019 Published
Sales and provision of services	*27 and 32*	216 046 556	355 094 068	353 568 818
Change in production		-16 263 097	1 123 848	2 190 078
Cost of sales and materials consumed		-81 082 695	-159 419 019	-159 419 019
Supplies and external services	*22.1*	-80 553 093	-99 106 202	-99 106 202
Personnel expenses		-78 489 592	-92 481 757	-92 481 757
Expenses with contract terminations	*22.2*	-503 335	-1 249 272	-1 249 272
Amortization and depreciation	*5-6-22.3*	-18 173 605	-17 437 545	-17 437 545
Provisions and assets impairment	*22.4*	-23 159 355	-23 747 550	-23 747 550
Other operating expenses	*22.5*	-6 146 779	-3 593 227	-3 593 227
Other operating income	*22.5*	14 391 630	29 842 453	29 842 453
Operating income		**-73 933 366**	**-10 974 204**	**-11 433 223**
Financial losses and expenses	*23*	-10 083 796	-10 577 766	-10 577 766
Financial gains and income	*23*	269 620	403 963	403 963
Losses and gains in associate companies		0	-138 001	-138 001
Result before taxes		**-83 747 542**	**-21 286 007**	**-21 745 027**
Corporate income tax - Deferred	*24*	19 969 541	2 397 873	2 397 873
Corporate income tax - Current	*24*	-2 261 066	-2 766 174	-2 766 174
Results from discontinuing operations	*4.2*	-7 387 481	-6 782 198	-6 782 198
Consolidated net profit/loss		**-73 426 548**	**-28 436 507**	**-28 895 527**
Attributable to:				
Efacec Power Solutions Shareholders	*25*	**-73 426 521**	**-28 475 987**	**-28 935 007**
Non-controlling interests	*21.6*	-27	39 480	39 480
Net earnings per share				
Basic	*25*	-1,19	-0,46	-0,47
Diluted	*25*	-1,19	-0,46	-0,47

The subsequent Notes are an integral part of these consolidated financial statements

Person in Charge of the Consolidation ***The Board of Directors***

Consolidated statement of comprehensive income
for the financial years ended 31 December 2020 and 2019.

Amounts in euros

	2020	2019 Restated *Notes 1 and 4.1*	2019 Published
Consolidated net profit/loss (1)	**-73 426 548**	**-28 436 507**	**-28 895 527**
Other comprehensive income			
Items reclassifiable or results:			
Change in the currency conversion reserve	-5 592 161	-8 565 019	-8 565 019
Change in the fair value of hedging derivative financial instrume	125 646	1 667 419	1 667 419
	-5 466 515	-6 897 600	-6 897 600
Items not reclassifiable for results:			
	0	0	0
Other comprehensive income for the period	**-5 466 515**	**-6 897 600**	**-6 897 600**
Comprehensive corporate income tax			
Change in the fair value of derivative financial instruments	-28 270	-375 169	-375 169
Comprehensive Income Tax	**-28 270**	**-375 169**	**-375 169**
Other net comprehensive net income for the period (2)	**-5 494 785**	**-7 272 769**	**-7 272 769**
Total comprehensive income for the period 1 + 2	**-78 921 333**	**-35 709 276**	**-36 168 296**
Attributable to:			
Efacec Power Solutions Shareholders	-78 921 067	-35 948 643	-36 407 663
Non-controlling interests	-266	239 367	239 367

The subsequent Notes are an integral part of these consolidated financial statements

Person in Charge of the Consolidation ***The Board of Directors***

Consolidated statement of changes in Equity
for the financial years ended 31 December 2020 and 2019.

Amounts in euros

	Notes	Attributable to equity holders							Non-controlling interests	Total Equity
		Share Capital	Issue premiums	Other equity instruments	Reserves and accumulated results	Other comprehensive income				
						Financial instruments reserves	Conversion Differences	Other comprehensive income		
Balance on 01 January 2019		**308 949 250**	**1 947 730**	**11 490 052**	**11 412 501**	**-1 389 625**	**-15 975 495**	**-17 365 120**	**-194 278**	**316 240 135**
Comprehensive income for the period	21.4-21.5-21.6				-28 935 007	1 292 249	-8 764 906	-7 472 656	239 367	-36 168 296
Others					-2 692 169			0	-36 048	-2 728 217
Balance on 31 December 2019		**308 949 250**	**1 947 730**	**11 490 052**	**-20 214 675**	**-97 376**	**-24 740 400**	**-24 837 776**	**9 041**	**277 343 622**
Restate:	1-4.1									
Comprehensive income for the period					459 020			0	0	459 020
Others					-18 031 662			0	0	-18 031 662
Restated		**308 949 250**	**1 947 730**	**11 490 052**	**-37 787 317**	**-97 376**	**-24 740 400**	**-24 837 776**	**9 041**	**259 770 980**
Balance on 01 January 2020		**308 949 250**	**1 947 730**	**11 490 052**	**-37 787 317**	**-97 376**	**-24 740 400**	**-24 837 776**	**9 041**	**259 770 980**
Comprehensive income for the period	21.4-21.5-21.6				-73 426 521	97 376	-5 591 922	-5 494 546	-266	-78 921 333
Others					-631 032			0	-7 275	-638 307
Balance on 31 December 2020		**308 949 250**	**1 947 730**	**11 490 052**	**-111 844 870**	**0**	**-30 332 322**	**-30 332 322**	**1 499**	**180 211 340**

The subsequent Notes are an integral part of these consolidated financial statements

Person in Charge of the Consolidation ***The Board of Directors***

Consolidated cash flow statement for the financial years ended 31 December 2020 and 2019

Amounts in euros

	Notes	2020	2019
OPERATING ACTIVITIES:			
Clients receivables		235 276 855	411 996 786
Payments to Suppliers		199 484 199	322 698 649
Payments to personnel		78 549 761	91 932 330
Flow generated by operations		(42 757 105)	(2 634 193)
Corporate income tax payment/receipt		(1 007 847)	(1 027 188)
Other receipts / payments related to the operating activity		(15 867 333)	6 137 012
Flows from operating activities[1]		(59 632 285)	2 475 631
INVESTMENT ACTIVITIES			
Receipts from:			
Financial investments		0	397 500
Tangible fixed assets		222 101	46 883
Investment grants		2 414 804	1 756 919
Interest and similar income		72 500	316 713
		2 709 405	2 518 016
Payments related to:			
Financial investments		187 500	337 500
Tangible fixed assets		2 431 120	1 272 024
Intangible assets		2 737 950	4 336 840
		5 356 570	5 946 365
Flows from investment activities[2]		(2 647 166)	(3 428 349)
FINANCING ACTIVITIES			
Receipts from:			
Non-current loans obtained		73 209 007	92 606 234
Current loans obtained		41 825 666	59 919 866
		115 034 674	152 526 099
Payments related to:			
Non-current loans obtained		9 215 276	72 307 963
Current loans obtained		42 961 243	55 289 728
Shareholder loans		0	5 000 000
Amortization of finance lease contracts		194 104	674 147
Amortization of operating lease contracts		2 840 809	3 060 151
Interest and similar expenses		5 679 405	4 020 384
Capital decreases and supplementary capital contributions		0	5 023 632
		60 890 838	145 376 005
Flows from financing activities[3]		54 143 836	7 150 094
Cash variation and its equivalents [A]-[B]-[C]-[D]=[1]+[2]+[3]		**(8 135 614)**	**6 197 376**
Effects of exchange differences [D]		**(2 834 398)**	**(2 226 912)**
Cash and cash equivalents in discontinuing units [C]		**(7 141 748)**	**8 978 313**
Cash and cash equivalents at the beginning of the financial year [B]		**51 133 667**	**38 184 891**
Cash and cash equivalents at the end of the financial year [A]	*13*	**33 021 907**	**51 133 667**

The subsequent Notes are an integral part of these consolidated financial statements

Person in Charge of the Consolidation ***The Board of Directors***

Notes to Consolidated Financial Statements

A. General Information

Efacec Power Solutions SGPS, S.A. ("Efacec Power Solutions" or "EPS") is a public limited company with registered office in Portugal. EPS was incorporated on 14 August 2014 having as object the management of shareholdings as an indirect way of exercising economic activities. The incorporation of Efacec Power Solutions was part of the restructuring process that Efacec Capital, SGPS, S.A. ("Efacec Capital") started in late 2013, with the objective of aligning the corporate structure of the Efacec Group with the market segments addressed and the target geographies. At the end of 2014, Efacec Power Solutions became a group of companies that bring together all the technical and human competencies, the means of production and the technologies for the development of products and systems in the fields of Energy, Environment and Mobility.

The activities of the Efacec Group companies comprise a vast range of products and services of a high technological level. This diversity, with competencies at the productive and engineering levels, enables offering technical solutions to a vast range of activity sectors, in the domestic and foreign markets, from the eight Business Units that are part of the Group. The Efacec Group also comprises a wide network of branch offices, branches and agents spread across four continents. Chapter F of this document presents detailed information on the activity and results of these business units.

On 23 October 2015, the Efacec Group's shareholder structure changed, with most of the capital of Efacec Power Solutions being held by the company Winterfell 2 Limited.

On 2 July 2020, Decree-Law No. 33-A/2020 carried out the public appropriation, through the nationalization, of the shareholding held by Winterfell 2 Limited in Efacec Power Solutions, SGPS, SA, corresponding to 71.73% of the share capital. The State's intervention aimed to ensure the stability of Efacec's financial, operational, and commercial value, and to allow the safeguarding of jobs, industrial value, and technical knowledge. According to the Decree-Law, the nationalization is of a transitory nature, the objective being the immediate opening of the reprivatisation process of the stake in the shortest time.

On 10 December 2020, the specifications for the direct sale to be carried out under the reprivatisation process were approved.

These financial statements were approved by the Board of Directors on 11 March 2021. The members of the Board of Directors who sign this report declare that, to the best of their knowledge, the information contained herein was prepared in accordance with the International Financial Reporting Standards (IFRS), adopted by the European Union, giving a true and appropriate image of the EPS Group's consolidated financial position, results, and cash flows.

The financial information is presented in euros, which is the functional and reporting currency of the group of entities, unless otherwise indicated.

B. Accounting Policies

1. Summary of the main accounting policies

Introductory note - Change in revenue recognition method

Historically, the Efacec Group has recognized revenue by using the degree of completion method in most of its contracts, covering most of the business segments that comprise it, both in terms of products and systems. The widespread use of this method was due, on the one hand, to the long cycles that characterized the most representative part of their contracts, often exceeding 1 year, but also due to the high degree of customization of their products. This methodology was adopted across the Group because it is the one that best represented the reality of the operations, regardless of the existence of some exceptions.

Based on the perception of an evolution in the types of contracts in some of the Group's business segments, in the sense of closer approximation to the concept of contracts for the sale of products or on a made-to-order basis, to the detriment of the concept of construction contracts, the Efacec Group, assisted by the consulting company EY, initiated, in the second half of 2020, a thorough analysis of commercial contracts with Clients, with the objective of assessing the adequacy of alternative methods of revenue recognition and the timeliness of their application, always based on economic rationality criteria and the regulatory context of IFRS 15.

The analysis and contractual assessment made it possible, in part of the Group's Business Units, to identify the prevalence of contracts comprising events or well-defined performance obligations and which tend to get closer to the concepts of sale of standard products or on a made-to-order basis, highlighting the recognition of revenue according to the value that each performance obligation has for the Client, instead of the recognition of revenue measured in proportion to the costs incurred to obtain it. In these cases, the revenues inherent to the contracts are likely to be segmented and recognized with the occurrence of such events. The existence of invoicing moments coinciding in time or reasonably close to the occurrence of those events was also identified.

As a result of the analysis carried out, the Group considered it appropriate and opportune to promote, starting in 2020, and with effects for the year just ended, an adjustment in the revenue recognition methodology for the Products areas, including the Business Units of (i) Transformers, (ii) Equipment, (iii) Automation - all from Efacec Energia, and (iv) Electric Mobility, belonging to Efacec Electric Mobility, so that revenue is recognized at the time of invoicing issued under the contractual terms provided for. The systemist units within the scope of Efacec Engenharia e Sistemas continue to use the degree of completion method because it is the best suited to their types of contracts that have greater representativeness in the set of projects of these Business Units.

With this change in methodology and given the historical financial information, Efacec Energia and Efacec Electric Mobility started to value the involvement in the production of products in the balance sheet under the Production in progress headings, instead of the accrued income headings, and this involvement does not now include the proportional margin in relation to the costs incurred (it only includes production costs).

The options taken allow the Group to:

- Adjust the amounts of revenue recognized over the period of the contracts and the respective invoicing milestones.
- Reduce the time gap between recognition of revenue and invoicing, considering the set of business segments covered.
- Improve the control carried out by the management over the production capital used.
- Draw a clear differentiation between the Products and Systems Units on the topic of revenue recognition and margin appropriation.
- Adapt the level of risk incorporated in the balance sheet in view of the level of transfer of control of the goods produced and the guarantee of recoverability, in the light of what is recommended in IFRS 15 and of what are the Management's prudential criteria.

Despite this adjustment in the methodology, the 2020 accounts now presented include some significant impacts on the financial statements, on revenues and results, but also on the composition of the asset. To allow comparability, the impacts of this measure were also measured if the new method were applied to the same business units in the 2019 accounts.

The following table shows the consolidated effects of the retrospective application in the relevant headings, in the 2020 and 2019 accounts.

	2020	2019
Income Statement:		
Sales and provision of services	15 417 960	1 525 249
CEVMC (Cost of goods sold and mater	-10 918 330	-1 066 230
Profit/loss for the financial year	4 499 630	459 020
Statement of financial position:		
Stock and Inventory	21 446 529	34 162 073
Accrued income	-34 519 541	-51 734 715
Results carried forward	-17 572 642	-18 031 662
Profit/loss for the financial year	4 499 630	459 020

1.1 Preparation basis

The accounting policies adopted follow the International Financial Reporting Standards (IFRS) in force in each reporting period. They are disclosed in the subsequent notes, having been applied by Efacec Power Solutions since its incorporation, and have been applied consistently by subsidiary companies every year. However, the standards, interpretations and reviews issued by the various bodies that supervise the application of the Standards - IASB, IASC, IFRIC and SIC, when applicable to the EPS Group, are adopted in the period in which they become mandatory. In this financial year, the accounting policies were applied consistently in the comparative periods, including the effects of changes in the revenue recognition method in some of the Group's business segments, as described above, in the Introductory Note.

The consolidated financial statements of Efacec Power Solutions have been prepared assuming the continuity of the operations. As mentioned in the Management Report, and despite the negative cycle of the Efacec between the end of 2019 and the first half of 2020, arising from the Luanda Leaks episode, the financial blockade and COVID-19, the Board believes in the Group's ability to remain in continuity, this being the assumption used in the preparation of the 2020 Financial Statements. The nationalization, on 2 July 2020, of 71.7% of the Efacec Group's share capital, intends to make its financial and operational value stable This nationalization takes place with the objective of reprivatizing in the shortest possible time, as established in DL 33-A/2020, of 2 July.

The Board expects to achieve relevant operating profitability, as provided for in the Group's business plan, and its belief that it will maintain the continued support of shareholders and financing entities in the renewal of current lines of support for treasury management, in the issuance of guarantees and in the maintenance and renewal of medium and long-term credit lines.

The attached consolidated financial statements are in accordance with the International Financial Reporting Standards (IFRS), in effect on 01 January 2020, as adopted in the European Union.

EPS's financial statements are prepared considering the historical cost convention, except for land, financial assets, and financial liabilities (including derivatives), which are accounted for at their fair value. In addition, production equipment located in industrial facilities in Portugal was included in the EPS perimeter at fair value at the date, in the context of the incorporation of EPS and concentration of shareholdings (see note 5.1).

The preparation of the financial statements in accordance with the IFRS requires the use of some important accounting estimates. It also requires the management body to exercise its judgement in the process of applying the accounting policies of the EPS Group. The areas involving a higher degree of judgement or complexity or the areas where the assumptions and estimates are significant for the financial statements are disclosed in Note 2.

The rules, interpretations and reviews issued by the various bodies that supervise the application of International Financial Reporting Standards - IASB, IASC, IFRIC and SIC - are listed below, as well as the dates of application and approval by the European Union.

Description	Change	Effective date
1. Changes to standards and interpretations that became effective on 1 January 2020		
IAS 1 – Presentation of financial statements; IAS 8 - Accounting policies, changes in accounting estimates and errors	Update of the definition of material in the application of the standards to the financial statements as a whole	01 January 2020
IFRS 3 – Business combinations	Change in the definition of business	01 January 2020
IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform	Introduction of exemptions to hedge accounting with the objective that the reform of the reference interest rates does not result in the termination of hedge accounting	01 January 2020
Conceptual structure - Changes in reference to other IFRS	Amendment to some IFRS regarding cross-references and clarifications on the application of the new definitions of assets / liabilities and expenses / income	01 January 2020
2. Changes to standards published by the IASB, already endorsed by the EU		
IFRS 16 – Leases	Rent subsidies related to COVID-19	01 June 2020
IFRS 4 – Insurance contracts	Deferral of the application of IFRS 9 in insurance contracts	01 January 2021
3. Changes to standards published by the IASB, not yet endorsed by the EU		
IAS 1- Presentation of financial statements	Classification of liabilities as current or non-current	01 January 2023
IAS 16 Tangible fixed assets	Income obtained before the tangible assets started operating	01 January 2022
IAS 37 - Provisions and contingencies	Onerous contracts - costs of fulfilling a contract	01 January 2022
IFRS 3- Business combinations	Updates references to the Conceptual Framework in the text of IFRS 3	01 January 2022
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform - phase 2	01 January 2021
4. New standards published by the IASB, not yet endorsed by the EU		
IFRS 17 - Insurance contracts (issued on 18 May 2017); including amendments to IFRS 17 (issued on 25 May 2020)	IFRS 17 replaces IFRS 4. The changes cover several areas such as scope, recognition, measurement, modification and derecognition, presentation and disclosures.	01 January 2021

The new standards, amendments to standards and interpretations with effective application as of 01 January 2020, were adopted for the first time in the financial year ended 31 December 2020, when applicable. Their adoption did not have a material impact on the consolidated financial statements.

1.2 Consolidation

1.2.1 Subsidiaries

Subsidiaries are all entities (including Special Purpose Entities) over which the Efacec Group has the power to decide on financial and operating policies, generally represented by more than half of the voting rights. The existence and effect of potential voting rights, which are currently exercisable or convertible, are considered when assessing whether the Efacec Group has control over another entity. The subsidiaries are consolidated from the date on which control is transferred to the Efacec Group, being excluded from consolidation from the date on which control ceases.

The purchase method is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the goods delivered, equity instruments issued, and liabilities incurred or taken on the acquisition date. All costs associated with the acquisition are recorded as expenses for the financial year. Identifiable assets acquired and contingent liabilities assumed in a business combination are initially measured at fair value on the acquisition date, regardless of the existence of uncontrolled interests. The excess of the acquisition cost plus the share of uncontrolled interests in the fair value of the acquired assets and liabilities or, alternatively, plus the fair value of the participation in uncontrolled interests in the acquired branch office, in relation to the fair value of the assets and total net liabilities of the acquired subsidiary, is recognized as goodwill (Note 1.5.1). If the acquisition cost is less than the fair value of the acquired subsidiary's net assets, the difference is recognized directly in the Income Statement.

Transactions and balances on transactions between Group companies are eliminated in consolidation. Gains and losses on operations carried out between Group companies that have not yet been carried out abroad are also eliminated, except in the case of losses whose transaction may reveal evidence of impairment of a transferred

asset. The subsidiaries' accounting policies have been changed, where necessary, to ensure consistency with the policies adopted by the Efacec Group.
The amount related to non-controlling interests is included in Equity. Transactions with "uncontrolled interests" are recorded in Equity, when there is no change in control over the Entity, with no recording of goodwill or gains or losses. When there is loss of control exercised over the entity, any remaining interest in the entity is remeasured at fair value, with the gain or loss being recognized in the income statement.
The list of subsidiaries included in the consolidation perimeter is presented in Note 4, as well as the changes to the perimeter occurred during the year.

1.2.2 Joint agreements

The international accounting standard IFRS.11 qualifies jointly controlled investments as joint-operations or as joint-ventures. The IASB guidelines started to demand a careful analysis of the constitutive contracts and the statutory provisions of the existing entities and the entities to be incorporated, to determine the applicable rules and the accounting method.
To determine the existence or not of a joint agreement and its nature, the main parameters of analysis are:

- Existence or not of a separate vehicle entity
- Statutory provisions on decision-making
- Appropriation of assets/liabilities and income/expenses

	Joint agreements	
	Joint ventures	*Joint operations*
Existence of a separate vehicle entity	Yes	No
Appropriation of assets/liabilities and income/expenses	The controlling parties jointly have rights over the JV's net worth	The controlling parties jointly have rights over assets and obligations over liabilities
	Equity method	Line-by-line accounting of assets/liabilities, income/expenses

1.2.3 Policy on transactions between entities under common control

There are no accounting policies defined in international regulations for transactions between entities under common control, in which the parent company keeps the control of the transferred subsidiary before and after the transactions take place. In its absence, the management considers the requirements and guidelines of other standards that address similar topics, having chosen the purchase method of IFRS 3R, and this standard is fully applied (Note 1.2.1). There were no such transactions during 2020.

1.3 Currency conversion

1.3.1 Functional currency and presentation currency

The information included in the Financial Statements of each of the Efacec Group entities is measured using the currency of the economic environment in which the entity operates - "functional currency". The consolidated Financial Statements are presented in euros, which is the functional and presentation currency of the Efacec Group's accounts.
Exchange differences arising from the Efacec Group's operating activities are recorded in the Income Statement as operating expenses or income. If exchange differences arise from operations of a financial nature, they are recorded as financial results.

1.3.2 Balances and transactions

Transactions in currencies other than the euro are converted into a functional currency using the exchange rates at the date of the transactions. Exchange gains or losses resulting from the settlement of transactions and the updating of monetary assets and liabilities denominated in currencies other than the euro at the rate at the closing date are recognized in the Income Statement.

1.3.3 Group Companies

The results and the financial position of all Efacec Group entities that have a functional currency other than the presentation currency are converted to the presentation currency as follows:

(i) The assets and liabilities of each Statement of Financial Position presented are converted at the exchange rate in force on the date of the Financial Statements.

(ii) Income and expenses for each Income Statement are converted at the average exchange rate; and

(iii) Exchange differences resulting from the transfer of the individual financial statements of the companies included in the consolidation are recognized in Equity, under the heading Reserves.

1.4 Tangible fixed assets

Land and buildings essentially comprise factories and offices. Land is presented at fair value. The other tangible assets are presented at historical cost, less depreciation, including all expenditures directly attributable to the acquisition of the assets. Following the acquisition of companies by Efacec Power Solutions, industrial equipment was incorporated at the fair value determined at the merger date.
Subsequent expenses are included in the carrying amount of the asset or recognized as separate assets, as appropriate, only when it is probable that economic benefits will flow to the company and the cost can be measured reliably. Other expenses with repairs and maintenance are recognized as expenses in the period in which they are incurred.
In accordance with the accounting policies of the Efacec Group, land is subject to three-year appraisals by independent experts to determine the fair value. Valuations are based on the use of market comparison criteria and replacement costs. Revaluations are recognized in equity, after deducting the respective deferred tax. Devaluations, if any, are deducted from equity up to the limit of existing revaluation reserves for the same assets more than that limit, they are recognized in the income statement.
When tangible assets recorded at fair value are sold, the amount included in revaluation reserves is transferred to results carried forward.
Land is not depreciated. Depreciation of other assets is calculated using the straight-line method, in twelfths over cost or revaluation value, to allocate their revalued cost or value to their residual value, according to their estimated useful life, as follows:

Heading	Years
Buildings and other constructions	25 – 50
Basic equipment	8 – 16
Transport equipment	4 – 5
Tools and utensils	4 – 8
Administrative equipment	4 – 6

The depreciation process begins in the month following that in which the asset started operating.
Residual values of assets and useful lives are reviewed and adjusted, if necessary, at the balance sheet date. If the carrying amount is greater than the asset's recoverable amount, it is immediately readjusted to the estimated recoverable amount (Note 1.6).
Gains and/or losses on disposals or write-offs of tangible assets are determined by the difference between their net book value and their disposal or write-off value, in the latter case being null, and included in the income for the financial year.

1.5. Intangible assets

1.5.1 *Goodwill*

Goodwill represents the excess of the acquisition cost compared to the fair value of the subsidiary's identifiable assets and liabilities at the acquisition date (Note 1.2) and is shown in a separate heading in the Consolidated Statement of Financial Position.

Goodwill is subject to impairment tests on an annual basis and is presented at cost, less accumulated impairment losses. Gains or losses arising from the sale of an entity include the amount of goodwill relating to it.

*G*oodwill and fair value adjustments resulting from the acquisition of a foreign entity are treated as assets and liabilities of that entity and converted at the closing exchange rate if its functional currency is different from the euro.

The Goodwill is allocated to cash flow generating units (CGU) to perform impairment tests (Note 2.1). The recoverable amount of a CGU is determined based on the use value calculations. These calculations use cash flow projections based on financial budgets approved by the management body, covering a period of at least four years. Under certain conditions, some CGUs can be grouped, when there is a high level of business dependence on one or more CGUs on another integrating CGU, about technical, financial, commercial skills, or the ability to contract new businesses with its Clients.

EPS's management bodies determine the expected operating margin based on past performance and their expectations for the development of the business. The weighted average growth rate used is consistent with the forecasts included in the industry reports. The discount rates used are before taxes and reflect specific risks related to the relevant segments.

1.5.2 Software

The acquisition cost of software licenses is capitalized and comprises all expenses incurred for the acquisition and for making the software available for use. These costs are amortized over the estimated useful life (not exceeding five years). Costs associated with software maintenance are recognized as expenses when incurred.

Costs directly associated with the production of identifiable and unique software controlled by the Group and which will probably generate future economic benefits more than costs, beyond one year, are recognized as intangible assets. Direct costs include personnel expenses for software development and the share of relevant general expenses. Software development costs recognized as assets are amortized over their estimated useful lives (not to exceed five years).

1.5.3 Research and development expenses

Research expenses are recognized as expenses when incurred. Expenses incurred in development projects (related to the design and testing of new products or improvements to existing products) are recognized as intangible assets when it is probable that the project will be successful, considering its commercial and technological feasibility and that the costs can be measured with reliability. Other development expenditures are recognized as expenses when incurred. Development costs previously recognized as expenses can be recognized as assets in subsequent periods. Development costs with finite useful life that have been capitalized are amortized from the beginning of the product’s commercial production on a straight-line basis over the period of its expected benefit, not exceeding five years.

1.5.4 Commissions on contracts

According to IFRS.15, as of 2018 the Group started to capitalize the expenses with commissions paid in the scope of obtaining contracts with Clients. The expense is recorded as an asset if its relationship with a given supply or service contract entered with a Client is unequivocal. The asset will be amortized in accordance with the recognition of the revenue of the contract to which it is related.

1.6 Impairment of non-financial assets, except goodwill

Assets that do not have a defined useful life are not subject to amortization but are subject to annual impairment tests. Assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the excess amount of the asset's carrying amount over its recoverable amount. The recoverable amount is the highest of an asset's

fair value less costs to sell and its value in use. In determining the value in use, estimated future cash flows are discounted using a discount rate that reflects current market assessments and the specific risk of the asset.
To carry out impairment tests, the assets are grouped at the lowest level at which cash flows can be identified separately (cash flow generating units).

1.7 Financial assets

1.7.1 Classification

Under IFRS 9, the Efacec Group records its financial assets according to the following categories: debt instruments and accounts receivable, equity instruments designated at fair value through other comprehensive income and financial assets at fair value through the income statement.

(a) Debt instruments and accounts receivable

The financial asset is held considering a business model whose objective is to keep it to receive its contractual cash flows and the contractual terms of the financial asset give rise, on specific dates, to cash flows that are only payments of principal and interest on the amount of outstanding principal.

(b) Equity instruments designated at fair value through other comprehensive income.

Upon initial recognition, the Group may make an irrevocable choice (financial instrument to financial instrument) to designate certain investments in equity instruments (shares) at fair value through the other comprehensive income. The designation at fair value through other comprehensive income is not permitted if the investment is kept for trading purposes or if it results from a contingent consideration recognized in the context of a business combination.
A financial asset is held for trading if it is acquired primarily for the purpose of sale in the short term, upon initial recognition, forms part of a portfolio of identified financial instruments that the Group manages together and in which there is evidence of a recent real pattern of making short-term profits, or if it is a derivative financial instrument (unless it is assigned to a hedging operation).

(c) Financial assets at fair value through the income statement

Financial assets that do not meet the criteria to be measured at amortized cost or at fair value through other comprehensive income are measured at fair value through the income statement.

1.7.2 Recognition and measurement

All recognized financial assets are subsequently measured at amortized cost or, at their fair value, depending on the business model adopted by the Group and the characteristics of its contractual cash flows.
Debt instruments and accounts receivable are measured at amortized cost using the effective interest rate method. For financial assets that are not acquired or originated with impairment (i.e., assets with impairment at the initial recognition), the effective interest rate is the rate that exactly discounts the estimated future cash flows (including fees and commissions paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) during the expected life of the instrument in its gross carrying amount on the date of its initial recognition. The amortized cost of a financial asset is the amount by which it is measured at the initial recognition less repayments of principal, plus accumulated amortization, using the effective interest rate method, of any difference between that initial amount and the amount of repayment, adjusted by possible impairment losses.
Investments in equity instruments recognized at fair value through other comprehensive income are initially measured at their fair value plus transaction costs. Subsequently, they are measured at their fair value with the gains and losses arising from their change recognized in other comprehensive income. At the time of its disposal, the accumulated gain or loss generated with these financial instruments is not reclassified to the consolidated income statement but transferred only to the item "Retained earnings".
Dividends associated with investments in equity instruments are recognized in the consolidated income statement when they are attributed/resolved unless they clearly represent a recovery of part of the investment cost. Dividends are recorded in the consolidated income statement under "Financial income and gains".
In the first application of IFRS 9, the Group indicated investments in equity instruments that were not held for trading as valued at fair value through other comprehensive income.

Financial assets recorded at fair value through the income statement are measured at the fair value calculated at the end of each reporting period, with the respective gains or losses being recognized in the consolidated income statement, unless they are part of a hedge relationship.

1.7.3 Presentation at net value

Financial assets and liabilities are presented in the statement of financial position at their net value when there is a legal right to make this offset, as well as the intention to do so.

1.7.4 Financial assets impairment

The expected impairment losses for loans granted (accounts receivable from Clients and assets associated with contracts with Clients) are estimated using a not-collectible matrix based on the credit history of the Group's debtors, adjusted for specific factors attributable to the debtors, as well as the macroeconomic conditions expected for the future. For this purpose, the balances of Clients and other debtors are categorized into different segments and maturity and risk intervals. The Efacec Energia recognizes the expected impairment losses for credit granted for the entire life of accounts receivable from Clients and other debtors, as well as for assets associated with contracts with Clients.

1.8 Financial instruments accounting – derivatives and hedges

Derivatives are initially recognized at their fair value on the date on which they take part in their contractual provisions, being subsequently measured at their fair value. The method by which changes in fair value are recognized depends on the designation (or not) of that derivative as a hedging instrument and, if designated, the nature of the hedged item. Derivatives used for hedging can be classified into two distinct groups: (1) derivatives for fair value hedging of recognized assets, liabilities, or firm commitments (fair value hedging); or (2) derivatives for hedging of a specific risk associated with an asset, liability, or highly probable transaction (cash flow hedge).
For each transaction, and at the time of its origin, the Efacec Group prepares documentation that justifies the relationship between the hedging instrument and the hedged item, as well as the risk management objective and the strategy for the hedging transaction, which is also documented, either at the hedge trading date or on an ongoing basis, its analysis of the effectiveness with which the hedging instrument compensates for changes in fair value, or the cash flows of hedged instruments. According to IFRS9, the fair value of option derivatives is separated into their intrinsic value and their time value, given that only the intrinsic value of these instruments can be designated as a hedging instrument. Thus, the effectiveness tests of option derivatives include only the intrinsic value of these instruments.
The fair value of derivatives contracted for hedging purposes, if any, is presented in a separate Note. The total fair value of a hedge derivative is classified as a non-current asset or liability when the residual maturity of the hedged instrument is greater than 12 months, and as a current asset or liability when it is less than 12 months. Trading derivatives are classified as current assets or liabilities.

1.8.1 Fair value hedging

Changes in the fair value of derivatives that are assignable and classified as fair value hedging instruments are recognized in the income statement, together with changes in the fair value of the hedged assets or liabilities attributable to the hedged risk.
If the hedge relationship no longer meets the hedge accounting criteria, then the adjustment to the book value of the hedged item, for which the effective rate method is used, is amortized over the period that extends to its maturity.

1.8.2 Cash flow hedging

The effective amount of the change in the fair value of derivatives that are named and classified as cash flow hedges is recognized in equity. The gain or loss related to the ineffective amount is recognized immediately in the income statement.
The cumulative amounts recorded in equity are subsequently recognized to the income statement in the same period in which the instrument affects the income statement (for example, when a hedged sales forecast transaction occurs). The gain or loss relating to the value of interest rate swaps hedging variable rate loans is recognized in the income statement as ”Net financial expenses”. The gain or loss relating to exchange rate

derivatives is recognized in the income statement under the headings "Other operating income" or "Other operating expenses", respectively. The gain or loss relating to derivatives over the commodities price is recognized in the income statement as "Cost of goods sold, and materials consumed".
When a hedging instrument maturity date is reached, when it is sold, or when the hedge no longer meets the hedge accounting requirements, any accumulated gain or loss recorded in equity will remain recorded in this way, being recognized in the income statement when the anticipated transaction is. When the occurrence of the anticipated transaction is no longer probable, the accumulated gain or loss recorded in equity is immediately transferred to the income statement, as financial income, or expenses.

1.8.3 Derivatives not qualified for hedging.

Certain derivatives do not meet the hedging criteria. Changes in their fair value are immediately recognized in the income statement, as financial expenses, or income.

1.9 Inventories

Stock and inventory are presented at the lowest of cost and net realizable value. In the case of raw materials, the cost corresponds to the acquisition cost. In the case of finished products and products in progress (Note 12), the cost is calculated using the standard cost (which does not deviate significantly from the real production cost), with the cost of these products integrating raw -material costs, direct labour, other direct costs, and general manufacturing charges (based on the regular production capacity). Borrowing costs are not considered.
The cost of stock and inventory includes the transfer of equity of any gain or loss classified as a cash flow hedge related to the purchase of raw materials.
The net realizable value corresponds to the estimated selling price in the normal course of business, less variable selling costs.

1.10 Cash and cash equivalents

The heading "Cash and cash equivalents" includes cash, bank deposits and other short-term, highly liquidity investments. Bank overdrafts are presented in the Consolidated Statement of Financial Position, under current liabilities, under Loans.

1.11 Share capital

Common shares are recorded under equity.
Expenses directly attributable to the issue of new shares or options are included in equity as a deduction, net of taxes, of capital injections.

1.12 Financial debt

The loans obtained are initially recognized at their nominal value. Loans are subsequently presented at amortized cost. Any difference between the receipts (net of transaction costs) and the amortized value is recognized in the income statement over the period of the loan using the effective interest rate method.
Loans obtained are recorded in current liabilities, unless the Efacec Group has an unconditional right to defer payment of liabilities for, at least, 12 months after the balance sheet date.
Interest and other financial charges related to loans obtained are generally recognized as an expense in accordance with the accrual principle.
Interest and other financial charges on loans obtained, which are related to the acquisition, construction, or production of fixed assets, are capitalized, being part of the cost of the asset. The capitalization of these charges starts after the preparation of the construction or development activities of the asset and is interrupted when the asset is ready to be used or when the project is suspended. Any financial income generated by loans obtained, related to a specific investment, is deducted from the financial charges eligible for capitalization.

1.13 Amounts payable to Suppliers and other creditors

Amounts payable to Suppliers and other creditors are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Supplier accounts are classified as current liabilities if the payment is due within one year or less (or in the regular business operating cycle, if longer). If not, Supplier accounts are presented as non-current liabilities.

Confirming

The Group maintains collaboration protocols with financial entities in order to allow its Suppliers access to an advantageous tool for managing its working capital, by confirming by each Group Company the validity of the credits that the Supplier holds on it. Within the scope of these protocols, some Suppliers freely entered into agreements with these financial institutions that allow them to anticipate the receipt of the covered credits, immediately after the Companies confirmed their validity before the financial institution.

The entity believes that the economic substance of the mentioned financial liabilities does not change, and therefore the accounting classification of the mentioned credits is maintained under the heading "Suppliers" until the date of their normal maturity under the terms of the supply contract entered into between the company and the Supplier whenever (i) the maturity period corresponds to a period practised by the industry to which the entity/the Group belongs, and this occurs because there are no changes to the payment terms for periods outside the range that is normally applicable to other Suppliers that have not adhered to the mentioned program, and (ii) the entity does not bear net charges for the advance payment operation in relation to the payment option at normal maturity. On the maturity date of said invoices, the amount is paid by the entity to the financial institution regardless of whether or not it has paid those amounts to Suppliers in advance.

1.14 Corporate income tax and deferred taxes

Efacec Power Solutions and its national subsidiaries are subject to the Special Taxation Regime for Company Groups (RETGS), applicable to groups that include companies in which they have a shareholding of 75% or more, and which meet the conditions established in article 69 of the Corporate Income Tax Code. The consolidated tax charge is determined by the arithmetic sum of taxable gains and losses as determined by each company on an individual basis.

The corporate income tax comprises current tax and deferred tax and is obtained by adding the tax estimates calculated by the companies that comprise the Efacec Group.

Current tax is calculated based on tax legislation in force, or substantively in force, at the date of the statement of financial position in countries where subsidiaries and associate companies operate and generate taxable income. The management periodically reviews its analysis on this matter and recognizes provisions for probable tax contingencies for the cases under analysis, as well as possible adjustments made by the tax authorities. These provisions correspond to the amount that is expected to be paid to the tax authorities.

The deferred tax is calculated based on the amount of temporary differences between the book values of assets and liabilities and the respective tax base. However, the deferred tax is not recorded if it arises through the initial recognition of an asset or a liability, in a transaction that does not correspond to a concentration of business activities that at the date of the transaction does not affect the income or the expenses, neither book nor taxable. The deferred tax is determined in the light of the legislation and rates in force, or substantively in force at the reporting date, and which are expected to apply when realizing deferred tax assets, or settlement of deferred tax liabilities.

Deferred tax assets are recognized only when the existence of future taxable income is expected, under which the temporary difference can be used.

Deferred tax assets and liabilities are presented in the statement of financial position at their net value, when there is a legal right to offset current deferred tax assets and liabilities by that amount, and when deferred tax assets and liabilities are related to income taxes charged by the same tax authority, on the same taxable entity or different entities when there is an intention to settle the amounts at their net value.

Deferred taxes are classified as non-current, as shown in the statement of financial position.

1.15 Contingent provisions and liabilities

Provisions are recorded at the fair value of expenses that are expected to occur to settle the obligation, using discount rates before taxes that reflect the time value of the money, as well as the specific risks of the obligation, as assigned by the market. Provisions for future operating losses are not recognized.

The Efacec Group recognizes provisions for onerous contracts when the costs to be incurred to meet the contractual obligations assumed exceed the estimated economic benefits, contract by contract, in accordance with estimates of those responsible for the works/projects.

Contingent liabilities are defined by IAS 37 - Provisions, Contingent liabilities, and Contingent assets, such as:

a) a possible obligation arising from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not entirely under the control of the company; or

b) a present obligation arising from past events, but which is not recognized because:
   i. it is not likely that an outflow of resources incorporating economic benefits will be necessary to settle the obligation; or
   ii. the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability should not be recognized in the balance sheet. The contingent liability should be disclosed unless the possibility of an outflow of resources incorporating economic benefits is remote.

1.16 Recognition of revenue

From 1 January 2018, the Group applied standard IFRS 15 - "Revenue from Contracts with Customers", which replaces IAS 18.
Revenue comprises the fair value of revenues, recognized at the fair value of the amount received or receivable from transactions with Clients in the normal course of the EPS Group's activities. Revenues are recognized at the net value of the value added tax amount, returns and discounts, and after intra-group revenues have been eliminated.
In determining the amount of revenue, the Group assesses for each transaction the performance obligations it assumes with Clients, the transaction price to be allocated to each performance obligation identified in the transaction and the existence of variable price conditions that may lead to future adjustments to the amount of revenue recorded, and for which the Group makes its best estimate.
The revenue recognition policy for the main economic activities carried out by the Group is described below:

Supply contracts
– Products Areas: Transformers, Equipment, Automation and Electric Mobility
Efacec, through its Product Units, sells products manufactured for inventories or on a made-to-order basis. The contracts for the sale of products on a made-to-order basis correspond to performance obligations that are substantially met when an invoice is issued in accordance with the milestones contracted with the Client. For these situations, the Board of Directors considers that Efacec has the ability (control) to guide the use of the asset as it is being produced, while maintaining substantially all its remaining economic benefits. Revenue is recognized when Efacec transfers control of the asset to the Client, a moment that substantially coincides with the invoice issuance date.
In the remaining situations, revenue recognition occurs when the product is delivered and accepted by the Client and when the receipt of the respective account receivable is reasonably assured.
Until the end of financial year 2019, the Efacec's Products area recognized revenue mainly by using the degree of completion method, having changed the recognition method at the beginning of 2020 with retrospective application, as disclosed in Note 1.

Multi-annual Contracts
– Systems Areas: Energy, Transportation and Environment
In these business areas, the Group enters into several construction services agreements with public and private entities that include several components/tasks, but which, in the opinion of the Board of Directors, are unique performance obligations. On the other hand, given that Clients have the ability (control) to guide the use of the asset as it is being built and the ability to obtain substantially all its remaining economic benefits, the Group's performance obligation in these cases is met over time, with revenue recognized in accordance with the cost-to-cost method (described below). Therefore, the Group recognizes the results of construction contracts, contract by contract, according to the cost-to-cost method (also called the percentage of completion method), which is understood as the relationship between the expenses incurred in each contract until a certain date and the sum of those expenses plus the estimated expenses to complete it. The differences obtained between the amounts resulting from the application of the degree of completion to the estimated total income and the amounts

previously invoiced are accounted for under the assets/liabilities headings associated with contracts with Clients and which are recorded under the heading "Income to be recognized - Invoicing to be recognized" (Note 20) or accrued revenue that is recorded in the heading "Accrued income" (Note 10). In addition, the Group's Board of Directors believes that the cost-to-cost method is the most appropriate method to be applied to measure the degree of compliance with performance obligations in construction contracts.
Contractual costs include raw materials and direct materials, direct labour, and indirect costs, distributed as specified in the contract. Selling and administrative expenses are recorded when they occur. Provisions are made for expected losses arising from the performance of the contract, in the period in which they are determined, and are immediately recognized in the income statement. Changes to contracts or to estimates and forecasts of expenses and/or income and margins, resulting from the renegotiation of conditions with Clients or of internal productivity, are recognized in the income statement from the period in which they occur and in accordance with the respective degrees of completion.
Any changes in the work performed or to be performed are only considered after the agreement with the Client. These changes are recorded as a new contract when they correspond to a new scope and the financial conditions negotiated are independent of the initial contract. When these conditions are not met, the Group recalculates the accumulated percentage of completion of the contract.
The materials specific to the contracts, which have not been used or installed, are presented under the heading "Stock and Inventory - products and work in progress".
The penalties and incentives associated with construction contracts are recognized in accordance with the nature of the terms negotiated based on the most likely or expected value method if it is not likely to be reversed.

Provision of services
– Service Areas
The provision of services is recognized in the accounting period in which the services are provided and invoiced.

1.17 Leases
As of 1 January 2019, the Group adopted IFRS 16, a standard promulgated by the IASB that calls for a new orientation on the accounting of lease contracts. Standard IFRS.16 specifies the rules for the recognition, measurement, presentation, and disclosure of leases.
The main impact of this standard is the application of identical treatment in the accounting of financial leases and operating leases, if they meet a set of requirements, namely regarding the possibility of identifying the asset, the lessee's ability to decide as to its use and the taking of economic benefits by the lessee. In this way, lessees present liabilities resulting from leases on the face of the financial statements, in return recognizing the value of the right-of-use asset they hold.
In the application methodology of IFRS 16, contracts with a duration of up to 12 months were excluded, as well as contracts with a unit value of less than 5,000 euros and the conditions for exercising the cancellation and extension options were assessed.
When updating rents, discount rates differentiated by type of asset and geography are used.

Presentation in financial statements:
Lease liabilities
The rents outstanding are presented in the statement of financial position under the heading "Lease liabilities", classified as current or non-current balances depending on the maturity date of the rents in the period up to one year or more than one year. In the Income Statement, the leasing interest is shown under the heading "Borrowing costs". In the Cash flow statement, the grouping of Financing activities shows the payments of the nominal value of lease rents in a separate line; the interest payments on lease rents are part of the Interest and similar expenses line.

Right-of-use assets
The amount of the assets under a lease scheme is recorded in a separate heading in the Statement of Financial Position called "Right-of-use assets". Leased assets initially assumed the amount corresponding to the debt on the date the Standard was adopted. Asset depreciation is shown on the face of the Income statement, under the heading "Depreciation and amortization".

The details of entries recorded in the financial year (additions, write-offs, depreciation, etc.) by class of right-of-use assets are disclosed in a separate note in the attached Notes.

1.18 Grants

Grants received are recognized at their fair value when there is reasonable assurance that the subsidy will be received and that the Efacec Group will comply with the inherent obligations.
Grants received for the purpose of compensating the Efacec Group for investments made in tangible or intangible assets are included in liabilities as income to be recognized (Note 20) and are credited to the income statement in proportion to the useful life of the corresponding assets.
Grants received for the purpose of offsetting expenses incurred are recorded in the income statement systematically during the periods in which the expenses that those grants are intended to offset are recognized.

1.19 Distribution of dividends

The distribution of dividends to equity holders is recognized as a liability in the EPS Group's financial statements in the period in which the dividends are approved by the shareholders at the General Meeting.

1.20 Discontinuing operations

A discontinued operation is a component of an entity that has either been written off or classified as held for sale or liquidation and (a) represents a significant line of business or geographical area of operations, or (b) is part of a restructuring of a business area or geographical area of operations.
Discontinued operations are classified as held for sale if their value is realizable through a sale transaction, rather than continuing to be used. This situation is considered only when: (i) the sale is highly probable and the asset is immediately available for sale, in its current condition, (ii) the group has commissioned its sale and (iii) it is expected that the sale will take place within 12 months. In this case, non-current assets are recorded at the lower of their book value and their fair value, net of selling costs.

1.21 Employee benefits

1.21.1 Pensions

Most Efacec Employees are covered only by the general social security regime.
There is a closed group of retired former employees who benefit from retirement or survivor pension supplements, which are managed by the Efacec Group. The future liability for these payments is shown in the statement of financial position “Provisions” (Notes 19 and 30.2) and corresponds to the current value of liabilities for defined benefits at the balance sheet date. The appraisal of liabilities is periodically carried out by specialized and independent entities.
In subsidiaries based abroad, Employees are either covered only by local social security schemes or may benefit from complementary schemes established in accordance with local legislation and conditions.
Remeasurements (actuarial gains and losses) arising from changes in demographic and financial actuarial assumptions are recorded under the heading “Other comprehensive income”.
A defined benefit asset is only recognized to the extent that there may be a refund of funds or a reduction in future payments.

1.21.2 Variable remunerations

The variable remunerations paid to employees, when they exist, are recorded in the income statement for the year in which they are approved, under the heading “Personnel expenses”.

1.22 Contingent assets and liabilities

Contingent liabilities in which the possibility of an outflow of funds affecting future economic benefits is only possible, are not recognized in the consolidated financial statements, but are disclosed in the notes, unless the possibility of an outflow of funds affecting future economic benefits is remote, in which case they are not disclosed. Provisions for liabilities that meet the conditions set out in Note 1.15 are recognized.
Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the financial statements when a future economic benefit is probable.

1.23 Cash flow statement

The cash flow statement is prepared in accordance with the direct method. The Efacec Group records assets with a maturity of up to one year, with high liquidity and for which the change in value risk is insignificant under the heading "Cash and cash equivalents".

The cash flow statement is divided by operating activities, investing activities and financing activities. Operating activities include cash receipts from Clients and payments to Suppliers, personnel and other payments related to operating activity.

The cash flows included in investing activities include acquisitions and disposals of investments in subsidiaries, cash receipts and payments arising from the purchase and sale of tangible and intangible assets.

Financing activities include cash receipts and payments relating to equity and loans, including bank overdrafts. They also include payments related to interest, dividends, and financial and operating leases.

1.24 Subsequent events

Events after the date of the statement of financial position that provide additional information on conditions that existed on that date are reflected in the consolidated financial statements. Events after the date of the statement of financial position that provide information on conditions that occur after the same date are disclosed in the notes to the consolidated financial statements if material.

2. Estimates and accounting judgements.

The preparation of the consolidated financial statements requires the management of the Efacec Group to make judgements and estimates that affect the amounts of income, expenses, assets and liabilities and disclosures at the date of the financial statements.

These estimates are determined by the judgements of the Efacec Group's management, based: (i) on the best information and knowledge of current events and, in certain cases, on reports by independent experts, and (ii) on the actions that the Efacec Group considers to be able to develop in the future. However, on the completion date of the operations, its results may differ from these estimates.

The estimates and assumptions that present a significant risk of causing a material adjustment to the book value of assets and liabilities in the following financial year are presented below.

2.1 Goodwill impairment

For the purpose of analysing impairments, the Efacec Group tests the goodwill value annually, recorded in the Consolidated Statement of Financial Position, in accordance with the accounting policy indicated in Note 1.5. The recoverable amounts of the cash flow generating units are determined based on the calculation of use values. In these calculations, Efacec's management bodies determine the expected operating margin based on past performance and their expectations for the development of the business, supported by the base backlog and expected market evolution. The growth rates used are consistent with the forecasts included in the industry reports. The discount rates used are before taxes and reflect specific risks related to the relevant segments. The tests carried out therefore require the use of estimates that, by definition, incorporate judgement on the forecast of uncertain future scenarios.

2.2 Revenue

Some business units of the Efacec Group use the percentage of completion method to account for its multi-annual contracts. The use of the percentage of completion requires the formulation of estimates on the degree of construction and services performed to date as a proportion of the total construction and services to be performed. The Management exercises judgements to determine whether the results of a contract can be estimated reliably. The Management also makes estimates of the total cost of services, or in some cases, of the total costs of the contract, which are used to determine the recoverable value of the contracts, which may give rise to the recording of a provision (onerous contract). Estimates are continually revised based on changes and information related to each contract.

2.3 Financial assets and liabilities fair value

The market price is used to determine the fair value of a financial asset or liability when there is an active market. When there is no active market, as is the case with some of the Efacec Group's financial assets and liabilities, generally accepted fair value appraisal techniques are used, based on market assumptions.

The Efacec Group uses appraisal techniques for unlisted financial instruments, such as derivatives, financial instruments at fair value through profit or loss, and assets available for sale. The appraisal methods used are most often based on discounted cash flow models and option models, including, for example, interest rates, exchange rates, commodity quotes and volatility curves.

2.4 Corporate income tax

The Efacec Group recognizes liabilities for additional tax assessments that may result from reviews by tax authorities. When the result of these situations is different from the amounts initially recorded, the differences will have an impact on the income tax and on tax provisions, in the period in which such differences are identified. In addition, the Efacec Group recognizes deferred tax assets on tax losses and tax benefits, to the extent that future taxable profits are expected. This appraisal requires the use of estimates, and the future taxable profits may differ from the appraisal carried out at each closing date. The difference will have an impact on the corporate income tax.

2.5 Recognition of provisions

The Efacec Group periodically reviews the obligations arising from past events that must be recognized or disclosed. The subjectivity involved in the calculation of the probability and number of internal resources necessary to pay for the obligations may lead to significant adjustments, either due to changes in the assumptions used or due to the future recognition of provisions previously disclosed as contingent liabilities.
The Management makes considerable judgements to determine whether there is a present obligation because of a past event, or whether it is probable, on the date of the financial statements, that out of past events may result in outflows, and whether the amount of the obligation can be reliably estimated. The Efacec Group periodically reviews the status of these processes with the assistance of internal and external advice. These decisions are subject to change as new information becomes available. The amount to be provisioned may change in the future due to new developments in this matter,

2.6 Tangible and intangible assets

The useful life of an asset is the period during which the Efacec Group expects the asset to be available for use and must be reviewed at least at the end of each financial year.
The determination of the assets' useful lives, the amortization/depreciation method to be applied and the estimated losses resulting from the replacement of the equipment before the end of the useful life due to technological obsolescence is crucial in determining the amortization/depreciation amount to be recognized in the income statement for each financial year.
These assumptions are based on the best knowledge of the Management and considering the best practices adopted by similar companies in the sectors in which the Efacec Group operates.

2.7 Impairment losses on accounts receivable

The credit risk on the balances of accounts receivable is assessed at the closing date, considering the knowledge of the Client and their risk profile. Account's receivable is adjusted based on the assessment of the estimated collection risks made by the management on the closing date of the accounts, which may differ from the risks that may occur.

2.6 Impairment losses on Stock and inventory

The recoverable number of inventories and, consequently, susceptibility to impairment, depends on the net realizable value, which was estimated based on the circumstances known at the date of the financial statements. The current expectation of realization may differ from the amounts that will (or are expected to) be recovered in the future.

C. Risk Management

3. Financial risk management

3.1 Financial risk factors

The Efacec Group's activities are exposed to a series of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Efacec Group's risk management program focuses on the unpredictability of the financial markets and seeks to minimize the potential adverse effects on the Efacec Group' s financial performance. For this purpose, several financial instruments are analysed to minimize the mentioned risks, which, in under certain circumstances, can be contracted exclusively to hedge risks arising from the Efacec Group's activity and business.

Financial risk management is carried out by the Corporate Finance Department, within the scope of the policies and guidelines approved by the Board of Directors. This Department is responsible for the identification, assessment and hedging of financial risks, in close collaboration with the Group's operating units. The Board of Directors establishes principles for the overall management of risks, as well as policies aimed at covering specific areas, such as currency risk, price risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and the investment of surplus liquidity. The Board of Directors monitors the mentioned transactions very closely.

3.1.1 Market risks

3.1.1.1 Exchange rate risk

During its operations, the Efacec Group is exposed to the exchange rate risk, arising from proposals presented in foreign currency, supply and construction contracts and future transactions in foreign currency. Additionally, and because of its foreign subsidiaries and associate companies, the Efacec Group is exposed to foreign exchange risk, due to the recognition of assets and liabilities and net investments in foreign operations. The Efacec Group's main source of exposure to foreign exchange risk comes from financial assets and liabilities denominated in US dollars. The Efacec Group has an internal policy on exposure to foreign exchange risk that allows the hedge of the most significant contracts denominated in foreign currency, using short-term derivative financial instruments.

In the specific case of Angola, the Group reduces its exposure to foreign exchange related to cash and cash equivalents in local currency, through cash investments denominated in dollars or indexed to the dollar (Note 13). On 31 December 2020, the Efacec Group did not have foreign exchange hedge contracts in its portfolio.

3.1.1.2 Price risk

The Efacec Group is exposed to short- and long-term changes in raw materials prices in its production processes, in cases where it purchases raw materials whose price is listed in the stock exchange. This exposure essentially relates to copper.

The Efacec Group has implemented policies to limit the impact that changes in these raw materials price have on the consolidated net profit/loss, having established risk hedging strategies that allow the use of financial derivative instruments. The Corporate Finance Department is the entity in charge of the Efacec Group for ensuring the management of this risk in articulation with the Purchasing Department and the Business Units that use these raw materials.

On 31 December 2020, the Efacec Group did not have option contracts on any raw materials in its portfolios.

3.1.1.3 Cash flow and fair value risks associated with interest rate.

The interest rate risk in the Efacec Group essentially arises from non-current loans, since there is no significant amount of interest-bearing non-current assets. Loans taken or with variable interest rates expose the Efacec Group to the changes in cash flows risk. The Efacec Group's policy is contracting financial liabilities at variable interest rate, thus not being exposed to the fair value risk associated with changes in interest rates.

The Efacec Group has implemented a dynamic interest rate risk management policy with the objective of limiting the change risk in cash flows associated with interest rates changes. Supported by the established policies, the Corporate Finance Department analyses and decides on the contracting of derivative financial instruments, being

able to do so through the contracting of instruments in which it exchanges flows indexed to the variable interest rate for flows calculated at a fixed rate or through interest rate options.
Exposure to interest rate risk is analysed dynamically. In addition to the evaluation of future charges, based on forward rates, sensitivity tests are carried out to changes in the level of interest rates. Currently, the Efacec Group is primarily exposed to the euro area yield curve. The sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect interest income or expenses regarding financial instruments with variable interest rates.
- Changes in market interest rates affect interest income and expenses regarding financial instruments with fixed interest rates, only if these are recognized at fair value.
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities; and
- Changes in the fair value of other financial assets and liabilities are estimated by discounting future cash flows, using year-end market rates.

The same changes to the interest rate curves are used for each analysis, regardless of the currency. The analyses are carried out for the net financial debt, that is, the loans are deducted from interest-bearing deposits and cash investments. The simulations are carried out based on the net debt values and the fair value of the derivative financial instruments at the reference dates, and the respective change in the interest rate curves.
On 31 December 2020, the Efacec Group had no interest rate derivatives contracted. The Group's exposure on the same date was around 184.2 million euros in bank loans, essentially denominated in euros, less 2.1 million euros in cash investments and time deposits. Based on assets and liabilities at the end of the year, if the interest rates on loans and deposits were 0.25% higher or lower, considering all other constant variables, the result before taxes for the financial year would be lower/higher by 455 thousand euros. These effects are essentially due to higher or lower interest expense on variable rate loans.

3.1.2 Credit risk

Credit risk is the risk that a counterparty will fail to meet its contractual obligations, which may originate the recognition of a loss. Credit risk results essentially from the Efacec Group's operating activities, specifically Clients' credit risks, including receivables and firm commitments, and its investment and hedging activities, including financial derivative instruments and deposits with financial institutions.

Financial institutions

Regarding financial institutions, the Efacec Group selects the counterparties with which it does business based on the ratings assigned by one of the independent reference entities, whenever those ratings are available in the markets in which the Group operates. The credit risk resulting from operations with banks and financial institutions is managed by the Corporate Finance Department of the Efacec Group.
The following table presents a summary, on 31 December 2020 and 2019, of the credit quality of deposits, investments, and other financial investments (including derivative financial instruments with a positive valuation) with reference to external credit ratings:

	31.12.2020	31.12.2019
Rating		
≥ AA-	312 649	368 361
A- to A+	3 461 886	8 384 963
BBB- to BBB+	4 954 232	6 946 327
BB- to BB+	6 849 167	10 001 687
≤ B+	13 417 286	17 860 772
No rating	3 963 055	7 482 539
	32 958 276	51 044 648

The ratings presented correspond to the classification given by Standard & Poor's. When these are not available, ratings from Moody's or Fitch are used.
The entities for which no rating is given are essentially financial institutions from Angola, Mozambique, and Morocco.

Trade
Regarding the Clients credit risk, the Efacec Group considers that the risk of a counterparty not complying with its contractual obligations, which may have an impact on its financial statements, is limited, because we try to ensure that Clients have solid credit profiles or adequate financing, to fulfil their obligations. In addition, the Efacec Group also tries to reduce Clients' credit risk by negotiating contractual advances for some of the contracts.
Credit risk quality assessment is carried out by the Corporate Finance Department, in accordance with the following methodology: if Clients have an independent external credit rating, these ratings are used; if it does not exist, the quality of the credit risk is assessed considering its financial situation and experience, among other factors. The individual risk limits are determined according to the guidelines established by the Board of Directors. The approval of high or significant risk projects is also the responsibility of the Board of Directors. The use of credit limits is monitored regularly. See Note 10 for additional credit risk disclosures.
The following table presents an analysis of the credit quality of the balance's receivable from Clients and of accrued income related to multi-annual contracts:

	Notes	31.12.2020	31.12.2019 Restated	31.12.2019 Published
Trade				
New Clients		1 868 510	7 907 132	7 907 132
Institutional Clients		4 315 639	12 035 854	12 035 854
Others		30 221 388	28 086 185	28 086 185
	10.1	36 405 536	48 029 171	48 029 171
Accrued income - multi-annual contracts				
New Clients		963 397	1 948 872	2 822 459
Institutional Clients		6 414 933	8 406 683	18 448 231
Others		19 708 491	39 299 911	82 875 547
	10.2	27 086 821	49 655 465	104 146 237
TOTAL		63 492 357	97 684 636	152 175 408

Maximum risk
The following table shows the maximum exposure to the credit risk associated with financial assets held by the Efacec Group.

	Notes	31.12.2020	31.12.2019 Restated	31.12.2019 Published
Trade	10.1	74 488 794	105 629 340	105 629 340
Accrued income	10.2	27 086 821	49 655 465	104 146 237
Other amounts receivable	11	32 153 329	24 243 827	24 243 827
Derivatives	9	0	11 999	11 999
Loans to related entities	28.2	765 715	724 605	724 605
Cash investments	13	89 587	206 515	206 515
Bank deposits	13	32 868 689	50 814 018	50 814 018
		167 452 935	231 285 768	285 776 540

3.1.3 Liquidity risk
Cash flow forecasting is carried out by the Efacec Group's operating entities and aggregated annually by the Administrative and Financial Department in the preparation of the annual budget, this area being responsible for

monitoring the Efacec Group's liquidity needs forecasts, in order to ensure the maintenance of an adequate level of cash and cash equivalents to meet operational needs, always considering the impacts of possible additional uses of amounts contracted and not used in financing facilities, including credit lines and commercial paper programs (Note 16), in order not to exceed the limits of the financing facilities or debt covenants (when applicable). These forecasts take into account the Efacec Group's debt financing plans, the achievement of internal objectives at the level of financial ratios and, if applicable, the compliance with external regulatory or legal requirements - for example, restrictions on foreign currency and compliance with debt covenants, namely: Cross default, *Pari Passu*, Negative Pledges, ratios on debt, change of shareholders and others related to the Group Efacec's operating activities and legal, fiscal and operating obligations.
The cash flow surpluses held by the operating entities, in addition to those required to maintain the balance in working capital management, are managed locally, considering the instructions of the Corporate Finance Department regarding maturity, liquidity and counterparty. Any cash flow surpluses held by the Group is invested by the Corporate Finance Department by choosing instruments with adequate maturities or sufficient liquidity and that provide sufficient margin as determined by the forecasts mentioned above.
On 31 December 2020, the Efacec Group held approximately 30.9 million euros in cash and demand deposits, around 2 million euros in time deposits and around 0.1 million euros in cash investments (Note 13), which were expected to promptly generate capital inflows, capable of facilitating liquidity risk management. In addition, the Group held, at that date, unused credit facilities amounting to approximately 11.9 million euros (Note 16).
The table below shows the non-derivative financial liabilities that are settled at their net value (the Efacec Group does not have financial instruments that are not settled at their net value) grouped by relevant residual maturities. The amounts shown in the table are the undiscounted contractual cash flows. Foreign currency amounts are converted at the exchange rate at the reporting date. Interest payments associated with liabilities with variable interest rates are included in the table are calculated using the spot interest rates available at the reporting date. Assets and liabilities that can be repaid at any time are always allocated to the shortest period.

31 December 2020	Notes	up to 1 year	2-3 years	4-5 years	> 5 years
Bank loans		21 198 892	65 200 333	34 661 317	0
Commercial paper loans		8 778 734	759 499	0	0
Bond loans		2 610 000	5 220 000	59 305 000	0
Financial lease		204 139	359 054	0	0
Operating lease		2 672 323	3 684 249	544 497	43 200
Suppliers	14.1	73 790 533	0	0	0
Other liabilities		43 698 419	0	0	0
Financial guarantees	30.1	47 660 602	0	0	0
		205 399 974	75 223 135	94 510 813	43 200

31 December 2019	Notes	up to 1 year	2-3 years	4-5 years	> 5 years
Bank loans		25 693 328	34 638 192	66 356 775	517 163
Commercial paper loans		8 212 089	4 474 211	0	0
Bond loans		2 610 000	5 220 000	61 915 000	0
Financial lease		220 371	404 578	162 904	0
Operating lease		3 739 154	5 632 902	2 570 620	43 200
Derivative financial instruments	9	125 646	0	0	0
Suppliers	14.1	125 656 801	0	0	0
Other liabilities		66 148 958	0	0	0
Financial guarantees	30.1	48 524 155	0	0	0
		280 930 502	50 369 883	131 005 300	560 363

3.2 Capital risk management.

The Efacec Group tries to keep an adequate level of equity that allows it not only to ensure its continuity and development, but also to provide an adequate remuneration for its shareholders and the optimization of the capital cost.

The Efacec Group may adjust the number of dividends payable and the return on shareholders' capital or issue new shares or debt to keep or adjust its capital structure.

In accordance with market practices, the balance of the capital structure is monitored based on the financial leverage ratio (gearing). The gearing is calculated according to the "Net Debt/Total Capital" formula. Net debt comprises the amount of loans (including current and non-current loans, as shown in the consolidated statement of financial position), less cash and cash equivalents. Total capital comprises equity, as presented in the consolidated statements, plus net debt. The gearing on 31 December 2020 and 2019 presents the following calculations:

	Notes	31.12.2020	31.12.2019 Restated	31.12.2019 Published
Financial debt	16	182 544 534	119 324 475	119 324 475
(-) Cash and cash equivalents	13	33 021 907	51 133 667	51 133 667
Net debt		149 522 627	68 190 808	68 190 808
Equity		180 211 340	259 770 980	277 343 622
Total equity		329 733 967	327 961 788	345 534 430
Gearing		**45,3%**	**20,8%**	**19,7%**

In addition, and in accordance with the financing facilities taken out at the reporting date, the Efacec Group is subject to compliance with covenants related to debt ratios (Note 16).

3.3 Fair value estimate

The following table shows the Efacec Group's financial assets and liabilities measured at fair value, according to the following levels of fair value hierarchy provided for in IFRS 7:

- Level 1: the fair value of financial instruments is based on active net market prices at the reference date of the statement of financial position. This level includes essentially equity and debt instruments (e.g., NYSE Euronext).
- Level 2: the fair value of financial instruments is not determined based on active market prices, but rather using valuation models. The main inputs of the models used are observable in the market.
  Level 3: the fair value of financial instruments is not determined based on active market prices, but rather using valuation models, the main inputs of which are not observable in the market.

	31 December 2020				31 December 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Derivatives								
Trading		0		0		11 999		11 999
Hedging		0		0		0		0
Tangible fixed assets								
Land at fair value		17 172 711		17 172 711		17 172 711		17 172 711
Financial assets available for sale			811 132	811 132			623 632	623 632
	0	**17 172 711**	**811 132**	**17 983 843**	**0**	**17 184 710**	**623 632**	**17 808 342**
Liabilities								
Derivatives								
Trading		0		0		0		0
Hedging		0		0		125 646		125 646
	0	**0**	**0**	**0**	**0**	**125 646**	**0**	**125 646**

The market comparison criterion was used for the valuation of land, using average market values per m^2. The last appraisal carried out dates to 2019.

3.4 Financial instruments by category

On 31 December 2020 and 2019, financial assets were classified into the following categories:

Assets	Financial assets at amortized cost	Derivatives held for trading	Available for sale	Non-financial assets	Total
31 December 2020					
Financial assets available for sale			811 132		811 132
Loans to related entities	765 715				765 715
Derivative financial instruments		0			0
Trade	74 488 794				74 488 794
Accrued income	27 086 821			3 175 804	30 262 625
Debtors and expenses to be recognized	32 153 329			13 267 363	45 420 692
Cash and cash equivalents	33 021 907				33 021 907
	167 516 566	0	811 132	16 443 167	184 770 865
31 December 2019 - Restated					
Financial assets available for sale			623 632		623 632
Loans to related entities	724 605				724 605
Derivative financial instruments		11 999			11 999
Trade	105 629 340				105 629 340
Accrued income	49 655 465			11 530 778	61 186 243
Debtors and expenses to be recognized	24 243 827			13 228 372	37 472 198
Other financial assets	0				0
Cash and cash equivalents	51 133 667				51 133 667
	231 386 904	11 999	623 632	24 759 150	256 781 685
31 December 2019 - Published					
Financial assets available for sale			623 632		623 632
Loans to related entities	724 605				724 605
Derivative financial instruments		11 999			11 999
Trade	105 629 340				105 629 340
Accrued income	104 146 237			8 774 722	112 920 959
Debtors and expenses to be recognized	24 243 827			13 228 372	37 472 198
Cash and cash equivalents	51 133 667				51 133 667
	285 877 675	11 999	623 632	22 003 094	308 516 400

As for financial liabilities, their breakdown by categories was as follows:

Liabilities	Hedging derivatives	Other financial liabilities at amortized	Non-financial liabilities	Total
31 December 2020				
Debt to credit institutions		182 544 534		182 544 534
Lease liabilities		7 146 168		7 146 168
Suppliers		73 790 533		73 790 533
Invoices - receipt and checking		17 985 891		17 985 891
Creditors and accrued expenses		27 795 445	19 392 121	47 187 567
	0	309 262 571	19 392 121	328 654 693
31 December 2019				
Debt to credit institutions		119 324 475		119 324 475
Lease liabilities		9 743 385		9 743 385
Suppliers		125 656 801		125 656 801
Invoices - receipt and checking		35 381 563		35 381 563
Creditors and accrued expenses		34 361 751	21 086 308	55 448 059
Derivative financial instruments	125 646			125 646
	125 646	324 467 975	21 086 308	345 679 929

D. Presentation of accounts

4.1 Restatement of 2019 accounts

As a result of the change in the revenue recognition methodology, as described in the Introductory note to chapter B, and in accordance with the provisions of IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Correction of Errors", the accounting policy change was applied retrospectively, and the comparative information has been restated as shown in the tables below:
The headings impacted by the restatement and the respective comparative amounts are presented as follows:

	2019 Restated	Change	2019 Published
Sales and provision of services	355 094 068	1 525 249	353 568 818
Change in production	1 123 848	-1 066 230	2 190 078
Consolidated net profit/loss	-28 475 987	459 020	-28 935 007
Stock and Inventory	70 206 039	34 162 073	36 043 966
Accrued income	61 186 243	-51 734 715	112 920 959
Reserves and accumulated results	-37 787 317	-17 572 642	-20 214 675
Total Assets	**714 573 130**	**-17 572 642**	**732 145 772**
Total Equity	**259 770 980**	**-17 572 642**	**277 343 622**

4.2 Discontinuation of the activities of the Environment and Industry Business Unit

On 17 December 2019, the Board of Directors decided to dispose of the Environment and Industry Business Unit, after considering several relevant factors, which are summarized below:

- Degradation of business margins and profitability in recent years, and high consumption of working capital.
- Difficulties in doing business in traditional markets (Portugal, Algeria, Morocco, Angola, and Mozambique), with commercial conditions that highly penalize the projects' cash-flows, preventing reaching critical levels of activity.
- Dependence on the performance of Partners in the civil construction sector, which represent a significant part of the contract amounts.

- Low level of synergies with the other activities of the Group, hindering the mobility of technical resources.
- The penetration into new markets, although with potential, requires time and investment.

Following the decision taken, Efacec made the necessary contacts with specialized entities to receive proposals for the sale of the business.
From the beginning of 2020, there were events that tended to extend the period for the disposal of the business unit in compliance with the resolution taken. These facts are related to (i) the Luanda Leaks process, which started in January 2020, following which the then majority shareholder put its position in Efacec up for sale, (ii) the blockade imposed by the financial system because of the context shareholder, (iii) the nationalization process that followed, and (iv) the effects of the COVID-19 pandemic, which introduced additional delays in the actions to be taken on this sale process. In the 4th quarter of 2020, the reprivatisation process of the shareholding in Efacec held by Parpública was initiated. Even though the Board of Directors reiterated the decision taken in December 2019, the initiatives taken to dispose of the Environment activity must now be linked to the ongoing reprivatisation process.

Scope
The Environment and Industry Business Unit (AMB) develops integrated solutions in the domains of Water, Solid Waste, Thermal Power Plants and Dedusting. It also operates in the O&M segment for the operation and maintenance of infrastructure. The Unit has engineering and project management competencies in Portugal and local teams with commercial competencies in the main target markets, as well as a set of agents and partnerships that allow it to develop business at a global level.
The Environment and Industry Business Unit is part of Efacec Engenharia e Sistemas where it keeps the business decision and management centre. It is also present in several geographies through its branch network and has teams in some branch offices of the Group abroad. It also has partnerships in Complementary Groupings of Companies for contracts for the operation of water and sanitation infrastructure.
The disposal proposal covers all entities where the Environment & Industry Business Unit is present, and which are listed below:

Efacec Engenharia e Sistemas, SA
Morocco Branch
Algeria Branch
Cape Verde Branch
Mozambique Branch
Malta Branch
Denmark Branch
Mexico Branch
Efacec Angola, Lda.
Efacec Moçambique, Lda.
Efacec Algérie, EURL
Efacec Central Europe Limited SRL
Efacec Índia Pvt. Ltd.
Siemens, Suez e Efacec - Serviços de Manutenção, ACE
Efacec, Manutenção do Sistema de Saneamento do Oeste, ACE
ME Water - Manvia Efacec, Expl. Téc. Sist. Ambientais Minho, CGC

The Environment and Industry Business Unit is a systemic unit, whose valuation is based on the contracts signed with Clients for the execution of projects in the activity segments covered. These contracts mainly result in current assets, namely balances receivable from clients and invoicing to be issued for works already carried out. The liabilities related to discontinuing assets are essentially amounts payable to Suppliers and invoicing issued and not yet recognized as revenue.
Non-current assets held for sale were considered and represent less than 1% of the total discontinued.

There are no financial assets identifiable with the discontinuing business unit, such as loans or bank current accounts.
Existing assets in shared or corporate areas that provide services to the same Economic Group were not discontinued, since they are not resources with direct and exclusive allocation to the discontinued business unit and the effects are difficult to measure.
In cases in which assets are deemed to have depreciated, the respective impairments are recognized. Similarly, there are provisions for projects in which there are risks or expectations of loss. Thus, the company considers that there is no difference between the assets fair value and their book value.

Effects of discontinued activities on the financial statements
For financial reporting purposes, the Group identified, and segregated assets held for sale and related liabilities. Also, the results generated by the discontinued business unit were also segregated, thus allowing the balances and flows arising from the activity to be presented in separate lines in the financial statements.
Under the circumstances described, and in accordance with the rules, Efacec Power Solutions presents its consolidated accounts discontinuing all assets and liabilities and all income and expenses resulting from the business carried out by the Environment & Industry Business Unit, in all geographies where it is present, and the entities mentioned above.
The flows of this activity to the total of the Efacec Group are deducted in all types of revenues and expenses and presented in the Income Statement as Results of discontinuing operations. Similarly, the contributory balances of the Business Unit to be sold are presented in the Statement of Financial Position as Assets and Liabilities held for sale.
The contribution of each operation to the result for the financial year was as follows:

Income Statement	2020	31.12.2019
Sales and provision of services	20 629 871	18 491 938
EBITDA	-3 607 232	-4 538 457
Operating income	-7 453 656	-6 529 510
Financial result	-192 350	-252 688
Result before taxes	-7 646 006	-6 782 198
Corporate income tax	258 525	0
Results from discontinuing operations	**-7 387 481**	**-6 782 198**

Regarding the statement of financial position, the main contributory balances for each of the operations were as follows:

Statement of financial position	31.12.2020	31.12.2019
Tangible fixed assets	145 322	147 744
Other non-current assets	444 525	0
Non-current assets held for sale	**589 847**	**147 744**
Stock and Inventory	167 367	82 843
Trade	8 566 104	10 733 836
Accrued income	2 536 155	5 726 506
Debtors and expenses to be recognized	583 516	100 747
Current assets held for sale	**11 853 141**	**16 643 932**
Suppliers	9 656 000	12 193 258
Creditors and accrued expenses	117 838	255 561
Income to be recognized	7 667 679	8 479 519
Other liabilities	2 335 531	0
Liabilities associated with assets held for sale	**19 777 047**	**20 928 338**
Non-current	2 335 531	0
Current	17 441 516	20 928 338

4.3 Consolidation perimeter

4.3. 1 Companies included in the consolidation.

Below is the list of companies included in the consolidation, the part of capital held by Efacec Power Solutions, directly or indirectly, and the consolidation method.

Name	Head office	% Control	Consol. Method
Efacec Pow er Solutions, SGPS, SA	Matosinhos.	H	INT
Efacec Energia, Máquinas e Equipamentos Eléctricos, SA	Matosinhos.	100,00	INT
Efacec Engenharia e Sistemas, SA	Maia	100,00	INT
Efacec Electric Mobility, SA	Maia	100,00	INT
Efacec Serviços Corporativos, SA	Matosinhos.	100,00	INT
Efacec Marketing Internacional, SA	Maia	100,00	INT
Efacec Angola, Lda.	Luanda / Angola	98,33	INT
Efacec Moçambique, Lda.	Maputo / Mozambique	100,00	INT
Efacec Algérie, EURL	Algiers / Algeria	100,00	INT
Efacec USA Inc.	Atlanta / USA	100,00	INT
Efacec Praha, s.r.o.	Prague / Czech Republic	100,00	INT
Efacec Central Europe Limited SRL	Bucharest / Romania	100,00	INT
Efacec Contracting Central Europe GmbH	Vienna / Austria	100,00	INT
Efacec Equipos Electricos, SL	Tarragona / Spain	100,00	INT
Efacec Chile, SA	Santiago / Chile	100,00	INT
Efacec Engenharia e Sistemas (Chile) SpA	Santiago / Chile	100,00	INT
Pow er Solutions Brasil, Sist. Automação e Potência, Ltda	S.Paulo / Brazil	100,00	INT
Efacec Pow er Solutions Argentina, SA	Buenos Aires / Argentina	99,95	INT
Efacec Índia Pvt. Ltd.	New Delhi / India	100,00	INT
XELA, AB	Malmo / Sw eden	66,67	INT
EFASA (Pty) Ltd.	Bedfordview / South Afric	100,00	INT
Efacec Maroc, SARLAU	Casablanca / Morocco	100,00	INT
UTE Efacec Bahía de Cádiz	Seville / Spain	50,00	INT
UTE Efacec Engenharia SA y Cemesa SL	Tenerife / Spain	100,00	PRO
UTE Efacec Moneleg	Madrid / Spain	66,90	PRO
S2M Dublin Light Rail Limited	Dublin / Ireland	51,00	PRO
Elecnor Consortium /ENG	Venezuela	50,00	PRO
Siemens, Suez e Efacec - Serviços de Manutenção, ACE	Amadora	33,00	PRO
Ensul Meci-Efacec, Cogeração do Porto, ACE	Maia	100,00	MEP
GACE - Gondomar, ACE	Porto	20,00	PRO
EfaServicing, ACE	Matosinhos.	100,00	INT
Efacec, Manutenção do Sistema de Saneamento do Oeste, ACE	Maia	100,00	INT
DST/DTE/CARI/EFACEC - Arroios, ACE	Braga	33,60	PRO
DST/DTE/CARI/EFACEC, ACE	Braga	38,00	PRO
ME Water - Manvia Efacec, Exploração Técnica de Sistemas Ambientais do Minho, ACE	Maia	50,00	PRO

Legend:
INT– Consolidation using the Integral method.
PRO– Consolidation using the proportional method.
MEP– Consolidation using the equity method.

4.3.2 Changes in the consolidation perimeter

In 2020 there were the following entries and exits from the Efacec Group's perimeter

Name	Notes	% Control	
Entries in the perimeter			
Efacec Engenharia e Sistemas (Chile) SpA	Santiago / Chile	100,00	INT
S2M Dublin Light Rail Limited	Dublin / Ireland	51,00	PRO
UTE Efacec Moneleg	Madrid / Spain	66,90	PRO

4.3.3 List of branches

The Group also has a vast list of branches, which carry out projects essentially of the Systems Units, in very different geographies.

Denomination	Entity to which it belongs
Spain Branch /EN	Efacec Energy
Greece Branch /EN	Efacec Energy
Spain Branch /ENG	Efacec Engenharia e Sistemas, SA
Italy Branch /ENG	Efacec Engenharia e Sistemas, SA
Tunisia Branch /ENG	Efacec Engenharia e Sistemas, SA
Tunisia Branch /SE	Efacec Engenharia e Sistemas, SA
Morocco Branch /EG	Efacec Engenharia e Sistemas, SA
Algeria Branch /SE	Efacec Engenharia e Sistemas, SA
Mozambique Branch /ENG	Efacec Engenharia e Sistemas, SA
Dublin Branch /SE	Efacec Engenharia e Sistemas, SA
Cape Verde Branch /ENG	Efacec Engenharia e Sistemas, SA
Mozambique Branch /AMB	Efacec Engenharia e Sistemas, SA
Bulgaria Branch /ENG	Efacec Engenharia e Sistemas, SA
Paraguai Branch /EG	Efacec Engenharia e Sistemas, SA
Norway Branch /EG	Efacec Engenharia e Sistemas, SA
Mozambique Branch /EG	Efacec Engenharia e Sistemas, SA
Corsica Branch /EG	Efacec Engenharia e Sistemas, SA
India Branch PO ASE	Efacec Engenharia e Sistemas, SA
India Branch PO LOG	Efacec Engenharia e Sistemas, SA
India Branch PO Nagpur	Efacec Engenharia e Sistemas, SA
India Branch PO Aurangabad	Efacec Engenharia e Sistemas, SA
India Branch PO Vizag	Efacec Engenharia e Sistemas, SA
India Branch PO Trichy	Efacec Engenharia e Sistemas, SA
Poland Branch /EG	Efacec Engenharia e Sistemas, SA
Georgia Branch /EG	Efacec Engenharia e Sistemas, SA
Malta Branch /EG	Efacec Engenharia e Sistemas, SA
Armenia Branch /EG	Efacec Engenharia e Sistemas, SA
India Branch PO Mangalore	Efacec Engenharia e Sistemas, SA
Denmark Branch /EG	Efacec Engenharia e Sistemas, SA
Guinea-Bissau Branch /EG	Efacec Engenharia e Sistemas, SA
Albania Branch /EG	Efacec Engenharia e Sistemas, SA
Sweden Branch /EG	Efacec Engenharia e Sistemas, SA
Mexico Branch /EG	Efacec Engenharia e Sistemas, SA
Kenya Branch /EG	Efacec Engenharia e Sistemas, SA
Zimbabwe Branch /EG	Efacec Engenharia e Sistemas, SA
Bulgaria Branch /CE	Efacec Central Europe SRL
Greece Branch /ECCE	Efacec Contracting Central Europe GmbH

4.4 Exchange rates for foreign currency conversion

In the consolidation of the Efacec Group companies based abroad, the amounts in the financial statements relating to assets and liabilities and the amounts included in the income statement were converted into euros, respectively by the application of final and average exchange rates. The rates published by the European Central Bank in the fixings issued daily by this institution are used, the remaining being based on market levels.
The main functional currencies subject to conversion were as follows:

			31.12.2020		31.12.2019	
For 1 currency unit - Euro			Final	Average	Final	Average
AOA	Angola	Kwanza	802,80635	658,40592	536,56460	405,27326
ARS	Argentina	Peso	103,11571	80,88636	67,11118	53,45342
BRL	Brazil	Real	6,37350	5,93036	4,51280	4,41309
CLP	Chile	Peso	871,35720	906,80657	842,25598	791,43405
CZK	Czech Republic	Crown	26,24200	26,47973	25,46300	25,66244
DKK	Denmark	Kroner	7,44090	7,45340	7,46970	7,46581
DZD	Algeria	Dinar	162,02890	145,52707	133,51104	133,66534
INR	India	Rupee	89,66050	84,79685	79,81200	78,71919
MAD	Morocco	Dirham	10,90270	10,84610	10,76243	10,77385
MZN	Mozambique	New Metical	91,48944	79,58837	69,84447	69,89622
NOK	Norway	Crown	10,47030	10,76933	9,84600	9,83943
RON	Romania	New Leu	4,86830	4,84236	4,78210	4,74996
TND	Tunisia	Dinar	3,29662	3,20598	3,13796	3,26452
USD	United States	Dollar	1,22710	1,14513	1,11890	1,11882

E. Notes to Financial Statements on 31 December 2020 and 2019

5. Tangible and intangible assets

5.1 Tangible fixed assets

Entries during the financial year

The tangible assets on 31 December 2020 and 2019 and the changes in value in both years were as follows:

	Land and buildings	Transp. eq. and basic eq.	Office Equipment	Others	Total
31 December 2019					
Initial net amount	43 889 005	20 637 386	1 336 622	7 172 729	73 035 743
Exchange differences	-164 613	-39 073	-13 373	-36 101	-253 159
Increases	667 014	2 790 112	358 751	3 985 973	7 801 850
Decreases	0	-275 285	-340	0	-275 625
Discontinuing activities	-996	-33 401	-17 354	-128 807	-180 558
Impairment	-534 230	0	0	0	-534 230
Depreciation appropriations	-2 000 261	-4 301 743	-476 705	-3 979	-6 782 688
Transfers and adjustments	859 688	487 919	199 386	-4 800 689	-3 253 697
Closing net amount	42 715 608	19 265 914	1 386 988	6 189 127	69 557 637
Cost or fair value	73 312 496	125 371 142	22 664 580	6 227 542	227 575 761
Accumulated depreciation	-30 596 888	-106 105 228	-21 277 593	-38 415	-158 018 124
Net amount	42 715 608	19 265 914	1 386 988	6 189 127	69 557 637
31 December 2020					
Initial net amount	42 715 608	19 265 914	1 386 988	6 189 127	69 557 637
Exchange differences	-108 157	-181 644	-31 510	-10 198	-331 509
Increases	218 657	330 162	105 263	1 126 775	1 780 856
Decreases	0	-8 632	-809	0	-9 440
Discontinuing activities	0	-59 178	-8 220	-80 411	-147 809
Depreciation appropriations	-2 005 445	-4 527 675	-411 850	-2 761	-6 947 732
Transfers and adjustments	1 416 422	511 154	76 611	-2 165 549	-161 362
Closing net amount	42 237 085	15 330 101	1 116 472	5 056 983	63 740 641
Cost or fair value	74 687 020	124 634 158	22 882 323	5 094 652	227 298 153
Accumulated depreciation	-32 449 935	-109 304 058	-21 765 850	-37 669	-163 557 512
Net amount	42 237 085	15 330 101	1 116 472	5 056 983	63 740 641

Revaluation – Purchase Price Allocation

The production equipment was subject to appraisal by a specialized company in 2014, having been incorporated into the EPS perimeter at fair value at the date of the merger at 19.4 million euros. The reincorporation fell within the scope of the acquisition of financial stakes, in the EPS incorporation process, and consisted of the allocation of purchase values to identifiable assets. The impact on depreciation for the financial year 2020 was 2.6 million euros. In net terms, after deducting depreciation, the net value of the adjustment on 31 December 2020 is 8.6 million euros.

Revaluation – land

The land included in the Group's assets, except for that recorded in the subsidiary Efacec Equipos Eléctricos, in Spain (immaterial), is presented at fair value. The land value has been updated, in accordance with the rules, based on three-year appraisals carried out by independent experts. The last appraisal took place in 2019, which resulted in an overall devaluation of 392.8 thousand euros.

Investments

During the financial year 2020, the Group invested approximately 1.8 million euros in tangible fixed assets. The several extraordinary events that took place in the year ended strongly conditioned the activity, with only a few investments essential to the maintenance of the production system and the completion of some actions that were in progress.

Depreciation

Depreciation is carried out in accordance with Note 1.4. The amount of depreciation presented in the Income Statement considers the asset depreciation appropriations, normally deducted from the amount of investment grants recognized in the period. In the period under review, the deduction through the recognition of grants in tangible assets amounted to 28,162 euros (28,169 euros in 2019).

Assets given as collateral.

Currently, there are no assets given as collateral.

5.2 Intangible assets

The entries in intangible assets in 2020 and 2019 and the respective amounts at the end of each financial year were as follows:

	R&D	Brand	Others	Total
31 December 2019				
Initial net amount	11 965 529	79 000 000	4 733 938	95 699 466
Exchange differences	0	0	-18 426	-18 426
Increases	14 036 146	0	6 802 649	20 838 795
Discontinuing activities	0	0	-7 472	-7 472
Amortization	-7 366 457	0	-2 159 244	-9 525 701
Transfers and adjustments	2 435 917	0	718 044	3 153 961
Closing net amount	21 071 134	79 000 000	10 069 489	110 140 623
31 December 2020				
Initial net amount	21 071 134	79 000 000	10 069 489	110 140 623
Exchange differences	0	0	-10 355	-10 355
Increases	5 992 999	0	1 598 035	7 591 033
Discontinuing activities	0	0	-3 543	-3 543
Amortization	-5 609 406	0	-3 097 317	-8 706 723
Transfers and adjustments	-77 000	0	291 804	214 803
Closing net amount	21 377 726	79 000 000	8 848 112	109 225 839

The sub-heading "Brand" resulted from the acquisition of companies as part of the incorporation process of Efacec Power Solutions in 2014, and the subsequent allocation of the respective purchase amounts. The Efacec Brand was subject to an appraisal by a specialized company, having been assigned the value of 79 million euros. The

Brand has no defined useful life and is not subject to amortization. Its value is thus included in the Group's annual impairment tests (Note 7).
The investment in intangible assets in the financial year 2020 was 7.6 million euros, of which 6 million euros relate to research and development projects and expenses with homologation product and certification. The Group also invested around 1 million euros in information technologies, namely in the implementation of the ERP SAP. In addition, 0.6 million euros of commissions paid on product supply contracts were capitalized, almost entirely amortized during the financial year. Commissions recorded as assets were covered by IFRS.15, as described in Note 1.5.4.
The amortization period of the amounts capitalized in research and development projects is determined on a case-by-case basis, depending on the expected yield of the projects. In the Group, the projects recorded as assets normally have a useful life of five years.
Homologation expenses are essentially for the Equipment Business Unit and are intended to certify products and manufacturing processes. The approval processes are usually long and comprise several steps aimed at analysing the conformity of the products with the technical requirements and regulations applicable in the different geographies in which the Unit is present, at carrying out tests in internationally accredited laboratories and at carrying out audits to the company's quality management system. For the Business Unit, these processes translate into investments that are indispensable for placing its products in the markets in which it competes and are, therefore, capitalized and amortized over 3 to 5 years.

Amortization
The amount of amortization presented in the Income Statement considers the assets amortization appropriations, less the investment grants recognized in the period. In the period under review, the deduction through the recognition of grants in intangible assets amounted to 631,305 euros (2,123,547 euros in 2019).

6. Right-of-use assets

With the adoption of, since 2019, standard IFRS.16 (see Note 1.17), this note details the amount of the heading "Right-of-use assets". The table reports the amounts of the lease contracts, broken down by:

- Financial leases - contracts entered with finance companies, which purchase goods from third parties and make them available to and at the service of the company, and

- Operating leases - rental or lease agreements entered with third parties, with or without the inclusion of a service component, reclassified in accordance with the requirements of IFRS.16.

	Buildings	Basic equipment	Vehicles	Office Equipment	Total
Financial lease contracts					
Assets at 31.12.2019	0	1 254 334	119 419	0	1 373 754
Exchange differences		0	-8 727		-8 727
Increases/decreases		0	-9 638		-9 638
Depreciation		-131 063	-14 478		-145 540
Closing net amount	0	1 123 272	86 576	0	1 209 848
Operating lease contracts (a)					
Assets at 31.12.2019	5 102 515	0	2 367 843	1 364 316	8 834 674
Exchange differences	-104 399		0		-104 399
Increases	0	0	643 782	0	643 782
Depreciation	-1 343 926	0	-1 344 530,78	-344 619	-3 033 076
Closing net amount	3 654 189	0	1 667 095	1 019 697	6 340 980
	3 654 189	1 123 272	1 753 671	1 019 697	7 550 829

(a) by application of IFRS.16

The liability related to these contracts is reflected in the heading Lease liabilities (Note 17) and is broken down by current and non-current liabilities, depending on the maturity dates of the instalments, respectively, less than a year or more than a year.
Operating leases that do not meet the requirements established in IFRS.16, in the case of short-term and low-value leases, are not part of the asset, the respective expense being included in the income statement, under the heading "Supplies and external services".

7. Goodwill

In the financial year 2020 there were no changes in the heading "Goodwill". Its value was affected only by exchange rate changes, which mainly affected the values of Mozambique, Brazil, and Czech Republic.

	31.12.2020	31.12.2019
Efacec Energia	59 570 229	60 667 344
Efacec Engenharia e Sistemas	51 367 374	51 262 913
Efacec Electric Mobility	8 037 565	8 037 565
Total	118 975 168	119 967 822

In preparing goodwill impairment tests, the design of business plans was aligned with the Group's organization, based on its several Business Units.
The Group is organized by Business Units (BU) with worldwide management. The information system is fully oriented towards this management model, and the decision making is centred on the BUs' Departments that report directly to the Group's Executive Committee. At the level of the Corporate Areas, the management model is identical, and the heads of the central services of foreign branch offices functionally report to Portugal.
Since 2016, these premises have led to the refocusing of the Group and resulted in the definition of a new organizational chart, in which a Products area, a Systems area and a specific and exclusive unit for Electric Mobility were defined.
The Products area comprises the Transformers, Equipment, Automation and Service BUs, and is centred on the legal entity Efacec Energia. The Systems area covers the Energy and Transport segments and is part of Efacec Engenharia e Sistemas. Finally, the Electric Mobility unit is developed by Efacec Electric Mobility. These three companies are based in Portugal and they are the three Cash Generating Units (CGU) of global scope, subject to appraisal.
The international structure comprises foreign branch offices located in several geographies. Some of them depend on a single Business Unit, others are multi-business branch offices. In both cases, each business is run from Portugal by the respective Business Units and, by extension, integrated in the respective CGUs.
The activities of the international branch offices Efacec Central Europe, Power Solutions Brasil and, currently, Efacec Algérie are strongly concentrated in the Automation business segment. Similarly, the branch offices Efacec India, Efacec Equipos Eléctricos, Efacec Power Solutions Argentina and Efacec Praha carry out their activity in the Electrical Equipment business unit. The management of these branch offices is part of the operational management of the business units to which they report and is conducted from Portugal, acting mainly as extensions of Efacec Energia's activity in the respective markets. Based on this assumption, the business plans of these branch offices were consolidated in Efacec Energia.
Based on the same fundamentals, the international branch offices Efacec Contracting Central Europe and Efacec Chile were consolidated into Efacec Engenharia e Sistemas. The operations of these two legal entities are strongly concentrated in the Systems business segments and are particularly dependent on Efacec Engenharia e Sistemas regarding references, specific technical competencies, and financial means, acting essentially as extensions of the Efacec Engenharia e Sistemas activity in their respective markets.
The Angola and Mozambique branch offices develop their activities in different Products and Systems segments with business plans defined by business unit. The projections prepared for each BU are allocated to the defined CGUs.
The contribution of each Cash Generating Unit (CGU), grouped by legal entity, to the goodwill presented in the statement of financial position on 31 December 2020 and 2019 was as follows:

	31.12.2020	31.12.2019
Efacec Energia	59 570 229	60 667 344
Efacec Engenharia e Sistemas	51 367 374	51 262 913
Efacec Electric Mobility	8 037 565	8 037 565
Total	118 975 168	119 967 822

Impairment tests

At the end of the year, impairment tests are carried out for most assets that justify the amounts of goodwill and the Efacec Brand. The tests are carried out to assess the *goodwill* and the Brand recoverability, which is broken down by the several CGUs, given the historical performance and/or expectations of business development. The aggregate amount of the assets subject to testing is as follows:

	Goodwill	Brand	Total
Efacec Energia	59 570 229	43 433 731	103 003 960
Efacec Engenharia e Sistemas	51 367 374	30 930 610	82 297 984
Efacec Electric Mobility	8 037 565	4 635 659	12 673 224
Total	118 975 168	79 000 000	197 975 168

Note: The "Efacec" brand is recorded under the heading Intangible Assets (Note 5.2)

The recoverable amount of a CGU is calculated based on calculations of the value in use.
The valuations are based on cash flow projections based on financial budgets approved by the management, covering a period of five years, which are discounted at a rate calculated in accordance with the CAPM (Capital Asset Pricing Model). After this five-year period, cash flows are extrapolated using the growth rates estimated based on business development expectations.

Assumptions

The assumptions used in the impairment tests performed on 31 December 2020 and 2019 were as follows:

	2020				2019			
	Revenue growth rate	EBITDA margin	Discount rate before tax	Perpetuity growth rate	Revenue growth rate	EBITDA margin	Discount rate before tax	Perpetuity growth rate
Efacec Energia	21,9%	10,3%	8,8%	1,7%	5,5%	9,4%	9,1%	1,7%
Efacec Engenharia e Sistemas	8,4%	6,3%	7,4%	1,9%	6,5%	7,8%	9,1%	1,9%
Efacec Electric Mobility	23,9%	10,7%	8,6%	4,0%	12,3%	11,7%	13,0%	4,0%

Results

The tests carried out did not result in the recording of any impairment of goodwill or the Brand.

Sensitivity analyses

The valuations were also subject to sensitivity analyses of the main variables used, to test the resistance of the assets recoverable value to unfavourable changes in each one. The variables were thus subject to the following impacts:

	Revenue growth rate	EBITDA margin	Discount rate	Perpetuity growth rate
Change in the assumptions	-10,0%	-10,0%	+1.0 p.p.	-1.0 p.p.

In view of the impacts of these variations, the three Cash Generating Units showed resistance to the tests carried out, not revealing any impairment.
The discount rate proves to be the most sensitive variable for the three CGUs, with the greatest criticality in the Engineering area, where the variation of the assumption is close to the critical point. The growth rate applied in

perpetuity is also revealed as an area with some sensitivity. It should also be noted that in the case of Efacec Electric Mobility, the variation in the assumptions made for the revenue growth rate is the cause of a more prominent variation in the value of this Unit, without, however, detecting impairment risks. In a more in-depth analysis, it was even possible to see that the critical point of the variable "revenue growth rate" of Electric Mobility CGU is for a reduction close to 48%.

8. Financial assets available for sale

The amounts recorded under the heading financial assets available for sale have the following breakdown:

	31.12.2020	31.12.2019
Financial assets available for sale		
Financial holdings		
NET - Novas Empresas e Tecnologias, S.A.	11 132	11 132
Equity securities		
C.E.I.I.A.- Centro para a Excelência e Inovação na Indústria Automóvel	15 000	15 000
INEGI - Instituto de Ciência e Inovação em Engenharia Mecânica e Indus	15 000	15 000
HCapital New Ideas - Venture capital fund	770 000	582 500
Total net investment	**811 132**	**623 632**

Financial assets available for sale include shares in unlisted companies and equity securities in other entities, the fair value of which cannot be reliably measured because there are no market prices or comparable transactions and, as such, are recognized at cost.
In 2017, EPS decided to subscribe a 25% stake in the HCapital New Ideas Venture Capital Fund, which is dedicated to investing in technological and innovative national companies, especially SMEs, with the potential to generate synergies with Efacec Group activities. Any investment to be subscribed by the Fund is previously subject to approval by EPS. At the end of 2019, Efacec transferred half of the stake held in the Fund, now holding a 12.5% stake.

9. Derivative financial instruments

Efacec records derivative contracts in accordance with the policy described in Note 1.8.
All pre-existing currency hedge contracts (on 31 December 2019, the value contracts amounted to 22.4 million dollars) ended in 2020, so there were no contracts in portfolio on 31 December 2020.
The amounts recorded in the income statement is under the heading “Other operating income” and affected exchange differences, in the opposite direction to the impact on the hedged instrument.
The following table shows the impact of derivatives on the statement of financial position in 2020 and 2019.

	31.12.2020		31.12.2019	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange options				
Cash flow hedging	0	0	0	125 646
Trading	0	0	11 999	0
Total	**0**	**0**	**11 999**	**125 646**
* Current	0	0	11 999	125 646
* Non-current	0	0	0	0

10. Clients and accrued income

10.1 Clients

On 31 December 2020 and 2019, this heading was detailed as follows:

Trade	Notes	**31.12.2020**	**31.12.2019**
Clients - current account		82 358 360	104 528 673
Clients - related parties	28.2	600 047	1 108 896
Clients- securities to be received		192 622	641 557
Clients - bad debt		15 918 618	16 765 994
		99 069 648	**123 045 120**
Impairment losses of Clients accounts	22.4	-24 580 854	-17 415 780
Total		**74 488 794**	**105 629 340**
* Non-current		0	0
* Current		74 488 794	105 629 340

The Efacec Group has many Clients dispersed internationally and covering different market segments. For this reason, it is understood that there is no concentration of credit risk in relation to its Clients. The fair value of accounts receivable does not differ significantly from their book value.
On 31 December 2020, the amount receivable from Clients shows a decrease of approximately 19% compared to the end of 2019, thus confirming the strong downward trend seen in recent years, in which the decrease in turnover and the collection effort has significantly reduced Clients accounts.
The number of bad debt Clients includes a debt in the amount of 6.3 million euros from the Client CPTM, from Brazil, with which Efacec has a contractual dispute, as described in Note 29, an impairment on that debt having been set up in 2017. In previous years, the Efacec Group repaid to MGI Capital the amount of that impairment considering that it was entitled to receive this amount in the event of a final unfavorable outcome of the arbitral proceedings related to the referred contractual dispute that makes it impossible to collect that amount from CPTM.

Clients Seniority – IFRS 7

On 31 December 2020 and 2019, the amounts receivable from Clients presented the following seniority structure, considering the maturity dates of outstanding balances:

	Notes	**31.12.2020**	**31.12.2019**
Not-overdue balances	3.1.2	36 405 536	48 029 171
Overdue balances:			
Up to 90 days		5 904 144	18 972 711
90 to 360 days		15 816 069	15 186 860
More than 360 days		40 943 898	40 856 378
		62 664 111	75 015 949
		99 069 648	**123 045 120**
Impairment	22.4	-24 580 854	-17 415 780
		74 488 794	**105 629 340**

On 31 December 2020, overdue loans amounted to 62.7 million euros. The amount of these credits, net of impairment, is as follows:

	31.12.2020			31.12.2019		
	Overdue balances	Impairment	Net amount	Overdue balances	Impairment	Net amount
Up to 90 days	5 904 144	-125 712	5 778 431	18 972 711	-2 616	18 970 094
90 to 360 days	15 816 069	-17 863	15 798 206	15 186 860	-1 008 861	14 177 999
More than 360 days	40 943 898	-24 437 278	16 506 620	40 856 378	-16 404 303	24 452 075
	62 664 111	**-24 580 854**	**38 083 258**	**75 015 949**	**-17 415 780**	**57 600 169**

Client impairment

Expected impairment losses for accounts receivable are recognised under this heading and they are estimated using an uncollectible matrix based on the Clients' credit history, adjusted for specific factors attributable to the debtors, as well as for the macroeconomic conditions that are expected for the future. Adjustments to accounts receivable for impairment losses incurred when there are indicators that the Group may not fully receive the amounts to which it was entitled in accordance with the original terms of the established contracts are also recorded. The adjustments are calculated considering the age of the accounts receivable, the debtor's risk profile, as well as its economic and financial situation.

EPS considers that the estimated impairment losses on accounts receivable are adequately reflected in the financial statements and reflect the real risk of loss. As a result of this approach, in 2020 the company reinforced impairments in accounts receivable from Clients in the amount of 11,721 thousand euros and reversed impairments in the amount of 991 thousand euros (Note 22.4).

Denomination

On 31 December 2020 and 2019, the Clients receivables amounts were denominated in the following currencies:

		31.12.2020	31.12.2019
Euro	EUR	62 807 119	80 384 052
American dollar	USD	23 020 976	24 943 453
Brazilian real	BRL	3 188 321	3 308 641
Algerian dinar	DZD	2 831 490	7 589 162
Danish crown	DKK	1 389 899	849 469
Chilean peso	CLP	987 494	225 438
Angolan Kwanza	AOA	946 085	2 320 638
Norwegian Krone	NOK	929 207	127 676
Indian rupee	INR	766 700	843 469
Romenian New Leu	RON	634 224	117 434
Tunisia dinar	TND	424 882	182 765
Pound sterling	GBP	419 248	1 010 276
Swedish crown	SEK	193 196	253 068
Czech Republic crown	CZK	150 270	472 022
Others		380 536	417 556
		99 069 648	**123 045 120**

Factoring

The Efacec Group entered factoring contracts with specialized financial institutions, with and without recourse, for a total amount of 15.4 million euros.

	Notes	31.12.2020	31.12.2019
Assets transferred and derecognised in the statement of financial position			
Assets amount		15 354 644	21 039 026
Transferred amount		-15 354 644	-21 039 026
Net amount		0	0
Assets transferred and not derecognised in the statement of financial position	16	31 033	924 419

The transferred assets relate entirely to Clients balances, and the assets not derecognised have associated liabilities recorded in the heading Debts to Credit Institutions (Note 16).

10.2 Accrued income

The amounts of Accrued Income included in this heading relate essentially to the recognition of income associated with projects and works in progress in the systems units, whose degree of completion is higher than the level of invoicing (Notes 1.16.3 and 32).
The accrued income from non-financial assets relate to income recognitions in the Income Statement that respect the accrual principle, but are not related to multi-year contracts, namely invoicing to be issued and investment incentives to be received.

Accrued Income	Notes	31.12.2020	31.12.2019 Restated	31.12.2019 Published
Multi-annual contracts	3.1.2 and 32	27 086 821	49 655 465	104 146 237
Non-financial assets		3 175 804	11 530 778	8 774 722
Total		**30 262 625**	**61 186 243**	**112 920 959**
* Non-current		0	0	0
* Current		30 262 625	61 186 243	112 920 959

Denomination

On 31 December 2020 and 2019, the accrued income related to multi-annual contracts were denominated in the following currencies:

		31.12.2020	31.12.2019 Restated	31.12.2019 Published
Euro	EUR	16 325 600	25 479 722	62 041 007
American dollar	USD	3 846 119	11 910 412	29 300 987
Chilean peso	CLP	3 348 940	6 648 453	6 648 453
Algerian dinar	DZD	2 120 732	3 624 302	3 624 302
West CFA Franc	XOF	314 952	328 531	328 531
Armenian dram	AMD	283 585	353 899	353 899
Indian rupee	INR	279 388	51 694	51 694
Brazilian real	BRL	251 302	583 822	583 822
Georgian lari	GEL	117 333	277 535	277 535
Angolan Kwanza	AOA	94 350	78 869	78 869
Pound sterling	GBP	0	0	538 911
Others		104 519	318 227	318 227
		27 086 821	**49 655 465**	**104 146 237**

11. Debtors and expenses to be recognized.

On 31 December 2020 and 2019, this heading was detailed as follows:

	Notes	31.12.2020	31.12.2019
Other debtors - miscellaneous		21 513 343	16 763 607
Other debtors - related parties	28.2	19 661 969	12 692 886
		41 175 312	29 456 493
- Impairment losses	20.3	-9 021 983	-5 212 666
Other Debtors - financial assets		32 153 329	24 243 827
Other Debtors - non-financial assets		438 203	657 524
State and other public entities		10 543 152	10 438 466
Expenses to be recognized		2 656 334	2 648 833
- Impairment losses	20.3	-370 326	-516 451
Total		**45 420 692**	**37 472 198**
* Debtors and Expenses to be recognized non-current		3 824 605	1 141 390
* Debtors and Expenses to be recognized current		41 596 087	36 330 808

This heading includes credits not related to the Group's business, current accounts with personnel, security deposits and others.

The balances with related entities refer mainly to the MGI Capital Group. The accumulated impairment loss includes an amount of 4.6 million euros related to the company Liaoyang - Efacec Eletrical Equipment, which was a subsidiary of the Efacec Group until 10.23.2015 (Note 28.2).

The headings included in the active balances with the State and Other Public Entities decreased their value, essentially in recoverable taxes. On 31 December 2020 and 2019, the breakdown of the balance was as follows.

State and Other Public Entities - active balances	31.12.2020	31.12.2019
Corporate income tax	1 264 242	2 514 174
Value Added Tax to be recovered	8 825 718	6 896 646
Other taxes to be recovered	453 192	1 027 645
	10 543 152	**10 438 466**
- Impairment losses	-370 326	-516 451
	10 172 827	**9 922 015**

The amounts of VAT to be recovered are of a recurrent nature and relate mainly to the activities of the Efacec Group in which there is a reverse charge mechanism and are regularly subject to recovery processes.

The impairment constituted refers to outstanding balances with the State due to tax withholdings in Angola, because they are considered as being difficult to recover.

12. Stock and Inventory

	Notes	31.12.2020	31.12.2019 Restated	31.12.2019 Published
Raw materials		18 200 805	21 660 553	21 660 553
Goods		1 099 263	1 089 306	1 089 306
Products and work in progress - multi-annual contra	32	2 502 079	1 086 205	1 790 540
Products in progress		29 573 327	44 346 735	9 480 327
Finished products		2 005 576	2 375 940	2 375 940
Adjustments to stock and inventory	22.4	-2 777 270	-352 701	-352 701
		50 603 780	**70 206 039**	**36 043 966**

As disclosed in note 1, the criterion for recognizing revenue in the product Business Units was changed, a situation that led to the restatement of the comparative information of the stock and inventory heading.

13. Cash and cash equivalents

Cash and cash equivalents	Notes	31.12.2020	31.12.2019
Cash		63 631	113 134
Demand deposits		30 871 110	50 511 026
Time deposits		1 997 579	302 992
Cash investments		89 587	206 515
Subtotal	3.1.2	32 958 276	51 020 533
		33 021 907	**51 133 667**

The amounts in the headings Cash and cash equivalents, at the end of 2019 and 2018, were denominated in the following currencies:

		31.12.2020	31.12.2019
Euro	European Union	21 768 377	27 986 714
Crown	Denmark	1 362 813	5 229 735
Kwanza	Angola	1 972 121	4 398 942
Dinar	Algeria	1 827 405	3 954 672
Dollar	United States	2 538 525	3 534 038
Metical	Mozambique	319 518	2 138 378
Dirham	Morocco	496 604	1 024 857
Crown	Czech Republic	334 719	524 113
Rupee	India	351 985	459 847
New Leu	Romania	421 577	367 668
Dinar	Tunisia	275 175	326 372
Crown	Norway	312 649	279 849
Lev	Bulgaria	147 258	245 343
Peso	Chile	717 752	232 845
Others		175 429	430 295
		33 021 907	**51 133 667**

14. Suppliers

14.1 Suppliers

On 31 December 2020 and 2019, this heading was detailed as follows:

	Notes	31.12.2020	31.12.2019
Suppliers - current account		71 601 466	122 512 763
Suppliers - related parties	28.2	1 062 616	1 312 579
Suppliers - payables		809 345	1 392 880
		73 473 427	125 218 222
Investment suppliers		317 106	438 579
Total		**73 790 533**	**125 656 801**
* Non-current		0	0
* Current		73 790 533	125 656 801

Current debts to Suppliers of raw materials and other services are payable, for the majority, within 90 to 120 days, as shown in the following table. Regarding Suppliers of fixed assets, there are some amounts due for more than one year, of reduced expression, shown as "Non-current".
Efacec maintains collaboration protocols with financial entities to allow its Suppliers access to an advantageous tool for managing its working capital, with EFACEC confirming the validity of the credits that the Suppliers hold on it. Within the scope of these protocols, some Suppliers freely entered into agreements with these financial institutions that may allow them to anticipate the receipt of these credits.
The company does not change the accounting nature of the credits until the date of their normal maturity under the terms of the supply contract entered between the company and the Supplier whenever (i) the maturity period corresponds to a period practised by the industry in which the company operates and (ii) the company does not bear a charge for the advance payment operation compared to the payment at normal maturity alternative.

Maturity of supplier balances – IFRS 7

	31.12.2020	31.12.2019
Suppliers		
Accounts payable to Suppliers		
To be settled up to 90 days	71 365 709	119 493 840
To be settled 90 days after	2 107 719	5 724 382
	73 473 427	125 218 222
Investment Suppliers		
Accounts payable to Suppliers		
To be settled up to 90 days	310 672	438 579
To be settled 90 days after	6 434	0
	317 106	438 579

Denomination
On 31 December 2020 and 2019, debt to Suppliers was denominated in the following currencies:

		31.12.2020	31.12.2019
Euro	EUR	59 124 083	105 835 572
American dollar	USD	7 604 551	8 162 083
Indian rupee	INR	3 000 440	6 507 990
Algerian dinar	DZD	1 735 040	2 265 916
Chilean peso	CLP	1 153 458	1 825 191
Pound sterling	GBP	528 196	161 214
Others		644 766	898 834
		73 790 533	**125 656 801**

14.2 Invoices - receipt and checking

The heading Invoices - receipt and checking comprises the set of invoices pending approval. It includes situations resulting from (a) purchase orders launched by Efacec that have already been received, that is, that have already led to the recording of the expense, but whose invoices have not yet been recorded in a current account, less (b) the invoices that have already been entered and recorded but have not yet been received.
On 31 December 2020, this heading showed a balance of around 18 million euros, which represented a decrease of 17 million euros compared to the preceding year.

15. Creditors and accrued expenses

	Notes	31.12.2020	31.12.2019
Advances from Clients		2 082 917	3 594 356
Other creditors - miscellaneous		5 372 419	1 265 723
Other creditors - related parties	28.2	9 036 697	8 807 713
Other creditors - financial liabilities		16 492 033	13 667 793
Other creditors - non-financial liabilities		897 256	373 100
State and other public entities		8 534 344	9 745 616
Accrued expenses:		21 263 934	31 661 550
Accrued expenses - expenses w ith ongoing projects		5 164 587	12 657 276
Accrued expenses - remunerations to be paid		9 950 072	10 829 855
Accrued expenses - interest to be paid		2 465 162	2 116 715
Accrued expenses . others		3 684 113	6 057 704
Total		**47 187 567**	**55 448 059**
* Creditors and accrued expenses non-current		0	0
* Creditors and accrued expenses current		47 187 567	55 448 059

The item 'Other Creditors - miscellaneous' includes the amount of 4.2 million euros related to primary liabilities to Suppliers, the payment of which was assumed by financial institutions within the maturity date, with the respective debt protected by a legal moratorium. The specific nature of this operation corresponds to a guarantee and facilitation of payment on maturity, without having financing and interest maturity characteristics. Considering that the debt to Suppliers has been settled, the respective amounts owed were included in the heading Other creditors.
The heading “Other creditors - related parties” includes 7,757,476 euros relating to additional paid-in capital still pending settlement to the shareholder MGI Capital (Notes 21.3 and 28.2).

State and other public entities
On 31 December 2020 and 2019, the liability balances with the State and other public entities were detailed as follows:

	31.12.2020	31.12.2019
Corporate income tax	0	1 939 764
Value Added Tax (VAT) payable	3 803 046	2 829 802
Social Security Contributions	2 999 084	3 079 419
Personal income tax	1 730 203	1 832 678
Other taxes	2 012	63 953
	8 534 344	**9 745 616**

Accrued expenses
There was a decrease of around 10.4 million euros in the heading “Accrued expenses”, which is essentially related to the slowdown in the activity and ongoing projects at the end of the financial year.

16. Loans obtained.

This Note discloses the composition, characteristics and conditions of the financial debt recorded in the Efacec Group's consolidated financial statements on 31 December 2020 and 2019. On these dates, the debt breakdown by credit instrument was as follows:

	31.12.2020	31.12.2019
Non-current		
Current account	15 060 322	1 557 546
Bank loans	79 446 472	25 868 709
Commercial paper	750 000	4 400 000
Bond loans	58 000 000	58 000 000
Amortized cost	-762 349	-1 118 057
	152 494 444	88 708 198
Account		
Bank overdrafts	2 469 388	2 132 759
Current account	566 391	3 207 454
Bank loans	12 720 675	16 857 684
Commercial paper	8 650 000	8 000 000
Factoring	448 700	913 373
Commercial discount	31 033	137 967
Confirming	6 079 818	0
Amortized cost	-915 915	-632 961
	30 050 090	30 616 277
Total loans	**182 544 534**	**119 324 475**

- *Bond Loan*

In July 2019, Efacec Power Solutions issued a bond loan, with the purpose of achieving three objectives: (i) the refinancing of the amounts of financial debt to be repaid in the next 18 months, (ii) the extension of the debt maturity and (iii) the diversification of financing sources through a disintermediation instrument.
The issue was fully placed with institutional investors and admitted to listing at the MARF - Mercado Alternativo de Renta Fija (Spain). The amount placed was 58 million euros, with a five-year term, remunerated at a fixed annual rate of 4.5% and with a single repayment at maturity. The bond loan has a covenant according to which the Net Financial Debt/EBITDA ratio must be less than 2.75. This ratio can be seen annually in Efacec's consolidated accounts.

- *Bank loans and current accounts*

The Efacec Group maintains the syndicated loan taken out by its subsidiaries Efacec Energia and Efacec Engenharia e Sistemas in February 2014, and with conditions renegotiated in October 2015, with the entry of the new majority shareholder in the capital. In July 2019, the product of the obligations allowed the partial advance repayment of the syndicated loan, the release of pledge on Efacec Energia e da Efacec Engenharia e Sistemas shares and the renegotiation of the repayment terms for the remaining debt.
At the end of 2020, the debt was 24.4 million euros in the Loan tranche, repayable in two equal instalments in 2023 and 2024. The Current Account tranche, with variable use up to the limit of 15 million euros (it was 30 million euros before the renegotiation), at the end of 2020 was used at 13.7 million euros. The current account will be extinguished in 2022.
This loan contract has a covenant based on compliance with the Net Financial Debt / EBITDA ratio lower than 2.75. This ratio is observable annually in Efacec's consolidated accounts (ASS basis, that is, without the IFRS effects). There is also an ownership clause that allows creditors to consider the overdue debt if the reference shareholder has a stake in EPS less than 51%, directly or indirectly.
In August 2020, two new financing contracts with the same characteristics and conditions were signed with a banking syndicate, one by Efacec Energia in the amount of 50 million euros and the other by Efacec Engenharia in the amount of 20 million euros. At the end of 2020, these loans were used at 40 million and 20 million euros, respectively. These loans have a quarterly repayment plan between November 2021 and June 2024 and have a guarantee from Norgarante in the amount corresponding to 90% of the amounts owed.
In addition to this contract, there are other short-term credit lines, taken out in Portugal or directly by the foreign subsidiaries with local financial institutions, whose use at the end of 2020 amounted to approximately 9.7 million euros.

- *Factoring without recourse and commercial discount*

The Efacec Group has contracted some lines for current operations to discount invoices issued to Clients which, on 31 December 2020, amounted globally to approximately 0.5 million euros. When there are anticipation situations regarding the dates on which invoices due, the Group recognizes the respective amounts in current liabilities.

- *Bank overdrafts*

Bank overdrafts comprise situations in which credit demand deposit accounts are used, within ceilings and under conditions previously negotiated with the financial institutions and with no defined repayment term, although they take on a short-term nature. There are some overdrafts ceilings negotiated in Portugal and in international subsidiaries, generally under a variable interest rate scheme, with reference to a usual reference rate in each country. At the end of the year, around 2.5 million euros were used.

- *Commercial paper*

The Efacec Group has four grouped commercial paper programs, which at the end of 2020, amounted to 9.4 million euros. All programs were contracted between 2018 and 2019 and have a maximum term of three years. One of the programs ends in 2021, but is subject to annual renewal, being classified under current liabilities. The other two programs end in 2021, with annual value reductions, being classified in non-current liabilities and current liabilities, according to the amortization dates. On 31 December 2019, 9.4 million euros were used in this type of financing.

Debt maturity

During 2020, Efacec adhered to legal moratoriums with the objective of extending the maturity of some of its financing, namely the syndicated loan taken out in 2014, whose repayment was changed to January 2023 and January 2024, and several shorter-term credit lines with maturity from September 2021.
This change in the repayment terms of some loans, combined with the maturity of the obligations, resulted in a situation in which around 50% of the financial debt existing on 31 December 2020 is repayable in 2024, with a gradual evolution over the next three years, reducing the need for refinancing and allowing greater stability to operations.
The debt maturity is shown in the following table:

Type of financing	up to 1 year	2-3 years	4-5 years	Total
Bank overdrafts	2 469 388	0	0	2 469 388
Current account	566 391	8 212 030	6 848 292	15 626 713
Bank loans	12 720 675	52 223 236	27 223 236	92 167 147
Commercial paper	8 650 000	750 000	0	9 400 000
Bond loans	0	0	58 000 000	58 000 000
Factoring	448 700	0	0	448 700
Commercial discount	31 033	0	0	31 033
Confirming	6 079 818	0	0	6 079 818
Amortized Cost	-915 915	-762 349	0	-1 678 264
Total loans	**30 050 090**	**60 422 917**	**92 071 528**	**182 544 534**

Comparatively, at the end of 2019 the maturity was as follows:

Type of financing	up to 1 year	2-3 years	4-5 years	Total
Bank overdrafts	2 132 759	0	0	2 132 759
Current account	3 207 454	1 557 546	0	4 765 000
Bank loans	16 857 684	25 868 709	0	42 726 393
Commercial paper	8 000 000	4 400 000	0	12 400 000
Bond loans	0	0	58 000 000	58 000 000
Factoring	913 373	0	0	913 373
Commercial discount	137 967	0	0	137 967
Confirming	0	0	0	0
Amortized Cost	-632 961	-938 565	-179 492	-1 751 018
Total loans	**30 616 277**	**30 887 690**	**57 820 508**	**119 324 475**

Loans' denomination

The financial debt contracted by the Efacec Group companies based in Portugal is denominated in euros, except for two bank loans in the amount of 2.6 million euros, which are denominated in US dollars. Loans taken out by international companies are denominated in the respective functional currencies. The total amount of financing contracted outside Portugal has a value equivalent to approximately 2.6 million euros, of which 0.8 million euros were used on 31 December 2020,

The following table summarizes the financial debt at the end of the financial year divided into the denomination currencies.

Currencies		31.12.2020	31.12.2019
Euro	EUR	179 217 953	111 869 706
American dollar	USD	2 625 298	5 754 261
Chilean peso	CLP	448 700	126 921
Algerian dinar	DZD	246 870	1 381 579
Brazilian real	BRL	5 713	5 636
Angolan Kwanza	AOA	0	186 371
Total		**182 544 534**	**119 324 475**

Effective interest rate

The effective interest rates related per debt instrument and currency, were, at the end of 2020, as follows:

Type of financing	EUR	DZD	BRL	CLP	USD
Bank overdrafts	3,3%	-	173,3%	-	-
Current account	3,7%	-	-	-	-
Bank loans	3,4%	8,0%	-	-	3,5%
Commercial paper	2,5%	-	-	-	-
Bond loans	4,5%	-	-	-	-
Factoring	-	-	-	18,4%	-
Commercial discount	3,5%	-	-	-	-

Comparatively, at the end of 2019 the rates were as follows:

Type of financing	EUR	DZD	BRL	CLP	USD	AOA
Bank overdrafts	3,3%	-	-	-	-	-
Current account	3,3%	-	-	-	-	21,7%
Bank loans	3,6%	8,0%	15,0%	-	5,1%	-
Commercial paper	2,5%	-	-	-	-	-
Bond loans	4,5%	-	-	-	-	-
Factoring	-	8,0%	-	21,0%	-	-
Commercial discount	2,6%	-	-	-	-	-

Unused credit lines

The Efacec Group has the following credit lines not yet used:

	31.12.2020	31.12.2019
At variable rate		
- with maturity up to 1 year	1 901 894	13 216 585
- with maturity after 1 year	10 000 000	16 428 296
At fixed rate		
- with maturity up to 1 year	0	320 255
	11 901 894	**29 965 136**

Guarantees

In the syndicated loan mentioned above, contracted jointly by the subsidiaries Efacec Energia and Efacec Engenharia e Sistemas, each of the companies subscribed a promissory note:

(i) endorsed by Efacec Power Solutions, Efacec Electric Mobility, and the other borrower.
(ii) endorsed by Efacec Electric Mobility to securitize and endorse Efacec Power Solutions' obligations as guarantor of the promissory note mentioned in (i)

In the 2020 syndicated loan, taken out by the subsidiaries Efacec Energia and Efacec Engenharia e Sistemas, each of the companies subscribed a promissory note endorsed by Efacec Power Solutions, by Efacec Electric Mobility and by the other borrower.

Covenants

The 2014 syndicated loan includes clauses that define the compliance with a debt ratio, defined as Net Debt/EBITDA, whose maximum value must be 2.75. This contractual ratio is observable annually in the consolidated accounts of Efacec Power Solutions, on an annual basis.
The evolution recorded in the company's activity in 2020 represents a significant fall in revenues and a consequent reduction in EBITDA, associated with the increase in debt that the company incurred to normalize the supply chain. The combination of these factors allowed anticipating the inability to comply with the DFL / EBITDA ratios included in their financing contracts. Thus, the Efacec Group asked the financing entities for the following conditions, which have since been accepted:

- the waiver of compliance with the ratio in the year 2020, and
- the change in the ratio to be applied in 2021 to 4.5x, without extending it to the following years, thus returning, in 2022 and following years, to 2.75x.

Also, the bond loan taken out in July 2019 stipulates the compliance with a Net Debt / EBITDA ratio, with a maximum value of 2.75. For this loan, the Bondholders' Meeting held in November 2020 approved a waiver to comply with the covenant in 2020.
The new 2020 syndicated loans taken out by Efacec Energia and by Efacec Engenharia include clauses that define the compliance with a debt ratio, defined as Financial Net Debt/EBITDA, whose maximum value must be 4.5 from 1 January 2021.

Reconciliation of the debt change with the financing cash flows.

The following table reconciles the financial debt with the cash flows from financing activities, in accordance with IAS7, for the financial years 2020 and 2019:

				Non-cash			
Flows from financing 2020	Notes	**31.12.2019**	**Cash flows**	**Acquisitions**	**Exchange differences**	**Changes at amortization cost**	**31.12.2020**
Non-current loans		96 123 185	64 650 441		-64 937	702 318	161 411 007
Current loans		23 201 290	-1 751 176		-346 820	30 233	21 133 527
Assets held to hedge loans		0					0
Total flows from financing - loans obtained		**119 324 475**	**62 899 265**	**0**	**-411 757**	**732 551**	**182 544 534**
Loans related entities		-724 605	-41 111				-765 715
Financial leases	(a)	734 430	-194 104	0	-5 837		534 490
Operating leases		9 008 955	-2 840 809	643 782	-200 250		6 611 678
Debt interest and similar expenses			-5 679 405				
Capital decreases and supplementary capital contributions			0				
Total other flows from financing			**-8 755 429**				
Total cash flows from financing			**54 143 836**				

				Non-cash			
Flows from financing 2019	Notes	**31.12.2018**	**Cash flows**	**Acquisitions**	**Exchange differences**	**Changes at amortization cost**	**31.12.2019**
Non-current loans		85 994 721	10 291 997		908	-164 441	96 123 185
Current loans		8 755 021	14 636 411		1 984	-192 126	23 201 290
Assets held to hedge loans		0					0
Total flows from financing - loans obtained		**94 749 742**	**24 928 408**	**0**	**2 892**	**-356 567**	**119 324 475**
Loans related entities		4 275 395	-5 000 000				-724 605
Financial leases	(a)	72 387	-674 147	1 336 079	111		734 430
Operating leases			-3 060 151	12 069 105			9 008 955
Debt interest and similar expenses			-4 020 384				
Capital decreases and supplementary capital contributions			-5 023 632				
Total other flows from financing			**-17 778 314**				
Total cash flows from financing			**7 150 094**				

17. Lease liabilities

This heading records the responsibility for the payment of future rents related to lease contracts, whatever their nature. In contracts treated as operating leases until 2018, the debt to lessors was recognized in the statement of financial position, with a corresponding entry to the recording of right-of-use. The amounts of the financial leasing contracts were added, which, until the preceding financial year, were recorded in the heading Suppliers.

Lease liabilities	31.12.2020	31.12.2019
Financial lease contracts		
Initial net amount	734 430	72 387
Exchange differences	-5 837	111
Increases	0	1 336 079
Paid rents	-194 104	-674 147
Closing net amount	534 490	734 430
Operating lease contracts (a)		
Initial net amount	9 008 955	7 030 944
Exchange differences	-200 250	0
Increases	643 782	5 038 162
Paid rents	-2 840 809	-3 060 151
Closing net amount	6 611 678	9 008 955
	7 146 168	9 743 385
Non-current	4 967 237	6 649 998
Account	2 178 931	3 093 387

18. Deferred Taxes

The deferred tax assets and liabilities were, on the date of the statements of financial position as follows:

	31.12.2020	31.12.2019
Deferred tax assets:		
- Recoverable for more than 12 months	79 776 821	60 919 222
Deferred tax liabilities:		
- Refundable for more than 12 months	20 160 962	20 750 934

18.1 Deferred tax assets

The amount of the heading Deferred tax assets has the following breakdown:

	Impairment losses tang. and intang.	Impairment losses Clients/debt.	Tax losses	Financial instruments	Tax benefits to report	Other risks and charges	Total
31 December 2018	**0**	**29 220**	**42 969 260**	**403 440**	**14 188 319**	**2 133 754**	**59 723 993**
Charged to results	858 530	0	4 426 015	0	-4 305 384	845 059	1 824 219
Exchange differences	0	0	-214 175	0	0	191	-213 984
Charged to equity	0	0	0	-375 169	0	-39 837	-415 006
Other changes	0	0	0	0	0	0	0
31 December 2019	**858 530**	**29 220**	**47 181 100**	**28 270**	**9 882 935**	**2 939 167**	**60 919 222**
Charged to results	-185 022	139 867	15 064 104	0	2 499 070	1 861 549	19 379 569
Exchange differences	0	2 365	-176 937	0	0	-8 468	-183 040
Charged to equity	0	0	-125 355	-28 270	0	0	-153 626
Other changes	0	0	-20 315	0	0	-164 988	-185 303
31 December 2020	**673 508**	**171 452**	**61 922 597**	**0**	**12 382 004**	**4 627 260**	**79 776 821**

On 31 December 2019, Deferred Tax Assets amounted to 79.8 million euros. The most significant accumulated amount relates to the effective losses from the participation in the Efacec Power Transformers branch office in the United States. In 2016, this subsidiary completed the liquidation process, so Efacec Energia, the company that held the direct stake, recorded the tax loss as an asset that can be used over a 12-year period. In 2020, no amount was used in the estimated tax, and the amount of the deferred tax asset, on 31 December 2020, was 41.7 million euros, subject to deduction until 2030, after the extension of the deadline provided for in the support measures for companies adopted under the COVID-19 pandemic.

It should be noted that in 2020, following the tax measures aimed at responding to the consequences of the COVID-19 pandemic, we highlight:

- Disregard of the years 2020 and 2021 for the purpose of counting the term for using tax losses in force on 1 January 2020.
- Change to 10 years (the rule in force provides for 5 years, except in the case of SMEs) of the reporting period for tax losses generated in 2020 and 2021.
- Extension to 80% (the rule in force provides for 70%) of the limitation of taxable profit to which the deduction of tax losses generated in 2020 and 2021 can be made.

The amount of reportable tax losses has evolved significantly due to the very unfavourable context of the year 2020.
There are also deferred tax assets related to tax benefits for investments in research and development (SIFIDE), which, at the end of 2019, amounted to approximately 12.4 million euros.
The recoverability of deferred tax assets related to tax losses and tax benefits was tested through activity projections of the main companies that comprise the RETGS (Special Taxation Regime for Groups of Companies) (whose value represents around 71.7 million euros) for the referred period, and based on the following assumptions:

Assumptions	31.12.2020	31.12.2019
Revenue growth rate (CAGR) up to the 5th year	26,2%	5,5%
Average EBITDA margin up to the 5th year	10,3%	9,4%
Growth rate after the 5th year	0,0%	0,0%
Tax rate	21,0%	21,0%

The assumption of revenue growth expects that the decrease in activity recorded in the year 2020, because of the several events that affected the normal functioning of the company, will be recovered in 2 years. In this period, an average growth of around 42% is estimated.
Based on these assumptions, there were no signs of impairment. The business projections attest to the recoverability of the asset within the 12-year period provided for by law, plus 2 years due to the COVID-19 measures.
The Efacec Group records deferred tax assets on tax losses to the extent that the respective tax benefit is likely to be realized, through the existence of future taxable profits. In some companies, namely Efacec Contracting Central Europe, Efacec Algérie and Efacec Angola, the Efacec Group considers that, now, there is little capacity to deduct tax losses from future taxable profits, therefore not recording deferred taxes.

18.2 Deferred tax liabilities

Deferred tax liabilities essentially result from asset revaluations carried out in some of the subsidiary companies, and had the following evolution:

	Asset valuation	Equipment (a)	Brand (a)	Total
31 December 2018	**348 975**	**3 097 389**	**17 955 108**	**21 401 471**
Charged to results	0	-573 654	0	-573 654
Charged to equity	-76 883	0	0	-76 883
31 December 2019	**272 092**	**2 523 735**	**17 955 108**	**20 750 934**
Charged to results	0	-589 972	0	-589 972
Charged to equity	0	0	0	0
31 December 2020	**272 092**	**1 933 763**	**17 955 108**	**20 160 962**

(a) Relating to the adjustments to acquisition differences, according to Note 5.

19. Provisions for risks and charges

In the financial years 2020 and 2019, provisions for miscellaneous risks and charges evolved as follows (see Note 22.4).

	Pensions	Other risks and charges	Total
31 December 2018	**467 691**	**9 079 617**	**9 547 308**
Charged to results:			
- additional provisions	53 968	23 295 684	23 349 652
- reversal of provisions	-54 658	-19 340 966	-19 395 624
Exchange differences	0	-4 257	-4 257
Other changes	0	-177 188	-177 188
31 December 2019	**467 000**	**12 852 891**	**13 319 891**
Charged to results:			
- additional provisions	61 075	18 538 876	18 538 876
- reversal of provisions	-61 075	-8 404 629	-8 404 629
Exchange differences	0	-16 980	-16 980
Other changes	0	-2 664 765	-2 664 765
31 December 2020	**467 000**	**20 305 392**	**20 772 392**

Provision for pensions

As indicated in Notes 1.21.1 and 30.2, this heading presents the Efacec Group's liability for the payment of retirement pension supplements. The amount recorded corresponds to the valuation of the liability for defined benefits, reported on 31 December 2020. Several factors contribute to the determination of the liability, namely the evolution of wages and pensions. At the end of 2020, the Group consisted of 14 beneficiaries.

Provisions for other risks and charges

This heading mainly includes provisions for repairs and after-sales assistance, penalties, and negative deviations in works in progress. These situations correspond to problems under discussion with Clients related to the attribution of responsibilities and are subject to continuous analysis by the several Business Units where they occur. The provision is constituted or reinforced when there is a reasonable probability of an unfavourable outcome for the Group. On the other hand, the reversals of provisions correspond to their use as the respective expenses are recognized or the cancellation if the risks previously covered no longer exist.

In 2020, there was a significant reinforcement of provisions in ongoing projects Provisions were set up for in the amount of 18.5 million euros and provisions reversed in the amount of 8.4 million euros. The provisions set up in projects of the Environment Unit were reclassified to Liabilities in discontinuing activities.

There is no contingent liability of an environmental nature.

20. Income to be recognized.

	Notes	31.12.2020	31.12.2019
Invoicing to be recognized		51 195 351	48 181 471
Related to multi-annual contracts	*27*	*30 729 676*	*46 987 579*
Other activities		*20 465 674*	*1 193 893*
Investment grants		4 249 488	3 797 731
Exchange differences		1 654 475	2 074 680
Others		411 183	69 175
		57 510 496	**54 123 058**

The heading "Investment grants" contains amounts received from public entities as an incentive to investments of the Efacec Group. These amounts are recorded in this heading and recognized as gains in subsequent periods, according to the expense incurred and the useful life of the assets they financed.
The invoicing plans agreed with the Clients do not strictly correspond to the degrees of completion that end up being recognized in the works. The heading "Invoicing to be recognized" thus includes invoices issued, but not yet recognized in terms of the degree of completion of the respective works (Notes 1.16.3 and 32).
The exchange differences in the amount of 1.6 million euros refer to invoices issued to Clients by the subsidiary Efacec Angola, corresponding to differences of amount in payments made by these entities in kwanzas, and which aim to compensate Efacec for the exchange devaluation that occurred. Although the invoices issued are contractually covered, the company chose to defer the gain until the receipt of the invoiced amounts, as a precautionary measure.

21. Equity

21.1 Share capital

On 31 December 2020, the fully paid-up capital was represented by 61,789,850 common shares, with a par value per unit of 5 euros. The capital is divided between two shareholders, with the following distribution:

Entity	31.12.2020		31.12.2019	
	No. of shares	%	No. of shares	%
Parpública - Participações públicas, SGPS, S.A	44 319 256	71,73%		
Winterfell 2 Limited			44 319 256	71,73%
MGI Capital, SGPS, S.A.	17 470 594	28,27%	17 470 594	28,27%
Total	**61 789 850**	**100,00%**	**61 789 850**	**100,00%**

On 2 July 2020, the Portuguese State appropriated the shares held by Winterfell 2 Limited through the nationalization process. The 71.73% shareholding is held by Parpública – Participações Públicas, SGPS, S.A.

21.2 Issue premiums

Efacec Power Solutions has issue premiums on its own equity, originating from the capital increase carried out in October 2015 which resulted in the amount of 8 million euros. In 2017, by resolution of the General Meeting, EPS transferred the amount of 6,052,270 euros to the heading Reserves and Accumulated Results, to cover losses from previous financial years. The heading Issue Premiums has maintained, since that date, a balance of 1,947,730 euros.

21.3 Other equity instruments

This heading includes the remainder of the amount of additional paid-in capital made subject to the supplementary capital contributions system made in 2015, in the initial amount of 35,900,000 euros.
At the date of the financial statements of 31 December 2020 and 2019, this heading retains the amount of 11,490,052 euros, of which 9,421,698.34 euros held by the shareholder Parpública and 2,068,354.12 euros by the shareholder MGI Capital.

21.4 Reserves and accumulated results

This heading is mainly composed of the accumulated and undistributed annual results and, occasionally, of amounts entered directly to reserves, of a contractual or other nature.

21.5 Other accumulated comprehensive income

Conversion differences

Currency conversion reserves reflect the exchange rate changes that occurred in the translation of the branch offices' financial statements in a currency other than the euro, in the update of the net investment in the subsidiaries and in the update of goodwill and are not liable to be distributed or used to absorb losses.

The heading also includes exchange differences found in the Angola, Mozambique and Argentina branch offices in the long-term financing granted by the respective shareholder, considered, in the light of IAS 21, as equivalent to financial investments, and therefore has no defined repayment date.

21.6. Non-controlling interests

On 31 December 2020, the amount of non-controlling interests relates the component of equity attributable to minority shareholders in the entities that comprise the perimeter, as detailed in the table below:

	% of interests they do not control	31.12.2020	31.12.2019
Efacec Power Solutions Argentina, SA	0,05	211	23
UTE Efacec Bahía de Cádiz	50,00	0	7 779
XELA, AB	33,33	1 289	1 239
		0	0
		1 499	**9 041**

The variation in the year 2020 is explained in the following table:

	31.12.2020	31.12.2019
Initial balance	9 041	-194 278
Exchange differences	-240	199 887
Net profit/loss for the financial year	-27	39 480
Changes in the consolidation perimeter	504	-91
Other changes	-7 779	-35 958
Closing balance	**1 499**	**9 041**

22. Operating expenses and income

22.1 Supplies and external services

In the financial years ended 31 December 2020 and 2019, the main supplies and external services were the following:

	31.12.2020	31.12.2019
Subcontracting	44 464 853	46 565 518
Transport of goods	7 928 777	13 100 075
Leases and rentals	5 139 247	5 031 350
Travel and accommodation	4 051 777	8 367 264
Maintenance and repairs	2 727 591	2 663 773
Insurance	1 933 470	2 003 836
Electricity	1 669 470	2 056 500
Fast wearing tools and utensils	1 584 126	3 290 071
Surveillance and security	1 391 465	1 325 030
Fuel	1 118 227	1 840 920
Fees	1 000 413	666 204
Cleaning, hygiene and comfort	966 479	1 025 808
Advertising and publicity	786 651	2 689 166
Communication	772 978	1 126 272
Commissions	56 788	149 333
Other supplies and services	4 960 782	7 205 082
	80 553 093	99 106 202

Overall, the value of Supplies and External Services decreased by approximately 19% compared to the preceding year. The events of 2020 significantly affected the activity of the company and some types of variable expenses recorded decreases of more than 50%, in the case of travel, fees, advertising and commissions.

22.2 Expenses with contract terminations

The Efacec Group keeps the heading "Expenses with contract terminations", which shows the amounts incurred as compensation for termination of contracts, in its Income Statement. Formally, these amounts are constituted as expenses of an operating nature but have exceptional characteristics that should be autonomous. The fact that each compensation translates into a non-repeatable expense and takes on a non-recurring nature and with its own *pay-back* justifies the option of disaggregating it and presenting it in a separate heading in the income statement.

In 2020, approximately 0.5 million euros were recorded in this heading, compared with 1.3 million euros in the preceding year.

22.3. Amortization and depreciation

In the financial years 2020 and 2019, the heading Amortization and depreciation was detailed as follows:

	2020			2019		
	Tangible fixed assets	Intangible assets	Total	Tangible fixed assets	Intangible assets	Total
Amortization and depreciation for the financial year	6 969 063	8 710 540	15 679 602	6 820 337	5 918 162	12 738 499
Extraordinary amortization	0	0	0	0	3 610 176	3 610 176
Investment grants	-28 162	-631 304	-659 467	-28 169	-2 123 547	-2 151 716
Discontinued activities	-21 331	-3 817	-25 148	-37 649	-2 637	-40 286
Depreciation of assets under financial lease	145 540	0	145 540	46 440	0	46 440
Depreciation of assets under operating lease *(application of IFRS.16)*	3 033 076	0	3 033 076	3 234 432	0	3 234 432
Amortization and depreciation	**10 098 186**	**8 075 418**	**18 173 605**	**10 035 391**	**7 402 154**	**17 437 545**

22.4 Provisions and assets impairment

The following table shows the evolution in the various provisions and impairments headings and their reconciliation with the income statement.

2020	Assets impairment				Provisions	
	Tangible and intangible assets	Debt to be recognized		Stock and Inventory	Other risks and charges	Pensions
		Trade	Other debtors			
Financial Position:						
Balance at 31.12.2019	**534 230**	**17 415 780**	**5 729 117**	**352 701**	**12 852 891**	**467 000**
Increase	0	11 720 663	3 712 088	2 500 000	18 538 876	61 075
Reversal	0	-991 126	-68 348	0	-8 404 629	-61 075
Transfers and adjustments	0	-2 463 582	164 360	0	-2 664 765	0
Exchange differences	0	-1 100 881	-144 908	-75 431	-16 980	0
Balance at 31.12.2020	**534 230**	**24 580 854**	**9 392 309**	**2 777 270**	**20 305 392**	**467 000**

In the Financial statements:

Provisions and impairments	23 159 355
Discontinuing operations	3 821 276
Asset decrease	26 891

The “Transfers and adjustments” mainly include provisions set up in projects of the Environment Unit that were reclassified to Results of discontinued operations. This heading also includes impairment reductions of approximately 0.6 million euros to offset the derecognition of balances receivable from Clients declared insolvent, which are no longer part of the Group's assets.

The comparative amounts for 2019 were as follows:

2019	Assets impairment				Provisions	
	Tangible and intangible assets	Debt to be recognized		Stock and Inventory	Other risks and charges	Pensions
		Trade	Other debtors			
Financial Position:						
Balance at 31.12.2018	**0**	**23 499 408**	**5 240 397**	**506 707**	**9 079 617**	**467 691**
Increase	534 230	2 864 792	665 491	0	23 295 684	53 968
Reversal	0	-5 484 335	-124 013	-95 625	-19 340 966	-54 658
Transfers and adjustments	0	-3 112 020	181 939	0	-177 188	0
Exchange differences	0	-352 064	-234 698	-58 381	-4 257	0
Balance at 31.12.2019	**534 230**	**17 415 780**	**5 729 117**	**352 701**	**12 852 891**	**467 000**

In the Financial statements:

Provisions and impairments	23 747 550
Operating expenses/income	-18 590 725
Discontinuing operations	1 950 767
Asset decrease	-5 122 052
Equity	329 028

22.5 Other operating expenses and income

The Efacec Group records under the headings “Other operating expenses” and “Other operating income”, results of different natures that, while not being part of the operations that are the object of the company and its turnover, are, however, essential to the activity or result from it.
The main amounts of these headings are as follows:

Other operating expenses	**31.12.2020**	**31.12.2019**
Contractual fines and penalties	4 376 015	1 277 011
Non-deductible taxes	339 482	901 620
Contributions	113 996	124 208
Remunerations of interns	165 395	1 070 517
Other operating expenses and losses	1 151 891	219 871
	6 146 779	**3 593 227**

Other operating income	**31.12.2020**	**31.12.2019**
Favourable exchange differences	1 136 315	3 710 385
Research and development grants	1 096 956	1 269 701
Works for the company	5 741 401	14 628 908
Services charged to MGI Capital	1 460 736	6 249 266
Other operating income and gains	4 956 221	3 984 193
	14 391 630	**29 842 453**

- *Net operating exchange differences*

The Efacec Group records, as operating results, the determination of exchange differences resulting from the purchase and sale operations because they arise from its regular activity, according to the policy established within the Group. In the financial year 2020, the Group recorded, in net terms, 1.1 million euros of favourable exchange differences, recorded under the heading “Other operating income”, against 3.7 million euros recorded in 2019.

- *Works for the company*

The heading "Works for the company" includes amounts related to research and development activities in the several Business Units, when, complying with the regulatory requirements, they are subject to capitalization. The investment activity also includes the participation of internal teams in product homologation and certification

projects, in the development of new processes and in information systems, namely in the implementation of the new SAP ERP in some of the Group entities. In 2020, work for the company in terms of intangible assets amounted to approximately 5.4 million euros.

- *Research and development grants*

This heading relates to the recognition of the incentives attributed to the Group for research and development activities within the programs available to companies, essentially Portugal 2020 and Horizon 2020. The amounts recorded in this heading offset the amounts recorded as expenses in R&D activities, to the extent of the percentage of incentive allocated and contracted in each project.

- *Services charged to MGI.*

The amounts recorded as Income and operating gains in 2020 and 2019 refer essentially to amounts to be charged to MGI Capital, under the terms of the Transition Agreement signed between EPS and MGI Capital on 23 October 2015. The agreement provides that EPS transfers to MGI all positive or negative impacts on the Group's results from a set of well-identified entities/projects (called "non-core") that remain within Efacec's consolidation perimeter until their completion or extinction. These amounts are neutralized in the income statement by accrual in the year in which they are generated and invoiced in the following year after the accounts are closed.

23. Financial results

Financial losses and gains

	31.12.2020	31.12.2019
Interest paid	-6 084 315	-4 390 450
Lease liabilities charges	-328 981	-330 234
Unfavourable exchange differences	0	-253 894
Other financial expenses and losses	-3 670 500	-5 603 188
Total Financial Losses and Expenses	**-10 083 796**	**-10 577 766**
Interest obtained	76 203	401 162
Favourable exchange differences	100 456	0
Other financial income and gains	92 961	2 801
Total Financial Gains and Income	**269 620**	**403 963**
Financial Expenses - net	**-9 814 176**	**-10 173 803**

Overall, in 2020, net financial expenses decreased by 3.5%. Some components of expenses in opposite directions contributed to this result. On the one hand, borrowing costs were increased by 1.7 million euros, which essentially result from the nominal growth of average debt in 2020 when compared to the average debt in 2019. The new financing of 50 million euros taken out in August 2020, which later evolved to 60 million euros, contributed to this evolution. Conversely, the heading Other financial expenses and losses decreased by approximately 2 million euros, due to less use of factoring operations without recourse (-1 million euros) and losses recorded in derivative financial instruments to hedge risk exchange rate (-0.6 million euros).
It should be noted that the heading Other financial expenses and losses includes: (a) 1.5 million euros in bank guarantee commissions of a financial nature, (b) 0.4 million euros in invoice discounting commercial operations, (c) 0.5 million euros in banking and financial intermediation services and (d) 0.7 million euros of expenses related to amortized cost. The remaining amount is divided between expenses with credit insurance, stamp duty, charges for confirming operations and early payment discounts granted.

24. Corporate income tax

In Portugal, annual income statements are subject to review and possible corrections by the tax authorities, for a period of four years. However, if tax losses are presented, they may be subject to review and liquidation by the authorities for a maximum period of ten years. In the remaining countries where the Efacec Group operates, the deadlines are different, as a rule, longer.

The tax estimated in the consolidated Income Statement is as follows:

	Notes	31.12.2020	31.12.2019 Restated	31.12.2019 Published
Current tax		2 075 478	2 773 423	2 773 423
Deferred tax	18	-18 112 323	-8 059 176	-8 059 176
Tax estimate		-16 036 845	-5 285 753	-5 285 753
Insufficient tax estimate from preceding financial years		185 588	-7 249	-7 249
Deferred tax from previous years	18	-1 857 218	5 661 303	5 661 303
Corporate income tax		**-17 708 475**	**368 301**	**368 301**

Note: The 2019 restatement had no effect on the tax estimate

The tax rate reconciliation is as follows:

	Notes	31.12.2020	31.12.2019 Restated	31.12.2019 Published
Result of continued operations		-83 747 542	-21 286 007	-21 745 027
Theoretical tax rate	(a)	21,00%	21,00%	21,00%
Theoretical tax		-17 586 984	-4 470 062	-4 566 456
Expenses not accepted for tax purposes		1 360 015	787 782	787 782
Tax credits		-69 480	-137 406	-137 406
Provisions without IDA recorded		463 809	150 966	150 966
Autonomous Taxation		896 627	893 772	893 772
Tax difference in branches		697 085	762 693	762 693
Rate difference in foreign subsidiaries		-1 369 229	-35 888	-35 888
Tax and AID not recorded in the year in foreign subsidiaries		2 688 710	-212 487	-212 487
Tax benefits generated and not used		-1 300 000	-1 242 591	-1 242 591
Others		-211 737	-358 269	-261 875
Discontinuing operations		-1 605 661	-1 424 262	-1 424 262
Corporate income tax for the period		-16 036 845	-5 285 753	-5 285 753
Effective tax rate		*19,15%*	*24,83%*	*24,31%*

a The theoretical rate presented takes into account the estimate of tax results of the RETGS (Special Taxation Regime for Groups of Companies) dominated by EPS (on which the application of surcharges depends).

The consolidated income tax reconciliation is presented below:

	Notes	31.12.2020	31.12.2019 Restated	31.12.2019 Published
Current:				
Tax from previous years Excess / Insufficiency		185 588	-7 249	-7 249
Period estimate	(1)	2 075 478	2 773 423	2 773 423
Corporate income tax - Current		**2 261 066**	**2 766 174**	**2 766 174**
Deferred:				
Use of tax losses	(2)			
Period estimate		-14 735 174	-4 572 418	-4 572 418
Adjustment to the preceding period's tax estimate		-328 930	146 403	146 403
		-15 064 104	-4 426 015	-4 426 015
Tax benefits	(3)			
Period estimate		-1 300 000	-1 209 516	-1 209 516
Adjustment to preceding financial years		-1 199 070	5 514 900	5 514 900
		-2 499 070	4 305 384	4 305 384
Deferred tax associated with provisions				
Period estimate		-1 692 404	-845 059	-845 059
Adjustment to preceding financial years		-309 013	0	0
		-2 001 416	-845 059	-845 059
Deferred tax associated with tangible and intangible assets	(4)			
Period estimate		-384 745	-1 432 184	-1 432 184
Adjustment to preceding financial years		-20 205	0	0
		-404 950	-1 432 184	-1 432 184
Corporate income tax - Deferred		**-19 969 541**	**-2 397 873**	**-2 397 873**
Tax estimate		**-17 708 475**	**368 301**	**368 301**

Notes:

1) Current tax in companies that are part of RETGS (Special Taxation Regime for Groups of Companies) relates essentially to autonomous taxation. The tax in foreign branches and branch offices is calculated based on the tax rates in force in the geographies in which they are located.

2) Additionally, the EPS Group recognizes deferred tax assets on tax losses estimated in the year (14.7 million euros) to the extent that the respective tax benefit is likely to be used through the existence of future taxable profits.
3) The deferred tax adjustment related to investment tax benefits is based on the existence of estimates made in previous financial years, which were adjusted during the validation of the access requirements carried out, namely, by the certifying entities.
4) Deferred tax associated with tangible and intangible assets relates to i) the revaluation of production equipment in 2014, when EPS acquired its subsidiaries (the amount indicated is the reversal of the deferred tax liability corresponding to depreciations recognized in the period), and ii) reversal of deferred tax asset recognized by accelerating depreciation/amortization in addition to those accepted for tax purposes.

25. Earnings per share

Basic

Basic earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of common shares issued during the year, excluding any own shares held by EPS (Note 21).

	31.12.2020	31.12.2019 Restated	31.12.2019 Published
Profit attributable to equity holders	-73 426 521	-28 475 987	-28 935 007
Weighted average number of common shares issued	61 789 850	61 789 850	61 789 850
Basic earnings per share (euros per share)	-1,19	-0,46	-0,47

Diluted
Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares, to incorporate the effects of the conversion of all potential diluting common shares, if any. In the financial years 2020 and 2019 there were no dilutive effects.

26. Dividends per share
In the financial year 2020, Efacec Power Solutions did not pay dividends to its shareholders.

F. Segment Reporting

27. Reporting by activity segment
The Efacec Group has a functional structure based on business segments. This structure is used in daily management for the purposes of performance analysis and decision making.

Business segment
Business segment is a distinguishable component of the Efacec Group, involved in providing an individualized product or service, and which is subject to risks and returns other than those of other business segments.

The Efacec Group has its business structure organized, on a worldwide basis, into seven segments, which it calls Business Units:

- Transformers
- Service
- Switchgear
- Automation
- Energy
- Transport
- Electric Mobility

The Group also has the Environment and Industry Business Unit, which in 2019 ceases to contribute to Efacec's activity indicators, following the decision to dispose of this Unit (Note 4.3)
The tables also include a heading called “Other unallocated and adjustments” that groups the assets assigned to the corporate centres and the deletions corresponding to internal operations.

Geographic segment
Currently, EPS does not use the concept of geographic segment in its management information. However, given that it is a strongly exporting Group, it maintains the logic of reporting by country of destination of its products or services.
The relevant markets for this purpose are identified with countries or regions where the Efacec Group keeps recurring activity, including markets where it has its own structures and other markets where it maintains important Clients through its commercial network.
The Efacec Group's main activity indicators are shown below broken down by the business areas identified above.
The transfers or transactions between segments are carried out under normal commercial terms and under conditions applicable to independent third parties.

27.1 Information by business segment

The financial information by business segments for the financial years ended 31 December 2020 and 2019 related to sales and provision of services and with the formation of results, is analysed as follows:

Sales and provision of services	Transformers	Service	Switchgear	Automation	Energia	Transport	Electric Mobility	Others unallocated and adjustments	Total
2020	51 930 304	12 043 273	24 154 616	29 050 352	49 884 604	36 591 153	23 181 785	-10 789 531	216 046 556
2019 Restated	111 023 951	18 822 131	60 360 181	52 780 608	57 459 988	36 020 707	42 377 831	-23 751 329	355 094 068
2019 Published	113 421 819	18 822 131	60 399 172	50 376 610	57 459 988	36 020 707	40 819 721	-23 751 329	353 568 818

Results	Notes	Transformers	Service	Switchgear	Automation	Energia	Transport	Electric Mobility	Others unallocated and adjustments	Total
2020										
EBITDA		**-20 685 609**	**-2 484 327**	**-9 357 645**	**-3 399 863**	**-6 459 153**	**1 409 990**	**-2 056 369**	**10 432 572**	**-32 600 406**
Amortization and depreciation		-2 577 236	-202 717	-3 765 794	-1 840 226	-65 837	-294 597	-1 024 285	-8 402 913	-18 173 605
Provisions and assets impairment		-5 214 619	-199 240	-948 813	-4 675 315	-9 770 261	-803 271	-335 693	-1 212 142	-23 159 355
Operating income		**-28 477 464**	**-2 886 284**	**-14 072 252**	**-9 915 404**	**-16 295 252**	**312 121**	**-3 416 347**	**817 516**	**-73 933 366**
Net financial expenses	23	-1 661 387	-20 529	-976 462	-1 156 468	-933 041	-149 243	-32 300	-4 884 746	-9 814 176
Losses/gains in assoc./particip.		0	0	0	0	0	0	0	0	0
Result before taxes		**-30 138 851**	**-2 906 813**	**-15 048 714**	**-11 071 872**	**-17 228 293**	**162 877**	**-3 448 647**	**-4 067 229**	**-83 747 542**
Corporate income tax	24									17 708 475
Results from discontinuing operations										-7 387 481
Net profit/loss for the financial year										**-73 426 548**
Attributable to:										
Shareholders										-73 426 521
Non-controlling interests										-27
2019 Restated										
EBITDA		**-1 260 465**	**916 332**	**4 132 705**	**5 453 640**	**3 466 582**	**7 022 704**	**5 301 203**	**5 178 191**	**30 210 891**
Amortization and depreciation		-3 363 626	-256 787	-3 831 903	-1 366 626	-76 530	-186 435	-623 924	-7 731 714	-17 437 545
Provisions and assets impairment		-5 543 587	-1 011 794	-381 294	-3 538 352	-8 152 243	-1 228 768	-3 355 571	-535 941	-23 747 550
Operating income		**-10 167 679**	**-352 249**	**-80 491**	**548 662**	**-4 762 191**	**5 607 501**	**1 321 708**	**-3 089 464**	**-10 974 204**
Net financial expenses	23	-1 827 645	-63 327	-1 200 455	-891 753	-1 049 981	-109 773	-141 374	-4 889 493	-10 173 803
Losses/gains in assoc./particip.		0	-35 501	0	0	0	0	0	-102 500	-138 001
Result before taxes		**-11 995 324**	**-451 077**	**-1 280 946**	**-343 092**	**-5 812 173**	**5 497 728**	**1 180 333**	**-8 081 457**	**-21 286 007**
Corporate income tax	24									-368 301
Results from discontinuing operations										-6 782 198
Net profit/loss for the financial year										**-28 436 507**
Attributable to:										
Shareholders										-28 475 987
Non-controlling interests										39 480
2019 Published										
EBITDA		**-98 421**	**916 332**	**3 763 224**	**4 852 817**	**3 466 582**	**7 022 704**	**4 650 444**	**5 178 191**	**29 751 871**
Amortization and depreciation		-3 363 626	-256 787	-3 831 903	-1 366 626	-76 530	-186 435	-623 924	-7 731 714	-17 437 545
Provisions and assets impairment		-5 543 587	-1 011 794	-381 294	-3 538 352	-8 152 243	-1 228 768	-3 355 571	-535 941	-23 747 550
Operating income		**-9 005 635**	**-352 249**	**-449 972**	**-52 162**	**-4 762 191**	**5 607 501**	**670 948**	**-3 089 464**	**-11 433 223**
Net financial expenses	23	-1 827 645	-63 327	-1 200 455	-891 753	-1 049 981	-109 773	-141 374	-4 889 493	-10 173 803
Losses/gains in assoc. /particip.		0	-35 501	0	0	0	0	0	-102 500	-138 001
Result before taxes		**-10 833 280**	**-451 077**	**-1 650 427**	**-943 915**	**-5 812 173**	**5 497 728**	**529 574**	**-8 081 457**	**-21 745 027**
Corporate income tax	24									-368 301
Results from discontinuing operations										-6 782 198
Net profit/loss for the financial year										**-28 895 527**
Attributable to:										
Shareholders										-28 935 007
Non-controlling interests										39 480

The following table shows the amounts of the statement of financial position broken down by business segment, as well as the breakdown of investments made in the period.

	Notes	Transformers	Service	Switchgear	Automation	Energia	Transport	Electric Mobility	Others unallocated and adjustments	Total
2020										
Total assets		152 353 152	27 046 356	51 317 668	86 507 627	142 381 405	60 361 104	40 203 130	67 581 384	**627 751 826**
Investments	5 and 6	1 068 313	50 529	2 000 840	1 723 138	3 812	1 073 281	1 972 525	1 479 452	**9 371 890**
2019 Restated										
Total assets		176 454 314	28 690 762	82 020 555	77 471 258	169 530 301	64 065 914	45 624 710	70 715 317	**714 573 130**
Investments	5 and 6	6 845 087	-60 451	6 215 745	6 178 750	50 835	1 014 894	1 578 953	8 255 047	**30 078 860**
2019 Published										
Total assets		190 136 019	29 543 789	84 940 054	75 970 962	169 530 224	64 065 914	47 229 418	70 729 394	**732 145 772**
Investments	5 and 6	6 845 087	-60 451	6 215 745	6 178 750	50 835	1 014 894	1 578 953	8 255 047	**30 078 860**

The segment assets mainly include tangible and intangible assets, stock and inventory, accounts receivable and cash and cash equivalents. Investments comprise, for the periods mentioned, the additions to tangible and intangible assets (Notes 5.1 and 5.2).
As mentioned before, the amounts referred to as "Other unallocated" correspond to the assets assigned to the corporate centres.

27.2 Information by geography

In terms of geography, the Efacec Group analyses sales, and services from the perspective of the destination markets.
The breakdown of sales and provision of services by destination market for the financial years ended 31 December 2020 and 2019 is as follows:

	31.12.2020	31.12.2019 Restated	31.12.2019 Published
Portugal	78 036 753	86 405 602	86 651 543
United States	11 087 253	40 296 427	39 688 027
Spain	16 066 561	33 128 008	32 127 873
Magreb	6 459 123	28 391 417	25 359 884
United Kingdom	12 731 281	23 077 780	24 100 461
France	13 982 285	17 761 527	19 374 719
Denmark	10 484 192	14 925 793	14 871 692
Angola	2 642 758	13 723 100	12 798 571
The Netherlands	4 629 437	12 530 161	12 876 463
Central Europe	8 060 613	12 407 460	12 082 127
Chile	8 159 118	11 109 672	10 291 309
Middle East	3 245 228	4 964 380	9 908 038
Germany	2 049 333	10 907 209	8 303 456
Argentina	1 304 073	4 091 792	5 064 572
Ireland	4 253 908	3 948 574	3 776 650
Mozambique	6 839 476	1 145 985	1 104 685
Other Markets	26 015 165	36 279 180	35 188 749
Total	**216 046 556**	**355 094 068**	**353 568 818**

G. Other Notes

28. Transactions and balances with related parties

The scope of this note is the disclosure of transactions and balances between the Efacec Group, formed by Efacec Power Solutions and its subsidiaries, and entities classified as related parties. Related parties are the Associate companies, Shareholders and Directors. The "Shareholders" category includes the entities in which the

shareholders hold a relevant position, with influence on decision making, as well as the entities participating in the direct shareholders.
Transactions and balances between Group companies which were eliminated in the consolidation process are not disclosed.

28.1 Transactions carried out in 2020 and 2019.

	Notes	31.12.2020	31.12.2019
Current transactions:			
- Group Companies			
Operating income and gains		196 701	0
- Shareholders			
Sales and provision of services		977 951	145 168
Operating income and gains	20.4	1 460 736	6 249 266
Operating expenses and losses		13 974	0
Financial expenses and losses		0	85 080
		2 621 414	6 309 354

The commercial conditions in these transactions are identical to those for independent third parties.
The amounts recorded as "operating income and gains" in 2020 and 2019 relate essentially to amounts to be charged to MGI Capital, under the terms of the Transition Agreement signed between EPS and MGI Capital on 23 October 2015. The agreement provides for EPS to be repaid for all expenses incurred with a set of well-identified entities/projects that remain within Efacec's consolidation perimeter.

28.2 Closing balances with related parties

The Efacec Group's assets and liabilities balances included in the different headings of the Consolidated Statement of Financial Position, and that refer to related parties, are as follows:

	Notes	31.12.2020	31.12.2019
Debts of related parties:			
- Group Companies			
Current loans		41 111	0
Other debtors	10	52 919	0
Other debtors - impairment		-52 919	0
- Shareholders			
Current loans		724 605	724 605
Trade	10.1	600 047	1 108 896
Clients - impairment		-11 878	-11 878
Other debtors	11	19 571 462	12 658 132
Other debtors - impairment	11	-4 575 567	-4 575 567
- Associate Companies			
Other debtors	11	37 588	34 755
		16 387 367	9 938 942
Debts to related parties:			
- Shareholders			
Suppliers	14.1	1 062 616	1 312 579
Other creditors	15	9 036 697	8 807 713
		10 099 314	10 120 292
Total net		6 288 054	-181 350

The main variation from 2019 to 2020 is in the heading Other debtors, is mainly due to the issue of an invoice of approximately 6.3 million euros to MGI Capital. This amount essentially corresponds to the accrued income recorded in 2019 related to the ACE Ensul Meci-Efacec CGC tax proceeding, invoiced to MGI Capital in 2020 (as provided for in the agreement between the parties), related and articulate, as at the time of enforceability, with the outcome of the tax litigation (years 2013 and 2014) in the Hierarchical Appeal and/or Judicial Challenge phase, which is carried out under the informed and joint management of both entities and also considering the nature of the underlying ACE. In this proceeding, tax credits from the Efacec Group were consumed. EPS understands that the negative economic impacts on EPS's assets derived from the activity of Ensul Meci ACE are attributable to MGI Capital. The amount debited to MGI will be due to EPS in the event of an unfavorable outcome of the aforementioned court proceedings, after the final and unappealable transit of the respective decisions. If the outcome of the tax proceeding is favorable, the Efacec Group will recover the tax credits and other expenditures consumed in the said proceeding. Other debtors' impairment relates to an old balance with Liaoyang - Efacec Eletrical Equipment, which was a subsidiary of the Efacec Group until 10.23.2015, in the amount of 4.6 million euros (Note 11). The amounts with Group Companies reflect balances with 3 entities that were not included in the consolidation perimeter.

28.3 Detail by entity of balances with related parties

The breakdown of assets and liabilities balances presented above by entity is as follows:

		31.12.2020		31.12.2019	
	Notes	Loans	Account	Loans	Account
Group Companies					
Elecnor Consortium		0	52 919	0	0
Greece Branch /EN		16 701	0	0	0
Sweden Branch /EG		24 409	0	0	0
		41 111	52 919	0	0
Impairment			-52 919	0	0
		41 111	0	0	0
Shareholders					
Parpública Group		0	71 315	0	0
MGI Capital Group		724 605	10 000 881	724 605	3 646 736
Impairment		0	-4 587 445	0	-4 587 445
		724 605	5 484 751	724 605	-940 709
Associate Companies					
Ensul Meci-Efacec, Cogeração do Porto, CGc		0	37 588	0	34 755
		0	37 588	0	34 755
Totals		765 715	5 522 338	724 605	-905 954
Total net			6 288 054		-181 350

The balances with MGI Capital on 31 December 2020 show amounts receivable, net of impairments, of approximately 16.2 million euros, including loans and current balances, and amounts payable of approximately 10.1 million euros, including additional paid-in capital to be repaid of approximately 7.7 million euros (Note 21.3) by resolution of the Annual General Meeting held on 24 April 2018.

28.4 Obligations and contingencies with related parties

There are no purchase commitments or contingent liabilities relating to related parties.

28.5 Remunerations of the Board of Directors

In the financial years 2020 and 2019, the Board of Directors of Efacec Power Solutions earned the following remunerations:

	31.12.2020	31.12.2019
Fixed remunerations	1 623 362	1 623 362
Variable remunerations	77 609	77 609
Others	95 667	95 667
	1 796 638	1 796 638

29. Contingencies

Contingent assets and liabilities resulting from contractual disputes.

Contingent liabilities related to projects with registered occurrences/incidents.
(does not include the litigation component)
Projects with registered occurrences / incidents registered in view of the fulfilment of the contractual conditions and compliance with the execution in relation to the planned are assessed in terms of the potential outflow considering the probability of occurrence and the potential impact based on the methodology defined internally. This methodology incorporates technical, legal, historical, and judgemental considerations, in a context of high risk and uncertainty.
Efacec Energia, in addition to the duly provisioned situations, does not present contingent liabilities considered material related to projects where there have been occurrences/incidents under management in the normal scope of the business.

Contingent liabilities related to projects that are under litigation.
Litigation projects are assessed for the likelihood of occurrence, as well as the potential impact, and are classified as contingent liabilities those where there is no probable unfavourable outcome or significant uncertainty in their measurement, which is why no provision is recognized in the balance sheet.
The amounts of contingent assets and liabilities resulting from contractual, judicial and tax disputes in which the company is involved are shown.

- BLIDA Military Hospital

This is a lawsuit brought by the Lena Group against Efacec Algérie, in the approximate amount of 950,000 euros (DZD 122,667,197 + DZD 10,000,000), which has already been dismissed due to the court's incompetence. However, Grupo Lena has filed an appeal which is currently being judged. The reason for the request is the non-fulfilment of the subcontracting contract by the Efacec/Sital consortium in connection with the construction of a hospital in Blida. Efacec claims, within the scope of the same lawsuit, compensation for work performed and expenses incurred in connection with the execution of the project. There are no bank guarantees associated. Considering the judicial decision already pronounced, it was not considered necessary to set up any provision.

- Elektron (507)

This is a lawsuit in which the Plaintiff claims from Efacec Energia and Efacec Power Solutions the global amount of 1,752,412 euros related to supplies partly delivered, partly manufactured, but not delivered, and material purchased and in stock due to orders that ended up not being executed. A counterclaim was made in the lawsuit in the amount of 829,642 euros relating to penalties for delay and repair costs for defects in supplies according to the contract. It was also requested to offset the amount that may be granted in the counterclaim with the amount that may be recognized to the Plaintiff. Written phase prior to the probationary phase. The amountsrelated to the manufactured and delivered material are already recorded as liabilities in the Suppliers account, and for the remainder, Efacec believes, based on the legal assessment of the case, that there will be a favourable outcome for its claims, which is why the Company does not set up any additional provision.

- CPTM/STM

The contingency with CPTM/STM, which has been reported by Efacec since 2014, relates to the contract for the renovation of the signalling of several lines of the railway system in the State of Sao Paulo, in Brazil, signed between

the Brazilian company CPTM and the consortium Union Switch & Signal Internacional Co. and Efacec Engenharia e Sistemas. This contract was terminated, with just cause, by the Consortium, on 24 November 2014.
Following this termination, the Consortium submitted a request for compensation in the amount for the payment of works performed and equipment already manufactured, as well as an amount related to the financial rebalancing of the contract. In November 2016, the client CPTM/STM filed a counter claim for compensation claiming the reimbursement for costs incurred with equipment and the payment of penalties.
On 30 June 2017, the Consortium initiated an Arbitration Procedure under the jurisdiction of the International Chamber of Commerce to settle this dispute. The Arbitration Court was formally constituted in March 2018 in Sao Paulo. The Consortium of which Efacec Engenharia is a part claims from CPTM/STM an amount of approximately 180 million reais, plus 30 million American dollars and 1 million euros. CPTM/STM counter claimed from the Consortium a compensation of approximately 340 million reais.
During 2020, issues related to the appointment of experts and scope of expert appraisals to be carried out, as well as procedural questions about the separate analysis of the different requests that make up the process, with a first partial judgement expected during the first quarter of 2021.
Given the probabilities of receiving each of the complaints submitted, there is no need to set up any provision. On the other hand, and under the terms of the Transition Agreement signed between EPS and MGI Capital on 23.10.2015, the EPS Group has the right of recourse regarding MGI Capital, on any liabilities that it may have to take on in the context of this judicial dispute.

- Tovisi

In Mozambique there is a lawsuit filed by the company Tovisi Moçambique, a subcontractor to Efacec Mozambique in an engineering project in Maputo. Divergences regarding the conduct of the work led to the termination of the contract by Efacec Mozambique due to contractual breach by Tovisi Moçambique. Following the resolution, Tovisi Mozambique filed a lawsuit seeking compensation of 78,758,069 MZM (approximately1.6 million euros). Efacec Mozambique fully challenged the claim for damages and filed a counterclaim for approximately 75 thousand euros. The proceeding is pending a judicial decision, with Efacec Mozambique believing in a favourable outcome.

- Mundotérmica

This is a 2017 lawsuit in which the Plaintiff, Mundotérmica - Sociedade Térmica, SA, demands Efacec Energia to pay the amount of 526,266.00 euros, for alleged losses caused by defective repairs carried out by the Servicing Business Unit in a Mundotérmica mechanical equipment in January 2016. Efacec challenged and rejected the Plaintiff's requests and claimed the payment of invoices related to the services provided and not paid by the Plaintiff, in the amount of 63,837.00 euros and additional costs in the amount of 42,004.72 euros. Following what was claimed by Efacec in the challenge, the Plaintiff requested the intervention caused by a third entity, the company Caterpillar Energy Solutions, S.A. The lawsuit is already in the decision-making phase.

- Parklake

This is a lawsuit brought in August 2018 at the Bucharest Court, Romania, against Efacec Central Europe (a company under Romanian law) and Efacec Power Solutions, by Parklake Shopping, S.A., a company also under Romanian law, related to a contract for the construction of an electrical substation dedicated to the Shopping, signed in July 2015 between the two companies under Romanian law. The court ruled that Efacec Power Solutions SGPS was an illegitimate party to the lawsuit, and therefore the lawsuit remains against Efacec Central Europe only.
Parklake claims the payment of a compensation of approximately 4.6 million euros (at the current exchange rate) for the damages incurred because of non-compliance with the contractual deadlines for completion of the work, attributing the responsibility to Efacec Central Europe. Efacec contested all requests from Parklake Shopping S.A., considering that the delays in the execution of the work are not attributable to it, but to third parties, including Parklake itself, and that the contractually foreseen liability limitations must be maintained. As a result, Efacec filed a counterclaim, claiming from Parklake Shopping the payment of approximately 500,000 euros, corresponding to the amount of bank guarantees executed by Parklake Shopping, prior to the date of the filing of the lawsuit, in the approximate amount of 350,000 euros and invoices not paid by Parklake in the amount of approximately 150,000 euros, as well as the legal costs incurred by Efacec to defend the case. The proceeding has already bone through the witnesses' inquiry phase and is now in the phase of carrying out technical examinations.

- Bouaghi

The contingency relates to a contract for the construction of a water treatment plant in the city of Bouaghi in Algeria. The Client ONA terminated the contract on 8 January 2017 due to delays in carrying out the work. The works under Efacec's responsibility had been carried out in a timely manner until that date, and therefore the company considers that it has no responsibility for the facts alleged by ONA for the termination of the contract. ONA submitted to the Consortium a proposal for closing accounts in which it claimed a total compensation in the amount of 1.8 million euros at the current exchange rate, having subsequently executed the bank guarantees that Efacec had provided, as a member of the Consortium, in the global amount of approximately 1 million euros. Efacec, as a member of the Consortium, rejected the account closure report and presented its reservations regarding those accounts, having also assigned to its consortium partner, the company Hidro-Traitment Enterprise Publique Economique, SA, the full responsibility for non-compliance and termination of the contract. Efacec took the necessary steps for the judicial claim of the losses incurred.

- GeoEnergia

This is a lawsuit in the State of São Paulo, Brazil, brought by the company GeoEnergia Soluções de Sistemas de Energia, Lda., which claims from Power Solutions Brasil, (PSB) an entity belonging to the EPS Group, the subsidiary payment of a debt of the entity EDB - Engenharia do Brasil, Ltda., in the amount of approximately 530,000 euros. In the first decision, the Court found that Power Solutions Brasil is an illegitimate party to the lawsuit and cannot be held liable in the alternative for the debt of EDB - Engenharia do Brasil, Ltda. (EDB), having excluded PSB from the lawsuit. This decision was subject to appeal filed by GeoEnergia, which is awaiting a decision by the Supreme Court of Justice. Efacec considers that the materialization risk of this contingency is low, either because it has already been acquitted in a first and second decision, or because it has, in the event of a contrary outcome, a right of recourse over EDB regarding this contingency.

- ACS

In May 2020, Advanced Control Systems, Inc. filed a lawsuit against Efacec Engenharia e Sistemas, SA at the Technology and Construction Court, High Court of Justice of England and Wales, London, claiming the payment of USD 1,714,212.28 resulting from the supply contract, by ACS, of the Distribution Automation System (DAS), contracted by Efacec Engenharia under the contract for the modernization of the electricity distribution system in the city of Bangalore, India, signed between Efacec Engenharia and Bangalore Eletricity Supply Company Ltd. (BESCOM). The amount requested by ACS relates to invoices issued, but not paid by Efacec and amounts contractually provided for but not yet invoiced by ACS. Efacec Engenharia challenged by alleging that part of the petitioned amount is not due and filed a counterclaim claiming compensation from ACS up to the total amount of 16,827,645.30, for several contractual defaults and defective compliance, including the delay in the execution of the project, compensation that must be offset against the amount petitioned by ACS. During the year 2020, and because of the impacts of the Covid-19 pandemic in England, it was only possible to finish the phase of preparation of written documents of the lawsuit, and in 2021 the phase of probative and expert investigations should begin. Already in February 2021, ACS announced its intention to add to its initial petition a claim for damages in the amount of USD 7,375,837 for damages incurred due to delays in the execution of the project and which it considers to be the responsibility of Efacec. Efacec objected to the admission of this additional request. The values of the initial order that Efacec did not challenged are already recorded as liabilities in the suppliers account, and for the remainder, Efacec believes, based on the legal assessment of the case, that there will be a favourable outcome for its claims, which is why the Company does not set up any additional provision.

30. Obligations

30.1 Guarantees provided.

The Efacec Group has contingent liabilities related to bank guarantees and other contingencies related to its business. Bank guarantees are mainly related to projects and orders received and the beneficiaries are the Efacec Group Clients.

The following table shows the volume of bank guarantees, distributed by:

a) financial guarantees, which mainly include guarantees issued in favour of Clients to receive advances, amounts related to contractual retentions and stand-by letters of credit, and
b) other guarantees mainly guarantee for tenders and supply and performance guarantees.

	31.12.2020	31.12.2019
Financial guarantees	47 660 602	48 524 155
Other guarantees	131 314 903	152 237 784
Total	178 975 505	200 761 940

It is not expected that these guarantees will result in significant liabilities, except for guarantees relating to projects in which there are relevant contingencies (Note 29).

30.2 Pensions

In the Efacec Group, there are benefits attributed with supplementary retirement pensions, as described in Note 1.21.1.
The existing cases are managed internally and are subject to periodic appraisal by specialized and independent entities, the future liability being presented in the statement of financial position under the heading "Provision for pensions" (Note 19) and corresponds to the current value of the liabilities for benefits defined at the closing date of accounts. On 31 December 2020, 14 people received this benefit. At the end of the financial year, the provision for the Group's future liability was 467 thousand euros.

31. Joint agreements

The Efacec Group has interests in joint operations and joint ventures, which take the legal form of Complementary Groupings of Companies (CGC) (Note 1.2). These entities were created and carry out their activity in compliance with contracts with Clients, inherent to the Service, Energy, Environment and Transport business units.
The following table provides information on the main indicators for each of the joint operations included in the Efacec Power Solutions accounts in 2020. The indicators relate to the amounts of assets, equity, and total income, and correspond to the entities' social accounts, expressed in euros, before the application of integration fees.

Joint Agreements	Head office	%	Method	Assets	Equity	Total Income
Siemens, Suez e Efacec - Serviços Manutenção, ACE	Amadora	33,0%	PRO	198 222	0	202 933
UTE Efacec Engenharia SA y Cemesa SL	Tenerife / Spain	100,0%	PRO	194 295	194 295	0
Ensul Meci-Efacec, Cogeração do Porto, ACE	Almada	100,0%	MEP	393 700	-577 055	0
GACE - Gondomar, ACE	Porto	20,0%	PRO	48 852	0	931
UTE Efacec Bahía de Cádiz	Seville / Spain	50,0%	INT	1 376 907	210 326	1 450 283
EfaServicing, ACE	Matosinhos.	100,0%	INT	1 153 586	678 709	1 301 112
Efacec, Manutenção do Sistema de Saneamento do Oeste, ACE	Matosinhos.	100,0%	INT	275 061	74 487	87 825
ACE	Maia	50,0%	PRO	607 278	192 741	734 094
DST/DTE/CARI/EFACEC - Arroios, ACE	Braga	33,6%	PRO	880 435	-10 575	854 142
DST/DTE/CARI/EFACEC - Areeiro, ACE	Braga	38,0%	PRO	651 505	-6 638	926 239
S2M Dublin Light Rail Limited	Dublin / Ireland	51,0%	PRO	1 495 753	444 794	3 017 550
UTE Efacec Moneleg	Madrid / Spain	66,9%	PRO	151 163	-250	83 548

The comparative amounts for the year 2019 are as follows.

Joint Agreements	Head office	%	Method	Assets	Equity	Total Income
Siemens, Suez e Efacec - Serviços Manutenção, ACE	Amadora	33,0%	PRO	273 173	0	220 137
UTE Efacec Engenharia SA y Cemesa SL	Tenerife / Spain	100,0%	PRO	194 295	194 295	0
Ensul Meci-Efacec, Cogeração do Porto, ACE	Almada	100,0%	MEP	391 731	-576 117	10
GACE - Gondomar, ACE	Porto	20,0%	PRO	48 228	0	2 083
UTE Efacec Bahía de Cádiz	Seville / Spain	50,0%	INT	790 497	15 558	563 433
EfaServicing, ACE	Matosinhos.	100,0%	INT	1 080 336	521 937	1 210 736
Efacec, Manutenção do Sistema de Saneamento do Oeste, ACE	Matosinhos.	100,0%	INT	954 616	96 354	785 357
ACE	Maia	50,0%	PRO	615 193	236 372	698 238
DST/DTE/CARI/EFACEC - Arroios, ACE	Braga	33,6%	PRO	13 566	-1 345	0
DST/DTE/CARI/EFACEC - Areeiro, ACE	Braga	38,0%	PRO	333 825	-1 420	111 111

Joint operations

The following amounts represent the Efacec Group's share of assets, liabilities, and net equity of joint operations, and are included in the Consolidated Statement of Financial Position and in the Consolidated Income Statement, through the integration of CGCs.

Joint operations	31.12.2020	31.12.2019
Assets:		
Non-current assets	57 810	69 111
Current Assets	3 675 879	1 854 055
	3 733 690	1 923 165
Liabilities:		
Non-current liabilities	160 538	137 517
Current liabilities	2 098 362	840 310
	2 258 900	977 826
Equity	1 474 790	945 339
Income	8 658 657	3 591 095
Expenses	8 009 974	3 294 878
Result after taxes	648 682	296 217

Joint ventures

EPS's interests in joint ventures, indicated in the table above, are included in the financial statements using the equity method.

32. Multi-annual contracts

As disclosed in note 1, until the end of the financial year 2019, the Efacec Group's Product Units recognized revenue by using the degree of completion method in most of their contracts. The widespread use of this method was due, on the one hand, to the long cycles that characterized the most representative part of their contracts, often exceeding 1 year, but also due to the high degree of customization of their products.

The increasing prevalence for types of contracts that come close to the concept of selling standard products or based on made-to-order products emphasizes the recognition of revenue as value is fulfilled with the performance obligation (tending to coincide with invoicing milestones) instead of revenue recognition measured in proportion to the costs incurred.

As result of the analysis carried out, the Group considered it appropriate and opportune to promote, starting in 2020, and with effects for the year just ended, an adjustment in the revenue recognition methodology for the Business Units of (i) Transformers, (ii) Equipment, (iii) Automation and (iv) Electric Mobility, so that revenue is recognized at the time of invoicing issued under the contractual terms provided for.

As a result of this change in the revenue recognition methodology, in accordance with the provisions of IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Correction of Errors", the accounting policy change was retrospectively applied, with comparative information being restated, reason why the balance sheet does not

include impacts covered by multi-annual contracts and revenue recognition based on the percentage of completion.
In the financial information published with reference to 2019, the accrued incomes represent situations in which the degree of invoicing is lower than the degree of completion, with an increase being made to recognize the respective margin.
The systemist units within the scope of the Systems Business Units continue to use the degree of completion method (thus following the policy defined in Note 1.16.3) because it is the best suited to their types of contracts that have greater representativeness in the set of projects of these Business Units.
The amounts relating to multiannual contracts for the years ended 31 December 2020 and 2019 are as shown below, with the difference between the restated and published amounts for 2019 corresponding to the change of method in the Product Units.

	Notes	31.12.2020	31.12.2019 Restated	31.12.2019 Published
Income recognized in the year (closed and unclosed contracts)		97 761 473	120 362 560	259 315 879
Multi-annual contracts not closed to date:				
Accumulated expenses incurred to date	(a)	773 409 997	769 158 394	1 244 531 095
Margins recognized to date	(a)	85 893 845	85 774 929	178 328 165
Stock and Inventory - products and work in progress	12	2 502 079	1 086 205	1 790 540
Accrued income	10.2	27 086 821	49 655 465	104 146 237
Income to be recognized - advances	20	852 620	564 305	30 764 340
Income to be recognized - ongoing projects	20	29 877 057	26 577 033	16 223 239

(a) Unconsolidated amounts, which include amounts of multi-annual contracts incurred for the financial year 2019, as well as in preceding years.

Stock and inventory related to multi-annual contracts correspond to expenses incurred that have not yet been used in the work or installation, and consequently, the resulting margin is not recognized.
The increases in income represent situations in which the degree of invoicing is lower than the degree of completion, with an increase being made to recognize the respective margin. This situation constitutes a charge to the Client on account of the work/installation already carried out (Note 10.2 - Accrued income). When the opposite situation occurs, the degree of invoicing is higher than the degree of completion and there is an income to be recognized, which represents a Client's credit to the work carried out (Note 20 - Income to be recognized), the margin of which will only be recognized in the following years.
The reconciliation of the amount presented under the heading Income recognized in the financial year, related to closed and non-closed multi-annual contracts with the total consolidated sales and services can be presented as follows:

	31.12.2020	31.12.2019 Restated	31.12.2019 Published
Income related to multi-annual contracts	97 761 473	120 362 560	259 315 879
Income related to products	86 520 635	195 983 538	55 504 970
Income related to support and maintenance services	15 678 316	15 807 168	15 807 168
Other income	16 086 132	22 940 800	22 940 800
Consolidated sales and provision of services	**216 046 556**	**355 094 068**	**353 568 818**

33. Fees paid to auditors.

As of 2020, Efacec contracted services from Mazars e Associados - Sociedade de Revisores Oficial de Contas, S.A. and other associated companies. Expenses by type of service contracted are shown in the following table and reflect the services provided and invoiced by Mazars in the financial year 2020.

	31.12.2020	31.12.2019
Audit:		
Audit and audit of accounts	235 000	127 623
Reliability assurance services	0	15 896
Other services:	235 000	143 518
Tax consulting services	0	61 416
Other consulting services	193 100	121 172
	193 100	182 588
	428 100	**326 106**

The amounts presented in 2019 relate to expenses incurred with PwC, which provided audit services to Efacec up to that date.

34. Subsequent events

When events occur after the balance sheet date that show evidence of conditions that already existed at the balance sheet date, the impact of these events is adjusted in the financial statements. Otherwise, events after the balance sheet date with a material nature and dimension are described in this note. Up to the completion date of this Report, there were no significant events that are not reflected in the Financial Statements.

Leça do Balio, 11 March 2021

Person in Charge of the Consolidation

José Carlos Eiras Pinto de Oliveira

The Board of Directors

Ângelo Manuel da Cruz Ramalho

Manuel Alberto Pontes Ferreira

Michael Barroso da Silva

Nuno Filipe Gonçalves da Silva

Fernando José Rabaça Vaz

Jaime Serrão Andrez

Carlos Ribeiro

Maria Gabriela de Castro Chouzal

Rui Alexandre Pires Diniz

Manuel António Carvalho Gonçalves

6.2. Individual financial statements

Statement of financial position
At 31 December 2020 and 2019

Amounts in euros

	Notes	2020	2019
Assets			
Non-current Assets			
Tangible fixed assets	*4*	30 358 242	31 039 434
Right-of-use assets	*5*	222 626	290 138
Financial investments	*6.1*	426 042 490	392 067 490
Financial assets available for sale	*6.2*	796 132	608 632
Loans to related entities	*22*	25 375 961	26 100 961
Deferred tax assets	*15*	929 609	1 061 301
Total non-current		***483 725 060***	***451 167 957***
Current Asset			
Trade	*7*	612 736	679 962
Accrued income	*8*	1 412 535	7 874 153
Loans to related entities	*22*	4 950 408	7 504 308
Debtors and expenses to be recognized	*9*	25 418 617	16 895 168
Cash and cash equivalents	*10*	125 796	2 189 114
Total current		***32 520 091***	***35 142 705***
Total Assets		**516 245 150**	**486 310 662**
Equity and Liabilities			
Equity			
Capital	*16.1*	308 949 250	308 949 250
Issue premiums	*16.2*	1 947 730	1 947 730
Additional paid-in capital	*16.3*	11 490 052	11 490 052
Reserves and accumulated results	*16.4*	6 160 538	11 456 376
Total Equity		***328 547 571***	***333 843 409***
Non-current Liabilities			
Loans obtained	*13*	57 508 506	58 711 890
Loans from related entities	*22*	60 000 000	60 000 000
Lease liabilities	*14*	186 301	201 571
Creditors and accrued expenses	*12*	6 183 590	6 183 590
Total non-current Liabilities		***123 878 397***	***125 097 051***
Current Liabilities			
Loans obtained	*13*	1 203 383	669 954
Loans from related entities	*22*	5 433 220	67 482
Lease liabilities	*14*	76 033	91 626
Suppliers	*11*	11 421 050	7 191 801
Creditors and accrued expenses	*12*	45 685 495	19 349 340
Total Current assets		***63 819 182***	***27 370 203***
Total Equity and Liabilities		**516 245 150**	**486 310 662**

The subsequent Notes are an integral part of these financial statements

The Chartered Accountant ***The Board of Directors***

Income statement by nature
for the financial years ended 31 December 2020 and 2019.

Amounts in euros

	Notes	**2020**	**2019**
Sales and Service Provisions		2 540 024	3 805 500
Supplies and External Services	*17.1*	-762 061	-3 289 499
Personnel Expenses		-1 737 840	-2 222 749
Amortization and depreciation	*4-5-17.3*	-995 718	-981 745
Provisions and assets impairment	*17.2*	0	-205 510
Other operating expenses		-134 914	-140 403
Other operating income		1 695 702	1 525 675
Operating Income		**605 193**	**-1 508 730**
Financial expenses	*18*	-6 530 637	-5 645 801
Financial income	*18*	859 230	1 363 548
Losses/Gains in related entities	*18*	0	-102 500
Result before taxes		**-5 066 214**	**-5 893 483**
Corporate income tax - Deferred	*19*	-131 692	606 974
Corporate income tax - Current	*19*	-97 932	-654 570
Net profit/loss		**-5 295 838**	**-5 941 080**
Net earnings per share			
Basic	*20*	-0,09	-0,10
Diluted	*20*	-0,09	-0,10

The subsequent Notes are an integral part of these financial statements

The Chartered Accountant ***The Board of Directors***

Statement of comprehensive income
for the financial years ended 31 December 2020 and 2019

Amounts in euros

	2020	2019
Net profit/loss (1)	**-5 295 838**	**-5 941 080**
Other net comprehensive net income for the period (2)	**0**	**0**
Total comprehensive income for the period 1 + 2	**-5 295 838**	**-5 941 080**

The subsequent Notes are an integral part of these financial statements

The Chartered Accountant ***The Board of Directors***

Statement of changes in Equity
for the financial years ended 31 December 2020 and 2019

Amounts in euros

	Notes	Share Capital	Issue Premiums	Additional Paid-in Capital	Reserves and Accumulated Results	Other Comprehensive Income	Total Equity
Balance at 01 January 2019		**308 949 250**	**1 947 730**	**11 490 052**	**17 397 456**	**0**	**339 784 489**
Distribution of Reserves	*16.4*	0	0	0	0	0	0
Additional Paid-in Capital	*16.3*	0	0	0	0	0	0
Comprehensive income for the period		0	0	0	-5 941 080	0	-5 941 080
Balance at 31 December 2019		**308 949 250**	**1 947 730**	**11 490 052**	**11 456 376**	**0**	**333 843 409**
Balance at 01 January 2020		**308 949 250**	**1 947 730**	**11 490 052**	**11 456 376**	**0**	**333 843 409**
Additional Paid-in Capital	*16.3*	0	0	0	0	0	0
Comprehensive income for the period		0	0	0	-5 295 838	0	-5 295 838
Balance at 31 December 2020		**308 949 250**	**1 947 730**	**11 490 052**	**6 160 538**	**0**	**328 547 571**

The subsequent Notes are an integral part of these financial statements

The Chartered Accountant ***The Board of Directors***

Statement of Cash Flows for the financial years ended 31 December 2020 and 2019

Amounts in euros

	Notes	2020	2019
OPERATING ACTIVITIES:			
Clients receivables		9 653 253	9 253 007
Payments to suppliers		5 949 927	10 306 800
Payments to personnel		1 713 134	2 223 069
Flow generated by operations		1 990 191	(3 276 862)
Corporate income tax payment/receipt		(523 840)	247 810
Other receipts / payments related to the operating activity		(3 551 374)	(949 127)
Flows from operating activities[1]		(2 085 023)	(3 978 179)
INVESTMENT ACTIVITIES			
Receipts from:			
Financial investments		0	397 500
Interest and similar income		604 495	591 228
		604 495	988 728
Payments related to:			
Financial investments		187 500	17 077 157
Tangible fixed assets		4 501	40 853
		192 001	17 118 010
Flows from investment activities[2]		412 494	(16 129 282)
FINANCING ACTIVITIES			
Receipts from:			
Non-current loans		950 000	68 550 000
Current loans		13 001 978	80 156 520
		13 951 978	148 706 520
Payments related to:			
Non-current loans		1 500 000	11 255 621
Current loans		7 810 988	105 365 982
Shareholder loans		0	5 000 000
Amortization of operating lease contracts		86 908	132 584
Interest and similar expenses		4 944 872	85 489
Capital decreases and supplementary capital contributions		0	5 023 632
		14 342 768	126 863 308
Flows from financing activities[3]		(390 790)	21 843 212
Cash variation and its equivalents **[A]-[B]-[C]-[D]=[1]+[2]+[3]**		**(2 063 318)**	**1 735 752**
Cash and cash equivalents at the beginning of the financial year **[B]**		**2 189 114**	**453 362**
Cash and cash equivalents at the end of the financial year **[A]**	10	**125 796**	**2 189 114**

The subsequent Notes are an integral part of these financial statements

The Chartered Accountant ***The Board of Directors***

Notes to Financial Statements

A. General Information

Efacec Power Solutions SGPS, S.A. ("Efacec Power Solutions" or "EPS") is a public limited company with registered office in Portugal. EPS was incorporated on 14 August 2014 having as object the management of shareholdings as an indirect way of exercising economic activities. The incorporation of Efacec Power Solutions was part of the restructuring process that Efacec Capital, SGPS, S.A. ("Efacec Capital") started in late 2013, with the objective of aligning the corporate structure of the Efacec Group with the market segments addressed and the target geographies. At the end of 2014, Efacec Power Solutions became a group of companies that bring together all the technical and human competencies, the means of production and the technologies for the development of activities in the fields of Energy, Environment and Mobility. The EPS Group also comprises a wide network of branch offices, branches and agents spread across four continents.
On 23 October 2015, the EPS Group's shareholder structure changed, with the majority of the capital of Efacec Power Solutions being held by the company Winterfell 2 Limited ("Winterfell 2"). However, on 2 July 2020, Decree-Law No. 33-A/2020 carried out the public appropriation, through the nationalization, of the shareholding held by Winterfell 2 Limited in Efacec Power Solutions, SGPS, SA, corresponding to 71.73% of the share capital.
The financial information is presented in euros, unless otherwise stated.
These financial statements were approved by the Board of Directors on 11 March 2020. The members of the Board of Directors who sign this report declare that, to the best of their knowledge, the information contained herein was prepared in accordance with the International Financial Reporting Standards (IFRS), adopted by the European Union, giving a true and appropriate image of the Efacec Power Solutions SGPS, SA consolidated financial position, results, and cash flows.

B. Summary of the main accounting policies

1. Accounting policies adopted.

The accounting policies adopted follow the International Financial Reporting Standards (IFRS) in force in each reporting period. They are disclosed in the subsequent notes and have been applied by Efacec Power Solutions since its incorporation. However, the standards and reviews issued by the various bodies that supervise the application of the Standards - IASB, IASC, IFRIC and SIC, when applicable to the Company, are adopted in the period in which they become mandatory.

1.1 Preparation basis

The consolidated financial statements of Efacec Power Solutions have been prepared assuming the continuity of the operations. As mentioned in the Management Report, and despite the negative cycle of the Efacec Group between the end of 2019 and the first half of 2020, due to the *Luanda Leaks* episode, the financial blockade and COVID-19, the Board maintains its conviction about the Group's ability to remain in continuity, this being the assumption used in the preparation of the 2020 Financial Statements. The nationalization, on 2 July 2020, of 71.7% of the Efacec Group's share capital, intended to make its financial and operational value stable. This nationalization takes place with the objective of reprivatizing in the shortest possible time, as established in DL 33-A / 2020, of 2 July. Thus, in this context, depending on the formalization and realization of financial support from shareholders and other financing entities, and on the expected future profitability of operations, we believe in the continuity of operations and in the reversal of the negative cycle.
The Board expects to achieve relevant operating profitability, as provided for in the Group's business plan, and its belief that it will maintain the continued support of shareholders and financing entities in the renewal of current lines of support for treasury management, in the issuance of guarantees and in the maintenance and renewal of medium and long-term credit lines.
The attached financial statements are in accordance with the International Financial Reporting Standards (IFRS), in effect on 1 January 2019, as adopted in the European Union.

The financial statements are prepared considering the historical cost convention, except for land, financial assets, and financial liabilities, which are accounted for at their fair value.
The preparation of the financial statements in accordance with the IFRS requires the use of some important accounting estimates. It also requires the management body to exercise its judgement in the process of implementing the Company's accounting policies. The areas involving a higher degree of judgement or complexity or the areas where the assumptions and estimates are significant for the financial statements are disclosed in Note 2.
The rules, interpretations and reviews issued by the various bodies that supervise the application of International Financial Reporting Standards - IASB, IASC, IFRIC and SIC - are listed below, as well as the dates of application and approval by the European Union.

Issue (IASB)	Change	Description	Effective date
1. New standards, changes to standards and effective interpretations at 01 January 2020			
March 2018	Amendments to references to the Conceptual Framew ork of IFRS standards	Amendment to some IFRS regarding cross-references and clarifications on the application of the new definitions of assets / liabilities and expenses / income	01 January 2020
October 2018	IAS 1 and IAS 8: Definition of material (changes)	Update of the definition of material, in the application of the standards to the financial statements as a w hole	01 January 2020
October 2018	IFRS 3: Business combinations (changes)	Change in the definition of business	01 January 2020
September 2019	Interest Rate Benchmark Reform (amendments to IFRS 7, IFRS 9 and IAS 39)	Introduction of exemptions to hedge accounting w ith the objective that the reform of the reference interest rates does not result in the termination of hedge accounting	01 January 2020
2. Amendments to standards that become effective at or after 1 January 2020, already endorsed by the EU			
May 2020	IFRS 16 Leases	Concessions related to rents arising from COVID-19	01 June 2020
June 2020	IFRS 4 Insurance contract	deferral of IFRS 9	01 January 2021
3. Standards (new and amended) that become effective at or after 1 January 2020, not yet endorsed by the EU			
May 2017	IFRS 17 Insurance contract (new)	New accounting for insurance contracts, reinsurance contracts and investment contracts w ith discretionary participation characteristics.	01 January 2021
January and July 2020	IAS 1 Presentation of Financial Statements	Classification of liabilities as current or non-current and Classification of liabilities as current or non-current - Deferral of effective date	01 January 2023
May 2020	Changes to • IFRS 3 Business combinations; • IAS 16 Tangible fixed asset; • IAS 37 Provisions, Contingent liabilities and Contingent assets, • Annual improvements to IFRS 2018-2020 standards	IAS 16 - Accounting for revenue before the intended use of an asset IAS 37- the changes to IAS 37 Provisions, Contingent liabilities and Contingent assets clarify w hat "costs to fulfil a contract" represent w hen assessing w hether a contract is onerous.	01 January 2022
June 2020	IFRS 4 Insurance contract	deferral of IFRS 9	01 January 2021

The new standards, amendments to standards and interpretations with effective application as of 1 January 2020, were adopted for the first time in the financial year ended 31 December 2020. Its adoption did not have a material impact on the financial statements.

1.2 Tangible assets

Land and buildings essentially comprise factories and offices. Land is presented at fair value. The other tangible assets are presented at historical cost, less depreciation, including all expenditures directly attributable to the acquisition of the assets.
Subsequent expenses are included in the carrying amount of the asset or recognized as separate assets, as appropriate, only when it is probable that economic benefits will flow to the company and the cost can be measured reliably. Other expenses with repairs and maintenance are recognized as expenses in the period in which they are incurred.
In accordance with the accounting policies of the EPS, land is subject to three-year valuations by independent experts to determine the fair value. Valuations are based on the use of market comparison criteria and replacement costs. Revaluations are recognized in equity, after deducting the respective deferred tax.

Devaluations, if any, are deducted from equity up to the limit of existing revaluation reserves for the same assets more than that limit, they are recognized in the income statement.

When tangible assets recorded at fair value are sold, the amount included in revaluation reserves is transferred to results carried forward.
Land is not depreciated. Depreciation of other assets is calculated using the straight-line method, in twelfths over cost or revaluation value, to allocate their revalued cost or value to their residual value, according to their estimated useful life, as follows:

Heading	Years
Buildings and other constructions	25 – 50
Basic equipment	8 – 16
Transport equipment	4 – 5
Tools and utensils	4 – 8
Administrative equipment	4 – 6

The depreciation process begins in the month following that in which the asset started operating.
Residual values of assets and useful lives are reviewed and adjusted, if necessary, at the balance sheet date. If the carrying amount is greater than the asset's recoverable amount, it is immediately readjusted to the estimated recoverable amount.
Gains and/or losses on disposals or write-offs of tangible assets are determined by the difference between their net book value and their disposal or write-off value, in the latter case being null, and included in the profit/loss for the financial year.

1.3 Financial assets

1.3.1 Classification

Under IFRS 9, the company classifies its financial assets according to the following categories: debt instruments and accounts receivable, equity instruments designated at fair value through other comprehensive income and financial assets at fair value through the income statement.

(a) Debt instruments and accounts receivable

The financial asset is held considering a business model whose objective is to keep it to receive its contractual cash flows and the contractual terms of the financial asset give rise, on specific dates, to cash flows that are only payments of principal and interest on the amount of outstanding principal.

(b) Equity instruments designated at fair value through other comprehensive income.

Upon initial recognition, the company may make an irrevocable choice (financial instrument to financial instrument) to designate certain investments in equity instruments (shares) at fair value through the other comprehensive income. The designation at fair value through other comprehensive income is not permitted if the investment is kept for trading purposes or if it results from a contingent consideration recognized in the context of a business combination.

A financial asset is held for trading if it is acquired primarily for the purpose of sale in the short term, upon initial recognition, if it is part of a portfolio of identified financial instruments that the company manages together and in which there is evidence of a recent real pattern of making short-term profits, or if it is a derivative financial instrument (unless it is assigned to a hedging operation).

(c) Financial assets at fair value through the income statement

Financial assets that do not meet the criteria to be measured at amortized cost or at fair value through other comprehensive income are measured at fair value through the income statement.

1.3.2 Recognition and measurement

All recognized financial assets are subsequently measured at amortized cost or, at their fair value, depending on the business model adopted by the company and the characteristics of its contractual cash flows.
Debt instruments and accounts receivable are measured at amortized cost using the effective interest rate method. For financial assets that are not acquired or originated with impairment (i.e., assets with impairment at the initial recognition), the effective interest rate is the rate that exactly discounts the estimated future cash flows (including fees and commissions paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) during the expected life of the instrument in its gross carrying amount on the date of its initial recognition. The amortized cost of a financial asset is the amount by which it is measured at the initial recognition less repayments of principal, plus accumulated amortization, using the effective interest rate method, of any difference between that initial amount and the amount of repayment, adjusted by possible impairment losses.
Investments in equity instruments recognized at fair value through other comprehensive income are initially measured at their fair value plus transaction costs. Subsequently, they are measured at their fair value with the gains and losses arising from their change recognized in other comprehensive income. At the time of its disposal, the accumulated gain or loss generated with these financial instruments is not reclassified to the income statement but transferred only to the heading "Results carried forward".
Dividends associated with investments in equity instruments are recognized in the consolidated income statement when they are attributed/decided unless they clearly represent a recovery of part of the investment cost. Dividends are recorded in the income statement under "Financial income and gains".
In the first application of IFRS 9, the company indicated investments in equity instruments that were not held for trading as valued at fair value through other comprehensive income.
Financial assets recorded at fair value through the income statement are measured at the fair value calculated at the end of each reporting period, with the respective gains or losses being recognized in the consolidated income statement, unless they are part of a hedge relationship.

1.3.3 Presentation at net value

Financial assets and liabilities are presented in the statement of financial position at their net value when there is a legal right to make this offset, as well as the intention to do so.

1.3.4 Financial assets impairment

The company recognizes expected impairment losses for debt instruments measured at amortized cost or at fair value through other comprehensive income, as well as for accounts receivable from clients, other debtors, and for assets associated with contracts with Clients. The amount of expected impairment losses for loans granted is updated at each reporting date to reflect changes in credit risk that have occurred since the initial recognition of the respective financial instruments. The expected impairment losses for loans granted are estimated using historical information on uncollectibility, adjusted for specific factors attributable to the debtors, as well as for the macroeconomic conditions that are expected for the future.

The company recognizes the expected impairment losses for credit granted for the entire life of accounts receivable from Clients and other debtors, as well as for assets associated with contracts with clients.

1.4 Cash and cash equivalents

The heading “Cash and cash equivalents” includes cash, bank deposits and other short-term, highly liquidity investments. Bank overdrafts are presented in the Statement of Financial Position, under current liabilities, under Loans.

1.5 Share capital

Common shares are recorded under equity.
Expenses directly attributable to the issue of new shares or options are included in equity as a deduction, net of taxes, of capital injections.

1.6 Financial debt

The financial debt includes loans obtained from the market, credit institutions or other entities, namely related parties. They recognized at their nominal value. Loans are subsequently presented at amortized cost. Any difference between the receipts (net of transaction costs) and the amortized value is recognized in the income statement over the period of the loan using the effective interest rate method.

Loans obtained are recorded in current liabilities, unless the company has an unconditional right to defer payment of liabilities for, at least, 12 months after the balance sheet date.

Interest and other financial charges related to loans obtained are generally recognized as an expense in accordance with the accrual principle.

Interest and other financial charges on loans obtained, which are related to the acquisition, construction, or production of fixed assets, are capitalized, being part of the cost of the asset. The capitalization of these charges starts after the preparation of the construction or development activities of the asset and is interrupted when the asset is ready to be used or when the project is suspended. Any financial income generated by loans obtained, related to a specific investment, is deducted from the financial charges eligible for capitalization.

1.7 Amounts payable to Suppliers and other creditors

Amounts payable to Suppliers and other creditors are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Supplier accounts are classified as current liabilities if the payment is due within one year or less (or in the regular business operating cycle, if longer). If not, Supplier accounts are presented as non-current liabilities.

1.8 Corporate income tax and deferred taxes

Efacec Power Solutions and its national subsidiaries are subject to the Special Taxation Regime for Company Groups (RETGS), applicable to groups that include companies in which they have a shareholding of 75% or more, and which meet the conditions established in article 69 of the Corporate Income Tax Code. The consolidated tax charge is determined by the arithmetic sum of taxable gains and losses as determined by each company on an individual basis.

The company's corporate income tax comprises current and deferred tax.

Current tax is calculated based on tax legislation in force, or substantively in force, at the date of the statement of financial position. The management periodically reviews its analysis on this matter and recognizes provisions for probable tax contingencies for the cases under analysis, as well as possible adjustments made by the tax authorities. These provisions correspond to the amount that is expected to be paid to the tax authorities.

The deferred tax is calculated based on the amount of temporary differences between the book values of assets and liabilities and the respective tax base. However, the deferred tax is not recorded if it arises through the initial recognition of assets or liabilities, that do not result from a concentration of business activities that at the date of the transaction do not affect the book or taxable result. The deferred tax is calculated based on the legislation and rates in force, or substantively in force at the reporting date, and which are expected to apply when realizing the deferred tax asset or settlement of deferred tax liabilities.

Deferred tax assets are recognized only when the existence of future taxable income is expected, under which the temporary difference can be used.

Deferred tax assets and liabilities are shown in the statement of financial position at their net amount when there is a legal right to offset current deferred tax assets and liabilities by that amount. Deferred taxes are classified as non-current, as shown in the statement of financial position.

1.9 Provisions

Provisions are recorded at the fair value of expenses that are expected to occur to settle the obligation, using discount rates before taxes that reflect the time value of the money, as well as the specific risks of the obligation, as assigned by the market. Provisions for future operating losses are not recognized.

1.10 Recognition of revenue

From 1 January 2018, the company applied the new standard IFRS 15 - "Revenue from Contracts with Customers", which replaces IAS 18 and IAS 11. The application of this standard did not materially impact the company's financial statements.
Revenue comprises the fair value of revenues, net of taxes and commercial discounts, and after eliminating internal sales.
Revenues are recognized at the fair value of the amount received or receivable from transactions with Clients in the normal course of the company's activities. The revenues are recognized at the net value of the value added tax amount, returns and discounts.
In determining the amount of revenue, the company assesses for each transaction the performance obligations it assumes with clients, the transaction price to be allocated to each performance obligation identified in the transaction and the existence of variable price conditions that may lead to future adjustments to the amount of revenue recorded, and for which the company makes its best estimate.
The revenue recognition policy for the main economic activities carried out by the company is described below:

Provision of services

The provision of services is recognized in the accounting period in which the services are provided, with reference to the completion stage of the transaction at the balance sheet date.

1.11 Leases

From 1 January 2019, the Company adopted IFRS 16, a standard promulgated by the IASB that calls for a new orientation on the accounting of lease contracts. Standard IFRS16 specifies the rules for the recognition, measurement, presentation, and disclosure of leases.
The main impact of this standard is the application of identical treatment in the accounting of financial leases and operating leases, if they meet a set of requirements, namely regarding the possibility of identifying the asset, the lessee's ability to decide as to its use and the taking of economic benefits by the lessee. In this way, lessees present liabilities resulting from leases on the face of the financial statements, in return recognizing the value of the right-of-use asset they hold.
In the application methodology of IFRS 16, contracts with a duration of up to 12 months were excluded, as well as contracts with a unit value of less than 5,000 euros and the conditions for exercising the cancellation and extension options were assessed.
When updating rents, discount rates differentiated by type of asset and geography are used.

Presentation in financial statements:

Lease liabilities

The rents outstanding are presented in the statement of financial position under the heading “Lease liabilities”, classified as current or non-current balances depending on the maturity date of the rents in the period up to one year or more than one year. In the Income Statement, the leasing interest is shown under the heading “Borrowing costs”. In the Cash flow statement, the grouping of financing activities shows the payments of the nominal value of lease rents in a separate line; the interest payments on lease rents are part of the Interest and similar expenses line.

Right-of-use assets

The amount of the assets under a lease scheme is recorded in a separate heading in the statement of financial position called “Right-of-use assets”. Leased assets initially assumed the amount corresponding to the debt on the date the standard was adopted. Asset depreciation is shown on the face of the income statement, under the heading “Depreciation and amortization”.

1.12 Distribution of dividends

The distribution of dividends to equity holders is recognized as a liability in the company's financial statements in the period in which the dividends are approved by the shareholders at the General Meeting.

1.13 Contingent assets and liabilities

Contingent liabilities in which the possibility of an outflow of funds affecting future economic benefits is only possible, are not recognized in the consolidated financial statements, but are disclosed in the notes, unless the possibility of an outflow of funds affecting future economic benefits is remote, in which case they are not disclosed. Provisions for liabilities that meet the conditions set out in Note 1.9 are recognized.
Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when a future economic benefit is probable.

1.14 Cash flow statement

The cash flow statement is prepared in accordance with the direct method. The company classifies assets with a maturity of up to one year, with high liquidity and for which the change in value risk is insignificant under the heading "Cash and cash equivalents".
The cash flow statement is divided by operating activities, investing activities and financing activities. Operating activities include cash receipts from Clients and payments to Suppliers, personnel and other payments related to operating activity.
The cash flows included in investing activities include acquisitions and disposals of investments in subsidiaries, cash receipts and payments arising from the purchase and sale of tangible and intangible assets.
Financing activities include cash receipts and payments relating to equity and loans, including bank overdrafts. They also include payments related to interest, dividends, and financial and operating leases.

1.15 Subsequent events

Events after the date of the statement of financial position that provide additional information on conditions that existed on that date are reflected in the financial statements. Events after the date of the statement of financial position that provide information on conditions that occur after the same date are disclosed in the notes to the financial statements if material.

2. Estimates and accounting judgements

The preparation of the financial statements requires the company’s management to make judgements and estimates that affect the amounts of income, expenses, assets and liabilities and disclosures at the date of the financial statements.
These estimates are determined by the judgements of the company's management, based: (i) on the best information and knowledge of current events and, in certain cases, on reports by independent experts, and (ii) on the actions that the company considers to be able to develop in the future. However, on the completion date of the operations, its results may differ from these estimates.
The estimates and assumptions that present a significant risk of causing a material adjustment to the book value of assets and liabilities in the following financial year are presented below.

2.1 Impairment of financial investments

To analysing impairments, Efacec annually tests the value of financial investments recorded in the Consolidated Statement of Financial Position. The recoverable amounts of the cash flow generating units are determined based on the calculation of use values. In these calculations, Efacec's management bodies determine the expected operating margin based on past performance and their expectations for the development of the business, supported by the base backlog and expected market evolution. The growth rates adopted are consistent with the forecasts included in the industry reports. The discount rates used are before taxes and reflect specific risks related to the relevant segments. The tests carried out therefore require the use of estimates that, by definition, incorporate judgement on the forecast of uncertain future scenarios.

2.2 Financial assets and liabilities fair value

The market price is used to determine the fair value of a financial asset or liability when there is an active market. When there is no active market, as is the case with some of the company's financial assets and liabilities, generally accepted fair value appraisal techniques are used, based on market assumptions.
The company uses appraisal techniques for unlisted financial instruments, such as derivatives, financial instruments at fair value through profit or loss, and assets available for sale. The appraisal methods used are most often based on discounted cash flow models and option models, including, for example, interest rates, exchange rates, and volatility curves. Currently, the Company does not have any unlisted financial instruments.

2.3 Corporate Income Tax

The company recognizes liabilities for additional tax assessments that may result from reviews by tax authorities. When the result of these situations is different from the amounts initially recorded, the differences will have an impact on the income tax and on tax provisions, in the period in which such differences are identified.
In addition, the Company recognizes deferred tax assets on tax losses and tax benefits, to the extent that future taxable profits are expected. This appraisal requires the use of estimates, and the future taxable profits may differ from the appraisal carried out at each closing date. The difference will have an impact on the corporate income tax.

2.4 Recognition of provisions

The company periodically reviews the obligations arising from past events that must be recognized or disclosed. The subjectivity involved in the calculation of the probability and number of internal resources necessary to pay for the obligations may lead to significant adjustments, either due to changes in the assumptions used or due to the future recognition of provisions previously disclosed as contingent liabilities.
The Management makes considerable judgements to determine whether there is a present obligation because of a past event, or whether it is probable, on the date of the financial statements, that out of past events may result in outflows, and whether the amount of the obligation can be reliably estimated. The company periodically reviews the status of these situations with the assistance of internal and external advice. These decisions are subject to change as new information becomes available. The amount to be provisioned may change in the future due to new developments in this matter,

2.5 Impairment losses on accounts receivable

The credit risk on the balances of accounts receivable is assessed at the closing date, considering the knowledge of the client and their risk profile. Account’s receivable is adjusted based on the assessment of the estimated collection risks made by the management on the closing date of the accounts, which may differ from the risks that may occur.

C. Risk management

3. Financial risk management

3.1 Financial risk factors

The company's activities are exposed to several financial risks, including market risk, namely interest rate risk, and liquidity risk. The company's risk management program focuses on the unpredictability of the financial markets and seeks to minimize the potential adverse effects on the Company's financial performance, being able to use several financial instruments to minimize the risks arising from its activity.
Financial risk management is carried out by the EPS Group Corporate Finance Department, within the scope of the policies and guidelines approved by the Board of Directors. This Department is responsible for the identification, assessment and hedging of financial risks, in close collaboration with the Group's operating units. The Board of Directors establishes principles for the overall management of risks, as well as policies aimed at covering specific areas, such as interest rate risk and liquidity risk, use of derivative and non-derivative financial instruments and the investment of surplus liquidity. The Board of Directors monitors the mentioned transactions very closely.

3.1.1 Market - interest rate risks

The interest rate risk in the Company essentially comes from loans obtained, since it does not have interest rate derivatives or interest-bearing long-term assets. Loans taken out with variable interest rates expose the company to the changes in cash flows risk.

Exposure to interest rate risk is analysed dynamically. In addition to the appraisal of future charges, based on forward rates, sensitivity tests are carried out to changes in the level of interest rates. Currently, the company is primarily exposed to the euro area yield curve. The sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect interest income or expenses regarding financial instruments with variable interest rates.
- Changes in market interest rates affect interest income or expenses regarding financial instruments with fixed interest rates, only if these are recognized at fair value.
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities; and
- Changes in the fair value of other financial assets and liabilities are estimated by discounting future cash flows, using year-end market rates.

The same changes to the interest rate curves are used for each analysis, regardless of the currency. The analyses are carried out for the net debt, that is, the deposits and investments in financial institutions are deducted. The simulations are carried out based on the net debt amounts and the fair value of the derivative financial instruments, if any, at the reference dates and the respective change in the interest rate curves.
At the reporting date, the company held loans obtained in the amount of approximately 124.1 million euros (58.7 million in bank loans and 65.4 million in loans obtained from related parties), and loans granted in the amount of 30.3 million euros with related parties. If the interest rates on loans and deposits had been 0.25% higher/lower, considering all other constant variables, the result before taxes for the financial year would have been lower/higher by 235 thousand euros, respectively. Equity would not be affected. These effects are essentially due to higher or lower interest expense on variable rate loans.

3.1.2 Liquidity risk

Cash flow forecasting is carried out by the company to guarantee the maintenance of an adequate level of cash and cash equivalents to meet operational needs and considering the contribution of any financing facilities. This forecast takes into account the company's debt financing plans, the achievement of internal objectives at the level of financial ratios and, if applicable, the compliance with external regulatory or legal requirements - for example, restrictions on foreign currency and compliance with debt covenants, namely: Cross default, Pari Passu, Negative Pledges, ratios on debt and capital, change of shareholders and others related to the company's operating activities and legal, fiscal and operating obligations.
The cash flow surpluses, in addition to those required to maintain the balance in working capital management, are managed considering the instructions of the EPS Group regarding maturity, liquidity and counterparty. Any cash flow surpluses held by the company are invested by choosing instruments with adequate maturities or sufficient liquidity and that provide sufficient margin as determined by the forecasts mentioned above.
At the date of the financial statements, the Company held around 2,189 thousand euros in demand deposits, which were expected to promptly generate capital inflows capable of facilitating the liquidity risk management. At the closing date, the company had unused credit facilities in the amount of 600 thousand euros. There are no financial derivative instruments.
The table below shows the non-derivative financial liabilities that are settled at their net value (the company does not hold financial instruments that are not settled at their net value) grouped by relevant residual maturities. The amounts shown in the table are the undiscounted contractual cash flows. Foreign currency amounts are converted at the exchange rate at the reporting date. Interest payments associated with liabilities with variable interest rates are included in the table are calculated using the spot interest rates available at the reporting date. Assets and liabilities that can be repaid at any time are always allocated to the shortest period.

	Notes	up to 1 year	2-3 years	4-5 years
31 December 2020				
Commercial paper		1 518 134		
Bond loans		2 610 000	5 220 000	59 305 000
Loans from Related Entities	22	2 844 000	64 266 000	0
Operating Lease		24 047	10 385	
Suppliers	11	11 421 050		
Other liabilities	12	50 201 129		
Financial guarantees	24	1 032 438		
		69 650 798	69 496 385	59 305 000

	Notes	up to 1 year	2-3 years	4-5 years
31 December 2019				
Commercial paper		996 568	1 517 539	
Bond loans		2 610 000	5 220 000	61 915 000
Loans from Related Entities	22	3 073 482	6 012 000	66 012 000
Operating Lease		103 212	127 648	91 421
Suppliers	11	7 191 801		
Other liabilities	12	24 237 392		
Financial guarantees	24	3 335 022		
		41 547 478	12 877 186	128 018 421

3.2 Capital risk management

The company tries to keep an adequate level of equity that allows it not only to ensure its continuity and development, but also to provide an adequate remuneration for its shareholders and the optimization of the capital cost.

The company may adjust the number of dividends payable and the return on shareholders' capital or issue new shares or debt to keep or adjust its capital structure.

In accordance with the industry's market practices, the balance of the capital structure is monitored based on the financial leverage ratio (gearing) calculated in accordance with the Net Debt/Total Capital ratio. Net debt comprises the amount of loans (including bank loans and related companies, current and non-current loans, as shown in the statement of financial position), less cash and cash equivalents amount. Total Capital comprises equity, as presented in the financial statements, plus net debt.

Gearing on 31 December 2020 and 2019 presents the following calculations:

	Notes	31.12.2020	31.12.2018
Financial Debt	13	58 711 890	59 381 843
Debt to related entities	22	65 433 220	60 067 482
		124 145 110	119 449 325
(-) Cash and cash equivalents	10	125 796	2 189 114
(-) Loans to related entities	22	30 326 369	33 605 269
Net debt		93 692 945	83 654 942
Equity		328 547 571	333 843 409
Total equity		422 240 516	417 498 351
Gearing		**22%**	**20%**

3.3 Financial instruments by category

On 31 December 2020 and 2019, financial assets were classified into the following categories:

Assets as per Balance Sheet	Notes	Financial assets at amortized	Assets available for sale	Non-financial assets	Total
31 December 2020					
Financial assets available for sale	6	0	796 132		796 132
Loans to Related Entities	22	30 326 369			30 326 369
Trade	7	612 736			612 736
Accrued income	8	0		1 412 535	1 412 535
Debtors and expenses to be recognized	9	23 356 367		2 062 250	25 418 617
Cash and cash equivalents	10	125 796			125 796
		54 421 267	**796 132**	**3 474 785**	**58 692 184**
31 December 2019					
Financial assets available for sale	6	0	608 632		608 632
Loans to Related Entities	22	33 605 269			33 605 269
Trade	7	679 962			679 962
Accrued income	8	0		7 874 153	7 874 153
Debtors and expenses to be recognized	9	14 482 152		2 413 016	16 895 168
Cash and cash equivalents	10	2 189 114			2 189 114
		50 956 497	**608 632**	**10 287 170**	**61 852 299**

As for financial liabilities, their breakdown by categories was as follows:

Liabilities as per Balance Sheet	Notes	Other financial liabilities at amortized cost	Non-financial liabilities	Total
31 December 2020				
Loans Obtained		58 711 890		58 711 890
Loans from Related Entities	22	65 433 220		65 433 220
Lease liabilities	14	262 334		262 334
Suppliers	11	11 421 050		11 421 050
Creditors and Accrued Expenses	12	50 201 129	1 667 957	51 869 086
		186 029 622	**1 667 957**	**187 697 580**
31 December 2019				
Loans Obtained		59 381 843		59 381 843
Loans from Related Entities	22	60 067 482		60 067 482
Lease liabilities	14	293 196		293 196
Suppliers	11	7 191 801		7 191 801
Creditors and Accrued Expenses	12	24 237 392	1 295 539	37 642 810
		151 171 715	**1 295 539**	**164 577 133**

D. Notes to Financial Statements on 31 December 2020 and 31 December 2019

4. Tangible fixed assets

The tangible assets on 31 December 2020 and 2019 and the changes in value in both years were as follows:

	Land and Buildings	Office Equipment	Others	Total
Financial year 2019				
Initial Net Amount	31 201 271	110 010	339 918	31 651 199
Increase	126 419	15 492	297 937	439 848
Impairment	-205 510	0	0	-205 510
Depreciation appropriations	-823 443	-22 107	-553	-846 103
Transfers and adjustments	251 264	-708	-250 556	0
Closing Net Amount	30 550 000	102 687	386 747	31 039 434
Financial year 2020				
Initial Net Amount	30 550 000	102 687	386 747	31 039 434
Increase	43 995	0	159 296	203 291
Depreciation appropriations	-860 842	-23 421	-221	-884 484
Transfers and adjustments	71 187	0	-71 187	0
Closing Net Amount	29 804 340	79 266	474 635	30 358 242
Closing amount breakdown				
Cost or Fair Value	32 408 044	154 307	475 409	33 037 760
Accumulated Depreciation	-2 603 704	-75 041	-774	-2 679 518
Net Amount	29 804 340	79 266	474 635	30 358 242

Land included in the company's assets is shown at fair value. The land value has been updated, in accordance with the rules, based on three-year appraisals carried out by independent experts. The last appraisal carried out resulted in a devaluation in the amount of 205.5 thousand euros, with an impairment loss being recorded in 2019 in the income statement heading “Provisions and assets impairments” (Note 17.2).

5. Right-of-use assets

With the adoption, in 2019, of IFRS 16 (see Note 1.11), this note details the amount of the heading “Right-of-use assets”. The table reports the amounts of operating leases - rental or lease agreements entered with third parties, with or without the inclusion of a service component, presented in accordance with the requirements of IFRS.16.

2020	Buildings	Vehicles	Total
Contracts reclassified by application of IFRS.16			
Assets at 31.12.2019	243 269	46 869	290 138
Increases	0	43 721	43 721
Depreciation	-54 060	-57 174	-111 234
Closing net amount	189 209	33 416	222 625

The liability related to these contracts is reflected in the heading Lease liabilities' (Note 14) and is broken down by current and non-current liabilities, depending on the maturity dates of the instalments, respectively, are less than a year or more than a year.
Operating leases that do not meet the requirements established in IFRS.16, in the case of short-term and low-value leases, are not part of the asset, the respective expense being included in the income statement, under the heading "Supplies and external services".

6. Financial investments and financial assets available for sale

6.1 Financial investments

This heading includes the number of shares, additional paid-in capital and loans granted to Group and associate companies.
Capital shares in Group and associate companies are valued in the financial statements at acquisition cost (Note 1.3.2).
The company's investment in the main companies of the Group and associate companies, none of them listed on the stock exchange, and the respective equity and net income amounts for 2020 2019 are as follows:

	31.12.2020				
	Financial Holdings	Additional Paid-in Capital	% St	Equity	Net profit/loss
Equity instruments					
Efacec Marketing Internacional, SA	2 400 000	8 285 000	100,00%	8 413 586	14 297
Efacec Engenharia e Sistemas, SA	99 500 000	32 500 000	100,00%	47 610 553	-14 378 457
Efacec Electric Mobility, SA	13 350 000	8 787 500	100,00%	10 266 605	-1 569 370
Efacec Serviços Corporativos, SA	50 000	7 842 157	100,00%	5 270 059	-941 382
Efacec Energia, SA	124 078 188	89 811 255	100,00%	48 520 648	-39 997 480
Efacec Angola, Lda.	1 407 215		98,33%	-15 778 240	-8 391 321
Efacec Moçambique, Lda.	15 255	6 582 000	84,75%	-122 927	-528 321
Efacec Praha, s.r.o.	6 100 000		100,00%	2 258 168	-394 482
Efacec USA Inc.	1 500 000		100,00%	564 098	-212 586
Efacec Chile, SA	213 570		96,92%	-3 197 965	-561 454
Efacec Central Europe Limited SRL	7 100 000		100,00%	-2 438 135	-1 879 780
Efacec Contracting Central Europe GmbH	9 451 597		100,00%	-2 138 334	-1 225 471
Efacec Índia Pvt. Ltd.	3 259 878		97,49%	3 557 345	-1 150 451
Efacec Equipos Eléctricos, S.L.	2 870 000		100,00%	4 298 184	-343 212
Pow er Solution Brasil, Ltda.	938 875		99,00%	-1 311 108	-972 943
Total	**272 234 578**	**153 807 912**			
		426 042 490			

	31.12.2019				
	Financial Holdings	Additional Paid-in Capital	% Part	Equity	Net profit/loss
Equity instruments					
Efacec Marketing Internacional, SA	2 400 000	8 285 000	100,00%	8 399 289	-16 929
Efacec Engenharia e Sistemas, SA	99 500 000	32 500 000	100,00%	61 786 733	-5 641 784
Efacec Electric Mobility, SA	13 350 000	8 787 500	100,00%	13 440 410	-1 023 748
Efacec Serviços Corporativos, SA	50 000	4 867 157	100,00%	3 234 969	761 313
Efacec Energia, SA	124 078 188	58 811 255	100,00%	73 390 431	-16 497 593
Efacec Angola, Lda.	1 407 215		98,33%	-13 310 561	-9 159 574
Efacec Moçambique, Lda.	15 255	6 582 000	84,75%	441 004	-453 235
Efacec Praha, s.r.o.	6 100 000		100,00%	2 737 486	684 913
Efacec USA Inc.	1 500 000		100,00%	836 217	450 257
Efacec Chile, SA	213 570		96,92%	-2 720 744	-3 160 921
Efacec Central Europe Limited SRL	7 100 000		100,00%	-918 118	-766 291
Efacec Contracting Central Europe GmbH	9 451 597		100,00%	-912 863	-598 802
Efacec Índia Pvt. Ltd.	3 259 878		97,49%	5 218 912	1 578 603
Efacec Equipos Eléctricos, S.L.	2 870 000		100,00%	4 668 260	354 499
Pow er Solution Brasil, Ltda.	938 875		99,00%	-573 136	-734 319
Total	**272 234 578**	**119 832 912**			
		392 067 490			

Entries in 2020

During 2020, the company set up a total of 34 million euros of additional paid-in capital in two of its subsidiaries, and this amount must be paid by February 2021:

	31.12.2020	31.12.2019
Initial balance	392 067 490	375 327 833
Additional Paid-in Capital:	33 975 000	16 739 657
- Efacec Marketing Internacional, SA	*0*	*6 685 000*
- Efacec Electric Mobility, SA	*0*	*7 287 500*
- Efacec Serviços Corporativos, SA	*2 975 000*	*2 767 157*
- Efacec Energia, SA	*31 000 000*	*0*
Closing Balance	**426 042 490**	**392 067 490**

The setup of additional paid-in capital allowed the consolidation of permanent capital of these subsidiaries.
The additional paid-in capital follows the legal system of supplementary capital contributions and, as such, do not earn interest.

Impairment tests

At the end of the year, impairment tests are carried out for the main subsidiary companies. The tests are carried out to assess the recovery of investment, given the historical performance and/or expectations of business development. The valuations are based on cash flow projections based on financial budgets approved by the management, covering a period of five years, which are discounted at a rate calculated in accordance with the CAPM (*Capital Asset Pricing Model*). After this five-year period, cash flows are extrapolated using the growth rates estimated based on business development expectations.

The international structure comprises foreign branches. Some of them depend on a single Business Unit, others are multi-business branch offices. In both cases, each business is run from Portugal by the respective business units and, by extension, integrated in the respective CGUs.
The international branches Efacec Central Europe, Power Solutions Brasil and, currently, Efacec Algérie have activities strongly concentrated in the Automation business segment. Similarly, the branch offices Efacec India, Efacec Equipos Eléctricos, Efacec Power Solutions Argentina and Efacec Praha carry out their activity in the Electrical Equipment business unit. The management of these branch offices is part of the operational management of the business units to which they report and is conducted from Portugal, acting mainly as extensions of Efacec Energia's activity in the respective markets. Based on this assumption, the business plans of these branch offices were consolidated in Efacec Energia.
Based on identical foundations, the international branches Efacec Contracting Central Europe and Efacec Chile were consolidated into Efacec Engenharia e Sistemas. The operations of these two legal entities are strongly concentrated in the Systems business segments and are particularly dependent on Efacec Engenharia e Sistemas regarding references, specific technical competencies, and financial means, acting essentially as extensions of the Efacec Engenharia e Sistemas activity in their respective markets.
The Angola and Mozambique branch offices develop their activities in different Products and Systems segments with business plans defined by business unit. The projections prepared for each BU are allocated to the defined CGUs.

The assumptions used in the impairment tests performed on 31 December 2020 and 2019 were as follows:

	2020				2019			
	Revenue growth rate	EBITDA margin	Discount rate before tax	Perpetuity growth rate	Revenue growth rate	EBITDA margin	Discount rate before tax	Perpetuity growth rate
Efacec Energia	21,9%	10,3%	8,8%	1,7%	5,5%	9,4%	9,1%	1,7%
Efacec Engenharia e Sistemas	8,4%	6,3%	7,4%	1,9%	6,5%	7,8%	9,1%	1,9%
Efacec Electric Mobility	23,9%	10,7%	8,6%	4,0%	12,3%	11,7%	13,0%	4,0%

No impairment was recognized because of the tests performed.

Sensitivity analyses
The valuations were also subject to sensitivity analyses of the main variables used, to test the resistance of the assets recoverable value to unfavourable changes in each one. The variables were thus subject to the following impacts:

	Revenue growth rate	EBITDA margin	Discount rate	Perpetuity growth rate
Change in the assumptions	-10,0%	-10,0%	+1.0 p.p.	-1.0 p.p.

In view of the impacts of these variations, the projections showed resistance to the tests carried out, not revealing any impairment.
The discount rate proves to be the most sensitive variable, with the greatest criticality in the Engineering area, where the variation of the assumption is close to the critical point. The growth rate applied in perpetuity is also revealed as an area with some sensitivity. It should also be noted that in the case of Efacec Electric Mobility, the variation in the assumptions made for the revenue growth rate is the cause of a more prominent variation in the value of this BU, without, however, detecting impairment risks. In a more in-depth analysis, it was even possible to see that the critical point of the variable "revenue growth rate" of Electric Mobility is for a reduction close to 48%.

6.2 Financial assets available for sale

The amounts classified under the heading financial assets available for sale have the following breakdown:

	31.12.2020	31.12.2019
Financial assets available for sale		
Financial holdings		
NET - Novas Empresas e Tecnologias, S.A.	11 132	11 132
Other Securities		
INEGI - Instituto de Ciência e Inovação em Engenharia Mecânica e Industrial	15 000	15 000
HCapital New Ideas - Venture capital fund	770 000	582 500
Total net investment	**796 132**	**608 632**

Financial assets available for sale include shares in unlisted companies whose fair value of which cannot be reliably measured because there are no market prices or comparable transactions and, as such, are recognized at cost.
In 2017, EPS decided to subscribe a 25% stake in the HCapital New Ideas Venture Capital Fund, which is dedicated to investing in technological and innovative national companies, especially SMEs, with the potential to generate synergies with the EPS Group activities. Any investment to be subscribed by the Fund is previously subject to approval by the Board of Directors.
At the end of 2019, Efacec transferred half of the stake held in the Fund, which, at the date of the sale contract, was 1,165,000 euros.
In 2020, the increase of 187,500 euros is the result of a new capital call by the Fund.

7. Trade

On 31 December 2020 and 2019, this heading was detailed as follows:

Trade	Notes	31.12.2020	31.12.2019
Clients - Related Parties	22.2	612 736	679 962
Total		612 736	679 962
* Non-current		0	0
* Current		612 736	679 962

The fair value of accounts receivable does not differ significantly from their book value. All company clients are related entities.

Seniority of Clients

On 31 December 2020 and 2019, the amounts receivable from clients presented the following seniority structure, considering the maturity dates of outstanding balances:

	31.12.2020	31.12.2019
Not-overdue balances	216 923	0
Overdue balances		
Up to 90 days	-198 391	176 143
90 to 360 days	0	360 162
More than 360 days	594 205	143 657
Overdue balances	395 813	679 962
Total	**612 736**	**679 962**

8. Accrued income

Accrued Income	31.12.2020	31.12.2019
Non-financial assets	1 412 535	7 874 153
	1 412 535	7 874 153

The main amount in this heading in 2020 (about 1,405 thousand euros) is related to non-core activity, which should be charged to MGI Capital in 2021.

9. Debtors and Expenses to be recognized.

On 31 December 2020 and 2019, this heading was detailed as follows:

	Notes	31.12.2020	31.12.2019
Advances to suppliers		974 574	467 906
Accounts receivable from Other Debtors		1 727 333	1 062 371
Accounts receivable from Related Parties	22.2	20 654 460	12 951 875
Other Debtors - Financial Assets		23 356 367	14 482 152
Other Debtors - Non-financial assets		1 560 913	1 584 843
State and Other Public Entities		459 013	432 737
Costs to be recognized		42 324	395 437
Total		25 418 617	16 895 168
* Non-current		0	0
* Current		25 418 617	16 895 168

The amount of Accounts receivable from related parties includes approximately 14 million euros in credits over MGI Capital (Note 22.3).
The number of Other Debtors - non-financial assets relates to advances made to Efacec Angola in 2015, within the scope of the project to acquire this stake from MGI Capital (1.56 million euros).

The heading State and Other Public Entities is detailed as follows:

	31.12.2020	31.12.2019
Corporate income tax	364 932	428 497
Value Added Tax - to be recovered	94 081	4 239
	459 013	432 737

10. Cash means

Cash and cash equivalents	31.12.2020	31.12.2019
Cash	0	0
Demand Deposits	125 796	2 189 114
	125 796	**2 189 114**

11. Suppliers

This heading is detailed as follows:

Suppliers	Notes	31.12.2020	31.12.2019
Suppliers, current account		3 099 857	2 854 143
Suppliers - Related Parties	22.2	8 186 150	4 224 795
Suppliers- Invoices - Receipt and Checking		53 246	28 834
		11 339 253	7 107 771
Investment Suppliers		81 797	84 030
Total		11 421 050	7 191 801
* Non-current		0	0
* Current		11 421 050	7 191 801

Current debts to suppliers and other creditors are due in full within a delay of 120 days, a situation that reflects the normal conditions negotiated with the company's suppliers.
The amount of the debt is denominated in euros.

12. Creditors and accrued expenses

On 31 December 2020 and 2019, this heading was detailed as follows:

Other Creditors	Notes	31.12.2020	31.12.2019
Other Creditors - Miscellaneous		319	182 639
Other Creditors - Related Parties	22.2	47 597 830	22 180 634
Other Creditors - Financial Liabilities		47 598 149	22 363 272
Other Creditors - Non-financial liabilities		53 764	74 437
State and Other Public Entities		1 410 849	969 142
Accrued expenses:		2 806 325	2 126 079
Accrued expenses - Remunerations to be Paid		203 345	251 960
Accrued expenses - Interest to be paid		1 243 491	1 240 326
Accrued expenses - Others		1 359 489	633 794
Total		51 869 086	25 532 931
* Other Creditors Non-current		6 183 590	6 183 590
* Other creditors - Current		45 685 495	19 349 340

The increase in the heading Other Creditors - Related Parties includes essentially the amount of 34 million euros of Additional Paid-in Capital to be set up by February 2021 in its subsidiaries Efacec Energia and Efacec Serviços Corporativos (note 6).

The balance of the heading State and other public entities is broken down into the following headings:

	31.12.2020	31.12.2019
Corporate income tax	877 809	893 772
Value Added Tax (VAT) - Payable	455 696	0
Social Security Contributions	35 153	36 715
Personal Income Tax	42 191	38 654
	1 410 849	969 142

13. Loans obtained.

This Note discloses the composition, characteristics and conditions of the loans recorded in the company's financial statements on 31 December 2020 and 2019. On these dates, the debt breakdown by credit instrument was as follows:

	31.12.2020	31.12.2019
Non-current		
Commercial Paper	0	1 500 000
Bond loans	58 000 000	58 000 000
Amortized cost	-491 494	-788 110
	57 508 506	**58 711 890**
Account		
Commercial Paper	1 500 000	950 000
Amortized cost	-296 617	-280 046
	1 203 383	**669 954**
Total Loans	**58 711 890**	**59 381 843**

Commercial paper

The company has two commercial paper programs grouped together with its subsidiaries, in the amounts of 3,350,000 and 2,400,000 euros. At the end of the year, the company had two issues in force, in the global amount of 1,500,000 euros, which are due in less than on year.

Bond Loan

In July 2019, Efacec Power Solutions issued a bond loan, with the purpose of achieving three objectives: (i) the refinancing of the amounts of financial debt to be repaid in the next 18 months, (ii) the extension of the debt maturity and (iii) the diversification of financing sources through a disintermediation instrument.
The issue was fully placed with institutional investors and admitted to listing at the MARF - Mercado Alternativo de Renta Fija (Spain). The amount placed was 58 million euros, with a five-year term, remunerated at a fixed annual rate of 4.5% and with a single repayment at maturity. The bond loan has a covenant according to which the Net Financial Debt/EBITDA ratio, observable annually in the Efacec's consolidated accounts, must be less than 2.75.

Debt maturity

The maturity of the bank debt on that date is shown in the following table:

	< 1 year	2-3 years	4-5 years
Commercial Paper	1 500 000	0	0
Bond loans	0	0	58 000 000
Amortized cost	-296 617	-491 494	0
Total loans	**1 500 000**	**0**	**58 000 000**

Comparatively, at the end of 2019 the maturity was as follows:

	< 1 year	2-3 years	4-5 years
Commercial Paper	950 000	1 500 000	0
Bond loans	0	0	58 000 000
Amortized cost	-280 046	-608 618	-179 492
Total loans	**669 954**	**891 382**	**58 000 000**

Effective interest rate

The effective interest rates related per debt instrument and currency, were, at the end of 2020 and 20189, as follows:

	31.12.2020	31.12.2019
Commercial Paper	2,42%	2,37%
Bond Loan	4,50%	4,50%

Covenants

The 2014 syndicated loan includes clauses that define the compliance with a debt ratio, defined as Net Debt / EBITDA, whose maximum value must be 2.75. This contractual ratio is observable annually in the consolidated accounts of Efacec Power Solutions, on an annual basis.

The evolution recorded in the company's activity in 2020 represents a significant fall in revenues and a consequent reduction in EBITDA, associated with the increase in debt that the company incurred to normalize the supply chain. The combination of these factors allowed anticipating the inability to comply with the DFL / EBITDA ratios included in their financing contracts. Thus, the Efacec Group asked the financing entities for the following conditions, which have since been accepted:

- the waiver of compliance with the ratio in the year 2020, and
- the change in the ratio to be applied in 2021 to 4.5x, without extending it to the following years, thus returning, in 2022 and following years, to 2.75x.

Also, the bond loan taken out in July 2019 stipulates the compliance with a Net Debt / EBITDA ratio, with a maximum value of 2.75. For this loan, the Bondholders' Meeting held in November 2020 approved a waiver to comply with the covenant in 2020.

Reconciliation of the debt change with the financing cash flows.

The following table reconciles the financial debt with the cash flows from financing activities, for the financial year 2020 2019 in accordance with IAS 7.

			Non-cash			
Flows from financing 2020	**31.12.2019**	**Cash flows**	**Acquisitions**	**Exchange differences**	**Changes at amortization cost**	**31.12.2020**
Non-current loans	59 381 843	-950 000			280 046	58 711 890
Current loans	0					0
Total flows from financing - Loans obtained	**59 381 843**	**-950 000**	**0**	**0**	**280 046**	**58 711 890**
Loans obtained (+) /granted.(-) to related entities	26 462 213	8 565 990		78 648		35 106 851
Operating leases	293 196	-74 584	43 721			262 334
Debt interest and similar expenses		-4 944 872				
Total other flows from financing		**3 546 543**				
Total cash flows from financing		**2 596 534**				

			Non-cash			
Flows from financing 2019	**31.12.2018**	**Cash flows**	**Acquisitions**	**Exchange differences**	**Changes at amortization cost**	**31.12.2019**
Non-current loans	1 000 000	59 434 400			-1 052 557	59 381 843
Current loans						0
Total flows from financing - Loans obtained	**1 000 000**	**59 434 400**	**0**	**0**	**-1 052 557**	**59 381 843**
Loans obtained (+) /granted.(-) to related entities	58 832 332	-32 349 482		-20 636		26 462 213
Debt interest and similar expenses		-85 489				
Capital decreases and supplementary capital contributions		-5 023 632				
Total other flows from financing		**-37 591 188**				
Total cash flows from financing		**21 843 212**				

14. Lease liabilities

This heading records the responsibility for the payment of future rents related to lease contracts, whatever their nature.

Lease liabilities	31.12.2020	31.12.2019
Contracts reclassified under IFRS.16		
Initial net amount	293 196	159 986
Increases	43 721	265 794
Paid rents	-74 584	-132 584
Closing net amount	262 334	293 196
Non-current	186 301	201 571
Account	76 033	91 626

15. Deferred Taxes

Deferred tax assets and liabilities are offset if EPS has a legally enforceable right to offset current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority.
At the end of 2020, deferred tax assets relating to tax losses amount to 883 thousand euros.

	Impairment Losses Tang. and Intang. Assets	Tax losses	Total
At 01 January 2019	0	454 327	454 327
Charged to Results	46 240	560 734	606 974
At 31 December 2019	**46 240**	**1 015 061**	**1 061 301**
Charged to Results	0	-131 692	-131 692
At 31 December 2020	**46 240**	**883 369**	**929 609**

16. Equity

16.1 Share Capital

On 31 December 2020, the fully paid-up capital was represented by 61,789,850 common shares, with a par value per unit of 5 euros. On 2 July 2020, the Portuguese State appropriated the shares held by Winterfell 2 Limited through the nationalization process. As of the date of this document, the 71.73% shareholding is held by Parpública Participações Públicas (SGPS) S.A.
The shareholder breakdown, in the period under analysis, was as follows:

Entity	31.12.2020		31.12.2019	
	No. of shares	%	No. of shares	%
Parpública Participações Públicas (SGPS) S.A.	44 319 256	71,7%		
Winterfell 2 Limited			44 319 256	71,7%
MGI Capital, SGPS, S.A.	17 470 594	28,3%	17 470 594	28,3%
Total	**61 789 850**	**100,0%**	**61 789 850**	**100,0%**

On 31December 2020 and 2019, the company did not hold any own shares.

16.2 Issue premiums

Efacec Power Solutions has issue premiums on its own equity, originating from the capital increase carried out in October 2015 by the majority shareholder, which resulted in the amount of 8 million euros. In 2017, by resolution of the General Meeting, EPS transferred the amount of 6,052,270 euros to the heading Reserves and Accumulated Results, to cover losses from previous financial years. The heading Issue Premiums has maintained, since that date, a balance of 1,947,730 euros.

16.3 Additional Paid-in Capital

This heading includes the remainder of the amount of additional paid-in capital made subject to the supplementary capital contributions system made in 2015, in the initial amount of 35,900,000 euros.
At the date of the financial statements of 31 December 2020 and 2019, this heading retains the amount of 11,490,052 euros, of which 9,421,698.34 euros held by the shareholder Parpública and 2,068,354.12 euros by the shareholder MGI Capital.

16.4 Reserves and accumulated results

This heading is mainly composed of the accumulated and undistributed annual results and, occasionally, of amounts entered directly to reserves, of a contractual or other nature.
In 2019, the Annual General Meeting resolved to distribute reserves in the amount of 619,826.93 euros, to be settled within one year, with 206,608.98 euros attributable to the shareholder Winterfell and 413,217.95 euros to the shareholder MGI Capital. These amounts were not paid within the period provided for reasons of financial availability, like that described in the preceding point for the repayment of additional paid-in capital. Thus, on the dates presented, the resolution is considered to have lapsed, and it must be submitted again to the appreciation and resolution of the Annual General Meeting. Therefore, on 31 December 2020, the amount of 619,826.93 euros remains under the heading “Reserves and Accumulated Results”.

17. Expenses and Operating Income

17.1 Supplies and External Services

In the financial years ended 31 December 2020 and 2019, the main supplies and services by external entities were the following:

	2020	2019
Advertising and Publicity	780	1 567 005
Specialized Works	343 551	995 761
Travel and Accommodation	78 130	216 660
Leases and Rentals	152 856	101 888
Other Supplies and Services	186 745	408 185
	762 061	3 289 499

In the context of the reduction in activity in 2020, the Supplies and External Services decreased in 2020. It should be noted that the amount that stands out in 2019 in the heading Advertising and Publicity comprises, essentially, the effect of the sponsorship contract for Formula E, entered in 2018, with a more significant impact in the year of 2019. The duration of the contract corresponded to three sports seasons, with an exit clause at the end of the 2nd year, in July 2020.

17.2. Provisions and assets impairment

The impairment set up in the financial year relates to the reappraisal of land recorded in accordance with the policy established in Note 1.2. In the last appraisal carried out by an independent entity, the land at the Matosinhos hub kept the value at the same level as the preceding appraisal, and the land at the Maia hub experienced a 5% devaluation, which led to the recording of an impairment in the amount of 205,510 euros in 2019.

17.3. Amortization and depreciation

In the financial years 2020 and 2019, the heading Amortization and depreciation was detailed as follows:

	Tangible fixed assets	
	2020	2019
Amortization and depreciation for the financial year	884 484	846 103
Depreciation of assets under operating lease *(application of IFRS.16)*	111 234	135 643
Amortization and depreciation	995 718	981 745

18. Financial results

	2020	2019
Interest paid	-5 844 747	-4 941 699
Lease liabilities charges	-12 323	-7 999
Unfavourable exchange differences	-78 648	0
Other financial expenses and losses	-594 918	-696 103
Total Financial Losses and Expenses	**-6 530 637**	**-5 645 801**
Interest obtained	776 730	1 341 784
Favourable exchange differences	0	21 765
Other financial income and gains	82 500	0
Total Financial Gains and Income	**859 230**	**1 363 548**
Total net	**-5 671 406**	**-4 282 253**

Net Financial Expenses

The interest obtained relates entirely to the remuneration of loans granted to EPS Group companies and related entities.

In the heading, interest paid, the loans obtained from related entities represent 3,172 thousand euros. These loans are remunerated at conditions like market conditions, with Euribor as an index. This heading also includes 2,618 thousand euros related to the bond loan and 54 thousand euros related to commercial paper programs.

19. Corporate income tax

In Portugal, annual income statements are subject to review and possible corrections by the tax authorities, for a period of four years. However, if tax losses are presented, they may be subject to review and liquidation by the authorities for a maximum period of ten years.

The tax estimated in the Income Statement is as follows:

	Notes	2020	2019
Current tax		76 981	28 979
Deferred tax	15	-92 727	-675 699
Tax estimate		-15 746	-646 720
Insufficient tax estimate from preceding financial years		20 951	625 591
Deferred tax from previous years	15	224 419	68 725
Corporate income tax		229 624	47 596

The tax rate reconciliation is as follows:

		2020	2019
Result before taxes		-5 066 214	-5 893 483
Theoretical Rate	(a)	21,0%	21,0%
Theoretical Tax		-1 063 905	-1 237 632
Dividends received		0	0
Costs not accepted for tax purposes		971 178	579 318
Autonomous Taxation		76 981	57 191
IDA land		0	-46 240
Others			642
Tax for the period		-15 746	-646 720
Effective Rate		*n.a.*	*n.a.*

a The theoretical rate presented takes into account the estimate of tax results of the RETGS dominated by EPS (on which the application of surcharges depends).

20. Earnings per share

Basic

Basic earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of common shares issued during the year, excluding any own shares held by EPS (Note 16.1).

	2020	2019
Profit attributable to equity holders	-5 295 838	-5 941 080
Weighted average number of common shares issued	61 789 850	61 789 850
Basic earnings per share (euros per share)	-0,09	-0,10

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares, to incorporate the effects of the conversion of all potential diluting common shares, if any. In the financial years 2020 and 2019 there were no dilutive effects.

21. Dividends per share

In the financial year 2020, Efacec Power Solutions did not pay dividends to its shareholders.

G. Other Notes

22. Balances and transactions between related parties

The scope of this note is the disclosure of transactions and balances between the company and related parties (Group companies, Associate Companies, Shareholders and Directors), and debit and credit balances with the same entities existing at the end of the year.

22.1 Transactions carried out

Current transactions:	2020	2019
- Group companies		
Operating income and gains	2 764 447	-938 091
Operating expenses and losses	176 588	32 914
Financial income and gains	776 730	1 341 784
Financial expenses and losses	3 171 873	3 626 173
- Shareholders		
Operating income and gains	1 460 736	6 249 266
Financial expenses and losses	0	85 080
	1 653 452	**2 908 792**

In 2019, the company recorded gains of an operating nature for amounts to be charged in 2020 to MGI Capital, under the Share Purchase Agreement between this company and Winterfell 2. The amount recorded includes an amount of 6.2 million euros corresponding to the loss of tax benefits in the context of ACE Ensul Meci-Efacec tax proceeding, which dates to the years 2013 and 2014 (Notes 8 and 12).

22.2 Closing balances resulting from commercial and financial transactions

The Company's assets and liabilities balances included in the different headings of the Statement of Financial Position, and that refer to related parties, are as follows:

	Notes	31.12.2020	31.12.2019
Debts of related parties:			
- Group companies			
Non-current loans		25 375 961	26 100 961
Current loans		4 225 803	6 779 703
Trade	7	469 080	536 305
Debtors and Expenses to be recognized	9	6 194 871	4 951 241
- Shareholders			
Current loans		724 605	724 605
Trade	7	143 657	143 657
Debtors and Expenses to be recognized	9	14 459 589	8 000 634
		51 593 565	47 237 105
Debts to related parties:			
- Group companies			
Non-current loans	(a)	60 000 000	60 000 000
Current loans		5 433 220	67 482
Suppliers	11	8 058 100	3 994 585
Creditors and Accrued Expenses	12	39 764 771	14 423 158
- Shareholders			
Suppliers	11	128 051	230 209
Creditors and Accrued Expenses	12	7 833 059	7 757 476
		121 217 200	86 472 910
Total Net		**-69 623 636**	**-39 235 805**

(a) This heading relates to a non-current financing obtained from the subsidiary Efacec Engenharia.

The variation from 2019 to 2020 in the heading Other debtors is mainly due to the issue of an invoice of approximately 6.3 million euros to MGI Capital. This amount essentially correponds to the increase in income recorded in 2019, referring to ACE Ensul Meci-Efacec tax proceeding, invoiced to MGI Capital in 2020 (as provided for in the agreement between the parties), related and articulate, as at the time of enforceability, with the outcome of the tax litigation (years 2013 and 2014) in the Hierarchical Appeal and/or Judicial Challenge phase, which is carried out under the informed and joint management of both entities and also considering the nature of the underlying ACE. In this proceeding, tax credits from the Efacec Group were consumed. EPS understands that the negative economic impacts on EPS's assets derived from the activity of Ensul Meci-Efacec are attributable to MGI Capital. The amount debited to MGI will be due to EPS in the event of an unfavorable outcome of the aforementioned court proceedings, after the final and unappealable transit of the respective decisions. If the outcome of the tax proceeding is favorable, the Efacec Group will recover the tax credits and other expenditures consumed in the said proceeding.

22.3 Detail by entity of balances with related parties

The breakdown of assets and liabilities balances presented above by entity is as follows:

Debts of related parties:	Notes	31.12.2020	31.12.2019
Trade			
Efacec Serviços Corporativos, S.A..		327 475	327 475
Efacec Engenharia e Sistemas, SA		-56 464	0
Efacec Electric Mobility, S.A..		74 996	78 941
Efacec USA Inc.		70 489	77 306
Power Solutions Brasil, Sist. Aut. e Potência, Ltd		48 875	48 875
EfaServicing, ACE		3 709	3 709
MGI Capital Group		143 657	143 657
Total Clients	7	**612 736**	**679 962**
Debtors and Expenses to be recognized			
Efacec Marketing Internacional, S.A..		149 429	314 913
Efacec Engenharia e Sistemas, S.A..		942 513	384 585
Efacec Electric Mobility, S.A..		278 719	1 238 099
Efacec Serviços Corporativos, S.A..		1 206 383	688 718
Efacec Energia, S.A..		398 785	432 583
Efacec Angola, Lda.		920	920
Efacec Moçambique, Lda.		235 869	139 958
Efacec Algérie, EURL		186 002	0
Efacec Chile, SA		70 135	0
Efacec Central Europe Limited SRL		136 784	38 663
Efacec Contracting Central Europe GmbH		2 199 144	1 644 909
Efacec Índia Pvt. Ltd.		115 700	0
Efacec Equipos Electricos, SL		11 128	23 908
Power Solutions Brasil, Sist. Aut. e Potência, Ltd		112 371	23 000
MGI Capital Group		14 459 589	8 000 634
Others		150 989	20 985
Total Debtors and Expenses to be recognize	9	**20 654 460**	**12 951 875**

Debts to related parties:	Notes	31.12.2020	31.12.2019
Suppliers			
Efacec Engenharia e Sistemas, S.A.		6 731 829	3 184 957
Efacec Serviços Corporativos, S.A.		70 308	44 439
Efacec Energia, S.A.		1 157 009	695 364
Efacec USA Inc.		58 233	58 233
MGI Capital Group		128 051	230 209
Others		40 721	11 592
Total Suppliers	11	**8 186 150**	**4 224 795**
Creditors and Accrued Expenses			
Efacec Marketing Internacional, S.A.		0	174 749
Efacec Engenharia e Sistemas, S.A.		3 331 720	7 201 189
Efacec Electric Mobility, S.A.		69 735	69 735
Efacec Serviços Corporativos, S.A.		0	8 812
Efacec Energia, S.A.		36 355 746	6 961 016
MGI Capital SGPS	(a)	7 833 059	7 757 476
Others		7 570	7 657
Total Creditors and Accrued Expenses	12	**47 597 830**	**22 180 634**

(a) The amounts recorded under the heading "Other creditors" with MGI Capital relate mostly to additional paid-in capital to be repaid.

The breakdown by entity of loans with related parties is as follows:

	31.12.2020		31.12.2019	
Loans	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Non-current				
Group Companies:				
Efacec Engenharia e Sistemas, S.A.		60 000 000		60 000 000
Efacec Angola, Lda.	24 347 731		24 347 731	
Efacec Moçambique, Lda.	1 028 230		1 028 230	
Efacec Equipos Electricos, SL			350 000	
Power Solutions Brasil, Sist. Aut. e Potência, Ltd			375 000	
	25 375 961	60 000 000	26 100 961	60 000 000
Current				
Group Companies:				
Efacec Marketing Internacional, S.A.		-91	91	
Efacec Engenharia e Sistemas, S.A.		1 138 613		2 001
Efacec Electric Mobility, S.A.		1 649 839	161	
Efacec Serviços Corporativos, S.A.		60 329	1 800 000	53 360
Efacec Energia, S.A.		2 584 530	1 050 000	12 121
Efacec USA Inc.	813 303		891 951	
Efacec Central Europe Limited SRL	842 500		842 500	
Efacec Contract. Central Europe GmbH	1 820 000		1 820 000	
Power Solutions Brasil, Sist. Aut. e Potência, Ltd	750 000		375 000	
Shareholders:				
MGI Capital Group and ascendants	724 605		724 605	
	4 950 408	5 433 220	7 504 308	67 482
Total Loans	**30 326 369**	**65 433 220**	**33 605 269**	**60 067 482**
Total loans Net	**-35 106 851**		**-26 462 213**	

The loans are remunerated at conditions like market conditions, with Euribor as an index.
The balances with MGI Capital on 31 December 2020 show amounts receivable, net of impairments, of approximately 15.3 million euros, including loans and current balances, and amounts payable of approximately 8 million euros, including additional paid-in capital to be repaid of approximately 7.8 million euros (Note 16.3) by resolution of the Annual General Meeting held in April 2018.

22.4 Remunerations of the Board of Directors

In the financial years 2020 and 2019, the Board of Directors of Efacec Power Solutions earned the following remunerations:

	31.12.2020	31.12.2019
Fixed remunerations	1 195 001	1 623 362
Variable Remunerations	41 044	77 609
Others	214 601	95 667
	1 450 646	1 796 638

23. Contingencies

Contingent assets and liabilities resulting from contractual disputes.

Contingent liabilities related to projects with registered occurrences/incidents (does not include the litigation component)

Projects with registered occurrences / incidents registered in view of the fulfilment of the contractual conditions and compliance with the execution in relation to the planned are assessed in terms of the potential outflow considering the probability of occurrence and the potential impact based on the methodology defined internally. This methodology incorporates technical, legal, historical, and judgemental considerations, in a context of high risk and uncertainty.
Efacec Energia, in addition to the duly provisioned situations, does not present contingent liabilities considered material related to projects where there have been occurrences/incidents under management in the normal scope of the business.

Contingent liabilities related to projects that are under litigation.

Litigation projects are assessed for the likelihood of occurrence, as well as the potential impact, and are classified as contingent liabilities those where there is no probable unfavourable outcome or significant uncertainty in their measurement, which is why no provision is recognized in the balance sheet.

The amounts of contingent assets and liabilities resulting from contractual, judicial and tax disputes in which the company is involved are shown:

BLIDA Military Hospital

This is a lawsuit brought by the Lena Group against Efacec Algérie, in the approximate amount of 950,000 euros (DZD 122667197 + DZD 10,000,000), which has already been dismissed due to the court's incompetence. However, Grupo Lena has filed an appeal which is currently being judged. The reason for the request is the non-fulfilment of the subcontracting contract by the Efacec/Sital consortium in connection with the construction of a hospital in Blida. Efacec claims, within the scope of the same lawsuit, compensation for work performed and expenses incurred in connection with the execution of the project. There are no bank guarantees associated. Considering the judicial decision already pronounced, it was not considered necessary to set up any provision.

Elektron (507)

This is a lawsuit in which the Plaintiff claims from Efacec Energia and Efacec Power Solutions the global amount of 1,752,412 euros related to supplies partly delivered, partly manufactured, but not delivered, and material purchased and in stock due to orders that ended up not being executed. A counterclaim was made in the lawsuit

in the amount of 829,642 euros relating to penalties for delay and repair costs for defects in supplies according to the contract. It was also requested to offset the amount that may be granted in the counterclaim with the amount that may be recognized to the Plaintiff. Written phase prior to the probationary phase. The amountsrelated to the manufactured and delivered material are already recorded as liabilities in the suppliers account, and for the remainder, Efacec believes, based on the legal assessment of the case, that there will be a favourable outcome for its claims, which is why the Company does not set up any additional provision.

CPTM/STM

The contingency with CPTM/STM, which has been reported by Efacec since 2014, relates to the contract for the renovation of the signalling of several lines of the railway system in the State of Sao Paulo, in Brazil, signed between the Brazilian company CPTM and the consortium Union Switch & Signal Internacional Co. and Efacec Engenharia e Sistemas. This contract was terminated, with just cause, by the Consortium, on 24 November 2014.
Following this termination, the Consortium submitted a request for compensation in the amount for the payment of works performed and equipment already manufactured, as well as an amount related to the financial rebalancing of the contract. In November 2016, the client CPTM/STM filed a counter claim for compensation claiming the reimbursement for costs incurred with equipment and the payment of penalties.
On 30 June 2017, the Consortium initiated an Arbitration Procedure under the jurisdiction of the International Chamber of Commerce to settle this dispute. The Arbitration Court was formally constituted in March 2018 in Sao Paulo. The Consortium of which Efacec Engenharia is a part claims from CPTM/STM an amount of approximately 180 million reais, plus 30 million American dollars and 1 million euros. CPTM/STM counter claimed from the Consortium a compensation of approximately 340 million reais.
During 2020, issues related to the appointment of experts and scope of expert appraisals to be carried out, as well as procedural questions about the separate analysis of the different requests that make up the process, with a first partial judgement expected during the first quarter of 2021.
Given the probabilities of receiving each of the complaints submitted, there is no need to set up any provision. On the other hand, and under the terms of the Transition Agreement signed between EPS and MGI Capital on 23 October 2015, the EPS Group has the right of recourse regarding MGI Capital, on any liabilities that it may have to take on in the context of this judicial dispute.

Tovisi

In Mozambique there is a lawsuit filed by the company Tovisi Moçambique, a subcontractor to Efacec Mozambique in an engineering project in Maputo. Divergences regarding the conduct of the work led to the termination of the contract by Efacec Mozambique due to contractual breach by Tovisi Mozambique. Following the resolution, Tovisi Mozambique filed a lawsuit seeking compensation of 78,758,069 MZM (approximately1.6 million euros). Efacec Mozambique fully challenged the claim for damages and filed a counterclaim for approximately 75 thousand euros. The proceeding is pending a judicial decision, with Efacec Mozambique believing in a favourable outcome.

Mundotérmica

This is a 2017 lawsuit in which the Plaintiff, Mundotérmica - Sociedade Térmica, S.A., demands Efacec Energia to pay the amount of 526,266.00 euros, for alleged losses caused by defective repairs carried out by the Service Business Unit in a Mundotérmica mechanical equipment in January 2016. Efacec, in challenge, refuted and rejected the Plaintiff's requests, and claimed the payment of invoices related to the services provided and not paid by the Plaintiff, in the amount of 63,837.00 euros and additional costs in the amount of 42,004.72 euros. Following what was claimed by Efacec in the challenge, the Plaintiff requested the intervention caused by a third entity, the company Caterpillar Energy Solutions, S.A. The lawsuit is already in the decision-making phase.

Parklake

This is a lawsuit brought in August 2018 at the Bucharest Court, Romania, against Efacec Central Europe (a company under Romanian law) and Efacec Power Solutions, by Parklake Shopping, S.A., a company also under Romanian law, related to a contract for the construction of an electrical substation dedicated to the Shopping, signed in July 2015 between the two companies under Romanian law. The court ruled that Efacec Power Solutions SGPS was an illegitimate party to the lawsuit, and therefore the lawsuit remains against Efacec Central Europe only.

Parklake claims the payment of a compensation of approximately 4.64 million euros (at the current exchange rate) for the damages incurred because of non-compliance with the contractual deadlines for completion of the work, attributing the responsibility to Efacec Central Europe. Efacec contested all requests from Parklake Shopping S.A., considering that the delays in the execution of the work are not attributable to it, but to third parties, including Parklake itself, and that the contractually foreseen liability limitations must be maintained. As a result, Efacec filed a counterclaim, claiming from Parklake Shopping the payment of approximately 500,000 euros, corresponding to the amount of bank guarantees executed by Parklake Shopping, prior to the date of the filing of the lawsuit, in the approximate amount of 350,000 euros and invoices not paid by Parklake in the amount of approximately 150,000 euros, as well as the court costs incurred by Efacec to defend the case. The proceeding has already bone through the witnesses' inquiry phase and is now in the phase of carrying out technical examinations.

Bouaghi

The contingency relates to a contract for the construction of a water treatment plant in the city of Bouaghi in Algeria. The client ONA terminated the contract on 8 January 2017 due to delays in carrying out the work. The works under Efacec's responsibility had been carried out in a timely manner until that date, and therefore the company considers that it has no responsibility for the facts alleged by ONA for the termination of the contract. ONA submitted to the Consortium a proposal for closing accounts in which it claimed a total compensation in the amount of 1.8 million euros at the current exchange rate, having subsequently executed the bank guarantees that Efacec had provided, as a member of the Consortium, in the global amount of approximately 1 million euros. Efacec, as a member of the Consortium, rejected the account closure report and presented its reservations regarding those accounts, having also assigned to its consortium partner, the company Hidro-Traitment Enterprise Publique Economique, SA, the full responsibility for non-compliance and termination of the contract. Efacec took the necessary steps for the judicial claim of the losses incurred.

GeoEnergia

This is a legal proceeding in the State of São Paulo, Brazil, brought by the company GeoEnergia Soluções de Sistemas de Energia, Lda., which claims from Power Solutions Brasil, (PSB) an entity belonging to the EPS Group, the subsidiary payment of a debt of the entity EDB - Engenharia do Brasil, Ltda., in the amount of approximately 530,000 euros. In the first decision, the Court found that Power Solutions Brasil is an illegitimate party to the lawsuit and cannot be held liable in the alternative for the debt of EDB - Engenharia do Brasil, Ltda. (EDB), having excluded PSB from the lawsuit. This decision was subject to appeal filed by GeoEnergia, which is awaiting a decision by the Supreme Court of Justice. Efacec considers that the materialization risk of this contingency is low, either because it has already been acquitted in a first and second decision, or because it has, in the event of a contrary outcome, a right of recourse over EDB regarding this contingency.

ACS

In May 2020, Advanced Control Systems, Inc. filed a lawsuit against Efacec Engenharia e Sistemas, SA at the Technology and Construction Court, High Court of Justice of England and Wales, London, claiming the payment of USD 1,714,212.28 resulting from the supply contract, by ACS, of the Distribution Automation System (DAS), contracted by Efacec Engenharia under the contract for the modernization of the electricity distribution system in the city of Bangalore, India, signed between Efacec Engenharia and Bangalore Eletricity Supply Company Ltd. (BESCOM). The amount requested by ACS relates to invoices issued, but not paid by Efacec and amounts contractually provided for but not yet invoiced by ACS. Efacec Engenharia challenged by alleging that part of the petitioned amount is not due and filed a counterclaim claiming compensation from ACS up to the total amount of USD 16,827,645.30, for several contractual defaults and defective compliance, including the delay in the execution of the project, compensation that must be offset against the amount petitioned by ACS. During the year 2020, and because of the impacts of the COVID-19 pandemic in England, it was only possible to finish the phase of preparing the written documents of the process, and in 2021 the phase of probative and expert investigations should begin. Already in February 2021, ACS announced its intention to add to its initial petition a claim for damages in the amount of USD 7,375,837 for damages incurred due to delays in the execution of the project and which it considers to be the responsibility of Efacec. Efacec objected to the admission of this additional request. The values of the initial order that Efacec did not challenged are already recorded as liabilities in the suppliers account, and for the

remainder, Efacec believes, based on the legal assessment of the case, that there will be a favourable outcome for its claims, which is why the Company does not set up any additional provision.

24. Obligations

Guarantees provided.
EPS has contingent liabilities related to guarantees provided by financial institutions in favour of third parties.

	31.12.2020	31.12.2019
Financial guarantees	1 032 438	3 335 022
Other guarantees	235 379	268 232
Total	1 267 816	3 603 254

Financing
In the loans taken out jointly by the subsidiaries Efacec Energia and Efacec Engenharia e Sistemas, Efacec Power Solutions set up guarantees for guaranteeing the promissory notes subscribed by these subsidiaries.
In addition to the guarantees, the loans include clauses that define the compliance with a Debt Ratio, defined as Net Debt/EBITDA. (see note 13)

25. Fees paid to auditors.

As of 2020, Efacec contracted services from Mazars e Associados - Sociedade de Revisores Oficial de Contas, S.A. and other associated companies. Expenses by type of service contracted are shown in the following table and reflect the services provided and invoiced by Mazars in the financial year 2020.

	2020	2019
Audit and Audit of Accounts	95 350	20 732
Tax consulting services	0	51 875
Other services	0	39 400
	95 350	112 007

The amounts presented in 2019 relate to expenses incurred with PwC, which provided audit services to Efacec up to that date.

26. Subsequent events

When events occur after the balance sheet date that show evidence of conditions that already existed at the balance sheet date, the impact of these events is adjusted in the financial statements. Otherwise, events after the balance sheet date with a material nature and dimension are described in this note. Up to the completion date of this Report, there were no significant events that are not reflected in the Financial Statements.

Leça do Balio, 11 March 2021

The Chartered Accountant

Sofia Marlene Ferreira Pereira

The Board of Directors

Ângelo Manuel da Cruz Ramalho

Manuel Alberto Pontes Ferreira

Michael Barroso da Silva

Nuno Filipe Gonçalves da Silva

Fernando José Rabaça Vaz

Jaime Serrão Andrez

Carlos Manuel de Jesus e Sousa de Araújo Ribeiro

Maria Gabriela de Castro Chouzal

Rui Alexandre Pires Diniz

Manuel António Carvalho Gonçalves

6.3. Non-financial Indicators

› Environmental Indicators

Heading	Indicator	Scope	Units	2018	2019	2020
Materials	Magnetic plate consumption	Arroteia	Ton	4,596	4,568	NA [5]
	Magnetic plate recycling [6]		%	100	0	NA [5]
	Copper consumption	Arroteia	Ton	2,202	1,623	NA [5]
	Copper recycling [6]		%	0	0	NA [5]
	Aluminium consumption	Arroteia	Ton	688	916	NA [5]
	Aluminium recycling [6]		%	0	0	NA [5]
	Oil consumption	Arroteia	Ton	3,403	3,558	NA [5]
	Oil recycling		%	0	0	NA [5]
Packaging	(Plastic) packaging consumption	Arroteia	Kg	340	1,919	999 [6]
		Maia		1,551	916	1,110 [6]
	(Paper/cardboard) packaging consumption	Arroteia	Kg	600	1740	720 [6]
		Maia		1,137	272	197 [6]
	(Wood) packaging consumption	Arroteia	Kg	38,255	40,139	17,845 [6]
		Maia		0	0	4,500 [6]
	Packaging (others) consumption	Arroteia	Kg	0	622	274 [6]
		Maia		4	4	327 [6]
Energy	Natural gas consumption[1]	Arroteia	GJ	25,020	25,921 [5]	17,525
		Maia		6,643	5,356 [6]	4,835
		Total		31,663	31,277	22,360
	Thermal energy consumption (Gasoline)[1]	National	GJ	233	850	973
	Thermal energy consumption (Diesel)[1]	National	GJ	36,341	33,799	21,952
	Electric power consumption[2]	Arroteia	GJ	44,059	54,294 [6]	38,923
		Maia		20,442	22,388 [6]	20,271
		National		64,501	76,682	59,194
	Indirect hydroelectric power consumption [3]	National	GJ	14,319	15,428	11,560
	Indirect wind consumption [3]	National	GJ	11,739	20,198	15,722
	Indirect natural gas consumption[3]			8,256	17,491	15,134
	Indirect coal consumption [3]			17,028	7,661	3,462
	Indirect consumption of other non-renewables[3]			8,708	6,395	4,567
	Indirect consumption of other renewables[3]			4,451	9,509	8,749
	Renewable production	Maia		1,134	945	898
Water	Water consumption - public supply network	Arroteia	m³	26,490	15,612	6,745
		Maia		13,925	19,826	21,550
		National		40,415	35,438	28,295
	Water consumption - water bores	Arroteia	m³	6,551	9,700	4,371
		Maia		12,283	15,663	7,381
		National		18,364	25,363	11,752
	Total water consumption	National		58,779	60,801	40,047
	Water sources affected	National	-	0	0	0
	Reused/recycled water	National	m³	0	0	0
Effluents	Water discharge	Arroteia	m³	1,860	1,517	NA [5]
	Spills		-	4	11	9
Biodiversity	Protected area affected	National	m²	0	0	0

Heading	Indicator	Scope	Units	2018	2019	2020
CO_2 Emissions	Natural gas[1]	Arroteia	CO2e Ton	1,416	1,467	987
		Maia		376	303	272
		Total		1,792	1,770	1,259
	Gasoline[1]	National	CO2e Ton	17	63	71
	Diesel[1]			2,693	2,505	1,610
	Scope 1 Emissions	Total	CO2e Ton	4,502	4,338	2,940
	Scope 2 Emissions / Electricity consumption[3]	Arroteia	CO2e Ton	4,065	3,748	2,130
		Maia		1,887	1,546	1,109
		Total		5,952	5,284[7]	3,239
	Scope 1/2 Emissions	Total	CO2e Ton	10,454	9,622[7]	6,179
Other Emissions	CO[4]	Arroteia	Kg	1,132	1,132	1,004
		Maia		32	32	0[8]
	COVs[4]	Arroteia	Kg	10,493	10,599	4,629
		Maia		32	32	0[8]
	NO_X[4]	Arroteia	Kg	1,876	1,876	1,595
		Maia		172	172	0[8]
	SO_2[4]	Arroteia	Kg	244	244	203
		Maia		1,228	1,228	0[8]
	Particles[4]	Arroteia	Kg	11,670	11,882	1,266
		Maia		193	193	0[8]
	Ozone-depleting substances	Arroteia	Kg	0	0	0
Waste	Disposed dangerous	Arroteia	Ton	22	59	36
		Maia		0	3	0
		Oeiras		0	0	0
		Total		22	62	36
	Disposed non-dangerous	Arroteia	Ton	15	57	28
		Maia		14	17	2
		Oeiras		0	1	0
		Total		29	75	30
	Disposed	Arroteia	Ton	37	117	63
		Maia		14	19	2
		Oeiras		0	1	0
		Total		51	137	65
	Valued dangerous	Arroteia	Ton	357	334	168
		Maia		3	3	5
		Oeiras		0	1	0
		Total		360	338	173
	Valued non-dangerous	Arroteia	Ton	1,733	1,995	989
		Maia		217	350	125
		Oeiras		1	10	0
		Total		1,951	2,355	1,114
	Valued	Arroteia	Ton	2,090	2,329	1,157
		Maia		220	353	130
		Oeiras		0	11	0
		Total		2,310	2,693	1,287

[1] Amounts calculated based on the Lower Calorific Power (PCI) values indicated in the National Inventory of Greenhouse Gases 2013-2020.
[2] Conversion factor: 1kWh = 0.0036GJ.
[3] Amounts calculated from data published by EDP Comercial (Corporate clients) that reflect the source of the electricity consumed and the CO_2 emission in 2020.
[4] The availability of data depends on the frequency of monitoring resulting from the values obtained and the opinion of the CCDR. Until the next measurements, the values of preceding years are maintained.
[5] Amounts are not available at the time of preparation of this report.
[6] Estimated amounts due to the unavailability of data from some Business Units.
[7] Amounts for 2019 updated.
[8] The only chimney in Maia was deactivated.

› Social Indicators

Heading	Indicator	Units	Scope	2018	2019	2020
Employment contract	Permanent employees	# Employees [1]	Group	1,802	1,793	1,737
	Employees with fixed-term contracts			309	399	257
	Executive directors			5	7	5
	Employees in subsidiaries			381	332	305
	Global with employment contract (Group + Subsidiaries)			2,497	2,531	2,304
	Full-time employees			2,496	2,530	2,303
	Part-time employees			1	1	1
No employment contract	Professional Internships	# Employees [1]	Group	144	41	13
	Self-employed professionals			14	0	0
	Temporary work			65	11	5
	Global no employment contract			223	52	18
Employment	Global	# Employees [1]	Group	2,720	2,583	2,322
***Turnover* with employment contract**	Employees Departures <30 years	# Employees [1]	Group	55	104	111
	Employees Departures 30-39 years			103	122	99
	Employees Departures 40-49 years			54	58	57
	Employees Departures = or > 50 years			83	60	33
	Global (Group + Subsidiaries)			272	340	300
	Male employees' departures			223	275	248
	Female employees' departures			49	65	52
	Turnover rate			11%	13%	13%
Labour relations	Unionised employees	# Employees [1]	National	15%	15%	11%
	Deadline for notification of changes			15	15	15
Training with employment contract	**Volume of training by categories**	# Hours	Group			
	Director [8]			2,990	3,129	256
	Head			3,230	5,827	1,293
	Coordinator			4,629	8,253	2,042
	Specialist			14,354	27,779	6,683
	Technician			1,879	3,591	2,416
	Supervisor			1,162	1,944	1,873
	Operational			5,717	3,528	1,934
	Administrative			185	500	286
	Professional Internship [7]			2,885	2,619	176
	Total			37,029	57,168	16,959
	Average training by categories	# Hours / Employee	Group			
	Director [8]			43	41	11
	Head			29	49	28
	Coordinator			20	37	18
	Specialist			14	26	32
	Technician			7	12	3
	Supervisor			9	16	7
	Operational			10	6	18
	Administrative			2	7	1
	Global			14	22	7

Heading	Indicator	Units	Scope	2018	2019	2020
Safety	Frequency index	[2]	Efacec	6	6	3
	Severity index	[3]		236	212	141
	Incidence index	[4]		11	12	6
	Duration index	[5]		17	15	12
	Frequency index	[2]	Efacec Engenharia e Sistemas	1	3	0
	Severity index	[3]		72	358	200
	Incidence index	[4]		2	6	0
	Duration index	[5]		13	43	37
	Frequency index	[2]	Efacec Energia	8	7	5
	Severity index	[3]		350	190	166
	Incidence index	[4]		15	15	9
	Duration index	[5]		19	11	12
	Frequency index	[2]	Efacec Electric Mobility	14	15	6
	Severity index	[3]		97	368	38
	Incidence index	[4]		28	30	12
	Duration index	[5]		3	12	2
	Occupational diseases		National	2	4	2
	Deaths		National	0	0	0
Human rights	Discrimination cases	# Occurrences	Group	0	0	1
	Operations with freedom of association risk	# Occurrences		0	0	0
	Operations with child labour risk			0	0	0
	Operations with forced labour risk			0	0	0

[1] Indicators involving counting Employees (# Employees) are for 31 December 2020.
[2] Frequency Index = number of accidents with sick leave / (number of Man hours worked) x 10^6.
[3] Severity Index = number of (working) days lost /number of Man hours worked x 10^6.
[4] Incidence Index = number of accidents with sick leave / (average number of workers) x 10^3.
[5] Duration Index = number of (working) days lost /number of accidents.
[6] This indicator shows the number of cases actually confirmed by the National Centre for Protection against Occupational Hazards (CNPRP) in the respective year.
[7] Number of classroom training hours.
[8] Includes training of executive directors.

6.4. Legal certification of accounts

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Statutory auditor's report

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of **EFACEC POWER SOLUTIONS, SGPS S.A.** (the Group), which comprise the consolidated statement of financial position as at December 31st, 2020 (showing a total of 627 086 931 Euro and a total net equity of 180 211 340 Euro including a negative result of 73 426 548 Euro), and the consolidated income statement by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the of **EFACEC POWER SOLUTIONS, SGPS S.A.**, as at December 31st, 2020, and of its financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

Bases for the opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas code of ethics.

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

Material uncertainty related to going concern

According to the disclosures in chapter 2 of the consolidated management report and in note 1.1 of the consolidated financial statements, relevant facts have impacted the Group´s business activity in 2020 and may also impact following years. The publication of the so-called Luanda Leaks in mid-January 2020 triggered a succession of reactions with relevant impacts on the Group's activity, namely the financial blockade. Cumulatively, the Group was also impacted by the Covid-19 pandemic in projects and contracts execution that, combined with the financial blockade and the Luanda Leaks

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episode, threatened the Group's ability to fulfil its primary obligations timely, namely payments to suppliers.

On July 2, 2020, the Portuguese State under Decree-Law No. 33-A/2020, , carried out, on a transitory basis, the shareholder control of Efacec through the public appropriation of 71.73% of the share capital, considering EFACEC's reprivatisation should occur in the shortest possible time and take place by direct sale of the interest held. The Nationalisation gave EFACEC Group access to additional credit lines in the second half of 2020 allowing Efacec Group to gradually replace it´s economic and operational capacity and reverse the negative treasury cycle. Therefore, as disclosed in Chapter 4 of the consolidated management report and in point 1.1 of the notes to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis, which is dependent on obtaining relevant operational profitability as foreseen in the Group's business plan, and on the continued support of shareholders and financing entities.

Our opinion is not changed in this regard.

Emphasis of Matter

As disclosed in points 2.1 and 7 of the notes to the consolidated financial statements, we emphasize that management's operating margin forecast and other assumptions that support the impairment tests have been developed based on estimates that embody judgments and uncertainties about future events and the return, in 2021 and years following, to a trajectory of profitability and growth. The recoverability of the items of Assets - Goodwill, Intangible Assets and Deferred Tax Assets is subject to the evolution of these assumptions and to the ability of the Group's business units to generate relevant operating cash flows in future periods.

Our opinion is not changed in this regard.

Responsibilities of management and the supervisory body for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that give a true and fair view of the Entity's financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.
- the preparation of the consolidated management report in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group´s consolidated financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the guidance, supervision and performance of the Group's audit and are ultimately responsible for our audit opinion.
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Our responsibility also includes the verification that the information contained in the consolidated management report is consistent with the consolidated financial statements.

Report on other legal and regulatory requirements

On the Management Report

Pursuant to article 451.º, n.º 3, al. (e) of the Portuguese Companies' Code, it is our opinion that the consolidated management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatements.

Porto, March 25th, 2021

Mazars & Associados, Sociedade de Revisores Oficiais de Contas, S.A.

represented by

José Fernando Abreu Rebouta (ROC N.º 1023)

Patrícia Alexandra Faria Cardoso (ROC Nº 1483)

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Statutory auditor's report

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of **EFACEC POWER SOLUTIONS, SGPS S.A.** (the Entity), which comprise the statement of financial position as at December 31st, 2020 (showing a total of 516 245 150 Euro and a total net equity of 328 547 571 Euro including a negative result of 5 295 838 Euro), and the income statement by nature, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the of **EFACEC POWER SOLUTIONS, SGPS S.A.**, as at December 31st, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

Bases for the opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas code of ethics.

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

Material uncertainty related to going concern

According to the disclosures in chapter 2 of the management report and in note 1.1 of the financial statements, relevant facts have impacted the Group´s business activity in 2020 and may also impact following years. The publication of the so-called Luanda Leaks in mid-January 2020 triggered a succession of reactions with relevant impacts on the Group's activity, namely the financial blockade. Cumulatively, companies controlled by the Entity were also impacted by the Covid-19 pandemic in projects and contracts execution that, combined with the financial blockade and the Luanda Leaks episode, threatened the Group's ability to fulfil its primary obligations timely, namely payments to suppliers.

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On July 2, 2020, the Portuguese State under Decree-Law No. 33-A/2020, carried out, on a transitory basis, the shareholder control of Efacec through the public appropriation of 71.73% of the share capital, considering EFACEC's reprivatisation should occur in the shortest possible time and take place by direct sale of the interest held. The Nationalisation gave EFACEC Group access to additional credit lines in the second half of 2020 allowing Efacec Group to gradually replace it´s economic and operational capacity and reverse the negative treasury cycle. Therefor, as disclosed in Chapter 4 of the management report and in point 1.1 of the notes to the financial statements, the financial statements have been prepared on a going concern basis, which is dependent on obtaining relevant operational profitability as foreseen in the Group's business plan, and on the continued support of shareholders and financing entities.

Our opinion is not changed in this regard.

Emphasis of Matter

As disclosed in point 7 of the notes to the financial statements, we emphasize that management's operating margin forecast and other assumptions that support the impairment tests have been developed based on estimates that embody judgments and uncertainties about future events and the return, in 2021 and years following, to a trajectory of profitability and growth. The recoverability of the items of Financial Investments is subject to the evolution of these assumptions and to the ability of the Group's business units to generate relevant operating cash flows in future periods.

Our opinion is not changed in this regard.

Responsibilities of management and the supervisory body for the financial statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the Entity's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.
- the preparation of the management report in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Entity's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually

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or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements.

Report on other legal and regulatory requirements

On the Management Report

Pursuant to article 451.º, n.º 3, al. (e) of the Portuguese Companies' Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Entity, we have not identified any material misstatements.

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Porto, March 25th, 2021

Mazars & Associados, Sociedade de Revisores Oficiais de Contas, S.A.

represented by

José Fernando Abreu Rebouta (ROC N.º 1023)

Patrícia Alexandra Faria Cardoso (ROC N.º 1483)

EFACEC

Power Solutions, SGPS, S.A.

REPORT AND OPINION OF THE SUPERVISORY BODY

CONSOLIDATED ACCOUNTS

Dear Shareholders,

1. INTRODUCTION

Pursuant to the powers granted to us and in compliance with the provisions of paragraph g) of number 1 of article 420 and article 452, both of the Commercial Companies Code, by virtue of the reference provided for in number 1 of article 508.d of the same Code, we are required to present our Opinion on the Consolidated Management Report, the consolidated statement of financial position, the consolidated income statement by nature, the consolidated statement of comprehensive income , the consolidated statement of changes in equity, the consolidated statement of cash flows and the Notes attached to the consolidated financial statements, presented by the Board of Directors of EFACEC POWER SOLUTIONS, SGPS, S.A, for the financial year ended 31 December 2020.

The Supervisory Board, in its current composition, was appointed at the General Meeting of the Company, held on 2 October 2020, which is why the detail of the supervisory action developed refers to the period that elapses after this appointment.

2. ACTION DEVELOPED

After the appointment of the Supervisory Board and to date, the Supervisory Board has held ten meetings, some of them attended by members of the Company's Executive Board of Directors, the Statutory Auditor, and other members of this Statutory Auditors Firm, as well as other officers of the Company.

Following the meetings held, we requested a variety of information and made requests for clarification, to which we received a response from the different structures of the Company.

We were also provided with monthly management information, as well as the minutes of the meetings of the Board of Directors and the Executive Board of Directors.

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In accordance with the powers assigned to us, we monitored the Company's evolution, ensuring compliance with legal and statutory provisions, as well as the correctness and adequacy of the accounting records and respective supporting documentation.

In the meetings we held with the Company's structures, we addressed, with the depth and extent deemed appropriate under the circumstances, the activity and evolution of the Company's business, as well as the accounting policies and the valuation/measurement criteria used, considering the accounting framework adopted.

We also checked the correctness of the accounting records and respective supporting documentation and assessed the internal control system implemented by the management, in articulation with the work carried out by the Statutory Auditors Firms that acts as Statutory Auditor.

We followed the process of closing accounts and preparing the consolidated financial statements, through weekly meetings with representatives of the Statutory Auditors Firm, members of the Executive Board of Directors and other Company's officers.

Following this process, we analysed the content of the Consolidated Management Report and its compliance with the requirements arising from the applicable legislation, as well as the other Consolidated Accounting Documents presented by the Board of Directors, namely, the Consolidated statement of financial position, the Consolidated income statement by nature, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated statement of cash flows and the Notes to the Consolidated Financial Statements.

3. AGREEMENT WITH THE LEGAL CERTIFICATION OF ACCOUNTS

We analysed the Legal Certification of Accounts, which was issued without reservation, expressing our agreement with this document.

This document includes a paragraph of material uncertainty related to the continuity of operations, considering the situations that occurred during the year, namely, the publication of the so-called Luanda Leaks in mid-January 2020, with the consequences that resulted from the level of activity of the entities that are part of the Group, those resulting from the financial system blockade, as well as the subsequent impact arising from the current pandemic situation.

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It should be noted, however, that following the publication of Decree-Law No. 33-A/2020, of 2 July, and the acquisition of shareholding control by the State, through Parpública, it was possible to reverse this blockade, allowing obtaining new bank financing lines and the enhancement of the activity, thus starting a stabilization period that has been maintained through to the present.

The Legal Certification of Accounts also includes Emphasis of matter related to the projections of evolution of the operating margin and other assumptions that support the impairment tests, which have associated estimates that incorporate judgements and uncertainties about future events, as well as the return in 2021 and following years to a profitability and growth path.

4. ADDITIONAL COMMENTS

Notwithstanding the detail with which the Management Report addresses the evolution of the activity developed by the Group during the year, we should highlight the negative impacts in the first six months of the year, mainly due to the disclosure of the so-called Luanda Leaks, which significantly conditioned the access of the Company and its subsidiaries to the financial system, with decisive impacts on their treasury situation, representing a very sharp decrease in activity, translated into a decrease in turnover of about 39%, a significant reduction of the gross margin, the EBITDA and the consolidated net result, which resulted in a sharp decrease in the Company's equity value, with reference to the end of the first half of 2020.

However, the nationalization process operated by Decree-Law No. 33-A/2020, of 2 July, and the subsequent actions, which allowed the unlocking of the financial system during the month of August and the inherent start of a normalization process, which, although slow at the beginning, has already ensured, in the course of the fourth quarter, the resumption of activity, having ensured this quarter about 42% of the year's total revenue, as well as the generation of positive EBITDA, thus reducing the harmful global effects generated in the first six months of the year.

This recovery trend has proved to be sustainable during the first quarter of 2021, in terms of the activity generated by the several subsidiaries that are part of the Group, both in terms of the activity developed and the order book, and in terms of the profitability generated, in terms of EBITDA and net results, thus generating positive expectations that the negative situation of 2020 may reveal a strong inversion in 2021.

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5. OPINION

Based on the foregoing considerations, we are of the opinion that the Shareholders of EFACEC POWER SOLUTIONS, SGPS, S.A. approve the Management Report and the other Consolidated Accounting Documents, relating to the financial year of 2020, presented by the Board of Directors.

The Supervisory Board

Signature
Vitor Manuel Batista de Almeida

Signature
António José Santiago de Freitas

Signature
José Manuel Gonçalves de Morais Cabral

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REPORT AND OPINION OF THE SUPERVISORY BODY

Dear Shareholders,

1. INTRODUCTION

Pursuant to the powers granted to us and in compliance with the provisions of paragraph g) of number 1 of article 420 and article 452, both of the Commercial Companies Code, we are required to present the Report on the supervisory action developed in the financial year of 2020 and formulate our Opinion on the Management Report, the Statement of financial position, the Income statement by nature, the Statement of comprehensive income, the Statement of changes in equity, the Statement of cash flows and the Notes attached to the financial statements, as well as the Proposed distribution of profit/loss presented by the Board of Directors of EFACEC POWER SOLUTIONS, SGPS, S.A, for the financial year ended 31 December 2020.

The Supervisory Board, in its current composition, was appointed at the General Meeting of the Company, held on 2 October 2020, which is why the detail of the supervisory action developed refers to the period that elapses after this appointment.

2. ACTION DEVELOPED

After the appointment of the Supervisory Board and to date, the Supervisory Board has held ten meetings, some of them attended by members of the Company's Executive Board of Directors, the Statutory Auditor, and other members of this Statutory Auditors Firm, as well as other Company's officers.

Following the meetings held, we requested a variety of information and made requests for clarification, to which we received a response from the different Company's structures.

We were also provided with monthly management information, as well as the minutes of the meetings of the Board of Directors and the Executive Board of Directors.

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In accordance with the powers assigned to us, we monitored the Company's evolution, ensuring compliance with legal and statutory provisions, as well as the correctness and adequacy of the accounting records and respective supporting documentation.

In the meetings we held with the Company's structures, we addressed, with the depth and extent deemed appropriate under the circumstances, the activity and evolution of the Company's business, as well as the accounting policies and the valuation/measurement criteria used, considering the accounting framework adopted.

We also checked the correctness of the accounting records and respective supporting documentation and assessed the internal control system implemented by the management, in articulation with the work carried out by the Statutory Auditors Firms that acts as Statutory Auditor.

We followed the process of closing accounts and preparing the financial statements through weekly meetings with representatives of the Statutory Auditors Firm, members of the Executive Board of Directors and other Company's officers.

Following this process, we analysed the content of the Management Report and its compliance with the requirements arising from the applicable legislation, as well as the other Accounting Documents presented by the Board of Directors, namely, the Statement of financial position, the Income statement by nature, the Statement of comprehensive income, the Statement of changes in equity, the Statement of cash flows and the Notes to the Financial Statements, presented individually.

3. AGREEMENT WITH THE LEGAL CERTIFICATION OF ACCOUNTS

We analysed the Legal Certification of Accounts, which was issued without reservation, expressing our agreement with this document.

This document includes a paragraph of material uncertainty related to the continuity of operations, considering the situations that occurred during the year, namely, the publication of the so-called Luanda Leaks in mid-January 2020, with the consequences that resulted from the level of activity of the entities that are part of the Group, those resulting from the financial system blockade, as well as the subsequent impact arising from the current pandemic situation.

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It should be noted, however, that following the publication of Decree-Law No. 33-A/2020, of 2 July, and the acquisition of shareholding control by the State, through Parpública, it was possible to reverse this blockade, allowing obtaining new bank financing lines and the enhancement of the activity, thus creating the conditions for resumption of normal operation.

The Legal Certification of Accounts also includes Emphasis of matter related to the projections of evolution of the operating margin and other assumptions that support the impairment tests, which have associated estimates that incorporate judgements and uncertainties about future events, as well as the return in 2021 and following years to a profitability and growth path.

4. ADDITIONAL COMMENTS

Notwithstanding the detail with which the Management Report addresses the evolution of the activity developed during the year, we should highlight the negative impacts in the first six months of the year, mainly due to the disclosure of the so-called Luanda Leaks, which significantly conditioned the access of the Company and its subsidiaries to the financial system, with decisive impacts on their treasury situation, representing a very sharp decrease in activity, which resulted in a sharp decrease in the Company's equity value, with reference to the end of the first half of 2020.

However, the nationalization process operated by Decree-Law No. 33-A/2020, of 2 July, and the subsequent actions, which allowed the unlocking of the financial system during the month of August and the inherent start of a normalization process, which, although slow at the beginning, has already ensured, during the fourth quarter, the resumption of activity of the subsidiaries, thus reducing the harmful global effects generated in the first six months of the year.

This recovery trend has proved to be sustainable during the first quarter of 2021, in terms of the activity generated by the several subsidiaries that are part of the Group, thus generating positive expectations that the negative situation of 2020 may reveal a strong inversion in 2021.

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Power Solutions, SGPS, S.A.

5. ANALYSIS OF THE PROPOSED DISTRIBUTION OF PROFIT/LOSS

The Proposed Distribution of Profit/Loss presented by the Board of Directors includes the transfer of the loss of 5,295,837.78 euros for the period to results carried forward, thus complying with the applicable legal and statutory provisions.

It should be noted that this net loss, calculated at the level of the individual accounts, arises from the fact that the capital shares in Group and subsidiary companies are valued at the acquisition cost, as disclosed in note 6.1., of the Notes to the financial statements, thus not showing the effect of the losses generated in the year at the level of each of these companies.

6. OPINION

Based on the foregoing considerations, we are of the opinion that the Shareholders of EFACEC POWER SOLUTIONS, SGPS, S.A.

(a) approve the Management Report and the other Accounting Documents, relating to the financial year of 2020, presented by the Board of Directors.

(b) analyse the Proposed Distribution of Profit/Loss presented by the Board of Directors in its Management Report, with a view to the transfer of the loss of 5,295,837.78 euros for the period to results carried forward, thus complying with the applicable legal and statutory provisions.

(c) analyse the Company's Management and Supervision under the provisions in article 455 of the Commercial Companies Code.

The Supervisory Board

Signature
Vitor Manuel Batista de Almeida

Signature
António José Santiago de Freitas

Signature
José Manuel Gonçalves de Morais Cabral

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Share Capital: € 308,949,250 LEGAL PERSON/VAT NUMBER: 513 180 966

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@ Efacec Power Solution

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Parish of Custóias,
Leça do Balio e Guifões
Municipality of Matosinhos
District of Porto

Share Capital
308 949 096,43 euros

Legal Person Number and registration number at the CRO
513 180 966

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