

Report & Accounts
December 2018

Corporate Bodies

General Meeting Board

José Lourenço Abreu Teixeira – Chairman
Manuel Fernando Monteiro da Silva – Vice Chairman
Maria Olívia Almeida Madureira – Secretary
Jorge Manuel Coutinho Franco da Quinta - Secretary

Board of Directors

José Reis da Silva Ramos – Chairman & CEO
Maria Angelina Martins Caetano Ramos – Member
Salvador Acácio Martins Caetano – Member
Miguel Pedro Caetano Ramos – Member
Matthew Peter Harrison -Member
Katsutoshi Nishimoto - Member
Rui Manuel Machado de Noronha Mendes – Member

Supervisory Board

José Domingos da Silva Fernandes - Chairman
Alberto Luis Lema Mandim – Member
Daniel Broekhuizen – Member
Maria Lívia Fernandes Alves – Alternate

Statutory Auditor

PricewaterhouseCoopers & Associados - Sociedade de
Revisores Oficiais de Contas, Lda. represented by José Miguel Dantas
Maio Marques
António Joaquim Brochado Correia - Alternate

SINGLE MANAGEMENT REPORT

Message from the Chairman

2018 was a year of round-figure anniversaries at Toyota Caetano Portugal, accompanied by expressive business results. Toyota has reached half a century of existence in our country, since it was first represented by the Salvador Caetano Group. The brand's presence in Portugal is inseparable from the history of Portuguese society and, 50 years later, we can confirm that "Toyota is here to stay." Lexus also deserves our congratulations for celebrating its 20th anniversary, which confirms the maturity achieved by the brand in Portugal. But challenges never end, and each passing year brings reviews and new targets.

Today we are faced with the most informed and demanding customers that the automotive sector has ever known, and they are the ones who stimulate us every day, with new trends and consumption patterns. It is for them that we develop new mobility solutions and invest in digital channels so that, supported by the know-how of our professionals, we can make them happy and satisfied Customers.

The new consumer profile and the growth of digital media also pose new challenges to after-sales services. Therefore, our strategy is to actively invest in the construction of solid, customer-oriented relationships, creating value at every stage of the business relationship.

In Portugal, 2018 was marked by a context of relative political and socio-economic stability and maintenance of the Portuguese confidence indexes, which allowed us to enjoy a safe and consumption-prone environment. It is, however, necessary to be prudent and moderate, because we don't live alone in the world. In this regard, from the legislative point of view, it is important to ensure adequate conditions for companies to pursue their business, so they can gain the confidence of national and international investors. Changes to the law and tax and labour schemes often prevent businesses from meeting their budgetary targets and goals, thereby compromising their credibility in the eyes of those who invest in them. The automotive sector has a pressing need for support by the Portuguese government, which should avoid increasing the tax burden and adjust taxation and incentives for the purchase of environmentally friendly vehicles. This is not just a commitment of the automotive sector, but of society as a whole.

The Portuguese automotive market has been consolidating its growth in recent years. In 2018 there was a growth of 3% compared with the same period last year. With regard to Toyota's commercial activity, we witnessed a 15% increase in sales compared to 2017, totalling 11,920 vehicles sold. The brand's market share stood at 4.5%, representing a change of 0.5 percentage points compared with the previous year. As for Lexus, 560 vehicles were sold, corresponding to an increase of 24% compared with 2017 and a market share of 0.2%. These good results are largely due to a team of people committed to their mission and to the brand's objectives.

As for industrial activity, 2,114 units of the Toyota Land Cruiser model were manufactured at the Toyota Caetano plant in Ovar in 2018. The investment in this model, geared to the South African market, has proven to be quite satisfactory, with a sustained growth year after year. The Industrial Equipment Division sold 739 pieces of equipment, from forklift trucks to warehouse equipment, also showing good results.

Toyota Caetano Portugal, S.A.

The path that is being followed by the automotive sector faces transformations and demand required by an increasingly digital and environmentally-driven market. The investment in clean mobility solutions is a certainty and a duty of the brands, as the European Union's emissions standards are increasingly on the side of those who assert themselves in the manufacture of vehicles run on alternative fuels, a reality in line with the strategy adopted by Toyota over two decades ago. In fact, both Toyota and Lexus have been examples of this for several years, concentrating efforts to create increasingly advanced vehicles and a better society. The goal is to contribute to a more sustainable planet by addressing environmental challenges such as global warming, air pollution, as well as limited natural resources and energy supply.

At a time when diesel vehicle sales are dropping, in Portugal hybrid vehicles accounted for more than half of Toyota's light vehicle sales and 100% of Lexus' this year.

This is further proof that the brand is at the forefront of development, making efforts to encourage a more widespread use of zero-emission electric and hydrogen-powered vehicles. In 2018, in Lisbon, Toyota received the Energy Observer, the world's first self-sufficient, hydrogen-powered vessel, at the same time as the brand announced a partnership with CaetanoBus for the manufacture of Toyota hydrogen-powered buses.

All these efforts by Toyota have led the brand to be publicly recognised worldwide, ranking 8th in Fortune's Change the World list. It was also considered by Reader's Digest readers as one of the Most Trusted Brands in Portugal in 2018, in the Environment category, for the 9th consecutive year.

Sustaining our social and environmental responsibility policy, at the end of the year we inaugurated Bosque Ser Caetano, a space where Toyota occupies a prominent place, marking the 50th anniversary of the brand in Portugal. This space seeks to address the challenges of a greener and more environmentally friendly society, as well as to create a recreation and leisure area for the Employees of the Salvador Caetano Group, to which Toyota Caetano Portugal belongs.

The numbers and facts with which the history of Toyota Caetano Portugal is being written prove its ability to adapt to new challenges and new realities. A company with sustained and responsible growth, which creates value in all its businesses, always looking to the future. We reaffirm our commitment to maintaining the solid relationships we have built over the years with our Partners, Clients and Employees.

José Ramos

(Chairman & CEO Toyota Caetano Portugal)

Introduction

According to the provisions of Article 245(1)(a) of the Securities Code, we have prepared the management report and the profit application proposal presented below, as well as the corresponding Notes, in compliance with the provisions of Article 447 of the Commercial Companies Code. For each of the Companies included in Toyota Caetano Portugal's scope of consolidation, a list of the main events that occurred during the period under review and their impact on the financial statements will be presented.

TOYOTA CAETANO PORTUGAL, S.A.

Industrial Activity

Ovar Manufacturing Unit

In 2018, as part of its main activity, the Ovar Plant manufactured a total of 2114 units of the Land Cruiser 70. In the second half of the year, there was an increase in the number of units ordered, which allowed for an increase of 11% in the number of units produced compared to the previous year, a figure lower than initial forecasts.

In 2018 the Factory started installing Robots in the Welding process. This project is in line with Toyota's vision for Ergonomics and Safety, as it allows releasing employees from the most physically demanding tasks.

Safety is a key pillar for Toyota and the Ovar Plant, as it is increasingly relevant to ensure the healthy ageing of the working population.

In the PPO/PDI activity, 3,776 vehicles were transformed/prepared, a result that is slightly higher than that achieved in the same period of the previous year.

We should highlight that the TCAP HUB was created in the 2nd Semester, via the unification of the management of PPO/PDI activities, new and used vehicle park at the Ovar Plant.

PRODUCTION	2018	2017	2016	2015	2014
Toyota Physical Units	2,114	1,913	1,823	1,629	1,664
Physical Units Transformed/prepared	3,776	3,469	3,773	4,353	3,271
Total Employees	194	177	186	206	170

We also highlight the following events occurred in 2018:

- Transition of the TCAP Management System – Ovar Plant for the 2015 edition of the ISO 9001 Quality standard and the ISO 14001 Environmental standard;

- Factory hosting TME's QCC Working Group quarterly meeting;
- Integration of the CaetanoBus electric chassis line into our facilities;
- 5th Facilities Assessment and 1st Risk Assessment, carried out by TME;
- Open Day in partnership with AIDA (Industrial Association of the District of Aveiro);

Future Prospects

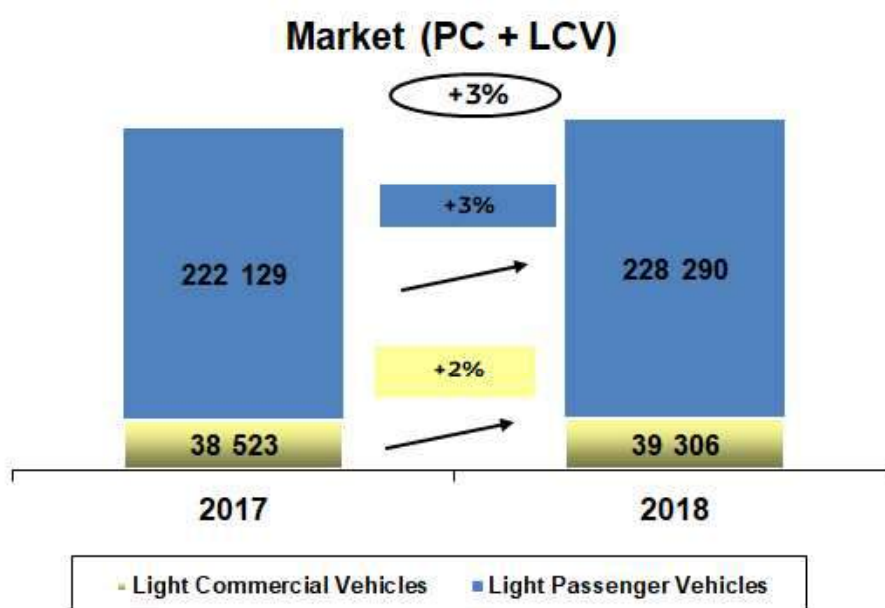
For 2019 we expect the production volume of Activity LC70 (2,170 units) to stabilise, leading to possible changes in the daily production rate.

Commercial Activity

Light Vehicles Market - Framework

2018 showed growth when compared to 2017, with a 3% increase, thus totalling 267,596 vehicles sold.

Passenger vehicles and light commercial vehicles showed a positive trend when compared to the same period of the previous year, with a positive variation of 3% and 2%, respectively.



We should point out, as explanatory factors for the market's performance:

- 1) In 2018, Portugal achieved positive figures in the main macroeconomic indicators, with particular emphasis on GDP and public consumption.
- 2) The growth of the rent-a-car market also contributed to the positive result achieved in passenger vehicles.

Toyota Vehicles

In 2018, Toyota sold a total of 11,920 vehicles, which represents **an increase of 15% when compared to the previous year**.

This growth is sustained by an increase in sales in both Light Passenger and Commercial Vehicles, with particular emphasis on the former.

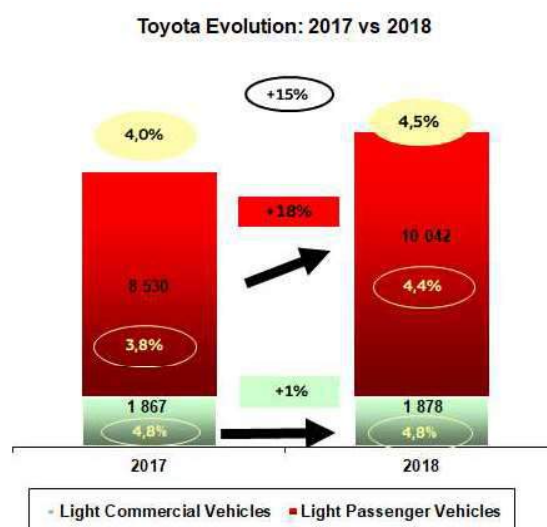
- (1) In Light Passenger Vehicles, Toyota **grew by around 18%**, with a market share of 4.4% (+0.6 p.p. vs 2017).

This performance is the result of a substantial increase in sales of hybrids (+ 55% vs. 2017), with particular emphasis on the C-HR model.

The increase in the brand's sales in the rent-a-car market also helped the growth of the Light Passenger vehicle market.

- (2) In Light Commercial Vehicles, Toyota shows a slight increase of approximately 1%, with its market share remaining at 4.8%.

With regard to Light Commercial vehicles, **highlight goes to Hilux, which ends 2018 leading the pick-up segment.**



We should highlight the strong competitive pressure felt in the B (utility) & C (small family) segments, with aggressive promotional campaigns throughout the entire year.

For 2019, the overall priorities and goals set include:

- Capitalising on the most representative models in terms of sales - Yaris, Corolla, RAV4 and C-HR;
- Launching New Products (RAV4, Corolla Range, Camry)
- Enhancing sales to corporate customers (the most representative segment in the automotive market);
- Continuing to focus on the brand's image and value via the innovative Hybrid technology;
- Continuing to promote the commercial range, recently renewed with the introduction of different variants of the Proace and Hilux models.

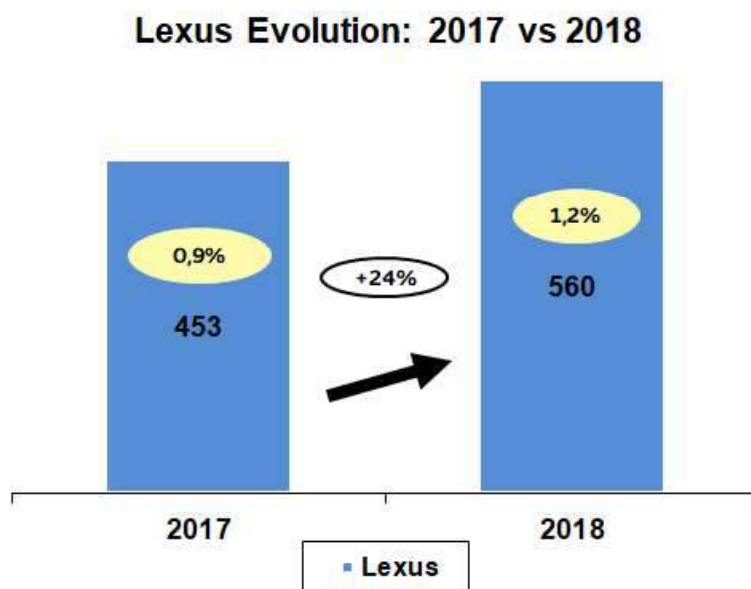
Premium Market – Framework

The Premium Market showed a negative trend compared to the previous year, with a decrease of 8% and totalling 47,569 units sold. The Premium Market represents nearly 18% of the total of the passenger market.



Source: ACAP (Portuguese Automobile Trade Association)

Lexus Vehicles



In a complex competitive environment, with a strong commercial aggressiveness between competitors in the C-Premium and D-Premium segments, **the Lexus brand continues its upward trend, showing a remarkable 24% increase.** In 2018, Lexus registered 560 license plates, which correspond to a 1.2% share in the premium market (+0.3 p.p.).

The performance of the models with the greater volume - IS, NX and CT - was crucial for the increase in Lexus sales in 2018.

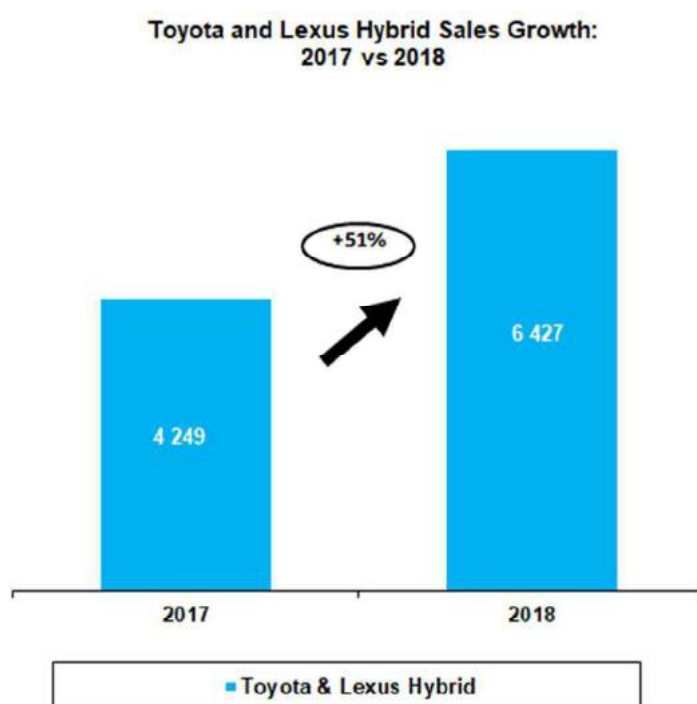
For 2019, the overall goals set include:

- Strengthening the brand's innovative position, leveraged by a broad and exclusive offer of hybrid vehicles with an advanced design;
- Launching new products: new ES 300h and new UX 250h;
- Capitalising on the most representative models in terms of sales - CT 200h, IS 300h and NX 300h;
- Expanding the dealership network, which will have new points of sale and assistance.

Toyota and Lexus Electric Hybrid Vehicle Sales - Evolution

In 2018, we should, once again, highlight the performance of the Toyota and Lexus hybrid models, which showed 51% growth compared to 2017. Electrified vehicles already accounted for 60.6% (+13.3 p.p. vs. 2017) of Toyota and Lexus passenger vehicle sales.

This performance was due to a broad and renewed offer of hybrid vehicles, corresponding to a total of 16 models - 7 Toyota and 9 Lexus - and to the focus on disseminating and promoting the benefits of hybrid technology.



Source: ACAP (Portuguese Automobile Trade Association)

Future Prospects

For 2019 we expect the sale of hybrid vehicles to keep growing at a substantially higher rate than that of the market.

In 2019, all macroeconomic indicators are expected to show a positive trend compared to 2018.

In view of this scenario, the Market forecast for 2019 suggests 1% growth compared to the previous year, corresponding to approximately 272,000 vehicles sold:



As a result of the conditions described above, the target for 2019 is 12,630 Toyota and Lexus units, representing an increase of 1% compared to 2018 and resulting in a market share of 4.6%.

After-Sales

The After-Sales Division billed a total of 37.8 million euros in 2018. This figure includes the "Warranty Extension" and "Total Assistance" services, whose turnover this year amounted to about 1.8 million Euros.

The commercial parts activity (genuine & national incorporation), which excludes accessories, warranties and services, amounted to approximately 28.3 million Euros. This amount represents growth of 3.0% compared to 2017.

Sales of Spare Parts 2017	Sales of Spare Parts 2018	Growth % 2018/2017
27.5 €	28.3 €	3.0%

In turn, turnover in accessories (which includes merchandising) amounted to 3.5 million euros in 2018. These sales were 8.7% higher than the figures achieved in the previous year, while implying growth in the incorporation per new vehicle sold.

In a market that is constantly evolving, with the rolling stock still in decline as a result of the recent crisis, TCAP reinforced its commitment to a world-class service to face daily challenges. We continue to develop and strengthen a fully customer-oriented strategy (360°), to boost our results.

In this context, several entrepreneurial actions were carried out during 2018, of which we highlight:

- New edition of the annual VCI (Value Chain Index) challenge for the year 2018. This initiative encourages every Toyota dealer to achieve good performances in some of the indicators seen as strategic for the After-Sales business. These indicators include: proactive customer warning programmes, the active reception process, customer retention services (insurance, warranty+extension,...), promoting the sale of accessories and implementing services for hybrid vehicles.
- New edition of the Toyota Hybrid Service Programme, with a new communication plan and marketing actions reinforcing the innovative choice, confidence in the professionals and low maintenance costs.
- Relaunch of the Toyota On-The-Spot Check-Up Service adjusted to new premises that improve the convenience of this service for Customers.
- New behavioural training module for Reception teams, gearing their actions towards optimising the Customer's experience.
- Launch of new maintenance contracts for the new Proace Verso launched in mid-2018.
- Launch of new Genuine Toyota parts (HB3 xenon lamps, new cabin filters, reconditioned AD motors...).
- Launch of activated carbon filters and EGR valves for Lexus models, offering competitive alternatives to the market.
- New Merchandising products, with the launch of new collections such as Toyota Olympics, Toyota Gazoo Racing WRC and the Hilux and Land Cruiser lines.
- Systematisation of Tire Campaigns, with competitive offers and logistics adjusted to the Customer's interests

The effectiveness of the aforementioned actions contributed toward improving retention rates as well as Customer Recommendation rates in 2018.

Industrial Machines

Toyota Industrial Equipment

	MARKET			TOYOTA + BT SALES				
	'17	'18	Variation	'17		'18		Variation
			%	QTY	Share	QTY	Share	
Counterbalanced Forklift Trucks	1634	1841	13%	329	20,1%	302	16,4%	-8,2%
Warehouse Equipment	2434	2818	16%	695	28,6%	437	15,5%	-37,1%
TOTAL MMC	4068	4659	15%	1024	25,2%	739	15,9%	-27,8%

Source : Wits

Market

The **Cargo Handling Machine** market showed 15% growth in 2018.

Regarding Toyota, 739 orders were placed in 2018, which represents a 15.9% market share in a total market of 4,659 vehicles.

Toyota Sales Performance by Segment

Regarding the **Counterbalanced Forklift Trucks** segment, there was an 8.2% decrease compared to the same period of the previous year, placing our market share at 16.4%.

In the **Warehouse Equipment** segment, there was a 37.1% decrease, placing our market share at 15.5%. This decrease is justified, on the one hand, by an increasingly aggressive competition and, on the other hand, by the fact that there were no large fleet businesses, which have a major impact on this segment.

Future Prospects

In view of the current economic climate, as well as of the economic growth forecasts for 2019, we believe that the market will continue to grow, but at a much more moderate pace.

Regarding Toyota's performance, a challenging year is expected, as the aggressiveness of competing brands has been significantly growing.

Our goal is to differentiate ourselves from our competitors by maintaining a good assistance service level and by creating and presenting innovative offers so that we can gain new customers and consolidate our performance and results.

CAETANO AUTO, S.A.

According to the Bank of Portugal, the Portuguese economy is expected to pursue a growth trajectory between 2018-21, despite a slowdown, in line with projections of the European Central Bank (ECB) for the euro area as a whole. Also, in line with this projection, the gross domestic product (GDP) is expected to grow by 1.8% in 2019.

The external environment of the Portuguese economy is also expected to remain relatively favourable. On the other hand, international trade is expected to show an evolution that is closer to that of world GDP, entailing relative stability in the growth of external demand aimed at Portugal in 2019. Accordingly, the projections point to 3.7% growth in exports in 2019.

In this context and in the vehicle sales area, Caetano Auto invoiced in 2018, 11,321 vehicles, of which 5,510 were new and 5,811 were used. We should highlight the importance of the used vehicle business, on the one hand, due to the materiality of the turnover achieved and, on the other hand, for being a channel that enables customer acquisition, as the first Toyota or Lexus purchase is often one of our used vehicles.

Toyota Caetano Portugal, S.A.

In workshop services, and despite the downsizing of the car fleet in recent years, Caetano Auto's financial statements for 2018 recorded turnover of more than 17 million euros in this activity, which includes mechanics and Caetano Glass, as private label for car glass repair and replacement, plus collision in claim repair.

In 2018, Caetano Auto sold its investment properties located in Castro d'Aire and Óbidos, and also entered into promissory purchase and sale agreements for the decommissioned facilities of Viseu.

Also, in 2018, Caetano Auto invested approximately 2 million euros in the acquisition of facilities for its activity in Maia, Gondomar, and Caldas da Rainha.

As a result of the favourable development of the Portuguese economy, particularly of the sector in which it operates, Caetano Auto was able to develop its commercial activity in perfect conditions, obtaining operating profits that are hitting record highs. By 2019 and in light of the prospects for the Portuguese economy as a whole, we believe that our activity and its results will stand at least at the level achieved this year, helping the Toyota Caetano Group to further strengthen its position.

CAETANO AUTO CV, S.A.

Economic Environment Indicator *

According to the latest economic survey, the growth rate in Cape Verde continued to accelerate in the third quarter of 2018, standing above the average for the series and showing positive developments compared to the same quarter last year. With regard to outlet sales, the National Statistical Institute (INE) concluded that the confidence indicator maintained the upward trend of recent quarters, reaching the highest value of the last 66 consecutive quarters and developing positively compared to the same period of 2017.

The economic climate in the sector was favourable in the third quarter, marked by financial difficulties and insufficient demand as the main constraints.

The tourism sector also remained on an upward trend since the last quarter, standing above the average for the series.

In what is considered the driving force of the Cape-Verdean economy, entrepreneurs mentioned insufficient demand and difficulties in finding appropriately trained personnel as the main obstacles.

Another service that also maintained an upward trend in the third quarter was transportation and ancillary transport services, which recorded the highest value of the last 27 consecutive quarters and improved favourably compared to the same quarter last year.

The economic climate in this sector is favourable, but financial difficulties and difficulties in obtaining bank loans are seen by entrepreneurs as the main constraints they are currently facing. On the other hand, construction maintained the downward trend seen in the last several quarters, standing below the average for the series and showing negative developments compared to the same quarter last year; however, the economic climate is regarded as favourable.

As regards civil construction, Cape-Verdean entrepreneurs mentioned the high interest rates and the excessive bureaucracy and state regulations as the main constraints of the sector.

*Source (Economic survey INE CV 2018 3rd Q 2018)

Toyota Caetano Portugal, S.A.

As we've mentioned before, as Caetano Auto CV is a company operating in the transportation sector, its activity reflected the favourable conditions of the Cape-Verdean market, as shown below:

Commercial Activity

Vehicles

SEGMENT	BRAND	2017	2018	Variation	
				Qty.	%
Light-Duty Passenger Vehicles	Toyota	62	88	+26	+41.94%
Light Commercial Vehicles	Toyota	295	295	0	0%
Heavy Commercial Vehicles	Toyota	27	34	+7	+25.93%
		384	417	+33	+8.59%

In comparison with the previous year, Caetano Auto CV, SA sold a further 33 units, equivalent to a growth of 8.6% in new vehicles.

As shown in the table above, the most significant growth occurred in the passenger vehicle segment, where we should note the introduction of a new model - Toyota Rush - at the end of the year. Positive developments in heavy-duty vehicles were mostly associated with the Coaster model. In the light commercial vehicle segment, despite the difficulties caused by the legal changes regarding the use of these vehicles in the taxi industry, we were able to sell the same number of units as last year.

After-Sales

TURNOVER	2017	2018	Variation	
			Value	%
Parts/Accessories	143,730	166,360	22,630	15.74%
Workshop (Labour)	36,739	43,623	6,883	18.73%
	180,469	209,983	29,513	16.35%

(Values in mECV)

With regard to After-Sales, there was an increase in turnover compared to the previous year. The increase in the sale of parts and accessories also corresponded to an increase in the services rendered mainly in the sale of labour in cases of collision.

For all these reasons, this associate in Cape Verde was able to achieve positive results, in line with those achieved in previous periods, while showing an upward trend.

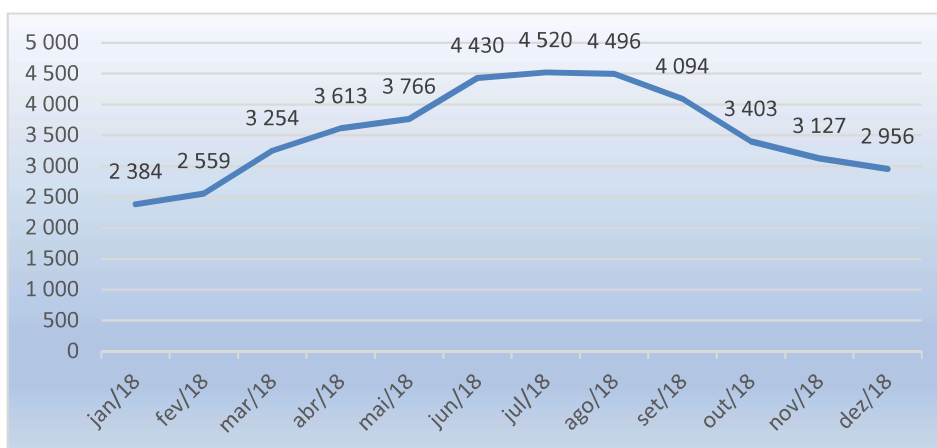
Future Prospects

For the next fiscal year, a 5.5% increase in the sale of new cars and an increase of more than 20% in the After Sales business volumes are expected.

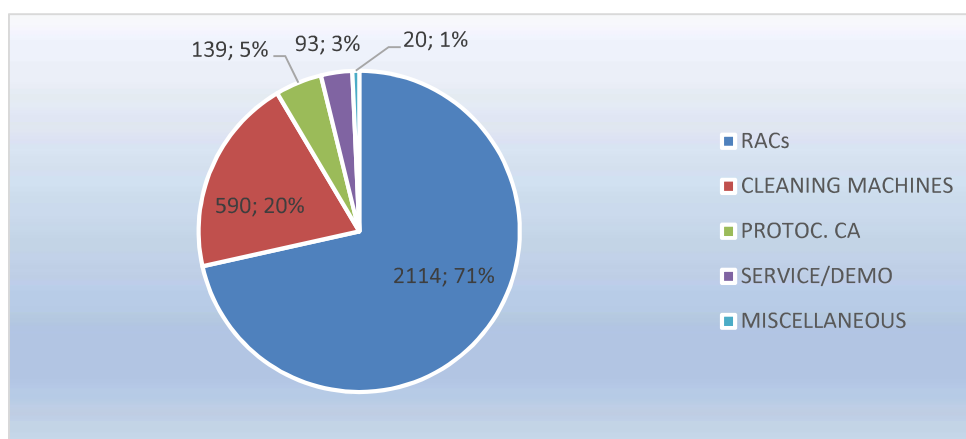
These figures are the result of favorable macroeconomic forecasts for Cape Verde, which will decisively influence the activity of this subsidiary in 2019.

CAETANO RENTING, S.A.

The Caetano Renting fleet is sustaining an upward trend, reaching an average of 3,550 units, and achieving a maximum of 4,520 units in July.

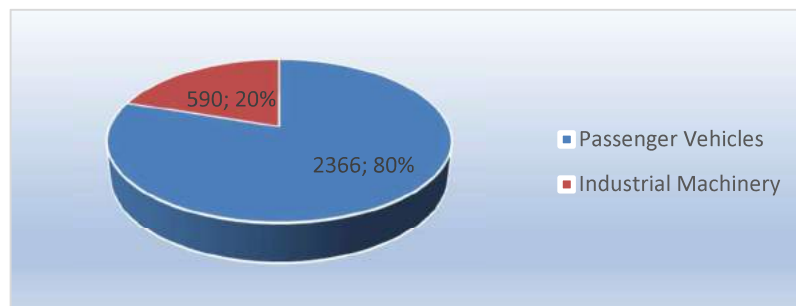


This increase was mainly due to the supply of vehicles for the rent-a-car business, which continues to be the segment with the greater weight in our activity, which is around 71% of the total fleet.



In line with the previous years, we continued to rent industrial machines, which represent 20% of the total operational fleet.

Toyota Caetano Portugal, S.A.



As a logical consequence of the above, there was also an increase in Turnover, which, in this financial year, reached an unprecedented amount of 10.3 MEuros, representing an increase of 43.07% over the same period last year.

The results of this subsidiary also positively reflected the increase achieved in terms of activity.

Future Prospects

For 2019, and in view of some changes in the mobility strategy developed by the Toyota and Lexus brands, we expect a slight decrease in activity, which will not jeopardize this subsidiary's profitability.

Financial Activity

Consolidated analysis

As the Portuguese motor vehicle market as a whole showed a slight growth in 2018, the Toyota Caetano Group was able to reach a turnover of 447 million euros, a figure 57 million euro higher (+ 14,6%) than the one obtained in the corresponding period of 2017.

Vehicles with hybrid technology (Yaris, Auris, CHR, RAV 4,...) contributed greatly to this growth, proving to be a strong driver of this good performance, as they represented more than half of the total sales of Toyota vehicles in our country.

Following the strategy we outlined a few years ago, it was possible for us to keep the trade margins on our products, a fact that, together with an ongoing and careful management of resources and costs, enabled us to increase our EBITDA by approximately 9 million euros, 25% more than in 2017, reaching an annual total of approximately 43 million euros in 2018.

On the other hand, and in terms of financial results, it was possible to reduce costs, as a result of appropriate negotiations with the banks, despite an increase in indebtedness, which is justified by the aforementioned growth of the activity and the adequacy of our average stocks.

Toyota Caetano Portugal, S.A.

Additionally, we believe we should mention the success obtained in the issuance of the Toyota Caetano 2018 Debenture Loan, in the amount of 12.5 million euros, which allowed us to achieve an adequate structure in debt due dates and, consequently, a reduction in the pressure of the cash flows for the next few years.

We should note that our degree of Financial Autonomy, standing at 43.1%, once again demonstrates that we've been managing our capital structure in an appropriate way, without ever calling into question the due remuneration of the shareholder investment, and, therefore, in this report, we present a proposal for a dividend distribution similar to that of the previous years.

In order to further detail our remarks on the Toyota Caetano Group's activity and performance, we present the following table with comparative indicators in thousands of euros:

	Dec 17	Dec 18	Variation
Turnover	390.035	446.875	14,60%
Gross Profit	72.088	81.214	12,70%
% (f) sales	18,50%	18,20%	
External supplies and services	43.230	42.314	-2,10%
% (f) sales	11,10%	9,50%	
Staff expenses	38.635	41.164	6,50%
% (f) sales	9,90%	9,20%	
E.B.I.T.D.A.	34.040	42.561	25,00%
% (f) sales	8,70%	9,50%	
Operating income	15.429	19.137	24,00%
% (f) sales	4,00%	4,30%	
Net financial income	-2.575	-1.503	41,60%
% (f) sales	-0,70%	-0,30%	
Consolidated net profit for the year	9.431	12.873	36,50%
% (f) sales	2,40%	2,90%	
Net Bank Credit	62.671	73.929	18,00%
Level of financial autonomy	44,30%	43,10%	

Although the industry estimates point to a stabilisation in 2019, we expect the Toyota Caetano Portugal Group to continue following an upward trend, with an emphasis on the Hybrid segment, which is expected to strengthen its sustainability on the market. In this regard, there will also be a strong investment in the resurgence of the Corolla name, as it has been our best-selling model since it was introduced in 1966.

Risk Management

Loans and advances to customers

Toyota Caetano's credit risk is mainly associated with loans to customers, related to its operating activity.

The main goal of Toyota Caetano's credit risk management is to ensure the effective collection of the operating receivables from its Customers, according to the negotiated payment terms.

In order to mitigate the credit risk resulting from the potential customer-related defaults on payments, the Group's companies exposed to this risk have:

- A specific Credit Risk analysis and monitoring department;
- Proactive credit management processes and procedures that are implemented and always supported by information systems;
- Hedging mechanisms (credit insurance, letters of credit, bank guarantees, etc).

Interest Rate Risk

As a result of the relevant proportion of debt at variable rate in its Consolidated Balance Sheet, and of the subsequent interest payment cash flows, Toyota Caetano is exposed to interest rate risk.

Toyota Caetano has been using financial derivatives to hedge, at least partially, its exposure to interest rate variations.

Exchange Rate Risk

As a Group with geographically diversified commercial relationships, the exchange rate risk is mainly the result of commercial transactions, arising from the purchase and sale of products and services in a currency that is different from the functional currency of each company.

The exchange rate risk management policy seeks to minimise the volatility of the investments and operations denominated in foreign currencies, contributing toward reducing the sensitivity of the Group's results to exchange rate fluctuations. The Group's exchange rate management policy is focused on a case-by-case assessment of the opportunity to hedge this risk, taking into account, particularly, the specific circumstances of the currencies and countries in question.

Toyota Caetano has been using financial derivatives to hedge, at least partially, its exposure to exchange rate variations.

Liquidity Risk

The goal of Toyota Caetano's liquidity risk management is to ensure that the company has the ability to obtain, in a timely manner, the necessary funding to be able to undertake its business activities, implement its strategy and meet its payment obligations when due, while avoiding the need to obtain funding under unfavourable terms.

For this purpose, the Group's liquidity management involves the following aspects:

- a) A consistent financial planning based on operating cash flow forecasts for different time horizons (weekly, monthly, annual and multi-annual);
- b) The diversification of funding sources;
- c) The diversification of the maturities of the debt issued in order to avoid excessive concentrations of debt repayments in short periods of time;
- d) The arrangement of committed (and uncommitted) credit facilities, commercial paper programmes, and other types of financial operations with relationship Banks, ensuring the right balance between satisfactory liquidity levels and adequate commitment fees.

For detailed information, please refer to the Corporate Governance Report.

Own Shares

The company did not purchase or sell any own shares during this fiscal year. On December 31st, 2018, the company did not hold any own shares.

Non-financial report

Description of the corporate model

In line with the diagnosis of the needs of its stakeholders, Toyota Caetano Portugal has been prioritising the implementation of an ethics and transparency policy over the years, achieving its sustainability strategy through socially- and environmentally-aware management.

During 2018, the implementation of the outlined strategy is clearly evident in the primary actions planned and in the results obtained:

- As part of its Integrated Quality and Environment Management System, we highlight the internal and external audits performed (certifying entity – SGS), maintaining the certifications according to the ISO 9001:2015 and ISO 14001:2015 standards with zero non-conformities.
- Integrated in the Management System, Toyota Caetano Portugal has been reinforcing its continuous improvement strategy (kaizen), namely the level 1 daily kaizen (team organisation), the level 2 daily kaizen (5S) and kaizen suggestions (ideas/projects implemented by employees).

Employees receive annual recognition of the continuous improvement results from the Administration.

- Working with hybrid and plug-in vehicles gives us the opportunity to make a difference on our planet. It is the right thing to do and also an opportunity to promote positive change, as the world looks for new ways of using energy and managing natural resources. That is why Toyota Caetano Portugal remains committed to taking a significant step towards reducing its environmental footprint, particularly with the "Toyota 2050 Environmental Challenge" program.

Toyota Caetano Portugal, S.A.

- For the fifth consecutive year, Toyota Caetano Portugal has participated in the annual report on Sustainable Development "*Carbon Disclosure Project*" (CDP), promoting corporate transparency and calculation of the company's carbon footprint. The result achieved in 2018 was A-Leadership.

The hybrid and plug-in vehicle massification strategy within the domestic market has greatly contributed to this CDP result, where we have achieved an excellent 60.6% hybrid vehicle sales ratio over the passenger vehicle sales total.

The energy efficiency actions implemented in the buildings and processes were also subject to significant improvements.

Biodiversity is closely related to Climate Change, as there is sufficient evidence to show that Climate Change can accelerate the disappearance of certain species. Sustaining our social and environmental responsibility policy, at the end of the year we inaugurated Bosque Ser Caetano, a space where Toyota occupies a prominent place, marking the 50th anniversary of the brand in Portugal. This space seeks to address the challenges of a greener and more environmentally friendly society, welcoming all Toyota Caetano Portugal Employees.

We also carried on the "One Toyota, One Tree" Programme which has been allowing Toyota to contribute toward making Portugal greener since 2015, offering Nature a tree for each vehicle sold. This Programme has been developed and growing so as to allow us to increasingly contribute in a sustainable way over time for the recovery of burnt, vacant, and arid lands, based on a careful selection of certified plants and forest shrubs, in harmony with the biodiversity of each area designated for planting. We've planted 136,000 trees since 2005, of which about 8,000 were planted in 2018 in the Estrela Mountain Range.

2019 Commitments

To continue sustainable growth in hybrid and plug-in vehicle sales, for which we draw a 70% penetration objective over the passenger vehicle sales total.

To continue with an employee daily focus on the Kaizen principle (continuous improvement), where we aim at an objective of 1.5 ideas per employee.

To achieve a renewal of the Management System Certification, according to the new ISO 9001:2015 and ISO 14001:2015 standards. To reinforce the risk-based philosophy, according to the FMEA (Failure Mode and Effects Analysis) methodology.

To endorse the "BSCD Charter of Principles" in order to further develop the guiding principles of sound business management in accordance with ethical, social, environmental and quality standards applicable in any context of the global economy. To, accordingly, strengthen our commitment to the vision outlined in the United Nations Sustainable Development Goals.

To continue to meet the international investors' demand for transparency in Toyota Caetano Portugal's low carbon economy through the Carbon Disclosure Project (CDP), and to maintain the "Management level."

To reinforce the implementation of biodiversity programmes integrated into the Bosque Ser Caetano programme and the One Toyota, One Tree campaign, with the participation of various stakeholders.

Report on social issues regarding workers

DPC Activity

Since the People, Brand and Communication Corporate Division was created, in 2015, we have been constantly working with the firm and clear purpose of making Toyota Caetano Portugal an increasingly pleasant place to work, live and grow, based on an integrated People management system, which is in line with our organisational values and culture.

In 2018, we focused on strengthening and promoting our value proposition as employers, in order to attract the best professionals to the Toyota and Lexus brands and retain them. We believe that this commitment is essential to strengthening the "human pillar" in the mission of offering our customers memorable experiences in their relationship with our brands, as well as the continued growth of the organisation. Only in this way can we add the human capital that is ideal and necessary to pursue our business and customer satisfaction. At the same time, the consolidation of processes, the development of tools and the revision of procedures, in harmony with the RGPD, were at the heart of our concerns.

From the operational point of view, we continued to dematerialise and digitise our processes, developing new tools and interactive platforms. In this context, we should highlight the improvements to the Employee Portal, which have made it more effective, comprehensive, and intuitive.

We consolidated our organisational model for talent mapping, with the aim of aligning our Employees' expectations in terms of performance and career management with the strategic goals for our business. The functional description was organised and standardised according to the requirements of the function and conditions indexed to progression. In this context, the Performance and Development Management (GDD) system and the outlining of a skill and talent matrix have allowed an alignment of conditions and benefits, to guide the development of the Toyota Caetano Portugal Employees' careers, offering a broad view of the paths they can follow. The implementation of all these processes, which are becoming increasingly agile and interconnected, help us to monitor and anticipate trends in people management, an area that is constantly evolving and changing.

Corporate communication and internal marketing cut across all we've mentioned. These areas support the sharing of knowledge between Employees, in different cooperation and learning moments and experiences. Several events, such as the futsal tournament and get-togethers throughout the year, are some examples of that. Sessions aimed at raising awareness of new business models and work dynamics based on innovative and disruptive technologies that meet new trends in the sector are also a paradigm when it comes to sharing the ideas, experiences and visions of several different stakeholders.

In line with the major challenges we've mentioned, we have been developing an Employer Branding strategy, underpinned on a large scale by the development of a talent attraction and retention portal, which aims at activating recognition and preference for the company as an employer brand. The young talent attraction programme, subject to a strategic revision and reorientation, as well initiatives on social media aimed at attracting talent, have contributed to that. The Study on Ser Caetano no Dia-a-Dia Values, focused on Toyota Caetano Portugal Employees, allowed assessing their cultural alignment. Its development and implementation resulted in the outlining of a specific action plan for the Company.

On the other hand, the Training Centre has been focusing on expanding its offer of vocational courses for young people, coordinating with the ongoing Staff Training in technical and cross-cutting skills, as well as in the development of exponential leadership. The Training Centre has shown sustained growth. In 2018, there was a total of 37 training courses for young people, attended by 721 trainees. There was a total of 15,093 Employee training hours.

Toyota Caetano Portugal, S.A.

We ended 2018 pursuing an old ambition and embracing a new challenge in the area of sustainability and social responsibility: the inauguration of Bosque Ser Caetano, a space where every Employee can get together and come into contact with nature.

Last, but not least, we should mention the ongoing implementation of good Kaizen practices, to inspire a culture of continuous improvement arising from the Employees' suggestions and contributions.

Year after year, we continue to invest in the integrated management of our talent, believing that only with a strategy aimed at attracting, developing and retaining differentiating profiles can we meet the challenges posed by the business and the new social dynamics.

Equality between men and women

Toyota Caetano Portugal remains focused on promoting gender equality, valuing technical skills and attitude, regardless of gender, as well as the respective reward. Since we operate in an industry that has been historically male-dominated and given that the company believes in the richness of gender diversification, it is increasingly committed to hiring women for areas and roles where they are under-represented and to raising awareness among female students about the fields of technology and engineering.

Non-discrimination

Toyota Caetano Portugal rejects all attitudes and behaviours that promote discrimination. So, it will operate in the market with an upstanding, honest attitude, with respect for all, promoting a friendly and dignified work environment, while acting as an active promoter of equal opportunities and moral integrity among all the stakeholders.

Respect for Human Rights

Inspired by the Toyota Way, which lives in harmony with Ser Caetano, Toyota Caetano Portugal bases its practice on the defence of Human Rights and respect for People. For that reason, discriminatory behaviours based on race, ethnicity, nationality, social origin, age, gender, ideology, political opinion, religion or any physical or social condition are not allowed. In addition to being a clear objective and a purpose for its existence, TCAP is also focused on expanding these practices to its relationships with its stakeholders, namely its Employees, so that these are integrated into their personal relationships.

Diversity

Toyota Caetano Portugal promotes diversity, from its management to its governing bodies. The company is concerned with the renewal of its senior management, as it regards age as synonymous with experience and knowledge and the necessary qualifications as key for the performance of duties. These dimensions underpin the development of a sustainable strategy. In this context of diversity, women are increasingly being entrusted with leadership positions in the Organisation. Women and young people are also encouraged to take part in recruitment and training, as a way of promoting intergenerational debate and learning. Supported by these practices of gender diversity and intergenerational sharing, TCAP stands as a company prepared to meet the challenges of an increasingly global and inclusive world.

Fighting corruption and attempted bribery

Toyota Caetano Portugal requires careful, responsible weighting of every topic that could reflect the Values and Professional Ethics assumed by the Group. At every one of our companies, we acknowledge the importance of always bearing in mind the principles whereby it is governed while guiding our strategy and the way these shall be internalised and actually put into practice by every employee.

Toyota Caetano Portugal, S.A.

These rules contribute toward consolidating the image and role of Toyota Caetano Portugal and toward strengthening trusting relations with all stakeholders, including shareholders, employees, service providers, government bodies, regulators, local communities, customers, suppliers, competitors and the media.

Toyota Caetano Portugal has always been, is and will be in the market with integrity, honesty and respect for everyone we relate to. All of the Group's employees, regardless of the duties they perform, not only abide by their duty to observe applicable laws, but also regulate their conduct bearing in mind these basic principles.

Likewise, employees need to refrain from using the Group's assets to benefit themselves or any third parties.

All employees regulate their actions through strict compliance with the responsibilities they have been assigned, by performing their duties by strictly complying with what constitutes the description of such actions, while observing the instructions they have rightfully been given by their superiors and shouldering the consequences of their actions or omissions in carrying on the operations they have been entrusted with.

Employees use the power they have been delegated, in a weighted and non-abusive manner, always considering the company's interests and the pursuit of its objectives, namely safeguarding Toyota's assets.

On the other hand, employees shall encourage team spirit, while showing solidarity with the decisions that are made, acting without discretion, with transparency, precision and truthfulness, avoiding any conflicts of interest and attitudes that could affect the image of both the company of which they are part and Toyota.

Toyota Caetano Portugal's corporate practices are transparent and equitable, and no active or passive bribery, corruption or influence peddling shall be tolerated.

The Group's employees shall refuse any offers that could be considered or construed as an attempt to influence the company or the employee. When in doubt, employees shall notify their immediate superiors, in writing, of the situation.

Likewise, no employee may offer any gift or other benefit that could be perceived as an attempt to influence a current or future decision-making process, or as a reward regarding a decision that has already been made. When in doubt, employees shall notify their immediate superiors, in writing, of the situation.

Employees shall act with independence, impartiality and loyalty toward the Group and within the margin of either their own or third-party interests. As part of this:

- a) Employees shall refrain from intervening or influencing in making decisions that could be related to people to whom they are or have been linked by bonds of kinship or affinity or to entities with which they collaborate or have collaborated.
- b) Involvement in activities that could compete or interfere with Group company activities and, in the case of a potential conflict of interest, employees and service providers shall forthwith notify their immediate superior thereof, in writing.

Employees are under obligation to protect the confidentiality of business information to which they have access as part of the positions they hold, namely as concerns the Toyota Caetano Portugal Group and its customers and suppliers, and no type of internal knowledge shall be used for personal gain. Compliance with the duty of confidentiality, as well as professional secrecy itself, shall remain in place even after expiry of the term, termination of the employment relationship or the provision of services.

To whom it may concern

We hereby declare, under the terms and for the purposes of Article 245(1)(c) of the Securities Code that, as far as we are aware, the individual and consolidated statements of Toyota Caetano Portugal regarding 2018 were prepared in accordance with the relevant accounting standards, providing a true and fair view of the assets and liabilities, financial situation and results of this company and other companies included in its consolidation perimeter, and that the management report contains a faithful account of the business evolution, performance and position of this company and of the subsidiaries included in its consolidation perimeter, as well as a description of the main risks and uncertainties they face.

Proposed Appropriation of Profits

In accordance with Article 376(1)(b) of the Commercial Companies Code, we propose the following appropriation of profits for the year, in the amount of 12.786.758,79 Euros, expressed in Toyota Caetano Portugal's individual financial statements:

- | | | |
|--------------------------------------------------------------------------------------------------------------------------------|-----|--------------|
| a) For non-distributable reserves account for profits in financial holdings arising from the application of the equity method. | Eur | 2.295.779,83 |
| b) For dividends to be attributed to capital, €0.20 per share, which, for 35,000,000 shares, amounts to a total of | Eur | 7.000.000,00 |
| c) The remainder for the Retained Earnings account | Eur | 3.490.978,86 |

Other Issues / Acknowledgements

From the end of 2018 to the present date, there were no relevant events worthy of mention.

We would like to end this report with a word of thanks:

- To our Customers and Dealers, for their permanent trust in our products and for the distinction of their choice;
- To the Banking Entities, for the collaboration and support they have always shown while following up our business;
- To the other Corporate Bodies for always showing their cooperation;
- To our Employees who, with their availability and enthusiasm, have committed themselves to the development of the Company.

Vila Nova de Gaia, March 20, 2019

The Board of Directors

José Reis da Silva Ramos – Chairman
Maria Angelina Martins Caetano Ramos
Salvador Acácio Martins Caetano
Miguel Pedro Caetano Ramos
Matthew Peter Harrison
Katsutoshi Nishimoto
Rui Manuel Machado de Noronha Mendes

INFORMATION ON THE PARTICIPATION OF THE MANAGING AND SUPERVISORY BOARDS OF TOYOTA CAETANO PORTUGAL, S.A.

(as per article 447 of the Commercial Companies Code and according to Article 9(d) and Article 14(7), both of Regulation 5/2008 of CMVM)

In compliance with the provisions of Article 447 of the Companies Code, it is hereby declared that, on 31 December 2018, the members of the Company's management and supervisory bodies did not hold any of its shares or bonds.

It is hereby declared that the members of the Company's management and supervisory boards were not engaged, during the fiscal year, in any acquisitions, encumbrances or disposals involving the Company's shares or bonds.

It is further stated that the Company's securities held by companies in which the directors and auditors hold corporate positions are as follows:

- the shareholder Salvador Caetano Auto, SGPS, S.A. (of which **Eng. Salvador Acácio Martins Caetano** is the Chairman of the Board of Directors, **Mrs. Maria Angelina Martins Caetano Ramos** is the Vice-Chairwoman of the Board of Directors, and **Eng. Miguel Pedro Caetano Ramos** is a Member of the Board of Directors, acquired: on 12 July 2018, 950 shares at the price of 2.80 € each; on 18 July 2018, 923 shares at the price of 2.80 € each; on 19 July 2018, 3,232 shares at the price of 2.76 € each; on 25 July 2018, 435 shares at the price of 2.76 € each; on 15 November 2018, 1,759 shares at the price of 2.70 € each; on 19 November 2018, 9,897 shares at the price of 2.70 € each; on 20 November 2018, 10,702 shares at the price of 2.70 € each; on 21 November 2018, 675 shares at the price of 2.66 € each; on 05 December 2018, 13,048 shares at the price of 2.76 € each; on 06 December 2018, 15,150 shares at the price of 2.76 € each; on 11 December 2018, 257 shares at the price of 2.60 € each; on 18 December 2018, 138,832 shares at the price of 3.694 € each and 24,000 shares at the price of 2.70 € each; and thus, on 31 December 2018 held 23,097,852 shares with a nominal value of 1 euro each.
- the shareholder FUNDAÇÃO SALVADOR CAETANO (of which **Eng. José Reis da Silva Ramos** is the Chairman of the Board of Directors, **Mrs. Maria Angelina Martins Caetano Ramos** is the spouse of the Chairman of the Board of Directors, and **Eng. Salvador Acácio Martins Caetano** and **Mr. Rui Manuel Machado de Noronha Mendes** are Members of the Board of Directors), sold on 18 December 2018, 138,832 shares at the price of 3.694 € each and thus, on 31 December 2018, has no shares or bonds.
- the shareholder COVIM – Sociedade Agrícola, Silvícola e Imobiliária, S.A (of which **Mrs. Maria Angelina Martins Caetano Ramos** is the Chairwoman of the Board of Directors, and **Eng. José Reis da Silva Ramos** is the spouse of the Chairwoman of the Board of Directors) carried out no transactions and thus, on 31 December 2018, held 393,252 shares with a nominal value of 1 euro each.
- the shareholder COCIGA - Construções Civas de Gaia, S.A. (of which **Mrs. Maria Angelina Martins Caetano Ramos** is the Chairwoman of the Board of Directors, **Eng. José Reis da Silva Ramos** is the spouse of the Chairwoman of the Board of Directors, and **Eng. Salvador Acácio Martins Caetano** is a Member of the Board of Directors) carried out no transactions and thus, on 31 December 2018, held 290 shares with a nominal value of 1 euro each.

Toyota Caetano Portugal, S.A.

For the purpose provided in the final section of article 447(1) of the Commercial Companies Code (companies in a control or group relationship with the company), it is stated that:

- **Eng. José Reis da Silva Ramos**, Chairman of the Board of Directors, holds:
 - 39.49%¹ of the share capital of Grupo Salvador Caetano, SGPS, S.A., a company in a control relationship with this Company;

¹ This percentage includes shares held by the spouse

- **Dr. Maria Angelina Martins Caetano Ramos**, Member of the Board of Directors, holds:
 - 39.49%¹ of the share capital of Group Salvador Caetano, SGPS, S.A., a company in a control relationship with this Company;

¹ This percentage includes shares held by the spouse

- **Eng. Salvador Acácio Martins Caetano**, Member of the Board of Directors, holds:
 - 39.49%¹ of the share capital of Group Salvador Caetano, SGPS, S.A., a company in a control relationship with the Company;

¹ This percentage includes shares held by the spouse

- **Eng. Miguel Pedro Caetano Ramos**, Member of the Board of Directions, holds:
 - 0.00223% of the share capital of Grupo Salvador Caetano, SGPS, S.A., a company in a control relationship with the Company.

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Qualified shareholdings

(Under the terms of Regulation 5/2008, issued by the CMVM)

On 31 December 2018, the shareholders with qualified shareholdings in the company's share capital are the following:

SHAREHOLDER	Shares	% of voting rights
Salvador Caetano - Auto - SGPS, S.A.	23,097,852	65.99
Toyota Motor Europe NV/SA	9,450,000	27.000

Individual Accounts

December 2018

FINANCIAL HIGHLIGHTS

	Dec'18	Dec '17
SALES	363.662.703	313.210.999
CASHFLOW	22.936.004	17.928.987
NET INCOME	12.786.759	9.338.305
NET FINANCIAL EXPENSES	2.060.032	2.003.235
PAYROLL EXPENSES	16.240.571	15.614.797
NET INVESTMENT	5.009.739	8.366.063
GROSS WORKING CAPITAL	89.552.756	73.438.926
GVA	30.991.581	23.482.573
UNITS SOLD	18.820	16.895
NUMBER OF EMPLOYEES	514	507

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

ASSETS	Notes	31/12/2018	31/12/2017
NON-CURRENT ASSETS			
Intangible assets	8	7.215	89.528
Tangible fixed assets	5	28.993.197	30.212.204
Investment properties	6	12.507.561	14.555.076
Goodwill	7	611.997	611.997
Financial investments - equity method	9	44.596.492	40.836.444
Other financial investments	10	59.504	59.504
Deferred tax assets	15	1.320.835	1.320.835
Total non-current assets		88.096.801	87.685.588
CURRENT ASSETS			
Inventories	11	61.082.260	61.045.015
Accounts receivable	12	110.786.784	106.694.935
Other accounts receivable	13	3.629.670	2.454.538
Other current assets	14	2.835.539	2.449.484
Other financial investments	10	3.432.799	3.432.799
Cash and cash equivalents	4	15.003.395	14.225.420
Total current assets		196.770.447	190.302.191
		284.867.248	277.987.779

EQUITY AND LIABILITIES	Notes	31/12/2018	31/12/2017
EQUITY			
Share capital		35.000.000	35.000.000
Legal reserve		7.498.903	7.498.903
Adjustments to financial investments		5.810.898	3.579.095
Revaluation reserve		6.195.184	6.195.184
Other reserves		67.319.346	67.319.346
Retained earnings		1.788.817	1.781.402
Net income		12.786.759	9.338.305
Total equity	16	136.399.907	130.712.235
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans	17	35.552.624	24.951.241
Defined benefit plan liabilities	21	5.560.983	5.655.000
Deferred tax liabilities	15	154.852	158.398
Total non-current liabilities		41.268.459	30.764.639
CURRENT LIABILITIES			
Loans	17	35.330.069	51.559.955
Accounts payable	18	35.020.440	33.491.227
Other accounts payable	19	12.712.158	10.373.165
Corporate income	15	1.945.972	1.648.715
Other current liabilities	20	21.751.226	19.437.842
Defined benefit plan liabilities	21	439.017	
Total current liabilities		107.198.882	116.510.905
Total liabilities		148.467.341	147.275.544
Total equity + liabilities		284.867.248	277.987.779

CHARTERED ACCOUNTANT
ALEXANDRA MARIA PACHECO GAMA JUNQUEIRA

BOARD OF DIRECTORS
JOSÉ REIS DA SILVA RAMOS - President
MARIA ANGELINA MARTINS CAETANO RAMOS
SALVADOR ACÁCIO MARTINS CAETANO
MIGUEL PEDRO CAETANO RAMOS
KATSUTOSHI NISHIMOTO
MATTHEW PETER HARRISON
RUI MANUEL MACHADO DE NORONHA MENDES

INCOME STATEMENT BY NATURE FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

	Notes	31/12/2018	31/12/2017
Operational gains			
Sales and service rendered	24 & 25	363.662.703	313.210.999
Other gains	28	41.014.930	37.369.167
Variation in production	11	-3.364.205	3.170.060
Total operational gains		<u>401.313.428</u>	<u>353.750.226</u>
Operational expenses			
Cost of goods sold and raw material consumed	11	-302.261.681	-264.702.751
External supplies and services	26	-45.929.839	-44.740.211
Payroll expenses	27	-16.240.571	-15.614.797
Depreciations	5, 6 & 8	-8.358.574	-8.302.452
Provision and impairment	22	5.778	-22.903
Other expenses	28	-12.327.753	-9.042.893
Total operational expenses		<u>-385.112.640</u>	<u>-342.426.007</u>
Operational income		16.200.787	11.324.219
Gains in financial investments - equity method	9	2.295.780	2.330.890
Interest expenses	29	-2.243.373	-2.313.065
Interest income	29	<u>183.341</u>	<u>309.830</u>
Income before taxes		16.436.536	11.651.874
Income tax for the year	15	<u>-3.649.777</u>	<u>-2.313.569</u>
Net income		12.786.759	9.338.305

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Statement of the comprehensive income at 31 December 2018 and 2017

	31/12/2018	31/12/2017
Net profit for the period	12.786.759	9.338.305
Components of other consolidated comprehensive income, that could not be recycled by profit and loss		
Remeasurement (actuarial losses gross of tax) (Note 21)		
Deferred tax of actuarial losses (Note 15)		
Other changes in equity		
Comprehensive income	12.786.759	9.338.305

CHARTERED ACCOUNTANT
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STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017

	Share capital	Legal reserve	Revaluation reserve	Adjustments to financial investments	Other reserve	Total reserves	Retained earnings	Net income	Total equity
Balance Sheet at 1 January 2017	35.000.000	7.498.903	6.195.184	2.705.421	67.319.346	83.718.855	1.707.102	5.950.756	126.376.712
Changes in period									
MEP									0
Allocation of profits				626.455		626.455	74.301	-700.756	0
Remeasurement (actuarial losses)						0			0
Other changes in equity				247.218		247.218			0
Net income	0	0	0	873.674	0	873.674	74.301	-700.756	247.218
Total gains and losses								9.338.305	247.218
Transactions with shareholders in the period								9.338.305	9.338.305
Dividends								9.338.305	9.338.305
Others transactions								-5.250.000	0
Balance sheet at 31 December 2017	0	0	0	0	0	0	0	-5.250.000	0
	35.000.000	7.498.903	6.195.184	3.579.095	67.319.346	84.592.528	1.781.402	9.338.305	-5.250.000
Balance sheet at 31 December 2018									0
Balance Sheet at 1 January 2018	35.000.000	7.498.903	6.195.184	3.579.095	67.319.346	84.592.528	1.781.402	9.338.305	130.712.235
Changes in period									0
MEP									0
Allocation of profits				2.330.890		2.330.890	7.415	-2.338.305	0
Remeasurement (actuarial losses)									0
Other changes in equity				-99.087		-99.087			0
Net income	0	0	0	2.231.803	0	2.231.803	7.415	-2.338.305	0
Total gains and losses								12.786.759	247.218
Transactions with shareholders in the period								12.786.759	12.786.759
Dividends									0
Others transactions								-7.000.000	0
Balance sheet at 31 December 2018	0	0	0	0	0	0	0	-7.000.000	0
	35.000.000	7.498.903	6.195.184	5.810.898	67.319.346	86.824.331	1.788.817	12.786.759	-7.000.000
									136.399.907

CHARTERED ACCOUNTANT

ALEXANDRA MARIA PACHECO GAMA JUNQUEIRA

BOARD OF DIRECTORS

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SALVADOR ACÁCIO MARTINS CAETANO

MIGUEL PEDRO CAETANO RAMOS

KATSUTOSHI NISHIMOTO

MATTHEW PETER HARRISON

RUI MANUEL MACHADO DE NORONHA MENDES

(Euros)

Notes

2018

2017

STATEMENT OF CASH FLOWS ON OPERATING ACTIVITIES

Collections from customers		476.589.092		397.868.482	
Payments to suppliers		-419.707.084		-364.976.999	
Payments to personnel		-8.446.124		-8.144.486	
Operating flow			48.435.884		24.746.997
Payments of income tax			-4.837.374		-1.646.620
Other collections/Payments related to operating activities			-23.662.739		-27.837.307
Cash flow from operating activities			19.935.770		-4.736.931

STATEMENT OF CASH FLOWS ON INVESTING ACTIVITIES

Collections from:					
Investments					
Tangible fixed assets	5	99.702		4.813.440	
Investment properties	6	1.695.000			
Investment subsidy					
Interest and others					
Dividends			1.794.702		4.813.440
Payments to:					
Investments	9				
Tangible fixed assets	5	-2.252.938		-361.408	
Intangible assets	8		-2.252.938		-361.408
Cash flow from investing activities			-458.236		4.452.032

FINANCING ACTIVITIES

STATEMENT OF CASH FLOWS ON FINANCING ACTIVITIES

Collections from:					
Lease	17	0		7.022.706	
Loans	17	306.483.075	306.483.075	49.500.000	56.522.706
Payments to:					
Loans	17	-310.983.075		-39.041.062	
Lease down payments	17	-5.478.163		-4.307.574	
Interest and others		-1.726.321		-2.042.650	
Dividends	16	-6.995.076	-325.182.634	-5.276.080	-50.667.367
Cash flow from financing activities			-18.699.559		5.855.339

Cash and cash equivalents at beginning of period	4	14.225.420		8.654.980	
Cash and cash equivalents at end of period	4	15.003.395		14.225.420	
Net flow in cash equivalents			777.975		5.570.440

CHARTERED ACCOUNTANT
ALEXANDRA MARIA PACHECO GAMA JUNQUEIRA

BOARD OF DIRECTORS
JOSÉ REIS DA SILVA RAMOS - President
MARIA ANGELINA MARTINS CAETANO RAMOS
SALVADOR ACÁCIO MARTINS CAETANO
MIGUEL PEDRO CAETANO RAMOS
KATSUTOSHI NISHIMOTO
MATTHEW PETER HARRISON
RUI MANUEL MACHADO DE NORONHA MENDES

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

1. INTRODUCTION

Toyota Caetano Portugal, S.A. ("Toyota Caetano" or "the Company") was incorporated in 1946, with its headquarters in Vila Nova de Gaia, which mainly carries economic activities included in the automotive sector, namely the import, assembly and commercialization of light and heavy vehicles, import and sale of industrial equipment, as well as the corresponding technical assistance, the creation and operation of human resources training and development projects, as well as the management of their own properties, including their leasing, and the rental of short or long-term vehicles, with or without a driver.

Its shares are listed in the Lisbon Stock Exchange Market since October 1987.

Toyota Caetano is the distributor of the brands Toyota and Lexus in Portugal and is the head of a group of companies ("Toyota Caetano Group").

As of 31 December, 2018, the companies of Toyota Caetano Group, their headquarters and abbreviations used, are as follows:

<u>Companies</u>	<u>Headquarters</u>
<u>With headquarters in Portugal:</u>	
Toyota Caetano Portugal, S.A. ("Parent company")	Vila Nova de Gaia
Saltano – Investimentos e Gestão, S.G.P.S., S.A. ("Saltano")	Vila Nova de Gaia
Caetano Renting, S.A. ("Caetano Renting")	Vila Nova de Gaia
Caetano – Auto, S.A. ("Caetano Auto")	Vila Nova de Gaia
<u>With headquarters in foreign countries:</u>	
Caetano Auto CV, S.A. ("Caetano Auto CV")	Praia (Cape Verde)

2. MAIN ACCOUNTING POLICIES

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

2.1 BASIS OF PRESENTATION

These financial statements relate to the financial statements of Toyota Caetano Portugal S.A. and were prepared according to the IFRS – International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IASB"), the International Accounting Standards (IAS), as issued by the International Accounting Standards Committee ("IASC"), and its respective interpretations - IFRIC and SIC, as issued, respectively, by the International Financial Reporting Interpretations Committee ("IFRIC") and by the Standing Interpretation Committee ("SIC"), that have been endorsed by the European Union, in force at the date of preparation of the financial statements.

The financial statements have been prepared on a going concern basis, based on the accounting and having as basis the principle of the historical cost and, in the case of some financial instruments, fair value.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

First time adoption of the IFRS in the preparation of the financial statements occurred in 2016 so the transition date of the Portuguese Accounting Principles ("Accounting Standardization System" or "SNC") for these regulations was established on January 1, 2015, in accordance with the provisions of IFRS 1 - First-time adoption of international financial reporting standards ("IFRS 1").

2.2 ADOPTION OF NEW OR REVERSED IAS / IFRS

The following standards, interpretations, amendments and revisions endorsed by the European Union and mandatory in the fiscal years beginning on or after 1 January 2018, were adopted by the first time in the fiscal year ended at 31 December 2018:

1. The impact of the adoption of the new standards, amendments to standards and interpretations that became effective as of 1 January 2018 is as follows:

- a) IFRS 15 (new), 'Revenue from contracts with customers'. This new standard, applies only to contracts with customers to provide goods or services, and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five step approach. Modified retrospective application, in which the cumulative effect of the application of the new standards on contracts included in the opening balance of retained earnings of January 1, 2018 was recognized. This standard did not have any impact in the Entity financial statements as evidenced in note 2.2.2.
- b) Amendments to IFRS 15 'Revenue from contracts with customers'. These amendments refer to additional guidance for determining the performance obligations in a contract, the timing of revenue recognition from a license of intellectual property, the review of the indicators for principal versus agent classification, and to new practical expedients to simplify transition. Retrospective application, in which comparatives were not restated and the cumulative effect of the application of the new standards on the opening balance of retained earnings on January 1, 2018 was recognised. The adoption of this amendment didn't have impact in the Entity financial statements as evidenced in note 2.2.1.
- c) IFRS 9 (new), 'Financial instruments'. IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of credit impairment (through the expected credit losses model); and (iii) the hedge accounting requirements for recognition and classification. This standard did not have any impact in the Entity financial statements.
- d) IFRS 4 (amendment), 'Insurance contracts (Applying IFRS 4 with IFRS 9)'. This amendment allows companies that issue insurance contracts the option to recognise in Other Comprehensive Income, rather than Profit or Loss the volatility that could arise when IFRS 9 is applied before the new insurance contract standard is issued. Additionally, an optional temporary exemption from applying IFRS 9 until 2021 is granted to companies whose activities are predominantly connected with insurance, being applicable at the consolidated level.
- e) IFRS 2 (amendment), 'Classification and measurement of share-based payment transactions'. This amendment clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications to a share-based payment plan that change the classification from cash-settled to equity-settled. It also introduces an exception to the principles of IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

obligation associated with a share-based payment and pay that amount to the tax authority. This amendment is not applicable on the Entity financial statements.

- f) **IAS 40** (amendment), 'Transfers of Investment property'. This amendment clarifies when assets are transferred to, or from investment properties, evidence of the change in use is required. A change of management intention alone is not enough to support a transfer. This amendment is not applicable on the Entity financial statements.
- g) **Annual Improvements 2014 – 2016**. The 2014-2016 annual improvements impacts: **IFRS 1**, **IFRS 12** and **IAS 28**. There is no impact in the adoption of these improvements in the Entity financial statements.
- h) **IFRIC 22** (new), 'Foreign currency transactions and advance consideration'. An Interpretation of **IAS 21** 'The effects of changes in foreign exchange rates', it refers to the determination of the "date of transaction" when an entity either pays or receives consideration in advance for foreign currency denominated contracts. The date of transaction determines the exchange rate used to translate the foreign currency transactions. Is not applicable on the Entity financial statements. This standard did not have any impact in the Entity financial statements.

2. Standards (new and amendments) and interpretations that have been published and are mandatory for the accounting periods beginning on or after 1 January 2019, endorsed by the EU:

- a) **IFRS 16** (new), 'Leases' (effective for annual periods beginning on or after 1 January 2019). This new standard replaces **IAS 17** with a significant impact on the accounting by lessees who are now required to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for all lease contracts, except for certain short-term leases and for low-value assets. The definition of a lease contract also changed, being based on the "right to control the use of an identified asset". As of **IFRS 16**, the necessary analysis and framing of the actual situations applicable to the date were made, and (i) considering the modified retrospective approach with the Asset equal to the Liability and (ii) considering, as a rule, the mandatory date and (iii) discount rates identical to those practiced in the market for other financing, it is concluded that the impact at the qualitative and quantitative level will not be significant in the future financial statements of the Entity.
- b) **IFRS 9** (amendment), 'Prepayment features with negative compensation' (effective for annual periods beginning on or after 1 January 2019). The amendment introduces the possibility to classify certain financial assets with negative compensation features at amortized cost, provided that specific conditions are fulfilled, instead of being classified at fair value through profit or loss. It is not expected significant impact of future adoption of this amendment on the Entity financial statements.
- c) **IFRIC 23** (new), 'Uncertainty over income tax treatment' (effective for annual periods beginning on or after 1 January 2019). This interpretation is still subject to endorsement by the European Union. This is an interpretation of **IAS 12** - 'Income tax', and refers to the measurement and recognition requirements to be applied when there is uncertainty as to the acceptance of an income tax treatment by the tax authorities. In the event of uncertainty as to the position of the tax authority on a specific transaction, the entity shall make its best estimate and record the income tax assets or liabilities under **IAS 12**, and not under **IAS**

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

37 – ‘Provisions, contingent liabilities and contingent assets’, based on the expected value or the most probable value. The application of IFRIC 23 may be retrospective or retrospective modified. It is not expected significant impact of future adoption of this interpretation on the Entity financial statements.

3. Standards (new and amendments) that have been published and are mandatory for the accounting periods beginning on or after 1 January 2019, but are not yet endorsed by the EU:

- a) IAS 19 (amendment), Plan amendment, Curtailment or Settlement’ (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. This amendment requires an entity to: i) use updated assumptions to determine the current service cost and net interest for the remaining period after amendment, reduction or settlement of the plan; and ii) recognize in the income statement as part of the cost of past services, or as a gain or loss in the settlement, any reduction in the excess of coverage, even if the excess of coverage had not been previously recognized, due to the impact of the asset ceiling. The impact on asset ceiling is recognised in Other Comprehensive Income, not being allowed to recycle it through profit for the year. It is not expected significant impact of future adoption of this amendment on the Entity financial statements.
- b) IAS 28 (amendment), ‘Long-term interests in Associates and Joint Ventures’ (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. The amendment clarifies that long-term investments in associates and joint ventures (components of an entity’s investments in associates and joint ventures), that are not being measured through the equity method, are to be measured in accordance with IFRS 9. The long-term investments in associates and joint ventures are subject to the expected credit loss impairment model, prior to being added, for impairment test purposes, to the whole investment in associates and joint ventures, when impairment indicators exist. It is not expected significant impact of future adoption of this amendment on the Entity financial statements.
- c) IFRS 3 (amendment), ‘Definition of a business (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. The amendment revises the definition of a business in order to account for business combinations. The new definition requires that an acquisition include an input, as well as a substantial process that jointly generate outputs. Outputs are now defined as goods and services rendered to customers, that generate investment income and other income, and exclude returns as lower costs and other economic benefits for shareholders. Optional ‘concentration tests’ for the assessment if one transaction is the acquisition of an asset or a business combination, are allowed. It is not expected significant impact of future adoption of this amendment on the Entity financial statements.
- d) IAS 1 and IAS 8 (amendment), ‘Definition of material’ (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. The amendment revises the concept of material. Includes clarifications as to obscured information, its effect being similar to the omission or distortion of information; and also clarifications as to the term ‘primary users of general purpose financial statements’, defined as ‘existing or potential investors, lenders and other creditors’ that rely on general purpose financial statements to obtain a significant part of the information that they need. It is not expected significant impact of future adoption of this amendment on the Entity financial statements.

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(Amounts in Euros)

- e) Annual Improvements 2015 - 2017, (generally effective for annual periods beginning on or after 1 January 2019). These improvements are still subject to endorsement by the European Union. The 2015-2017 annual improvements impact: IAS 23, IAS 12, IFRS 3 and IFRS 11. It is not expected significant impact of future adoption of this improvements on the Entity financial statements.
- f) Conceptual framework, 'Amendments to references in other IFRS' (effective for annual periods beginning on or after 1 January 2020). These amendments are still subject to endorsement by the European Union. As a result of the publication of the new Conceptual Framework, the IASB introduced changes to the text of various standards and interpretations, like: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32, in order to clarify the application of the new definitions of asset / liability and expense / income, in addition to some of the characteristics of financial information. These amendments are retrospective, except if impractical. It is not expected significant impact of future adoption of these amendments on the Entity financial statements.
- g) IFRS 17 (new), 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2021). This standard is still subject to endorsement by the European Union. This new standard replaces IFRS 4 and applies to all entities issuing insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics. IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a complete "building block approach" or "premium allocation approach". The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is of retrospective application. Is not applicable on the Entity financial statements.

2.2.1 Adoption of IFRS 9

Impairment of financial assets

The application of IFRS 9 requires the determination of impairment losses based on the expected credit loss model, rather than an assessment made on the basis of the losses incurred in accordance with IAS 39.

The Company deals the financial asset subject to the new credit impairment model set forth in IFRS 9:

- Debt instruments recognised at amortised cost (Accounts receivable, Other accounts receivable, Loans granted to related entities);

The Company has revised its methodology for calculating and recognising impairment losses for this classes of financial assets.

a) Debt instruments at amortised cost

a.1) Accounts receivable, Other accounts receivable and Assets from contracts with customers

With respect to the balances under the "Accounts receivable," "Other accounts receivable" and "Assets from contracts with customers" headings, the Company uses the simplified approach in IFRS 9, whereby expected impairment losses are recognised since the initial recognition of the balances and according to their maturity, considering

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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a matrix of historical default rates for the maturity of the balances, adjusted via prospective estimates.

a.2) Loans granted to related entities

Loans granted to related entities were considered as having low risk, wherefore impairment losses were determined by means of an evaluation of the losses expected for the next 12 months, according to the general expected credit loss model.

In accordance with the transitional provisions of IFRS 9, the Company opted for retrospective application with adjustment to retained earnings, at the date of initial adoption (January 1, 2018), and comparative values were not restated. The adoption of IFRS 9 did not result in any reclassifications or adjustments.

2.2.2 Adoption of IFRS 15 - "Revenue from contracts with customers"

In accordance with the transitional provisions of IFRS 15, the Company chose to proceed with a retrospective application with adjustment to retained earnings, on the date of initial adoption (January 1, 2018); comparative values were not restated.

The Company chose to apply the transitional provisions of IFRS 15 relating to contract modifications only to modifications occurred on or after January 1, 2018.

The adoption of IFRS 15 did not result in any changes to the Company's accounting policies, reclassifications or adjustments.

2.3 MAIN ACCOUNTING POLICIES

The principal accounting policies used in the preparation of the accompanying financial statements are as follows:

a) Tangible fixed assets

Tangible fixed assets are recorded at deemed cost, which corresponds to its acquisition cost or its revalue acquisition cost in accordance with generally accepted accounting principles in Portugal until that date, net of accumulated depreciation and accumulated impairment losses.

Impairment losses verified on the realization value of tangible fixed assets are recorded in the year in which they are estimated, against the "Provisions and impairment losses" account in the income statement.

Depreciation is computed on straight line basis on an annual basis, accordingly with the following useful lives:

	<u>Years</u>
- Buildings and Other Constructions	20 - 50
- Machinery and Equipment	7 - 16
- Transport Equipment	4 - 6
- Administrative Equipment	3 - 14
- Other Tangible Assets	4 - 8

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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Expenses with maintenance and repair costs of tangible fixed assets are recorded as a cost in the year in which they occur. The repairs of significant amount that increase the estimated usage period of the assets are capitalized and depreciated according to the assets remaining useful life.

Tangible fixed assets in progress relate to tangible assets under construction/development, and are recorded at acquisition cost. These assets are transferred to tangible fixed assets and depreciated as from the date in which they are prepared for use and in the necessary conditions to operate according with the management.

Gains or losses resulting from the disposals and write-offs are determined by the difference between the amount received and the carrying amount of the asset and are recognized as income or expense in the income statement.

b) Intangible assets

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

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

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

Internal expenses related to Software maintenance and development are recorded as costs in the statement of profit and loss, except in situations in which these expenses are directly related to projects from which it is likely that future economic benefits will flow to the Company. In such circumstances, these expenses are capitalized as intangible assets.

Intangible assets are depreciated on a straight-line basis over a period of three to five years.

The depreciation charge for each period of intangible assets shall be recognized in profit or loss in item "Depreciations and amortizations".

c) Investment properties

Investment properties which relate to real estate assets held to obtain income through its lease or for capital gain purposes, and not for use in production, external supplies and services or for administrative purposes, are recorded at its acquisition cost, being the respective fair value disclosed in the Notes to the financial statements (Note 6).

Whenever these assets fair value is lower than the respective acquisition cost, an impairment loss is recorded against the caption "Investment properties amortization" in the statement of profit and loss. As of the moment in which the recorded accumulated impairment losses no longer exist, they are immediately reversed against the caption "Other operating profits" in the statement of profit and loss until the limit of the amount that would have been determined, net of amortizations or depreciations, if no impairment losses would have ever been recognized in previous years.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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Investment properties disclosed fair value is determined on an annual basis by an independent appraiser (Market, Cost, Profit and Use Method models) or internally.

d) Lease contracts

Lease contracts are classified as (i) financial lease contracts, if all or a substantial part of the risks and benefits related to possession are transferred and as (ii) operational lease contracts if all or a substantial part of the risks and benefits related to possession are not transferred.

Classification as financial lease contracts or as operational lease contracts depends on the substance of the transaction and not on the form of the contract.

Tangible fixed assets acquired under financial lease contracts and the corresponding liabilities are recorded by the financial method. Under this method the cost of the fixed assets is recorded and reflected in the balance sheet in caption of tangible fixed assets and the corresponding liability determined in accordance with the contractual financial plan are recorded like obtained financing and reflected in the balance sheet. Lease down payments are constituted by interest expenses and by the amortization of capital in accordance with the contractual financial plan, with interests recognized as expenses in the statement of profit or loss for the year to which they relate and with the depreciation of the tangible fixed assets according to their estimated useful lives, according to Note 2.3. a), except when the lease term is shorter than the estimated useful lives.

For lease contracts considered as operational, the rents paid are recognized as an expense in the statement of profit or loss over the rental period (Note 25).

e) Inventories

Goods, raw, subsidiary and consumable materials are recognized at the initial moment of their acquisition at cost. Subsequently, these are valued at average acquisition cost, which is lower than market value.

Finished and intermediate goods and work in progress are stated at production cost, which is lower than market value. Production costs include incorporated raw materials, direct labour, production overheads and external services.

Accumulated impairment losses to reduce inventories value reflect the difference between their acquisition cost and net realizable or market value, which corresponds to the price shown on market statistics.

In the case of Inventories, impairment losses are calculated on the basis of market indicators and various indicators of inventory rotation.

f) Government Grants

Government subsidies are recognized at the respective fair value when there is a solid guarantee that they will be received and that the Company will be able to accomplish the conditions required to its concession.

The subsidies related to costs incurred are registered as a gain if there is a reasonable guaranty that they will be received, if the company has already incurred in the subsidiary costs and if they fulfil the conditions for their concession.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

g) Impairment of assets

- Non-current assets except Goodwill

Assets are assessed for impairment at each statement of financial position date whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount (defined as the highest of the net sale price and the use value, or as the net sale price for assets held for sale), an impairment loss is recognized in the statement of profit and loss under the caption "Provisions and impairment losses". The net selling price is the amount that would be obtained from the sale of an asset in a transaction between independent entities, less the cost of the disposal. The value in use is the present value of estimated future cash flows expected to arise from the continued use of an asset and its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

The reversal of impairment losses recognized in previous years is recorded when it is concluded that the impairment losses recognized for the asset no longer exist or have decreased. This analysis is performed whenever there is an indication that the impairment losses previously recognized have been reversed. The reversal is recorded in the statement of profit or loss in the caption "Other operating income". However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment losses been recognized for that asset in prior years.

- Goodwill

The value of Goodwill is not amortized, being tested for impairment purposes on an annual basis. The recoverable amount is determined as being the present value of estimated future cash flows that are expected to be generated by the continuous use of the asset. Impairment losses of Goodwill are recognized in the income statement in the caption "Provisions and Impairment Losses".

Goodwill impairment losses cannot be reversed.

h) Financial Expenses

Loan's related financial costs (interests, premiums, ancillary costs and lease interests) are recognized as financial costs in income statement of the period in which they are incurred, in accordance with the accrual principle and the effective interest rate method, except if those costs are directly related to the acquisition, construction or production of fixed assets. In this case, the referred costs are capitalized, being part of the asset cost. The capitalization of these costs begins after the beginning of the preparation of the construction or asset development activities and it is interrupted when the asset is ready to be used or when the project is suspended. Any financial income generated by loans that are directly related with a specific investment, are deducted to financial expenses elected for capitalization purposes.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

i) Financial instruments

1- Financial Assets

Accounting policy adopted as of January 1, 2018

Recognition

Purchases and sales of investments in financial assets are recorded on the date of the transaction, i.e., the date on which the Company undertakes to buy or sell the asset.

Classification

The classification of financial assets depends on the business model followed by the Company to manage its financial assets (receipt of cash flows or appropriation of fair value changes) and the contractual terms of the cash flows receivable.

Changes to the classification of financial assets can only be made when the business model is changed, except in the case of financial assets at fair value through other comprehensive income, which are equity instruments and, therefore, can never be reclassified to another category.

Financial assets may be classified according to the following measurement categories:

(i) Financial assets at amortised cost: includes financial assets that correspond only to the payment of nominal value and interest, and the business model followed by management is the receipt of contractual cash flows;

(ii) Financial assets at fair value through other comprehensive income: this category may include financial assets that qualify as debt instruments (contractual obligation to deliver cash flows) or equity instruments (residual interest in an entity);

a. In the case of debt instruments, this category includes financial assets that correspond only to the payment of nominal value and interest, when the business model followed by management is the receipt of contractual cash flows, either occasionally or a result of their sale;

b. In the case of equity instruments, this category includes the percentage of interest held in entities over which the Company does not exercise control, joint control or significant influence, and which the Company irrevocably chose, on the date of initial recognition, to designate at fair value through other comprehensive income;

(iii) Financial assets at fair value through profit or loss: includes assets that do not meet the criteria for classification as financial assets at amortised cost or at fair value through other comprehensive income, whether they refer to debt instruments or equity instruments that were not designated at fair value through other comprehensive income.

The classification of the Company's financial assets by category as of December 31, 2018, is shown in Note 29

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

Measurement

The Company initially measures financial assets at fair value, plus transaction costs directly attributable to the acquisition of the financial asset, for financial assets that are not measured at fair value through profit or loss. Transaction costs of financial assets at fair value through profit or loss are recorded in the income statement when incurred.

Financial assets at amortised cost are subsequently measured in accordance with the effective interest rate method, minus impairment losses. Interest income on these financial assets is included in "Interest earned on assets at amortised cost" in financial income.

Financial assets at fair value through other comprehensive income, which are debt instruments, are subsequently measured at fair value through fair value changes recognised in other comprehensive income, except for variations related to the recognition of impairment, interest income and gains/(losses) due to foreign exchange differences, which are recognised in the income statement for the year. Financial assets at fair value through other comprehensive income are subject to impairment.

Financial assets at fair value through other comprehensive income which are equity instruments are measured at fair value on the date of initial registration and subsequently, and changes in fair value are recorded directly in other comprehensive income, in equity, and no future reclassifications will occur, even after derecognition of the investment. Dividends obtained from these investments are recognised as gains, in the income statement for the year, on the date they are attributed.

Impairment losses

The Company prospectively assesses the expected credit losses associated with the financial assets, which are debt instruments, classified at amortised cost and at fair value through other comprehensive income.

The applied impairment methodology takes into account the credit risk profile of the debtors, and different approaches are used depending on the nature of the debtors.

With respect to the accounts receivable under the "Accounts receivable" and "Other Accounts receivable" headings and Assets from contracts with customers, the Company uses the simplified approach allowed by IFRS 9, according to which expected credit losses are recognised since the initial recognition of the accounts receivable and throughout their maturity, considering a matrix of historical default for the maturity of the accounts receivable, adjusted via prospective estimates.

With respect to accounts receivable from related entities, which are not considered part of the financial investment of these entities, credit impairment is assessed according to the following criteria: i) if the account receivable is immediately payable ("on demand"); ii) if the account receivable has a low risk; or (iii) if it has a maturity of less than 12 months.

In cases where the amount receivable is immediately payable and the related entity is able to pay it, the probability of default is close to 0% and, therefore, the impairment is considered equal to zero. In cases where the account receivable is not immediately payable, the related entity's credit risk is assessed and if it is considered "low" or if the maturity is less than 12 months, then the Company only evaluates the probability of a default occurring for the cash flows that will mature in the next 12 months.

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To all other situations and types of accounts receivable, the Company uses the general approach of the impairment model, evaluating on each reporting date whether there has been a significant increase in credit risk since the date on which the asset was initially recognised. If there is no increase in credit risk, the Company calculates an impairment corresponding to the amount equivalent to expected losses within a period of 12 months. If there is an increase in credit risk, the Company calculates an impairment corresponding to the amount equivalent to expected losses for all contractual flows until the maturity of the asset.

Derecognition of financial assets

The Company derecognises financial assets when, and only when, contractual rights to cash flows have expired or have been transferred and the Entity has substantially transferred all the risks and benefits pertaining to the ownership of the asset.

Accounting policies adopted until December 31, 2017

i) Investments

Investments held by the Company are classified as follows: 'Investments measured at fair value through profit and loss', 'Loans and receivables', 'Investments held to maturity' and 'Investments available for sale'. The classification depends on the subjacent intention of the investment acquisition.

Assets available for sale

These are all the remaining assets that are not classified as held to maturity or measured at fair value through profit and loss, being classified as non-current assets. This category is included in non-current assets, except if the Board of Directors has the intention of alienate the investment within a period inferior to 12 months starting from the Statement of financial position date.

At December 31, 2017 and 2016, Toyota Caetano did not have financial instruments registered in the items "Investments available for sale".

Fair Value of Financial Investments

To determine the fair value of a financial asset or liability, if such a market exists, the market price is applied (Level 1). A market is regarded as active if quoted prices are readily and regularly available from an exchange, broker or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Otherwise, which is the case of some financial assets and liabilities, valuation techniques that are generally accepted in the market are used based on market assumptions (e.g.: discounted cash flow models that incorporate interest rate curves and market volatility, which is the case of derivative financial instruments) (Level 2). On the other cases, valuation techniques are used, not based on observable market data (Level 3).

Investments are all initially recognized at fair value, including transaction costs, with the exception of investments recognized at fair value through profit or loss. In this case, investments are initially recognized at fair value, and the respective transaction costs are recognized directly in the income statement.

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"Available for sale investments" and "investments at fair value through profit or loss" are kept at fair value at the balance sheet date, without deducting any transaction cost that could occur until the time of disposal.

Available for sale investments representative of share capital from unquoted companies are recognized at the acquisition, taking into account the existence or not of impairment losses. It is conviction of the Board that the fair value of these investments does not differ significantly from their acquisition cost.

Gains and losses arising from a change in the fair value of investments available for sale are recorded under equity caption "Fair value reserves" until the investment is sold or disposed, or until it is determined to be impaired. At that moment, the accumulated gains or losses previously recognized in equity are transferred to profit and loss statement for the period.

The fair value of the financial investments available for sale is based on the current market prices. If the market is not net (non-listed investments), the Company records the acquisition cost, having in consideration the existence or not of impairment losses.

The Company makes evaluations if it considers that at the statement of financial position date exists clear evidence that the financial asset might be in impairment. In case of stock instruments classified as available for sale, have a significant drop or extended of its fair value inferior to its cost, it indicates that an impairment situation is occurring. If there is any evidence of impairment in "investments available for sale", the accumulated losses – calculated by the difference between the acquisition cost and the fair value deducted from any impairment loss previously recognized in the statement of profit and loss – are retrieved from the equity and recognized in the statement of profit and loss.

All purchases and sales of investments are recorded on their trade date, which is on the date the Company assumes all risks and obligations related to the purchase or sale of the asset.

The investments are derecognized if the right to receive financial flows has expired or was transferred, and consequently, all associated risks and benefits have been transferred.

ii) Cash and cash equivalents

Cash and its equivalents include cash on hand, bank deposits, term deposits and other treasury applications which reach their maturity within less than three months and are subject to insignificant risks of change in value.

iii) Accounts receivables and Other Accounts receivables

These headings mainly include customer balances resulting from services rendered as part of the Company's activity and other balances related to operating activities. Balances are classified as current assets when they are estimated to be collected within a 12-month period. Balances are classified as non-current when they are estimated to be collected more than 12 months after the reporting date.

Accounting policies adopted as of January 1, 2018

The "Accounts receivables" and "Other Accounts receivables" headings are initially recognised at fair value and are subsequently measured at amortised cost, minus impairment adjustments. Impairment losses in Accounts receivables and Other Accounts receivables are recorded in

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accordance with the principles described in the policy in Note 3.x. The identified impairment losses are recorded in the income statement in losses of impairment and other comprehensive income statement and are subsequently reversed by profit or loss.

Accounting policies adopted until December 31, 2017

Financial assets presented under the "Accounts receivable" and "Other Accounts receivables" headings are measured, when initially recognised, at fair value, and subsequently at amortised cost, in accordance with the effective interest rate method, minus impairment losses. When there is evidence that they are impaired, the corresponding adjustment is recorded in profit or loss. The recognised adjustment is measured by the difference between the amount at which the accounts receivable are recognised and the present value of discounted cash flows at the effective interest rate determined upon initial recognition.

The Accounts receivable and Other Accounts receivables that do not earn interest are measured at cost, less any impairment losses so that they reflect their recoverable value. However, these amounts are not discounted because the effect of their financial update is not considered material.

2-Financial Liabilities

Accounting policy adopted as of January 1, 2018

Financial liabilities are classified in two categories:

- i) Financial liabilities at fair value through profit or loss; and
- ii) Financial liabilities at amortised cost.

The "Financial liabilities at amortised cost" category includes liabilities recorded under "Loans obtained" (Note 17), "Accounts payable" (Note 18) and "Other Accounts payable" (Note 19). These liabilities are initially recognised at fair value, net of transaction costs, and subsequently measured at amortised cost according to the effective interest rate method.

Financial liabilities are derecognised when the underlying obligations are extinguished by payment, cancelled, or expire.

As of December 31, 2018, the Company has only recognised liabilities classified as "Financial liabilities at amortised cost."

Financial liabilities are derecognised when the underlying obligations are extinguished by payment, cancelled, or expire.

i) Loans obtained

Loans obtained are initially recognised at fair value, net of any transaction costs incurred. Loans are subsequently measured at amortised cost and the difference between the nominal value and the initial fair value recognised in the income statement and in the other comprehensive income statement throughout the term of the loan using the effective interest rate method.

Loans obtained are classified under current liabilities, unless the Company has an unconditional right to defer the payment of the liability for at least 12 months after the date of the financial report, in which case they are classified as non-current liabilities.

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ii) Accounts payable

These headings usually include balances of suppliers of goods and services that the Company acquired in the normal course of its business. The items included in these will be classified as current liabilities if the payment is due within 12 months or less; otherwise, the accounts payable will be classified as non-current liabilities.

These financial liabilities are initially recognised at fair value. After their initial recognition, the liabilities shown under the "Accounts payable" heading are measured at amortised cost, using the effective interest rate method.

Accounting policy adopted until December 31, 2017

Financial liabilities are classified in two categories:

- i) Financial liabilities at fair value through profit or loss; and
- ii) Other financial liabilities.

The "Other financial liabilities" category includes liabilities recorded under the "Loans obtained" (Note 17), "Accounts payable" (Note 18) and "Other Accounts payable" (Note 19) headings. These liabilities are initially recognised at fair value and subsequently measured at amortised cost according to the effective interest rate method.

Financial liabilities are derecognised when the underlying obligations are extinguished by payment, cancelled, or expire.

As of December 31, 2017, the Company has only recognised liabilities classified as "Other financial liabilities."

i) Loans

Loans are recorded as liabilities at their nominal value net of up-front expenses which are directly related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the statement of profit and loss on an accrual basis.

ii) Accounts payable and Other Accounts payable

Accounts payable and Other Accounts payable not bearing interests are measured at cost, less impairment losses so that they reflect the respective net realizable value. These amounts are not discounted because its effect in the financial actualization is not considered relevant.

iii) Derivative financial instruments

The Company uses derivative financial instruments to cover risks of financial investments. Derivative financial instruments used by the Company (mainly interest rate swaps and currency forwards), have the specific aim of interest rate risk coverage and exchange rate risk on future transactions in foreign currency.

Derivatives are initially recognized at their cost at the date on which they are contracted, being subsequently measured at fair value. The method used to recognize fair value changes depends on the designation (or not) of derivatives for hedge accounting purposes and on the nature of the hedged item.

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At December 31, 2016, Toyota Caetano only have derivative financial instruments, for which the company as not applied hedge accounting derivatives. At December 31, 2017 the Company no longer use derivative financial instruments

The derivative financial instruments, for which the company as not applied hedge accounting, although contracted for economic hedging purposes, are initially recorded by the cost, which corresponds to its fair value, if any, and subsequently re-evaluated by its fair value, which variations, calculated through the evaluations made by the banks with which the Company makes the respective contracts, directly affect the items of the finance results of the consolidated income statement.

The fair value of derivatives acquired as at December 31, 2016 is presented in the Note 23.

j) Post-Retirement Obligations

Toyota Caetano Portugal incorporated by public deed dated December 29, 1988 the Salvador Caetano Pension Fund, with subsequent updates in February 2, 1994, April 30, 1996, August 9, 1996, July 4, 2003, February 2, 2007, December 30, 2008, December 23, 2011 and December 31, 2013.

In order to estimate its liabilities for the payment of the mentioned responsibilities, the company obtains annually an actuarial calculation of the liabilities for past services in accordance with the "Current Unit Credit Method".

Recorded liabilities as of the statement of financial position date relate to the present value of future benefits adjusted for actuarial profits or losses and/or for liabilities for past services not recognized, net of the fair value of net assets within the pension fund (Note 21). The Entity recognized remeasurement in "Other reserves". The contribution to Define Contribution Plan are recognized in expenses for the year.

k) Contingent Assets and Liabilities

Contingent liabilities are defined by the company as (i) possible obligations from past events and which existence will only be confirmed by the occurrence or not of one or more uncertain future events not totally under Toyota Caetano's control or (ii) present obligations from past events not recognized because it is not expected that an output of resources that incorporate economic benefits will be necessary to settle the obligation or its amount cannot be reliably measured.

Contingent liabilities are not recorded in the financial statements, being disclosed in the respective Notes, unless the probability of a cash outflow is remote. In these situations no disclosure is made.

Contingent assets are possible assets that arise from past events and whose existence will only be confirmed by the occurrence or not of one or more uncertain future events not totally under the company's control.

Contingent assets are not recorded in the financial statements but only disclosed when it is likely the existence of future economic benefits.

l) Income Taxes

In March 2007 the Company took the decision to apply to the Corporate Income Tax for the Group (RETGS) according to the articles 69th and 70th of Income Tax Code (CIRC) and beginning in 1st

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January 2007. In consequence, the parent company (Toyota Caetano Portugal, S.A.) shall book the income tax calculated in the Group Companies (Toyota Caetano Portugal, Caetano Auto, Saltano and Caetano Renting) in order to determine the group income tax.

The Corporate Income Tax for the year is determined based on the net profit adjusted according to the fiscal regime applicable.

Deferred income taxes are computed using the statement of financial position liability method and reflect the timing differences between the amount of assets and liabilities for accounting purposes and the corresponding amounts for tax purposes. The deferred tax assets and liabilities are computed on an annual basis using the tax rates that are expected to be in force at the time these temporary differences are reversed.

Deferred tax assets are only recorded when there is reasonable expectation that sufficient taxable profits will arise in the future to allow their use or when there are temporary taxed differences that overcome temporary deductible differences at the time of its reversal. At the end of each year the Company reviews its recorded and unrecorded deferred tax assets which are reduced whenever their realization ceases to be likely, or recorded if it is likely that taxable profits will be generated in the future to enable them to be recovered.

Deferred tax assets and liabilities are recorded in the income statement, except if they relate to items directly recorded in equity, situations in which the corresponding deferred tax is also recorded in equity captions.

m) Accrual basis

Revenues and expenses are recorded according to the accrual basis, by which they are recognized in the period to which they relate independently of when the amounts are received or paid. Differences between the amounts received and paid and corresponding income and expenses are recorded in the captions “accruals and deferrals” included in “Other current assets” and “Other current liabilities”.

Income and expenses for which the actual amount is yet unknown are recorded based on the best estimate of the Board of Directors of the Company.

n) Revenue - contracts with customers

Accounting policy adopted as of January 1, 2018

Revenue corresponds to the fair value of the amount received or receivable from transactions with customers in the normal course of business. Revenue is recorded net of any taxes, trade discounts, and financial rebates.

In determining the value of revenue, the Company evaluates the performance obligations undertaken towards customers in each transaction, the price of the transaction to be affected by each performance obligation that is identified, and the existence of variable price conditions that may lead to future adjustments to the value of the recorded revenue, for which the Company makes its best estimate.

Revenue is recorded in the income statement when the control over the product or service is transferred to the customer, i.e., at the moment when the customer becomes able to manage the use of the product or service and to obtain all the remaining economic benefits associated with it.

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The Company considers that, given the nature of the product or service that is associated with the performance obligations undertaken, the transfer of control occurs mostly on a specific date, but there may be transactions in which the transfer of control occurs continuously over the contractual period that has been previously established.

Accounting policy adopted until December 31, 2017

Revenue is recognized net of taxes and commercial discounts, by the fair value of the amount received or to be received, knowing that:

- The revenue from sales is recognized in the income statement when the significant part of risks and benefits related with the possession of assets is transferred to the acquirer, it is probable the future economic benefits will flow to the entity and these benefits can be measured reliably.
- The revenue from services rendered is recognized according to the stage of completion of the transaction at the balance sheet date.

o) Statement of financial position classification

All assets and liabilities, including assets and liabilities deferred tax, accomplishable or receivable in more than one year after the statement of financial position date are classified as "Non-current assets or liabilities".

p) Earnings per share

Basic:

The basic earnings per share is calculated by dividing the taxable income of the shareholders by the weighted average number of common shares issued during the period, excluding the common shares acquired by the company and held as treasury shares.

Diluted:

Diluted earnings per share are calculated by dividing the profit attributable to shareholders, adjusted for the dividends of convertible preferred shares, convertible debt interest and gains and expenses resulting from the conversion, by the weighted average number of common shares issued during the period plus the average number of shares common shares issued in converting potential dilutive common shares.

q) Segment information

In each year the Group identifies the most adequate business and geographic segments.

Information related to the identified operating segments is included in Note 24.

In that note we can find information by subsegments. For the subsegment of vehicles is presented by commercial and industry. For the subsegment of industrial equipment is present by commercial, services and rental

r) Balances and transactions expressed in foreign currencies

Assets and liabilities expressed in foreign currencies are converted to Euros at the prevailing exchange rates published by "Banco de Portugal". Favourable and unfavourable exchange differences, arising from changes between the exchange rates prevailing on the dates of the transactions and those in effect on the dates of payment, collection or as of the period, are recorded in the Income Statement.

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s) Subsequent events

Events occurring after the statement of financial position date which provide additional information about conditions prevailing at the time of the statement of financial position ('adjusting events') are reflected in the financial statements. Events occurring after the statement of financial position date that provide information on post-statement of financial position conditions ('non-adjusting events'), when material, are disclosed in the Notes to the financial statements.

2.4 JUDGMENTS AND ESTIMATES

During the preparation of the consolidated financial statements, the Board of Directors of the Company based itself in the best knowledge and in the experience of past and/or present events considering some assumptions relating to future events.

Most significant accounting estimates included in attached financial statements as of December 31, 2018 and 2017 include:

- a) Useful lives of tangible and intangible assets;
- b) Registration of adjustments to the assets values (accounts receivable and inventories) and provisions;
- c) Impairment tests performed to goodwill and sensibility tests (Note 7);
- d) Discharge of the fair value of derivative financial instruments; and
- e) Clearance of responsibilities with Pension complements (Note 21).

The underlying estimations and assumptions were determined based in the best knowledge existing at the date of approval of the financial statements of the events and transactions being carry out as well as in the experience of past and/or present events. Nevertheless, some situations may occur in subsequent periods which, not being predicted at the date of approval of the financial statements, were not consider in these estimations. The changes in the estimations that occur after the date of the financial statements shall be corrected in a foresight way. Due to this fact and to the uncertainty degree associated, the real results of the transactions may differ from the corresponding estimations. Changes to these estimates, which occur after publication of these consolidated financial statements, will be corrected in a prospective way, in accordance with IAS 8. The assumptions with the greatest impact on the estimates mentioned above are the discount rate used for the purposes of calculating the pension liabilities and the Goodwill impairment, and the mortality table used for the purposes of calculating the pension liabilities

The main significant judgments and estimations and assumptions relating to future events included in the preparation of the financial statements are described in the related notes to the financial statements.

2.5 FINANCIAL RISK MANAGEMENT POLICIES

The Company's activity is exposed to a variety of financial risks, such as market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. These risks arise from the unpredictability of financial markets that affect the capacity of projected cash flows and profits subject to a perspective of long term ongoing. Management seeks to minimize potential adverse effects that derive from that uncertainty in its financial performance.

The financial risks management is controlled by Toyota Caetano financial department, according to the policies established by the Group Board of Directors. The Board of Directors has

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established the main principles of global risk management as well as specific policies for some areas, as interest rate risk and credit risk.

i) Exchange rate risk

As a Group with commercial interests geographically diversified the exchange rate risk is mainly the result of transactions arising from the purchase and sale of products and services in a currency that is different from the functional currency of each company.

The exchange rate risk management policy seeks to minimize the volatility of the investments and operations denominated in foreign currencies, contributing to reduce the sensitivity of the Group's results to exchange rate fluctuations. The Group's exchange rate management policy is focused on a case-by-case assessment of the opportunity to hedge this risk, taking into account, particularly, the specific circumstances of the currencies and countries in question.

ii) Interest rate risk

As a result of the relevant proportion of debt at variable rate in its Consolidated Balance Sheet, and of the subsequent interest payment cash flows, Toyota Caetano is exposed to interest rate risk.

iii) Liquidity risk

The goal of Toyota Caetano's liquidity risk management is to ensure that the company has the ability to obtain, in a timely manner, the necessary funding to be able to undertake its business activities, implement its strategy and meet its payment obligations when due, while avoiding the need to obtain funding under unfavourable terms.

For this purpose, the Company's liquidity management involves the following aspects:

- a) A consistent financial planning based on operating cash flow forecasts for different time horizons (weekly, monthly, annual and multi-annual);
- b) The diversification of funding sources;
- c) The diversification of the maturities of the debt issued in order to avoid excessive concentrations of debt repayments in short periods of time;
- d) The arrangement of committed (and uncommitted) credit facilities, commercial paper programs, and other types of financial operations with relationship Banks, ensuring the right balance between satisfactory liquidity levels and adequate commitment fees.

iv) Credit risk

The Company's credit risk results mainly from: i) the risk of recovery of monetary assets entrusted to third parties, and ii) the risk of recovery of loans granted to entities outside the Company. Credit risk is assessed at the initial moment and over time in order to monitor its evolution.

A significant portion of the amounts receivable from customers is dispersed among a large number of entities, a factor that contributes toward reducing the credit concentration risk. As a general rule, the Company's customers are not assigned a credit rating.

Credit risk is monitored by the Company's financial department, under the supervision of the Board of Directors, based on: i) the rating assigned by the credit insurance company, with which the Company has negotiated a credit insurance agreement; (ii) the debtors' corporate nature; iii) the type of transactions originating the accounts receivable; iv) the experience of past transactions; and (v) the credit limits established for each customer.

The Company considers the probability of default upon the initial recognition of the asset and, according to the occurrence of significant increases in credit risk continuously in each reporting

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period. In order to assess whether there has been a significant increase in credit risk, the Company compares the risk of default occurring by reference to the reporting date, with the risk of default assessed by reference to the date of initial recognition. Adequate and duly supported prospective information is considered. The following indicators are taken into account:

- Internal credit risk;
- External credit risk (where available);
- Current or expected adverse changes in the debtor's operating results;
- Significant increases in the credit risk of the debtor's other financial instruments;
- Significant changes in the value of collateral for liabilities, or in the quality of third-party guarantees;
- Significant changes in the debtor's expected performance and behaviour, including changes in the debtor's payment conditions at the level of the Company to which it belongs, as well as changes at the level of its operating results;

Macroeconomic information (such as market interest rates or growth rates) is incorporated into the domestic credit model.

Irrespective of the above analysis, a significant increase in credit risk is presumed to exist if a debtor is in default by more than 30 days from the contractual payment date.

Default is deemed to exist when the counterparty fails to make contractual payments within 90 days of the invoice due date. When financial assets are derecognised, the Company continues to take the necessary measures to recover the amounts owed. In cases of successful recovery, the recovered amounts are recognised in the income statement for the year.

Financial assets are derecognised when there is no real expectation of recovery. The Company classifies a loan or account receivable to be derecognised when the debtor fails to make contractual payments within 90 days.

Impairment of financial assets

a) Accounts receivable and Other Accounts receivable

The Company uses the simplified approach to calculate and record the expected credit losses required by IFRS 9, which allows using estimated impairment losses for all "Accounts receivable" and "Other Accounts receivable" balances. In order to measure expected credit losses, "Accounts receivable" and "Other Accounts receivable" were aggregated based on the shared credit risk characteristics, as well as on the days of delay. Impairment losses on December 31, 2018 are determined as follows; the expected credit losses include information from prospective estimates. Seniority of customer balances in Note 12.

Until December 31, 2017, the impairment in "Accounts receivable" and "Other Accounts receivable" balances were evaluated according to the incurred credit loss method.

b) Loans granted to related entities

The balances in "Loans granted to related parties" are considered to have a low credit risk and, therefore, impairment in credit losses recognised during the period are limited to expected credit losses estimated for 12 months. These financial assets are considered to have a "low credit risk" when they have a low uncollectibility risk and the debtor has a high capacity to meet its contractual cash flow liabilities in the short term.

The main goal of Toyota Caetano's credit risk management is to ensure the effective collection of the operating receivables from its Customers, according to the negotiated payment terms.

In order to mitigate the credit risk that results from the potential customer-related defaults on payments, the Group's companies that are exposed to this risk have:

- A specific Credit Risk analysis and monitoring department;

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- Proactive credit management processes and procedures that are implemented and always supported by information systems;
- Hedging mechanisms (credit insurance, letters of credit, etc.).

The credit quality of bank deposits on December 31, 2018 can be summarize as follow:

Bank Deposits Rating	Rating Agencies	Bank Deposits
A1	Moody's	10.320
A2	Moody's	42.476
A3	Moody's	587.458
Aa3	Moody's	8.684
B3	Moody's	296.927
Ba1	Moody's	1.887.865
Ba3	Moody's	6.384.671
Baa1	Moody's	367.437
Baa2	Moody's	4.296.431
Caa1	Moody's	619.558
	Others without rating	414.728
Total		14.916.555

The ratings presented correspond to ratings assigned by the rating agency Moody's.

3. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF MISSTATEMENTS

During the year ended as of December 31, 2018, there were no changes in accounting policies and no material mistakes related with previous periods were identified.

4. CASH AND CASH EQUIVALENTS

As of 31 December 2018 and 31 December 2017 cash and cash equivalents detail was the following:

	DEC'18	DEC'17
Money	86.840	85.767
Bank Deposits at Immediate disposal	14.916.555	14.139.653
Total	15.003.395	14.225.420

5. TANGIBLE FIXED ASSETS

During 2018 and 2017 the movement in tangible fixed assets as well as in the accumulated depreciation were as follows:

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DEC18	Land	Buildings and other constructions	Machinery and equipment	Vehicles	Administrative equipment	Other fixed assets	Construction in progress	Total
Gross:								
Initial balance	3,946,027	32,576,731	52,682,383	49,067,308	6,208,216	2,969,294	32,456	147,482,415
Increases	1,481,200	265,685	494,624	6,208,332	32,680	23,044	75,004	8,600,569
Disposals	(5,344)		(34,163)	(5,370,156)	(84)			(5,409,746)
Final balance	5,421,882	32,862,416	53,142,845	49,905,484	6,240,812	2,992,338	107,460	150,673,238
Depreciations:								
Initial balance	-	29,983,693	50,290,028	27,995,974	6,111,277	2,889,240	-	117,270,211
Increases		404,328	710,314	6,724,588	54,341	24,525		7,918,095
Transfers, disposals and write-offs			(14,808)	(3,493,374)	(84)			(3,508,266)
Final balance	-	30,388,020	50,985,534	31,227,188	6,165,534	2,913,765	-	121,680,041
Net Value	5,421,882	2,474,396	2,157,311	18,678,297	75,279	78,573	107,460	28,993,197

DEC17	Land	Buildings and other constructions	Machinery and equipment	Vehicles	Administrative equipment	Other fixed assets	Construction in progress	Total
Gross:								
Initial balance	3,946,027	32,532,697	52,466,703	46,580,487	6,131,880	2,942,475	9,400	144,609,667
Increases		44,036	220,363	10,313,500	76,336	26,819	23,056	10,704,110
Disposals			(4,684)	(7,826,678)				(7,831,363)
Transfers and write-offs								-
Final balance	3,946,027	32,576,733	52,682,382	49,067,308	6,208,216	2,969,294	32,456	147,482,415
Depreciations:								
Initial balance	-	29,587,661	49,519,987	27,540,038	6,055,999	2,864,599	-	115,568,285
Increases		396,032	774,725	6,041,565	55,277	24,641		7,292,239
Transfers, disposals and write-offs			(4,684)	(5,585,629)				(5,590,313)
Final balance	-	29,983,693	50,290,028	27,995,974	6,111,276	2,889,240	-	117,270,211
Net value	3,946,027	2,593,040	2,392,354	21,071,334	96,940	80,054	32,456	30,212,204

As at 31 December 2018 and 2017 the tangible fixed assets used under finance lease are resented as follows:

Tangible fixed assets Industrial equipment	DEC'18		
	Acquisition value	Depreciations	Current values
	36.581.801	(20.107.820)	16.473.981

Tangible fixed assets Industrial equipment	DEC'17		
	Acquisition value	Depreciations	Current values
	32.794.866	(14.631.521)	18.163.346

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6. INVESTMENT PROPERTIES

As at 31 December 2018 and 31 of December of 2017, the caption “Investment properties” correspond to real estate assets detained by Toyota Caetano in order to obtain income through its lease or increase in value. These assets are measured at acquisition cost.

Gains associated to Investment properties are registered in the caption “Other Gains” and they ascended to 3.330.919 Euros in the period ended in 31 December 2017 (3.338.592 Euros in 31 December 2017) (Note 27).

In accordance with external appraisals done in the end of 2012, 2014, 2015, 2016, 2017 and 2018 by independent experts and in accordance with evaluation criteria usually accepted for real estate markets (Market Method, Cost Method, Return Method and Use Method), the fair value of those investment properties amounts to 53,9 million Euros, approximately (56,8 million Euros in 2017).

The Board of Directors is convinced that there is no significant change in the fair value of those investment properties in 2018 believing that are valid the appraisals done.

The detail of investment properties in 2018 and 2017:

Buildings	Place	DEC18			DEC17		
		Carrying amount	Fair value	Appraisal	Carrying amount	Fair value	Appraisal
Industrial facilities	V.N. Gaia	2,802,242	8,692,000	Internal	3,019,591	8,692,000	Internal
Industrial facilities	V.N. Gaia	237,553	788,000	Internal	249,386	788,000	Internal
Industrial facilities	Carregado	4,989,846	19,218,000	Internal	5,038,392	19,218,000	Internal
Industrial warehouse	V.N. Gaia	804,483	6,077,000	Internal	841,109	6,077,000	Internal
Commercial facilities	Lisboa				1,141,201	1,300,000	Internal
Land	Leiria				355,125	797,000	Internal
Commercial facilities	Cascais	100,294	1,300,000	External	108,640	834,000	Internal
	Cascais	237,818	1,000,000	External	251,205	950,000	Internal
	Prior Velho	2,943,103	15,715,000	Internal	2,943,103	15,717,000	External
	Loures				193,024	849,000	Internal
	Vila Franca Xira	392,221	1,648,000	Internal	414,300	1,648,000	Internal
		12,507,561	54,438,000		14,555,076	56,870,000	

During 2018 and 2017, the movements occurred in the investment properties as well as in the accumulated depreciation were as follows:

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(Amounts in Euros)

DEC'18	Land	Buildings and other constructions	Total
Gross:			
Initial balance	9.713.389	31.798.505	41.511.894
Increases			-
Disposals	(829.086)	(1.671.934)	(2.501.020)
Transfers and write-offs			-
Final balance	8.884.303	30.126.572	39.010.874
Depreciations:			
Initial balance	-	26.956.819	26.956.819
Increases		358.166	358.166
Transfers, disposals and write-offs		(811.670)	(811.670)
Final balance	-	26.503.315	26.503.315
Net value	8.884.303	3.623.258	12.507.560

DEC'2017	Land	Buildings and other constructions	Total
Gross:			
Initial balance	9.782.682	32.006.383	41.789.065
Increases			-
Disposals	(69.293)	(207.878)	(277.170)
Transfers and write-offs			-
Final balance	9.713.389	31.798.505	41.511.895
Depreciations:			
Initial balance	-	26.666.379	26.666.379
Increases		456.742	456.742
Transfers, disposals and write-offs		(166.302)	(166.302)
Final balance	-	26.956.819	26.956.819
Net value	9.713.389	4.841.687	14.555.076

. The movements in the period ended at 31 December, 2018 are due to the disposal of the commercial facility located in Lisbon, Loures and Leiria, with matrix Articles U-000791-A, U-007970-A and U-002013-A and U-002015-A respectively.

The movements in the period ended at 31 December, 2017 are due to the disposal of the commercial facility located in Porto Alto, Benavente, with matrix Article U-005843-A.

7. GOODWILL

During 2018, didn't occur any changes to the Goodwill value.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

The caption “Goodwill” is related with BT Activity (forklifts) resulting from Movicargo’s acquisition in 2008, whose activity was transferred to the parent company Toyota Caetano Portugal.

The Goodwill is not amortized, being tested annually for impairment.

For impairment test’s purposes, the recoverable amount was determined in accordance with the Value in Use, through the discounted cash flows model and based on business plans carried out by people in charge, being approved by management. The discount rate used is considered to represent the risks inherent to the business.

In 31 December 2018, the main assumptions of the test are as follows:

	<u>Industrial Equipment Division</u>
Goodwill	611.997
Cash Flows Projection Period	5 years
Growth Rate (g) ⁽¹⁾	1,6%
Discount Rate ⁽²⁾	5,98%

(1) Growth rate used to extrapolate cash flows beyond the period considered in the business plan

(2) Discount rate applied to projected cash flows

The Board, supported by the estimated discounted cash flows, concluded that on December 31, 2017, the net book value of assets, including goodwill (612 thousand of Euros), does not exceed its recoverable amount (38 million of Euros).

The projections of cash flows were based on historical performance and on expectations of improved efficiency. The management believe that a possible change (within a normal scenario) in key assumptions used in calculating the recoverable amount will not result in impairment losses.

8. INTANGIBLE ASSETS

During 2018 and 2017, the movements in intangible assets were as follows:

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

DEC'18	Research & development expenses	Software	Total
Gross:			
Initial balance	1.477.217	1.174.902	2.652.119
Increases			-
Disposals			-
Transfers and write-offs			-
Final balance	1.477.217	1.174.902	2.652.119
Depreciations:			
Initial balance	1.449.781	1.112.810	2.562.591
Increases	27.437	54.877	82.313
Transfers, disposals and write-offs			-
Final balance	1.477.217	1.167.687	2.644.904
Net value	-	7.215	7.215

DEC'17	Research & development expenses	Software	Total
Gross:			
Initial balance	1.477.217	1.164.919	2.642.136
Increases		21.645	21.645
Disposals		(11.662)	(11.662)
Transfers and write-offs			-
Final balance	1.477.217	1.174.902	2.652.119
Depreciations:			
Initial balance	957.375	1.055.632	2.013.007
Increases	492.406	61.065	553.471
Transfers, disposals and write-offs		(3.887)	(3.887)
Final balance	1.449.781	1.112.810	2.562.591
Net value	27.437	62.092	89.528

9. FINANCIAL INVESTMENTS – EQUITY METHOD

In 31 December 2018 and 31 December 2017, the financial investments were as follows:

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

	CAETANO AUTO	CAETANO AUTO CV	SALTANO	Equity Method Adjustments	TOTAL
Balance 31 December 2016	15,010,621	3,209,077	18,426,602	549,856	37,196,156
Acquisitions					
Disposal					
Gains/Losses	1,545,584	289,093	1,704,816	(146,423)	3,393,070
Dividends received					
Other capital movements				247,218	247,218
Others (actuarial losses)					
Balance 31 December 2017	16,556,205	3,498,170	20,131,418	650,651	40,836,444
Acquisitions					
Disposal					
Gains/Losses	1,723,335	181,708	2,095,023	(140,932)	3,859,134
Dividends received					
Other capital movements				(99,087)	(99,087)
Balance 31 December 2018	18,279,540	3,679,878	22,226,440	410,632	44,596,491

The gains and losses from group companies shown in Income Statement (2.295.780 Euros) include:

Gains in financial investments - Equity method	3.859.134
Intercompany margin deferral (Note 20)	<u>-1.563.354</u>
	2.295.780

The share of capital held in Subsidiaries can be summarized as follows:

	Caetano Auto		Caetano Auto CV		Saltano	
	DEC'18	DEC'17	DEC'18	DEC'17	DEC'18	DEC'17
Equity	39.475.532	35.753.909	4.529.610	4.305.942	22.230.970	20.135.482
Net income	3.721.623	3.337.762	223.668	355.851	2.095.488	1.705.195
% Direct	46,31%	46,31%	81,24%	81,24%	99,98%	99,98%
% Indirect	98,40%	98,40%	81,24%	81,24%	99,98%	99,98%

Subsidiaries' financial position and net income can be summarized as follows:

DEC'18				
	Caetano Auto	Caetano Auto CV	Saltano	
Assets				
Current	56.490.292	5.692.940	2.016.166	
Non-current	90.240.546	1.257.814	23.789.240	
Liabilities				
Current	99.202.695	2.322.266	3.574.436	
Non-current	8.052.611	98.878		
Equity	39.475.532	4.529.610	22.230.970	
Sales	234.877.024	14.733.922		
Operational income	5.127.518	356.168	-26.429	
Financial income	31.019	-6.629		
Net income	3.721.623	223.668	2.095.488	

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

DEC'17				
		Caetano Auto	Caetano Auto CV	Saltano
Assets	Current	79.643.872	6.255.499	2.041.338
	Non-current	46.825.112	1.326.277	21.673.269
Liabilities	Current	83.620.907	3.176.956	3.579.125
	Non-current	7.094.168	98.878	
Equity		35.753.909	4.305.942	20.135.482
Sales		212.093.511	12.649.730	
Operational income		4.519.938	548.386	-5.608
Financial income		-11.567	-43.973	
Net income		3.337.762	355.851	1.705.195

10. OTHER FINANCIAL ASSETS

During the period ended in December 31, 2018 and 2017 the movements in Other Financial Assets were as follows:

	DEC'18	DEC'17
<u>Other Financial Assets</u>		
Balance as per 1st January	3.492.302	3.492.302
Acquisitions during the period		
Other regularizations		
Balance as per 31st December	3.492.302	3.492.302

Other Financial Assets can be summarized as follows:

Other Financial Assets	DEC'18	DEC'17
Non-current		
Investments in small private companies	59.504	59.504
Current		
Loan to group companies (Note 30)	3.432.799	3.432.799
	3.492.302	3.492.302

The caption Investments in small companies regards to small investments already existing at Caetano Components that were transferred in result of the closing of the Company.

Both financial assets are measured at amortized cost less impairment losses.

The Board believes that the carrying amount of investments in small private companies is roughly near its fair value.

11. INVENTORIES

As of 31 December 2018 and 31 December 2017, inventories detail was the following:

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

	DEC'18	DEC'17
Goods	50.074.376	45.144.905
Raw materials	8.885.206	10.413.228
Finished and Intermediate goods	1.242.750	4.432.510
Work in progress	879.928	1.054.373
	61.082.260	61.045.015

The cost of goods sold and consumed as of 31 December 2018 and 31 December 2017 was as follows:

	DEC'18			DEC'17		
	Goods	Raw materials	Total	Goods	Raw materials	Total
Opening balances	45.144.905	10.413.228	55.558.132	40.511.618	9.307.008	49.818.626
Purchases	268.721.615	36.941.514	305.663.130	236.996.229	33.446.028	270.442.257
Closing balances	50.074.376	8.885.206	58.959.582	45.144.905	10.413.228	55.558.132
Total	263.792.144	38.469.536	302.261.680	232.362.942	32.339.809	264.702.751

The variation of production as of 31 December 2018 and 31 December 2017 was as follows:

	Finished and Intermediate goods and work in progress	
	DEC'18	DEC'17
Opening balances	2.122.678	5.486.883
Closing balances	5.486.883	2.316.823
Total	(3.364.205)	3.170.060

12. ACCOUNTS RECEIVABLE

As of 31 December 2018 and 31 December 2017 Accounts Receivable detail was the following:

	DEC'18	DEC/2017
	Non-current assets	Non-current assets
Accounts receivable, current accounts	110.737.387	106.649.580
Accounts receivable, doubtful accounts	4.937.580	5.458.117
	115.674.968	112.107.697
Lost of impairments (Note 22)	(4.888.184)	(5.412.762)
	110.786.784	106.694.935

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018
(Amounts in Euros)

Accounts receivable aging

DEC'18	- 60 days	60-90 days	90-120 days	+ 120 days	Total
Customers	54.252.255	22.780.083	9.969.127	15.895.974	102.897.438
Personnel	4			11.102	11.106
Independent dealers	7.426.444	363.223	27.689	11.488	7.828.844
Accounts receivable	61.678.702	23.143.306	9.996.816	15.918.563	110.737.387

DEC'17	- 60 days	60-90 days	90-120 days	+ 120 days	Total
Customers	65.956.762	9.047.351	4.649.109	20.520.712	100.173.934
Personnel	338			36.658	36.995
Independent dealers	6.318.241	77.652		42.758	6.438.651
Accounts receivable	72.275.340	9.125.002	4.649.109	20.600.128	106.649.580

Debt maturity beyond date

DEC'18	- 60 days	60-90 days	90-120 days	+ 120 days	Total
Accounts receivable	12.792.462	1.065.704	456.298	3.646.618	17.961.082
Accounts receivable, related parties	37.444.392	9.883.825	4.302.358	7.642.962	59.273.537
Total	50.236.854	10.949.529	4.758.656	11.289.580	77.234.619

DEC'17	- 60 days	60-90 days	90-120 days	+ 120 days	Total
Accounts receivable	9.807.482	1.026.141	278.462	4.970.584	16.082.670
Accounts receivable, related parties	27.260.362	8.293.227	4.379.884	15.393.735	55.327.207
Total	37.067.844	9.319.368	4.658.346	20.364.319	71.409.877

Debt maturity considering impairment losses

DEC'18	- 60 days	60-90 days	90-120 days	+ 120 days	Total
Doubtful accounts	1.196	1.196	1.196	4.933.994	4.937.580

DEC'17	- 60 days	60-90 days	90-120 days	+ 120 days	Total
Doubtful accounts	10.760	3.587	3.587	5.440.184	5.458.117

13. OTHER ACCOUNTS RECEIVABLE

As of 31 December 2018 and 31 December 2017 Other Accounts Receivable detail was the following:

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

Other accounts payable	Current	
	DEC'18	DEC'17
Personnel	20.605	
Down payments	18.621	352.181
Shareholders - RETGS (Note 30)	3.590.444	2.102.357
	3.629.670	2.454.538

14. OTHER CURRENT ASSETS

Other Current Assets detail at 31 December 2018 and 2017 is as follows:

	DEC'18	DEC'17
Debitors for accrued incomes		
Recover of sales campaigns	2.113.250	1.447.500
Recover of expenses	20.240	242.733
Renting	2.574	15.296
Others	67.743	42.924
	2.203.806	1.748.452
Deferrals		
Insurance	120.861	370.226
Expenses from commercial paper programs	125.116	100.358
Others	385.755	230.449
	631.733	701.033
	2.835.539	2.449.484

15. INCOME TAXES

Income Tax

The Company is subject to Corporate income (IRC) at the rate of 21% for the taxable income, plus local tax at the rate of 1,5% resulting in a tax rate, aggregated of a maximum of 22,5%.

In accordance with current legislation the Company tax returns are subject to review and correction by the tax authorities during a period of four years, except when there are fiscal losses, fiscal benefits have been given, or is in course inspections or claims, situations here the periods are increased or suspended. Consequently, the tax returns since 2013 are still subject to review. The Board of Directors of Toyota Caetano believes that any corrections resulting from reviews/inspections by the tax authorities to the tax returns open to inspection, will not have a significant effect on the financial statements of this Company.

Under Article 88 of the Corporate Income Tax Code, companies based in Portugal are also subject to autonomous taxation on a set of expenses at the rates provided in the mentioned article. For fiscal years beginning on or after January 1, 2010, taxable income in excess of 1,5 Million Euros and 7,5 Million Euros, have an additional income tax of 3%, exceeding 7,5 Million Euros and up to 35 Million an additional Income tax of 5% and taxable profit calculated in excess of more than 35 Million Euros an additional Income of 7%.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

In March 2007 the Company took the decision to apply to the Corporate Income Tax for the Group (RETGS) according to the articles 69th and 70th of Income Tax Code (CIRC) and beginning in 1st January 2007. In consequence, the parent company (Toyota Caetano Portugal, S.A.) shall book the income tax calculated in the Group Companies (Toyota Caetano Portugal, Caetano Auto, Saltano and Caetano Renting) in order to determine the group income tax.

As of 31 December 2018 and 31 December 2017 Income tax detail was the following:

	DEC'18	DEC'17
Corporate income tax for the year (estimate)	-3.653.324	-2.178.552
Corporate income tax for the year (payments in advance) for the year	2.038.925	599.661
Corporate income tax for the year (RETGS)	-479.379	-69.824
	-2.093.778	-1.648.715

The current tax can be decomposed as follows:

	DEC'18	DEC'17
Income taxes in year	3.653.324	2.178.552
Deferred income taxes	-3.547	135.017
	3.649.777	2.313.569

The reconciliation of the earnings before taxes of the years ended at 31 December, 2018 and 2017 can be analyzed as follows:

	DEC'18	DEC'17
Income before taxes	16.436.536	11.651.874
National tax expenses	22,50%	22,50%
Theoretical tax expenses	3.698.221	2.621.672
Non-fiscal expenses	165.286	149.040
Penalties	1.828	34.431
Reversion of impairment losses taxed		(16.004)
Equity method	(2.295.780)	(2.330.890)
Non-fiscal gains		(28.425)
Accounting capital gains	(1.100.747)	(1.591.234)
50% fiscal capital gains	550.374	829.692
Fiscal gains		16.499
Fiscal benefits	(52.736)	(76.113)
Current tax	2.878.000	1.814.163
Additional income tax	79.515	109.209
Local tax	205.571	129.583
State tax	490.238	214.166
Deferred tax		(88.569)
Effective tax expenses	3.653.324	2.178.552

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

Deferred Income Tax

Amounts and nature of the assets and liabilities for deferred taxes recorded in the financial statements as of 31 December 2018 and 2017 can be analyzed as follows:

2018	Initial balance	Reflected in income statement		Reflected in income statement		Final balance
		Decrease	Increase	Decrease	Increase	
<u>Deferred tax assets</u>						
Provisions	191,440					191,440
Defined benefit plan liabilities	1,129,395					1,129,395
	<u>1,320,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,320,835</u>
<u>Deferred tax liabilities</u>						
40% of depreciation as a result of legal	41,483		(3,547)			37,936
effect of the reinvestments of the gains infixed assets sales	116,915					116,915
	<u>158,398</u>	<u>-</u>	<u>(3,547)</u>	<u>-</u>	<u>-</u>	<u>154,851</u>
2017	Initial balance	Reflected in income statement		Reflected in income statement		Final balance
		Decrease	Increase	Decrease	Increase	
<u>Deferred tax assets</u>						
Provisions	287,442		(96,002)			191,440
Fiscal losses	88,569		(88,569)			-
Defined benefit plan liabilities	1,129,395					1,129,395
Valuation of financial instruments	6,396		(6,396)			-
	<u>1,511,802</u>	<u>-</u>	<u>(190,967)</u>	<u>-</u>	<u>-</u>	<u>1,320,835</u>
<u>Deferred tax liabilities</u>						
40% of depreciation as a result of legal	48,576		(7,093)			41,483
Effect of the reinvestments of the gains infixed assets sales	165,772		(48,857)			116,915
	<u>214,348</u>	<u>-</u>	<u>(55,950)</u>	<u>-</u>	<u>-</u>	<u>158,398</u>

Under current legislation in Portugal the carry-forward of tax losses for the years still outstanding, is as follows:

- i) Tax losses generated in 2014 and 2016: 12 years
- ii) Tax losses generated after 2016: 5 years

16. EQUITY

Composition of Share Capital

As of 31 December 2018 and 2017, Toyota Caetano share capital was represented by 35.000.000 nominativ shares, totally subscribed and realized, with a nominal value of 1 Euro.

The identification of corporate entities with more than 20% of issued capital was as follows:

- Salvador Caetano Auto (S.G.P.S.), S.A	65,99%
- Toyota Motor Europe NV/SA	27,00%

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

Dividends

In 2018 were distributed dividends in amount of 7.000.000 Euros as a result of application of net income of 2017.

The Board of Directors will propose that a dividend shall be paid in the amount of 7.000.000 Euros. This proposal must be approved in the next General Shareholders Meeting.

Legal reserve

The legal reserve is already fully incorporated under the commercial legislation (20% of the share capital), so it is no longer required that a minimum of 5% of annual net profit is destined for its endowment. This reserve is not available for distribution, except in case of dissolution of the Company, but may be used in share capital increases or used to absorb accumulated losses once other reserves have been exhausted.

Adjustments to financial assets

The amount considered in "Adjustments to financial assets" refers to the results not appropriated by the Equity Method not yet distributed and to the transition adjustments of the initial application of the Equity Method.

Revaluation reserves

The revaluation reserves cannot be distributed to the shareholders, except if they are completely depreciated and if the respective assets that were revaluated have been alienated.

The distributable amount in Equity, excluding Net Income is 69.100.748 Euros, includes in Other reserves and in Retained Earnings.

Proposal for the Allocation of the Profits

In accordance with the provisions laid down in article 376 (1-b) of the Código das Sociedades Comerciais (Commercial Companies Code), we propose the following allocation for 2018's profits obtained in the financial year, amounting to Euros 12.786.758,79 stated in the individual financial statements of Toyota Caetano Portugal:

- | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------|-----|--------------|
| a) To non-distributable reserves by profits recognized in investments in subsidiaries resulting from the application of the equity method. | Eur | 2.295.780,83 |
| b) To dividends to be allocated to Share Capital, 0,20 Eur per share, which considering its 35.000.000 shares totals | Eur | 7.000.000,00 |
| c) The remainder for the retained earnings account | Eur | 3.490.977,96 |

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018
(Amounts in Euros)

17. LOANS

As of 31 December 2018 and 2017, loans can be detailed as follows

	DEC'18			DEC'17		
	Current	Non-current	TOTAL	Current	Non-current	TOTAL
Bank loans	10.000.000		10.000.000	5.000.000		5.000.000
Mutual loans		10.000.000	10.000.000	7.000.000	10.000.000	17.000.000
Commercial paper	19.400.000		19.400.000	34.400.000	-	34.400.000
Leasing	5.930.069	13.052.624	18.982.693	5.159.955	14.951.241	20.111.196
Bond loan		12.500.000	12.500.000			
	35.330.069	35.552.624	70.882.693	51.559.955	24.951.241	76.511.196

During 2018 the following movements occurred in of bank loans, overdrafts, other loans, Commercial Paper Programs and bond loan:

	Opening balances	Increases	Disposals	Other movements *	Final balances BALANCES
Bank loans	5.000.000	37.000.000	32.000.000		10.000.000
Mutual loans	17.000.000		7.000.000		10.000.000
Confirming		19.883.075	19.883.075		-
Commercial paper	34.400.000	237.100.000	252.100.000		19.400.000
Leasing	20.111.196		5.478.163	4.349.660	18.982.693
Bond loan		12.500.000			12.500.000
					-
	76511195,64	306483075	316461238	4349660,47	70882693,17

* With no impact in Statement of cash flows

As of December 31, 2018 and 2017, the detail of bank loans, overdrafts, other loans, Commercial Paper Programs and bond loan is as follows:

DEC'18	Used amount	Limit
<u>Current</u>		
Bank loan	10.000.000	12.000.000
Overdrafts		4.000.000
Confirming		10.000.000
Commercial paper	19.400.000	41.000.000
Leasing	5.930.069	5.930.069
	35.330.069	72.930.069
<u>Non-current</u>		
Mutual loans	10.000.000	10.000.000
Leasing	13.052.624	13.052.624
Bond loan	12.500.000	12.500.000
	35.552.624	35.552.624
	70.882.693	108.482.693

Despite the deadline of more than one year, commercial paper contracts are considered in the short-term as is considered that these contracts mature on the dates of the complaint.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

The item “Leasing” (current and non-current) include liabilities for leasing contracts, related to the purchase of facilities and equipment.

The detail of this caption, as well as the reimbursement plan can be summarized as follows:

Contract	Leasing	Current	Non-current				TOTAL	TOTAL
			2019	2020	2021	> 2021		
Diverse	Industrial equipment Capital	5.930.069	5.058.018	3.907.707	2.780.941	1.305.958	13.052.624	18.982.693

The maturity of the outstanding loans as per December 31, 2017 can be detailed as follows:

DEC'18	< 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Bank loans	10.000.000	-	-	-	10.000.000
Mutual loans	-	-	10.000.000	-	10.000.000
Commercial paper	19.400.000	-	-	-	19.400.000
Leasing	5.930.069	8.965.725	3.832.778	254.120	18.982.693
Bond loan	-	-	12.500.000	-	12.500.000
Total	35.330.069	8.965.725	26.332.778	254.120	70.882.693

The interest payment plan are as follows:

Interest Aging	2019	2020	2021	2022	> 2022	Total
Mutual Loan	220.521	221.125	54.375	0	0	496.021
Leasing	490.907	283.461	160.876	72.172	22.932	1.030.350
Bond loan	316.840	318.576	315.972	316.840	316.840	1.585.069

18. ACCOUNTS PAYABLE

As of 31 December 2018 and 2017 this caption was composed of current accounts with suppliers, which end at short-term.

19. OTHER ACCOUNTS PAYABLE

As of December 31, 2018 and 2017 the detail of other accounts payable was as follows:

Other accounts payable	Current	
	DEC'18	DEC'17
Personnel	117.814	
Down payments	202.521	295.026
Public entities	12.375.913	9.886.665
Shareholders	15.542	10.618
Other accounts payable	368	180.856
	12.712.158	10.373.165

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

The caption for Public Entities at December 31, 2018 and 2017 is as follows:

	DEC'18	DEC'17
Income taxes withheld	156.484	153.509
Value added taxes	9.497.616	7.392.891
Employee's social contributions	230.685	239.568
Local taxes	207.376	233.680
Others	2.283.752	1.867.017
	12.375.913	9.886.665

20. OTHER CURRENT LIABILITIES

As of December 31, 2018 and 2017 the detail of other current liabilities was as follows:

	DEC'18	DEC'17
Creditors for accrued expenses		
Vacations pay and bonus	2.566.465	1.962.660
Sales campaigns	3.980.208	4.526.941
Interest	236.354	126.409
Anticipated costs related with sold vehicles	779.842	1.209.909
Insurance	155.822	392.790
Car tax related with disposed vehicles not registered	804.876	451.103
Warranty claims	5.729	48.249
Personnel	1.202.807	599.657
Publicity	81.482	47.701
Anticipated costs related with other supplies	347.238	423.167
Royalties	71.170	69.579
Others		12.000
	10.231.993	9.870.166
Deferrals		
Maintenance vehicles contracts	6.994.534	6.128.021
Subsidies	28.653	501.360
Debtors interest	1.062	3.715
Signage to be charged to dealers	29.283	37.657
Intercompany margin deferral	4.339.479	2.776.125
Others	126.222	120.798
	11.519.232	9.567.676
	21.751.225	19.437.843

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

21. POST-RETIREMENT OBLIGATIONS

Toyota Caetano (together with other associated and related companies) incorporated, by public deed dated December 29, 1988, the Salvador Caetano Pension Fund, which was subsequently updated in February 2, 1994, December 29, 1995, April 30, 1996, August 9, 1996, July 4, 2003, December 23, 2002, July 4, 2003, February 2, 2007, December 30, 2008, December 23, 2011 and December 31, 2013.

The Pension Fund was set up to, while Toyota Caetano maintains the decision to make contributions to the referred fund, provide employees (beneficiaries), at their retirement date, the right to a pension complement, which is not subject to update and is based on a percentage of the salary, among other conditions setting up a defined benefit plan. To cover these liabilities, an Autonomous Fund (which is managed by BPI-Vida e Pensões, S.A.) is set up.

In sequence of a request to change the condition of that pension complement made near the “ISP - Instituto de Seguros de Portugal” the defined benefit plan as of January 1, 2008, only the current retired workers and ex-employees with acquired rights, as well as for all the current employees with more than 50 years and more than 15 years of service of the company.

The actuarial presumptions used by the fund manager include the Mortality Table and disability TV 73/77 and SuisseRe 2001, respectively, as well as salary increase rate, pensions increase rate and average rate of return of 1%, 0% and 1,57% to 2018, respectively (1%, 0% and 1,6% to 2017).

The variation of the Fund responsibilities of the Company with the Defined benefit plan in 2018 and 2017 can be summarized as follows:

Responsibilities at January 1, 2017	<u>20.963.414</u>
Cost of the current services	37.921
Cost of interest	335.415
(Gains) and actuarial losses	217.819
Pension payment	-1.555.367
Transfers	
Others	
Responsibilities at December 31, 2017	<u>19.999.202</u>
Responsibilities at January 1, 2018	<u>19.999.202</u>
Cost of the current services	32.116
Cost of interest	308.373
(Gains) and actuarial losses	831.146
Pension payment	-1.515.972
Transfers	
Others	50.123
Responsibilities at December 31, 2018	<u>19.704.988</u>

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

The allocation during 2018 and 2017 to both plans (Defined benefit plan and Defined contribution plan) can be summarized as follows:

	Defined benefit plan	Defined contribution plan	Total
Fund's value at January 1, 2017	16.379.632	4.737.972	21.117.604
Contributions	188.200	128.751	316.951
Real recovery of the plan assets	1.203.268	370.141	1.573.409
Pension payment (benefit payments)	-1.555.367	-9.716	-1.565.083
Transfers between members		-14.894	-14.894
Used amounts from the CD account (reserve account)			0
Fund's value 31 December de 2017	16.215.733	5.212.254	21.427.987
Fund's value 31 December de 2017	16.215.733	5.212.254	21.427.987
Contributions		91.364	91.364
Contributions of reserve account		238.503	238.503
Interest	247.838		247.838
Real recovery of the plan assets	408.437	127.169	535.606
Pension payment (benefit payments)	-1.601.268	-29.650	-1.630.918
Transfers between members			0
Used amounts from the CD account (reserve account)		-238.503	-238.503
Others		-492	-492
Fund's value 31 December de 2018	15.270.740	5.400.645	20.671.385

At 31 December 2018 and 2017, the Pension Fund's portfolio that covers the defined benefit plan was as follows:

PORTFOLIO	%	Value	%	Value
		DEC/2017		DEC/2016
Stocks	10,5%	1.603.428	9,6%	1.556.710
Bonds with fixed rate	28,4%	4.336.890	38,2%	6.196.032
Bonds with variable rate	7,7%	1.175.847		
Real estate	39,4%	6.016.672	38,2%	6.194.410
Cash	7,0%	1.068.952	11,7%	1.890.754
Other assets	7,0%	1.068.952	2,3%	376.205
Total	100,0%	15.270.740	100,0%	16.215.733

The evolution of the pension fund's value and Toyota Caetano Portugal's responsibilities related with the defined benefit plan are as follows:

Defined benefit plan	2018	2017
Responsibility's Values	19.704.988	19.999.202
Fund Value	15.270.740	16.215.733

The Toyota Caetano Portugal responsibilities shown above was safeguarded through the creation of an accrual of costs for about 6 million Euros (5,6 million Euros in 31 December 2017) reflected in the Balance sheet caption of Pension Fund Liabilities.

22. PROVISIONS AND IMPAIRMENTS

During 2018 and 2017, the following movements occurred in impairments:

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018
(Amounts in Euros)

DEC18	Opening Balances	Increases	Disposals	Write-offs	Final Balances
Doubtful accounts receivable	5,412,762	14,029	(518,801)	(19,807)	4,888,184

DEC17	Opening Balances	Increases	Disposals	Write-offs	Final Balances
Doubtful accounts receivable	5,702,310	38906,77	(312,450)	(16,004)	5,412,762

23. SALES AND SERVICES RENDERED BY GEOGRAPHIC MARKETS

Sales and services rendered by geographic markets, in 2018 and 2017, was as follows:

	2018	2017	Var (%)	2018	2017	Var (%)	2018	2017	Var (%)
	National market			External market			Total		
Light vehicles	250,403,447	207,449,592	21%	54,817,823	45,512,562	20%	305,221,270	252,962,154	21%
Heavy vehicles				619,623	593,433	4%	619,623	593,433	4%
Industrial vehicles	14,693,731	16,440,743	-11%	143,728	668,803	-79%	14,837,459	17,109,546	-13%
Spare parts and accessories	40,062,640	37,829,771	6%	604,396	599,767	1%	40,667,036	38,429,537	6%
Others	2,308,686	4,112,393	-44%	8,629	3,937	119%	2,317,315	4,116,330	-44%
	307,468,503	265,832,498	16%	56,194,199	47,378,501	19%	363,662,703	313,210,999	16%

24. SEGMENTS INFORMATION

For the periods ended December 31, 2018 and 2017, the reporting by segments is as follows:

DEC'18	National						External					TOTAL
	Vehicles		Industrial equipment			Others	Vehicles		Industrial equipment			
	Industry	Commercial	Commercial	Services	Rental		Industry	Commercial	Commercial	Services	Rental	
PROFITS												
External sales	91,034	287,576,751	14,693,731	5,106,987			47,360,202	8,665,039	143,728	25,230		363,662,703
Supplementary income					13,131,887						7,425	13,139,312
INCOME												
Operational income	7,028	10,703,776	1,249,953	3,047,468	815,433		20,613	319,055	21,041	13,706	2,715	16,200,787
Financial income	144	1,769,288	39,036	17,072	42,674		163,443	27,796	466	89	23	2,060,031
Gains in subsidiaries						2,295,780						2,295,780
Net income	5,108	6,628,466	898,375	2,248,241	573,307	2,295,780	-105,965	216,084	15,265	10,102	1,998	12,786,759
OTHER INFORMATION												
Total assets	27,453,036	181,302,262	6,966,555	1,971,803	24,284,451	44,596,491						286,574,598
Total liabilities	4,846,028	112,139,635	1,725,531	266,613	25,983,753							144,961,560
Investments in subsidiaries (1)						44,596,491						44,596,491
Capital expenditure (2)	554,690	168,200	0	118,859	4,167,989							5,009,739
Depreciation (3)	717,605	1,634,661	71,145	66,098	5,869,066							8,358,576

DEC'17	National						External						TOTAL
	Vehicles		Industrial equipment			Others	Vehicles		Industrial equipment				
	Industry	Commercial	Commercial	Services	Rental		Industry	Commercial	Commercial	Services	Rental		
PROFITS													
External sales	20,231	244,668,661	16,440,742	4,702,864			39,348,115	7,333,207	668,804	28,375		313,210,999	
Supplementary income					12,216,763						9,980	12,226,743	
INCOME													
Operational income	3,471	5,302,783	1,121,037	2,757,623	996,694		1,036,192	86,229	8,518	7,562	4,109	11,324,219	
Financial income	63	1,742,497	38,515	16,965	44,121		133,482	25,275	2,175	104	38	2,003,235	
Gains in subsidiaries						2,330,890						2,330,890	
Net income	2,561	2,677,394	813,677	2,060,012	716,001	2,330,890	678,521	45,816	4,768	5,606	3,060	9,338,305	
OTHER INFORMATION													
Total assets	31,457,616	168,619,552	9,918,159	1,752,076	25,403,933	40,836,444						277,987,779	
Total liabilities	7,736,010	110,451,028	2,043,834	313,210	26,731,462							147,275,544	
Investments in subsidiaries (1)						40,589,226						40,589,226	
Capital Expenditure (2)	194,884	1,054,479		117,514	6,999,186							8,366,063	
Depreciation (3)	1,218,162	1,949,324	72,020	69,214	4,993,731							8,302,452	

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

25. SUPPLIES

At 31 December 2018 and 2017, supply expenses were as follows:

	DEC'18	DEC'17
Subcontracts	94.068	71.077
Specialized services	29.436.135	27.342.318
Professional services	4.194.923	3.318.486
Advertising	19.085.799	18.901.545
Vigilance and security	366.239	391.617
Professional fees	836.133	708.036
Commissions	263.141	43.943
Repairs and maintenance	1.229.425	970.623
Others	3.460.476	3.008.067
Materials	9.614.420	11.251.552
Tools and utensils	90.616	114.160
Books and technical documentation	327.024	313.489
Office supplies	154.948	237.661
Gifts	17.326	24.039
Others	9.024.506	10.562.203
Energy and fluids	1.186.811	1.020.033
Electricity	584.292	464.447
Fuel	550.426	494.515
Water	52.094	61.071
Others		
Travel and transportation	2.905.103	2.556.213
Traveling expenses	1.467.352	1.259.263
Personnel transportation	97.287	92.895
Transportation of materials	1.340.465	1.204.055
Others		
Other supplies	2.693.301	2.499.018
Rent	500.423	420.398
Communications	419.661	469.332
Insurance	892.539	793.711
Royalties	446.094	420.680
Notaries	9.353	10.671
Cleaning and comfort	425.232	384.225
	45.929.839	44.740.211

26. PAYROLL AND AVERAGE NUMBER OF PERSONNEL

At 31 December 2018 and 2017, payroll expenses were as follows:

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

	DEC'18	DEC'17
Payroll - management	397.465	371.368
Payroll - other personnel	9.879.359	9.133.635
Benefit plans	613.728	797.652
Termination indemnities	389.555	508.886
Social Security contributions	3.082.327	3.020.705
Workmen's insurance	244.860	211.685
Others	1.633.276	1.570.866
	16.240.571	15.614.797

During the years ended as of December 31, 2017 and 2016, the average number of personnel was as follows:

Items	DEC'18	DEC'17
Employees	362	364
Production personnel	149	154
	511	518

27. OTHER OPERATING EXPENSES AND OTHER GAINS

As of 31 December, 2018 and 2017, the captions "Other Expenses" and "Other Gains" were as follows:

Other gains	DEC/2017	DEC/2017
Lease equipment	13.139.312	12.226.743
Rents charged (Note 6)	3.330.919	3.338.592
Subsidies	2.839.935	2.006.972
Advertising expenses and sales promotion recovered	4.327.131	2.793.801
Gains on inventories	70.456	107.270
Gains on fixed assets	1.823.358	1.837.961
Investments subsidies	472.707	
Obtained cash discounts	8.682	8.765
Other	15.002.429	15.049.063
	41.014.930	37.369.167

The caption Other refers provided services and warranties' recovery.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

Other expenses	DEC'18	DEC'17
Tax	630.805	606.532
Bad debts	353.307	
Losses on inventories	66.554	37.372
Cash discount granted	5.562	1.677
Losses on fixed assets	171.531	43.443
Donations	4.500	10.525
Other	11.095.493	8.343.343
	12.327.753	9.042.893

The caption Other Expenses includes trade incentives and bonuses granted to dealers.

28. FINANCIAL INCOME AND EXPENSES

As of 31 December, 2018 and 2017, the captions “Financial Income” and “Financial Expenses” were as follows:

Interest and similar income	DEC/2017	DEC/2017
Interest	70	70
Losses for fair value	28.425	28.425
Other	281.335	281.335
	309.830	309.830

Interest and similar expenses	DEC/2017	DEC/2017
Interest	1.701.186	1.701.186
Other	611.879	611.879
	2.313.065	2.313.065

29. FINANCIAL ASSETS AND LIABILITIES

We present below a summary table of the Company's financial instruments as of December 31, 2018 and 2017:

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

Financial assets and liabilities	Note	Financial assets		Financial liabilities	
		DEC'18	DEC'17	DEC'18	DEC'17
Other financial investments	10	3.492.302	3.492.302		
Accounts receivable	12	110.786.784	106.694.935		
Other accounts receivable	13	3.629.670	2.454.538		
Loans	17			70.882.693	76.511.196
Other accounts payable	19			336.245	486.500
Accounts payable	18			35.020.440	33.491.227
Other current liabilities	20			17.621.406	17.475.182
Cash and cash equivalents	4	15.003.395	14.225.420		

Financial assets and liabilities at fair value

Financial assets and liabilities at fair value	Note	Financial assets		Financial liabilities	
		DEC'18	DEC'17	DEC'18	DEC'17
Other financial investments	10	3.492.302	3.492.302		

30. RELATED PARTIES

TOYOTA CAETANO PORTUGAL GROUP COMPANIES

Due and payable balances with Group and Associated companies, which, as of 31 December 2018 and 2017, were recorded in the captions "Accounts receivable", "Accounts payable", "Other financial investments" and "Shareholders", as follows:

	31/DEC/2018	31/DEC/2017
<u>Accounts Receivable</u>	78.824.686	78.168.268
<u>Accounts Payable</u>	-1.321.795	-157.033

Shareholders

- RETGS's Companies (Note 13)		
. Saltano, SGPS, S.A.	139.134	145.081
. Caetano Renting, S.A.	-501.835	-494.919
. Caetano Auto, S.A.	3.953.145	2.452.195
	-----	-----
	3.590.444	2.102.357

Other Financial Investments (Note 10)

. Saltano, SGPS, SA.	3.432.799	3.432.799
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Accounts Receivable and Accounts Payable (Notes 12 and 18)

Balances and transactions details between Toyota Caetano Portugal and Related Parties can be summarized as follows:

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018
(Amounts in Euros)

2018	Commercial debt		Products		Fixed assets		Services		Others	
	Receivable	Payable	Sales	Purchases	Acquisitions	Disposals	Rendered	Obtained	Expenses	Gains
Caetano Auto, S.A.	74,871,686	-1,321,740	-160,336,778	469,699	0	-2,277,574	0	6,863,145	11,762,310	-1,703,483
Caetano Renting, S.A.	1,813,072	-55	-9,658,093	14,954,154	0	-134,115	0	83,536	987,519	-411,997
Caetano Auto CV, SA	2,139,613	0	-8,792,313	0	0	0	0	0	0	-523,499
Saltano - Investimentos e Gestão, Sgps, S.A.	27	0	0	0	0	0	0	0	0	-22

2017	Commercial debt		Products		Fixed assets		Services		Others	
	Receivable	Payable	Sales	Purchases	Acquisitions	Disposals	Rendered	Obtained	Expenses	Gains
Caetano Auto, S.A.	63,513,662	-156,926	-138,188,796	505,586	0	-3,248,816		6,813,184	13,565,308	-4,565,839
Caetano Renting, S.A.	12,375,241	-107	-16,937,350	11,972,485	0	-89,361		46,524	722,580	-547,503
Caetano Auto CV, SA	2,280,365	0	-7,540,267	2,000	0	0		0	0	-728,870

RELATED PARTIES

Intercompany balances and transactions related with accounts receivable and payable were as follows:

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

Other related companies	Commercial debt		Products		Fixed assets		Services		Others	
	Receivable	Payable	Sales	Purchases	Acquisitions	Disposals	Rendered	Obtained	Expenses	Gains
Amorim, Brito & Sardinha, Lda	167,28	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-2.804,96
Atlântica - Companhia Portuguesa de Pesca, S.A.	5,173	0	0	0	0	0	0	0	0	-17
Auto Partner - Imobiliária, S.A.	0	0	0	0	0	0	0	0	0	-17
Caetano Active, S.A.	649	0	-1,194	0	0	0	0	0	0	-27
Caetano Aeronautic, S.A.	48,531	-8,659	-548	0	0	0	0	310,226	311,829	-449,157
Caetano Baviera - Comércio de Automóveis, S.A.	218,027	-1,848	-3,359,558	2,572	0	0	0	143,239	608,581	-246,859
Caetano City e Active (Norte), S.A.	338,091	-90,346	-3,496,445	6,626	0	-131,348	0	104,569	279,244	46,247
Caetano Drive, Sport e Urban, S.A.	-2,620	0	-2,390	0	0	0	0	0	0	673
Caetano Energy, S.A.	7,328	0	-1,951	0	0	0	0	0	0	-6,692
Caetano Formula East África, S.A.	2,042	0	0	0	0	0	0	0	0	-3,738
Caetano Fórmula West África, S.A.	330	0	0	0	0	0	0	0	0	-297
Caetano Fórmula, S.A.	-1,119	0	-3,988	0	0	0	0	0	0	-1,204
Caetano Motors, S.A.	4,121	0	-6,034	0	0	0	0	0	0	-1,723
Caetano Move África, S.A.	84	0	-1,099	0	0	0	0	0	0	-45
Caetano Parts, Lda.	310	0	-2,728	230	0	0	0	2,241	2,241	-1,318
Caetano Power, S.A.	933	0	-3,872	0	0	0	0	0	0	513
Caetano Retail Espanha, S.A.U.	0	0	0	0	0	0	0	0	0	-5,635
Caetano Retail, S.G.P.S., S.A.	233,152	0	-181	0	0	0	0	0	0	-328,861
Caetano Squadra África, S.A.	383	0	0	0	0	0	0	0	0	-379
Caetano Star, S.A.	7,222	-978	-2,601	0	0	0	0	239	1,034	-28,620
Caetano Technik, S.A.	994	0	-1,457	0	0	0	0	0	0	-2,945
CaetanoBus - Fabricação de Carroçarias, S.A.	4,160,528	-163,447	-79,144	0	9,000	-4,930	0	182,552	252,046	-2,526,146
Caetsu Publicidade, S.A.	5,692	-556,588	0	0	0	0	0	3,244,764	3,255,334	-6,782
Carplus - Comércio de Automóveis, S.A.	1,614	0	0	0	0	0	0	450	450	-15,916
Choice Car, S.A.	3,451	-758	0	0	0	0	0	19,573	19,631	-18,303
COCIGA - Construções Cíveis de Gaia, S.A.	1,531	-433,081	0	0	185,467	0	0	227,476	227,476	-10,964
Covim - Soc. Agrícola, Silvícola e Imobiliária, S.A.	0	0	0	0	0	0	0	2,000	2,000	0
Finlog - Aluguer e Comércio de Automóveis, S.A.	31,123	-258,890	-378,196	231,897	0	0	0	451,842	538,535	-58,813
Fundação Salvador Caetano	23	0	0	0	0	0	0	0	0	-21
Grupo Salvador Caetano, (S.G.P.S.), S.A.	0	0	0	0	0	0	0	0	0	-45
Gyéfin - Rent-a-Car (Dois), Lda.	212,748	-107,308	-71,592	78,716	0	0	0	10,159	10,159	-108,272
Hyundai Portugal, S.A.	5,631	0	0	0	0	0	0	0	0	-46,267
Ibericar Motors Cádiz, S.L.	0	0	0	0	0	0	0	0	0	-385
Ibericar Relecomsa, S.A.	0	0	0	0	0	0	0	0	0	-752
Lidera Soluciones, S.L.	0	-67,535	0	0	0	0	0	71,924	71,924	0
Lusilectra - Veículos e Equipamentos, S.A.	11,783	-47,847	-35,779	56,614	5,253	0	0	121,859	155,920	-56,772
Mapfre - Seguros Gerais, S.A.	0	0	0	0	0	0	0	0	13,444	0
MDS Auto - Mediação de Seguros, S.A.	2,312	0	0	0	0	0	0	0	0	-6,017
Movicargo - Movimentação Industrial, Lda.	1,996	-496,305	0	890,759	0	0	0	619,595	659,348	-5,897
P.O.A.L. - Pavimentações e Obras Acessórias, S.A.	17,806	0	0	0	0	0	0	0	0	0
Portianga - Comércio Internacional e Participações, S.A.	103,729	-303,501	-146,486	648	0	0	0	251,665	251,665	-75,787
RARCON - Arquitectura e Consultadoria e Mediação Imobiliária, S.A.	0	-39,655	0	0	6,340	0	0	94,742	94,742	0
Rigor - Consultoria e Gestão, S.A.	24,964	-954,256	-178	0	26,857	0	0	2,320,788	2,415,788	-251,641
Robert Hudson, LTD	1,161	0	-2,994	0	0	0	0	0	0	-1,474
Salvador Caetano Auto África, (S.G.P.S.), S.A.	63	0	0	0	0	0	0	0	0	-145
Salvador Caetano Auto, (S.G.P.S.), S.A.	48	0	0	0	0	0	0	0	0	-124
Salvador Caetano Capital, (S.G.P.S.), S.A.	31	0	0	0	0	0	0	0	0	-26
Salvador Caetano Equipamentos, S.A.	0	0	0	0	0	0	0	0	0	-9
SIMOGA - Sociedade Imobiliária de Gaia, S.A.	1,374	0	0	0	0	0	0	0	0	0
Sol Green Watt, S.L.	200	0	0	0	0	0	0	0	0	-163
Sózé Portugal, S.A.	1,902	0	0	0	0	0	0	0	0	-13,437
Toyota Motor Corporation	21,360	-4,021,475	0	39,649,935	0	0	0	71,049	429,125	-137,141
Toyota Motor Europe, NV/Sa	4,482,577	-18,137,237	-45,926,494	222,831,351	0	0	0	490,762	-4,967,015	-4,379,273
Turispalva - Sociedade Turística Paivense, S.A.	138	0	0	0	0	0	0	0	0	-1,448
VAS África (S.G.P.S.), S.A.	105	0	0	0	0	0	0	0	0	-85

31. CONTINGENT ASSETS AND LIABILITIES

As of 31 December, 2018 and 2017, Toyota Caetano had assumed the following financial commitments:

Responsabilities	DEC'18	DEC'17
Security guarantee	4.000.000	4.000.000
Other guaranties	-	1.394.118
	4.000.000	5.394.118

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

The financial commitments classified Security Guarantee include guarantee on imports provided to Customs Agency.

As a result of loans amounting to 15 million Euros Toyota Caetano granted the respective financial institutions mortgages on properties valued at the time of the referred loans, approximately 23,4 million Euros.

Litigation in progress:

The judicial claim presented by a former agent, that was pending a decision of the appeal presented in Supreme Court, was concluded without any, as was expected by the Board of Directors, responsibility to the Company.

End-of-life vehicles

In September 2000 the European Commission voted on a directive regarding end-of-life vehicles and the responsibility of Producers/Distributors for dismantling and recycling them.

Producers/Distributors will have to bear at least a significant part of the cost of the take back of vehicles put on the market as of July 1, 2002 and from January 1, 2007 for vehicles put on the market.

This legislation will impact Toyota vehicles sold in Portugal. Toyota Caetano and Toyota are closely monitoring the development of Portuguese National Legislation in order to assess the impact on their financial statements.

In our conviction in face of the studies already done into the Portuguese market, and taking notice on the possible valorization of the residues from the end-of-life vehicles dismantling, that the effective impact of this legislation in the Company accounts will be reduced or null.

Meanwhile and according to the legislation introduced (Dec./Law 196/2003), the Company contracted with “ValorCar – Sociedade de Gestão de Veículos em Fim de Vida, Lda” - a licensed entity for the management of an integrated system of ELV- the transfer of the responsibilities in this process.

Information related to environmental area

The company adopts the necessary measures relating to the environment, aiming to fulfil current applicable legislation.

The Toyota Caetano Board of Directors does not estimate that there are risks related to the environmental protection and improvement, not having received any infraction related to this matter during 2018.

32. EARNINGS PER SHARE

The earnings per share for the year ended as of December 31, 2018 and 2017 were computed based on the following amounts:

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

	DEC'18	DEC'17
Net income	12.786.759	9.338.305
Number shares	35.000.000	35.000.000
Earnings per share (basic and diluted)	0,37	0,27
Comprehensive income	12.786.759	9.338.305
Number shares	35.000.000	35.000.000
Comprehensive income (basic and diluted)	0,37	0,27

33. REMUNERATION OF BOARD MEMBERS

The remuneration of the board members in Toyota Caetano Portugal, S.A. during the years 2018 and 2017, was as follows:

Board Members	DEC'18	DEC'17
Board of Directors	384.724	352.608
Board of Auditors	8.400	8.400

34. REMUNERATION OF STATUTORY AUDITOR

The remuneration of the Statutory Auditor, PricewaterhouseCoopers & Associados – S.R.O.C., Lda. for 2018 and 2017, was as follows:

	DEC'18	DEC'17
Total fees related statutory audit	25.000	25.000
Total fees for limited accounts review	3.000	3.000
Total fees for other services of liability assurance	1.000	1.000
	29.000	29.000

35. SUBSEQUENT EVENTS

Since the end of 2018 to the present date, and in terms of relevant facts, no significant events occurred

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

36. FINANCIAL STATEMENTS APPROVAL

The financial statements were approved by the Board of Directors on 20th March 2019.
According to the Portuguese Commercial Companies Code, it is possible the amended for these Financial Statements, after their approval by the Board of Directors

CHARTERED ACCOUNTANT

ALEXANDRA MARIA PACHECO GAMA JUNQUEIRA

BOARD OF DIRECTORS

JOSE REIS DA SILVA RAMOS –President
MARIA ANGELINA MARTINS CAETANO RAMOS
SALVADOR ACÁCIO MARTINS CAETANO
MIGUEL PEDRO CAETANO RAMOS
KATSUTOSHI NISHIMOTO
MATTHEW PETER HARRISON
RUI MANUEL MACHADO DE NORONHA MENDES

Consolidated Accounts

December 2018

CONSOLIDATED FINANCIAL HIGHLIGHTS

	dec-18	dec-17
TURNOVER	446.874.810	390.034.712
CASH-FLOW	41.700.225	31.139.333
INTEREST AND OTHERS	1.502.881	2.575.406
PERSONNEL EXPENSES	41.164.197	38.634.544
NET INVESTMENT	36.210.335	28.213.296
NUMBER OF EMPLOYEES	1.529	1.530
NET INCOME WITH MINORITY INTEREST	12.872.564	9.431.461
NET INCOME WITH OUT MINORITY INTEREST	12.786.759	9.338.305
DEGREE OF AUTONOMY	43,08%	44,26%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018 AND 2017

(Amounts expressed in Euros)

	ASSETS	Notes	31/12/2018	31/12/2017
NON-CURRENT ASSETS				
Goodwill		8	611.997	611.997
Intangible assets		5	360.364	412.847
Tangible fixed assets		6	112.792.692	97.821.610
Investment properties		7	14.330.714	16.363.198
Instruments at fair value through capital		9	3.633.413	-
Available for sale financial assets		9	-	3.732.500
Deferred tax assets		14	2.834.930	2.313.378
Accounts receivable		11	494.293	169.252
	Total non-current assets		<u>135.058.403</u>	<u>121.424.782</u>
CURRENT ASSETS				
Inventories		10	99.059.426	96.002.214
Accounts receivable		11	56.709.522	52.022.943
Other debtors		12	5.818.605	6.541.709
Other current assets		13	6.331.380	5.221.453
Cash and cash equivalents		15	17.075.155	17.267.570
	Total current assets		<u>184.994.088</u>	<u>177.055.889</u>
	Total assets		<u><u>320.052.491</u></u>	<u><u>298.480.671</u></u>
SHAREHOLDERS' EQUITY & LIABILITIES				
EQUITY				
Share capital			35.000.000	35.000.000
Legal reserve			7.498.903	7.498.903
Revaluation reserves			6.195.184	6.195.184
Translation reserves			(1.695.238)	(1.695.238)
Fair value reserves – Instruments at fair value through capital			552.731	651.818
Other reserves			76.061.568	73.723.263
Net income			12.786.759	9.338.305
		16	<u>136.399.907</u>	<u>130.712.235</u>
Non-controlling interests		17	1.473.222	1.387.418
	Total equity		<u>137.873.129</u>	<u>132.099.653</u>
LIABILITIES				
NON-CURRENT LIABILITIES				
Loans		18	38.465.142	26.914.001
Defined benefit plan liabilities		23	8.886.983	8.981.000
Provisions		24	881.547	514.525
Deferred tax liabilities		14	1.602.616	1.635.144
	Total non-current liabilities		<u>49.836.288</u>	<u>38.044.670</u>
CURRENT LIABILITIES				
Loans		18	52.538.913	53.024.793
Accounts payable		19	39.907.558	40.256.759
Other creditors		20	14.783.849	13.207.610
Income tax receivable		21	1.939.181	1.716.581
Other current liabilities		22	22.734.556	20.130.605
Defined benefit plan liabilities		23	439.017	-
	Total current liabilities		<u>132.343.074</u>	<u>128.336.348</u>
	Total liabilities		<u>182.179.362</u>	<u>166.381.018</u>
	Total liabilities and shareholders' equity		<u><u>320.052.491</u></u>	<u><u>298.480.671</u></u>

The annex integrates the Consolidated Statement of Financial Position at 31 December 2018.

CHARTERED ACCOUNTANT
ALEXANDRA MARIA PACHECO GAMA JUNQUEIRA

BOARD OF DIRECTORS
JOSÉ REIS DA SILVA RAMOS – President
MARIA ANGELINA MARTINS CAETANO RAMOS
SALVADOR ACÁCIO MARTINS CAETANO
MIGUEL PEDRO CAETANO RAMOS
KATSUTOSHI NISHIMOTO
MATTHEW PETER HARRISON
RUI MANUEL MACHADO DE NORONHA MENDES

CONSOLIDATED INCOME STATEMENT

FOR THE PERIODS ENDED AT 31 DECEMBER 2018 AND 2017

(Amounts expressed in Euros)

	Notes	31/12/2018	31/12/2017
Operating Income:			
Sales	28	418.479.481	365.763.558
Services rendered	28	28.395.329	24.271.153
Other operating income	31	50.584.045	46.543.561
Variation of products	10	(3.397.773)	3.164.485
		<u>494.061.082</u>	<u>439.742.757</u>
Operating expenses:			
Cost of sales	10	(362.262.995)	(321.111.526)
External supplies and services	29	(42.314.240)	(43.229.565)
Payroll expenses	30	(41.164.197)	(38.634.544)
Depreciations and amortizations	5, 6 and 7	(23.423.309)	(18.611.512)
Provisions	24	(495.968)	(212.991)
Impairment losses	24	(962.682)	27.128
Other operating expenses	31	(4.300.431)	(2.541.205)
		<u>(474.923.822)</u>	<u>(424.314.215)</u>
Operating results		19.137.260	15.428.542
Expense and financial losses	32	(1.856.395)	(2.608.769)
Income and financial gains	32	353.513	33.363
Profit before tax		17.634.378	12.853.136
Income tax for the year	25	(4.761.815)	(3.421.674)
Net profit for the period		<u>12.872.563</u>	<u>9.431.462</u>
Net profit for the period attributable to:			
Equity holders of the parent		12.786.759	9.338.305
Non-controlling Interests		85.804	93.157
		<u>12.872.563</u>	<u>9.431.462</u>
Earnings per share:			
from continuing operations	26	<u>0,365</u>	<u>0,267</u>
Basic		<u>0,365</u>	<u>0,267</u>
from continuing operations	26	<u>0,365</u>	<u>0,267</u>
Diluted		<u>0,365</u>	<u>0,267</u>

The annex integrates the Consolidated Income Statement at 31 December 2018.

CHARTERED ACCOUNTANT
ALEXANDRA MARIA PACHECO GAMA JUNQUEIRA

BOARD OF DIRECTORS
JOSÉ REIS DA SILVA RAMOS – President
MARIA ANGELINA MARTINS CAETANO RAMOS
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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY AT 31 DECEMBER 2018 AND 2017

(Amounts expressed in Euros)

	Equity attributable to the parent company							Non-controlling interests	Total
	Share capital	Legal reserve	Revaluation reserves	Translation reserves	Fair value reserves	Other reserves	Total reserves		
Balances at 31 of December 2016	35,000,000	7,498,903	6,195,184	(1,695,238)	402,446	73,024,661	85,425,956	126,376,712	1,294,261
Changes in the period:									
Application of the consolidated net income 2016	-	-	-	-	-	5,950,756	(5,950,756)	-	-
Fair value changes of instruments at fair value through capital	-	-	-	-	249,372	-	249,372	249,372	249,372
Others	-	-	-	-	-	(2,154)	(2,154)	(2,154)	(2,154)
	-	-	-	-	249,372	5,984,602	6,197,974	247,218	247,218
Consolidated net profit for the period	-	-	-	-	-	-	-	9,338,305	9,338,305
Consolidated comprehensive income	-	-	-	-	249,372	-	249,372	9,338,305	9,338,305
Transactions with equity holders	-	-	-	-	-	(5,250,000)	(5,250,000)	-	-
Distributed dividends	-	-	-	-	-	-	-	-	-
Balances at 31 of December 2017	35,000,000	7,498,903	6,195,184	(1,695,238)	651,818	73,723,263	86,373,930	130,712,235	1,387,418
Balances at 31 of December 2017	35,000,000	7,498,903	6,195,184	(1,695,238)	651,818	73,723,263	86,373,930	130,712,235	1,387,418
Changes in the period:									
Application of the Consolidated Net Income 2017	-	-	-	-	-	9,338,305	(9,338,305)	-	-
Fair value changes of instruments at fair value through capital	-	-	-	-	(99,087)	-	(99,087)	(99,087)	(99,087)
	-	-	-	-	(99,087)	9,338,305	9,239,218	(9,338,305)	(99,087)
Consolidated net profit for the period	-	-	-	-	-	-	-	12,786,759	12,786,759
Consolidated comprehensive income	-	-	-	-	(99,087)	-	(99,087)	12,786,759	12,786,759
Transactions with equity holders	-	-	-	-	-	(7,000,000)	(7,000,000)	-	-
Distributed dividends	-	-	-	-	-	-	-	-	-
Balances at 31 of December 2018	35,000,000	7,498,903	6,195,184	(1,695,238)	552,731	76,061,568	88,613,148	136,399,907	1,473,222

The annex integrates this Consolidated Statement of Changes in Shareholder's Equity at 31 December 2018.

CHARTERED ACCOUNTANT
ALEXANDRA MARIA PACHECO GAMA JUNQUEIRA

BOARD OF DIRECTORS
JOSÉ REIS DA SILVA RAMOS – President
MARIA ANGELINA MARTINS CAETANO RAMOS
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CONSOLIDATED STATEMENT OF THE COMPREHENSIVE INCOME AT 31 DECEMBER 2018 AND 2017

(Amounts expressed in Euros)

	<u>31/12/2018</u>	<u>31/12/2017</u>
Consolidated net profit for the period, including non-controlling interests	12.872.563	9.431.462
Components of other consolidated comprehensive income, net of tax, that could be recycled by profit and loss:		
Fair value changes of Available for sale financial assets (Note 9)	-	249.372
Components of other consolidated comprehensive income, net of tax, that could not be recycled by profit and loss:		
Fair value changes of instruments at fair value through capital (Note 9)	(99.087)	-
Consolidated comprehensive income	<u>12.773.476</u>	<u>9.680.834</u>
Attributable to:		
Equity holders of the parent company	12.687.672	9.587.677
Non-controlling interests	85.804	93.157

The annex integrates this Consolidated Statement of Comprehensive Income at 31 December 2018.

CHARTERED ACCOUNTANT
ALEXANDRA MARIA PACHECO GAMA JUNQUEIRA

BOARD OF DIRECTORS
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CONSOLIDATED CASH FLOWS STATEMENT AT 31 DECEMBER 2018 AND 2017

(Amounts in Euros)

OPERATING ACTIVITIES	2018	2017
Collections from customers	545.543.957	396.385.262
Payments to suppliers	(460.040.730)	(373.591.503)
Payments to employees	(32.573.672)	(30.393.187)
Operating Flow	52.929.555	(7.599.428)
Payments of income tax	(5.093.294)	(1.732.358)
Other collections/payments related to operating activities	(24.889.329)	5.327.277
Cash Flow from Operating Activities	22.946.932	(4.004.509)

INVESTING ACTIVITIES		
Collections from:		
Investments properties	2.220.000	935.000
Tangible fixed assets	672.382	1.792.530
Interest and other income	12.554	-
Dividends	339.700	-
	3.244.636	2.727.530
Payments to:		
Investments	-	(2.154)
Investments properties	(20.775)	(8.095)
Tangible fixed assets	(4.793.391)	(3.095.119)
Intangible assets	(153.701)	(61.875)
	(4.967.867)	(3.167.243)
Cash Flow from Investment Activities	(1.723.231)	(439.713)

FINANCING ACTIVITIES		
Collections from:		
Loans (Note 18)	306.483.075	50.029.851
Financial lease	-	7.650.092
	306.783.075	57.679.943
Payments to:		
Loans (Note 18)	(310.983.075)	(42.042.299)
Lease down payments	(7.731.336)	(611.981)
Interest and other costs	(2.189.704)	(2.593.981)
	(6.995.076)	(5.276.080)
Dividends		(50.524.341)
Cash Flow from Financing Activities	(21.416.116)	7.155.602

CASH		
Cash and cash equivalents at beginning of period (Note 15)	17.267.570	14.556.190
Cash and cash equivalents at end of period (Note 15)	17.075.155	17.267.570
Net Flow in Cash Equivalents	(192.415)	2.711.380

The annex integrates this Consolidated Cash Flows Statement at 31 December 2018.

CHARTERED ACCOUNTANT
ALEXANDRA MARIA PACHECO GAMA JUNQUEIRA

BOARD OF DIRECTORS
JOSÉ REIS DA SILVA RAMOS – President
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

1. INTRODUCTION

Toyota Caetano Portugal, S.A. ("Toyota Caetano" or "Company") was incorporated in 1946, has its headquarters in Vila Nova de Gaia, and is the Parent Company of a Group of companies ("Toyota Caetano Group" or "Group"), which mainly develop economic activities included in the automotive sector, namely the import, assembly and commercialization of vehicles, bus and coach industry, sale and rental of industrial equipment forklifts, sale of vehicles parts, as well as the corresponding technical assistance, creation and operation of training projects and development of human resources, as well the management and rental of own properties, and rental of short or long-term vehicles, with or without driver.

Toyota Caetano Portugal, S.A., belongs to the Salvador Caetano Group (led by Grupo Salvador Caetano S.G.P.S., S.A.), being held directly by Salvador Caetano Auto, S.G.P.S., S.A., since the end of the year of 2016.

Toyota Caetano Group develops its activity mainly in Portugal and Cape Verde.

Toyota Caetano shares are listed in Euronext Lisbon since October 1987.

The attached financial statements are stated in Euros (rounding by unit), as this is the functional currency used in the economic environment where the Group operates. Foreign operations and transactions are included in the consolidated financial statements in accordance with the policy described in Note 2.2 b).

2. MAIN ACCOUNTING POLICIES

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

2.1 BASIS OF PRESENTATION

These financial statements relate to the consolidated financial statements of Toyota Caetano Group and were prepared according to the IFRS – International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IASB"), the International Accounting Standards (IAS), as issued by the International Accounting Standards Committee ("IASC"), and its respective interpretations - IFRIC and SIC, as issued, respectively, by the International Financial Reporting Interpretations Committee ("IFRIC") and by the Standing Interpretation Committee ("SIC"), that have been endorsed by the European Union, being effective for the annual periods beginning on or after January 1, 2018.

The accompanying consolidated financial statements have been prepared on a going concern basis and having as basis the principle of the historical cost and, in the case of some financial instruments, fair value, based on the accounting records of the companies included in consolidation (Note 4).

The following standards, interpretations, amendments and revisions endorsed by the European Union and mandatory in the fiscal years beginning on or after January 1, 2018, were adopted by the first time in the fiscal year ended at December 31, 2018:

- a) The impact of the adoption of the new standards, amendments to standards and interpretations that became effective as of 1 January 2018:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

(i) Standards:

- **IFRS 15** (new), 'Revenue from contracts with customers'. This new standard applies only to contracts with customers to provide goods or services, and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five step approach. The group adopted the retrospective application, in which comparatives were not restated and the cumulative effect of the application of the new standards on the opening balance of retained earnings on January 1, 2018 was recognized. This standard did not have any impact in the Group financial statements, as evidenced in Note 2.1.2.
- **Amendments to IFRS 15**, 'Revenue from contracts with customers'. These amendments refer to additional guidance for determining the performance obligations in a contract, the timing of revenue recognition from a license of intellectual property, the review of the indicators for principal versus agent classification, and to new practical expedients to simplify transition. This amendment did not have any impact in the Group financial statements.
- **IFRS 9** (new), 'Financial instruments'. IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of credit impairment (through the expected credit losses model); and (iii) the hedge accounting requirements for recognition and classification. The group adopted the modified retrospective application, in which the cumulative effect of the application of the new standards on contracts included in the opening balance of retained earnings of January 1, 2018 was recognized. This standard did not have any impact in the Group financial statements, as evidenced in Note 2.1.1.
- **IFRS 4** (amendment), 'Insurance contracts (Applying IFRS 4 with IFRS 9)'. This amendment allows companies that issue insurance contracts the option to recognise in Other Comprehensive Income, rather than Profit or Loss the volatility that could arise when IFRS 9 is applied before the new insurance contract standard is issued. Additionally, an optional temporary exemption from applying IFRS 9 until 2021 is granted to companies whose activities are predominantly connected with insurance, being applicable at the consolidated level. This amendment is not applicable to the Group financial statements.
- **IFRS 2** (amendment), 'Classification and measurement of share-based payment transactions'. This amendment clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications to a share-based payment plan that change the classification from cash-settled to equity-settled. It also introduces an exception to the principles of IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. This amendment is not applicable to the Group financial statements.
- **IAS 40** (amendment), 'Transfers of Investment property'. This amendment clarifies when assets are transferred to, or from investment properties, evidence of the change in use is required. A change of management intention alone is not enough to support a transfer. This amendment did not have any impact in the Group financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

- **Annual Improvements 2014 – 2016.** The 2014-2016 annual improvements impacts: IFRS 1, IFRS 12 and IAS 28. These improvements did not have any impact in the Group financial statements.

(ii) Interpretations:

- **IFRIC 22** (new), 'Foreign currency transactions and advance consideration'. An Interpretation of IAS 21 'The effects of changes in foreign exchange rates', it refers to the determination of the "date of transaction" when an entity either pays or receives consideration in advance for foreign currency denominated contracts. The date of transaction determines the exchange rate used to translate the foreign currency transactions. This interpretation did not have any impact in the Group financial statements.

b) Standards (new and amendments) and interpretations that have been published and are mandatory for the accounting periods beginning on or after January 1, 2019 and were already endorsed by the European Union:

(i) Standards:

- **IFRS 16** (new), 'Leases' (effective for annual periods beginning on or after 1 January 2019). This new standard replaces IAS 17 with a significant impact on the accounting by lessees who are now required to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for all lease contracts, except for certain short-term leases and for low-value assets. The definition of a lease contract also changed, being based on the "right to control the use of an identified asset". As of IFRS 16, the necessary analysis and framing was carried out with the actual situations applicable to the date and (i) considering the retrospective approach modified with the Asset equal to the Liability and (ii) considering the period, as a rule, the mandatory date and (iii) discount rates similar to those practiced in the market for other financing, it is concluded, that the qualitative and quantitative impact, will not be significant in the Group's future financial statements.
- **IFRS 9** (amendment), 'Prepayment features with negative compensation' (effective for annual periods beginning on or after 1 January 2019). The amendment introduces the possibility to classify certain financial assets with negative compensation features at amortized cost, provided that specific conditions are fulfilled, instead of being classified at fair value through profit or loss. It is not expected significant impact of future adoption of this amendment on the Group financial statements.

(ii) Interpretations:

- **IFRIC 23** (new), 'Uncertainty over income tax treatment' (effective for annual periods beginning on or after 1 January 2019). This interpretation is still subject to endorsement by the European Union. This is an interpretation of IAS 12 - 'Income tax' and refers to the measurement and recognition requirements to be applied when there is uncertainty as to the acceptance of an income tax treatment by the tax authorities. In the event of uncertainty as to the position of the tax authority on a specific transaction, the entity shall make its best estimate and record the income tax assets or liabilities under IAS 12, and not under IAS 37 – 'Provisions, contingent liabilities and contingent assets', based on the expected value or the most probable value. The application of IFRIC 23 may be retrospective or retrospective

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modified. It is not expected significant impact of future adoption of this interpretation on the Group financial statements.

c) Standards (new and amendments) that have been published and are mandatory for the accounting periods beginning on or after January 1, 2019, but are not yet endorsed by the European Union:

(i) Standards:

- **IAS 19** (amendment), 'Plan amendment, Curtailment or Settlement' (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. This amendment requires an entity to: i) use updated assumptions to determine the current service cost and net interest for the remaining period after amendment, reduction or settlement of the plan; and ii) recognize in the income statement as part of the cost of past services, or as a gain or loss in the settlement, any reduction in the excess of coverage, even if the excess of coverage had not been previously recognized, due to the impact of the asset ceiling. The impact on asset ceiling is recognised in Other Comprehensive Income, not being allowed to recycle it through profit for the year. It is not expected significant impact of future adoption of this amendment on the Group financial statements.
- **IAS 28** (amendment), 'Long-term interests in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. The amendment clarifies that long-term investments in associates and joint ventures (components of an entity's investments in associates and joint ventures), that are not being measured through the equity method, are to be measured in accordance with IFRS 9. The long-term investments in associates and joint ventures are subject to the expected credit loss impairment model, prior to being added, for impairment test purposes, to the whole investment in associates and joint ventures, when impairment indicators exist. This amendment is not applicable at the financial statements of the Group.
- **IFRS 3** (amendment), 'Definition of a business' (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. The amendment revises the definition of a business in order to account for business combinations. The new definition requires that an acquisition include an input, as well as a substantial process that jointly generate outputs. Outputs are now defined as goods and services rendered to customers, that generate investment income and other income, and exclude returns as lower costs and other economic benefits for shareholders. Optional 'concentration tests' for the assessment if one transaction is the acquisition of an asset or a business combination, are allowed. It is not expected significant impact of future adoption of this amendment on the Group financial statements.
- **IAS 1 and IAS 8** (amendment), 'Definition of material' (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. The amendment revises the concept of material. Includes clarifications as to obscured information, its effect being similar to the omission or distortion of information; and also, clarifications as to the term 'primary users of general purpose financial statements', defined as 'existing or potential investors, lenders and other creditors' that rely on general purpose financial statements to

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obtain a significant part of the information that they need. It is not expected significant impact of future adoption of this amendment on the Group financial statements.

- **Annual Improvements 2015 - 2017**, (generally effective for annual periods beginning on or after 1 January 2019). These improvements are still subject to endorsement by the European Union. The 2015-2017 annual improvements impact: IAS 23, IAS 12, IFRS 3 and IFRS 11. It is not expected significant impact of future adoption of these improvements on the Group financial statements.
- **Conceptual framework**, 'Amendments to references in other IFRS' (effective for annual periods beginning on or after 1 January 2020). These amendments are still subject to endorsement by the European Union. As a result of the publication of the new Conceptual Framework, the IASB introduced changes to the text of various standards and interpretations, like: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32, in order to clarify the application of the new definitions of asset / liability and expense / income, in addition to some of the characteristics of financial information. These amendments are retrospective, except if impractical. It is not expected significant impact of future adoption of these amendments on the Group financial statements.
- **IFRS 17** (new), 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2021). This standard is still subject to endorsement by the European Union. This new standard replaces IFRS 4 and applies to all entities issuing insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics. IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a complete "building block approach" or "premium allocation approach". The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is of retrospective application. This standard is not applicable on the Group financial statements.

2.1.1 Adoption of IFRS 9:

Impairment of financial assets

The application of IFRS 9 requires the determination of impairment losses based on the expected credit loss model, rather than an assessment made on the basis of the losses incurred in accordance with IAS 39.

The Group deals with three types of financial assets subject to the new credit impairment model set forth in IFRS 9:

- Debt instruments recognised at amortised cost (Customers, Other third-party debts, Loans granted to related entities);
- Assets from contracts with customers; and
- Debt instruments recognised at fair value through equity.

The Group has revised its methodology for calculating and recognising impairment losses for each of these classes of financial assets.

a) Debt instruments at amortised cost

a.1) Customers, Other third-party debts and Assets from contracts with customers

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With respect to the balances under the "Customers," "Other third-party debts" and "Assets from contracts with customers" headings, the Group uses the simplified approach in IFRS 9, whereby expected impairment losses are recognised since the initial recognition of the balances and according to their maturity, considering a matrix of historical default rates for the maturity of the balances, adjusted via prospective estimates.

a.2) Loans granted to related entities

Loans granted to related entities were considered as having low risk, wherefore impairment losses were determined by means of an evaluation of the losses expected for the next 12 months, according to the general expected credit loss model.

b) Debt instruments at fair value through other comprehensive income

Debt instruments at fair value through equity were considered as having low risk, wherefore impairment losses were determined considering the losses expected for the next 12 months, according to the general expected credit loss model.

In accordance with the transitional provisions of IFRS 9, the Group chose to proceed with a retrospective application with adjustment to retained earnings, on the date of initial adoption (January 1, 2018); comparative values were not restated.

2.1.2 Adoption of IFRS 15 - "Revenue from contracts with customers"

In accordance with the transitional provisions of IFRS 15, the Group chose to proceed with a retrospective application with adjustment to retained earnings, on the date of initial adoption (January 1, 2018); comparative values were not restated.

The Group chose to apply the transitional provisions of IFRS 15 relating to contract modifications only to modifications occurred on or after January 1, 2018.

The adoption of IFRS 15 did not result in any changes to the Group's accounting policies, reclassifications or adjustments. The adoption of IFRS 9 did not result in any reclassifications or adjustments.

2.2 CONSOLIDATION PRINCIPLES

Consolidation principles used by the Group were as follows:

a) Investments in Group companies

Investments in companies in which the Group is exposed, or has voting rights, to variable returns as a result of their involvement in these companies and has the ability to affect those returns through the power of these companies (definition of control used by the Group), were included in the consolidated financial statements by the full consolidation method. Equity and net results corresponding to third parties participations in those companies are recorded separately in the consolidated statement of financial position and in the consolidated

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income statement under the caption "Non-controlling interests". Fully consolidated companies are listed in Note 4.

When losses attributable to minority shareholders exceed non-controlling interests in shareholder's equity, the Group absorbs the excess, in proportion to the percentage held.

For business combinations, earlier than 2010, it was adopted the purchase method to account for subsidiary's acquisitions. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given, equity instruments issued and liabilities incurred or assumed. The identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially recognized at fair value on the acquisition date, irrespective of the existence of non-controlling interests. The surplus in the cost of acquisition relating to the fair value of the parcel of the Group of the assets identifiable acquired are registered as Goodwill. If the cost of acquisition is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the Consolidated Income Statement.

For business combinations that have occurred on or after January 1, 2010, the Group has applied IFRS 3 Revised. According to the referred standard, the purchase method continues to be considered on business combinations, with the following significant changes:

- (i) the amounts that compose the purchase price are valued at fair value, being given the option to, on a transaction to transaction basis, measure non-controlling interests by the proportion of the acquired company's net assets or at the fair value of the assets and liabilities acquired;
- (ii) the costs related to the acquisition are recognized as expenses.

It was also applied since January 1, 2010 the IAS 27 reviewed, which requires that all transactions with non-controlling interests to be recognized on Equity, when there is no change on the control of the entity. Also, it isn't recognized goodwill or any profit or loss. When there is a loss of control on the entity, any remaining interest is remeasured at fair value, with a gain or loss being recognized on the consolidated income statement.

The results of Group companies acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or until the date of their disposal.

Adjustments to the financial statements of Toyota Caetano companies are performed, whenever necessary, in order to adapt accounting policies to those used by the Group. Intercompany balances and transactions, and dividends distributed between Group companies have been eliminated in the consolidation process.

Whenever the Group has, in substance, control over other entities created for a specific purpose, even if no share capital interest is directly held in those entities, these are consolidated by the full consolidation method.

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b) Conversion of financial statements of foreign entities

Assets and liabilities in the financial statements of foreign entities are translated to Euros using the exchange rates in force at the statement of financial position date, and gains and losses as well as cash flows are translated to Euros using the average exchange rates for the year. Exchange rate differences originated after January 1, 2004 are recorded in equity under the caption "Translation reserves". The accumulated exchange differences generated before January 1, 2004 (IFRS transition date) were written-off against the caption "Other reserves".

Whenever a foreign entity is disposed, the accumulated exchange rate differences are recorded in the financial statements as a profit or loss in the disposal.

Exchange rates used in 2018 and 2017 in the translation into Euros of foreign subsidiaries were as follows:

2018					
	Currency	Final Exchange Rate for 2018	Average Exchange Rate for 2018	Exchange Rate at the Date of Incorporation	Final Exchange rate for 2017
Caetano Auto CV, S.A.	CVE	0,009069	0,009069	0,009069	0,009069
Captions		Balance Sheet except Shareholders	Income Statement	Share Capital	Retained Earnings

2017					
	Currency	Final Exchange Rate for 2017	Average Exchange Rate for 2017	Exchange Rate at the Date of Incorporation	Final Exchange rate for 2016
Caetano Auto CV, S.A.	CVE	0,009069	0,009069	0,009069	0,009069
Captions		Balance Sheet except Shareholders	Income Statement	Share Capital	Retained Earnings

2.3 MAIN ACCOUNTING POLICIES

The main accounting policies used by Toyota Caetano Group in the preparation of the consolidated financial statements were as follows:

a) Tangible Fixed Assets

Tangible fixed assets acquired until January 1, 2004 (IFRS transition date) are recorded at deemed cost, which corresponds to its acquisition cost or its revalue acquisition cost in accordance with generally accepted

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accounting principles in Portugal (and in the subsidiaries countries) until that date, net of accumulated depreciation and accumulated impairment losses.

Tangible fixed assets acquired after that date is recorded at acquisition cost, net of accumulated depreciation and accumulated impairment losses.

The impairment losses detected in the tangible fixed assets realization value are registered in the year in which they are estimated by counterpart of the item "Impairment losses" of the financial statements.

Depreciation is computed on straight-line basis as from the date the asset is first used according to the following expected useful lives:

	<u>Years</u>
- Buildings and other constructions	20 - 50
- Machinery and equipment	7 - 16
- Vehicles	4 - 5
- Tools and utensils	4 - 14
- Administrative equipment	3 - 14
- Other tangible assets	4 - 8

Expenses with maintenance and repair costs of tangible fixed assets are recorded as a cost in the year in which they occur. The repairs of significant amount that increase the estimated usage period of the assets are capitalized and depreciated according to the assets remaining useful life.

Tangible fixed assets in progress relate to tangible assets under construction/development are recorded at acquisition cost deducted of impairment losses. These assets are transferred to tangible fixed assets and depreciated as from the date in which they are prepared for use and in the necessary conditions to operate according with the management.

Gains or losses arising from the disposal or write-off of tangible fixed assets are computed as the difference between the selling price and the net book value at the date of disposal/write-off are recorded in the statement of profit and loss as "Other operating income" or "Other operating expenses".

b) Intangible assets

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

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

Development costs are capitalized as an intangible asset if the Group has proven technical feasibility and ability to finish the development and to sell/use such assets and it is likely that those assets will generate future

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economic benefits. Development expenses which do not fulfil these requirements are recorded as an expense in the period in which they are incurred.

Internal expenses related to software maintenance and development are recorded as costs in the statement of profit and loss, except in situations in which these expenses are directly related to projects from which it is likely that future economic benefits will flow to the Group. In such circumstances, these expenses are capitalized as intangible assets.

Intangible assets are amortized on a straight-line basis over a period of three to five years.

The amortization charge for each period of intangible assets shall be recognized in profit or loss in item "Depreciations and amortizations".

c) Investment properties

Investment properties which relate to real estate assets held to obtain income through its lease or for capital gain purposes, and not for use in production, external supplies and services or for administrative purposes, are recorded at its acquisition cost, being the respective fair value disclosed in the Notes to the financial statements (Note 7).

Whenever these assets fair value is lower than the respective acquisition cost, an impairment loss is recorded against the caption "Impairment losses" in the statement of profit and loss. As of the moment in which the recorded accumulated impairment losses no longer exist, they are immediately reversed against the caption "Impairment losses" in the statement of profit and loss until the limit of the amount that would have been determined, net of amortizations or depreciations, if no impairment losses would have ever been recognized in previous years.

Investment properties disclosed fair value is determined on an annual basis by an independent appraiser (Market, Cost and Profit Method models).

d) Lease contracts

Lease contracts are classified as (i) financial lease contracts, if all or a substantial part of the risks and benefits related to possession are transferred and as (ii) operational lease contracts if all or a substantial part of the risks and benefits related to possession are not transferred.

Classification as financial lease contracts or as operational lease contracts depends on the substance of the transaction and not on the form of the contract.

Tangible fixed assets acquired under financial lease contracts, as well as the corresponding liabilities are recorded according to the financial method and, consequently, the cost of the fixed asset is recorded in tangible fixed assets captions and the corresponding responsibility as leasing captions. Lease down payments are

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constituted by interest expenses and by the amortization of capital in accordance with the contractual financial plan, with interests recognized as expenses in the statement of profit or loss for the year to which they relate and with the depreciation of the tangible fixed assets according to their estimated useful lives, according to Note 2.3.a), except when the lease term is shorter than the estimated useful lives.

For lease contracts considered as operational, the rents paid are recognized as an expense in the statement of profit or loss over the rental period (Note 34).

e) Inventories

Goods, raw, subsidiary and consumable materials are recognized at the initial moment of their acquisition at cost. Subsequently, these are valued at average acquisition cost, which is lower than market value.

Finished and intermediate goods as well as work in progress are stated at production cost, which is lower than market value. Production costs include the cost with raw materials, direct labor, production overheads and external services.

Accumulated impairment losses to reduce inventories value reflect the difference between their acquisition cost and net realizable or market value, which corresponds to the price shown on market statistics.

f) Government or Other public entities subsidies

Government subsidies are recognized at the respective fair value when there is a solid guarantee that they will be received and that the Group will be able to accomplish the conditions required to its concession.

Non-Repayable Subsidies

The subsidies related to costs incurred are registered as a gain if there is a reasonable guaranty that they will be received, if the Group has already incurred in the subsidiary costs and if they fulfill the conditions for their concession.

g) Impairment of assets

- Non current assets except Goodwill

Assets are assessed for impairment at each statement of financial position date whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount (defined as the highest of the net sale price and the use value, or as the net sale price for assets held for sale), an impairment loss is recognized in the statement of profit and loss under the caption "Impairment losses". The net selling price is the amount that would be obtained from the sale of an asset in a transaction between independent entities, less the cost of the disposal. The value in use is the present value of estimated future cash flows expected to arise from the

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continued use of an asset and its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

The reversal of impairment losses recognized in previous years is recorded when it is concluded that the impairment losses recognized for the asset no longer exist or have decreased. This analysis is performed whenever there is an indication that the impairment losses previously recognized have been reversed. The reversal is recorded in the statement of profit or loss in the caption "Impairment losses". However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment losses been recognized for that asset in previous years.

- Goodwill

The value of Goodwill is not amortized, being tested for impairment purposes on an annual basis. The recoverable amount is determined as being the present value of estimated future cash flows that are expected to be generated by the continuous use of the asset. Impairment losses of Goodwill are recognized in the income statement in the caption "Impairment Losses".

Goodwill impairment losses cannot be reversed.

h) Financial expenses

Loan's related financial costs (interests, premiums, ancillary costs and lease interests) are recognized as financial costs in income statement of the period in which they are incurred, in accordance with the accrual principle and the effective interest rate method, except if those costs are directly related to the acquisition, construction or production of fixed assets. In this case, the referred costs are capitalized, being part of the asset cost. The capitalization of these costs begins after the beginning of the preparation of the construction or asset development activities and it is interrupted when the asset is ready to be used or when the project is suspended. Any financial income generated by loans that are directly related with a specific investment, are deducted to financial expenses elected for capitalization purposes.

i) Provisions

Provisions are recognized when and only when the Group has a present obligation (legal or constructive) resulting from a past event, whenever it is probable that, for the resolution of that obligation, there will be an outflow of resources and the amount of the obligation may be reasonably estimated. Provisions are reviewed at the date of each statement of financial position and are adjusted to reflect the best estimate of their fair value at that date (Note 24).

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j) Financial assets

Accounting policy adopted as of January 1, 2018

Recognition

Purchases and sales of investments in financial assets are recorded on the date of the transaction, i.e., the date on which the Group undertakes to buy or sell the asset.

Classification

The classification of financial assets depends on the business model followed by the Group to manage its financial assets (receipt of cash flows or appropriation of fair value changes) and the contractual terms of the cash flows receivable.

Changes to the classification of financial assets can only be made when the business model is changed, except in the case of financial assets at fair value through other comprehensive income, which are equity instruments and, therefore, can never be reclassified to another category.

Financial assets may be classified according to the following measurement categories:

(i) Financial assets at amortised cost: includes financial assets that correspond only to the payment of nominal value and interest, and the business model followed by management is the receipt of contractual cash flows;

(ii) Financial assets at fair value through other comprehensive income: this category may include financial assets that qualify as debt instruments (contractual obligation to deliver cash flows) or equity instruments (residual interest in an entity);

a. In the case of debt instruments, this category includes financial assets that correspond only to the payment of nominal value and interest, when the business model followed by management is the receipt of contractual cash flows, either occasionally or a result of their sale;

b. In the case of equity instruments, this category includes the percentage of interest held in entities over which the Group does not exercise control, joint control or significant influence, and which the Group irrevocably chose, on the date of initial recognition, to designate at fair value through other comprehensive income;

(iii) Financial assets at fair value through profit or loss: includes assets that do not meet the criteria for classification as financial assets at amortised cost or at fair value through other comprehensive income, whether they refer to debt instruments or equity instruments that were not designated at fair value through other comprehensive income.

The classification of the Group's financial assets by category as of December 31, 2018, is shown in Note 33.

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Measurement

The Group initially measures financial assets at fair value, plus transaction costs directly attributable to the acquisition of the financial asset, for financial assets that are not measured at fair value through profit or loss. Transaction costs of financial assets at fair value through profit or loss are recorded in the income statement when incurred.

Financial assets at amortised cost are subsequently measured in accordance with the effective interest rate method, minus impairment losses. Interest income on these financial assets is included in "Interest earned on assets at amortised cost" in financial income.

Financial assets at fair value through other comprehensive income, which are debt instruments, are subsequently measured at fair value through fair value changes recognised in other comprehensive income, except for variations related to the recognition of impairment, interest income and gains/(losses) due to foreign exchange differences, which are recognised in the income statement for the year. Financial assets at fair value through other comprehensive income are subject to impairment.

Financial assets at fair value through other comprehensive income which are equity instruments are measured at fair value on the date of initial registration and subsequently, and changes in fair value are recorded directly in other comprehensive income, in equity, and no future reclassifications will occur, even after derecognition of the investment. Dividends obtained from these investments are recognised as gains, in the income statement for the year, on the date they are attributed.

Impairment losses

The Group prospectively assesses the expected credit losses associated with the financial assets, which are debt instruments, classified at amortised cost and at fair value through other comprehensive income.

The applied impairment methodology considers the credit risk profile of the debtors, and different approaches are used depending on the nature of the debtors.

With respect to the accounts receivable under the "Customers" and "Other third-party debts" headings and Assets from contracts with customers, the Group uses the simplified approach allowed by IFRS 9, according to which expected credit losses are recognised since the initial recognition of the accounts receivable and throughout their maturity, considering a matrix of historical default for the maturity of the accounts receivable, adjusted via prospective estimates.

With respect to accounts receivable from related entities, which are not considered part of the financial investment of these entities, credit impairment is assessed according to the following criteria: i) if the account receivable is immediately payable ("on demand"); ii) if the account receivable has an insignificant risk; or (iii) if it has a maturity of less than 12 months.

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In cases where the amount receivable is immediately payable and the related entity is able to pay it, the probability of default is close to 0% and, therefore, the impairment is considered equal to zero. In cases where the account receivable is not immediately payable, the related entity's credit risk is assessed and if it is considered "low" or if the maturity is less than 12 months, then the Group only evaluates the probability of a default occurring for the cash flows that will mature in the next 12 months.

To all other situations and types of accounts receivable, the Group uses the general approach of the impairment model, evaluating on each reporting date whether there has been a significant increase in credit risk since the date on which the asset was initially recognised. If there is no increase in credit risk, the Group calculates an impairment corresponding to the amount equivalent to expected losses within a period of 12 months. If there is an increase in credit risk, the Group calculates an impairment corresponding to the amount equivalent to expected losses for all contractual flows until the maturity of the asset.

Instruments at fair value through capital

These are all the remaining investments that are not classified as held to maturity or measured at fair value through profit and loss. This category is included in non-current assets, except if the Board of Directors has the intention of alienate the investment within a period inferior to 12 months starting from the statement of financial position date.

At December 31, 2018 Toyota Caetano Group held shares of Cimóvel - Real Estate Investment Fund (Note 9).

Derecognition of financial assets

The Group derecognises financial assets when, and only when, contractual rights to cash flows have expired or have been transferred and the Entity has substantially transferred all the risks and benefits pertaining to the ownership of the asset.

Accounting policies adopted until December 31, 2017

Investments

Investments held by the Group are classified as follows: 'Investments measured at fair value through profit and loss', 'Investments held to maturity', 'Instruments at fair value through capital' and 'Investments held for sale, loans and accounts receivable'. The classification depends on the subjacent intention of the investment acquisition.

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Available for sale financial assets

These are all the remaining investments that are not classified as held to maturity or measured at fair value through profit and loss. This category is included in non-current assets, except if the Board of Directors has the intention of alienate the investment within a period inferior to 12 months starting from the statement of financial position date.

At December 31, 2017 and 2016, Toyota Caetano Group held shares of Cimóvel - Real Estate Investment Fund (Note 9).

Fair Value of Financial Investments

To determine the fair value of a financial asset or liability, if such a market exists, the market price is applied (Level 1). A market is regarded as active if quoted prices are readily and regularly available from an exchange, broker or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Otherwise, which is the case of some financial assets and liabilities, valuation techniques that are generally accepted in the market are used based on market assumptions (e.g.: discounted cash flow models that incorporate interest rate curves and market volatility, which is the case of derivative financial instruments) – Level 2. On the other cases, valuation techniques are used, not based on observable market data – Level 3.

Investments are all initially recognized at fair value, including transaction costs, except for investments recognized at fair value through profit or loss. In this case, investments are initially recognized at fair value, and the respective transaction costs are recognized directly in the income statement.

“Instruments at fair value through capital” is kept at fair value at the balance sheet date, without deducting any transaction cost that could occur until the time of disposal.

Instruments at fair value through capital representative of share capital from unquoted companies are recognized at the acquisition cost, taking into account the existence or not of impairment losses. It is conviction of the Board of Directors that the fair value of these investments does not differ significantly from their acquisition cost.

Gains and losses arising from a change in the fair value of instruments at fair value through capital are recorded under equity caption “Fair value reserves” until the investment is sold or disposed, or until it is determined to be impaired. At that moment, the accumulated gains or losses previously recognized in equity are transferred to profit and loss statement for the period.

All purchases and sales of investments are recorded on their trade date, which is on the date the Group assumes all risks and obligations related to the purchase or sale of the asset.

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The fair value of the instruments at fair value through capital is based on the current market prices. If the market is not net (non-listed investments), the Group records the acquisition cost, having in consideration the existence or not of impairment losses. The Board of Directors believes that the fair value of these investments is not very different from the acquisition cost. The fair value of the listed investments is calculated based on the stock market closed value at statement of financial position date.

The Group makes evaluations if it considers that at the statement of financial position date exists clear evidence that the financial asset might be in impairment. In case of stock instruments classified as instruments at fair value through capital, have a significant drop or extended of its fair value inferior to its cost, it indicates that an impairment situation is occurring. If there is any evidence of impairment in "Instruments at fair value through capital", the accumulated losses – calculated by the difference between the acquisition cost and the fair value deducted from any impairment loss previously recognized in the statement of profit and loss – are retrieved from the equity and recognized in the statement of profit and loss.

The investments are derecognized if the right to receive financial flows has expired or was transferred, and consequently, all associated risks and benefits have been transferred.

Cash and cash equivalents

The amounts included under "Cash and cash equivalents" correspond to cash values, bank deposits, time deposits and other cash investments, which mature less than three months and can be immediately mobilized with insignificant risk of change in value.

Accounts receivables and Other debtors

These headings mainly include customer balances resulting from services rendered as part of the Group's activity and other balances related to operating activities. Balances are classified as current assets when they are estimated to be collected within a 12-month period. Balances are classified as non-current when they are estimated to be collected more than 12 months after the reporting date.

Accounting policies adopted as of January 1, 2018

The "Customers" and "Other third-party debts" headings are initially recognised at fair value and are subsequently measured at amortized cost, minus impairment adjustments. Impairment losses in Customers and Other third-party debts are recorded in accordance with the principles described in the policy in Note 2. The identified impairment losses are recorded in the income statement in Impairment losses and are subsequently reversed by profit or loss.

Accounting policies adopted until December 31, 2017

Financial assets presented under the "Customers" and "Other third-party debts" headings are measured, when initially recognised, at fair value, and subsequently at amortised cost, in accordance with the effective interest

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rate method, minus impairment losses. When there is evidence that they are impaired, the corresponding adjustment is recorded in profit or loss. The recognised adjustment is measured by the difference between the amount at which the accounts receivable are recognised and the present value of discounted cash flows at the effective interest rate determined upon initial recognition.

k) Financial liabilities

Accounting policy adopted as of January 1, 2018

Financial liabilities are classified in two categories:

- i) Financial liabilities at fair value through profit or loss; and
- ii) Financial liabilities at amortised cost.

The "Financial liabilities at amortised cost" category includes liabilities recorded under "Loans obtained" (Note 18), "Suppliers" (Note 19) and "Other liabilities to third parties" (Note 20). These liabilities are initially recognised at fair value, net of transaction costs, and subsequently measured at amortised cost according to the effective interest rate method.

Financial liabilities are derecognised when the underlying obligations are extinguished by payment, cancelled, or expire.

As of December 31, 2018, the Group has only recognised liabilities classified as "Financial liabilities at amortised cost."

Financial liabilities are derecognised when the underlying obligations are extinguished by payment, cancelled, or expire.

Loans obtained

Loans obtained are initially recognised at fair value, net of any transaction costs incurred. Loans are subsequently measured at amortised cost and the difference between the nominal value and the initial fair value recognised in the income statement and in the other comprehensive income statement throughout the term of the loan using the effective interest rate method.

Loans obtained are classified under current liabilities, unless the Group has an unconditional right to defer the payment of the liability for at least 12 months after the date of the financial report, in which case they are classified as non-current liabilities.

Suppliers

These headings usually include balances of suppliers of goods and services that the Group acquired in the normal course of its business. The items included in these will be classified as current liabilities if the payment is due within 12 months or less; otherwise, the "Suppliers" accounts will be classified as non-current liabilities.

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These financial liabilities are initially recognised at fair value. After their initial recognition, the liabilities shown under the "Suppliers" heading are measured at amortised cost, using the effective interest rate method.

Accounting policy adopted until December 31, 2017

Financial liabilities are classified in two categories:

- i) Financial liabilities at fair value through profit or loss; and
- ii) Other financial liabilities.

The "Other financial liabilities" category includes liabilities recorded under the "Loans obtained" (Note 18), "Suppliers" (Note 19) and "Other liabilities to third parties" (Note 20) headings. These liabilities are initially recognised at fair value and subsequently measured at amortised cost according to the effective interest rate method.

Financial liabilities are derecognised when the underlying obligations are extinguished by payment, cancelled, or expire.

As of December 31, 2017, the Group has only recognised liabilities classified as "Other financial liabilities."

Loans

Loans are recorded as liabilities at their nominal value net of up-front expenses which are directly related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the statement of profit and loss on an accrual basis.

Accounts payable and Other creditors

Accounts payable and Other creditors not bearing interests are measured at cost, less impairment losses so that they reflect the respective net realizable value. These amounts are not discounted because its effect in the financial actualization is not considered relevant.

I) Pension complements (Defined benefit plans and Defined contributions plan)

In order to estimate its liabilities for the payment of the mentioned responsibilities, the Group obtains annually an actuarial calculation of the liabilities for past services in accordance with the "Current Unit Credit Method".

Recorded liabilities as of the statement of financial position date relate to the present value of future benefits adjusted for actuarial profits or losses and/or for liabilities for past services non-recognized, net of the fair value of net assets within the pension fund (Note 23).

The Group recognized remeasurement in "Other reserves", not being recycled for results.

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m) Contingent assets and liabilities

Contingent liabilities are defined by the Group as (i) possible obligations from past events and which existence will only be confirmed by the occurrence or not of one or more uncertain future events not totally under Group's control or (ii) present obligations from past events not recognized because it is not expected that an output of resources that incorporate economic benefits will be necessary to settle the obligation or its amount cannot be reliably measured.

Contingent liabilities are not recorded in the consolidated financial statements, being disclosed in the respective Notes, unless the probability of a cash outflow is remote. In these situations, no disclosure is made.

Contingent assets are possible assets that arise from past events and whose existence will only be confirmed by the occurrence or not of one or more uncertain future events not totally under the Group's control.

Contingent assets are not recorded in the consolidated financial statements but only disclosed when it is likely the existence of future economic benefits.

n) Income taxes

Taxes on income for the year are calculated based on the Special Taxation of Groups of Companies ("RETGS"), which includes companies of Toyota Caetano Group based in Portugal: Toyota Caetano Portugal, Caetano Renting, Saltano and Caetano Auto.

The only subsidiary with headquarters in a foreign country (Caetano Auto Cabo Verde) is taxed on an individual basis and in accordance with the applicable legislation.

Deferred taxes are calculated using the balance sheet liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are not recognized when temporary differences arise from goodwill or from initial recognition of assets and liabilities other than in a business combination. Deferred tax assets and liabilities are calculated and annually reviewed using the tax rates in place or announced and thereby expected to apply at the time the temporary differences are expected to reverse.

Deferred tax assets are recognized only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognized and expected to reverse in the same period. At each balance sheet date, a review is made of the deferred tax assets recognized, which are reduced whenever their future use is no longer likely.

Deferred tax assets and liabilities are recorded in the income statement, except if they relate to items directly recorded in equity, situations in which the corresponding deferred tax is also recorded in equity captions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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o) Accrual basis

Revenues and expenses are recorded according to the accrual basis, by which they are recognized in the period to which they relate independently of when the amounts are received or paid. Differences between the amounts received and paid and corresponding income and expenses are recorded in the captions accruals and deferrals included in "Other current assets" and "Other current liabilities".

Income and expenses for which the actual amount is yet unknown are recorded based on the best estimate of the Board of Directors of the Group companies.

p) Revenue from contracts with customers

Accounting policy adopted as of January 1, 2018

Revenue corresponds to the fair value of the amount received or receivable from transactions with customers in the normal course of business. Revenue is recorded net of any taxes, trade discounts, and financial rebates.

In determining the value of revenue, the Group evaluates the performance obligations undertaken towards customers in each transaction, the price of the transaction to be affected by each performance obligation that is identified, and the existence of variable price conditions that may lead to future adjustments to the value of the recorded revenue, for which the Group makes its best estimate.

Revenue is recorded in the income statement when the control over the product or service is transferred to the customer, i.e., at the moment when the customer becomes able to manage the use of the product or service and to obtain all the remaining economic benefits associated with it.

The Group considers that, given the nature of the product or service that is associated with the performance obligations undertaken, the transfer of control occurs mostly on a specific date, but there may be transactions in which the transfer of control occurs continuously over the contractual period that has been previously established.

Accounting policy adopted until December 31, 2017

Revenue is recognized net of taxes and commercial discounts, by the fair value of the amount received or to be received, knowing that:

- The revenue from sales is recognized in the income statement when the significant part of risks and benefits related with the possession of assets is transferred to the acquirer, it is probable the future economic benefits will flow to the entity and these benefits can be measured reliably.
- The revenue from services rendered is recognized according to the stage of completion of the transaction at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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Revenue of the Toyota Caetano Portugal Group is comprised of the revenue arising from the activities mentioned in Note 1.

q) Statement of financial position classification

All assets and liabilities, including assets and liabilities deferred tax, accomplishable or receivable in more than one year after the statement of financial position date are classified as "Non current assets or liabilities".

r) Balances and transactions expressed in foreign currency

Assets and liabilities stated in foreign currency were translated into Euros using applicable exchange rates as of statement of financial position date. Exchange differences, favorable and unfavorable, resulting from differences between applicable exchange rates as of the date of the transactions and those applicable as of the date of cash collection, payments or as of statement of financial position date, were recorded as gains and losses in the consolidated income statement.

s) Earnings per share policy

Basic:

The basic earnings per share is calculated by dividing the taxable income of the shareholders by the weighted average number of common shares issued during the period, excluding the common shares acquired by the company and held as treasury shares.

Diluted:

Diluted earnings per share are calculated by dividing the profit attributable to shareholders, adjusted for the dividends of convertible preferred shares, convertible debt interest and gains and expenses resulting from the conversion, by the weighted average number of common shares issued during the period plus the average number of shares common shares issued in converting potential dilutive common shares.

t) Segment information

In each year the Group identifies the most adequate business segments.

In accordance with IFRS 8, an operating segment is a Group component:

- i) that engages in business activities from which it may earn revenues and incur expenses;
- ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and
- iii) for which discrete financial information is available.

Information related to the identified operating segments is included in Note 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

In that note, information is also given by geography and subsegments. For the segment of motor vehicles were added the subsegments, industry, trade, services and rental. For the industrial equipment segment, the machinery, services and rental sub-segment was added

u) Subsequent events

Events after the balance sheet date that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the financial statements. Events after the balance sheet date that are non-adjusting events, are disclosed in the notes when material.

2.4 JUDGMENTS AND ESTIMATES

During the preparation of the consolidated financial statements, the Board of Directors of the Group based itself in the best knowledge and in the experience of past and/or present events considering some assumptions relating to future events.

Most significant accounting estimates included in attached financial statements as of December 31, 2018 and 2017 include:

- a) Useful lives of tangible and intangible assets;
- b) Registration of adjustments to the asset's values (accounts receivable and inventories) and provisions;
- c) Impairment tests performed to *goodwill* and sensibility tests (Note 8);
- d) Discharge of the fair value of derivative financial instruments; and
- e) Clearance of responsibilities with Pension complements (Note 23).

The underlying estimations and assumptions were determined based in the best knowledge existing at the date of approval of the financial statements of the events and transactions being carry out as well as in the experience of past and/or present events. Nevertheless, some situations may occur in subsequent periods which, not being predicted at the date of approval of the financial statements, were not consider in these estimations. The changes in the estimations that occur after the date of the financial statements shall be corrected in a foresight way. Due to this fact and to the uncertainty degree associated, the real results of the transactions may differ from the corresponding estimations. Changes to these estimates, which occur after publication of these consolidated financial statements, will be corrected in a prospective way, in accordance with IAS 8.

The main significant judgments and estimates relating to future events included in the preparation of the financial statements are described in the related notes to the financial statements.

The Group conducts sensitivity tests, in order to measure the risk inherent in these judgments and estimates.

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(Amounts in Euros)

2.5 FINANCIAL RISK MANAGEMENT POLICIES

The Group's activity is exposed to a variety of financial risks, such as market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. These risks arise from the unpredictability of financial markets that affect the capacity of projected cash flows and profits subject to a perspective of long term ongoing. Management seeks to minimize potential adverse effects that derive from that uncertainty in its financial performance.

The financial risks management is controlled by Toyota Caetano financial department, according to the policies established by the Group Board of Directors. The Board of Directors has established the main principles of global risk management as well as specific policies for some areas, as interest rate risk and credit risk.

i) Foreign currency risk

The Group operates internationally and has a subsidiary operating in Cape Verde. The group selects a functional currency for each subsidiary (Cape Verde Escudo, for the subsidiary Caetano Auto Cabo Verde, S.A.), corresponding to the currency of the economic environment and the ones that better represents its cash flows composition. Foreign currency risk arises mainly from future commercial transactions, as a result of purchases and sales of products and services in a different currency than the functional currency used by each Company.

The Group foreign currency risk management hedge policies are decided casuistically, considering the foreign currency and country specific circumstances (as of December 31 ,2018 and 2017, this situation is not applicable to any of the Group Subsidiaries).

Foreign currency risk related to the foreign subsidiaries financial statements translation, also named translation risk, presents the impact on net equity of the Holding Company, due to the translation of foreign subsidiaries financial statements.

As mentioned in Note 2.2 b), assets and liabilities of foreign subsidiaries are translated into Euros using the exchange rates at statement of financial position date, and gains and losses of these entities are translated into Euros using the average exchange rate of the year. Resulting exchange differences are recorded in equity caption "Translation reserves".

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(Amounts in Euros)

The Group's assets and liabilities amounts (expressed in Euros) recorded in a different currency from Euro can be summarized as follows:

	Assets		Liabilities	
	2018	2017	2018	2017
Cape Verde Escudo (CVE)	6.950.754	7.581.776	2.421.144	3.275.834
Great Britain pounds (GBP)	-	-	38.096	31
Japanese Yen (JPY)	-	-	666.606	617.636

The sensitivity of the Group to foreign exchange rate changes can be summarized as follows:

	Variation	2018		2017	
		Profit or Loss	Equity	Profit or Loss	Equity
Cape Verde Escudo (CVE)	5%	11.183	226.480	17.793	215.297
Great Britain pounds (GBP)	5%	(1.906)	-	-	-
Japanese Yen (JPY)	5%	(33.330)	-	(30.882)	-

ii) Price risk

The group is exposed to the changing in raw material's prices used on production processes, namely auto parts. However, considering that the acquisition of those raw materials is not in accordance with a price quoted on an exchange market or formed on a volatile market, the price risk is not considered as being significant.

During 2018 and 2017, the Group has been exposed to the risk of variation of instruments at fair value through capital prices. At December 31, 2018 and 2017, the referred caption is composed only by shares of the closed property investment fund Cimóvel – Fundo de Investimento Imobiliário Fechado (Real Estate Investment Fund). Due to the fact that the referred asset is classified as an instrument at fair value through capital, the effect of change in its fair value is recognized in accordance with the principles described on the note 2.3. j).

The Group's sensitivity to price variations in instruments at fair value through capital can be summarized as follows (increases/(decreases)):

	Variation	2018		2017	
		Profit or Loss	Equity	Profit or Loss	Equity
CIMÓVEL FUND	10%	-	356.668	-	366.576
CIMÓVEL FUND	-10%	-	(356.668)	-	(366.576)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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iii) Interest rate risk

Toyota Caetano debt is indexed to variable interest rates, exposing the total cost of debt to a high risk of volatility. The impact of this volatility on the Group's results and shareholders' equity mitigated due to the effect of the following factors: (i) possible correlation between the market interest rate levels and economic growth, having a positive effect on the other lines of the Group's consolidated results (particularly operational), thus partially offsetting the increased financial costs ("natural hedge") and (ii) the availability of consolidated liquidity or cash, also remunerated at variable rates.

Toyota Caetano Board of Directors approves the terms and conditions of the funding, analyzing the debt structure, the inherent risks and the different options available in the market, particularly considering the type of interest rates (fixed / variable) and, permanently monitoring conditions and alternatives existing in the market, and decides upon the contracting of occasional interest rate hedging derivative financial instruments.

Interest rate risk sensitivity analysis

The sensitivity analyses presented below was based on exposure to changes in interest rates for financial instruments at the statement of financial position date. For floating rate liabilities, the analysis is prepared assuming the following:

- (i) Interest rate is superior in 0,5 p.p. than the supported interest rate.
- (ii) Calculation was made using the Group's debt at the end of the year.
- (iii) Spreads maintenance throughout the year.

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some assumptions may be correlated.

Group's sensitivity to changes in interest rates is summarized as follows (increases/(decreases)):

	Variation	2018		2017	
		Net Income	Equity	Net Income	Equity
Mutual Loans	0,5 p.p.	-	-	35.000	-
Guaranteed account	0,5 p.p.	50.000	-	25.000	-
Bank Credits	0,5 p.p.	4.618	-	2.649	-
Commercial Paper	0,5 p.p.	97.000	-	172.000	-
Long-term Bank Loan	0,5 p.p.	50.000	-	50.000	-
Bond Loan	0,5 p.p.	62.500	-	-	-
Total		264.118	-	284.649	-
Mutual Loans	(0,5 p.p.)	-	-	(35.000)	-
Guaranteed account	(0,5 p.p.)	(50.000)	-	(25.000)	-
Bank Credits	(0,5 p.p.)	(4.618)	-	(2.649)	-
Commercial Paper	(0,5 p.p.)	(97.000)	-	(172.000)	-
Long-term Bank Loan	(0,5 p.p.)	(50.000)	-	(50.000)	-
Bond Loan	(0,5 p.p.)	(62.500)	-	-	-
Total		(264.118)	-	(284.649)	-

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iv) Liquidity risk

Liquidity risk is defined as the risk that the Group could not be able to settle or meet its obligations on time or at a reasonable price.

The existence of liquidity in the Group requires the definition of some parameters for the efficient and secure management of liquidity, enabling maximization of the return obtained and minimization of the opportunity costs relating to the liquidity.

Toyota Caetano Group liquidity risk management has a threefold objective:

- (i) Liquidity, which is to ensure permanent access in the most efficient way to sufficient funds to cover current payments on the respective maturity dates, as well as any unexpected requests for funds;
- (ii) Safety, which is the minimization of the probability of default in the repayment of any application in funds; and
- (iii) Financial Efficiency, which is ensuring that the Companies maximize the value / minimize the opportunity cost of holding excess liquidity in the short-term.

All excess liquidity is applied in short-term debt amortization, according to economic and financial reasonableness criteria.

In the following table, it is presented the maturity of each financial liability, with non-discounted values, taking into consideration the most pessimistic scenario (the shortest period on which the liability becomes exigible):

2018	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	More than 4 Years	Total
Loans	52.538.913	6.028.237	17.553.607	14.883.298	91.004.055
Accounts Payable	39.907.558	-	-	-	39.907.558
Other Creditors	14.783.849	-	-	-	14.783.849
	<u>107.230.320</u>	<u>6.028.237</u>	<u>17.553.607</u>	<u>14.883.298</u>	<u>145.695.462</u>

2017	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	More than 4 Years	Total
Loans	53.024.793	5.773.821	8.111.293	13.028.887	79.938.794
Accounts Payable	40.256.759	-	-	-	40.256.759
Other Creditors	13.207.611	-	-	-	13.207.611
	<u>106.489.163</u>	<u>5.773.821</u>	<u>8.111.293</u>	<u>13.028.887</u>	<u>133.403.164</u>

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At December 31, 2018 and 2017, the Group presents a net debt of 73.928.900 Euros and 62.671.224 Euros, respectively, divided between current and non current loans (Note 18) and cash and cash equivalents (Note 15), agreed with the different financial institutions.

v) Capital Risk

The main objective of the Board is to assure the continuity of the operations, providing an adequate remuneration to shareholders and the correspondent benefits to the rest of the stakeholders of the Group. For the prosecution of this objective it is fundamental that a careful management of funds invested in the business is assured, trying to keep an optimal capital structure, in order to achieve the desired reduction of the cost of capital. With the purpose of maintaining an adequate capital structure, the Board can propose to the shareholders the measures considered necessary.

The Group tries to maintain a level of equity considered adequate to the business characteristics, in order to assure continuity and expansion of the business. The capital structure balance is monitored through the financial leverage ratio (defined as net debt/ (net debt + equity)).

	2018	2017
Debt	91.004.055	79.938.794
Cash and cash equivalents	(17.075.155)	(17.267.570)
Net Debt	73.928.900	62.671.224
Equity	137.873.129	132.099.652
Leverage ratio	34,90%	32,18%

The gearing remains between acceptable levels, as established by management.

vi) Credit risk

The Group credit risk results mainly from:

i) the risk of recovery of monetary assets entrusted to third parties, and ii) the risk of recovery of loans granted to entities outside the group. Credit risk is assessed at the initial moment and over time in order to monitor its evolution.

A significant portion of the amounts receivable from customers is dispersed among a large number of entities, a factor that contributes toward reducing the credit concentration risk. As a general rule, the Group customers are not assigned a credit rating.

Credit risk is monitored by the Group financial department, under the supervision of the Board of Directors, based on: i) the rating assigned by the credit insurance company, with which the Group has negotiated a credit insurance agreement; (ii) the debtors' corporate nature; iii) the type of transactions originating the accounts receivable; iv) the experience of past transactions; and (v) the credit limits established for each customer.

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The Group considers the probability of default upon the initial recognition of the asset and, according to the occurrence of significant increases in credit risk continuously in each reporting period. In order to assess whether there has been a significant increase in credit risk, the Group compares the risk of default occurring by reference to the reporting date, with the risk of default assessed by reference to the date of initial recognition. Adequate and duly supported prospective information is considered. The following indicators are taken into account:

- Internal credit risk;
- External credit risk (where available);
- Current or expected adverse changes in the debtor's operating results;
- Significant increases in the credit risk of the debtor's other financial instruments;
- Significant changes in the value of collateral for liabilities, or in the quality of third-party guarantees;
- Significant changes in the debtor's expected performance and behaviour, including changes in the debtor's payment conditions at the level of the Group to which it belongs, as well as changes at the level of its operating results;

Macroeconomic information (such as market interest rates or growth rates) is incorporated into the domestic credit model.

Irrespective of the above analysis, a significant increase in credit risk is presumed to exist if a debtor is in default by more than 30 days from the contractual payment date.

Default is deemed to exist when the counterparty fails to make contractual payments within 90 days of the invoice due date. When financial assets are derecognised, the Group continues to take the necessary measures to recover the amounts owed. In cases of successful recovery, the recovered amounts are recognised in the income statement for the year.

Financial assets are derecognised when there is no real expectation of recovery. The Group classifies a loan or account receivable to be derecognised when the debtor fails to make contractual payments within 30 days.

Impairment of financial assets

a) Customers and Other third-party debts

The Group uses the simplified approach to calculate and record the expected credit losses required by IFRS 9, which allows using estimated impairment losses for all "Customer" and "Other third-party debt" balances. In order to measure expected credit losses, "Customers" and "Other third-party debts" were aggregated based on the shared credit risk characteristics, as well as on the days of delay. Impairment losses on December 31, 2018 are determined as follows; the expected credit losses include information from prospective estimates. Seniority of customer balances in Note 11.

Until December 31, 2017, the impairment in "Customers" and "Other third-party debts" balances were evaluated according to the incurred credit loss method.

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b) Loans granted to related entities

The balances in "Loans granted to related parties" are considered to have a low credit risk and, therefore, impairment in credit losses recognised during the period are limited to expected credit losses estimated for 12 months. These financial assets are considered to have a "low credit risk" when they have a low uncollectibility risk and the debtor has a high capacity to meet its contractual cash flow liabilities in the short term.

Regarding independent dealership customers, the Group requires guarantees "on first demand", whose amounts, as of December 31, 2018 were of, approximately, 9.114.110 Euros (8.020.667 as of December 31, 2017), and whenever these amounts are exceeded, these customers' supplies are suspended.

The adjustments for accounts receivable are calculated considering (a) the client risk profile, (b) the average time of receipt and (c) the client financial situation. The movements of these adjustments for the years ending at December 31, 2018 and 2017 are stated in Note 24.

At December 31, 2018 and 2017, the Group considers that there is no need for additional impairment losses, besides the amounts registered on those dates and stated, briefly, in Note 24.

The amount related to the customers and other debtors in financial statements, which is net of impairment losses, represents the maximum exposure of the Group to credit risk.

The following table presents, on December 31, 2018, the credit quality of bank deposits:

Deposits Long Term Rating	Rating Agency	Value
A1	Moody's	10.320
A2	Moody's	50.302
A3	Moody's	600.772
Aa3	Moody's	8.684
B3	Moody's	406.506
Ba1	Moody's	1.976.845
Ba3	Moody's	6.856.596
Baa1	Moody's	632.651
Baa2	Moody's	4.324.673
Caa1	Moody's	846.168
Others without rating assigned	Others without rating assigned	1.233.879
Total		16.947.398

The ratings presented correspond to ratings assigned by the Rating Agency Moody's.

3. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF MISSTATEMENTS

In addition to the adoption of IFRS 9 and 15, which had no impact as mentioned in notes 2.1.1. and 2.1.2., during the year ended as of December 31, 2018, there were no changes in accounting policies and no material mistakes related with previous periods were identified.

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4. GROUP COMPANIES INCLUDED IN CONSOLIDATION

The affiliated companies included in consolidation by the full consolidation method and share of capital held as of December 31, 2018 and 2017, are as follows:

Companies	Effective Percentage Held	
	2018	2017
Toyota Caetano Portugal, S.A.	Parent Company	
Saltano - Investimentos e Gestão (S.G.P.S.), S.A.	99,98%	99,98%
Caetano Auto CV, S.A.	81,24%	81,24%
Caetano Renting, S.A.	99,98%	99,98%
Caetano - Auto, S.A.	98,40%	98,40%

These subsidiaries were included in the consolidated financial statements using the full consolidation method, as established in IFRS 10 – “Consolidated Financial Statements” (subsidiary control through the major voting rights and exposure to variable returns in relevant activities).

Changes in the consolidation perimeter

During the year ended December 31, 2018 and 2017 there was not occurred any change in the composition of the consolidation perimeter.

5. INTANGIBLE ASSETS

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

2018

	Research and Development Expenses	Industrial Property	Goodwill	Computer Programs	Intangible Assets in progress	Total
Gross Assets:						
Opening Balances	1.477.217	399.378	81.485	2.150.170	-	4.108.250
Additions	-	153.701	-	-	-	153.701
Disposals and Write-offs	-	(2.048)	-	-	-	(2.048)
Ending Balances	1.477.217	551.031	81.485	2.150.170	-	4.259.903
Accumulated Amortization and Impairment losses:						
Opening Balances	1.449.781	76.558	81.485	2.087.579	-	3.695.403
Amortizations	27.436	122.491	-	55.127	-	205.054
Disposals and Write-offs	-	(918)	-	-	-	(918)
Ending Balances	1.477.217	198.131	81.485	2.142.706	-	3.899.539
Net Intangible Assets	-	352.900	-	7.464	-	360.364

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(Amounts in Euros)

2017

	Research and Development Expenses	Industrial Property	Goodwill	Computer Programs	Intangible Assets in progress	Total
Gross Assets:						
Opening Balances	1.477.217	312.774	81.485	2.139.437	160.840	4.171.753
Additions	-	61.875	-	22.395	-	84.270
Disposals and Write-offs	-	(136.111)	-	(11.662)	-	(147.773)
Transfers	-	160.840	-	-	(160.840)	-
Ending Balances	1.477.217	399.378	81.485	2.150.170	-	4.108.250
Accumulated Amortization and Impairment losses:						
Opening Balances	957.375	184.337	81.485	1.870.724	-	3.093.921
Amortizations	492.406	28.332	-	220.743	-	741.481
Disposals and Write-offs	-	(136.111)	-	(3.888)	-	(139.999)
Ending Balances	1.449.781	76.558	81.485	2.087.579	-	3.695.403
Net Intangible Assets	27.436	322.820	-	62.591	-	412.847

6. TANGIBLE FIXED ASSETS

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

2018

	Land	Buildings and Other Constructions	Machinery and Equipment	Transport Equipment	Administrative Equipment	Other Fixed Assets	Tangible assets in Progress	Total
Gross Assets:								
Opening Balances	16.443.805	89.685.756	61.157.213	80.675.537	8.409.708	4.451.433	291.742	261.115.014
Additions	2.549.082	1.508.970	1.270.847	62.788.359	254.092	60.398	1.028.377	69.460.125
Disposals and Write-offs	(72.835)	(823.060)	(625.262)	(5.905.222)	(242.328)	(5.232)	(6.340)	(7.680.279)
Transfers	-	180.903	-	(37.930.596)	-	-	(180.903)	(37.930.596)
Ending Balances	18.920.052	90.552.569	61.802.798	99.627.898	8.421.472	4.506.599	1.132.876	284.964.264
Accumulated Depreciation and Impairment losses:								
Opening Balances	-	61.197.250	56.632.165	33.601.857	7.678.403	4.183.729	-	163.293.404
Depreciations	-	2.170.390	1.011.765	19.607.743	(111.369)	66.036	-	22.744.565
Disposals and Write-offs	-	(508.333)	(436.663)	(3.521.393)	(228.860)	(4.220)	-	(4.699.469)
Transfers	-	-	-	(9.166.928)	-	-	-	(9.166.928)
Ending Balances	-	62.859.307	57.207.267	40.521.279	7.338.174	4.245.545	-	172.171.572
Net Tangible Assets	18,920,052	27,693,262	4,595,531	59,106,619	1,083,298	261,054	1,132,876	112,792,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

2017								
	Land	Buildings and Other Constructions	Machinery and Equipment	Transport Equipment	Administrative Equipment	Other Fixed Assets	Tangible assets in Progress	Total
Gross Assets:								
Opening Balances	16.471.765	91.068.416	60.432.512	64.700.926	8.124.372	4.370.111	9.400	245.177.502
Additions	387.033	1.817.873	711.139	49.425.531	285.336	81.322	328.696	53.036.930
Disposals and Write-offs	(414.993)	(3.218.492)	(5.238)	(33.451.100)	-	-	-	(37.089.823)
Transfers	-	17.959	18.800	-	-	-	(46.354)	(9.595)
Ending Balances	16.443.805	89.685.756	61.157.213	80.675.537	8.409.708	4.451.433	291.742	261.115.014
Accumulated Depreciation and Impairment losses:								
Opening Balances	-	61.185.509	55.591.865	30.504.452	7.512.127	4.119.149	-	158.913.102
Depreciations	-	2.129.483	1.045.563	13.822.988	166.205	64.073	-	17.228.312
Disposals and Write-offs	-	(2.116.654)	(4.685)	(10.725.583)	-	-	-	(12.846.923)
Transfers	-	(1.088)	(578)	-	71	507	-	(1.088)
Ending Balances	-	61.197.250	56.632.165	33.601.857	7.678.403	4.183.729	-	163.293.404
Net Tangible Assets	16.443.805	28.488.506	4.525.048	47.073.500	731.305	267.704	291.742	97.821.610

The additions registered in 2018 in “Land” and “Buildings and Other Constructions” are mainly due related to the acquisition of lands in Vila Nova de Gaia and Gondomar and facilities in Maia. The disposals and write-offs refers to the sale of buildings in Loures and Leiria.

In 2017, the increase recorded in “Land” and “Buildings and Other Constructions” are related to Santa Maria da Feira and Caldas da Rainha Stands.

The movements registered in item “Transport Equipment” mainly refer to vehicles and forklifts that are being used by the Group as well as being rented, under operating lease, to clients.

As of December 31, 2018, and 2017, the assets acquired through financial leases are presented as follows:

	2018		
	Gross Assets	Accumulated Depreciation	Net Value
	Fixed Tangible Assets	58.983.523	23.003.655

	2017		
	Gross Assets	Accumulated Depreciation	Net Value
	Fixed Tangible Assets	38.347.047	15.416.229

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

7. INVESTMENT PROPERTIES

As of December 31, 2018 and 2017, the caption "Investment properties" refers to real estate's assets held to obtain gains through its rental or for capital gain purposes. These real estate assets are recorded at acquisition cost.

Rentals related to "Investment properties" amounted to 2.820.267 Euros in the year ended as of December 31, 2018 (3.550.376 Euros 31, December 2017).

Additionally, in accordance with appraisals with reference to 2018, the fair value of those investment properties amounts to, approximately, 46 million Euros.

Management believes that a possible change (within a scenario of normal) in the main assumptions used in calculating the fair value will not result in impairment losses, beyond from losses recognized in previous years.

The real estate assets recorded in the caption "Investment properties" as of December 31, 2018 and 2017 are made up as follows:

Location	2018		Appraisal	2017		Appraisal
	Net accounting value	Fair Value		Net accounting value	Fair Value	
Vila Nova de Gaia - Av. da República	84.202	1.192.400	internal	84.202	1.192.400	internal
Braga - Av. da Liberdade	-	1.355.000	internal	201	1.355.000	internal
Porto - Rua do Campo Alegre	795.350	3.315.000	externa	818.315	2.984.000	externa
Viseu - Teivas	762.388	896.000	internal	813.132	896.000	internal
Óbidos - Casal do Lameiro	-	-	-	57.867	1.400.000	internal
Castro Daire - Av. João Rodrigues Cabrilho	-	-	-	25.512	58.000	internal
Caldas da Rainha - Rua Dr. Miguel Bombarda	17.531	85.000	internal	17.531	85.000	internal
Viseu - Quinta do Cano	1.713.586	1.625.750	internal	1.726.300	1.625.750	internal/external
Amadora - Rua Elias Garcia	177.559	149.000	internal	181.017	149.000	internal
Portalegre - Zona Industrial	178.674	173.000	internal	183.816	173.000	internal
Portimão - Cabeço do Mocho	424.782	550.000	internal	424.781	550.000	external
Vila Real de Santo António - Rua de Angola	23.911	83.000	internal	23.911	83.000	internal
Rio Maior	107.000	107.000	internal	107.000	107.000	internal
S. João da Lourosa - Viseu	452.472	487.030	internal	456.272	487.030	internal
Vila Nova de Gaia - Av. Vasco da Gama (edifícios A e B)	2.802.242	8.692.000	internal	3.019.591	8.692.000	internal
Vila Nova de Gaia - Av. Vasco da Gama (edifícios G)	804.483	6.077.000	internal	841.109	6.077.000	internal
Carregado - Quinta da Boa Água / Quinta do Peixoto	4.989.846	19.218.000	internal	5.038.392	19.218.000	internal
Lisboa - Av. Infante Santo	-	-	-	1.141.201	1.300.000	internal
Vila Nova de Gaia - Rua das Pereira	237.553	788.000	internal	249.386	788.000	internal
Leiria - Azóia	-	-	-	355.125	797.000	internal
Castelo Branco - Oficinas	759.135	1.100.000	externa	798.537	1.450.000	internal
	14.330.714	45.893.180		16.363.198	49.467.180	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

The investment properties fair value disclosed in December 31, 2018 and December 31, 2017 was determined on an annual basis by an independent appraiser (the fair value was determined by the average of the evaluations by Market Method, Cost Method and Return Method).

In accordance to the classification of the evaluation methods mentioned above, and related with the fair value hierarchy (IFRS 13), they are classified as follows:

- Market Method – Level 2 (fair value determined based on observable market data)
- Cost Method and Return Method – Level 3 (fair value determined based on non-observable market data, developed to reflect assumptions to be used by independent appraisers.

Additionally, as a result of all internal assessments prepared by the Group for the remaining properties and given the nonexistence of major works in 2018, the absence of relevant claims in 2018 and the lack of properties in areas of accelerated degradation, is convinced the administration of that there has been no significant change to the fair value of these properties in 2018, believing they are still valid and current values of the last external evaluation carried out in late 2012, 2013, 2014, 2016, 2017 and 2018.

The rentals obtained related to the investment properties above mentioned are disclosed in Note 31.

The movement in the caption “Investment properties” as of December 31, 2018 and 2017 was as follows:

	31/12/2018		
	Land	Buildings	Total
Gross Assets:			
Opening Balances	10,135.964	36,926.442	47,062.406
Additions	-	20.775	20.775
Disposals and Write-offs	(830.305)	(1.538.441)	(2.368.746)
Ending Balances	9,305.659	35,408.776	44,714.435
Accumulated Depreciation and Impairment Losses:			
Opening Balances	-	30.699.208	30.699.208
Additions	-	473.690	473.690
Disposals and Write-offs	-	(789.177)	(789.177)
Ending Balances	-	30.383.721	30.383.721
Net value	9,305.659	5,025.055	14,330.714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

	31/12/2017		
	Land	Buildings	Total
Gross Assets:			
Opening Balances	10.268.017	39.133.728	49.401.745
Additions	-	8.095	8.095
Disposals and Write-offs	(132.053)	(2.224.976)	(2.357.029)
Transfer	-	9.595	9.595
Ending Balances	10.135.964	36.926.442	47.062.406
Accumulated Depreciation and Impairment Losses:			
Opening Balances	-	31.498.734	31.498.734
Additions	-	641.719	641.719
Disposals and Write-offs	-	(1.442.333)	(1.442.333)
Transfer	-	1.088	1.088
Ending Balances	-	30.699.208	30.699.208
Net value	10.135.964	6.227.234	16.363.198

In 2018, the disposals and write-offs mainly refer to Land of Buildings in Azóia, Infante Santo, Óbidos e Castro Daire. In 2017, the disposals and write-offs mainly refer to Land of Buildings in Viana de Castelo.

The accumulated impairment losses recorded in 2018 and 2017 amounts to 2.628.814 Euros.

8. GOODWILL

At December 31, 2018 and 2017 there were not any movements in item "Goodwill".

The item "Goodwill" is totally related to the amount calculated in the acquisition of the affiliate Movicargo whose business was transferred to the parent Toyota Caetano Portugal, S.A.

The Goodwill is not amortized. Impairment tests are made annually to the Goodwill.

For impairment analysis, the recoverable amount was determined based on the value in use, according to the discounted cash flows model, based on business plans developed by the people in charge and approved by the management and using discount rates that reflect the risks inherent of the business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

On December 31, 2018, the method and main assumptions used were as follows:

	BT Industrial Equipment Division - South
Goodwill	611.997
Period	Projected cash flows for 5 years
Growth rate (g) (1)	1,6%
Discount rate (2)	5,98%

1 Growth rate used to extrapolate cash flows beyond the period considered in the business plan

2 Discount rates applied to projected cash flows

The Management, supported by the estimated discounted cash flows discounted, concluded that on December 31, 2018, the net book value of assets, including goodwill (0,6 millions Euros), does not exceed its recoverable amount (38 millions Euros).

The projections of cash flows were based on historical performance and on expectations of improved efficiency. The management believe that a possible change (within a normal scenario) in key assumptions used in calculating the recoverable amount will not result in impairment losses.

9. INSTRUMENTS AT FAIR VALUE THROUGH CAPITAL AND AVAILABLE FOR SALE FINANCIAL ASSETS

As of December 31, 2018, and 2017 the movements in item “instruments at fair value through capital” and “ Available for sale financial assets” were as follows:

	2018	2017
<u>Available for sale financial assets (ASFA)</u>		
Fair value at January 1	-	3.483.128
Increase/(decrease) in fair value	-	249.372
	-	3.732.500
<u>Instruments at fair value through capital</u>		
Fair value at January 1 (Reclassified from ASFA – IFRS9)	3.732.500	-
Increase/(decrease) in fair value	(99.087)	-
Ending Balances	3.633.413	3.732.500

As of December 31, 2018, “Instruments at fair value through capital” include the amount of 3.566.677 Euros (3.665.764 Euros December 31, 2017) corresponding to 580.476 shares of Cimóvel - Real Estate Investment Fund (9,098%), which are recorded at its fair value (the acquisition cost of those shares ascended to 3.013.947 Euros and accumulated change in fair value to 552.731 Euros. The remaining “Instruments at fair value through capital” refer to small investments in non-listed companies. The Board of Directors consider that the net accounting value is similar to its fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

Additionally, the impact in equity and impairment losses in 2018 and 2017 from recording "Instruments at fair value through capital" at fair value can be summarized as follows:

	2018	2017
Variation in fair value	(99.087)	249.372
Equity effect	(99.087)	249.372

10. INVENTORIES

As of December 31, 2018 and 2017, this caption breakdown is as follows:

	2018	2017
Raw and subsidiary Materials	8.885.206	10.413.228
Production in Process	932.748	1.135.391
Finished and semi-finished Products	1.242.750	4.432.510
Merchandise	90.219.827	81.473.495
	101.280.531	97.454.624
Accumulated impairment losses in inventories (Note 24)	(2.221.105)	(1.452.410)
	99.059.426	96.002.214

During the years ended as of December 31, 2018 and 2017, cost of sales was as follows:

	2018			2017		
	Merchandise	Raw and subsidiary Materials	Total	Merchandise	Raw and subsidiary Materials	Total
Opening Balances	81.473.495	10.413.228	91.886.723	72.612.904	9.307.008	81.919.912
Net Purchases	294.586.733	36.963.974	331.550.707	294.478.045	36.600.292	331.078.337
Transfers	37.930.598	-	37.930.598	-	-	-
Ending Balances	(90.219.827)	(8.885.206)	(99.105.033)	(81.473.495)	(10.413.228)	(91.886.723)
Total	323.770.999	38.491.996	362.262.995	285.617.454	35.494.072	321.111.526

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

During the years ended as of December 31, 2018 and 2017, the variation in production was computed as follows:

	Finished and semi-finished products	
	2018	2017
Ending Balances	2.175.498	5.567.901
Inventories adjustments	(5.370)	1.092
Opening Balances	(5.567.901)	(2.404.508)
Total	(3.397.773)	3.164.485

11. ACCOUNTS RECEIVABLE

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

	CURRENT ASSETS		NON CURRENT ASSETS	
	2018	2017	2018	2017
Customers, current accounts	56.648.436	51.998.006	494.293	169.252
Doubtful Accounts Receivable	8.838.044	9.209.269	-	-
	65.486.480	61.207.275	494.293	169.252
Accumulated impairment losses in accounts Receivable (Note 24)	(8.776.958)	(9.184.332)	-	-
	56.709.522	52.022.943	494.293	169.252

Accounts receivable from customers recorded as non-current assets corresponds to the customers of the affiliated company Caetano Auto, S.A. that are being paid under formal agreements (whose terms of payment may vary between 1 to 7 years, and which bear interests).

Accounts receivable ageing

2018					
	- 60 days	60-90 days	90-120 days	+ 120 days	Total
Accounts receivable	31.284.576	5.780.752	2.176.100	9.791.002	49.032.430
Employees	77.032	780	2.732	200.911	281.455
Independent Dealers	7.426.444	363.223	27.689	11.488	7.828.844
Total	38.788.052	6.144.755	2.206.521	10.003.401	57.142.729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

2017					
	- 60 days	60-90 days	90-120 days	+ 120 days	Total
Accounts receivable	32.869.819	2.953.707	934.365	8.414.656	45.172.547
Employees	123.793	7.277	2.449	422.541	556.060
Independent Dealers	6.318.241	77.652	-	42.758	6.438.651
Total	39.311.853	3.038.636	936.814	8.879.955	52.167.258

Accounts receivable ageing considering impairment losses

2018					
	- 60 days	60-90 days	90-120 days	+ 120 days	Total
Doubtful Accounts Receivable	14.123	2.275	1.378	8.820.268	8.838.044
Total	14.123	2.275	1.378	8.820.268	8.838.044

2017					
	- 60 days	60-90 days	90-120 days	+ 120 days	Total
Doubtful Accounts Receivable	14.610	6.337	3.607	9.184.715	9.209.269
Total	14.610	6.337	3.607	9.184.715	9.209.269

The amounts presented in the consolidated Statement of financial position are net of accumulated impairment losses to doubtful accounts receivable estimated by the Group, in accordance with its experience based on its evaluation of the economic environment at the statement of financial position date. Credit risk concentration is limited, because the customers' basis is wider and not relational. Thus, the Board of Directors understands that the accounting values of accounts receivable are similar to their respective fair value.

Accounts receivable ageing against maturity

2018						
	Not Due	- 60 days	60-90 days	90-120 days	+ 120 days	Total
Accounts receivable	15.507.326	28.100.550	2.700.057	1.283.518	9.551.278	57.142.729
Total	15.507.326	28.100.550	2.700.057	1.283.518	9.551.278	57.142.729

2017						
	Not Due	- 60 days	60-90 days	90-120 days	+ 120 days	Total
Accounts receivable	15.262.145	24.921.627	3.164.621	893.172	7.925.693	52.167.258
Total	15.262.145	24.921.627	3.164.621	893.172	7.925.693	52.167.258

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

12. OTHER CREDITS

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

	Current Assets	
	2018	2017
Down Payments to Suppliers	18.621	352.475
Public entities (VAT)	3.051.511	3.364.036
Other debtors	2.748.473	2.825.198
	5.818.605	6.541.709

The caption "Other credits" includes, as of December 31, 2018, the amount of, approximately, 800.000 Euros to be received from Salvador Caetano Auto Africa, S.G.P.S., S.A. (800.000 Euros as of December 31, 2017).

Finally, this caption also includes, as of December 31, 2018, the amount of, approximately, 618.000 Euros to be received from Salvador Caetano Foundation (618.000 Euros at December 31, 2017).

13. OTHER CURRENT ASSETS

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

	2018	2017
Accrued Income		
Fleet programs	2.366.089	1.697.298
Rappel	1.374.158	1.065.782
Commission	508.148	544.385
Warranty claims	159.112	317.245
Fees	22.699	67.828
Staff	27.842	31.828
Others	583.031	413.534
	5.041.079	4.137.900
Deferred Expenses		
Insurance	178.892	410.233
Rentals	128.636	142.534
Interest	125.116	100.358
Others	857.657	430.428
	1.290.301	1.083.553
Total	6.331.380	5.221.453

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

14. DEFERRED TAXES

The detail of deferred tax assets and liabilities recorded in the accompanying consolidated financial statements as of December 31, 2018 and 2017 is as follows:

	2018		Profit and Loss Impact (deferred tax)	Equity Impact	2018
	2017	Other variations			
<u>Deferred tax assets:</u>					
Provisions not accepted for tax purpose	212.335	-	84.104	-	296.439
Defined Benefit Plan Liabilities	1.611.745	-	-	-	1.611.745
Write-off of tangible assets	489.298	-	437.448	-	926.746
	<u>2.313.378</u>	<u>-</u>	<u>521.552</u>	<u>-</u>	<u>2.834.930</u>
<u>Deferred tax liabilities:</u>					
Depreciation as a result of legal and free revaluation of fixed assets	(619.498)	-	28.981	-	(590.517)
Effect of the reinvestments of the surplus in fixed assets sales	(116.914)	-	3.547	-	(113.367)
Fair value of investments fixed assets	(898.732)	-	-	-	(898.732)
	<u>(1.635.144)</u>	<u>-</u>	<u>32.528</u>	<u>-</u>	<u>(1.602.616)</u>
Net effect (Note 25)			<u>554.080</u>		

	2017		Profit and Loss Impact (deferred tax)	Equity Impact	2017
	2016	Other variations			
<u>Deferred tax assets:</u>					
Provisions not accepted for tax purpose	294.573	-	(82.238)	-	212.335
Tax losses	88.569	-	(88.569)	-	-
Defined Benefit Plan Liabilities	1.611.745	-	-	-	1.611.745
Write-off of tangible assets	193.155	-	296.143	-	489.298
Derivative financial instruments valuation	6.396	-	(6.396)	-	-
Corporate Income Tax - RETGS	-	710.552	(710.552)	-	-
	<u>2.194.438</u>	<u>710.552</u>	<u>(591.612)</u>	<u>-</u>	<u>2.313.378</u>
<u>Deferred tax liabilities:</u>					
Depreciation as a result of legal and free revaluation of fixed assets	(652.772)	-	33.274	-	(619.498)
Effect of the reinvestments of the surplus in fixed assets sales	(165.771)	-	48.857	-	(116.914)
Fair value of investments fixed assets	(898.732)	-	-	-	(898.732)
	<u>(1.717.275)</u>	<u>-</u>	<u>82.131</u>	<u>-</u>	<u>(1.635.144)</u>
Net effect (Note 25)			<u>(509.481)</u>		

At December 31, 2018 and 2017 there was no tax losses.

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(Amounts in Euros)

As of December 31, 2018 and 2017 tax rates used to compute current and deferred tax assets and liabilities were as follows:

	Tax rates	
	2018	2017
Country of origin of affiliate:		
Portugal	22,5% - 21%	22,5% - 21%
Cape Verde	25,5%	25,5%

Toyota Caetano Group companies with head office in Portugal, are taxed according to the Corporate Income Tax (CIT) in accordance with the Special Taxation Regimen for Groups of Companies ("Regime Especial de Tributação de Grupos de Sociedades - RETGS") as established by articles 69 and 70 of the CIT.

In accordance with the applicable legislation, the income tax returns of Toyota Caetano and other Group companies with headquarters in Portugal are subject to review and correction by the tax authorities for a period of four years. Therefore, the tax declarations since the year of 2015 and 2018 are still subject to review. Statements regarding the Social Security may be revised over a period of five years. The Board of Directors believe that the corrections that may arise from such reviews/inspections will not have a significant impact in the accompanying consolidated financial statements.

Under the terms of article 88 of the Corporate Income Tax Code, the companies with headquarters in Portugal are additionally subject to an income tax over a set of expenses at the rates foreseen in the above mentioned article.

15. CASH AND CASH EQUIVALENTS

As of December 31, 2018, and 2017 cash and cash equivalents detail was the following:

	2018	2017
Cash	127.757	122.985
Bank Deposits	16.947.398	17.144.585
	17.075.155	17.267.570

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

16. EQUITY

Share Capital

As of December 31, 2018 and 2017, the Company's share capital, fully subscribed and paid for, consisted of 35.000.000 bearer shares, with a nominal value of 1 Euro each.

The entities with over 20% of subscribed capital are as follows:

- Salvador Caetano – Auto - S.G.P.S., S.A.	65,99%
- Toyota Motor Europe NV/SA	27,00%

During 2017 Salvador Caetano - Auto - S.G.P.S., S.A. bought 1.488.960 shares with a nominal value of 1 Euro each, fully subscribed and representing 4,25% of the share capital. During 2018 Salvador Caetano - Auto - S.G.P.S., S.A. bought 320.611 shares with a nominal value of 1 Euro each, fully subscribed and representing 0,91% of the share capital.

Dividends

The Board of Directors will propose that a dividend shall be paid in the amount of 7.000.000 Euros. This proposal must be approved in the next General Shareholders Meeting.

Legal reserve

Commercial legislation establishes that at least 5% of the net profit of each year must be appropriated to a legal reserve until this reserve equals the statutory minimum requirement of 20% of the share capital. This reserve is not available for distribution, except in case of dissolution of the Company, but may be used in share capital increases or used to absorb accumulated losses once other reserves have been exhausted.

Revaluation reserves

The revaluation reserves cannot be distributed to the shareholders, except if they are completely depreciated and if the respective assets that were revaluated have been alienated.

Translation reserves

The translation reserves reflect the currency variations during the passage of the financial statements of affiliated companies in a currency other than Euro and cannot be distributed or used to absorb losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

Fair value reserves

The fair value reserves reflect the fair value variations of the investments available for sale and cannot be distributed or used to absorb losses (Note 9).

Other Reserves

Refer to reserves with nature of free reserve that can be distributable according to the commercial legislation.

According to the Portuguese law, the amount of distributable reserves is determined according to the individual financial statements of Toyota Caetano Portugal, presented according to the Normas Contabilísticas e de Relato Financeiro (NCRF, Portuguese GAAP).

17. NON CONTROLLING INTERESTS

Movements in this caption during the year ended as of December 31, 2018 and 2017 were as follows:

	2018	2017
Opening Balances as of January, 1	1.387.418	1.294.261
Net profit attributable to Non controlling Interests	85.804	93.157
	1.473.222	1.387.418

As of December 31, 2018 and 2017, the decomposition of the mentioned value by subsidiary company is as follows:

2018	% NCI	Non controlling Interest	Net profit attributable to Non controlling Interest
Saltano S.G.P.S.	0,02%	4.030	(5)
Caetano Auto CV	18,76%	838.107	25.855
Caetano Renting	0,02%	464	(117)
Caetano Auto	1,60%	630.621	60.071
		1.473.222	85.804

2017	% NCI	Non controlling Interest	Net profit attributable to Non controlling Interest
Saltano S.G.P.S.	0,02%	4.035	-
Caetano Auto CV	18,76%	812.252	67.276
Caetano Renting	0,02%	563	(4)
Caetano Auto	1,60%	570.568	25.885
		1.387.418	93.157

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(Amounts in Euros)

The resume of financial information related to each subsidiary that is consolidated is presented below:

Caption	Caetano Auto		Caetano Auto CV	
	2018	2017	2018	2017
Non - Current Assets	56.490.292	46.825.112	1.257.814	1.326.277
Current Assets	90.240.546	79.643.872	5.692.940	6.255.499
Total assets	146.730.838	126.468.984	6.950.754	7.581.776
Non - Current Liabilities	8.052.611	7.094.168	98.878	98.878
Current Liabilities	99.202.695	83.620.907	2.322.266	3.176.956
Equity	39.475.532	35.753.909	4.529.610	4.305.942
Revenues	234.877.024	212.093.511	14.733.922	12.649.730
Operating Results	5.127.518	4.519.938	356.168	548.386
Financial Results	31.019	(11.567)	(6.629)	(43.973)
Taxes	(1.436.915)	(1.170.609)	(125.871)	(148.562)
Net Income	3.721.623	3.337.762	223.668	355.851

Caption	Caetano Renting		Saltano	
	2018	2017	2018	2017
Non - Current Assets	34.435.165	27.429.048	23.789.240	21.673.269
Current Assets	5.875.043	7.238.681	2.016.167	2.041.338
Total assets	40.310.208	34.667.729	25.805.406	23.714.607
Non - Current Liabilities	529.369	200.014	-	-
Current Liabilities	36.561.509	31.425.093	3.574.436	3.579.125
Equity	3.219.329	3.042.622	22.230.970	20.135.482
Revenues	42.240.170	7.195.384	-	-
Operating Results	477.981	337.232	2.089.542	1.703.933
Financial Results	(308.190)	(293.332)	-	-
Taxes	6.916	(73.202)	5.946	1.262
Net Income	176.707	(29.303)	2.095.488	1.705.195

18. BANK LOANS AND LEASINGS

As of December 31, 2018 and 2017 the caption "Loans" was as follows:

	2018			2017		
	Current	Non Current	TOTAL	Current	Non Current	TOTAL
Bank Loan	29.400.000	10.000.000	39.400.000	46.400.000	10.000.000	56.400.000
Overdrafts	923.669	-	923.669	529.851	-	529.851
Car Financing	2.499.961	-	2.499.961	-	-	-
Bond Loan	-	12.500.000	12.500.000	-	-	-
Leasing	19.715.283	15.965.142	35.680.425	6.094.942	16.914.001	23.008.943
	52.538.913	38.465.142	91.004.055	53.024.793	26.914.001	79.938.794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

The movements in bank loans, overdrafts, commercial paper programs and bond loan, during the periods ended December 31, 2018 were as follows:

	Opening Balances	Increase	Decrease	Other variations (*)	Ending Balance
Bank Loan	17.000.000	-	7.000.000	-	10.000.000
Overdrafts	529.851	-	-	393.818	923.669
Car financing	-	-	-	2.499.961	2.499.961
Guaranteed account	5.000.000	37.000.000	32.000.000	-	10.000.000
Confirming	-	19.883.075	19.883.075	-	-
Commercial Paper	34.400.000	237.100.000	252.100.000	-	19.400.000
Bond Loan	-	12.500.000	-	-	12.500.000
Leasing	23.008.943	-	7.731.336	20.402.818	35.680.425
	79.938.794	306.483.075	318.714.411	23.296.597	91.004.055

(*) Without impact on consolidated cash flows statement

As of December 31, 2018 and 2017, the detail of bank loans, overdrafts, commercial paper programs and bond loan, as well as its conditions, were as follows:

2018				
Description/Beneficiary Company	Used Amount	Limit	Beginning Date	Date-Limit
<u>Non-current</u>				
Mutual Loans				
Toyota Caetano Portugal	10.000.000	10.000.000	11/03/2016	5 years
Bond Loan				
Toyota Caetano Portugal	12.500.000	12.500.000	09/08/2018	5 years
	<u>22.500.000</u>	<u>22.500.000</u>		
<u>Current</u>				
Guaranteed account	10.000.000	12.000.000		
Bank Overdrafts	923.669	5.500.000		
Confirming	-	10.000.000		
Car financing	2.499.961	13.500.000		
Commercial Paper:				
Toyota Caetano Portugal	15.400.000	18.000.000	27/02/2017(*)	3 years
Toyota Caetano Portugal	-	10.000.000	18/08/2015	5 years
Toyota Caetano Portugal	4.000.000	4.000.000	17/07/2017	5 years
Toyota Caetano Portugal	-	5.000.000	10/11/2016	5 years
Toyota Caetano Portugal	-	4.000.000	24/02/2018	1 year
	<u>32.823.630</u>	<u>82.000.000</u>		
	<u>55.323.630</u>	<u>104.500.000</u>		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

2017				
Description/Beneficiary Company	Used Amount	Limit	Beginning Date	Date-Limit
<u>Non-current</u>				
Mutual Loans				
Toyota Caetano Portugal	10.000.000	10.000.000	11/03/2016	5 years
	<u>10.000.000</u>	<u>10.000.000</u>		
<u>Current</u>				
Guaranteed account	5.000.000	7.000.000		
Mutual Loans	7.000.000	7.000.000	15/10/2014	4 years
Bank Overdrafts	529.851	5.500.000		
Commercial Paper:				
Toyota Caetano Portugal	16.400.000	16.400.000	27/02/2017(*)	3 years
Toyota Caetano Portugal	10.000.000	10.000.000	18/08/2015	5 years
Toyota Caetano Portugal	4.000.000	4.000.000	17/07/2017	5 years
Toyota Caetano Portugal	4.000.000	4.000.000	24/02/2017	1 year
Toyota Caetano Portugal		5.000.000	10/11/2016	5 years
	<u>46.929.851</u>	<u>58.900.000</u>		
	<u>56.929.851</u>	<u>68.900.000</u>		

(*) with amortization of 2 million euros per year

Then we detail the amount related to loans obtained or contracted credit lines for which real guarantees were granted for mortgages on real estate (Note 36):

- Commercial Paper: 15.400.000

Interests relating to the financial instruments mentioned above are indexed to Euribor (floor zero), plus a spread which varies between 0,85% and 2,75%.

The Group and its affiliates have available credit facilities as of December 31, 2018 amounting to approximately 91 Million Euros, which can be used in future operational activities and to fulfil financial commitments. There are no restrictions on the use of these facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

The item “Leasing” (current and non current) is related to the purchase of facilities and equipment. The detail of this caption, as well as the reimbursement plan can be summarized as follows:

		Current	Non current					
Contract	Leasings	12m	12 - 24m	24 - 36m	36 - 48m	>48m	TOTAL	TOTAL
2028278	Commercial facilities							
	Capital	97.895	98.632	119.047	-	-	217.679	315.574
	Interests	2.031	1.294	551	-	-	1.845	3.876
5653	Commercial facilities							
	Capital	24.610	24.995	25.385	25.781	342.974	419.135	443.745
	Interests	6.704	6.320	5.929	5.533	32.043	49.825	56.529
626064	Commercial facilities							
	Capital	172.274	178.402	184.747	191.318	343.240	897.707	1.069.981
	Interests	34.101	27.974	21.629	15.058	9.626	74.287	108.388
2032103	Commercial facilities							
	Capital	14.824	15.582	16.379	55.912	-	87.873	102.697
	Interests	4.798	4.040	3.243	787	-	8.070	12.868
30000343	Commercial facilities							
	Capital	41.592	42.431	43.288	44.161	391.126	521.006	562.598
	Interests	10.872	10.033	9.176	8.302	32.219	59.730	70.602
2017554	Commercial facilities							
	Capital	45.507	46.658	142.212	-	-	188.870	234.377
	Interests	5.340	4.190	1.399	-	-	5.589	10.929
05149	Commercial facilities							
	Capital	33.100	34.150	16.729	-	-	50.879	83.979
	Interests	2.153	1.104	148	-	-	1.252	3.405
Various	Vehicles							
	Capital	13.355.412	529.369	-	-	-	529.369	13.884.781
	Interests	136.334	1.768	-	-	-	1.768	138.102
Various	Industrial Equipment							
	Capital	5.930.069	5.058.018	3.907.707	2.780.941	1.305.958	13.052.624	18.982.693
	Interests	490.907	283.461	160.876	72.172	22.932	539.441	1.030.348
Total Capital		19.715.283	6.028.237	4.455.494	3.098.113	2.383.298	15.965.142	35.680.425
Total Interests		693.240	340.184	202.951	101.852	96.820	741.807	1.435.047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

Liabilities by Maturity:

Loans

	12m	12 – 24m	24 -36m	36 – 48 m	> 48m	Total
Mutual Loans	-	-	10.000.000	-	-	10.000.000
Guaranteed account	10.000.000	-	-	-	-	10.000.000
Bank Credits	923.669	-	-	-	-	923.669
Car Financing	2.499.961	-	-	-	-	2.499.961
Commercial Paper	19.400.000	-	-	-	-	19.400.000
Bond Loan	-	-	-	-	12.500.000	12.500.000
Leasing	19.715.283	6.028.237	4.455.494	3.098.113	2.383.298	35.680.425
Total Loans	52.538.913	6.028.237	14.455.494	3.098.113	14.883.298	91.004.055

Interests

	12m	12 - 24m	24 - 36m	36 - 48m	>48m	Total
Loan - mutual contract	220.521	221.125	54.375	-	-	496.021
Bond Loan	316.840	318.576	315.972	316.840	316.840	1.585.068
Financial Leases	693.240	340.184	202.951	101.852	96.820	1.435.047
Total interests	1.230.601	879.885	573.298	418.692	413.660	3.516.136

19. ACCOUNTS PAYABLE

As of December 31, 2018 and 2017 this caption was composed of current accounts with suppliers, which end at short term.

The Group, relating to financial risk management, has implemented policies to ensure that all liabilities are paid for within the defined payment period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

20. OTHER CREDITORS

As of December 31, 2018 and 2017 the detail of other creditors was as follows:

	Current Liabilities	
	2018	2017
Income Taxes withheld	376.634	371.448
Value Added Taxes	9.438.099	8.367.662
Vehicles Tax	2.275.238	1.863.835
Custom Duties	381	3.182
Employee's social contributions	682.841	675.338
Taxes of local Authorities	207.376	233.680
Others	14.364	4.954
Public Entities - Sub-total	12.994.933	11.520.099
Shareholders	15.542	10.618
Advances from Customers	736.091	996.238
Other Creditors	1.037.283	680.655
	1.788.916	1.687.511
Other Creditors - Sub-total	14.783.849	13.207.610

There are no debts related to public entities (State and Social Security).

21. PUBLIC ENTITIES (Statement of financial position)

As of December 31, 2018 and 2017 the caption public entities can be summarized as follows:

	2018	2017
Income Taxes		
Estimated Tax	1.939.181	1.716.581
	1.939.181	1.716.581

The aforementioned value in 2018 of estimated tax are related to Special Taxation Regimen for Groups of Companies ("RETGS") (1.6 million euros in 2017).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

Then is presented the decomposition of current income tax expense (see additional information in note 25):

Current taxes	2018	2017
Insufficient Tax (Note 25)	-	8.586
Tax Refunds (Note 25)	(439)	4.552
Current taxes estimation (Note 25)	5.316.334	2.899.055
Deferred income taxes (Note 14)	(554.080)	509.481
	4.761.815	3.421.674

22. OTHER CURRENT LIABILITIES

As of December 31, 2018 and 2017 the caption "Other Current Liabilities" was as follows:

	2018	2017
Accrued Cost		
Vacation pay and bonus	5.993.832	5.032.601
Advertising Campaigns	3.594.310	4.526.941
Specialization cost assigned to vehicles sold	779.842	1.209.909
Commission	967.344	834.344
Supply costs	363.377	639.876
Advance External Supplies and Services	489.929	544.552
Accrual for Vehicles Tax	804.876	451.103
Rappel charges attributable to fleet managers	486.430	402.399
Insurance	220.314	367.337
Municipal Property Tax	126.000	128.970
Interest	236.354	126.409
Royalties	71.170	69.579
Others	2.505.080	1.314.075
	16.638.858	15.648.095
Deferred Income		
Vehicle maintenance contracts	5.844.505	3.757.400
Subsidy granted	28.653	501.360
Publicity recuperation	29.283	37.657
Interest Charged to Customers	16.832	18.091
Others	176.425	168.002
	6.095.698	4.482.510
Total	22.734.556	20.130.605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

23. LIABILITIES FOR RETIREMENT PENSION COMPLEMENTS

Toyota Caetano (together with other associated and related companies) incorporated by public deed dated December 29, 1988, the Salvador Caetano Pension Fund, which was subsequently updated in February 2, 1994, in April 30, 1996, in August 9, 1996, in July 4, 2003, in February 2, 2007, in December 30, 2008, December 23, 2011 and in December 31, 2013.

As of December 31, 2018, the following companies of Toyota Caetano Group were associates of the Salvador Caetano Pension Fund:

- Toyota Caetano Portugal, S.A.
- Caetano Auto – Comércio de Automóveis, S.A.
- Caetano Renting, S.A.

The Pension Fund was set up to, while Toyota Caetano Group maintains the decision to make contributions to the referred fund, provide employees (beneficiaries), at their retirement date, the right to a pension complement, which is not subject to update and is based on a percentage of the salary, among other conditions. To cover these responsibilities, it was constituted an Independent Fund (managed by BPI Vida e Pensões, S.A.).

However, following a request to change the functioning of these compensations, requested from the ISP - Instituto de Seguros de Portugal, this Defined Benefit Plan started to cover, as of January 1, 2008, only current retired workers, former employees of the Group with "deferred pensions" and the current employees and staff of the Group over 50 years of age and at least 15 years of service to the Group.

The actuarial presumptions used by the fund manager include, the Mortality Table and disability TV 73/77 and SuisseRe 2001, respectively, as well as salary increase rate, pensions increase rate and discount rate of 1%, 0% and 1,57%, respectively. In 2017, the salary increase rate, pensions increase rate and discount rate were 1%, 0% and 1,6%, respectively.

The movement of the Fund responsibilities of the Group with the Defined benefit plan in 2018 and 2017 can be summarized as follows:

Liability at 1/1/2017	35.967.964
Current services cost	84.381
Interest cost	565.887
Actuarial (gains)/losses	1.505.591
Pension payments	(2.498.993)
Liability at 31/12/2017	35.024.830
Liability at 1/1/2018	35.024.830
Current services cost	74.424
Interest cost	541.905
Actuarial (gains)/losses	(446.442)
Pension payments	(2.460.403)
Other	84.524
Liability at 31/12/2018	32.818.838

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

The allocation of this amount during 2018 and 2017 to both plans (Defined benefit plan and Defined contribution plan) can be summarized as follows:

	Defined Benefit Plan	Defined Contribution Plan	Total
Value of the Fund at 31 December 2016	27.541.632	11.712.962	39.254.594
Contributions	440.755	191.554	632.310
Real return of plan assets	2.026.692	888.813	2.915.505
Pension payments	(2.498.993)	(52.771)	(2.551.764)
Transfers from other associate member account	-	38.520	38.520
Transfers to other associate member account	-	(33.969)	(33.969)
Use of reserve account	-	-	-
Value of the Fund at 31 December 2017	27.510.086	12.745.110	40.255.196
Contributions	-	126.481	126.481
Contributions of Reserve Account	-	589.461	589.461
Real recovery of the plan assets	555.556	321.859	877.415
Interests	421.669	-	421.669
Pension payments	(2.538.219)	(326.869)	(2.865.088)
Transfers to other associate member account	(23.369)	-	(23.369)
Use of reserve account	-	(589.461)	(589.461)
Others	-	(494)	(494)
Value of the Fund at 31 December 2018	25.925.723	12.866.087	38.791.810

As of December 31, 2018 and 2017, the breakdown of the asset portfolio of the Fund that covers the defined benefit plan was as follows:

Asset Portfolio	Portfolio Weight	Value 31-12-2018	Portfolio Weight	Value 31-12-2017
Stocks	10,53%	2.729.978	11,69%	3.215.929
Bonds	36,11%	9.361.779	35,88%	9.870.620
Real Estate	39,44%	10.225.105	39,43%	10.847.228
Cash	7,04%	1.825.171	10,67%	2.935.326
Other Assets	6,88%	1.783.690	2,33%	640.983
Total	100%	25.925.723	100%	27.510.086

At December 31, 2018, the investments with an individual weight greater than 5% of the total portfolio of assets in the Fund that covers the defined benefit plan was as follows:

Asset	Portfolio Weight	Value
Cimóvel - Fundo de Investimento Imobiliário Fechado	39,44%	10.225.105

The evolution of the Group's responsibilities in the defined benefit plan and the assets of the Fund allocated can be summarized as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

Defined benefit plan	2018	2017	2016	2015	2014	2013	2012
Responsibility amount	32.818.838	35.024.830	35.367.964	33.997.681	33.574.520	29.059.458	29.650.534
Fund Amount	25.925.723	27.510.086	27.541.632	28.297.093	29.075.997	28.855.219	28.444.454

The net obligations of Toyota Caetano Portugal Group evidenced above is safeguarded through a provision recorded in the amount of 9.326.000 Euros, reflected in the balance sheet, in the item Pension Fund Liabilities.

24. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements occurred in provisions during the years ended as of December 31, 2018 and 2017 were as follows:

	2018					Ending Balances
	Opening Balances	Increases	Decreases	Other regularizations		
Accumulated impairment losses in investments	2.780.809	-	-	-		2.780.809
Accumulated impairment losses in accounts Receivable (Note 11)	9.184.332	303.056	(189.918)	(520.512)		8.776.958
Accumulated impairment losses in inventories (Note 10)	1.452.410	1.002.950	(153.406)	(80.849)		2.221.105
Provisions	514.525	695.982	(200.014)	(128.946)		881.547

	2017					Ending Balances
	Opening Balances	Increases	Decreases	Other regularizations		
Accumulated impairment losses in investments	2.780.809	-	-	-		2.780.809
Accumulated impairment losses in accounts Receivable (Note 11)	9.443.797	70.466	(17.481)	(312.450)		9.184.332
Accumulated impairment losses in inventories (Note 10)	1.532.523	99.504	(179.617)	-		1.452.410
Provisions	407.105	212.991	-	(105.571)		514.525

The variation observed in the caption impairment losses is related essentially with write-off of impairments of clients.

25. INCOME TAXES (Income statement)

The income tax for the year ended as of December 31, 2018 and 2017 was as follows:

	2018	2017
Fiscal Losses (RETGS)	-	710.552
Others	(554.080)	(201.071)
Deferred income taxes (Note 14) – Sub-total	(554.080)	509.481
Income Tax (Note 21)	5.315.895	2.912.193
	4.761.815	3.421.674

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

The reconciliation of the earnings before taxes of the years ended at December 31, 2018 and 2017 can be summarized as follows:

	2018	2017
Profit before taxation	17.634.378	12.853.136
Tax on profit	22,50%	22,5%
Theoretical tax charge	3.967.735	2.891.956
Accounting surplus	(560.569)	(723.463)
Fiscally surplus	123.498	327.179
Non deductible expenses	233.459	-
Fair value adjustments	20.808	(52.368)
Fiscally adjustments	(2.742)	(6.730)
Depreciation not taxed	79.255	-
Non-deductible provisions	119.494	-
Others	404.901	145.907
Effective Tax	4.385.839	2.582.481
Additional income tax	930.495	316.574
Excess/Insufficient Tax	-	8.586
Tax Refunds	(439)	4.552
Income Tax	5.315.895	2.912.193
Deferred income taxes	(554.080)	509.481
Effective tax charge	4.761.815	3.421.674

26. EARNINGS PER SHARE

The earnings per share for the year ended as of December 31, 2018 and 2017 were computed based on the following amounts:

	2018	2017
Earnings		
Basic	12.786.759	9.338.305
Diluted	12.786.759	9.338.305
Number of shares	35.000.000	35.000.000
Earnings per share (basic and diluted)	0,365	0,267

During 2018 and 2017 there were no changes in the number of shares outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

2017

	NATIONAL										FOREIGN					ELIMINATIONS	CONSOLIDATED	
	Vehicles					Industrial equipment					Others							
	Industry	Commercial		Services	Rental	Others	Machines	Industrial equipment		Rental	Industry	Commercial	machines	Industrial equipment				Rental
		Services	Rental					Services	Rental					Services	Rental			
PROFIT																		
External Sales	20,232	440,334,110	16,047,231	6,037,408	-	17,697,317	4,702,864	13,710,647	-		39,348,115	20,363,767	668,804	28,375	9,980	402,261,454		
Income																		
Operational income	3,471	9,702,678	359,580	264,376		1,121,037	2,757,623	1,066,709	(4,336)		1,036,192	619,946	8,518	7,562	4,109	15,428,542		
Financial Income	(63)	(1,983,225)	(19,673)	(229,591)	(70)	(38,515)	(16,964)	(105,022)	(70)		(133,482)	(46,482)	(2,175)	(104)	(38)	(2,575,406)		
Net income with non controlling interests	2,561	5,507,251	251,648	(23,219)	(3,456)	813,677	2,060,012	709,917			678,521	407,660	4,768	5,606	3,059	9,431,462		
Total consolidated assets	34,460,907	316,129,620	9,535,050	30,358,679		10,865,055	1,918,348	32,138,323	22,038,800		-	7,808,861	-	-	-	298,480,671		
Total consolidated liabilities	7,736,010	193,465,866	6,839,406	25,059,198		2,042,834	313,210	33,297,371	3,603,322		-	3,438,720	-	-	-	166,381,019		
Capital expenses	194,884	2,836,698	136,590	19,456,039	483	-	117,514	8,084,301			-	47,951	-	-	-	28,814,157		
Depreciations	1,218,162	3,349,993	151,796	7,247,595	537	72,020	69,214	5,663,887			-	164,662	-	-	-	17,969,793		

The line "Turnover" includes Sales, Service Rendered and the amount of about 13.139.312Euros (12.226.743 Euros as of December 31, 2017) related to equipment rentals accounted in Other Operating Income (Note 31).

The column "Eliminations" mainly includes the elimination of transactions between Group companies included in consolidation, mainly belonging to Vehicles segment.

There is no revenue associated with transactions between the motor vehicle segment and the industrial equipment segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

28. SALES AND SERVICES RENDERED BY GEOGRAPHIC MARKETS

The detail of sales and services rendered by geographic markets, during the years ended as of December 31, 2018 and 2017, was as follows:

Market	2018		2017	
	Amount	%	Amount	%
National	383.699.911	85,86%	337.229.617	86,46%
Belgium	47.145.133	10,55%	39.060.407	10,01%
African Countries with Official Portuguese Language	15.493.747	3,47%	12.972.473	3,33%
Spain	59.068	0,01%	100.516	0,03%
United Kingdom	37.108	0,01%	5.283	0,00%
Germany	8.667	0,00%	5.814	0,00%
Others	431.176	0,10%	660.602	0,17%
	446.874.810	100,00%	390.034.711	100,00%

29. EXTERNAL SUPPLIES AND SERVICES

As of December 31, 2018 and 2017, the caption "External supplies and services" was as follows:

	2018	2017
Subcontracts	1.777.920	1.891.529
Specialized Services	19.193.567	20.293.999
Professional Services	6.693.830	5.732.349
Advertising	8.138.044	11.039.464
Vigilance and Security	469.186	503.179
Professional Fees	928.391	815.716
Commissions	514.766	219.528
Repairs and Maintenance	2.449.350	1.983.763
Materials	858.248	897.476
Utilities	3.394.927	3.038.170
Travel and transportation	3.528.700	3.035.556
Traveling expenses	1.905.850	1.589.693
Personnel transportation	99.112	93.692
Transportation of materials	1.523.738	1.352.171
Other supplies	13.560.878	14.072.835
Rent	2.465.913	2.615.226
Communication	716.925	757.750
Insurance	1.510.749	1.306.961
Royalties	446.094	420.680
Notaries	25.650	28.307
Cleaning and comfort	843.864	757.706
Other Services	7.551.683	8.186.205
	42.314.240	43.229.565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

30. PAYROLL EXPENSES

Payroll expenses are decomposed as follows:

	2018	2017
Payroll Management	582.204	559.153
Payroll Personnel	27.941.095	25.687.992
Benefits Plan	836.970	1.287.735
Termination Indemnities	715.082	884.175
Social Security Contribution	7.275.895	6.896.479
Workmen's Insurance	470.425	321.748
Others	3.342.526	2.997.262
	41.164.197	38.634.544

During 2018 and 2017, the average number of personnel was as follows:

Personnel	2018	2017
Employees	1.074	1.068
Workers	455	462
	1.529	1.530

31. OTHER OPERATING INCOME AND EXPENSES

As of December 31, 2018 and 2017, the caption "Other operating income" was as follows:

Other operating income	2018	2017
Guarantees recovered and other operating expenses	12.387.595	14.861.331
Lease Equipment	13.101.962	12.220.743
Commissions	4.999.858	3.998.119
Rents charged	3.937.061	3.550.376
Work for the Company	3.525.438	2.702.708
Advertising expenses and sales promotion recovered	4.085.723	2.649.639
Subsidies	2.883.793	2.074.972
Expenses recovered	1.925.722	2.042.402
Services provided	1.960.062	1.768.985
Gains in the disposal Tangible Fixed Assets	1.480.795	582.384
Compensation claims	52.631	47.562
Corrections on the previous exercises	243.405	44.340
	50.584.045	46.543.561

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

From the table presented above, we have:

- Recovery of guarantees and other operational expenses – it includes essentially Toyota Motor Europe guarantees and other charges to concessionaires;
- Services provided – refers mainly to administrative fees charged to companies outside the Toyota Caetano perimeter;
- Expenses recovery – it contains mainly revenues related with social services (canteen and staff training) charged to companies outside the Toyota Caetano perimeter.

As of December 31, 2018 and 2017, the caption “Other operating expenses” was as follows:

Other Operating Income	2018	2017
Taxes	1.143.367	1.037.204
Bad debts	384.280	41.276
Losses in inventories	73.600	-
Prompt payment discounts granted	6.515	1.158
Losses in other non financial investments	170.258	36.874
Corrections to previous years	21.241	342.943
Donations	332.580	29.722
Subscriptions	27.866	28.297
Fines and penalties	501.021	40.438
Others	1.639.703	983.293
	4,300.431	2,541.205

32. FINANCIAL INCOME AND EXPENSES

Consolidated net financial results as of December 31, 2018 and 2017 were as follows:

Expenses and Losses	2018	2017
Interest	1.691.988	1.860.607
Other Financial Expenses	164.407	748.162
	1.856.395	2.608.769

Income and Gains	2018	2017
Interest	13.813	4.938
Dividends (Cimóvel Fund)	339.700	-
Other Financial Income	-	28.425
	353.513	33.363

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

As of December 31, 2017, the caption "Other Financial Income" includes derivatives' fair value changes on the amount of 28.425 Euros, ending 22 June, 2017.

33. FINANCIAL ASSETS AND LIABILITIES

We summarize in the table below a resume of financial instruments of Toyota Caetano Group as of December 31, 2018 and 2017:

	Note	Financial Assets		Financial Liabilities	
		2018	2017	2018	2017
Available for sale financial assets	9	-	3.732.500	-	-
Instruments at fair value through capital	9	3.633.413	-	-	-
Accounts Receivable	11	57.203.815	52.192.195	-	-
Other Debtors – current	12	2.767.094	3.177.673	-	-
Bank Loans	18	-	-	39.400.000	56.400.000
Bond Loan	18	-	-	12.500.000	-
Leasing	18	-	-	35.680.425	23.008.943
Overdrafts	18	-	-	923.669	529.851
Car financing	18	-	-	2.499.961	-
Other Creditors	20	-	-	1.788.918	1.687.511
Accounts Payable	19	-	-	39.907.558	40.256.759
Other current liabilities	22	-	-	16.740.724	15.098.004
Cash and Cash Equivalents	15	17.075.155	17.267.570	-	-
		80.679.477	76.369.968	149.441.255	136.981.068

Financial Instruments at Fair Value

	Note	Financial Assets		Financial Liabilities	
		2018	2017	2018	2017
Available for sale financial assets	9	-	3.732.500	-	-
Instruments at fair value through capital	9	3.633.413	-	-	-
		3.633.413	3.732.500	-	-

Classification and Measurement

	Instruments at fair value through capital		Derivate Financial Instruments		Level
	At fair value	At cost	Cash Flow Hedge Accounting	Negotiation	
Cimóvel Fund	3.566.677	-	-	-	1)
Others	-	66.736	-	-	3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

According to the paragraph 93 of IFRS 13, we provide below, the disclosure of classification and measurement of financial instruments' fair value, by hierarchy level:

- a) Level 1 – quoted prices – available for sale financial assets: 3.566.677 Euros (3.665.764 Euros in 2017);
- b) Level 2 - inputs different from quoted prices included on level 1 that are observable for the asset or liability, both directly (prices), or indirectly – negotiation derivatives (*swap*);
- c) Level 3 - inputs for the asset or liability that are not based on observable market data.

Impact on the Income Statement and Other Comprehensive Income

	Impact on equity		Impact on Income	
	2018	2017	2018	2017
Derivate Financial Instruments	-	-	-	(28.425)
Available for sale financial assets	-	249.372	-	-
Instruments at fair value through capital	(99.087)	-	-	-
	(99.087)	249.372	-	(28.425)

34. OPERATIONAL LEASE

During the period of 2018, the minimum payments for operational leases amounted to approximately 3,5 million Euros (5,2 million Euros in 2017). Of that amount, 1,8 million relate to payments with maturity of one year, 1,7 million relate to payments to occur in the period between one to five years and 120 thousand Euros relate to payments of maturity of more than five years.

Minimum payments of operational lease	2018	2017
Not more than one year	1.798.065	1.976.856
More than one year and no more than five	1.619.749	3.045.611
More than five years	120.342	141.425
	3.538.155	5.163.892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

35. RELATED PARTIES

Balances and transactions between the Parent Company and its affiliates, which are related entities to the Parent Company, were eliminated in the consolidation process, so they will not be disclosed in this Note. Balances and transactions details between the Group and the related parties (through Salvador Caetano Group, S.G.P.S, S.A.) can be summarized as follows:

Company	Commercial Debts		Products		Fixed assets		Services		Others	
	Receivable	Payable	Sales	Purchases	Purchases	Receivable	Payable	Sales	Purchases	Purchases
Amorim Brito & Sardinha, Lda.	167	-	-	-	-	-	-	-	-	2,805
Atlântica - Companhia Portuguesa de Pesca, S.A.	5,173	-	-	-	-	-	-	-	-	17
Auto Partner Imobiliária, S.A.	1,595	17,749	-	-	-	-	-	61,199	-	-
Cabo Verde Rent-a-Car, Lda.	103,353	9,133	-	-	-	-	140,613	185,095	-	-
Caetano Active, S.A.	1,008	430	396	-	-	-	11,465	1,369	-	27
Caetano Aeronautic, S.A.	56,112	8,659	548	-	-	-	28,496	310,226	311,829	449,949
Caetano Baviera - Comércio de Automóveis, S.A.	328,816	133,508	3,459,002	504,545	-	-	39,455	285,827	608,581	247,569
Caetano City e Active (Norte), S.A.	338,497	91,763	3,496,594	8,051	-	131,348	461	103,899	279,244	(45,452)
Caetano Drive, Sport e Urban, S.A.	60,204	83,916	(37,702)	11,830	-	-	117,772	327,303	-	(528)
Caetano Energy, S.A.	55,784	14,251	11,228	24,002	-	-	50,267	14,122	-	6,692
Caetano Fórmula, S.A.	2,667	185,589	(17,820)	846,454	-	-	25,303	(18,659)	-	1,204
Caetano Fórmula East África, S.A.	2,042	-	-	-	-	-	-	-	-	3,738
Caetano Fórmula West África, S.A.	330	-	-	-	-	-	-	-	-	297
Caetano Motors, S.A.	128,967	76	(20,155)	842	-	-	36,457	21,911	-	1,723
Caetano Move África, S.A.	84	-	1,099	-	-	-	-	-	-	95
Caetano One CV, Lda.	116,632	3,269	-	-	-	-	29,372	1,015	-	-
Caetano Parts, Lda.	123,042	1,408,346	1,833,129	5,572,139	-	-	1,977	16,227	2,241	1,318
Caetano Power, S.A.	66,068	30,533	(33,470)	698	-	-	73,969	2,152	(106,605)	(513)
Caetano Retail (S.G.P.S.), S.A.	233,612	18,648	1,044	-	-	-	1,895	13,327	-	328,861
Caetano Retail España, S.A.U.	-	-	-	-	-	-	-	-	-	5,635
Caetano Squadra África, S.A.	383	-	-	-	-	-	-	-	-	379
Caetano Star, S.A.	21,540	1,646	4,107	874	-	-	-	2,394	1,034	28,620
Caetano Technik, Lda.	10,148	24,652	1,834	49,227	-	-	21,823	1,487	-	3,235
CaetanoBus - Fabricação de Carroçarias, S.A.	4,208,338	187,538	90,852	67,876	9,000	4,930	117,448	212,781	252,046	2,526,924
Caetsu Publicidade, S.A.	5,768	682,197	60,059	-	-	-	4,882	3,467,986	3,255,334	6,833
Carplus - Comércio de Automóveis, S.A.	12,481	2,093	40,442	35,732	-	-	86,001	176	450	15,916
Choice Car, S.A.	3,451	758	-	-	-	-	-	19,573	19,631	18,303
COCIGA - Construções Cívis de Gaia, S.A.	5,727	433,081	-	-	185,467	-	9,302	227,476	227,476	11,152
COVIM - Soc. Agrícola, Silvícola e Imobiliária, S.A.	-	-	-	-	-	-	-	2,000	2,000	-
Finlog - Aluguer e Comércio de Automóveis, S.A.	617,886	336,409	1,480,563	377,739	-	-	419,135	1,297,800	538,611	58,813
Fundação Salvador Caetano	-	-	-	-	-	-	-	-	-	21
Grupo Salvador Caetano, (S.G.P.S.), S.A.	-	-	-	-	-	-	-	-	-	85
Guérin - Rent-a-Car (Dois), Lda.	498,155	116,193	156,491	148,228	-	-	1,550,920	13,668	10,159	178,262
Hyundai Portugal, S.A.	9,315	-	8,256	35	-	-	39,735	-	-	46,267
Ibericar Motors Cádiz, S.L.	-	-	-	-	-	-	-	-	-	385
Ibericar Reicomsa, S.A.	-	-	-	-	-	-	-	-	-	752
Lidera Soluciones, S.L.	-	70,016	-	-	-	-	-	-	71,924	-
Luslectra - Veículos e Equipamentos, S.A.	31,522	169,409	48,002	66,455	5,253	-	68,839	429,329	155,920	60,308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

Company	Commercial Debts		Products		Fixed assets		Services		Others	
	Receivable	Payable	Sales	Purchases	Purchases	Company	Receivable	Payable	Sales	Purchases
MDS Auto - Mediação de Seguros, S.A.	2,312	-	132	890,759	-	-	106	-	-	6,017
Movicargo - Movimentação Industrial, Lda.	3,737	551,869	290	-	-	-	8,009	866,334	659,348	6,082
P.O.A.L. - Pavimentações e Obras Acessórias, S.A.	17,806	-	-	-	-	-	-	-	-	-
Portianga - Comércio Internacional e Participações, S.A.	125,133	332,520	150,182	648	-	-	49,368	310,152	251,665	75,838
RARCON - Arquitectura e Consultadoria, S.A.	-	39,655	-	-	6,340	-	-	94,742	94,742	-
Rigor - Consultoria e Gestão, S.A.	44,794	1,386,682	1,020	-	26,857	-	168,483	3,960,998	2,415,788	252,717
Robert Hudson, LTD	1,161	-	2,994	-	-	-	-	-	-	1,474
Salvador Caetano Auto África, (S.G.P.S.), S.A.	63	-	-	-	-	-	-	-	-	145
Salvador Caetano Auto, (S.G.P.S.), S.A.	48	-	-	-	-	-	-	-	-	124
Salvador Caetano Capital, (S.G.P.S.), S.A.	31	-	-	-	-	-	-	-	-	26
Salvador Caetano Equipamentos, S.A.	-	-	-	-	-	-	-	-	-	9
SIMOGA - Sociedade Imobiliária de Gaia, S.A.	1,374	-	-	-	-	-	-	-	-	-
Sozô Portugal, S.A.	1,902	-	-	-	-	-	-	-	-	13,437
Turispaiwa - Sociedade Turística Paivense, S.A.	138	-	-	-	-	-	-	-	-	1,448
VAS África (S.G.P.S.), S.A.	105	-	-	-	-	-	-	-	-	85
Vas Cabo Verde, Sociedade Unipessoal, S.A.	250,084	1,747	44,625	-	-	-	78,097	5,356	-	117,540
	7,893,183	6,342,335	10,783,742	8,606,134	232,917	136,278	3,179,850	12,428,653	9,051,418	4,434,651

Goods and services purchased and sales to related parties were made at market prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

36. CONTINGENT ASSETS AND LIABILITIES

Financial commitments assumed and not included in Consolidated Statement of Financial Position:

As of December 31, 2018 and 2017, Toyota Caetano Group had assumed the following financial commitments:

Commitments	2018	2017
Credits	253.063	96.391
Guarantees of Imports	4.000.000	4.000.000
	4.253.063	4.096.391

At December 31, 2018 and 2017, the financial commitments classified as "Guarantees for Imports" the amount of 4 million Euros is related with guarantees on imports provided to Customs Agency.

Following the 15 million Euros debt contracting, the Group has granted mortgages to the respective financial institutions, valued at about 23,4 million Euros, at the financing date.

Taxes Liquidation:

Toyota Caetano Portugal, S.A.

Litigations in progress

Claim against agency contract termination

The judicial claim presented by a former agent, who was pendent of appeal at the Supreme Court of Justice, was concluded. As conviction of the Board of Directors, no responsibilities were result by the Group.

Judicial claim against collective dismissal

The judicial claim against collective dismissal was completed in 2016 with the existence of agreements.

The board and its legal advisors believe that the collective dismissal process occurred in 2012, is based on strong market, structural and technological reasons.

It is conviction of the board that no responsibilities will arise for the Group from the end of this process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

End of life vehicles

In September 2000, the European Commission approved a Directive regarding end-of-life vehicles and the responsibility of Producers/Distributors for dismantling and recycling them.

Producers/Distributors will have to support at least a significant part of the cost of the dismantling of vehicles that went to the market after July 1, 2002, as well as in relation to vehicles produced before this date, but presented as of January 1, 2007.

This legislation will impact Toyota vehicles sold in Portugal. Toyota Caetano and Toyota are closely monitoring the development of Portuguese National Legislation in order to assess the impact of these operations in its financial statements.

It is our conviction, in accordance with studies performed on the Portuguese market, and taking in consideration the possible usage of the vehicles parts resulting from the dismantlement, that the effective impact of this legislation in the Group accounts will be reduced or nil.

Meanwhile, and according to the legislation in force (Dec./Law 196/2003), the Group signed a contract with “ValorCar – Sociedade de Gestão de Veículos em Fim de Vida, Lda” - a licensed entity for the management of an integrated system of ELV- the transfer of the liabilities in this process.

Information related to environmental area

The Group adopts the necessary measures relating to the environment, aiming to fulfil current applicable legislation.

The Toyota Caetano Group Board of Directors does not estimate that there are risks related to the environmental protection and improvement, not having received any infraction related to this matter during 2018.

37. REMUNERATION OF BOARD MEMBERS

The remuneration of the board members during the years 2018 and 2017, was as follows:

Board Members	2018	2017
Board of Directors Fixed remunerations	582.204	559.153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts in Euros)

38. REMUNERATION OF STATUTORY AUDITOR

The remuneration of the Statutory Auditor, PricewaterhouseCoopers & Associados – S.R.O.C., Lda. for December 31, 2018 and 2017, was as follows:

	2018	2017
Total fees related statutory audit	55.000	56.575
Total fees related limited account review	3.000	3.000
Total fees related assurance services	1.000	1.000
	59.000	60.575

39. SUBSEQUENT EVENTS

Since the conclusion of the year 2018 and up to date no significant events occurred.

40. FINANCIAL STATEMENTS APPROVAL

The consolidated financial statements were approved by the Board of Directors on March 20, 2019.

According to the Portuguese Commercial Companies Code, it is possible the amended for these Financial Statements, after approval by the Board of Directors.

41. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a translation of financial statements originally issued in Portuguese language in accordance with IFRS. In the event of discrepancies, the Portuguese language version prevails.

CHARTERED ACCOUNTANT

ALEXANDRA MARIA PACHECO GAMA JUNQUEIRA

BOARD OF DIRECTORS

JOSÉ REIS DA SILVA RAMOS - Chairman
 MARIA ANGELINA MARTINS CAETANO RAMOS
 SALVADOR ACÁCIO MARTINS CAETANO
 MIGUEL PEDRO CAETANO RAMOS
 KATSUTOSHI NISHIMOTO
 MATTHEW PETER HARRISON
 RUI MANUEL MACHADO DE NORONHA MENDES

OPINIONS

Report and opinion of the Fiscal Council

Dear Shareholders:

1. In accordance with the terms of item g) of article 420.^º of the “Código das Sociedades Comerciais” and the Articles of Association, it is our duty submit to your appreciation the report concerning the activity performed and to issue opinion regarding the documents and statements of the individual and consolidated accounts of TOYOTA CAETANO PORTUGAL, SA, referring to the financial year of 2018, which were presented to us by the Board of Directors.

2. In accordance with the assignments conferred to us, during this exercise we proceeded to the follow-up of the social business and to its evolution and, with the frequency and extent considered advisable and appropriate, to the general analysis of the financial procedures, accounting policies and measurement criteria adopted by the company.

3. We had analysed and approved the provision of additional services by PricewaterhouseCoopers & Associados - SROC, Lda. for the year 2018.

4. We have no knowledge of any situation which didn't respect the articles of association and the legal terms applicable.

5. We analysed the Individual Legal Certification of Accounts and the Consolidated Legal Certification of Accounts issued by the Statutory External Auditor, with which we agree.

Thus,

6. All members of the Fiscal Council of TOYOTA CAETANO PORTUGAL, S.A., under the terms of item c) of number 1 of article 245.^º of the “Código de Valores Mobiliários”, hereby declare that, as far as it is their knowledge, the information provided in item a) of the above referred article, including documents of individual and consolidated accounts, was elaborated according to the accounting rules applicable, evidencing a correct and clear image of the assets and liabilities, of the financial situation and results of TOYOTA CAETANO PORTUGAL, SA and that the management report clearly shows the business evolution, the performance and the position of the Company and companies included in its perimeter of consolidation, evidencing as well a description of the mains risks and incertitude's to be faced.

7. And, under the terms of number 5 of article 420.^º of “Código das Sociedades Comerciais”, the Fiscal Council of TOYOTA CAETANO PORTUGAL, S.A. states that the report on the structure and practices of corporate governance includes the elements referred in article 245.^º-A of “Código dos Valores Mobiliários”.

8. Accordingly, we are of the opinion that the Annual General Meeting:

- a) Approve the management report of the Board of Directors and the individual and consolidated Accounts related to the financial year ended on the December 31st, 2018;
- b) Approve the proposal for the net result application, contained in the management report of the Board of Directors.

Vila Nova de Gaia, 20th March 2019

José Domingos da Silva Fernandes

Alberto Luis Lema Mandim

Daniel Broekhuizen

Statement of the Fiscal Council

All members of the Fiscal Council of TOYOTA CAETANO PORTUGAL, S.A., under the terms of item c) of number 1 of article 245.^º of the “Código de Valores Mobiliários”, hereby declare that, as far as it is their knowledge, the information provided in item a) of the above referred article, including documents of individual and consolidated accounts, was elaborated according to the accounting rules applicable, evidencing a correct and clear image of the assets and liabilities, of the financial situation and results of TOYOTA CAETANO PORTUGAL, SA and that the management report clearly shows the business evolution, the performance and the position of the Company and companies included in its perimeter of consolidation, evidencing as well a description of the mains risks and incertitude’s to be faced.

Vila Nova de Gaia, 20th March 2019

José Domingos da Silva Fernandes

Alberto Luis Lema Mandim

Daniel Broekhuizen

Statutory Audit

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Toyota Caetano Portugal, S.A. (the Entity), which comprise the statement of financial position as at 31 December 2018 (which shows total assets of Euro 284,867,247 and total shareholders' equity of Euro 136,399,907 including a net profit of Euro 12,786,759), the statement of income by nature, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Toyota Caetano Portugal, S.A. as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal

Key audit matter	Summary of the audit approach
Revenue cut-off	
Disclosures related with revenue presented in the notes to the financial statements 2.3.n), 23 and 24.	In order to mitigate the risk of a cut-off error concerning revenue recognition arising from sales of goods, we have performed the following audit procedures:
The Company's revenue amounts to Euro 364 million This amount includes Euro 32.7 million referent to sales occurred in December.	<ul style="list-style-type: none"> - Identification and test of key controls related with revenues and receivables processes;
According to IFRS 15, revenue is recognized in the income statement when the control is transferred from the seller to the buyer, and this recognition may be effected at one time if the transfer of control takes place on a specific date or over time if that transfer takes place over a certain period of time.	<ul style="list-style-type: none"> - Inventory counting assistance and analysis of adjustments made to inventory;
The automatic recognition of revenue is made at the moment of billing issuance. In a moment after that, a manual adjustment is made to the sales related with cars that, at the reporting date, were not delivered to the clients.	<ul style="list-style-type: none"> - Tests of detail to the cut-off assertion through the verification of delivery notes;
This issue is a key audit matter because there is a gap between the billing moment and the moment of the transfer of significant risks and rewards to the client, and also because the mentioned manual adjustment results from a manual procedure.	<ul style="list-style-type: none"> - Tests of detail to revenue manual adjustments; - Analytical procedures to the caption sales (variance analysis against last year and budget); - Verification of disclosures and analysis of the impact of the adoption of IFRS 15.

Key audit matter	Summary of the audit approach
Used cars valuation	
Disclosures related with inventory presented in the notes to the financial statements 2.3.e) and 11.	In order to mitigate the risk of the carrying amount of used cars inventory being greater than their net realizable value, we have performed the following audit procedures:
The Company presents in the statement of financial position, inventory amounting to Euro 61 million, representing about 21% of total assets. The mentioned amount includes Euro 50 million related with merchandise, which are measured at the lower of average acquisition cost and net realizable value.	- Test of detail to the valuation of used cars inventory as of December 31, 2018
The amount of merchandise contains Euro 12.8 million referent to used cars, without any cumulative impairment loss being recognized.	- Validation of valuation assumptions, including, among other procedures, analysis of historical commercial information and comparison between the Company's expectations concerning the net realizable value of used cars and market analysts' expectations.
According to IAS 2, merchandise and raw and subsidiary materials are measured at average cost, which is lower than their respective market value. The inventory cumulative impairment losses reflect the difference between the acquisition cost and the net realizable value.	- Assessment of the controls implemented by the Company in order to minimize days in inventory related with used cars.
This issue is a key audit matter because of the magnitude of the amount of used cars inventory as well as the judgement inherent to assessment of impairment losses. There is the risk of the amount of recognized cumulative impairment losses not totally reflecting the effective loss and that the difference between both amounts is material.	- Analytical review to margins of used cars as well as to inventory turnover related with used cars.
	- Analysis of used cars' sales occurred after December 31, 2018 in order to identify situations in that the net realizable amount is lower than the carrying amount as of December 31, 2018.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

- a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria;
- e) the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Entity's financial information.

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 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:

- a) 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;
- b) 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;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) 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;

- e) 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;
- f) communicate with those charged with governance, including the supervisory board, 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;
- g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure;
- h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law, and verifying that the non-financial information was presented.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified. As set forth in paragraph 7 of article No. 451 of the Portuguese Company Law, this opinion is not applicable to the non-financial statement included in the Director's report.

Non-financial statement set forth in article No. 66-B of the Portuguese Company Law

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity included in its Director's report the non-financial statement set forth in article No. 66-B of the Portuguese Company Law.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

- a) We were first appointed auditors of the Entity in the Shareholders' General Meeting of 23 April 2010 having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of 30 April 2015 for the period from 2015 to 2018.
- b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud.
- c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board as of 20 March 2019.
- d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Entity in conducting our audit.

20 March 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

José Miguel Dantas Maio Marques, R.O.C.

Statutory Audit Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Toyota Caetano Portugal, S.A. (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 (which shows total assets of Euro 320,052,491 and total shareholders' equity of Euro 137,873,129 including a net profit of Euro 12,786,759), the consolidated statement of income by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Toyota Caetano Portugal, S.A. as at 31 December 2018, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key audit matters	Summary of the audit approach
Revenue cut-off	
Disclosures related with revenue presented in the notes to the consolidated financial statements 2.3.p), 27 and 28.	In order to mitigate the risk of a cut-off error concerning revenue recognition arising from sales of goods, we have performed the following audit procedures:
The Group's revenue amounts to Euro 447 million. This amount includes Euro 38.5 million referent to sales occurred in December.	- Identification and test of key controls related with revenues and receivables processes;
According to IFRS 15, revenue is recognized in the income statement when the control is transferred from the seller to the buyer, and this recognition may be effected at one time if the transfer of control takes place on a specific date or over time if that transfer takes place over a certain period of time.	- Inventory counting assistance and analysis of adjustments made to inventory;
The automatic recognition of revenue is made at the moment of billing issuance. In a moment after that, a manual adjustment is made to the sales related with cars that, at the reporting date, were not delivered to the clients.	- Tests of detail to the cut-off assertion through the verification of delivery notes;
This issue is a key audit matter because there is a gap between the billing moment and the moment of the transfer of significant risks and rewards to the client, and also because the mentioned manual adjustment results from a manual procedure.	- Tests of detail to revenue manual adjustments;
	- Analytical procedures to the caption sales (variance analysis against last year and budget);
	- Verification of disclosures and analysis of the impact of the adoption of IFRS 15.
Used cars valuation	
Disclosures related with inventory presented in the notes to the consolidated financial statements 2.3.e) and 10.	In order to mitigate the risk of the carrying amount of used cars inventory being greater than their net realizable value, we have performed the following audit procedures:
The Group presents in the consolidated statement of financial position, inventory amounting to Euro 99 million representing about 31% of total assets. The mentioned amount includes Euro 90 million related with merchandise, which are measured at the lower of average acquisition cost and net realizable value.	- Test of detail to the valuation of used cars inventory as of December 31, 2018
The amount of merchandise contains Euro 44.1	- Validation of valuation assumptions, including, among other procedures, analysis of historical commercial information and comparison between

Key audit matters	Summary of the audit approach
<p>million referent to used cars, being the respective cumulative impairment losses of Euro 2 million.</p> <p>According to IAS 2, merchandise and raw and subsidiary materials are measured at average cost, which is lower than their respective market value. The inventory cumulative impairment losses reflect the difference between the acquisition cost and the net realizable value.</p> <p>This issue is a key audit matter because of the magnitude of the amount of used cars inventory as well as the judgement inherent to assessment of impairment losses. There is the risk of the amount of recognized cumulative impairment losses not totally reflecting the effective loss and that the difference between both amounts is material.</p>	<p>the Group's expectations concerning the net realizable value of used cars and market analysts' expectations.</p> <ul style="list-style-type: none"> - Assessment of the controls implemented by the Group in order to minimize days in inventory related with used cars. - Analytical review to margins of used cars as well as to inventory turnover related with used cars. - Analysis of used cars' sales occurred after December 31, 2018 in order to identify situations in that the net realizable amount is lower than the carrying amount as of December 31, 2018.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

- a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;
- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria;
- e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

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:

- a) 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;
- b) 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;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) 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;
- e) 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;
- f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

- g) communicate with those charged with governance, including the supervisory board, 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;
- h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure;
- i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law, and verifying that the non-financial information was presented.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified. As set forth in paragraph 7 of article No. 451 of the Portuguese Company Law, this opinion is not applicable to the non-financial statement included in the Director's report.

Non-financial statement set forth in article No. 508-G of the Portuguese Company Law

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity included in its Director's report the non-financial statement set forth in article No. 508-G of the Portuguese Company Law.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

- a) We were first appointed auditors of Toyota Caetano Portugal, S.A. in the Shareholders' General Meeting of 23 April 2010 having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of 30 April 2015 for the period from 2015 to 2018.
- b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.
- c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of 20 March 2019.
- d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

20 March 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

José Miguel Dantas Maio Marques, R.O.C.

REMUNERATION COMMITTEE DECLARATION:

The Remuneration Committee of Toyota Caetano Portugal, S.A states the following:

a) Compliance with the policy set defined for Financial Year of 2018:

Analyzed all accounting data and other records of Toyota Caetano Portugal, this Committee verified that the changes occurred in the remuneration of the Governing Bodies during the year 2018 complied with the proposals of this Committee approved in the General Meeting of Shareholders of April 20, 2018.

b) Policy of Remuneration applicable during the Financial Year 2019:

In view of the current economic climate and given the forecasts of activity and results for the financial year 2019, provided by the Management of the Company, it is the understanding of this Committee that the amounts of remuneration of the fixed nature for all members of the governing bodies, who maintain executive functions, must respect in its essence the deliberations of the Management concerning the salary policy to be applied to the remaining Employees, in other words, they must in 2019 be updated in a range between 1,5% to 3%.

For the non-Executive, this Committee has the opinion that they shall not receive any remuneration, as it is the practice hitherto followed.

Regarding the Variable Remuneration of the executive members of the Board of Directors, it has been allocated according to the results obtained by the Company, combining with the distribution policy of dividends to the shareholders and the bonus payable to employees.

In 2018, when this remuneration component was attributed, was met the Commission's proposal of not exceeding 2% of the distributable results.

Therefore and referring to paragraph b) of number 3 of article 2 of Law 28/2009 of 19 June, this Remuneration Committee proposes the maintenance of this criteria for 2019, namely that the variable remuneration of the Executive Members of the Board of Directors as a whole does not exceeds 3% of the distributable profits determined in the financial year of 2018.

The decision to award Variable Remuneration depending on the results obtained has implicit the verification of the alignment of interests of the members of the Board of Directors with the interests of the Company and, therefore, is one of the mechanisms to be integrated in paragraph a) of number 3 of article 2 of Law No. 28/2009 of 19 June and simultaneously responding to paragraph e) of the same number of article 2 of Law No.28/2009, ensuring the limitation of the variable remuneration in the case that the results obtained are of a negative nature.

Concerning the information related to paragraph c) of number 3 of article 2 of Law No. 28/2009 of June 19, we certify the absence of any plan of allocation of shares or options to acquire shares by the members of the administration and supervision. This committee proposes to maintain this criterion.

The company's practice in the timing of annual payments must, in our opinion, remain, and therefore shall be excluded the possibility stated in paragraph d) of number 3 of article 2 of Law No. 28/2009.

The Remuneration Committee

Alberto Luis Lema Mandim
Maria Conceição Monteiro da Silva
Francelim Costa da Silva Graça