

2020
REPORT AND ACCOUNTS
CONSOLIDATED ACCOUNTS

SP5

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SPB

From left to right
José Figueira; Besma Kraiem; Pedro Matias; João Safara.





MESSAGE FROM THE ISQ'S CHAIRMAN OF THE BOARD OF DIRECTORS

We are pleased to present our Report & Accounts for the year 2020, which seeks to convey what our vast Team has accomplished over the last year.

No, we are not going to talk about everything that has impacted Europe and the World over the past year. No, we are not going to mention that word that we all know has plagued our personal and professional lives and devastated so many people around the world.

We prefer to highlight the word that defined ISQ during 2020: resilience. The resilience shown by all the employees of ISQ and the ISQ Group, which allowed us to get through a painful 2020 with a constructive spirit and with our sights firmly set on the future.

We will probably be one of the few entities in the world to present a Report & Accounts whose introduction will not feature the words that defined 2020. We want to overcome this phase quickly and so we will not place emphasis on that event. We want to turn the page, we want the future, we want the opportunity to show that in real-world working conditions we are among the best, and that even under adverse conditions we can resist and contribute value.

The Strategic Plan implemented at ISQ in recent years has in fact today made us a more competent and professional entity, with a more robust Balance Sheet and better preparation to combat and resist adversity.

We have a magnificent team of employees that every day give the best of themselves and contribute to ensuring that our products, services and competences are placed at the service of industry and people, both nationally and internationally.

ISQ is a company whose history dates back over 50 years, with many diversified initiatives and where many employees world over give the best of themselves to provide innovative and value added services to our Customers and Stakeholders.

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It should also be noted that over recent years we have worked hard and in close collaboration with the General & Supervisory Board on the implementation of the MINERVA Project. This project was crucial for us to create a stronger, more robust and more dynamic ISQ, better prepared to face future challenges.

Alongside our commitment to Innovation, the topic of Sustainability is essential for us, and so we run several initiatives in this area. Our commitment to sustainable development, along with a focus on Digital and supplying services based on Digital and remote platforms will be increasingly present in our value proposition to present to Customers.

In terms of the consolidated accounts of the ISQ Group, by 2020 we will have achieved a turnover of more than 63 million euros, which translates into an EBITDA of more than 3.7 million euros. Unfortunately, due to macroeconomic issues, specifically exchange rate variations and losses, the Net Result of the consolidated accounts for the year will not be positive.

The Board of Directors is grateful for the commitment and valuable work done by all our Employees, Associates and Governing Bodies for their invaluable support and contributions to ISQ; and to our Customers, who want to work with the best and, therefore, place their trust in us.

It is certainly with the commitment, high levels of professionalism and dedication of all those involved in the life of ISQ that ISQ will be able to position itself among the world leaders in the sector and achieve an organisation that is increasingly forward-looking.


Pedro de Almeida Matias

A person wearing a white hoodie with a graphic on the back is sitting on a rooftop ledge, looking out over a city skyline at dusk. The sky is filled with clouds, and the city lights are visible in the distance. The person is wearing a white hoodie with a graphic on the back that appears to be a stylized 'M' or a similar letter. The background shows a city with various buildings and a body of water in the distance.

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Our commitment to sustainable development, along with a focus on Digital and supplying services based on Digital and remote platforms will be increasingly present in our value proposition



ISQ

ISQ is a private and independent association, of public utility, created in 1965 with the aim of supporting industry through knowledge and technology transfer in the welding area.

As it is an association, ISQ has no share capital. Its associates (partners) may be national or foreign natural or legal persons (in different categories, as stipulated by the Articles of Association). ISQ's corporate governance structure comprises the General Assembly, the General and Supervisory Board, the Board of Directors and the Audit Committee.

ISQ's mission is to provide scientific and technological support, by promoting continuous improvement, innovation and the safety of people and goods, in industry and services, with an international presence and vocation, while ensuring its sustainability and the development of its employees.

Currently considered as the largest piece of technological infrastructure in Portugal, it aims to be and become recognised as an autonomous technological organisation, with an international scope, in progressive expansion, which develops and provides independent and comprehensive services and innovative and integrated solutions, while acting efficiently and supported by its values.

ISQ also has a group of national and international affiliated companies covering multiple countries on 4 continents and operating in various fields, such as: Training; Engineering; Pharmaceutical; Food Safety; and Consultancy, among others.

The ISQ Group enjoys two complementary profiles: a technological infrastructure model (interface centre) and an enterprise model in business management, meaning that its competitive advantages allow it to benefit from the latest trends, challenges and opportunities, both nationally and in the different geographical areas where ISQ has a presence.

Emphasis should be placed on the following competitive advantages of the ISQ Group:

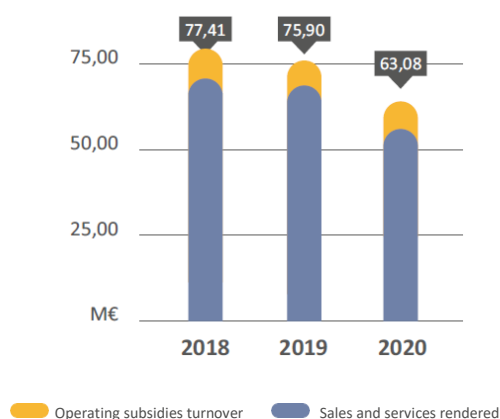
- Market leadership in inspection, testing, technical training and technical consultancy services;
- Independence and quality of service;
- A major commitment to research, development and innovation;
- An extensive network of research and development partners, as well as national and international business partners;
- Recurring investment in key laboratories;
- A body of experienced and qualified professionals;
- A brand that conveys confidence, suitability and professionalism.

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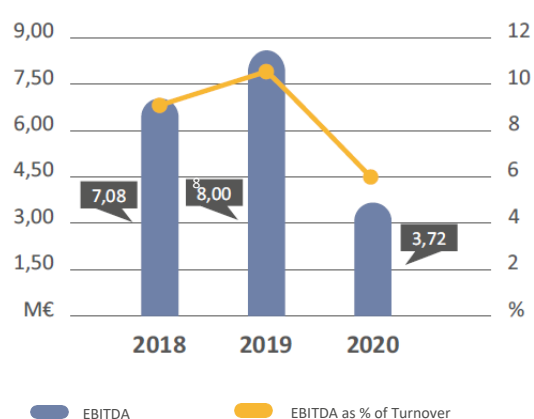
ISQ IN FIGURES



TURNOVER

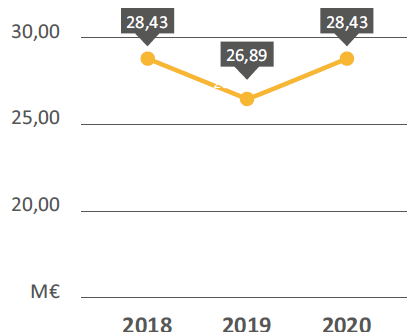


EBITDA AND EBITDA MARGIN

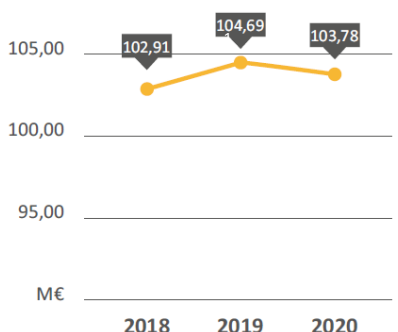


MAIN INDICATORS (M€) 2018 TO 2020

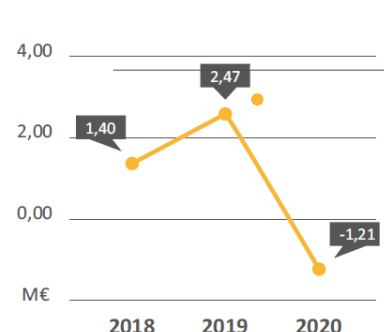
NET DEBT



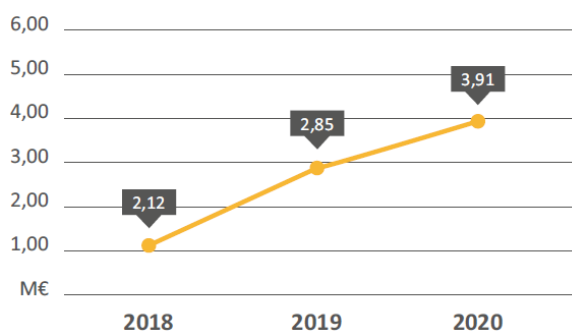
TOTAL ASSETS



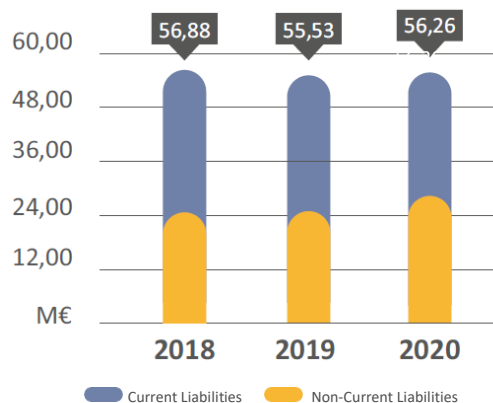
NET RESULT



OPERATING CASH FLOWS



CURRENT AND NON-CURRENT LIABILITIES

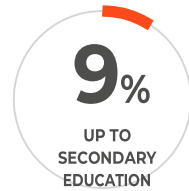
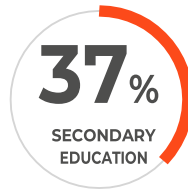
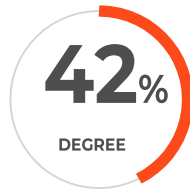


ISQ IN THE WORLD

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QUALIFICATIONS

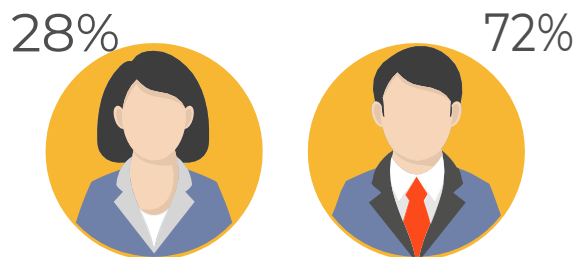


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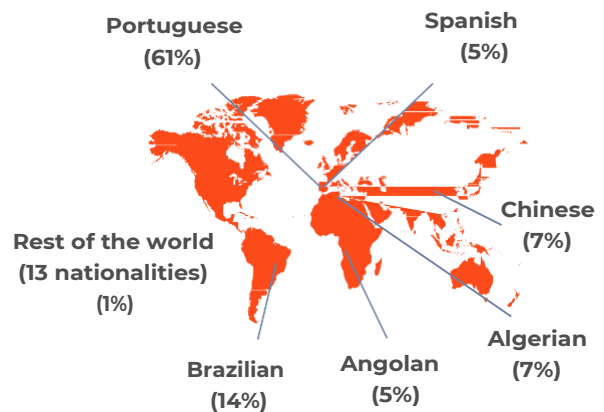
THE PEOPLE OF THE ISQ GROUP

There are around 1,150 men and 450 women of 19 different nationalities.
More than 50% have completed higher education and 70% are under 45 years old.
Most of them have been with the ISQ Group for over 5 years.

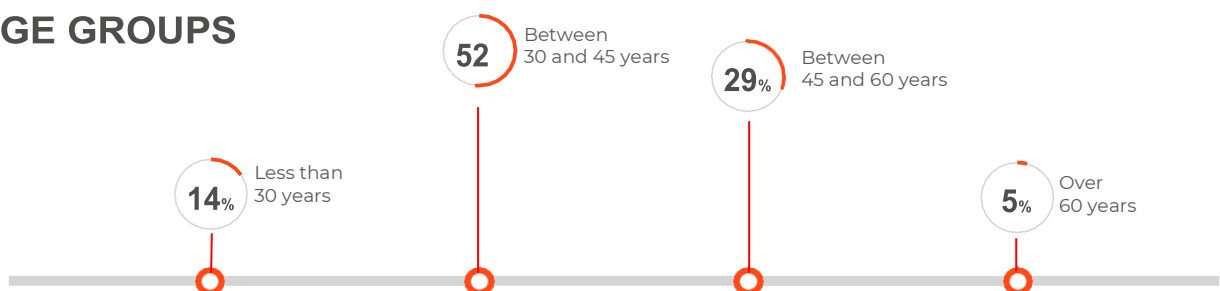
GENDER



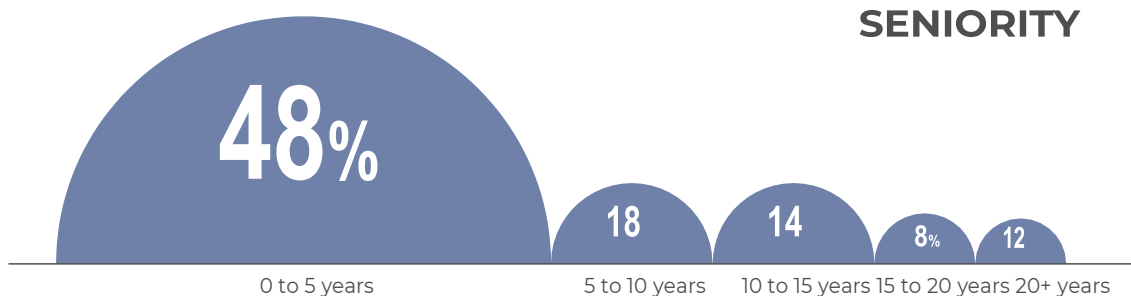
NATIONALITIES



AGE GROUPS



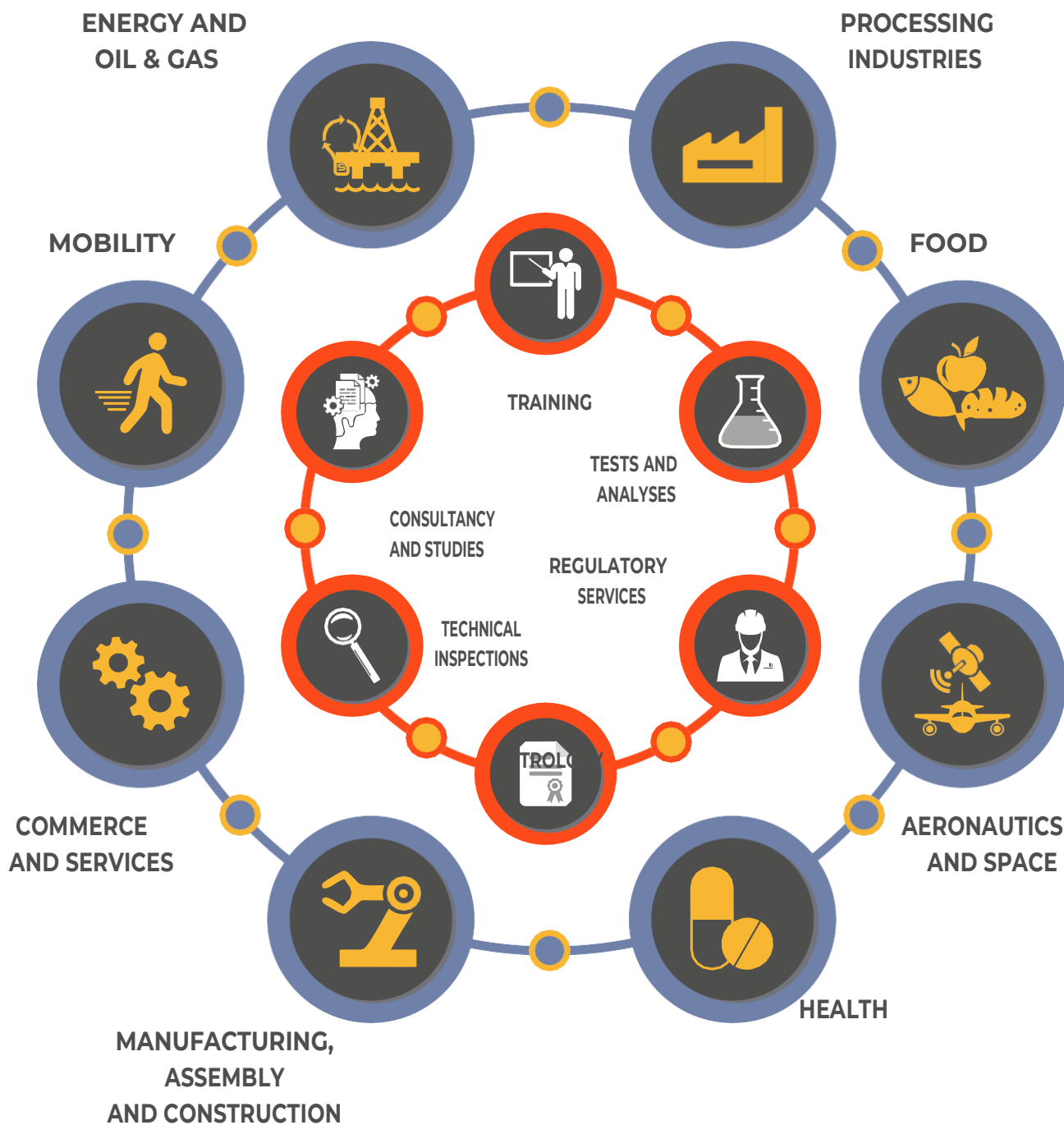
SENIORITY



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MARKETS AND SERVICES

By developing integrated solutions for engineering, inspection, testing, trials and training services, we provide support to our customers in risk reduction, improvements in operational performance and increasing competitiveness.

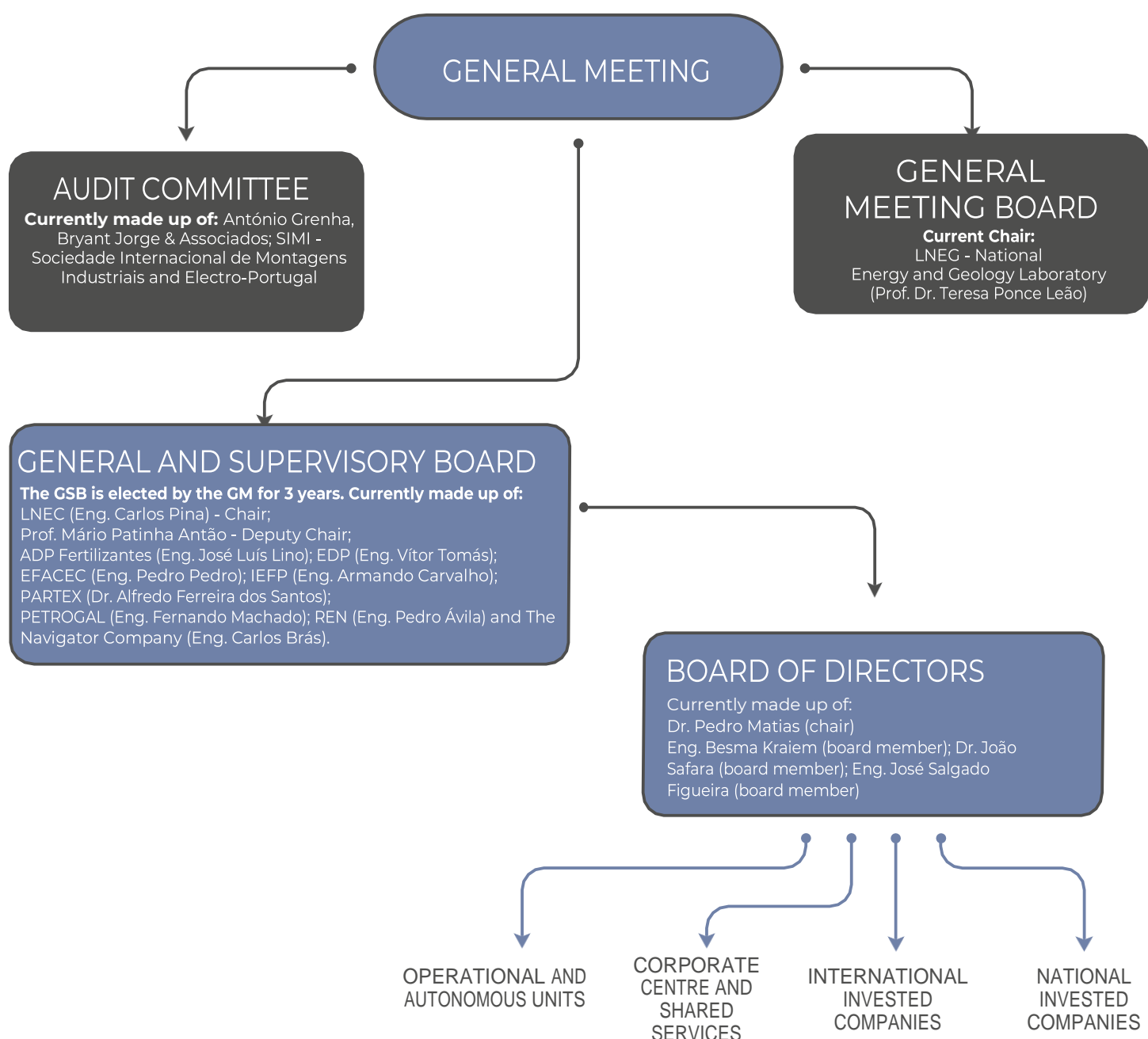


GOVERNANCE STRUCTURE

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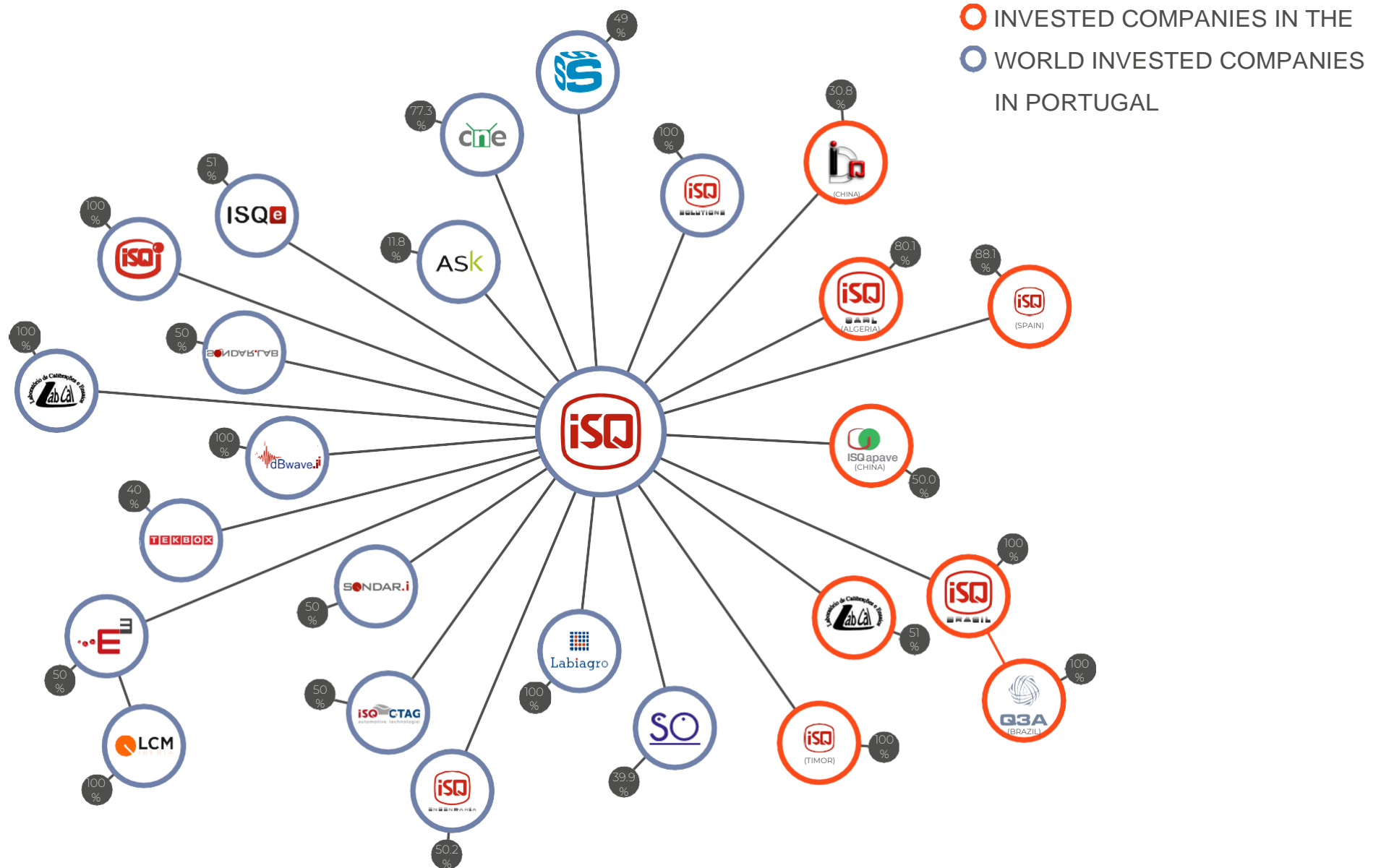
The General Meeting is made up of several members and is the entity that elects the members of the Board, the General and Supervisory Board (GSB) and the Audit Committee. The General and Supervisory Board is made up of between nine and thirteen members, of whom one is elected as Chairman. The GSB is responsible for electing the Board of Directors (BD) and supervising its activities. The members of the Governing Bodies and the General Meeting Board are elected for a three-year term. The Board of Directors is made up of a maximum of five members.

The presented financial year corresponds to the first year of the 2020-2022 term (BD made up of: Pedro Matias, Besma Kraiem, João Safara e José Salgado Figueira). The following figure shows the current composition of the governing bodies.



ISQ GROUP

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NATIONAL INVESTED COMPANIES

**ADVISORY SERVICES
KAPITAL**

A company that operates in the areas of corporate finance, venture capital fund management and equity management, both directly and through affiliates.



BLUESTABIL

A company providing services in the area of stability studies, specifically storage under controlled environmental conditions, thereby guaranteeing the safety and traceability of pharmaceutical products.

**CENTRO NACIONAL
DE EMBALAGEM**

A laboratory specialising in tests on packaging, materials, consumer products, food contact, toys, etc. Its mission is to provide technical support and to promote the packaging industry.

**DBWAVE.I
ACOUSTIC ENGINEERING**

A company that performs noise and vibration tests, studies, drafts acoustic studies and designs and draws up plans for corrective actions.

**ISQ CTAG
AUTOMOTIVE TECHNOLOGIES**

A company dedicated to providing specialised services in the area of environmental tests and process engineering for the automotive industry.

ISQ E3

A company dedicated to Asset Management.

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NATIONAL INVESTED COMPANIES



ISQ E-LEARNING

A company that develops integrated solutions for distance learning, through the development of multimedia learning resources, supported by information and communication technologies.



ISQ ENGENHARIA

A company providing services in the areas of mechanical engineering, especially in the calculation-based assessment of suitability for service (maintenance area), as well as providing consultancy, designing and developing engineering software.



ISQ INTERNACIONAL

Company whose main mission is the internationalisation of ISQ's services, through consultancy, management and promotion on the international market.



ISQ SOLUTIONS

A company dedicated to providing the services of technical assistance and technical engineering, specifically through quality control and assurance inspections, and can provide training as well as consultancy.



LABCAL

A company dedicated to the calibration and testing of measuring equipment, as well as assistance and training in related areas.



LABIAGRO

A chemical and microbiological laboratory dedicated to the control of food quality and safety, water quality, analyses within the framework of the evaluation of indoor air quality and quality control of pharmaceutical products.

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NATIONAL INVESTED COMPANIES



LCM IBERIA

Gas emissions and olfactometry testing laboratory, the only one in Portugal with accreditation for odours. It exclusively works in the premium segment of the emissions sector, conducting guarantee tests on monitoring systems and EN 14181.



SO, INTERVENÇÃO EM
SAÚDE OCUPACIONAL

A company providing services in the areas of Occupational Health and Safety.



SONDAR.i, AMOSTRAGENS
E TECNOLOGIAS

Testing laboratory in the areas of: fluid control and treatment, solid waste management and disposal, systems designs, consultancy and technical assistance in the field of environmental quality and energy systems.



SONDAR.LAB,
LABORATÓRIO DA
QUALIDADE DO AR

Accredited laboratory for the characterisation and assessment of ambient air quality.

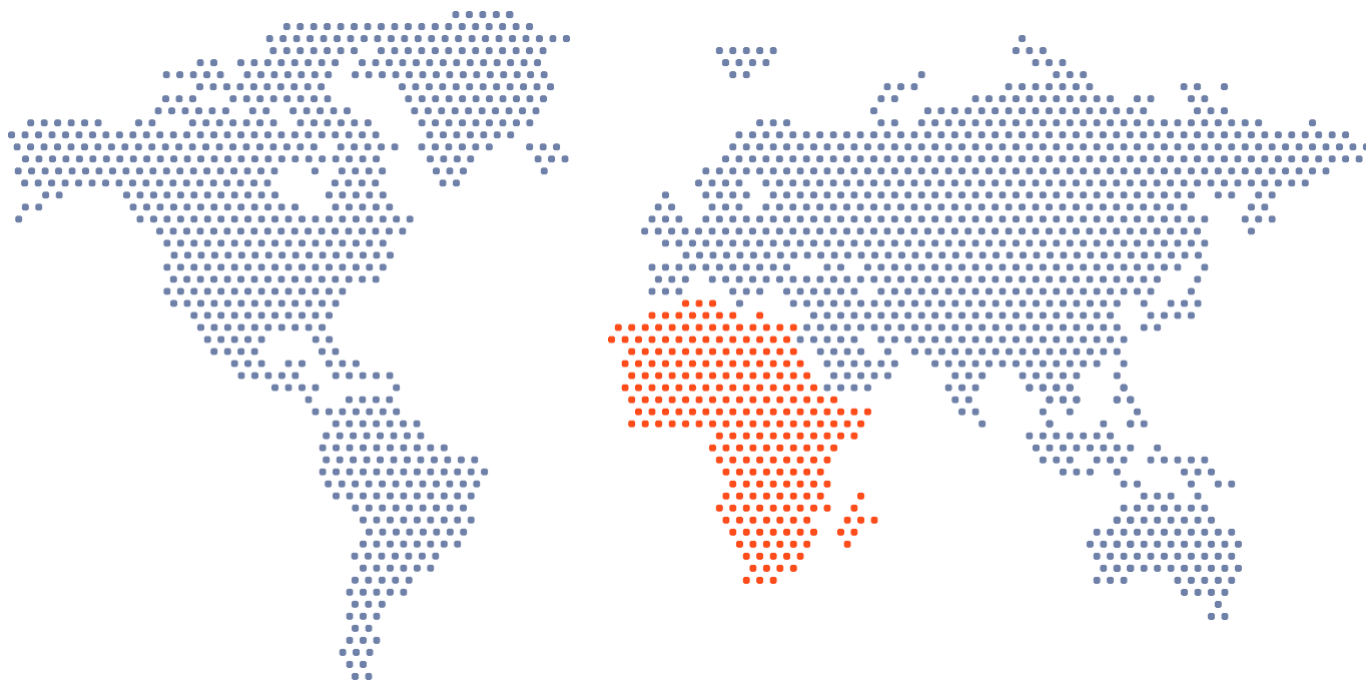


TEKBOX, PROJETOS
DE ENGENHARIA

A company providing technical environmental services, specializing in the water market, with the following activities: preparation of engineering designs, installation of equipment, execution and monitoring of works and industrial maintenance.

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INTERNATIONAL INVESTED COMPANIES



ISQAPAVE
(ANGOLA)

It offers multiple technical inspection, non-destructive and metrology testing and training services, specifically to the oil, chemical and petrochemical industry, the energy production sector, the cement industry and the agro-industrial sector.



ISQ SARL
(ALGERIA)

A company operating in the energy sector, in legal and voluntary inspections, non-destructive testing, assessment of the condition of equipment in service, corrosion monitoring, cathodic protection, calibration and training.

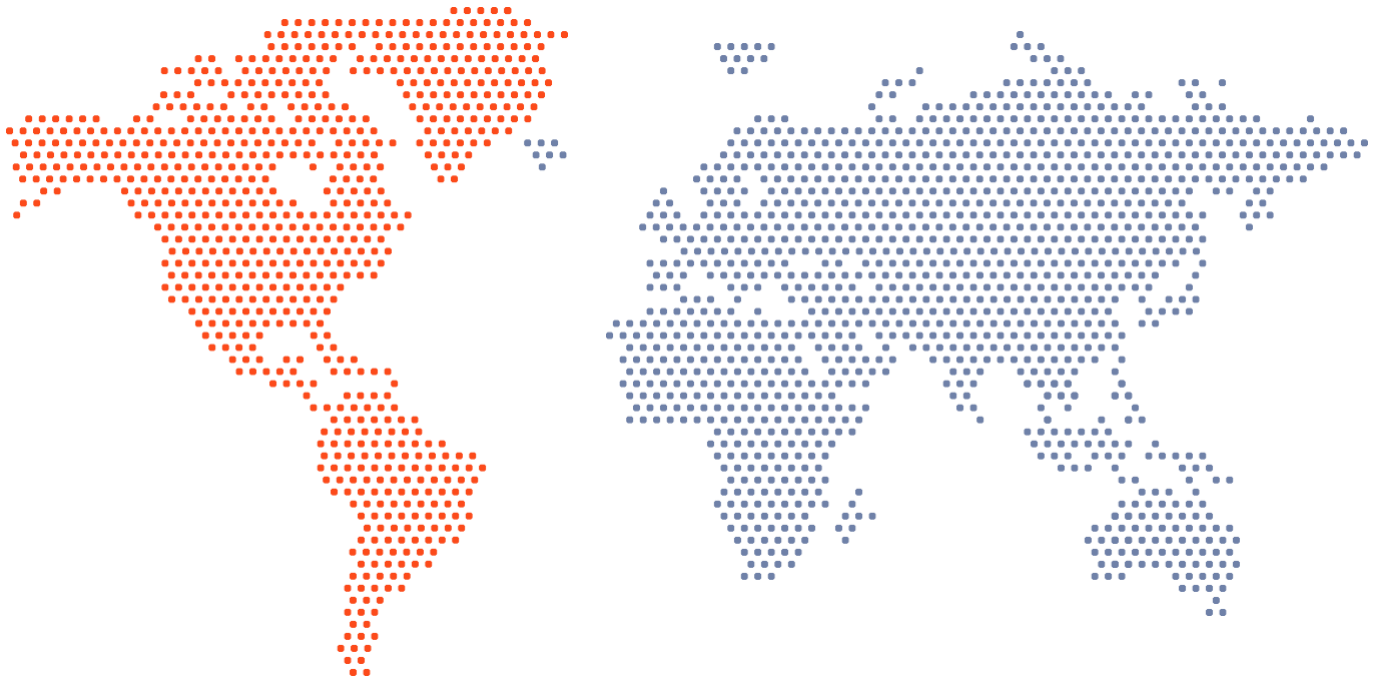


LABCAL
(CAPE VERDE)

Accredited calibration and testing laboratory in Cape Verde. With the vocation for working in industrial metrology (volume, pressure, temperature, mass, time and RPM calibrations).

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INTERNATIONAL INVESTED COMPANIES



ISQ BRASIL

A company operating in the South American market in the areas of integrity, assessment of remaining life, advanced non-destructive testing, industrial equipment inspection, quality, the environment, health and safety.



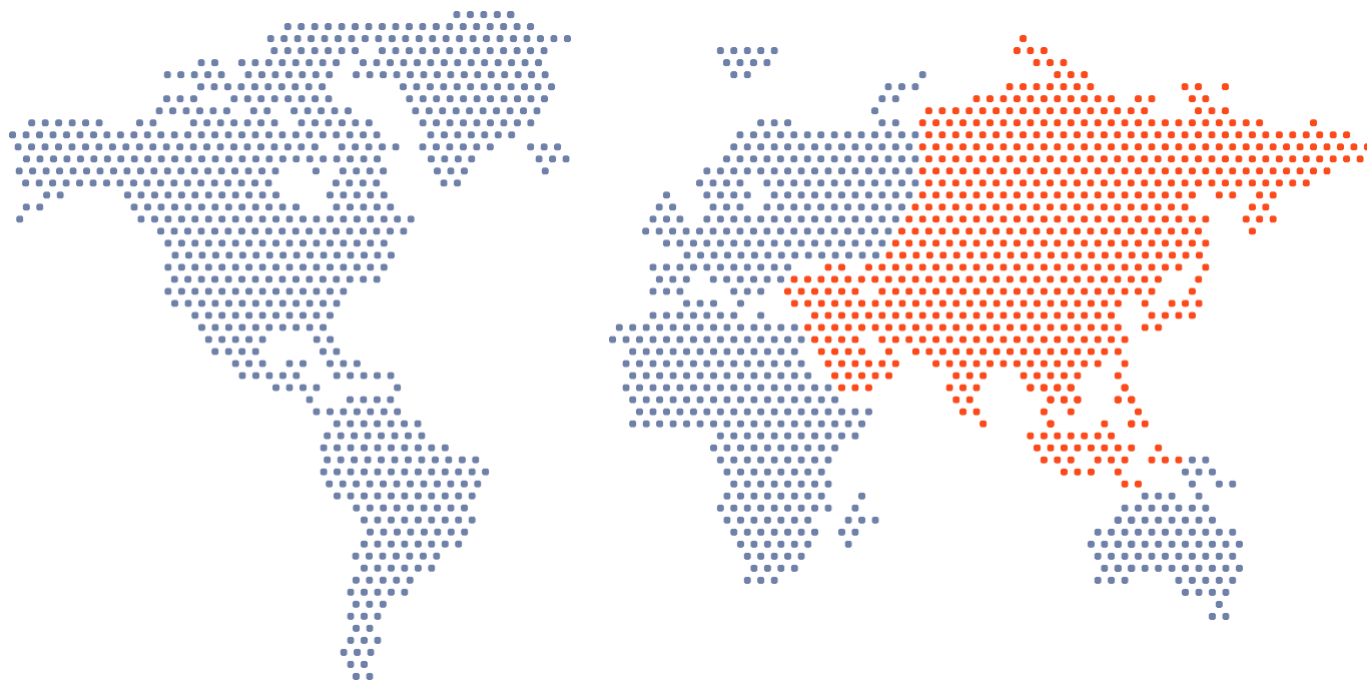
Q3A

Q3A
(BRAZIL)

A company that performs tests in the areas of the environment, air, acoustics, noise and vibrations, and provides consultancy services, courses and training in the same areas.

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INTERNATIONAL INVESTED COMPANIES



**IDQ MACAU
(CHINA)**

An entity operating on the Chinese market, specifically Macau and Hong Kong, providing the service of inspections, tests and laboratory support to industry, services and public entities.

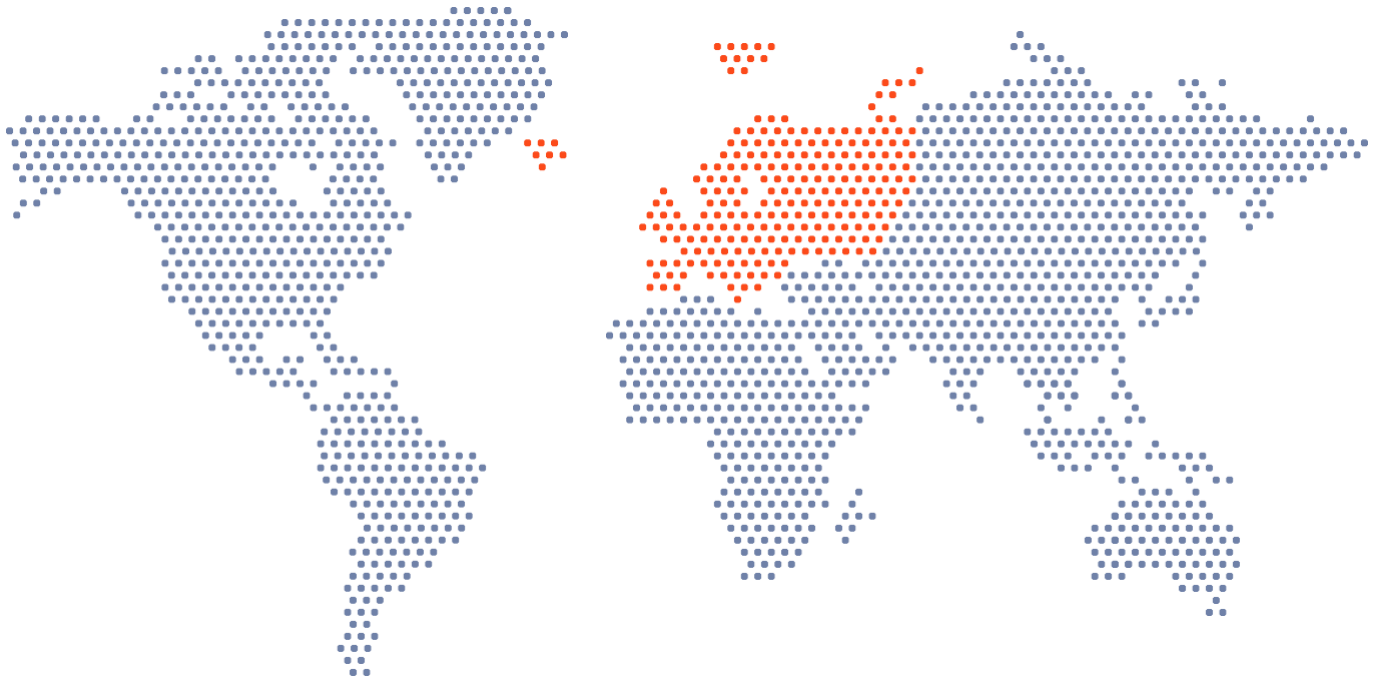


**ISQ
(EAST TIMOR)**

A company that operates in architecture, engineering and consultancy, providing services in the areas of civil construction, training, quality, maintenance, safety and the environment and certifications of people, products, processes and companies.

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INTERNATIONAL INVESTED COMPANIES



ISQ
(SPAIN)

A company that brings together the different areas of ISQ. It focuses on the areas of inspections, non-destructive testing solutions, materials technology, training and technical consultancy.

A close-up photograph of a person's arm with a prosthetic arm. The prosthetic arm is black and white, with a textured upper section and a more mechanical lower section. Two hands are holding the prosthetic arm, one near the shoulder and the other near the wrist. The background is a blurred indoor setting.

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a more competent, more
professional entity, better
prepared to combat and
resist adversity

The background of the entire page is a photograph of a large array of solar panels in the foreground, with a building and trees in the background under a cloudy sky. The solar panels are arranged in a grid pattern and are tilted towards the sun.

THANKS

The Board of Directors would like to express its gratitude to the General and Supervisory Board and the Statutory Auditor for their valuable cooperation in monitoring the activity of ISQ.

The Board of Directors would like to thank all the Managers and Boards of Directors of the different ISQ Group companies for the work that they have done in 2020. It would also like to express its appreciation for the work and collaboration of the Group companies' statutory auditors.

The Board of Directors would like to thank our customers, suppliers and financial institutions for their trust, and reiterates that it will do everything in its power to continue to deserve it.

Finally, special thanks to all ISQ Group employees for the high levels of professionalism, dedication and resilience they showed in a year of extraordinary circumstances.

NOTE OF CONDOLENCE

ISQ pays a heartfelt tribute to Mr. António Maria Grenha, partner of the company "Antonio Grenha, Bryant Jorge & Associados - Company of Statutory Auditors" and Statutory Auditor of ISQ for more than 30 years, who sadly passed away on 15 April 2021. He made a major contribution to ensuring that ISQ would constantly have an internal control and financial audit model based on professional best practices. All those involved in ISQ's history will remember Mr. António Grenha as a person who put his extensive knowledge, collaborative nature and experience at the service of ISQ throughout these years.



MACROECONOMIC ANALYSIS 2020

The year 2020, dubbed by the Managing Director of the International Monetary Fund (IMF) Kristalina Georgieva as "A year like no other", was marked by the emergence of the Sars-cov-2 (Covid-19) virus that crossed borders and became a pandemic affecting the world on an unprecedented scale.

Most sectors were negatively affected by the health situation that quickly turned into an unparalleled economic crisis, causing the global Gross Domestic Product (GDP) to contract by -3.3%, according to the International Monetary Fund (IMF).

Each state took a different approach to the problem, but aside from a few exceptions, controlling the spread of the virus involved partially or even completely shutting down several economic activities and only allowing essential movement. Governments were forced to put the brakes on the economy in order to save human lives, closing down practically all segments of the economy that were not considered essential for survival. During the lockdown, this led to the biggest recession since the Great Depression, albeit asymmetrically at world level.

The various waves of the pandemic that affected the world at different times forced lockdowns and releases. Now, although there is better knowledge of the problem facing the world, many people remain wary of consumption, particularly in the services sector that implies physical contact with others.

The recession into which the world has plunged has worsened the trend experienced in recent years, precipitating certain events, worsening unemployment, triggering climate change, accelerating technological development, the automation of work, the rise of digital currencies and the increase in inequality and debt.

With the closure of physical borders, sectors such as Aviation and Tourism suffered an unprecedented negative impact, affecting the trade balance of some Countries and leading to a large number of entities presenting negative results and being forced to take more drastic measures such as Collective Dismissal or even insolvency in extreme cases.

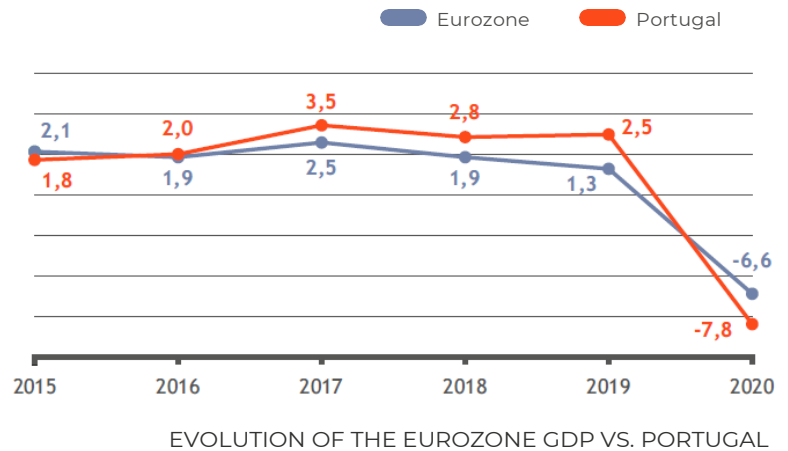
The immediate actions announced by the World Bank, the European Union, the IMF and many other bodies helped to minimise the impact of the pandemic and consequently to limit the impact on people's lives and the world economy.

Only through cooperation between countries, the IMF, the World Health Organisation and other international bodies, and by taking measures such as debt service relief, was it possible to channel the money released by the moratoriums to lesser developed countries, giving them the chance to improve their health systems, reduce the potential loss of life and minimise the overall economic impact.

Handwritten notes in the top right corner: "R", "SP", and "X".

PORTUGAL

Portuguese GDP growth, which in recent years has performed above the European average, was interrupted in 2020 by the adverse effects of the COVID-19 pandemic, which led to a downturn of around -7.8%, above the eurozone average and the most severe of the current series of National Accounts published by INE, with a loss of 15.4 billion euros in a single year.



With a devastating second quarter in economic terms, Portugal suffered from the infrastructure shutdown imposed by the Government to halt the spread of the virus. Limitations on the movement of people and goods forced organisations to adapt their work methods. However, they responded and evolved quickly in order to get around the problem they were facing, first to survive the crisis and keep their structures in operation and then adopt strategies to deal with a new and unknown situation. Sectors such as digital and IT were called into action with accelerated and exponential growth, corresponding to several years of evolution.

The containment measures imposed to control the pandemic had a very negative effect on the poor performance of the Portuguese economy in terms of growth. This was reflected in domestic demand which, according to the INE (Statistics Portugal) saw a change of around -4.7%. It was particularly reflected in private consumption, which stood at around -5.00% in real terms.

With a negative change above GDP, the decrease in domestic demand was mainly based on the decline in demand for non-durable goods and services which, conversely, in 2019 had grown by 2.8% before falling by -5.9% in 2020. Still within this variable, an increase was seen in demand for foodstuffs of around 4.9% which did not offset the drop seen in other goods. In terms of durable goods, the drop was 7.6%, mainly due to fewer purchases of motor vehicles, which in 2019 saw an increase of 1.7%, according to INE indicators.

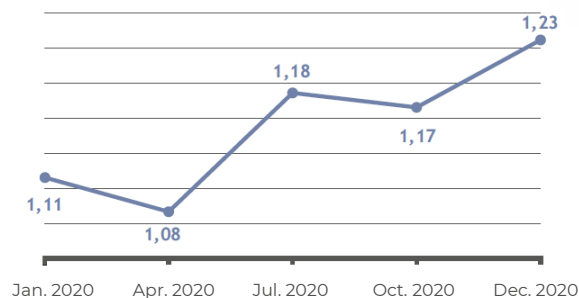
Public Consumption saw a positive rate of change of 0.5%, whereas growth of 0.7% was seen in 2019. This was mainly a reflection of the containment measures that forced a range of public services to shut down. In nominal terms and relative to GDP, as a consequence of a greater increase in the deflator of household expenses, a growth of 6.1% was seen in public consumption, comparably higher than the 3.4% seen in 2019.

Given the economic instability and the low level of confidence, according to INE data, the Investment item decreased by 4.9% in real terms, compared to the growth of 5.9% seen in 2019. In 2020, Gross Fixed Capital Formation saw a downturn of around -2.2%, while an increase of 5.4% was seen in 2019. The change in inventories made a 0.5% contribution to the annual change in GDP, which was zero in 2019. Due to the crisis, Gross Fixed Capital Formation (GFCF) in transport equipment saw a significant reduction of 27.2% in 2020, while in 2019 the value was -1.7%. In terms of other machinery and equipment it went from an increase of 4.3% in 2019 to a decrease of 7.7%. GFCF in intellectual property products decreased by 1.3%, after having experienced a change of 6.2% in the opposite direction in 2019. Also under the heading of GFCF, the Construction sector experienced a positive change in 2020 with growth of 4.8%, albeit lower than 2019 when a change of 7.2% was recorded.

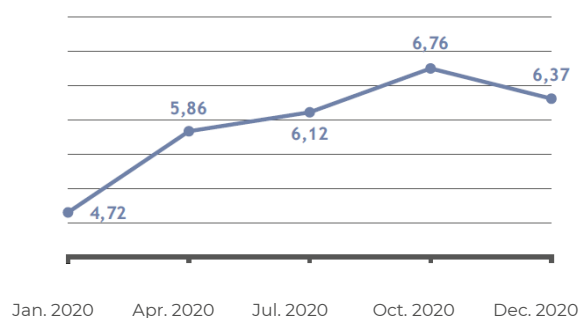
Net External Demand made a more accentuated negative contribution to GDP, posting -3.00%. This situation has worsened over the past three years, particularly reflecting the unprecedented decrease in tourism exports in 2020.

In terms of the Trade Balance and in view of the closing of the borders, Exports suffered more than Imports, reflecting an economy in which the tourism sector had a major influence on the country's performance. Exports decreased by 18.6% in 2020, when compared to the growth of 3.9% seen in 2019, contributing to the aforementioned decrease in exports of goods and services with an extremely negative performance in the service sector, led by tourism.

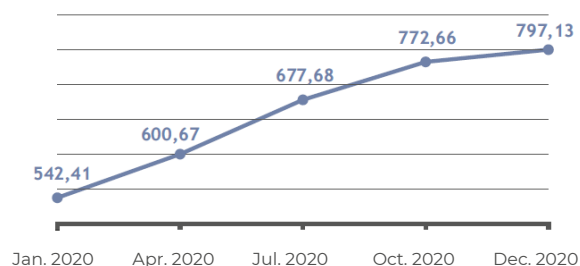
1 EUR <> x USD (US)



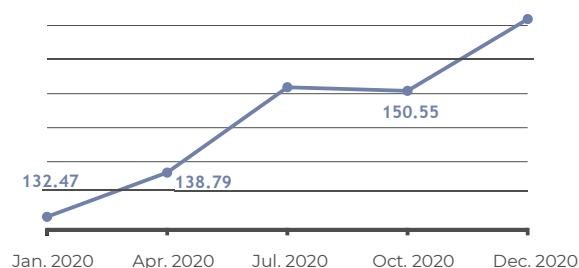
1 EUR <> x BRL (Br)



1 EUR <> x Kwanza (Ao)



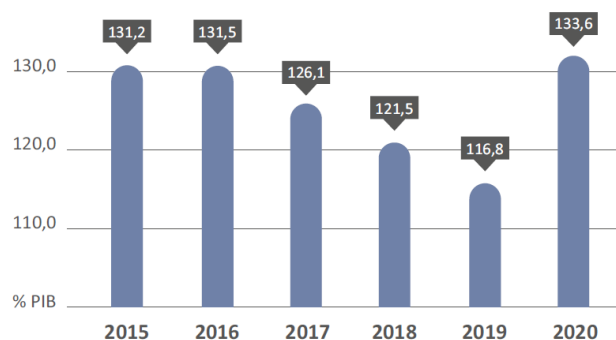
1 EUR <> x Dinar (Dz)



Imports, which in 2019 posted a growth of 4.7%, suffered a drop of around 12%, driven by the drop in domestic consumption, albeit lower than that of exports. Imports of goods contributed to this performance of the economy with a change of -10.3%. The services component decreased by 20.3%, with these two items experiencing a growth of 4.0% and 8.4% respectively in 2019.

In nominal terms, the External Balance of Goods and Services was negative in 2020, which is the opposite to that observed since 2013, shifting from a positive influence of 0.4% of GDP in 2019 to a negative contribution of 2.0% of GDP.

Public debt sky-rocketed in 2020, with the ratio rising from 117.2% of GDP in 2019 to 133.7% in 2020, a new record caused by the crisis of the pandemic, above the previous peak of 132.9% in 2014, according to information provided by Banco de Portugal. This resulted in an annual increase of 16.5 percentage points, the largest annual increase since the beginning of the series (1995). Part of this increase in debt was used to finance measures through the deficit (which fell short of expectations), and the remainder aimed to increase the financial cushion during this period of uncertainty with government deposits increasing by 9.4 billion euros to 23.9 billion euros.



PORTUGUESE GOVERNMENT DEBT IN %GDP (Source: INE)

In terms of Employment, and due to the total or partial forced closure of many companies, the Portuguese Government was forced to protect employment and grant some benefits, specifically the use of simplified layoffs, making it necessary to read the data in this item from two perspectives. Firstly, in terms of the number of individuals, there was a change of -1.7% when compared with the 0.8% increase of the previous year. However, if the metric is the number of hours worked, the drop is around -9.2%, which is reflected in the contraction of GDP.

When compared with the 2019 year end, the unemployed population remained virtually unchanged at around 347 thousand individuals. The unemployment rate in 2020 stood at 6.8%, 0.3% lower than in 2019, reflecting the enormous effort made by the Portuguese Government to maintain employment and minimise the impact of the crisis caused by Covid-19.

Interest rates maintained their trend of recent years, remaining low, a situation that

along with the moratoriums on loans and similar capital and interest, and other mechanisms granted since the start of the pandemic to support companies and individuals, allowed the number of insolvencies recorded in 2020 to be controlled. This stabilised the Portuguese economy, which had slowed down considerably due to the drop in consumption, thus preventing the country from moving into an unsustainable situation.

According to INE, in 2020 there was Deflation of around 0.01%, with the CPI decreasing by 0.33% compared to the previous year. The decrease in the index when compared to the previous year represents a continuation of the negative evolution of prices of energy products, which saw average annual changes of -1.8% and 4.0% respectively in 2020. In the opposite direction, unprocessed food products experienced a considerable increase from 0.9% to 4.1%.

EURO ZONE

Given the pandemic situation across Europe, Gross Domestic Product (GDP) in the eurozone in 2020 suffered a huge downturn, with the lowest value since the beginning of this series (2009), standing at -6.6%, a 5.3% decrease compared to 2019 when there was growth of around 1.3%, according to figures published by Eurostat.

The pandemic situation exacerbated the lower performance of some of the largest economies in the eurozone, which in 2019 had experienced downturns in GDP, as was the case of France (-0.1%) and Italy (-0.3%). It can also be seen that in 2020 Spain stands out negatively as the only country in the euro zone with double-digit GDP downturn figures (-11%), mainly resulting from a less successful approach to the issue of the pandemic that ravaged the country for a fairly long period of time, with two very strong waves. However, there are large economies whose GDP decreased by more than the Eurozone average, with values of around -8%, such as France, Italy, Greece and Croatia.

The various states launched economic and worker protection measures to control unemployment, which was expected to reach high levels in a pandemic crisis situation like the one in 2020. The aforementioned measures were generally successful, reflected in an unemployment rate of 8.1% at the end of December 2020, corresponding to an increase of only 0.6% compared to the same period of the previous year.

The employed population in the productive age group (20-64), decreased from 72.7% at the end of the year 2019 to 71.8% at the end of 2020. The number of people in employment, which in 2019 had reached 160.7 million, the highest figure since 2013, fell to 157.9 million in 2020, reflecting the existing crisis, which mostly affected precarious workers, of the lowest age group and with the fewest qualifications.

In the Eurozone, inflation decreased in 2020, reaching a deflationary value of around -0.3%,

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maintaining the downward trend seen in recent years (1.3% in 2019). The greatest contribution to the deflation seen in December was the Energy Sector with prices having fallen in recent years reaching -6.9 percentage points.

According to Eurostat the external trade balance of the eurozone posted a surplus of €234.5 billion in 2020 when compared to €221 billion in 2019.

In terms of goods exports, during 2020 there was a drop of 9.2%, to 2.131 billion euros, while imports fell 10.8%, to 1.897 billion euros, between January and December 2020.

Also according to the European statistics office, in 2020 the trade balance between member countries of the eurozone saw a year-on-year decline of 8.9%, to 1.797 billion euros. There was a recovery from the second quarter of the year, when the pandemic forced border closures, to the end of the year, and it can be observed that in the last month of 2020, the eurozone recorded a surplus of 29.2 billion euros in the trade of goods with the rest of the world, up from 22.6 billion euros in the same month of the previous year, while the pandemic was still having a residual impact.

According to data from the European Commission's Directorate-General for Economic and Financial Affairs, in the eurozone, economic sentiment stood at 90.4 points at the end of December 2020, continuing the downward trend of recent years, down 11.1 points compared with year-end 2019.

The turmoil caused by the pandemic brought this indicator down by 30% from March to April 2020, and it remained stable until the end of the year, when it experienced a rise. The recovery in economic sentiment was led by rising confidence in industry and among consumers, as well as, to a lesser extent, in the construction sector, rather than in the services and retail sectors, where consumer confidence declined. Considering the five largest euro economies, economic sentiment increased in the last month of the year in Italy (6.8 points), Spain (3.3), the Netherlands (2.5) and France (2.1), while remaining practically stable in Germany (0.1 points).

In turn, the employment expectations indicator increased by 1.4 points in the last month of the year to 88.3, confirming the upward trend that had been seen since May, after the huge drop in March and April that had brought it down to 64.8 points, showing the general feeling that existed at the peak of the first wave of the pandemic, when ignorance and uncertainty had taken hold of most Europeans.

SPAIN

Contrary to the trend of recent years, over which the country had managed to effect a balanced recovery between 2014 and 2019, Spain was one of the European countries that suffered most from the second wave of the pandemic, reflected in its GDP which,

according to Eurostat, showed contraction values in double digits, specifically 11%, and fell by more than that of the Eurozone.

According to the IMF, SMEs, which contribute 70 per cent of jobs in Spain, have struggled to stay active, with the share of debt at risk of companies considered vulnerable rising from 7 per cent in 2019 to around 37 per cent in 2020.

As Spain is a country where the service sector and especially the tourism industry are large and account for about 12% of the Spanish economy, the effects of the pandemic have been devastating.

The Spanish government implemented rapid measures to limit the effects of the pandemic with public guarantees equivalent to 14% of GDP, as well as other costly political measures that had an impact of 1.3% of GDP, which naturally led to a worsening of the latter indicator in 2020 of around 7.3%, according to the IMF.

The debt/GDP ratio soared to 123% in 2020 when compared to 95.5% seen in 2019. Inflation has been decreasing over the last two years has been decreasing, posting a value of 0.7% in 2019. This downward trend accelerated in 2020 as a result of the natural reduction in consumption due to limited movement and falling oil prices, with deflation of around 0.2% being registered. Spain historically has a high unemployment rate above that of the Eurozone, according to Eurostat. In December 2019 the figure was 13.7% (6.5% eurozone), and this figure worsened by the end of 2020 to 16.2% (7.3% eurozone). An increase was seen in short-term work to compensate for the COVID-19 crisis, however the pandemic increased inequalities in the jobs market, with increased levels of unemployment among young, low-skilled and temporary workers.

Employment on the Spanish market has been dropping and has become a structural problem. When comparing the potential work force with the number of active people, it can be seen that this number is increasingly high, demonstrating the lack of confidence in the labour market, which is reflected in a withdrawal from job seeking, showing the lack of confidence among the population. Aside from this problem, Spain continues to be a country where significant inequalities reign, as shown by data from the Spanish Statistics Service, where 20.7% of the population lives below the poverty line or in social exclusion.

BRAZIL

The Brazilian Gross Domestic Product, according to the Brazilian Institute of Geography and Statistics, saw a drop of 4.1% in 2020, compared to 2019, affected by the coronavirus pandemic. This is the biggest annual decline since records began in this series in 1996. This fall halted three straight years of growth from 2017 to 2019, when GDP accumulated a growth percentage of around 4.6 per cent.

GDP per capita reached BRL 35,172 in 2020, a record downturn of 4.8% when compared to 2019.

The services and industry sectors, responsible for 95% of the Brazilian economy, experienced significant drops of 4.5% and 3.5% respectively, with only the agriculture and livestock sector growing by around 2%.

Consumption by families fell by 5.5%, mainly as a result of the closure of shops at the end of the first quarter in an attempt to flatten the curve of infections, which made it drop very sharply. Subsequently, the economy showed signs of growth in the third quarter, and broke down again in the final months of the year when the so-called second wave of Covid-19 arrived.

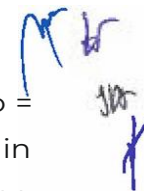
Inflation, which had reached 4.31% in 2019 and, despite the decrease in overall demand from individuals, rose in 2020 to 4.52%, mainly driven by overall food and drink prices, which saw a cumulative increase of 14.09% over the year, the highest increase since 2002 (19.47%). According to the Brazilian Institute of Geography and Statistics (IBGE), food alone accounted for almost half of the year's inflation, with an impact of 2.73 percentage points on the general index.

Also according to the IBGE, the average annual unemployment rate in Brazil was 13.5% in 2020, the highest percentage recorded since the start of the historical series at 2012. In absolute terms, this rate corresponds to around 13.4 million people, which is an increase of 1.9 million people. The observed figures are turning around the drop that began in 2018, when the rate was 12.3% and 11.9% in 2019.

In order to stimulate the economy in terms of production and consumption and to minimise the impact of the pandemic, the Brazilian government reduced interest rates throughout the year (it had already started with the Selic (base rate) at 4.5% and with successive reductions it reached 2% by the end of 2020), meaning that it was possible for most companies to access credit. Due to the drop in the Selic rate, companies with competitive rates turned back to domestic credit and sought financing on the Brazilian market.

Despite the positive results of the last quarter, the accumulated value of Gross Fixed Capital Formation dropped during 2020, without the effect of oil rig imports. Total GFCF fell by 0.8%. Real Investment without oil rigs fell by 8% when compared to 2019. The Brazilian economy's investment rate relative to GDP ended the year at 16.4%, up from 15.4% in 2019, mainly reflecting the decrease in GDP and not precisely an increase in investment in terms of value.

2020 saw a sharp devaluation of BRL against the Euro. The year started with an exchange rate of the BRL of €1 = 4.5 BRL, with an almost continuous trend 2020 towards an



appreciation of the Euro. The year ended with an exchange rate of around €1 euro = 6.4 BRL. The low interest rates in the country, political instability, the decrease in foreign investment, the increase in exports and, above all, the strength of the European economy compared to the Brazilian economy were some of the factors that contributed to the devaluation of the BRL against the euro.

ANGOLA

The Angolan economy experienced a drop of 5.1 percent in 2020, which is its worst performance over the last four decades. The drop in GDP growth can be accounted for by a drop of 8.3% in the oil market and 3.6% in the non-oil market. Only the agricultural sector saw an increase of around 5.6%.

The year 2020 was heavily affected by the pandemic, which slowed economies worldwide, especially commodity producers, as is the case of Angola, which exported barrels of oil in May 2020 at an average price of 15.41 USD and 21.73 USD in June, ending the year with an average price of 42.60 USD, compared to the average of 64 USD/barrel seen in 2019, a figure that was already lower than previous years. An economy that is not very diversified and highly dependent on the oil sector, which has seen a decrease in the average sale price of 21.4 USD/barrel as well as a drop in production, is an enormous setback that cannot be offset by other sectors that are nowhere near as large as the oil sector.

The pandemic restricted the movement of people, hampering consumption and reducing domestic demand, resulting in the closure of companies. This situation has increased unemployment, with 467,000 formal jobs lost and a further 1.3 million people turning to informal jobs as a means of survival, increasing the number of Angolans in this situation to 8.7 million.

With regard to the exchange rate, in 2020 the kwanza depreciated against the euro until November, when it stabilised and remained stable until the end of the year. In December 2020, the kwanza closed at 805.117 against the euro, corresponding to a year-on-year devaluation of 32.83% respectively, with the real effective exchange rate approaching 2.3% at the end of 2020.

Due to a drop in imports as a result of lower consumption and the government's investment in national production, the current account still had a positive balance of 1.4 billion euros, representing 2.9% of Gross Domestic Product.

According to Moody's, public debt remains well above 100%, specifically 119.1%, with the causes of this being largely the same as those that led to this figure in previous years,

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mainly reflecting the rapid depreciation of the currency, given that 80% of the debt is denominated in foreign currency and also because of the high weight of oil in the economy. Angola's debt remains exposed to macroeconomic variations such as the pandemic, as well as budget variations, which are the main debt sustainability risks, and a depreciation of the exchange rate, a decline in oil prices and production and the deterioration of access to financial markets are all being experienced.

Average inflation in 2020 stood at a high value of 22.05% when compared to 17.10% in 2019, which was mainly the results of the drop in oil prices in 2020 and the liberalisation of exchange rates in 2019, meaning that the Kwanza lost practically 49% of its value during 2020.

ALGERIA

According to data published by the IMF, Algeria's GDP in 2020 contracted by around 5.5%, down from the 2.6% growth seen during the previous year.

Algeria's less diversified economy is particularly driven by the hydrocarbon sector and public investment. Hydrocarbons account for 98% of exports, 60% of tax revenue and 19% of GDP. Of all the aforementioned commodities, oil was the most affected by the reactions to Covid-19. In the previous period the weakening of GDP growth was justified by the decrease in hydrocarbon production and prices, made worse by the fact that the Algerian economy suffers a lack of diversity and that there is less growth in the construction, public works and housing, agriculture and trade sectors.

The Algerian government again drew on its foreign exchange reserves, administered through the Foreign Resources Regulation, to offset the downward fluctuations in global hydrocarbon prices. For this reason, the country's foreign exchange reserves continued to fall to USD 44.2 billion by the end of 2020. The decrease in export revenues from energy can also be explained by the decrease in prices to around 20.6 billion USD.

The current account deficit reached 15.92% of GDP in 2020. According to the IMF, tax revenues decreased by 21 per cent in 2020 compared to 2019, with public debt increasing to 57.2% in 2020 due to the pandemic.

Inflation stood at 3.5% in 2020, thus increasing the CPI again from the drop that it experienced in 2019, when its value was 2%.

According to the Banco de Portugal exchange rate, during 2020 the dinar suffered

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major depreciation and oscillated between €1 = 133.44 DZD at the end of 2019 and €1 = 161.44 DZD at the end of 2020, corresponding to a drop in value of around 21%.

Algeria's gas reserves are unable to cope with the requirements of new agreements, so exports of this commodity did not increase, leading the government to look at how to reduce its dependence on gas for power generation and invest in solar energy. With the pandemic crisis and falling oil and gas revenues, the government has implemented the new "economic and social recovery plan" which will keep the country's subsidy policy unchanged.

Also according to the IMF, unemployment reflected the crisis caused by the pandemic and reached 14.1% of the population in 2020, compared to 11.4% seen in 2019. According to the World Bank, unemployment is higher among young people, women and graduates due to a lack of compatibility of skills on the jobs market.

There are also big differences between living conditions in cities and rural areas. The instability caused by radical groups on Algeria's borders still remains a real risk factor.

TIMOR

East Timor's economy has shifted from a slight recession in 2018 to 4.5% growth in 2019, returning to a recession of around -6.8% according to data from the Asian Development Bank (ADB). This was a result of COVID-19, measures restricting economic activity and the closing of borders, which the Timorese government was forced to do to contain the pandemic.

Consumption, representing 38% of GDP, fell by 1% in 2020, even though the drop was mitigated by the government's Covid-19 support measure of allocating USD 200 million to the most vulnerable families, as well as covering 60% for short-term work.

Public and current accounts show major deficits. Political tensions prevented the approval of the budget at the beginning of the year, resulting in a decrease in public spending, with particular emphasis on investment, with a total drop of 7% in the first half of 2020. By the end of the year this reduction had reached 30% after the parliament blocked the budget and suspended several large scale projects, leading to a small reduction in the high public deficit, according to the ADB.

A deficit was seen in the trade balance in 2020, resulting from the sharp drop in imports as a result of decreased domestic demand, which was greater than the decline in tourism and transport that account for 70% of total exports. Coffee exports also saw a reduction.

Oil exports also contributed to the trade deficit, bearing in mind that revenue fell 43% in the first half of 2020 alone. Considering that East Timor

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remains heavily dependent on hydrocarbons, which account for 98% of exports, the drop had a very negative impact on the country's performance.

East Timor has a very young active population and between 2016 and 2019 its unemployment rate experienced a continuous decreasing trend. Due to the drop in domestic demand and the resulting reduction in production, this indicator increased considerably in 2020 to 5.1%.

The inflation rate that was revised downwards in 2019 reached 0.9% and maintained the same value in 2020, due to the government's contribution to maintaining employment levels at high values.

The country has made excellent progress in improving key social services, but its human development indicators remain among the lowest in the region, with 41.8% of the population still living below the national poverty line, particularly in rural areas where the majority of the population lives with little or no access to markets.

ENERGY SECTOR

2020 will be forever marked by the Covid-19 pandemic, the impact of which has led to changes in the way energy is produced, supplied and consumed around the world.

Fossil fuel consumption declined for much of the year, while renewables and electric vehicles, two of the main driving forces behind the clean energy transition, suffered no impact.

World primary energy demand fell by almost 4% in 2020, with global CO₂ emissions from energy falling by 5.8%, the largest annual percentage decline since the Second World War according to International Energy Agency (IEA) data. Considering the absolute values, emissions were reduced by almost 2 billion tonnes of CO₂, an unprecedented decrease in the history of humanity, practically corresponding to the total emissions of the European Union in 2020.

Worldwide demand for fossil fuels, which had already fallen in recent years, was the hardest hit in 2020, led by oil, which fell 8.6%, followed by coal, which dropped by 4%. The fall in road transport activity accounted for 50% of the decline in global oil demand, and the downturn in the aviation sector accounted for about 35%. This means that in terms of emissions, the annual decline in oil accounted for more than half of the drop in global emissions, according to the IEA.

In turn, low carbon emission fuels and technologies, particularly solar photovoltaic and wind energy, achieved a greater annual contribution to the global energy matrix,

increasing by over one percentage point to above 20%.

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According to the IEA, out of the renewable energies solar has become the most attractive source of energy with the lowest implementation and production costs. In certain countries it is clearly cheaper than the cost of energy produced by coal or gas plants.

Although the pandemic is responsible for the decrease in demand for electricity, the increase in the generation of energy from renewable sources was largely responsible for the reduction in emissions in the sector, which contributed around 50% to the reduction.

The focus on renewable energies has allowed its contribution to global energy generation to increase from 27% in 2019 to 29% in 2020, the largest incremental amount ever seen.

There have been asymmetries between different countries in the world, as China, after the huge drop seen at the start of the year, accelerated its economy and recorded a massive increase at the end of the year. Figures above those seen in the same period of the previous year were achieved, due to the fact that it was the first country to overcome the pandemic. In India the fall was 7% compared to the 3.3% increase that was recorded between 2015 and 2019. In the United States of America, the drop was around 10%, mainly because a lockdown was imposed, which implied a reduction of around 14% in the transport sector. In the European Union, annual CO₂ emissions fell by 10% in comparison to 2019, due to the restrictions and blockades that were imposed. Lower energy demand and the 8% increase in renewable energy production led to a 20% drop in coal-fired energy consumption. As a result of these facts, the weight of renewable energies in electricity generation in 2020 increased to 39%, an all-time-high four percentage points higher than in 2019.

According to the US Energy Information Administration (EIA) in 2020, worldwide consumption of oil and other liquid fuels stood at 92.2 million barrels per day, representing a 9% decline from 2019 and the largest drop since EIA records began in 1980.

According to the Organisation of Petroleum Exporting Countries (OPEC), the price of a barrel of crude stabilised in December, rising to values above those seen in the last ten months, reacting to increased purchases of oil from Asia-Pacific refineries. A possible scenario of the gradual lifting of mobility restrictions and an accelerated recovery in demand also contributed to the increase in prices.

The OPEC benchmark price ended 2020 on a high, rising USD 6.56 corresponding to a 15% increase, to close at USD 49.17 / Barrel in December, which corresponds to the highest monthly value since February 2020. However, in terms of the annual average, the value fell by USD 22.57, corresponding to 25.2% in 2020, to USD 41.47 / barrel, corresponding to the lowest annual average since 2016.

Due to global pressure to adopt “cleaner” energies, coal has been suffering a decrease in

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consumption in recent years among the world's largest consumers. Although its values are still very high, by the end of 2020 China had reduced the use of coal to 56.8% of its total consumption, achieving its goal of keeping this indicator below 58%. However, overall coal consumption continued to increase in the industrial sector.

The United States of America, in turn, is trying to make the switch from coal to gas, also taking advantage of the fact that natural gas reached historic lows of USD 1.63 per million thermal units in June. The rapid growth of renewable energies has also contributed to a 27% reduction in CO₂ emissions between 2015 and 2019, accelerated in 2020 with another 20% drop compared to the previous year.

A person is lying down, using a silver laptop. The image has a blue tint. A white rectangular box with rounded corners is overlaid on the upper part of the image, containing a quote in orange text. The person's hands are on the laptop keyboard and trackpad. The laptop is open, and the person is looking at the screen.

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The digital sector has
experienced accelerated growth
corresponding to several
years of evolution

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ISQ GROUP PERFORMANCE 2020

As a result of the Covid-19 pandemic, the turnover of the ISQ Group in the year 2020 evolved unfavourably reaching 63.1 million euros, corresponding to a reduction of 17% when compared to the same period of 2019.

It should be noted that there were several changes in the consolidation perimeter, with the entry of new entities (CNE* + ISQ Solutions + ISQ & CTAG with an impact of 553 thousand euros) and the exit of one company (Labmetro with an impact of 483 million euros), however the net impact of +70 thousand euros is fairly insignificant.

Portugal with 63% of turnover, Spain with 9%, Brazil with 8%, Angola with 7%, and Algeria with 7% were the countries that contributed most to the group's total (these are the actual turnover in each country of the companies included in the consolidation perimeter).

The change from 2019 to 2020 in the geographical distribution of turnover is not very significant, with a slight increase in Portugal (from 62.6% to 63.4%) and Spain (from 7.7% to 9.2%) and decreases in Angola (from 7.9% to 6.7%) and Brazil (from 9.2% to 8.0%).

* Note: CNE changes from an associated entity to a subsidiary company due to an increase in ISQ's percentage shareholding in 2020.



GEOGRAPHICAL BREAKDOWN OF CONSOLIDATED TURNOVER 2020 (thousands of euros)

The most representative expenses of the ISQ Group are staff expenses, which amounted to €35.4 million in 2020, corresponding to a reduction of €2.6 million (about 6.9%) compared to 2019.

The greatest reduction of 988 thousand euros was seen in ISQ itself, despite the slight increase in the average number of people from 801 to 805. A reduction resulting from (i) the decrease in variable costs related to contraction of operational activity such as overtime, travel expenses etc. as a result of the health situation, from (ii) the non-viability of giving a productivity bonus to staff (500 thousand euros in 2019) and from (iii) the retirement of some employees, meanwhile replaced by new employees with lower basic salaries. It should be noted that this evolution occurred despite the increase in compensation awarded (324 thousand euros more than in 2019) resulting from terminations made by mutual agreement with the employees.

Other relevant reductions occurred in ISQ Brazil (820 thousand euros) and ISQAPAVE (676 thousand euros). In terms relative to turnover, these costs represented 56.1% in 2020 and 50.1% in 2019.

It should be noted that the changes to the consolidation perimeter described above resulted in an increase in these costs of around 69 thousand euros.

Portugal with 78%, Spain with 8% and Brazil with 6% were the countries that contributed most to the group total (these are the effective costs per country of the companies included in the consolidation perimeter).

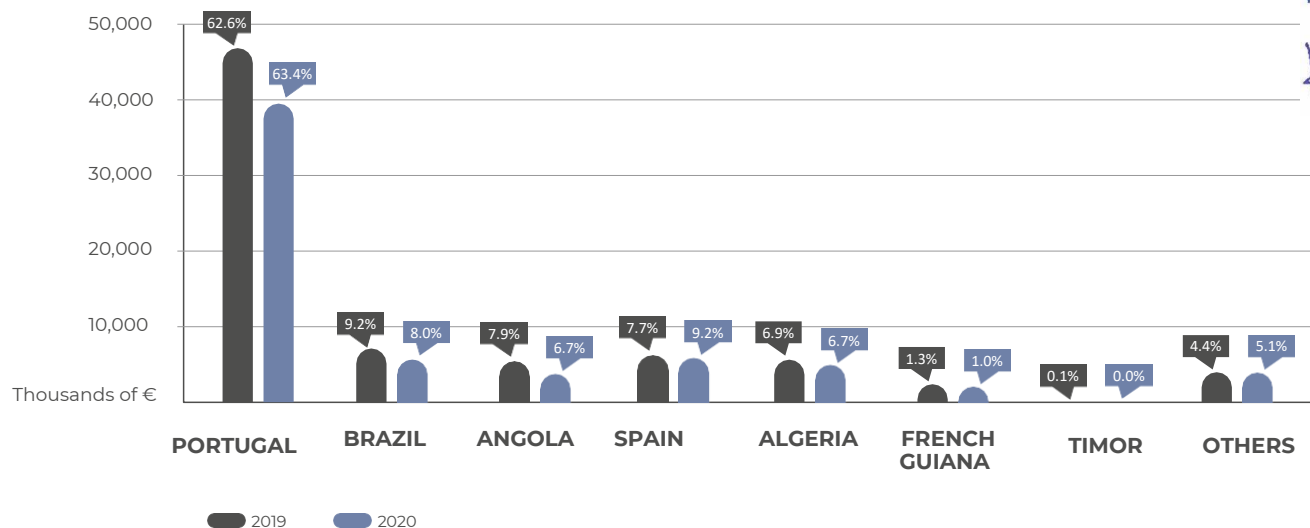
The changes from 2019 to 2020 in the geographical distribution are significant, with an increase in Portugal (from 74.2% to 78.2%) and a reduction in Brazil (from 8.1% to 6.4%) and Angola (from 5.2% to 3.8%).

Next, the most representative costs are costs of external supplies and services, which totalled 21.0 million euros in 2020, corresponding to a reduction of 6.1 million euros (around 22.4%) compared to 2019. In terms relative to turnover, the weight of these expenses dropped from 35.7% in 2019 to 33.3% in 2020.

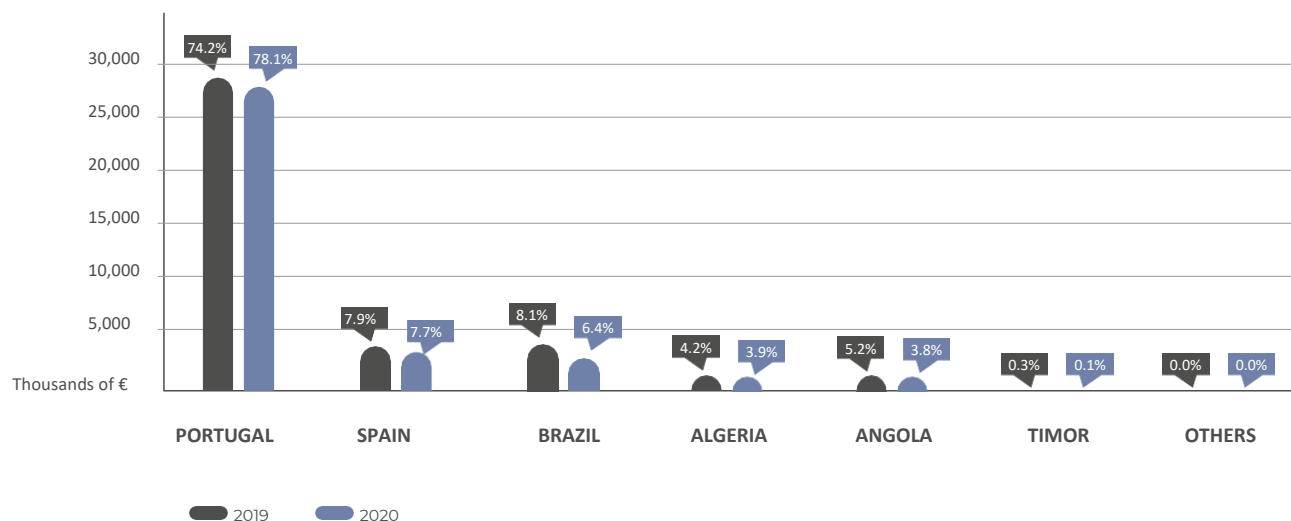
It should be noted that the changes to the consolidation perimeter described above resulted in an increase in these costs of around 97 thousand euros.

Portugal with 77.5% and Brazil with 11% were the countries that contributed most to the group total (these are the effective costs per country of the companies included in the consolidation perimeter).

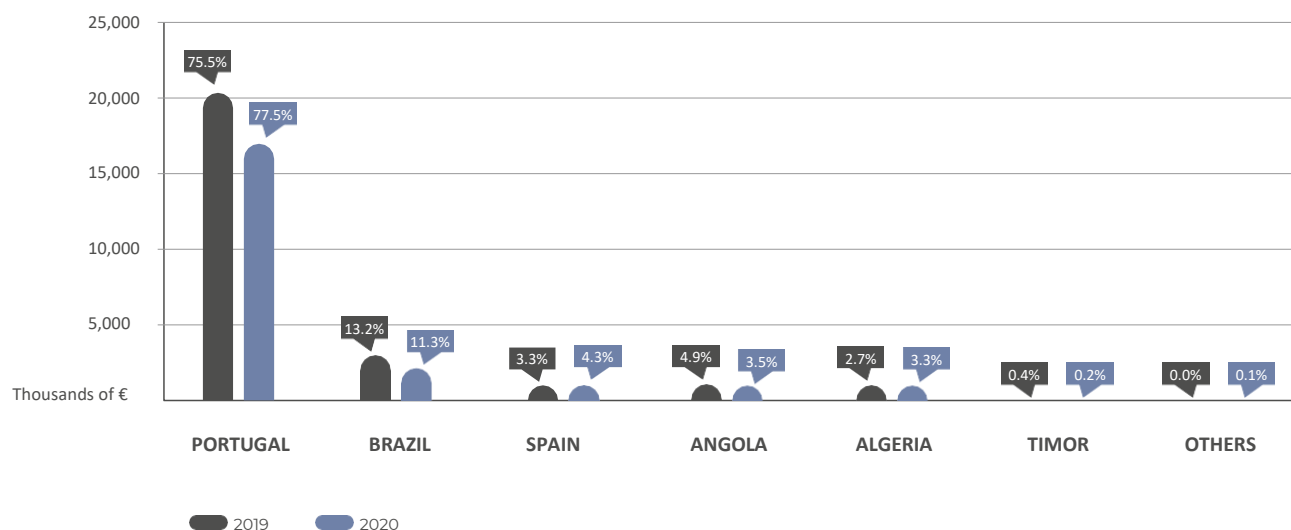
The change from 2019 to 2020 in the geographical distribution of expenditure on external supplies and services is not very significant, with an increase in ISQ (from 75.5% to 77.5%) and a decrease in Brazil (from 13.2% to 11.3%).



GEOGRAPHICAL DISTRIBUTION OF CONSOLIDATED TURNOVER 2020



GEOGRAPHICAL DISTRIBUTION OF CONSOLIDATED STAFF COSTS (by country of origin of the companies - thousands of euros)



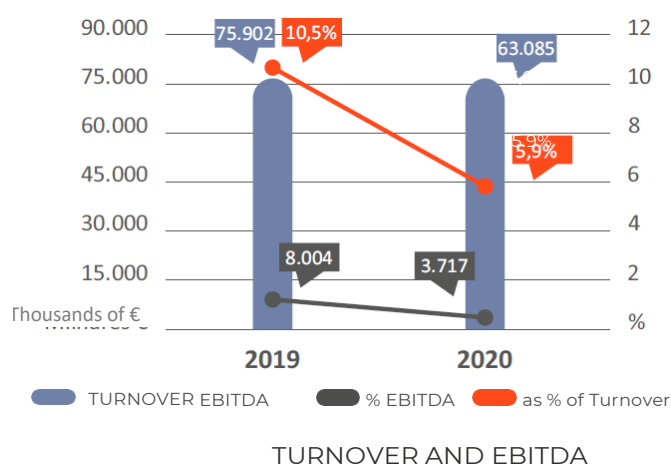
GEOGRAPHICAL BREAKDOWN OF CONSOLIDATED EXTERNAL SUPPLIES AND SERVICES COSTS (by country of origin of invested companies - thousands of euros)

In 2020 the Group's consolidated EBITDA amounted to 3.7 million euros, a decrease of 4.3 million euros compared to the 2019 financial year, and subsequently the EBITDA margin (in relation to turnover) reduced by 4.6 percentage points (from 10.5% in 2019 to 5.9% in 2020). This unfavourable evolution, is explained essentially by:

- A 17% reduction in turnover (about 12.8 million euros) and the impossible nature of fully reflecting this impact on the main costs. In fact, despite the major decrease in expenses of external supplies and services and staff of 8.7 million euros in 2020, there was a 3.6% increase in their combined weight. (they went from 85.8% in 2019 to 89.4% in 2020).
- More unfavourable net exchange rate differences (-2.1 million euros in 2019 vs. -2.7 million in 2020), resulting mainly from the impact on Angolan companies of the devaluation of the kwanza and also of the BRL in the case of ISQ Brazil.
- €1.2 million increase in the level of receivables impairments compared to 2019.
- Notwithstanding the contents of the above points, reference should also be made to the positive impacts from the results of other shareholdings (+805 thousand euros).

Depreciation in 2020 decreased by approximately 274 thousand euros, when compared to 2019, leading to a negative EBIT of 89 thousand euros in 2020.

Net financial results totalled -725 thousand euros in 2020, lower than the previous year (-977 thousand euros). Which leads to a negative net result of €1.208 million in the year 2020, some €3.7 million below the previous year of €2.468 million. The whole net result attributable to the ISQ Group (including



non-controlling interests) in 2020 was a negative €956 thousand, compared to a positive 2.703 million euros in 2019.

During the 2020 financial year, the amount invested in tangible and intangible fixed assets was 8.5 million euros, compared to 4.5 million euros in 2019. The main investments in 2020 were made by ISQ and Labiagro. The investment subsidies allocated in 2020 to ISQ and Labiagro were 1,819 and 384 thousand euros respectively.

	values in thousands of euros	
	2020	2019
Turnover	63,085	75,902
EBITDA	3,717	8,004
EBITDA Margin (as % of Turnover)	5.9%	10.5%
Amortisation and depreciation	3,806	3,532
EBIT	(89)	4,472
EBIT Margin (as % of Turnover)	-0.1%	5.9%
Net financial results	(725)	(977)
Earnings before tax	(814)	3,495
Income Tax	(142)	(792)
Net results of the financial year	(956)	2,703
Attributable to non-controlling interests	252	235
Attributable to equity holders of the parent company	(1,208)	2,468

MAIN INCOME STATEMENT INDICATORS

Total assets amounted to €103.8 million in 2020 (€104.7 million in 2019), with the value of non-current assets totalling €65.8 million (€62.0 million in 2019).

Net bank debt increased by €1.5 million in 2020 (from €26.9 million in 2019 to €28.4 million in 2020), an increase of 5.7%. It should be noted that the increase occurred mainly at the level of non-current liabilities. It should be mentioned that this increase is relatively low, considering the reduction in turnover and the level of investment in 2020.

The ISQ Group has been using factoring to finance itself since 2015. In 2020 the total balance was around €5.2 million (€6.6 million in 2019).

As a result of the effort to reduce the degree of financial leverage, already pursued in previous years, it was possible to improve the financial results by around 252 thousand euros between 2019 and 2020. At the level of the Group's cash flow, there was a positive evolution in 2020, with an increase of around 978 thousand euros in cash and cash equivalents at the end of the period, despite a drop of around 7 million euros in customer receipts and an increase in investments.

In 2021, the ISQ Group will continue to focus on reducing its bank debt by continuing its initiatives to sell non-core assets and negotiating with financial institutions to convert short-term debt into medium-term debt.

ISQ e-LEARNING

On a global scale, the year 2020 brought a set of uncertainties to all aspects of the evolution of markets due to the pandemic situation, which led to the reversal of the growth cycle of 2019. However, the results of the 2020 financial year were positive, considering all the challenges imposed by this economic situation.

The business in 2020 was strengthened by pursuing the defined policy to consolidate the installed customer base by means of an upselling strategy, diversifying the sectors of activity, expanding into new geographical areas, particularly in Portuguese-speaking countries, and strengthening the current partnerships that operate as a ways to reinforce the promotion of ISQe's services in the talent management area.

The main objectives achieved in 2020 were:

- The diversification of the customer portfolio into customers with an international dimension and presence.
- The increase in implementation projects based on fully integrated talent management solutions (recruitment, training and performance) and expansion among the customer base into new talent management suite products.
- Attracting clients in new sectors
- Consolidation of the partnership with SaaS companies for the commercialisation of products that resulted in new customers for ISQe.
- Investment in the optimisation of complementary SaaS products of multi-disciplinary interest to customers and with the possibility of being commercialised internationally.
- Commitment to R&D activities, by participating as a partner in European projects such as REACT.
- Certification of the company to the ISO 27001 standard and preparation for ISO 27701 certification.

Partnering with SaaS companies to develop products complementary to its services, the expansion of international sales and penetration into new domestic market segments were the main business strategies that were adopted.

There was a focus on boosting the development and specific training of human resources with the aim of acquiring skills and certifications in the areas of activity, as well of reinforcing the company's management structure, in line with the growth cycle and with a view to strengthening the capacity for ongoing alignment with this cycle. The outstanding performance of the employees in such uncertain and challenging times was also extremely relevant for the optimisation of results.

2020

Turnover (M€)
2.6

Net Result
0.2



SONDAR (GROUP)

The year 2020 was marked by the effects of the Covid-19 Pandemic, which placed numerous constraints on the Sondar Group companies (Sondar.i, Sondarlab and LCM Iberia - LCMI).

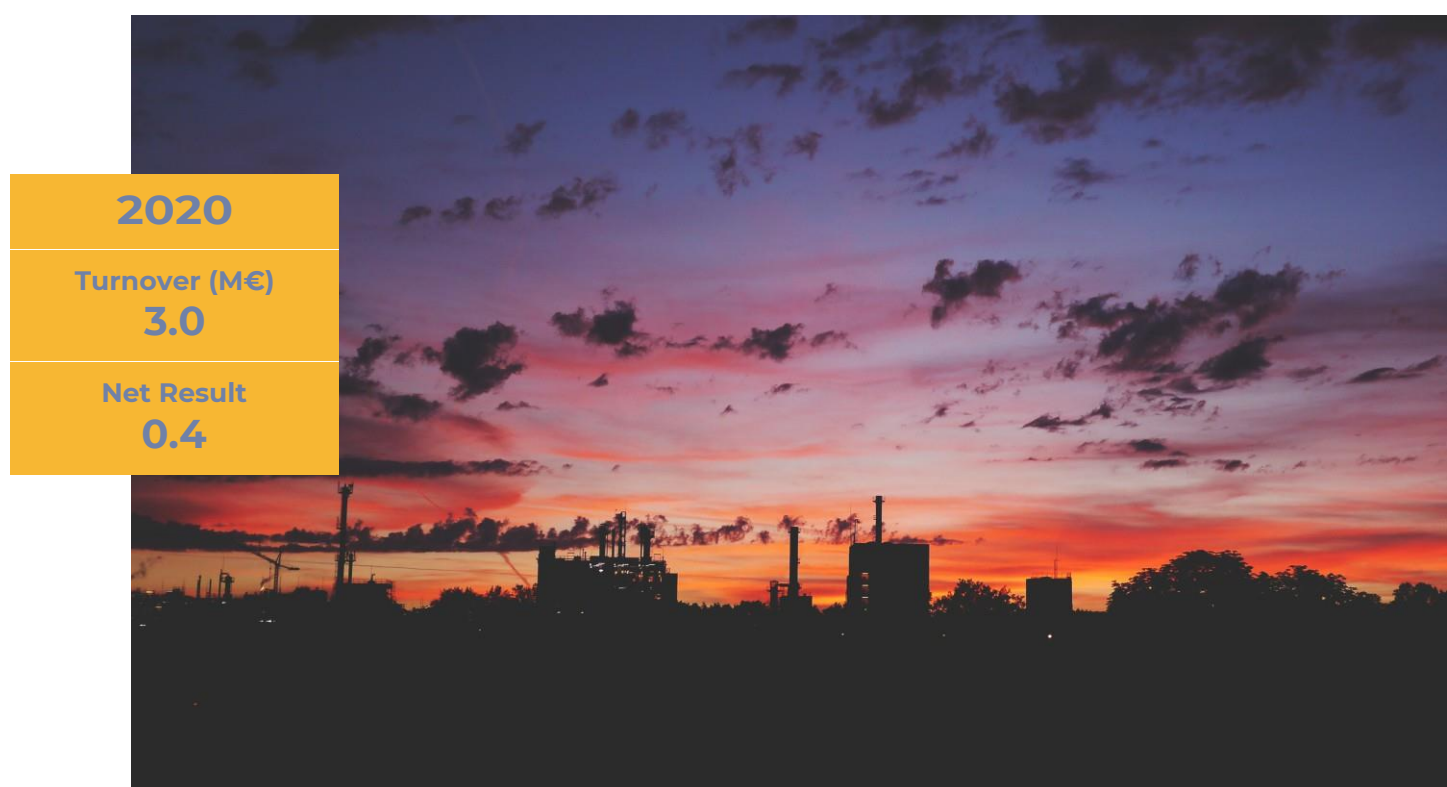
This effect was felt differently in the different businesses: it was possible to increase the activity of the Air stations (Sondarlab), as they involve reduced contact and low exposure of the teams. In the case of Sondar.i and LCMI, a lot of work had to be postponed during the lockdowns, putting the safety of employees and other stakeholders first.

The management and teams adapted all planning and scheduling (holidays, shutdowns, equipment maintenance, rotations) in a balanced way, making the work schedule flexible in order to prioritise the health and safety of all those involved and affect the activity as little as possible. Actions were immediate, even before business support measures were in place. Lay-offs were also a resource that companies resorted to when justified.

The impact of the contingency measures on the business was mainly felt in Q2 2020. Even under these adverse conditions, part of the work was recovered by the end of the year, although certain campaigns were not run because the customer pulled out due to production stoppages.

The adjustments and investments made in the companies, still in the pre-COVID phase, ended up not having an immediate effect on growth in 2020, but they did allow the Group to consolidate and prepare for a better future.

In summary, the Sondar Group experienced a 7% drop in Turnover and a 17% reduction in EBITDA in 2020.



IDQ MACAU

The year 2020 brought new challenges to the whole world, forcing business strategies to adapt to a new situation of lockdowns, isolation and remote working.

Macau's economy saw consecutive years of growth with the development of tourism. Macau is a very small city with no natural resources, but it is one of the most densely populated cities in the world. Aware of the possible consequences of the Covid-19 pandemic, initially detected in Mainland China, the Macao government closed its borders in order to safeguard the health of its residents. As a consequence, tourism suffered historic slumps that led to the collapse of the state's biggest source of revenue.

Another consequence of this isolation was the impossibility of access by foreigners, resulting in suspensions and postponements of some projects requiring skilled labour not available in Macau.

In 2020, IDQ started to provide specialised services in Corrosion Engineering. The proximity of the sea and the high temperatures experienced practically all year round in Macao mean that metal structures are exposed to a highly corrosive environment. This environment is often ignored in projects developed in the territory, leading to the need for very costly early repairs.

The Land, Public Works and Transport Department of Macau (DSSOPT) has started to include Construction Information Modelling in its tender documents for new buildings. In anticipation of the entry into force of this requirement, IDQ qualified and certified employees who have been running training activities, both in private companies and in the DSSOPT itself.

IDQ has cooperated with Angola and Mozambique in their response to the pandemic crisis by assisting in the procurement of protective equipment from Mainland China and, specifically, with the development of prototype ventilators that can be manufactured from accessible and reliable materials, donated to universities in Angola and Mozambique. At the same time, a permanent contact line was set up to train staff to use and manufacture these devices locally.

2020

Turnover (M€)
13.0

Net Result
3.6



ISQ APAVE

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The year 2020 was marked by the Pandemic (SARS COV2) that impacted the whole world. In Angola the effect of the fall in oil prices was keenly felt. In addition to the Pandemic, the evolution of the exchange rate of the Kwanza, which over the last three years has suffered the adjustment of the gradual liberalisation of the exchange market, was another relevant factor, with depreciations of 26.5% and 32.8% against the Dollar and the Euro, respectively.

In this context, ISQAPAVE did not avoid a downturn in activity in 2020, with abnormally low production months between April and August. Production levels returned to some normality from September 2020 onwards, with Turnover closing at the equivalent of €6.7 million.

The efficiency of the operations, the solidarity of the teams and their remarkable ability to adapt to the most adverse conditions, even made it possible to generate a positive recurring operational result. However, the high levels of old debt to group companies in EUR/USD, combined with the sharp devaluation of the Kwanza led to a negative final net result of -€0.5 million.

Emphasis should be placed on the involvement in the ZINIA Project (CNDs, Lifting & Tubular Inspection), calibration of offshore equipment for BP, the resumption of inspections of UNITEL's fibre optic projects, the renewal of the licence of INEFOP (local training entity), the recertification of the management and quality system and the re-launch of the volumes, valves and flows calibration service, with the creation of a new laboratory, despite being in the middle of the Pandemic.

2020

Turnover (M€)
6.7

Net Result (M€)
-0.5





ISQ BRAZIL

In 2020, the Brazilian economy suffered the impact of a major recession caused by the coronavirus pandemic. GDP shrunk by 4.5% in 2020.

In this context, ISQ Brazil continued the company's operational activity, focusing on three basic areas: Health and Safety; Maintaining a positive cash flow; Job preservation.

It was possible to strengthen its position in the provision of Engineering and Technical Inspection services, with a particular focus on the development of prediction and asset risk management models. The main projects started in 2019 were continued, namely: SUZANO Paper & Cellulose CSP Steel USIMINAS Steel; SAMARCO Mining and projects were commenced in 2020 through a major commercial effort through business lines in the Oil & Gas, Paper and Cellulose, Energy, Mining and Steel sectors: Mosaic Fertilizantes S/A; GERDAU Açominas S/A – Steel Group; VALE S/A; PETROBRAS – UOBS; CMOC – Mining; CEMIG; CPMC - Cellulose.

2020 was also important for the continuity of R&D projects: development of technology for inspection of risers in ultra-deep waters; Smart system for the prediction of defects on railway tracks using an instrumented wagon; POCs (Proof of Concept) for VALE: - Noise mitigation system and for Jaguar Mining - Anti collision system in underground mines.

2020

Turnover (M€)

4.9

Net Result (M€)

-0.5



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ISQ ESPANHA

The impact of the pandemic forced ISQ Spain to adjust its market growth strategy commenced during the previous year to prioritise people's safety and its presence among its main customers. The company used lay-offs, financed itself with loans from special lines guaranteed by the Spanish state (ICO), and widely adopted remote working. It should be noted that although it always kept teams on the ground and in movement around the Iberian Peninsula and Europe, ISQ Spain did not record any cases of Covid-19 in its team during 2020. Despite direct efforts to suspend and cancel the works that were already contracted, by the end of the year the company was able to report an increase in activity compared to the previous year.

The regulatory activities within the scope of the accredited body (OCA) have been given a new boost with new work teams operating on the Madrid - Albacete axis and with extensions to Galicia. This project to advance into the territory was not only through the new accreditations but also through more intense and structured commercial initiatives. Also worthy of note is the increased presence in the wind power and photovoltaic sector, with Siemens Gamesa, GRI, Naturgy, Acciona (also with international projects in France, Italy, South Africa and Brazil) as its main customers, the ongoing ITER project and the improvement of positions in fixed contracts with positive performances with clients such as Nortegas, Navantia, Parcisa and EDP, as well as penetration into the biomass sector, which is expanding fast on the Spanish market.

In periods of less activity, the company invested in training technicians in the area of non-destructive testing and regulatory technical inspections and began a process of updating its IT structure. The final result of the year was still negative.

2020

Turnover (M€)

3.5

Net Result (M€)

-0.3



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ISQ SARL (ALGERIA)

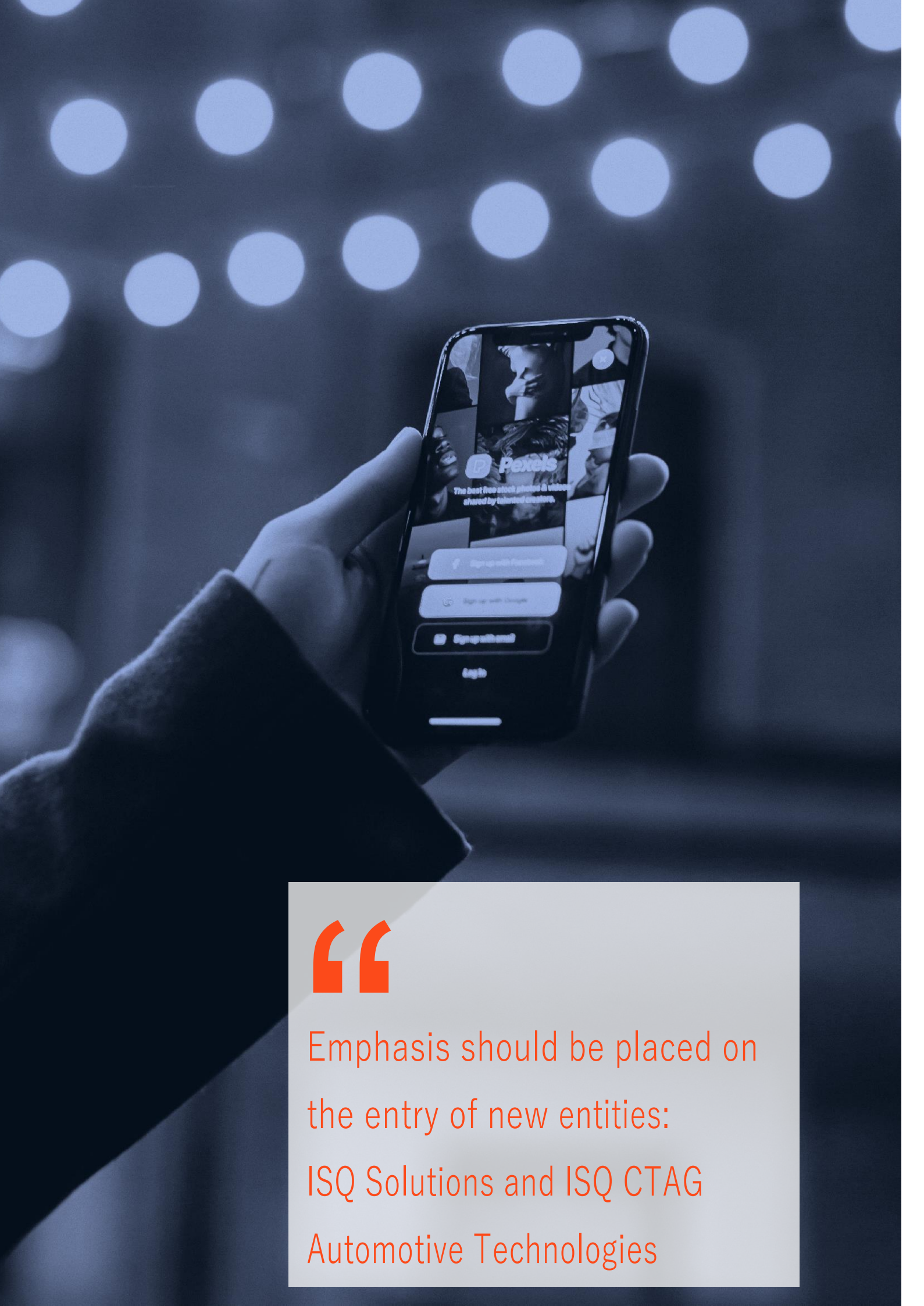
Algeria's political situation remained stable in 2020, even though the global pandemic has worsened the country's economic indicators. GDP contracted to a value of -3.9%, with the largest downturn being seen in the industry sector. The hydrocarbons sector, a cornerstone of the Algerian economy, declined in terms of the number of active fields being exploited. The postponement of the review of legislation on taxation in the sector and the global downturn in demand for oil and gas have contributed significantly to the growth of public debt. The dinar also devalued strongly during 2020, going from an exchange rate against the euro of 133.34DA in January 2020 to 160.77DA in December 2020, which heavily penalises the imports of goods and services.

In this context, ISQ SARL posted a turnover of 597MDA (about €4.2 M), 2% higher than the budgeted turnover. The metrology area suffered a drop in activity due to the lockdown that the country was forced to implement, achieving 90% of the budgeted turnover. The commercial area also saw a decrease in the number of enquiries received and, consequently, in the number of quotations provided. The contract award rate dropped by around 12% compared to 2019.

The task of managing this affiliate, with expatriate managers, was made very difficult as the country kept its borders closed during 2020. The workforce was increased by 10 employees (106 employees). This increase was in the area of industry, which is very dependent on the needs of the client Groupement Berkine (GB). The human resources of the metrology team were also reinforced during the course of the year as part of the project to extend the accredited quantities envisaged for completion in 2021, therefore allowing the expansion of this business area.

It was also possible to negotiate an extension to the contract with GB until January 2021, allowing the operation to continue in the corrosion monitoring sector.





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Emphasis should be placed on
the entry of new entities:
ISQ Solutions and ISQ CTAG
Automotive Technologies



MACROECONOMIC TRENDS 2021

The Pandemic decreed by the WHO in March 2020 affected economic momentum around the world. Vaccination and public policies to support economic recovery are seen as levers for a return to growth.

In its April 2021 World Economic Outlook, the International Monetary Fund (IMF) estimates that the global economy will return to growth in 2021, with rates of 6.0% and 4.4% for the year 2021 and 2022, respectively. This is a 0.5% improvement over the estimate presented in January 2021, recognising the positive effect of the start of vaccination, but with the negative effect of the resurgence of new waves, variants and strains of the virus, particularly in some parts of the world where measures to contain the pandemic greatly affect economic activity. It also recognises the positive effect of central and fiscal policies to support and encourage economic recovery, in particular the Rescue Plans launched by the Biden Administration in the United States of America and the European Union's Recovery and Resilience Plan.

In its March 2021 Interim Economic Outlook, the Organisation for Economic Co-operation and Development (OECD), acknowledges that the economic recovery is faster than previously expected, with significant increases over the December 2020 Outlook, largely due to the effect of fiscal stimulus on the growth of the US economy, a USD 1.9 T plan, which is having an additional positive effect of 4% on the USA's GDP and 1% around the world (close to 0.5% in the EU). In this context, the OECD says that the global economy will grow by 5.6% in 2021 and 4% in 2022.

Many countries will only return to a pre-pandemic level at the end of this year or early 2022, meaning that they will have lost 2 to 3 years of growth. This is extremely significant both in terms of the capacity to retain jobs and the well-being of populations.

Accelerating the production and implementation of the vaccination programme is the best economic policy to accelerate growth and job recovery, and accelerating vaccine production and a successful vaccination campaign could lead to the return to pre-pandemic forecast GDP levels by the end of 2022. The same applies in reverse, i.e. the effect of the vaccination will determine whether the best or worst scenario of these estimates plays out.

These forecasts have numerous risk factors that can influence them, of which the following stand out:

- The dichotomy between the emergence of new variants and the spread and effect of the virus vs. the speed of vaccination around the world (more effective vaccines, with a good ability to encourage people to take them, will lead to the acceleration of the economy; more variants of the virus, more outbreaks and less effective vaccines will slow down the economy);
- Policies to stimulate recovery (notably the US and EU plans) can have an immediate impact;
- The uneven distribution of the capacity to support recovery and the effect of curbing activities has a negative effect on economies that are more exposed to tourism and more dependent on transport and travel. Consequent pressure on employment - in many cases unskilled, affects more fragile and poorer populations;
- Demand and inflation: Despite episodes of pressure on costs and prices in the supply chain, to the extent that there are some products with supply shortages due to the increase in demand caused by the abrupt change in consumption patterns (need to respond to the growing number of people teleworking and remote schooling - semiconductors in China, for example), or due to a reduced supply (some shortage of agricultural products arising from restrictions on the movement of migrant

labour), in general the demand has dropped hand-in-hand with the fall in activity. Sectors such as food and beverages, consumer services, administrative support and education are still experiencing a major drop in the workforce. As a result the pressure of global demand on prices will drop, even considering the recovery stimulus policies and plans;

- Financial markets: Pressure on some markets and price volatility may lead to some disruption on financial markets, specifically the movement of liquidity from emerging markets to more developed countries. This requires intervention by central banks to inject the necessary liquidity into markets and mitigate their volatility. The aim is to not add a financial crisis to a public health and economic crisis.

Policies recommended by the IMF and OECD to mitigate risks:

- Accelerating vaccination in individual countries, while supporting their roll-out worldwide.
- Investing in efficient testing and tracing;
- Supportive fiscal and public policies - until a consistent recovery begins (examples are the EU recovery and resilience plan and the new Biden administration's recovery support plan in the USA);
- Investing in young people, increasing the likelihood of successful transition from training to work;
- Investing in digital transformation and the environmental ("green") transformation. Based on the low levels of broadband penetration globally and the disproportionate nature of investments planned in current policies that still capture more investment for fossil fuel energy instead of Energy efficiency and renewable energies.
- Monetary policies that support the economy and guarantee liquidity, mitigating risks of market volatility, while there is no risk and pressure of high inflation.

EURO ZONE


In its March 2021 publication, the ECB forecasts growth of 4% for the eurozone in 2021 and 4.1% for 2022. Considering the current circumstances, the ECB also developed two alternative scenarios, a more optimistic one, considering faster and more successful vaccination, in which the eurozone GDP could grow by around 6.4% in 2021. On the other hand is a pessimistic scenario, with new strains and variants of the virus, which would not allow great effectiveness and would delay the success of vaccinating the population. In this scenario, growth would only be 2% in 2021.

In addition to the aforementioned factors, the baseline forecast takes into account that the EU and the UK have reached a Trade and Cooperation Agreement, which is provisionally applicable from 1 January 2021 and includes a post-Brexit Free Trade Agreement (FTA).

SPAIN

The OECD forecasts that the Spanish economy will grow by 5.7% in 2021 and 4.8% in 2022.

With the uncertainties that have already been pointed out and if there is some easing of restrictive measures, sectors of the Spanish economy such as industry and energy will tend to recover more quickly, as seen in the 3rd quarter of 2020. Critically, trade and particularly tourism will depend on the success and speed of the immunisation of the population and the vaccination process. The ECB has provided significant support by buying the debt of the Eurozone states. The EU's recovery programme Next Generation EU (NGEU) is also expected to have a positive impact.



Also of note is the large exposure of Spanish investment and financial institutions to economies that pose some specific risks, such as Argentina, Venezuela and Turkey.

BRAZIL

The resurgence of the epidemic and low vaccination rates pile on the pressure and delay economic recovery. The OECD forecasts growth of 3.7% in 2021 and 2.7% in 2022, respectively.

ANGOLA

Angola's economy shrunk once again in 2020, according to IHS Markit. The greatest impact on the region was felt in the reduction in the price of a barrel of oil, a highly relevant sector that still accounts for a large part of the country's exports.

In a State with few resources, the need to raise revenue has led to an increase in the tax burden, which goes against the needs of economic agents. This factor affects and slows down economic growth.

Also of note is the gradual adjustment of the local currency (kwanza) to the foreign exchange market, in accordance with the strategy set by Banco Nacional de Angola (BNA) at the end of 2017 and which in practical terms caused the very sharp devaluation of the kwanza against the US dollar (USD) and euro over the 2018/2020 three year period. The BNA points to a greater normalisation and balance of the Kwanza's exchange rate during the course of 2021, a factor of great relevance for entities that have some overseas exposure or links.

There is still a weak business environment and a low level of international investment in the country. In its April Outlook, the IMF points to residual growth in Angola's GDP of 0.4% in 2021 and 2.4% in 2022

PORTUGAL

Banco de Portugal and the European Central Bank forecast that the Portuguese economy will grow by 3.9% in 2021 and 4.5% in 2022.

According to the Public Finance Council (CFP), there may be some recovery of exports as the economy gradually opens, although there will be a loss of market share. In the tourism sector, however, it is estimated that pre-covid levels will only be regained in 2022.

The potential financial instability that may arise from a substantial increase in debt at a global level will be mitigated by the ECB's accommodative and supportive monetary policies.

The high level of debt of Portuguese families and companies may also lead to an increase in non-performing loans, the deterioration of bank balance sheets and accentuate pressure on the continuity of some businesses, with harmful effects on sectors of activity that are more exposed to the health containment measures.



ISQ OUTLOOK 2021

2021 will still be a year heavily affected by the Covid-19 virus pandemic, from a health, economic and social perspective. The various impacts of the pandemic will be widespread and felt in most parts of the world.

Uncertainty and change will be constant factors in the coming years; the pandemic has accelerated changes in the way in which work is organised and the digitalisation of services and products.

The great uncertainty felt by all economic agents at this stage is whether or not there will be an improvement in the pandemic in 2021. As the World Health Organisation has pointed out, vaccination systems are lagging behind and the issue of the emergence of new mutational variants of the virus that may not be covered by current vaccines places a huge question mark over economic and social activities in 2021.

In the global Information and Communication Technology sector, some of the trends that were already seen in pre-Covid times were strongly driven by the pandemic and the pressing need to find remote and more digitised working solutions. Among other solutions, emphasis should be placed on the creation of remote inspection solutions linked to digital twinning processes, forecasting and monitoring platforms based on artificial intelligence, augmented reality, cybersecurity of all infrastructure networks and IOT based on the development of Industry 4.0. ISQ must look at these trends, uncertainties and constant changes as a catalyst for the ongoing digital transformation strategy, thus creating new solutions for its customers and subsequently gaining competitive advantages over the competition.

In terms of improvements in internal efficiency and business development, the CRM implementation project across the organization is expected to be concluded during the first half of 2021, and there are plans to start the project to migrate the current version of ERP SAP to the S/4HANA version of SAP. In this way, ISQ will achieve the transformation of business processes through a global system built on technological intelligence, including a significant component of machine learning and advanced analytics, which will enable it to obtain a holistic view of the entire business and processes.

During the first half of 2021, the Portuguese Government will approve the Recovery and Resilience Plan (RRP) drawn up following the public debate on the "Strategic vision for the economic recovery plan for Portugal 2020-2030", developed by Professor António Costa Silva. The RRP will guide national strategies and policies, as part of the European response to the crisis caused by the Covid19 virus. ISQ will take special interest and pay attention to the future developments of two of the three dimensions presented in the RRP, specifically the digital transition and the climate transition.

The European Green Deal was the conceptual basis for the policies presented in the RRP, in relation to the climate transition that will result in future actions that will make Portuguese



and European climate neutrality possible by 2050. The decarbonisation of the economy and society will give opportunities to ISQ, specifically in the areas of mature and emerging renewable energies, such as green hydrogen.

The digital transition of the economy will offer opportunities to ISQ in matters related to automation and robotisation, Industry 4.0 and the training of people.

The year 2021 will also feature a focus by States and their regulatory authorities on public health areas, which will bring new regulations and new forms of regulatory control, leading to more public and private sector investment in the health market. ISQ has the competence and knowledge to walk shoulder to shoulder with its customers in this more demanding "new world", which may give it a new position in the value chain.

Particular attention will be paid to the financial management of the ISQ Group, always bearing in mind stress tests scenarios in the event of possible lockdowns in countries where ISQ has financial holdings or operations, which may involve the repatriation of employees, collection of commercial debt or local bank debt.



OUTLOOK 2021 - ISQ GROUP COMPANIES

ISQ e-LEARNING

In terms of the outlook for 2021, the ISQe board of directors intends to continue the policy of strengthening the brand by regularly communicating its added value through specialised channels, creating products and services that can be marketed internationally, focusing essentially on the ability to support the acceleration of digital transformation processes of companies that aim to capitalise on organisational talent, thus increasing the company's potential market.

In terms of the internationalisation of the company, the aim is to continue the series of initiatives in France, Spain and Brazil in order to increase the provision of services in these countries.

The aim for 2021 is to continue the company's growth in terms of turnover in a sustained manner in services and products produced in-house.

SONDAR (GROUP)

For 2021, the objective is to increase the Turnover and profitability of the business, work in new markets outside Portugal and strengthen the links between the group companies and partner entities in the Country, specifically ISQ, in order to boost the internationalisation strategy, using process digitalisation as an essential tool.

IDQ MACAU

Several services will be developed in 2021:

IDQ provides a test bench calibration service for Safety Pressure Valves, which involves dismantling and transporting the valves from the customer's premises to the IDQ test bench, leading to the equipment being immobilised for some time.

IDQ is acquiring the capacity to perform in-line valve testing, thereby shortening the amount of time that the equipment has to be shut down.

IDQ also intends to develop the provision of services for monitoring the deformation of metal structures.

New projects for the year 2021 include the new light rail line to Ilha da Montanha and the new bridge between Macau and Taipa.



ISQ APAVE

Despite uncertainties surrounding the post-Pandemic evolution and recovery, ISQAPAVE kicked off the first quarter of 2021 with growth in comparison with the same months of the previous year, which were not affected by the Pandemic. This fact, along with business estimates pointing to growth, the aforementioned operational efficiency and estimates of greater stability on the foreign exchange market point to a year of growth with positive performance.

ISQ BRAZIL

The main objectives of ISQ Brazil for 2021 are: Increase the volume of services with greater added value; Innovate in customer service and logistics operations; Remain focused on operational efficiency in short and long term contracts; Strengthen economic / financial autonomy; Improve people and knowledge management; and create and develop innovation strategies, with increasing adaptation of information-enabled technologies and Industry 4.0., with an emphasis on Go-to-Market for the flexible riser inspection project.

ISQ ESPANHA

An increase in activity is envisaged for 2021, in order to achieve the financial balance of the company and to enhance:

- OCA activities, with more accreditations and strengthening across the territory, with the teams in Madrid and Albacete seeking to increase their market share;
- Presence in wind farms, relying on an existing customer base and the search for new references;
- Development of new services and strengthening of activities with higher added value (failures analysis, integrity, calculation);
- Development of a cross-company commercial structure and digitalisation of processes.



ISQ SARL (ALGERIA)

Despite the GB project coming to an end and the context of the Pandemic, 2021 will be developed with the aim of enhancing the company's strengths, which include the following:

- The metrology business which, despite the constraints due to the pandemic situation, stood out due to the renewal of its accreditation for the next four-year period, as well as its transition to ISO/IEC 17025:2017, reinforcing the goal of contributing to the company's sustainability in the medium / long term;
- Diversification of services, specifically through a cathodic protection contract with the Timimoun Group;
- Empowerment to respond to "on-call" market demands, enabling the provision of services to retail CND / shutdowns, enhancing knowledge, human and other resources, such as the fleet of available equipment.

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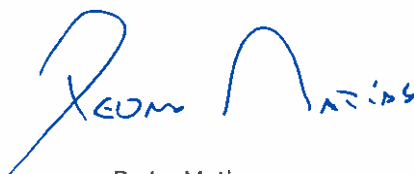
Decarbonisation and the digital transition of the economy will bring opportunities to ISQ in matters related to renewable energies, automation, Industry 4.0 and people training



APPROVAL OF THE FINANCIAL STATEMENTS 2020




Fernando Paiva Brandão
Certified Accountant



Pedro Matias
Chairperson



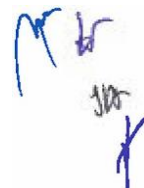
Besma Kraiem
Director



João Safara
Director



José Salgado Figueira
Director



CONSOLIDATED BALANCE SHEET

values in euros

ITEMS	NOTES	31-12-2020	31-12-2019
ASSETS			
Non-current assets			
Tangible fixed assets	4	54,075,929	50,091,777
Investment properties	5	83,020	84,329
Goodwill	6	213,118	250,893
Intangible assets	7	2,376,637	2,192,921
Financial holdings - equity method	8	4,415,133	3,863,772
Other financial investments	9	1,131,578	1,090,596
Credits receivable	10	484,120	774,145
Other financial assets	11	1,760,863	2,845,398
Deferred tax assets	12	1,227,769	777,405
		65,768,167	61,971,236
Current assets			
Inventories	13	158,226	176,683
Customers	14	21,005,377	26,995,966
State and other public entities	15	2,736,135	2,999,991
Other accounts receivable	16	8,208,969	7,831,853
Deferrals	17	560,926	353,050
Other financial assets	11	3,722	3,709
Cash and bank deposits	18	5,335,606	4,358,046
		38,008,961	42,719,298
Total assets		103,777,128	104,690,534

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CONSOLIDATED BALANCE SHEET (CONT.)

values in euros

ITEMS	NOTES	31-12-2020	31-12-2019
EQUITY AND LIABILITIES			
EQUITY			
Share capital	19		
Other equity instruments		137,162	2,500
Legal reserves		50,187	51,086
Other reserves		1,878,899	1,533,002
Retained earnings		22,662,005	20,374,705
Revaluation surpluses	20	9,897,726	9,911,747
Adjustments / other changes in equity	21	12,806,110	13,717,465
Net result for the period		(1,207,947)	2,468,303
		46,224,142	48,058,808
Non-controlling interests	22	1,290,785	1,101,478
Total equity		47,514,927	49,160,286
LIABILITIES			
Non-current liabilities			
Provisions	23	8,500	10,136
Financial debt	24	22,186,570	19,843,626
Deferred tax liabilities	12	73,035	74,012
Other accounts payable	25	108,226	95,726
		22,376,331	20,023,500
Current liabilities			
Suppliers	26	6,995,591	8,465,869
Advance payments from customers	27	1,297,289	1,871,190
State and other public entities	15	2,907,463	3,428,904
Financial debt	24	11,576,097	11,403,922
Other accounts payable	25	10,080,724	9,837,582
Deferrals	17	1,028,706	499,281
		33,885,870	35,506,748
Total liability		56,262,201	55,530,248
Total equity and liabilities		103,777,128	104,690,534

Mr
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CONSOLIDATED INCOME STATEMENT BY NATURE

amounts in euros

INCOME AND EXPENSES	NOTES	2020	2019
Sales and services rendered	28	60,017,548	72,819,816
Operating subsidies	29	3,066,959	3,082,142
Gains/losses attributed from other shareholdings	30	1,344,930	539,956
Own work capitalised	31	207,573	374,747
Inventories consumed and sold	13	(1,152,682)	(1,325,939)
External supplies and services	32	(21,006,650)	(27,073,086)
Staff expenses	33	(35,411,120)	(38,013,897)
Impairment of debts receivable (losses/reversals)	34	(2,121,833)	(935,495)
Impairment of non-depreciable investments (losses/reversals)	35	(275,000)	(215,000)
Other income and gains	36	2,918,465	3,044,602
Other expenses and losses	37	(3,871,105)	(4,293,955)
Earnings before depreciation, financing expenses and taxes		3,717,085	8,003,891
Expenses/reversals from depreciation and amortisation	38	(3,806,238)	(3,531,959)
Operating income (before financing expenses and taxes)		(89,153)	4,471,932
Interest and similar income	39	76,250	52,475
Interest and similar expenses	39	(801,382)	(1,029,331)
Earnings before tax		(814,285)	3,495,076
Income tax for the period	12	(141,838)	(791,705)
Net result for the period		(956,123)	2,703,371
Net result for the period attributable to:			
Equity holders from the parent company		(1,207,947)	2,468,303
Non-controlling interests	40	251,824	235,067

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR PERIOD N-1 (FINANCIAL YEAR 2019)

	TOTAL	Share capital	Other equity instruments	Legal reserves	Other reserves	Retained earnings	Revaluation surpluses	Adjustments / Other changes in equity	Net result for the period	Sub-total	Non-controlling interests
Financial position at 01-01-2019	46,028,465		2,500	56,295	628,616	24,705,674	9,922,583	8,494,699	1,403,250	45,213,617	814,848
Changes in 2019											
Financial statements conversion differences	5,454,072							5,454,072		5,454,072	
Carrying out of revaluation surpluses						10,836	(10,836)				
Revaluation surpluses											
Other changes recognised in equity	(4,984,721)			(5,209)	904,386	(4,341,805)		(231,306)	(1,403,250)	(5,077,184)	92,463
	469,351			(5,209)	904,386	(4,330,969)	(10,836)	5,222,766	(1,403,250)	376,888	92,463
Net result at 31-12-2019	2,703,370								2,468,303	2,468,303	235,067
Comprehensive income at 31-12-2019	3,172,721			(5,209)	904,386	(4,330,969)	(10,836)	5,222,766	1,065,053	2,845,191	327,530
Transactions with equity holders in 2019											
Distributions of profit	(40,900)										(40,900)
	(40,900)										(40,900)
Financial position at 31-12-2019	49,160,286		2,500	51,086	1,533,002	20,374,705	9,911,747	13,717,465	2,468,303	48,058,808	1,101,478

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR PERIOD N (FINANCIAL YEAR 2020)

	TOTAL	Share capital	Other equity instruments	Legal reserves	Other reserves	Retained earnings	Revaluation surpluses	Adjustments / Other changes in equity	Net result for the period	Sub-total	Non-controlling interests
Financial position at 01-01-2020	49,160,286		2,500	51,086	1,533,002	20,374,705	9,911,747	13,717,465	2,468,303	48,058,808	1,101,478
Changes in 2020											
Financial statements conversion differences	(517,354)							(517,354)		(517,354)	
Carrying out of revaluation surpluses	976					14,997	(14,021)			976	
Revaluation surpluses	(977)					(977)				(977)	
Other changes recognised in equity	(63,784)		134,662	(899)	345,897	2,273,280		(394,001)	(2,468,303)	(109,364)	45,580
	(581,139)		134,662	(899)	345,897	2,287,300	(14,021)	(911,355)	(2,468,303)	(626,719)	45,580
Net result at 31-12-2020	(956,123)								(1,207,947)	(1,207,947)	251,824
Comprehensive income at 31-12-2020	(1,537,262)		134,662	(899)	345,897	2,287,300	(14,021)	(911,355)	(3,676,250)	(1,834,666)	297,404
Transactions with equity holders in 2020											
Distributions of profit	(108,096)										(108,096)
	(108,096)										(108,096)
Financial position at 31-12-2020	47,514,927		137,162	50,187	1,878,899	22,662,005	9,897,726	12,806,110	(1,207,947)	46,224,142	1,290,785

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CONSOLIDATED CASH FLOW STATEMENT

amounts in euros

ITEMS	NOTES	2020	2019
Operating activities			
Receipts from customers		74,578,942	81,956,669
Payments to suppliers		(26,758,182)	(31,575,243)
Payments to staff		(35,646,318)	(37,785,205)
Cash flows generated by operations		12,174,442	12,596,221
Payment / receipt of income tax		(494,016)	(808,561)
Other receipts / payments related to operating activities		(7,773,846)	(8,939,953)
Cash flows of operating activities		3,906,580	2,847,707
Investment activities			
Payments related to:			
Tangible Fixed Assets		(6,956,026)	(3,204,737)
Financial investments		(202,262)	(380,702)
Other Assets			(204,864)
		(7,158,288)	(3,790,303)
Receipts related to:			
Tangible Fixed Assets		68,585	26,535
Intangible assets			828
Financial investments		111,941	410,004
Other Assets		358,123	157,931
Investment Subsidies		2,202,546	922,139
Interest and similar income		15,120	21,451
Dividends		71,037	74,137
		2,827,352	1,613,026
Cash flows from investment activities		(4,330,936)	(2,177,278)

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CONSOLIDATED CASH FLOW STATEMENT (CONT.)

amounts in euros

ITEMS	NOTES	2020	2019
Financing activities			
Receipts related to:			
Financing obtained		14,208,405	13,929,312
Other financing transactions		12,500	
		14,220,905	13,929,312
Payments related to:			
Financing obtained		(11,122,536)	(11,271,239)
Interest and similar expenses		(1,080,153)	(1,425,412)
Dividends		(58,800)	(103,400)
Other financing transactions		(166,387)	(447,723)
		(12,427,876)	(13,247,774)
Cash flows from financing activities		1,793,029	681,538
Change in cash and cash equivalents		1,368,673	1,351,967
Effect of exchange rate differences		(391,113)	(115,019)
Cash and cash-equivalents at the start of the period		4,358,046	3,121,098
Cash and cash-equivalents at the end of the period	18	5,335,606	4,358,046

ANNEX TO THE CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

1 - IDENTIFICATION

ISQ is a private non-profit association, established in 1965, with headquarters at Taguspark, Av. Professor Dr. Cavaco Silva, 33, Talaíde, District of Lisbon, Municipality of Oeiras, Parish of Porto Salvo, and branch offices in Vila Nova de Gaia, Castelo Branco, Loulé, Monção, Sines and Viseu.

ISQ provides services in several areas of activity, specifically technical inspections, consultancy and studies, testing and analysis, training, regulatory services, metrology, research and development.

Internationally, ISQ has branches and affiliated companies in Angola, Algeria, Brazil, Cape Verde, China, Spain, French Guyana and Timor.

ISQ is the parent company of the group of companies described in Note 3.

These financial statements were approved by the Board of Directors on 04/05/2021. It is the Board of Director's opinion that these financial statements faithfully reflect the Association's operations, as well as its financial position and performance and cash flows.

2 - ACCOUNTING REFERENCE FOR PREPARING THE FINANCIAL STATEMENTS

The attached financial statements are in accordance with all applicable standards, which form part of the Accounting Standardisation System (SNC), generically known as NCRF. The following documents should be understood as being part of these standards: Decree-Law no. 98/2015 of 2 June, the conceptual structure of the SNC (Notice no. 8254/2015); the Models of the Financial Statements (directive no. 220/2015), the Accounts code (Directive no. 218/2015), the Accounting and Financial Reporting Standards (NCRF) (Notice no. 8256/2015) and the Interpretative Standards (Notice no. 8258/2015). Whenever the SNC is unable to provide an answer to specific aspects of transactions or situations, the International Accounting Standards, adopted under the scope of Regulation no. 1606/2002, of the European Parliament and of the Council, of 19 July; the International Accounting Standards

(IAS), the International Financial Reporting Standards (IFRS) issued by the IASB and the respective SIC-IFRIC interpretations are applied as supplements and in the aforementioned order. The accounting policies have been applied consistently for all the presented financial years.

The attached financial statements are presented in euros.

The ISQ Group prepared consolidated financial statements for the first time in the 2015 financial year.

3 - MAIN ACCOUNTING POLICIES

(specific consolidation policies and others of a transverse nature)

Consolidation principles

These consolidated financial statements of the ISQ Group are presented as those of a single economic entity, reflecting the assets, liabilities and results of ISQ and all its affiliates, and the results and changes in other equity items relating to financial holdings in associated companies attributable to the Group.

The ISQ Group's financial statements used in the preparation of these consolidated financial statements were prepared on the same reporting date.

Combinations of business activities

As provided for in NCRF 14, these financial statements incorporate the results of combinations of business activities using the purchase method. The acquired assets, liabilities and contingent liabilities are recognised at their fair value on the date of the combination.

Combination cost surpluses over the fair value of holdings in the acquired identifiable net assets are recorded as goodwill.

When the cost of the combination is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly on the consolidated income statement.

The results of operations of the acquired companies are included in the consolidated income statement as of the date on which control is obtained.

Subsidiary companies

All entities controlled by the ISQ Group were considered subsidiaries. Control is considered as the power to manage the financial and operating policies of an entity so as to obtain profits from its activities. Control was presumed to exist if ISQ owned more than half of the voting power in an entity. The following entities are classified as subsidiaries:

COMPANY NAME	HEADQUARTERS	SHAREHOLDERS	% of capital held		COMMENTS
			31/12/2020	31/12/2019	
ISQ – Instituto de Soldadura e Qualidade	Portugal	N.a.	N.a.	N.a.	a) c)
ISQ Brasil Instituto de Soldadura e Qualidade, Ltda	Brazil	ISQ	100.00%	100.00%	b) c)
Instituto de Soldadura e Qualidade, Lda (Timor)	East Timor	ISQ	100.00%	100.00%	b) c)
ISQ Internacional, Inspeções Técnicas, S.A.	Portugal	ISQ	100.00%	100.00%	b) c)
ISQ Reabilitação (SU), S.A.	Angola	ISQ	100.00%	100.00%	b) c) d)
Labcal – Laboratório, Calibrações e. Ensaaios, S.A.	Portugal	ISQ	100.00%	100.00%	b) c)
Labiagro - Lab. Químico, Agroalim. e Microbiológico	Portugal	ISQ	100.00%	100.00%	b) c)
DBWAVE.I Acoustic Engineering, S.A.	Portugal	ISQ	100.00%	99.95%	b) c)
ISQ Solutions, unipessoal, Lda.	Portugal	ISQ	100.00%	n.a.	b) c) e)

- a) Parent entity required to prepare consolidated financial statements.
- b) ISQ directly or indirectly holds the majority of the voting rights.
- c) Hereafter, ISQ, ISQ Brazil, ISQ Timor, ISQ Internacional, ISQ Reabilitação, Labcal PT, DBWave, ISQ Solutions, Testwise, ISQ Mozambique, ISQ Spain, ISQ Algeria, CNE, ISQ E-Learning and Labcal CV respectively.
- d) Entities that are inactive and/or in the process of phasing-out.
- e) ISQ Solutions was incorporated in 2020.
- f) Q3A moved from being a jointly controlled company in 2019 to a subsidiary company in 2020.
- g) CNE moved from being an associate entity in 2019 to a subsidiary entity in 2020.

COMPANY NAME	HEADQUARTERS	SHAREHOLDERS	% of capital held		COMMENTS
			31/12/2020	31/12/2019	
Testwise – Automaç. Teste Contr. Ind., Lda.	Portugal	ISQ	100,00%	100,00%	b) c) d)
		ISQ Brasil	100,00%	36,00%	b) c)
Q3A - Qualidade Do Ar, Acústica Ambiente, Ltda.	Brazil	Sondar.I		64,00%	f)
		ISQ	99,00%	99,00%	
ISQ Mozambique	Mozambique	ISQ Internac.	1,00%	1,00%	b) c) d)
		ISQ	80,11%	80,11%	b) c)
ISQ, SARL	Algeria	ISQ	88,06%	79,92%	b) c)
		A.P. *		1,06%	b) c)
CNE – Centro Nacional de Embalagem	Portugal	ISQ	77,29%	41,22%	g)
		ISQ	51,00%	51,00%	
ISQ E-Learning, Tecnologia, Inovação, Formação, S.A.	Portugal	A.P. *	0,10%	0,10%	b) c)
		ISQ	51,00%	51,00%	b) c)
Labcal – Laboratório, Calibrações e. Ensaios, S.A.	Cape Verde	ISQ	51,00%	51,00%	b) c)

* Own shares

- a) Parent entity required to prepare consolidated financial statements.
- b) ISQ directly or indirectly holds the majority of the voting rights.
- c) Hereafter, ISQ, ISQ Brazil, ISQ Timor, ISQ Internacional, ISQ Reabilitação, Labcal PT, DBWave, ISQ Solutions, Testwise, ISQ Mozambique, ISQ Spain, ISQ Algeria, CNE, ISQ E-Learning and Labcal CV respectively.
- d) Entities that are inactive and/or in the process of phasing-out.
- e) ISQ Solutions was incorporated in 2020.
- f) Q3A moved from being a jointly controlled company in 2019 to a subsidiary company in 2020.
- g) CNE moved from being an associate entity in 2019 to a subsidiary entity in 2020.

The financial statements of ISQ and its subsidiaries were consolidated by the integral consolidation method, combined line by line, adding identical items of assets, liabilities, equity, income and expenses.

The carrying amounts of investments in each subsidiary and the respective share in the equity of each subsidiary were eliminated and the non-controlling interests in the results of the subsidiaries were identified. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from equity. All intra-group balances, transactions, income and expenses were eliminated in full in the consolidation process.

Jointly controlled entities

Joint control of an entity is understood to exist when the unanimous consent of the parties sharing control of the financial and operating policies of the business is required. The entities that qualify for recognition as jointly controlled entities are as follows:

COMPANY NAME	HEADQUARTERS	SHAREHOLDERS	% of capital held		COMMENTS
			31/12/2020	31/12/2019	
ISQAPAVE – Tecnologias, Lda.	Angola	ISQ A.P. *	49.98% 0.04%	49.98% 0.04%	a)
Labmetro, S.L.	Spain	ISQ, S.A.	n.a.	50.00%	a) b)
ISQ Engenharia, Lda.	Portugal	ISQ	50.20%	50.20%	a)
ISQ & CTAG - Automotive Technologies, Lda.	Portugal	ISQ	50.00%	n.a.	c)
Sondar.I – Amostragens e Tecnologias, Lda.	Portugal	ISQ	50.00%	50.00%	a)
Sondarlab – Laboratório da Qualidade do Ar, Lda.	Portugal	ISQ	50.00%	50.00%	a)
ISQ E3, S.A.	Portugal	ISQ	50.00%	50.00%	a)
LCM IBERIA - Laboratório de Calibração e Medida, Lda.	Portugal	ISQ, E3	100.00%	100.00%	a)
Q3A - Qualidade Do Ar, Acústica Ambiente, Ltda.	Brazil	ISQ Brasil Sondar.I	n.a.	36.00% 64.00%	a) d)

* Own shares

- a) Hereafter, ISQAPAVE, Labmetro, ISQ Engenharia, ISQ & CTAG, Sondar.I, Sondarlab, ISQ, E3, LCM and Q3A respectively.
- b) Labmetro was sold in 2020.
- c) ISQ & CTAG were incorporated in 2020.
- d) Q3A moved from being a jointly controlled company in 2019 to a subsidiary company in 2020.

The financial statements of jointly controlled companies are included in these financial statements by the proportional consolidation method as of the date that joint control exists.

All assets, liabilities, income and expenses are included line by line in the ISQ Group's financial statements in proportion to the attributable joint control, and all transactions, balances and dividends distributed between jointly controlled companies and the other ISQ Group entities are eliminated in proportion to the joint control of the ISQ Group.

Associate companies

Associates were considered as all entities over which the ISQ Group has significant influence and which are neither subsidiaries nor interests in joint ventures.

Significant influence was considered to be the power to participate in the financial and operating policy decisions of the investees, but this power neither constitutes control nor joint control over those policies. Significant influence is considered to exist when ISQ holds 20% or more of the voting power of the investee, or when it holds special voting rights.

The following entities are classified as associates:

COMPANY NAME	HEADQUARTERS	SHAREHOLDERS	% of capital held		COMMENTS
			31/12/2020	31/12/2019	
Bluestabil, Lda.	Portugal	ISQ	49.00%	49.00%	
Tek Box – Projetos de engenharia, Lda.	Portugal	ISQ	40.00%	40.00%	
BIN – Buy IT Now, Lda.	Portugal	ISQ	n.a.	n.a.	a)
		ISQ	39.86%	38.94%	
SO – Intervenção em Saúde Ocupacional, S.A.	Portugal	A.P. *	1.00%	1.00%	
IDQ Macau	Macau	ISQ	30.77%	30.77%	
SO Mz	Mozambique	ISQ MZ	25.00%	25.00%	b)
		SO	25.00%	25.00%	
ISQ Sultan International	United Arab				c)
	Emirates	ISQ	n.a.	49.00%	
CNE – Centro Nacional de Embalagem	Portugal	ISQ	n.a.	41.22%	d)

* Own shares

- a) The administrative closure process for the winding up and liquidation of BIN is complete.
- b) Entity with no activity and/or in the process of closing down
- c) ISQ Sultan was liquidated in 2020.
- e) CNE moved from being an associate company in 2019 to a subsidiary company in 2020.

On acquisition of investments in associates, any positive difference between the acquisition cost and ISQ Group's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for in accordance with NCRF 14 and included in the carrying amount of the investment. If this difference is negative, it is recognised as income for the year.

Associates are accounted for using the equity method, whereby investments in associates are initially recognised at acquisition cost and the carrying amounts are adjusted in accordance with changes in profit or loss and other changes in equity of the investees after the date of acquisition.

The ISQ Group's shares in the results of investees are recognised in the results of the financial year. Distributions received from investees reduce the carrying amounts of the investments.

Changes in the ISQ Group's proportional interests in investees resulting from changes in equity that have not been recognised under Results are recognised directly under Equity.

When the Group's share of accumulated losses of an associate equals or exceeds its interest in the investee, the investment is carried at zero value.

When there is evidence of impairment of the investees, an assessment of the associate's carrying amount is performed to determine whether it will be necessary to recognise any impairment loss.

Entities excluded from the consolidation

The following entities were excluded from the consolidation, as they are not expected to have any relevant material effects on the consolidated financial statements of the ISQ Group:

COMPANY NAME	HEAD OFFICE	SHARE HOLDERS	% of capital held		COMMENTS
			31/12/2020	31/12/2019	
ISQ USA, Inc.	USA	ISQ	60.00%	60.00%	a) b)
ISQ Eurasia, LCC	Kazakhstan	ISQ	50.00%	50.00%	c)

a) Company with no activity.

b) Company recorded at acquisition cost less any accumulated impairment losses.

c) Company incorporated in 2018, with no paid-up share capital or activity yet.

Other financial investments - other methods

Holdings by the ISQ Group in entities other than subsidiaries, associates or joint ventures are accounted for at acquisition cost less any accumulated impairment losses. The following entities are in this situation:

COMPANY NAME	SHAREHOLDERS	% of capital held	
		31/12/2020	31/12/2019
ASK, S.A.	ISQ	11.82%	11.82%
ISQ AS (Norway)	ISQ	n.a.	1.56%
	ISQ	0.38%	0.38%
Spheraa – Produção de Energia, Lda.	Fundo ISQ Cap.	64.49%	64.49%
ADITEC – Associação para o Desenvolvimento de Inovação Tecnológica	ISQ	5 units	5 units
Animaforum – Associação para o desenvolvimento agri-industrial	ISQ	2 units	2 units
APCER – Associação Portuguesa de Certificação	ISQ	1.00%	1.00%
APCER, Certificação, S.A.	ISQ	0.75%	0.75%
CATIM – Centro de Apoio Tecnológico à Indústria Metalomecânica	ISQ	1 unit	1 unit
CCE (ADENE) – Centro para a Conservação de Energia	ISQ	10 units	10 units
CERTIF – Associação para a Certificação de Produtos	ISQ	5 units	5 units
CEVALOR – Centro Tecnológico da Pedra Natural de Portugal	ISQ	1 unit	1 unit
CPTTM – Centro de Produção e Transformação Tecnológica de Macau	ISQ	1 unit	1 unit
CVR – Centro para a Valorização de Resíduos	ISQ	10 units	10 units
IPES - Portuguese Solar Energy Institute	ISQ	3 units	3 units
PRODUTECH – Association for Sustainable Production Techniques	ISQ	2.22%	2.22%
TAGUSPARK - Sociedade de Promoção e Desenvolvimento do Parque de Ciência e Tecnologia da Área de Lisboa, S.A.	ISQ	0.69%	0.69%
MORE - Montanhas Collaborative Research Laboratory	ISQ	15 units	15 units
+ATLANTIC - Assoc. Lab. Colab. Atlântico	ISQ	1 unit	1 unit
UVW - Centro de Modelação de Sist. Ambientais, Lda. (b)	Sondarlab	25.00%	25.00%
Quambis – Consultores Qual., Ambiente e Segurança, Lda.	Sondar.I	2.00%	2.00%

Comparability and changes in the consolidation perimeter

During the year ended 31 December 2020 the following changes took place in the consolidation perimeter (compared to 31 December 2019):

- The following group of operations took place in relation to ISQ Spain:
 - Sale in March 2020 of the affiliate Labmetro (Spain), 50% owned by ISQ Spain (holder of 10,000 shares with a par value of 10 euros), to the partner Unceta for a value of 147,482.50 euros.
 - Acquisition by ISQ of ISQ Spain's own shares (own portfolio) at their par value of 7 500 euros (1,500 shares with a par value of 5 euros per share), which corresponded to 1.06% of the capital of ISQ Spain.
 - Acquisition in November 2020 by ISQ of 10,000 shares in ISQ Spain from a director/manager of the Company (corresponding to 7.07% of the capital of ISQ Spain), for a price corresponding to their par value of €50,000.

As a result of these transactions, ISQ now holds 88.06% of the capital of ISQ Spain, compared to 79.92% (80.78% considering ISQ Spain own shares) at 31 December 2019.

- Incorporation of ISQ Solutions in March 2020, with a share capital of 5,000 euros, with the purpose of providing the services of technical assistance and technical engineering, specifically through quality control and assurance inspections, as well as for providing training and consultancy.
- Incorporation of ISQ&CTAG Automotive Technologies in July 2020. This is a joint venture with the Galician Foundation for Promoting Innovation, Research and Technological Development in the Automotive Industry, with the purpose of providing specialised services in the area of environmental testing and process engineering for the automotive industry. The company was incorporated with a share capital of €100,000, of which both partners hold 50%. Half of the share capital remains to be paid up.
- Sale of the share held by Sondar.I in Q3A (corresponding to 64% of the company's capital) to ISQ Brazil, which acquired it for its par value of 44,800 BRL. As a result of this transaction, which occurred in December 2020, ISQ Brazil now holds 100.00% of Q3A's share capital (it held 36% at 31 December 2019).
- As a result of ISQ's acquisition of Cedintec's 210 share units in CNE, and the withdrawal of the associates Europac/DS Smith (102 SUs) and Cartonagens Trindade (1 SU), ISQ now holds 541 SUs out of a total of 700 SUs, with ISQ's financial holding therefore increasing from 41.22% at 31 December 2019 to 77.29% at 31 December 2020.
- Acquisition by ISQ of 20 shares in DB Wave with a par value of 5 euros, from a former employee. The acquisition price was one euro. This transaction carried out in February 2020, took ISQ's financial holding in DB Wave from 99.95% at 31 December 2019 to 100.00% at 31 December 2020.

During the year ended 31 December 2020, other transactions took place at the level of associated companies, which are noted below:

- Winding up and liquidation of ISQ Sultan, in which ISQ has a 49.00% holding, due to a lack of new projects for the company. In this context, it should be noted that ISQ covered the accumulated losses of the company in 2020 (prior to liquidation), with a value of 1,408 thousand euros, by using (through a decrease) the supplementary payments of 481 thousand euros and the net balance of 927 thousand euros of commercial debt.
- Acquisition by ISQ of 276 SO shares (corresponding to 0.92% of the capital) with a par value of 5 euros from a former employee. The acquisition price was for the par value of EUR 1,380. This transaction, carried out on November 2020, led to ISQ's financial holding in SO increasing from 38.94% on 31 December 2019 to 39.86% on 31 December 2020 (40.26% considering SO's 1% own shares).

In terms of other financial investments (in entities that are not subsidiaries, associates or joint ventures), the following is noted:

- Divestment in February 2020 of ISQ's stake in ISQ AS (Norway). The 10 shares held by ISQ were sold for 1 Norwegian krone. This holding, acquired for €125,000, has been fully impaired on the accounts of ISQ since 2017.

With no effect on the consolidation perimeter or percentage holdings, it is however important to highlight the following operations in affiliates with the aim of restructuring their equity:

- ISQ SA, Spain - conversion of shareholder loans into "participatory loans" (supplementary payments) with an amount of 360 thousand euros.
- ISQ Brazil - advance for a future capital increase, which is expected to take place in 2021 with the amount of 3,764,769.22 BRL, equivalent to 597,582.42 euros.

- ISQAPAVE - conversion of commercial debt receivable into supplementary payments, amounting to 350 USD. The other partner, Apave, also proceeded to convert debt into supplementary payments with a value of 650,000 USD.

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Goodwill

Goodwill represents the excess cost of a combination of business activities over interests in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired holding. The cost includes the fair values, at the acquisition date, of the transferred assets, incurred or assumed liabilities, and issued equity instruments, in exchange for control over the acquired holding, plus any costs directly attributable to the combination of business activities.

Goodwill is recognised as an asset and undergoes impairment testing if there are indicators of impairment. It is recorded on the income statement.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the combination of business activities, the excess is recognised on the income statement.

As of the financial years commencing after 01 January 2016, the ascertained goodwill began to be amortised over a period of 10 years.

Impairment of assets

On each reporting date, and whenever an event or alteration in circumstances is identified which indicates that the amount for which the asset is recorded may not be recoverable, an assessment is made of their impairment. Whenever the book value of an asset exceeds its recoverable amount, an impairment loss is recognised and recorded on the income statement.

The reversal of impairment losses, recognised in previous years, is recorded when the reasons that led to their recording cease to exist and consequently the asset ceases to be impaired.

Equity Instruments

A financial instrument is classified as an equity instrument when it evidences a residual interest in the assets of an entity after deducting all of its liabilities. Costs directly attributable to the issue of equity instruments are recorded as a deduction from the issue value.

Distributions to holders of equity instruments are only recognised as a liability and charged directly to the entity's equity in the year in which such distributions are approved by shareholders.

Recognition of costs and losses and of income and gains

Expenses and income are recognised in the period to which they relate, in accordance with the accruals principle, regardless of the date/time the transactions are invoiced. Any expenses and income whose real value is not known are estimated.

Accrual basis

Expenses and income are recorded in accordance with the accruals principle, and are accounted for in the financial year to which they relate, regardless of their date of payment or receipt.

Income and expenses with an unknown real value are accounted for based on estimates.

The items of "other non-current assets", "other current assets", "other non-current liabilities" and "other current liabilities" are used to record the income and expenses attributable to the current financial year, whose income and expenses will only occur in future financial years, as well as income and expenses that have already occurred but that relate to future tax years and that will be attributed to the results of each one of the years in question, at the corresponding amounts.

In the case of Services Rendered, it is important that the stage of completion of the transaction at the Balance Sheet date is reliably measured.

Conversion of the financial statements of foreign entities Entities that operate overseas and that have organisational, economic and financial autonomy are treated as foreign entities.

The assets and liabilities on the financial statements of foreign entities are converted into euros using the exchange rates at the balance sheet date. Income, expenses and cash flows of these financial statements are converted into euros using the average exchange rate for the year. The exchange rate difference resulting from the conversion is recorded in equity under the item "Other changes in equity".

Goodwill and fair value adjustments resulting from the acquisition of foreign entities are treated as assets and liabilities of that entity, acquired and converted into euros according to the exchange rate on the balance sheet date.

Interest, royalties and dividends

Revenue from the use of assets that bear interest, royalties and dividends is recognised when it is likely that the economic benefits associated with the transaction will flow to the ISQ Group; and the amount of revenue can be measured reliably. Revenue arising from the use of these assets is recognised on the following bases:

(i) interest is recognised using the effective interest method; (ii) royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement and (iii) dividends are recognised when the shareholder's right to receive payment is established, except in associates where the revenue corresponds to the profit attributable to the holding.

Costs of loans

Loans obtained are recognised at their nominal value.

Costs of loans are recognised as expenses on the Income Statement for the financial year, according to the principle of accrual-based accounting, i.e. loan expenses are recorded in the financial year to which they relate, regardless of the date on which the corresponding payment is made, with the exception of financial costs arising from financing associated with investment projects, which are capitalised (as part of the cost of that asset) until the assets are available for use.

Transactions and balances in foreign currency

Transactions in currencies other than the ISQ Group's operating currency are recorded at the exchange rates on the dates of the transactions. Items denominated in foreign currency: (i) if monetary items, they are updated at the exchange rates of that date; (ii) if non-monetary items, they are recorded at fair value and updated according to the exchange rates of the dates on which the respective fair values are determined and (iii) if non-monetary items, they are recorded at historical cost and are not updated.

Exchange rate differences resulting from the aforementioned updates are recorded on the income statement for the period in which they are generated.

Brazil	
exchange rate at 31 Dec 20	6.3735
average exchange 2020	5.8847
rate exchange rate at 31Dec19	4.5157

Angola	
exchange rate at 31Dec20	797.1291
2020 average exchange rate	655.8875
exchange rate at 31Dec19	536.2617

Mozambique	
exchange rate at 31Dec20	91.0500
2020 average exchange rate	78.9292
exchange rate at 31Dec19	68.7000

Cape Verde	
exchange rate at 31Dec20	110.2650
2020 average exchange rate	110.2650
exchange rate at 31Dec19	110.2650

Algeria	
exchange rate at 31Dec20	161.4373
2020 average exchange rate	144.6627
exchange rate at 31Dec19	133.4442

United States of America	
exchange rate on 31Dec20	1.2271
2020 average exchange rate	1.1452
exchange rate at 31Dec19	1.1234

Macau	
exchange rate at 31Dec20	9.7996
2020 average exchange rate	9.1516
exchange rate at 31Dec19	9.0097

Exchange rates used for the conversion of financial statements in foreign currency.
(1 euro = x foreign currency value)

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45 SP5 X**Value judgements, estimates and critical assumptions**

When preparing the financial statements, certain assumptions and estimates were adopted which affect the reported assets, liabilities, income and costs. All the estimates and assumptions made by the management body were based on the best existing knowledge, at the date of the approval of the financial statements, of the events and transactions in progress. The areas involving a higher degree of judgement and complexity, or where significant assumptions and estimates are used in the preparation of the financial statements, are as follows:

- Useful lives of tangible and intangible fixed assets
- Impairment of receivables
- Accruals and deferrals
- Recognition of provisions and adjustments

Contingent liabilities and contingent assets

Contingent assets are possible assets derived 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 control of the entity. Contingent assets are not recognised in the consolidated financial statements of the entity, but are disclosed when the existence of a future economic benefit is likely.

Contingent liabilities are defined as: (i) possible obligations arising from past events, the existence of which will only be confirmed if one or more uncertain future events that are not completely under the control of the entity occur, or fail to occur; or (ii) present obligations that arise from past events but are not recognised because it is not likely that a flow of resources affecting economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised in the entity's consolidated financial statements, but are disclosed, unless the possibility of an outflow of funds affecting future economic benefits is remote, in which case they are not subject to disclosure.

Events after the balance sheet date

Events after the balance sheet date that provide additional information about the conditions that existed on the balance sheet date are reflected on the financial statements. Events after the balance sheet date that provide information on conditions that occur after the balance sheet date, when materially relevant, are disclosed on the financial statements.

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4 - TANGIBLE FIXED ASSETS

Tangible fixed assets are recorded at acquisition or historical cost (with the specific exception of ISQ land, which was revalued in 2014, for ISQ Spain's "Argos" building/warehouse, revalued in 2018, and for Sondar.I and Sondarlab buildings and basic equipment, revalued in 2017). Depreciation is calculated on a straight-line basis, as from the date the assets are available for use, over the estimated useful life for each group of assets.

In the years ended 31 December 2020 and 31 December 2019, the following movements and respective depreciations occurred in tangible fixed assets:

	31/12/2020								
	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	TOOLS AND UTENSILS	ADMINIST. EQUIPMENT	OTHER TANG. FIX. ASSETS	TANGIBLE ASSETS IN PROGRESS	TOTAL
Gross assets									
Opening balance	8,844,177	40,788,415	59,529,188	2,411,251	892,096	10,100,642	1,216,020	1,748,543	125,530,332
Additions		207,687	5,194,750	198,082	6,961	305,447	305,725	3,612,168	9,830,820
Disposals			(105,172)	(193,253)		(107,077)	(2,578)		(408,080)
Other Transactions / write-offs		657,861	663,783	(20,158)		72,342		(1,725,272)	(351,444)
Exchange Rate Differences		(81,427)	(782,532)	(57,954)		(113,243)	(16,889)	(13,847)	(1,065,892)
Closing balance	8,844,177	41,572,536	64,500,017	2,337,968	899,057	10,258,111	1,502,278	3,621,592	133,535,736
Accumulated depreciations									
Opening balance		11,604,214	50,490,015	2,014,158	826,420	9,441,510	1,062,238		75,438,555
Additions		455,753	3,838,221	105,757	24,088	355,353	176,496		4,955,668
Disposals			(68,019)	(111,760)		(77,735)	(2,578)		(260,092)
Other Transactions / write-offs		(13,295)	(76,795)	(12,629)		(13,883)	(2,857)		(119,459)
Exchange Rate Differences		(12,928)	(419,358)	(45,482)		(69,346)	(7,751)		(554,865)
Closing balance		12,033,744	53,764,064	1,950,044	850,508	9,635,899	1,225,548		79,459,807
Net value	8,844,177	29,538,792	10,735,953	387,924	48,549	622,212	276,730	3,621,592	54,075,929

4 - TANGIBLE FIXED ASSETS (CONTINUED)

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	31/12/2019								
	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	TOOLS AND UTENSILS	ADMINIST EQUIPMEN.	OTHER TANG. FIX. ASSETS	TANGIBLE ASSETS IN PROGRESS	TOTAL
Gross assets									
Opening balance	8,844,177	39,636,900	56,359,591	2,476,066	855,707	9,854,859	913,530	641,535	119,582,365
Additions		44,349	3,113,925	156,826	31,702	355,556	287,769	2,670,404	6,660,531
Disposals		(258,747)	(21,745)	(162,117)	(27)	(98,787)	(380)		(541,803)
Other Transactions / write-offs		1,334,181	251,639	5,362	4,714	30,748	30,815	(1,563,396)	94,063
Exchange Rate Differences		31,732	(174,222)	(64,886)		(41,734)	(15,714)		(264,824)
Closing balance	8,844,177	40,788,415	59,529,188	2,411,251	892,096	10,100,642	1,216,020	1,748,543	125,530,332
Accumulated depreciations									
Opening balance		11,157,700	46,490,825	2,172,000	794,849	9,219,206	835,664		70,670,244
Additions		415,343	4,141,306	93,541	31,598	349,309	236,027		5,267,124
Disposals		(28,555)	(14,018)	(124,107)	(27)	(98,413)	(380)		(265,500)
Other Transactions / write-offs		84,629	(3,276)	(76,777)		(2,056)			2,520
Exchange Rate Differences		(24,903)	(124,822)	(50,499)		(26,536)	(9,073)		(235,833)
Closing balance		11,604,214	50,490,015	2,014,158	826,420	9,441,510	1,062,238		75,438,555
Net value	8,844,177	29,184,201	9,039,173	397,093	65,676	659,132	153,782	1,748,543	50,091,777

On 13 December 2017, ISQ carried out a Sale & Leaseback operation involving the ISQ Training Building, waiving the VAT exemption. This building is located at Av. Engº Valente de Oliveira, Lote 19 in Taguspark, and the operation was entered into with FIEAE - Fundo Imobiliário Especial de Apoio às Empresas (Special Company Support Real Estate Fund). This operation consisted of the sale of the aforementioned building, for the sum of 4,344,705 euros, for a lease term of 7 years, with an obligation to purchase at the end of the lease and a yield of 4%, allowing ISQ to obtain medium-term funding under good market conditions, thus diversifying its sources of funding and allowing some predictability and stability in its sources of funds, thus contributing to the economic and financial sustainability of ISQ. To ensure the repurchase of the Training Building at the end of the lease term, ISQ is setting up a reserve fund amounting to 2,520,000 euros.

The main tangible fixed assets originate from ISQ, with €50,378 thousand, about 93% of the total (at 31 December 2019: 46,417 thousand euros).

The amounts included in the “additions in 2020” line relate essentially to ISQ (67% of the total).

The depreciation rates that are used correspond to the following estimated useful lives (in years):

- Buildings and other constructions 10 to 100
- Basic equipment 5 to 10
- Transport equipment 4 to 8
- Administrative equipment 3 to 8
- Tools and utensils 4 to 8

It should be noted that these average useful lives vary from entity to entity.

Financial expenses associated with the acquisition, construction or production of tangible fixed assets are capitalised (as part of the cost of the asset) until the assets are available for use. Maintenance and repair costs that neither increase the useful life nor result in significant benefits or improvements to the assets, are recorded as costs in the period in which they occur. Improvements of significant amount, which increase the estimated useful life of the respective assets, are capitalised and amortised in accordance with the remaining estimated useful life of the corresponding assets.

5- INVESTMENT PROPERTIES

Investment properties consist of buildings and respective land held for the purpose of obtaining income and not for use in the ordinary course of business.

The ISQ Group's investment properties are accounted for at acquisition cost less accumulated depreciation and accumulated impairment losses, where applicable.

Depreciation of investment properties is calculated on a straight-line basis, over the estimated useful lives of the assets.

In the financial years ended 31 December 2020 and 31 December 2019, the following movements occurred in investment properties:

	31-12-2020		31-12-2019	
	at fair value	at cost	at fair value	at cost
Opening balance		84,329		85,639
Depreciation		(1,309)		(1,309)
Other changes				
Closing balance		83,020		84,329
Total		83,020		84,329

The property in question is a shop leased by Sondar.i from a third party, which was revalued in 2017. Income of 3 thousand euros was obtained in both the 2020 and 2019 financial years.

6 - GOODWILL

The recorded goodwill corresponds to the difference between (i) the change in the acquisition value of the financial holdings and

(ii) the fair value of the identifiable assets, liabilities and contingent liabilities of the affiliated companies reported at the acquisition date. In the 2016 financial year, goodwill started to be amortised over a period of 10 years.

In the financial years ended 31 December 2020 and 31 December 2019, the following movements occurred in goodwill:

	31-12-2020			31-12-2019		
	Balance initial	Depreciation	Balance Final	Balance initial	Depreciation	Balance Final
ISQ, SA (Spain)	82,924	(13,194)	69,730	96,118	(13,194)	82,924
LCM Iberia	167,969	(24,581)	143,388	192,550	(24,581)	167,969
	250,893	(37,775)	213,118	288,668	(37,775)	250,893

The goodwill recorded on the (individual) financial statements of ISQ Spain is adjusted for the effects of the consolidated accounts, reflecting the accounting according to SNC standards. In this context, the goodwill resulting from the Argos merger was allocated to tangible fixed assets. This allocation, amounting to 292,994 euros, results from the difference between the historical cost of the "Argos" building/warehouse and the value of the respective building appraised by independent experts. The necessary adjustments were also made to amortisations.

It should also be recalled that the goodwill recorded in the (individual) financial statements of ISQ, relating to Labcal (600 thousand euros) and Tekbox (200 thousand euros) was reclassified to Retained Earnings on the consolidated financial statements at 31 December 2015. In the case of Sondar.I and Sondarlab, goodwill of 40,539 euros and 3,547 euros respectively was registered upon their acquisition (in 2014), and it was integrally considered as in impairment on the 2014 consolidated accounts.

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7- INTANGIBLE ASSETS

Intangible assets are recorded at acquisition or historical cost. Depreciation is calculated on a straight-line basis, as from the date the assets are available for use, over the estimated useful life for each group of assets. Intangible assets are recognised if it is likely that future economic benefits will flow from them and they are controllable and can be reliably measured.

Research expenses are considered as expenses in the period in which they occur. Development expenses for which ISQ demonstrates capacity to complete its development and start trading and/or use, and for which it is likely that the asset created will generate future economic benefits, are capitalised. Development expenses that do not meet these criteria are recorded as a cost for the financial year

In the financial years ended 31 December 2020 and 31 December 2019, the following movements occurred in intangible assets:

INTANGIBLE ASSETS	31/12/2020					31/12/2019				
	INTERNALLY GENERATED		OTHER INTANGIBLE FIXED ASSETS			INTERNALLY GENERATED		OTHER INTANGIBLE FIXED ASSETS		
	WITH INDEFINITE USEFUL LIFE	WITH FINITE USEFUL LIFE	WITH INDEFINITE USEFUL LIFE	WITH FINITE USEFUL LIFE	TOTAL	WITH INDEFINITE USEFUL LIFE	WITH FINITE USEFUL LIFE	WITH INDEFINITE USEFUL LIFE	WITH FINITE USEFUL LIFE	TOTAL
NET VALUES										
Opening balance		506,640		1,686,280	2,192,921		348,110		704,560	1,052,670
Additions		394,998		825,430	1,220,428		253,641		1,277,845	1,531,486
Disposals				(3,240)	(3,240)				(29,541)	(29,541)
Other Transactions / write-offs		(21,890)		(477,915)	(499,805)		(10,735)		(39,788)	(50,522)
Depreciation		(65,160)		(339,533)	(404,693)		(80,098)		(221,562)	(301,660)
Exchange Rate Differences		(67,161)		(61,813)	(128,974)		(4,278)		(5,234)	(9,512)
Closing balance		747,428		1,629,209	2,376,637		506,640		1,686,280	2,192,921

Intangible assets come essentially from Labiagro, ISQ, ISQ E-learning and ISQ Brazil, with proportions of 40%, 29%, 16% and 13% respectively.

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8 – FINANCIAL HOLDINGS - EQUITY METHOD

In the financial years ended 31 December 2020 and 31 December 2019, the following movements occurred in relation to associated companies:

	31/12/2020						31/12/2019
	OPENING BALANCE	ADDITIONS	EQUITY METHOD ACCOUNTING	DIVIDENDS	OTHER TRANSACTIONS	EXCHANGE DIFFERENCES	CLOSING BALANCE
BLUESTABIL	153,623		70,823				224,446
CNE	297,003				(297,003)		297,003
IDQ	3,019,616		801,175				3,820,790
SO	64,732	1,380	8,167	(3,037)			71,242
SO MZ	109					(27)	82
TEK BOX	328,688		37,884	(68,000)			298,573
	3,863,772	1,380	918,049	(71,037)	(297,003)	(27)	4,415,133
							3,863,772

As a result of share increases, CNE moved from being an associated entity on 31 December 2019 to a subsidiary entity on 31 December 2020. In 2020, Tekbox and SO distributed dividends to ISQ of 68,000 euros and 3,037 euros respectively.

9 – OTHER FINANCIAL INVESTMENTS

At 31 December 2020 and 31 December 2019, financial holdings in non-associated entities have the following breakdown:

	31-12-2020	31-12-2019
ISQ USA	2,607	2,607
ASK, S.A.	739,140	739,140
Spheraa	1,500	1,500
ADITEC	6,235	6,235
Animaforum	1,000	1,000
APCER	9,000	9,000
APCER, SA	3,860	3,860
CATIM	499	499
CCE (ADENE)	4,988	4,988
CERTIF	12,470	12,470
CPTTM	4,806	4,806
CVR	5,000	5,000
PRODUTECH	2,500	2,500
TAGUSPARK	149,639	149,639
UVW	625	625
Others (FCT Fund, etc.)	166,159	125,178
Quambis	50	50
+Atlantic	5,000	5,000
MORE	15,000	15,000
IPES	1,500	1,500
	1,131,578	1,090,596

In accordance with the guidelines issued by the CNC - Comissão de Normalização Contabilística (Accounting Standards Committee), from 2020 onwards, ISQ began to consider the sums allocated to the FCT - Fundo de Compensação do Trabalho (Work Compensation Fund) under other financial investments.

10 – CREDITS RECEIVABLE

As at 31 December 2020 and 31 December 2019 the item “credits receivable” amounting to €484,120 and €774,145 respectively, consists of receivables at ISQ Timor and ISQ Algeria relating to balances allocated to the proper execution of work for customers.

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11 – OTHER FINANCIAL ASSETS

On 31 December 2020 and 31 December 2019, other financial assets have the following breakdown:

	31-12-2020		31-12-2019	
	NON CURRENT	CURRENT	NON CURRENT	CURRENT
Other financial assets (collateral, shares, etc.)	3,972	3,722	8,570	3,709
Treasury bonds (Angola)	355,653		565,383	
Other financial investments				
Loans granted to associates			111,941	
Loans granted to other companies	50,000		50,000	
Other financial investments - Venture capital funds	1,129,458		1,404,458	
Supplementary capital contributions in associates	220,000		700,765	
Loans granted to other related parties	1,780		1,780	
Supplementary capital contributions in other related parties			2,500	

The Republic of Angola's treasury bonds are held by ISQ Reabilitação and ISQAPAVE, with a value of 356 thousand euros and originate in the payment of services provided by ISQ to INEA (National Road Institute of Angola) in the years 2012 and 2013. The Angolan Ministry of Finance paid for these services directly to the subsidiary ISQ Reabilitação in 2016 in the form of treasury bonds:

	TB no.	NOMINAL UNIT VALUE (AKZ)	MATURITY
15/04/2016	633	131,439,233 AKZ	22/03/2023
01/09/2016	21	4,346,869 AKZ	01/09/2023
		136,204,640 AKZ	

The difference compared to the amount at 31 December 2019, is the result of the transfer in 2020 of bonds from ISQ Reabilitação (subsidiary) to ISQAPAVE (jointly controlled entity) as part of a debt settlement. It should be recalled that the activity of ISQ Reabilitação was transferred to ISQAPAVE in 2018.

Interest is paid half-yearly, with a fixed coupon of 5%/year, calculated on the nominal value updated in accordance with the change in the reference exchange rate for operations involving the purchase of USD, published by Banco Nacional de Angola.

The most relevant loans, financial investments and supplementary payments are related to the following entities (see details in the note on related parties):

- ISQ Capital (venture capital fund): 1,054 thousand euros (1,269 thousand euros at 31 December 2019). This reduction was essentially due to impairment of 10% of the value of the fund (215 thousand euros), whereas an impairment of 40% had already been made by 2019. In 2018, this fund reduced its capital by 70,000 euros, and therefore reimbursed the proportional share of ISQ, amounting to 21,049 euros, and therefore ISQ's holding went to 2,128,951 euros which, after deducting accumulated impairment of 1,075 thousand euros, determines a net value of 1,053,951 euros;
- Ask Capital – FCR: 75,507 euros (135,507 euros at 31 December 2019). Reduction due to impairment of 60 thousand euros recorded during this financial year;
- Ask, SA: loan of 50 thousand euros (same amount as at 31 December 2019);
- Tekbox: 220 thousand euros (same value as at 31 December 2019).

As a result of the liquidation of ISQ Sultan, the balances relating to supplementary payments of 481 thousand euros and shareholder loans of 112 thousand euros were derecognised.

12 - INCOME TAXES

The expense relating to "Income tax for the period" represents the sum of current tax and deferred tax. Current income tax is calculated based on the taxable results of the ISQ Group entities in accordance with the tax rules in force (estimated including current tax + tax benefits / SIFIDE [System of Tax Incentives for Corporate Research and Development]), while deferred tax results from temporary differences between the amount of assets and liabilities for accounting reporting purposes (carrying amount) and the respective amounts for tax purposes (tax base).

Deferred tax assets and liabilities are calculated and assessed annually using the taxation rates which are in force or announced to be in force on the expected date of the reversal of the temporary differences. Deferred tax assets are recognised only when there are reasonable expectations of sufficient future taxable profits for their use, or in situations where there are temporary differences for taxation purposes which compensate the deductible temporary differences in the period of their reversal. A review of Deferred Taxes is carried out at the end of each financial year, and they are reduced or cancelled whenever their future use is no longer likely. Deferred Taxes are recorded as expenses or income for the financial year, unless they are the result of amounts recorded directly in equity, which is a situation where the deferred tax is recorded under equity.

There was a favourable change in income tax expenses between 2019 and 2020, of 682 thousand euros. The greatest changes come from the following entities:

- Favourable changes (less tax incurred)
 - ISQ: 515 thousand euros (mainly due to (i) the reduction of taxable income in 2020, due to the reduction in before tax profits, and (ii) the increase in deferred tax assets related to tax losses);
 - ISQ Algeria: 100 thousand euros;
 - Labiagro: 86 thousand euros.
- Unfavourable changes (more tax incurred)
 - Sondar.I + Sondarlab + LCM Ibéria: 21 thousand euros;
 - CNE (new in the consolidation perimeter in 2020): 18 thousand euros.

	2020	2019
Income tax for the period	141,838	791,705

Deferred tax assets relate essentially to (i) tax losses, specifically ISQ Spain (306 thousand euros) and ISQ (138 thousand euros); (ii) impairment adjustments of ISQ (307 thousand euros); and the (iii) profits from Sondar.I + Sondarlab + LCM Iberia (305 thousand euros).

At 31 December 2019 the main deferred tax assets were related to (i) tax losses of ISQ Spain (234 thousand euros) and ISQ Brazil (85 thousand euros) (ii) impairment adjustments of ISQ (237 thousand euros); and the (iii) profits from Sondar.I + Sondarlab + LCM Iberia (182 thousand euros).

The deferred tax liabilities arising from ISQ (74 thousand euros) relate to taxable temporary differences, relating to the portion not accepted as a tax cost due to the limitation imposed by the tax authorities, to tax 40% of amortisations on the reassessed portion of tangible fixed assets subject to depreciation.

	31-12-2020	31-12-2019
Deferred tax assets	1,227,769	777,405
Deferred tax liabilities	73,035	74,012

The ISQ Group is not taxed under the Special Company Group Taxation Regime (RETGS), so the entities are taxed individually.

13 - INVENTORIES

Inventories are valued at cost or realisable value, whichever is lower. The cost of inventories includes all purchase costs, conversion costs and other costs incurred to transport the inventories to their location and bring them into their current condition. They are valued at specific identification cost (applicable to itemised inventories for a specific project) or at weighted average cost (inventories involving large quantities), less the value of quantity discounts granted by suppliers, which is lower than the respective market value.

The net realisable value is the estimated selling price in the ordinary course of business less the estimated selling costs. The differences between the cost value and the net realisable value, if lower, as well as the value of potentially obsolete materials, are recorded under the item "Impairment losses on inventories".

At 31 December 2020 and 31 December 2019, the inventories have the following composition:

	31-12-2020			31-12-2019
	GROSS VALUE	IMPAIRMENT LOSSES	NET AMOUNT	NET AMOUNT
Goods	16,028		16,028	16,028
Raw, subsidiary and consumable materials	142,198		142,198	160,655
	158,226		158,226	176,683

Inventories as of 31 December 2020 come from ISQAPAVE, 52 thousand euros (50 thousand euros as of 31 December 2019), Sondar.I, 48 thousand euros (46 thousand euros as of 31 December 2019), Labiagro, 33 thousand euros (55 thousand euros as of 31 December 2019), and ISQ, 25 thousand euros (9 thousand euros as of 31 December 2019).

For the financial years ended 31 December 2020 and 31 December 2019, the cost of goods sold and materials consumed has the following breakdown:

	2020		2019	
	GOODS	RAW, SUBSIDIARY AND CONSUMABLE MATERIALS	GOODS	RAW, SUBSIDIARY AND CONSUMABLE MATERIALS
Initial inventories	16,028	160,655	16,033	81,656
Purchases	765,387	282,573	824,649	488,351
Regularisation of stock		86,266	(0)	91,933
Final Stocks	(16,028)	(142,199)	(16,028)	(160,655)
Inventories consumed and sold	765,387	387,295	824,654	501,285
		1,152,682		1,325,939

The cost of goods sold and materials consumed in 2020, amounting to 1,152 thousand euros, essentially comes from ISQ E-learning (essentially software), 753 thousand euros, representing about 65% of the total (at 31 December 2019: 696 thousand euros).

14 - CUSTOMERS

Trade and other receivables are measured at cost or amortised cost less impairment loss. Verified impairment losses are recognised on the income statement.

The adjustment for impairment of accounts receivable is established when there is objective evidence that part or all of the amounts payable will not be received, according to the agreed terms. Significant financial difficulties on the part of the debtor, probability of the debtor becoming insolvent or successive failures by the debtor to make payments are considered as indicators that the account receivable is in a situation of impairment.

The reversal of impairment losses, recognised in previous years, is recorded when the reasons that led to their recording cease to exist and consequently the asset ceases to be impaired.

At 31 December 2020 and 31 December 2019, the customers item has the following breakdown:

	31-12-2020	31-12-2019
General customers	16,459,975	19,578,218
Customers - associate companies	956,596	3,404,964
Customers - other related parties	25,535	100,591
Customers - doubtful debtors	4,799,986	2,773,277
Impairment losses due to doubtful debts	(4,755,427)	(2,733,867)
Customers - Factoring	3,518,712	3,872,783
	21,005,377	26,995,966

Customer balances result essentially from the following entities:

- ISQ: 14,140 thousand euros (18,454 thousand euros at 31 December 2019);
- ISQ Algeria: 1,112 thousand euros (1,016 thousand euros at 31 December 2019);
- ISQAPAVE: 948 thousand euros (1,715 thousand euros at 31 December 2019);
- ISQ Spain: 870 thousand euros (921 thousand euros at 31 December 2019);
- ISQ E-learning: 866 thousand euros (1,075 thousand euros at 31 December 2019);
- ISQ Brazil: 721 thousand euros (1,000 thousand euros at 31 December 2019).

The balance of factoring customers mainly originates in ISQ (3,213 thousand euros at 31 December 2020 and 3,402 thousand euros at 31 December 2019), resulting from practice started in 2015 (non-recourse factoring).

15 - STATE AND OTHER PUBLIC ENTITIES

At 31 December 2020 and 31 December 2019, the item State and other public entities has the following breakdown:

	31-12-2020	31-12-2019
Assets		
Income tax receivable	1,737,017	1,946,142
Other	999,118	1,053,849
	2,736,135	2,999,991
Liabilities		
Income tax payable	304,437	375,155
Other	2,603,026	3,053,749
	2,907,463	3,428,904

Income tax receivable comes essentially from withholdings (law no. 7/97 - 5.25%) of companies in Angola, ISQAPAVE (653 thousand euros at 31 December 2020 and 987 thousand euros at 31 December 2019) and ISQ Reabilitação (93 thousand euros at 31 December 2020 and 132 thousand euros at 31 December 2019) and tax withholdings by foreign customers of ISQ (799 thousand euros at 31 December 2020 and 592 thousand euros at 31 December 2019), the amounts of which could not be deducted from the corporation tax collected from ISQ in the financial year in which they occurred due to insufficient collection.

16 - OTHER ACCOUNTS RECEIVABLE

At 31 December 2020 and 31 December 2019 the other accounts receivable item has the following breakdown:

	31-12-2020	31-12-2019
Staff	240,272	204,725
Bonds	645,396	345,400
Advance payments to suppliers	619,758	272,810
Other	988,944	923,734
Accrued income	5,714,599	6,084,184
	8,208,969	7,831,853

Accrued income essentially arises from ISQ with 3,652 thousand euros, corresponding to 64% of the total (4,305 thousand euros at 31 December 2019). These balances relate to income obtained from services rendered and operating subsidies for which the corresponding binding documentation is not yet available, and whose revenue will only occur in subsequent years.

17 - DEFERRALS

At 31 December 2020 and 31 December 2019 the item “deferrals” has the following breakdown:

DEFERRALS - ASSETS	31-12-2020	31-12-2019
	560,926	353,050
DEFERRALS - LIABILITIES		
	1,028,706	499,281

Deferrals (liabilities) mainly relate to customers from the pharmaceutical sector (417 thousand euros) and international trade imports/exports (337 thousand euros).

18 - CASH AND BANK DEPOSITS

At 31 December 2020 and 31 December 2019 the item “cash and bank deposits” has the following breakdown:

	31-12-2020	31-12-2019
Cash	16,653	18,394
Bank deposits	5,318,953	4,339,652
	5,335,606	4,358,046

The cash balances of bank deposits result essentially from the following entities:

- ISQ Algeria: 1,468 thousand euros (1,333 thousand euros at 31 December 2019);
- ISQ: 877 thousand euros (1,375 thousand euros at 31 December 2019);
- ISQAPAVE: 787 thousand euros (232 thousand euros at 31 December 2019);
- ISQ E-learning: 470 thousand euros (405 thousand euros at 31 December 2019);
- CNE: 413 thousand euros (new to the consolidation perimeter in 2020);
- ISQ Brazil: 316 thousand euros (128 thousand euros at 31 December 2019);
- ISQ Spain: 301 thousand euros (141 thousand euros at 31 December 2019).

It should be noted that, due to the economic difficulties in the Republic of Angola, the Group companies based in that country (ISQ Reabilitação and ISQAPAVE) are subject to restrictions on obtaining US dollars and on transferring funds abroad.

19 – SHARE CAPITAL

As a result of its legal framework (private non-profit association), the parent entity has no share capital or reserves. The consolidated paid-up capital is non-existent, since the capital of the subsidiaries is cancelled in the consolidation operations.

20 – REVALUATION SURPLUSES

Originating in temporary taxable differences, this refers to the portion not accepted as a tax cost, due to the limitation imposed by the tax administration, to tax 40% of the amortisation of the revalued portion, of tangible fixed assets subject to depreciation.

The revaluation surpluses at 31 December 2020 and 31 December 2019 have the following breakdown:

	31-12-2020	31-12-2019
Revaluations arising from legislation - surpluses	3,820,277	3,820,277
Revaluations arising from legislation - deferred taxes	(74,012)	(74,989)
Other surpluses - Revaluations	6,151,462	6,166,459
	9,897,726	9,911,747

The revaluation surpluses come almost entirely from ISQ, with a proportion of 99%. Other entities with revaluation surpluses are Sondar.I and Sondarlab.

21 – ADJUSTMENTS / OTHER CHANGES IN EQUITY

The item “other changes in equity” is essentially related to ISQ and mainly consists of subsidies relating to the acquisition or production of non-current assets. Government subsidies are recognised at fair value and only when there is reasonable certainty that they will be received and that the Company will meet the conditions inherent to them. They are initially recognised in equity and subsequently recognised on the income statement, on a systematic basis, over the accounting periods necessary to off-set them against the corresponding depreciation and amortisation expenses. If the subsidy is related to non-depreciating assets (such as land), they remain in equity.

	31-12-2020	31-12-2019
Investment subsidies - Advances	877,914	512,258
Investment subsidies - depreciable investments	13,010,306	12,349,035
Investment subsidies - land	993,347	993,347
Donations	193,020	191,520
Adjustments in financial assets	(11,052,604)	(9,652,041)
Other changes	8,784,128	9,323,346
	12,806,110	13,717,465

Other changes specifically include conversion differences of financial statements. The increase in the level of adjustments in financial assets results essentially from the operation to cover losses in ISQ Sultan (liquidated in 2020) of 1,408 thousand euros.

22 - NON-CONTROLLING INTERESTS - BALANCE SHEET

At 31 December 2020 and 31 December 2019, the item for minority interests has the following breakdown:

	31-12-2020						31-12-2019
	OPENING BALANCE	BUSINESS COMBINATIONS OCCURRING DURING THE PERIOD	PURCHASE OF FINANCIAL HOLDINGS FROM NON-CONTROLLING INTERESTS	SHARE OF NON- CONTROLLING INTERESTS IN THE NET RESULTS	DIVIDENDS	OTHER TRANSACTIONS	CLOSING BALANCE
ISQ Spain	26,014		(9,850)	(28,937)		896	(11,878)
ISQ, Sarl (Algeria)	576,370			154,335	(49,282)	(90,166)	591,256
DBWave	85		(85)				85
Labcal CV	33,289			(1,857)		(4,267)	27,165
ISQ E-learning	465,720			114,012	(58,739)	(14,685)	506,308
CNE		163,662		14,271			177,933
	1,101,478	163,662	(15,035)	251,824	(108,021)	(103,123)	1,290,785
							1,101,478

23 - PROVISIONS

In the financial years ended 31 December 2020 and 31 December 2019, the following movements occurred in provisions:

	31/12/2020				31/12/2019
	OPENING BALANCE	INCREASES	REVERSALS	CLOSING	
Other provisions	10,136		(1,636)	8,500	10,136
	10,136		(1,636)	8,500	10,136
				BALANCE	

During the financial year ended 31 December 2020, the provision amounting to 8.5 thousand euros only comes from ISQ E- learning.

24- FINANCIAL DEBT

At 31 December 2020 and 31 December 2019 the item "Financing obtained" has the following breakdown:

	31-12-2020			31-12-2019		
	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	TOTAL	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	TOTAL
Bank loans	11,489,729	17,621,362	29,111,091	11,295,046	15,361,765	26,656,811
Financial Leases	86,368	4,565,208	4,651,576	108,876	4,481,861	4,590,737
	11,576,097	22,186,570	33,762,667	11,403,922	19,843,626	31,247,548

The financing obtained essentially originates in the following entities:

- ISQ – 31,205 thousand euros (28,912 thousand euros at 31 December 2019);
- ISQ Spain – 994 thousand euros (849 thousand euros at 31 December 2019);
- Labiagro – 664 thousand euros (361 thousand euros at 31 December 2019);
- Sondar.I + Sondarlab + ISQ, E3 + LCM Iberia - 657 thousand euros (589 thousand euros at 31 December 2019).

Due to the Covid-19 pandemic, use was made of current statutory moratoriums on several bank loans and leasing contracts.

The ISQ Group classifies lease transactions as financial leasing or operational leasing, depending on their substance rather than their legal form.

Leases are classified as financial whenever their terms substantially transfer all of the risks and benefits inherent to possession of the asset to the lessee. All other leases are classified as operational.

In financial leases, the acquisition cost is recorded under tangible fixed assets, and the corresponding liability is recorded under Liabilities. The use of the assets is recorded as depreciation for the financial year, and rent payments are broken down into financial cost (expense for the financial year) and capital amortisation (decrease in liability / liabilities). In Operational Leasing, the rents paid are accounted or as expenses in the period.

The greatest lease balance comes from the sale & leaseback operation for the ISQ Training Building (acquired in 2001), entered into by ISQ with FIEAE - Fundo Imobiliário Especial de Apoio às Empresas (Special Company Support Real Estate Fund) in 2017. This operation consisted of the sale of the aforementioned building for the sum of 4,345 thousand euros, with accumulated depreciation amounting to 1,410 thousand euros, and a lease term of 7 years with an obligation to purchase at the end of the contract.

ISQ is responsible for providing guarantees to group companies to allow them to obtain bank loans, as well as guarantees that they have to provide to customers. The main liabilities from the guarantees provided are as follows:

BENEFICIARY	31-12-2020		31-12-2019	
	AMOUNT	CURRENCY	AMOUNT	CURRENCY
	(EUROS)	ORIGINAL	(EUROS)	ORIGINAL
Bank guarantees				
CGD Timor/ ISQ Timor	325,972	400k USD	356,062	400k USD
CGD (guarantee on financing granted by Algeria Gulf Bank to ISQ Algeria)	300,000		1,000,000	
SOFID Counter-Guarantee to CGD (regarding Algeria Gulf Bank financing to ISQ Algeria)			583,333	
Banco Millennium Angola/ ISQAPAVE	244,479	300k USD	267,046	300k USD
ISQ BRAZIL - SANTANDER BRAZIL	718,184	4,500k BRL		
Other customers	603,451		1,351,375	
	2,192,086		3,557,817	
Sureties, guarantees and bonds	1,098,447		628,053	
Comfort letters (invested companies)	840,087		947,131	

25 – OTHER ACCOUNTS PAYABLE

At 31 December 2020 and 31 December 2019 the other accounts payable item has the following breakdown:

	31-12-2020		31-12-2019	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Fixed assets suppliers	2,109,305		1,515,988	
Staff	319,082		145,095	
Share capital increases not yet paid		108,226		95,726
Other	473,231		1,031,863	
Reverse factoring	542,556		631,577	
Projects debts	1,297,459		478,825	
Accrued expenses	5,339,092		6,034,234	
	10,080,725	108,226	9,837,582	95,726

Fixed assets supplier balances come exclusively from ISQ. The change reflects the increase in subsidised investment seen in 2019 under the scope of major structural investment projects (e.g.: Interface and Porlvt projects), which were already seen in this financial year and will continue into the next one.

Share capital increases not yet paid relate to the amount still to be paid, relating to subscriptions of share capital, of the financial investment in ASK, SA (95,726 euros) and in ISQ & CTAG (12,500 euros, corresponding to the non-cancelled proportion of 50%, as this entity is consolidated by the proportional method).

The increase seen in the item "projects debts", originating in ISQ, relates to commitments to be paid to project partners that receive operating subsidies, particularly 1,281 thousand euros relating to the Surefit project.

The increase in expenses essentially results from ISQ, with 4,161 thousand euros corresponding to 77% of the total. At 31 December 2019, ISQ recorded 5,243 thousand euros (82% of the total). The main accrued expense item relates to remunerations, essentially holidays and holiday bonuses to be enjoyed in the following year.

The reverse factoring balance relates solely to ISQ (this practice was started in 2017) and corresponds to credit relating to payments made by the factor to the suppliers subject to this operation.

26 - SUPPLIERS

At 31 December 2020 and 31 December 2019, the "Suppliers" item had the following breakdown:

	31-12-2020	31-12-2019
General Suppliers	6,675,182	6,471,425
Suppliers - Associate Companies	311,611	1,573,455
Suppliers - other related parties	8,057	82,895
Suppliers - reverse factoring	740	338,094
	6,995,590	8,465,869

Supplier balances result essentially from the following entities:

- ISQ – 2,864 thousand euros (3,590 thousand euros at 31 December 2019);
- ISQAPAVE – 2,262 thousand euros (3,121 thousand euros at 31 December 2019);
- Labiagro – 773 thousand euros (750 thousand euros at 31 December 2019).

27 – ADVANCES FROM CUSTOMERS

As at 31 December 2020 and 31 December 2019 the item for advances from customers, amounting to 1,297,289 euros and 1,871,190 euros respectively, is essentially related to ISQ and mainly consists of the following main components:

- ISQ: advances originating from operating subsidies amounting to 537 thousand euros (1,290 thousand euros at 31 December 2019).
- ISQ: other customer advances of 714 thousand euros (558 thousand euros at 31 December 2019).

28 - SALES AND SERVICES RENDERED

Revenue associated with a transaction involving the rendering of services is recognised when the outcome of that transaction can be estimated reliably, i.e. when (i) the amount of revenue can be measured reliably; (ii) it is likely that economic benefits associated with the transaction will flow to the ISQ Group; (iii) the stage of completion of the transaction at the balance sheet date can be reliably measured; and (iv) the costs incurred for the transaction and the costs to complete the transaction can be reliably measured.

Sales and services rendered, net of taxes and discounts, are recorded at the nominal value received or receivable, and are accounted for on an accruals basis, so they are recognised as they are generated, regardless of the moment at which they are received. The differences between the amounts received and the corresponding income generated are recorded under the items of deferrals and other receivables.

Sales and services rendered therefore have the following breakdown:

	2020	2019
Sales		
Portugal	1,256,362	1,090,113
Other	39,311	57,772
	1,295,673	1,147,885
Rendering of Services		
Portugal	37,315,482	44,805,044
Spain	5,751,202	5,758,822
Brazil	5,031,782	6,954,103
Angola	4,242,597	6,019,322
Mozambique		11,436
Algeria	4,227,854	5,212,633
Timor		70,714
Norway	125,040	618,057
French Guiana	609,220	1,009,500
Other	1,418,697	1,212,299
	58,721,875	71,671,931
TOTAL	60,017,548	72,819,816

Note: This table reflects the sales and services rendered by the ISQ Group, regardless of the Entity that (individually) obtained the profit/revenue. In other words, it shows income from ISQ ("parent company") + subsidiaries (naturally excluding any intra-group services).

Services rendered in Spain are taken as an example, which not only include the services rendered by the Spanish company (ISQ Spain), but also those rendered by ISQ itself ("parent company") to third party customers.

In the case of associated companies, results are not reflected under the Income Statement headings, but rather via the application of the equity method. The results of small financial holdings are not reflected on the consolidated accounts, since these entities are recorded at acquisition cost (less any accumulated impairment losses).

With regard to sales and services rendered, ISQ stands out as the most significant, as it contributes about 38,208 thousand euros (46,610 thousand euros in 2019) obtained at national and international level, corresponding to 64% of the total sales and services rendered. Next is:

- ISQ Brazil with 4,914 thousand euros, about 8% of the total (6,884 thousand euros in 2019);
- ISQ Algeria with 4,129 thousand euros, about 7% of the total (5,001 thousand euros in 2019);
- ISQAPAVE with 3,271 thousand euros, about 5% of the total (4,589 thousand euros in 2019);
- ISQ Spain with 3,078 thousand euros, about 5% of the total (2,947 thousand euros in 2019);
- ISQ E-learning with 2,579 thousand euros, about 4% of the total (2,263 thousand euros in 2019);
- Sondar.I + Sondarlab + LCM Iberia, with 1,440 thousand euros, about 2% of the total (1,525 thousand euros in 2019);
- Labiagro, with 921 thousand euros, around 2% of the total (1,260 thousand euros in 2019).

Due to the Covid-19 pandemic, the total change in sales and services rendered (between 2019 and 2020) was negative 12,802 thousand euros, originating fundamentally in the following entities:

- ISQ: negative change of 8,402 thousand euros;
- ISQ Brazil: negative change of 1,970 thousand euros;
- ISQAPAVE: negative change of 1,318 thousand euros;
- ISQ Algeria: negative change of 872 thousand euros;
- CNE + ISQ Solutions + ISQ & CTAG: new companies in the consolidation perimeter in 2020. Impact of the entry of these entities of 553 thousand euros;
- Labmetro (Spain): left the consolidation perimeter in 2020. Impact of the exit of 483 thousand euros;
- ISQ E-learning: positive change of 316 thousand euros;
- Labiagro: negative change of 339 thousand euros.

In terms of the geographical origin of sales and services, Portugal has a weight of 64% (63% in 2019), Spain has 10% (8% in 2019), Brazil has 8% (10% in 2019), Angola has 7% (8% in 2019), and Algeria has 7% (7% in 2019).

29 – OPERATING SUBSIDIES

Government subsidies are recognised at fair value and only when there is reasonable certainty that they will be received and that the Company will meet the conditions inherent to them. Government subsidies related to income, are recognised as income on the income statement over the period necessary to balance them against the expenses that they are intended to offset.

It should be noted that any Operating Subsidies received by ISQ represent income from activities carried out in favour of other entities, and not mere subsidies to cover operating deficits.

Operating subsidies are broken down as follows:

	2020	2019
State Subsidies	1,280,943	1,399,482
Subsidies from other entities	1,786,016	1,682,661
	3,066,959	3,082,142

Operating subsidies result mainly from ISQ, with a weight of 96% of the total in 2020 (99% of the total in 2019). The four most significant projects recorded in 2020 are mentioned below: Sagres Smart 198 thousand euros, Infante 159 thousand euros, Trust 157 thousand euros and Multifan 152 thousand euros. In 2019 the four most significant projects were: SIM 4.0 196 thousand euros; Ecoterm 158 thousand euros; PME Digital 137 thousand and Pássaro 115 thousand euros.

Due to the Covid-19 pandemic, several support measures were made available to companies and employees, and several Group companies, including ISQ, went into lay-off situations and received subsidies within this scope.

30 – GAINS/LOSSES ATTRIBUTED FROM OTHER SHAREHOLDINGS

During the years ended 31 December 2020 and 31 December 2019, the following amounts were recognised under Results mainly arising from gains/losses attributable to entities recorded using the equity method:

	2020	2019
Gains		
BLUESTABIL	83,411	60,400
CNE	103,616	58,573
IDQ	1,118,533	216,502
Labiagro		92,030
SO	8,089	3,838
SQS		145,940
TEK BOX	37,884	48,578
APCER Certificação, SA	5,667	5,672
QART		8,901
TOTAL	1,357,200	640,434
Losses		
ISQ Turquia		42,146
Labmetro	12,271	
G2GI		58,332
TOTAL	12,271	100,478

The gains of 103,616 euros in CNE in 2020 correspond to the gain (badwill) from the purchase of a financial holding (30%) from Cedintec

The losses of 12,271 euros in Labmetro (Spain) correspond to the loss from the sale of the Company (50% was held by ISQ Spain) to Unceta.

The gains of 92,030 euros in Labiagro in 2019 correspond to the gain (badwill) from the purchase of the financial holding (51%) + supplementary payments to former partners, taking into account the net situation of the Company on the date of acquisition.

The gains of 8,901 euros in QART in 2019 relate to capital gains on the sale of the Company to LMEG.

The losses of 58,332 euros in G2GI in 2019 relate to capital losses on the sale of the Company to Aralab.

The losses relating to ISQ Turkey in 2019 relate to capital losses arising from its liquidations. The gains relating to APCER relate to dividends.

31 – OWN WORK CAPITALISED

Own work capitalised consists of assets generated/built internally by the entity itself. Therefore, it comprises all costs directly attributable to those assets (labour, materials, miscellaneous services, etc.), that are necessary for their internal production, such that they are available for use or sale.

Own work capitalised, worth 208 thousand euros in 2020, comes mainly from ISQ (113 thousand euros), ISQ E-learning (51 thousand euros) and Labriagro (32 thousand euros). In 2019, own work capitalised, worth 375 thousand euros, came mainly from Labriagro (development of R&D projects, around 199 thousand euros).

32 - EXTERNAL SUPPLIES AND SERVICES

External supplies and services are broken down as follows:

	2020	2019
Subcontracts + specialised works + professional fees	8,809,361	11,634,745
Surveillance and security	402,080	357,290
Maintenance and repair	1,467,836	1,627,942
Tools and utensils	215,960	257,228
Office supplies	178,357	168,908
Other materials	595,474	881,058
Electricity	594,085	690,825
Fuels	1,205,121	1,553,075
Travel, stays and transport	1,174,971	2,171,274
Rents and leases	2,830,383	3,289,395
Communication	420,398	475,306
Insurance	527,438	551,790
Representation expenses	78,521	122,401
Cleanliness, hygiene and comfort	391,436	336,690
Other supplies and services	2,115,229	2,955,159
	21,006,650	27,073,086

The main entities contributing to these expenses in 2020 were:

- ISQ, with a weight of 70% of total external supplies and services (70% in 2019);
- ISQ Brazil with a weight of 11% (13% in 2019);
- ISQ Spain with a weight of 4% (3% in 2019);
- ISQAPAVE with a weight of 3% (5% in 2019)
- ISQ Algeria with a weight of 3% (3% in 2019).

Subcontracts + specialised works + fees consist of services essential to the production process for which cooperation has been obtained from third parties, and other technical services that the Group cannot provide. Subcontracts + specialised work + fees are the most representative items, accounting for around 42% of the total in 2020 (43% in 2019). Next come rents and leases, with a weight of 13% (12% in 2019), and maintenance and repairs, with a weight of 7% (6% in 2019).

By entity, the most relevant was ISQ (of which most expenses are related to metrological verification/ accreditation, project analysis, etc.) with a representation of 74%.

Supplies and external services decreased by 6,066 thousand euros compared to 2019, and it should be noted that their relative weight compared to turnover reduced from 35.7% in 2019 to 33.3% in 2020, as a result of the decrease seen in operational activities, as well as cost containment and control measures that have been implemented. The following changes in the following entities should be emphasised:

- ISQ: reduction of 4,237 thousand euros
- ISQ Brazil: reduction of 1,203 thousand euros;
- ISQAPAVE: reduction of 588 thousand euros;
- CNE + ISQ Solutions + ISQ & CTAG: new companies in the consolidation perimeter in 2020. Impact of the entry of these entities of 131 thousand euros (increase). Labmetro (Spain), which left the perimeter in 2020, had a residual impact of 34 thousand euros (reduction).

33 - STAFF EXPENSES

During the financial years ended 31 December 2020 and 31 December 2019, the following amounts were recognised in the item "staff expense":

	2020	2019
Remuneration of corporate bodies and staff	25,855,973	27,926,078
Social security and other charges	5,517,342	5,924,318
Industrial accidents and occupational diseases insurance	234,517	236,008
Indemnity	640,380	466,287
Other staff costs	3,162,908	3,461,206
	35,411,120	38,013,897

Personnel expenses essentially relate to ISQ with 24,030 thousand euros (25,017 thousand euros in 2019), corresponding to 68% of total staff expenses (66% in 2019).

Next is:

- ISQ Spain with 2,724 thousand euros, about 8% of the total (2,771 thousand euros in 2019, about 7% of the total);
- ISQ Brazil with 2,234 thousand euros, about 6% of the total (3,054 thousand euros in 2019, about 8% of the total);
- ISQ Algeria with 1,385 thousand euros, about 4% of the total (1,600 thousand euros in 2019, about 4% of the total);
- ISQAPAVE with 1,349 thousand euros, about 4% of the total (1,987 thousand euros in 2019, about 5% of the total);
- ISQ E-learning with 1,199 thousand euros, about 3% of the total (992 thousand euros in 2019, about 3% of the total).

The change compared to 2019 (reduction of 2,603 thousand euros) is essentially due to the following entities:

- ISQ: reduction of 988 thousand euros;
- ISQ Brazil: 820 thousand euros;
- ISQAPAVE: reduction of 638 thousand euros;
- ISQ Algeria: reduction of 215 thousand euros;
- ISQ E-learning: increase of 207 thousand euros;
- CNE + ISQ Solutions + ISQ & CTAG: new companies in the consolidation perimeter in 2020. Impact of the entry of these entities of 312 thousand euros (increase). Labmetro (Spain), which left the perimeter in 2020, had an impact of 243 thousand euros (reduction).

Despite this reduction, the weight of staff expenses increased their relative weight in relation to turnover by 6.0 percentage points (56.1% in 2020 and 50.1% in 2019).

Compensation expenses arise mainly from ISQ (90% of the total), ISQ Brazil (4%) and DB Wave (3%).

In 2020 and 2019 the average number of employees per entity has the following breakdown:

	2020	2019
ISQ	805	801
ISQ Brasil	229	179
Labcal	2	2
ISQ Reabilitação	0	0
ISQ, SA (Spain)	65	69
ISQ Internacional	1	2
ISQ Moçambique	0	0
ISQ, Sarl (Algeria)	106	95
Testwise	0	0
DB Wave	13	13
Labcal, CV	1	1
ISQ E-learning	43	34
ISQ Engenharia	2	2
Sondar.I	45	45
Sondarlab	9	8
ISQ, E3	0	0
LCM Iberia	8	8
Q3A	2	2
Labmetro	n.a.	14
ISQAPAVE	104	126
ISQ Timor	1	1
Labiagro	37	40
ISQ Solutions	15	n.a.
ISQ & CTAG	3	n.a.
CNE	9	n.a.

In 2020, in order to improve social support for employees, ISQ took out a sickness insurance policy that covers all employees, with a value of 162 thousand euros/year.

34 - IMPAIRMENT OF DEBTS RECEIVABLE (LOSSES/REVERSALS)

The impairment losses and reversals of debts receivables recorded in the years ended 31 December 2020 and 31 December 2019 were:

	2020		2019	
	IMPAIRMENTS IN ACCOUNTS RECEIVABLE	REVERSAL OF IMPAIRMENTS IN ACCOUNTS RECEIVABLE	IMPAIRMENTS IN ACCOUNTS RECEIVABLE	REVERSAL OF IMPAIRMENTS IN ACCOUNTS RECEIVABLE
Customers	2,210,143	88,310	981,229	45,734
		(2,121,833)		(935,495)

The impairments made by the Group in 2020 come essentially from ISQ with 2,156 thousand euros (822 thousand euros in 2019), with emphasis on the impairment of a corporate customer of Angolan origin, amounting to 1,000 thousand euros (756 thousand euros in 2019).

The reversals essentially derive from ISQ with 42 thousand euros and from ISQAPAVE with 46 thousand euros.

35 - IMPAIRMENT OF NON-DEPRECIABLE INVESTMENTS (LOSSES/REVERSALS)

The impairment losses and reversals of non-depreciable investments recorded in the years ended 31 December 2020 and 31 December 2019 were:

	2020		2019	
	IMPAIRMENT LOSSES	REVERSAL OF IMPAIRMENT LOSSES	IMPAIRMENT LOSSES	REVERSAL OF IMPAIRMENT LOSSES
	215,000		215,000	
ISQ Capital - Venture Capital Fund ASK	60,000			
Capital - Venture Capital Fund	275,000		215,000	
		(275,000)		(215,000)

In 2020, ISQ constituted impairments on:

- ISQ Capital - FCR with the amount of 215 thousand euros. Impairment for the year corresponds to 10% of the total amount invested. In cumulative terms, impairment is at 50% in relation to the amount initially invested in the fund, of 2,150 thousand euros;
- Ask Capital – FCR with the amount of 60 thousand euros. Net investment in this fund is valued at 75,507 (subscription value of 135,507 euros).

36 - OTHER INCOME AND GAINS

Other income and gains break down as follows:

	2020	2019
Supplementary income	382,999	355,489
Corrections related to previous financial years	691,665	215,881
Other income and gains from investment properties	3,000	3,000
Investment subsidies	1,045,804	1,009,089
Favourable exchange rate differences	198,831	815,763
Other	596,166	645,380
	2,918,465	3,044,602

Net exchange differences are unfavourable (see the following note), but favourable exchange rate differences that are reflected come essentially from ISQ Brazil (165 thousand euros).

Income from the amortisation of investment subsidies comes entirely from ISQ.

37 - OTHER EXPENSES AND LOSSES

Other expenses and losses have the following breakdown:

	2020	2019
Taxes	190,228	351,353
Corrections related to previous financial years	185,959	307,451
Fines and penalties	8,224	203,505
Unfavourable exchange rate differences	2,890,456	2,894,501
Scholarships and internships	89,974	179,586
Other	506,264	357,559
	3,871,105	4,293,955

In net terms, in 2020 we have a negative foreign exchange impact of 2,692 thousand euros (2,079 thousand euros in 2019), essentially resulting from the devaluation of the Angolan kwanza and the Brazilian real. The main affiliates affected were ISQAPAVE (1,132 thousand euros), ISQ Reabilitação (687 thousand euros) and ISQ Brazil (684 thousand euros) due to their high liabilities in "hard currency".

38 - EXPENSES / REVERSALS FROM DEPRECIATION AND AMORTIZATION

Depreciation and amortisation expenses/reversals have the following breakdown:

	2020	2019
Tangible fixed assets		
Buildings and other constructions	446,052	416,861
Basic equipment	2,409,680	2,287,348
Transportation equipment	108,063	96,771
Tools and utensils	42,980	50,525
Administrative equipment	327,678	320,760
Other tangible fixed assets	22,670	16,785
	3,357,123	3,189,050
 Other intangible assets	 410,031	 303,825
 Investment Properties (cost method)	 1,309	 1,309
 <i>Goodwill</i>		
ISQ, SA (Spain)	13,194	13,194
LCM Iberia	24,581	24,581
	37,775	37,775
 Total	 3,806,238	 3,531,959

About 70% of this expenditure comes from ISQ.

39 - INTEREST AND SIMILAR INCOME OBTAINED AND INTEREST AND SIMILAR EXPENSES PAID

Bank loan costs are recognised as expenses for the period, with the exception of loan costs directly related to the acquisition, construction or production of assets that require a substantial period of time to be ready for use, which are capitalised as part of the cost of that asset.

Interest and similar income obtained and interest and similar expenses incurred have the following breakdown:

	2020	2019
Income and Gains		
Interest obtained	57,482	41,876
Other financial income and gains	18,768	10,599
	76,250	52,475
Expenses and Losses		
Interest incurred	760,319	948,224
Default and compensatory interest	5,242	7,747
Other financial costs and losses	35,821	73,360
	801,382	1,029,331

The ISQ Group reduced interest and similar expenses incurred by 228 thousand euros, arising essentially in the following entities:

- ISQ: 666 thousand euros, about 83% of the total (758 thousand euros in 2019, about 74% of the total);
- ISQ Algeria: 34 thousand euros, about 4% of the total (82 thousand euros in 2019, about 8% of the total);
- ISQ Brazil: 25 thousand euros, about 3% of the total (65 thousand euros in 2019, about 6% of the total);
- ISQ Spain: 23 thousand euros, about 3% of the total (30 thousand euros in 2019, about 3% of the total).
- Sondar.I + Sondarlab + LCM Ibérica: 23 thousand euros, about 3% of the total (31 thousand euros in 2019, about 3% of the total).

40 - NON-CONTROLLING INTERESTS - INCOME STATEMENT

Over the course of the financial years ended 31 December 2020 and 31 December 2019, the results relating to non-controlling interests have the following breakdown:

	2020	2019
ISQ Spain	(28,937)	(62,684)
ISQ, Sarl (Algeria)	154,335	185,522
DBWave		16
Labcal CV	(1,857)	(370)
ISQ E-learning	114,012	112,584
CNE	14,271	
	251,824	235,067

41 - RELATED PARTIES

The main indicators of the associated companies are summarised as follows:

	31-12-2020				31-12-2019			
	ASSETS	LIABILITIES	TURNOVER	NET RESULT	ASSETS	LIABILITIES	TURNOVER	NET RESULT
BLUESTABIL - STABILITY STUDIES SERVICES, LDA	821,781	363,728	535,096	170,226	713,454	399,938	473,962	123,265
CNE - CENTRO NACIONAL DE EMBALAGEM	n.a.	n.a.	n.a.	n.a.	906,678	186,153	674,704	142,098
IDQ MACAU	33,728,255	21,310,685	13,018,507	3,635,233	30,772,396	20,958,644	8,758,928	703,633
SO - INTERVENÇÃO EM SAUDE OCUPACIONAL, SA	243,281	65,131	431,064	20,228	230,511	64,815	462,290	9,825
TEK BOX - PROJECTOS DE ENGENHARIA, LDA.	1,856,307	889,876	3,133,454	94,711	1,867,383	825,663	2,953,168	121,446

Income earned from related entities has the following breakdown:

	2020	2019
ADENE - AGENCIA PARA A ENERGIA	5,463	1,388
APCER CERTIFICAÇÃO, SA	40,972	32,140
ASK, SA	(1,269)	5,562
BLUESTABIL - STABILITY STUDIES	21,159	19,407
CATIM - CENTRO DE APOIO TECNOLÓGICO	5,376	11,435
CERTIF - ASSOCIAÇÃO PARA CERTIFICAÇÃO DE PRODUTOS	83,398	99,886
CNE - CENTRO NACIONAL DE EMBALAGEM	n.a.	57,787
CVR - CENTRO PARA A VALORIZAÇÃO DE RESIDUOS	1,639	1,396
IDQ - INST. PARA DESENVOLVIMENTO E QUALIDADE	94,750	
ISQ AS	n.a.	640,761
ISQ SULTAN INTERNATIONAL	n.a.	(49,035)
SO - INTERVENÇÃO EM SAUDE OCUPACIONAL, SA	20,793	14,380
TAGUSPARK - PARQUE DE CIÊNCIA E TECNOLOGIA, SA	215	131
TEK BOX - PROJECTOS DE ENGENHARIA, LDA.	1,946	5,915

Expenses incurred with related entities have the following breakdown:

	2020	2019
ADENE - AGENCIA PARA A ENERGIA	3,340	6,630
ANIMAFORUM- ASSOCIATION FOR AGRO-INDUSTRIAL DEVELOPMENT		
APCER - ASSOCIAÇÃO PORTUGUESA DE CERTIFICAÇÃO	9,778	7,548
+ATLANTIC - ATLANTIC COLLABORATIVE LABORATORY ASSOCIATION		3,000
CATIM - CENTRO APOIO TECNOL.À INDUST.METALOMECANICA	205	1,563
CERTIF - ASSOCIAÇÃO PARA CERTIFICAÇÃO DE PRODUTOS	16,311	10,444
CNE - CENTRO NACIONAL DE EMBALAGEM	n.a.	13,411
CVR - CENTRO PARA VALORIZAÇÃO DE RESIDUOS	5,300	23,500
ISQ AS	n.a.	97,074
ISQ SULTAN INTERNATINAL LLC	n.a.	
PRODUTECH-ASSOC.PARA AS TECNOL. PROD.SUSTENTAVEL	800	7,490
SO - INTERVENÇÃO EM SAUDE OCUPACIONAL, SA	119,941	125,649
TAGUSPARK - PARQUE DE CIENCIA E TECNOLOGIA, SA	1,200	1,200
TEK BOX - PROJECTOS DE ENGENHARIA, LDA.	30,556	34,362

Balance sheet balances relating to commercial activities with related parties have the following breakdown:

CUSTOMER BALANCES AND OTHER ACCOUNTS RECEIVABLE	31-12-2020	31-12-2019
ADENE - AGÊNCIA PARA A ENERGIA	569	13,846
APCER CERTIFICAÇÃO, SA	14,377	20,495
ASK, SA	15,048	33,594
BIN - BUY IT NOW, LDA	33,594	39,841
BLUESTABIL, LDA	-585	615
CATIM - CENTRO DE APOIO TECNOLÓGICO	738	15,294
CERTIF - ASSOCIAÇÃO PARA CERTIFICAÇÃO DE PRODUTOS	8,441	6,440
CEVALOR - CENTR.TECN.P/APROV.VAL.ROCHAS ORN.INDUST.	6,440	16,023
CNE - CENTRO NACIONAL DE EMBALAGEM	n.a.	97
CVR - CENTRO PARA A VALORIZAÇÃO DE RESIDUOS	152	n.a.
IDQ MACAU	25,200	119,477
ISQ AS	n.a.	1,647,042
ISQ SULTAN INTERNATINAL LLC	n.a.	n.a.
SO - INTERVENÇÃO EM SAUDE OCUPACIONAL, SA	1,937	1,407
TAGUSPARK - PARQUE DE CIÊNCIA E TECNOLOGIA,SA		2,995
TEK BOX - PROJECTOS DE ENGENHARIA, LDA.	325	161

SUPPLIER BALANCES AND OTHER ACCOUNTS PAYABLE	31-12-2020	31-12-2019
APCER - ASSOCIAÇÃO PORTUGUESA DE CERTIFICAÇÃO	1,570	
ASK, SA	95,726	
+ATLANTIC - ASSOC. LABORATÓRIO COLABORATIVO DO ATLANTICO		8,000
CATIM - CENTRO APOIO TECNOL. À INDUST. METALOMECANICA		768
CENTRO NACIONAL DE EMBALAGEM	n.a.	
CERTIF - ASSOCIAÇÃO PARA CERTIFICAÇÃO DE PRODUTOS	1,776	11,070
CVR - CENTRO PARA VALORIZAÇÃO DE RESIDUOS		22,140
ISQ SULTAN INTERNACIONAL LLC	n.a.	720,203
ISQ AS (Norway)	n.a.	22,670
PRODUTECH - ASSOC. PARA AS TECNOLOGIAS PROD. SUSTENTAVEL	800	
SO - INTERVENÇÃO EM SAUDE OCUPACIONAL, SA	26,945	20,155
TAGUSPARK - PARQUE DE CIENCIA E TECNOLOGIA, SA	369	246
TEK BOX - WATER ENGINEERING, LDA.	12,439	4,440

The balances of loans/supplementary/ancillary payments in related entities have the following breakdown:


SHAREHOLDER LOANS	31-12-2020	31-12-2019
ASK, SA	50,000	50,000
ISQ SULTAN INTERNATIONAL, LLC	n.a.	111,941
ISQ USA	1,780	1,780

SUPPLEMENTARY CAPITAL CONTRIBUTIONS	31-12-2020	31-12-2019
TEK BOX - WATER ENGINEERING, LDA.	220,000	220,000
ISQ SULTAN INTERNATIONAL, LLC	n.a.	480,765

42 - STATUTORY DISCLOSURES

The Board of Directors discloses that the ISQ Group does not have any debts to the State in a situation of late payment, under the terms of Decree-Law 534/80, of 7 November.

In compliance with the stipulations of Decree 411/91, of 17 October, the Board of Directors reports that the situation with Social Security has been regularised, within the legally stipulated time limits.



43 - EVENTS AFTER THE BALANCE SHEET DATE

With the aim of increasing ISQ's installed laboratory capacity, in March 2021 a transfer of a commercial laboratory establishment located in Sines was acquired for 325 thousand euros. This laboratory is designed for analysing water, air, effluent and food products and for carrying out consultancy and environmental audits. It is called LALA-Laboratório of Águas do Litoral Alentejano, S.A.

Winding up of ISQ, E3, 50% held by ISQ, in February 2021. It was a vehicle company that served its purpose by supporting the acquisition of LCM Iberia, whose investment credit was fully fulfilled. Its holding in LCM Iberia is now held directly by the partners, so in 2021 50% of this company will be held directly by ISQ (100% held at 31 December 2019 by ISQ, E3, 50.00% of which was in turn held by ISQ). It should be noted that ISQ repaid the supplementary payments of 5 thousand euros from ISQ, E3.

The integration of Q3A into ISQ Brazil and the conversion of the advance for the increase in ISQ Brazil's share capital (3,764,769 BRL, equivalent to 597,582 euros) is in progress. This December 2020 operation was agreed with ISQ with the aim of reorganising the level of ISQ Brazil's own equity.

The Covid-19 outbreak was classified as a Pandemic by the World Health Organization on 11/03/2020, and also reached Portugal where a State of Emergency was declared on 18/03/2020, through Decree no. 14-A / 2020 of the Office of the President of the Republic, which was renewed several times in 2020, given the negative evolution of the Pandemic and consequent negative repercussions on public health.

The Covid-19 outbreak had a very significant economic and social impact, with implications on the economic and financial situation of the ISQ Group and on the 2020 financial reporting as a result. The measures to contain the spread of the virus resulted in profound changes in the markets, as well as in the areas of activity in which the Group runs its businesses.

The repercussions felt in the different business areas resulted in a drop in turnover. A significant part of the services provided by the ISQ Group is carried out in person at its customers' premises, and these customers, either because there is widespread low confidence or because they need to comply with their contingency plans, have restricted access to employees or simply suspended or cancelled orders for some services. Similarly, and with a backdrop of widespread mistrust in the future, a decrease in requests for new services has been observed.

In this context, there was a partial reduction in the ISQ Group's activity from March 2020 onwards, extending particularly into the 2nd and 3rd quarters of 2020, so there was a need to resort to lay-offs both in ISQ and in several affiliates.

It should also be noted that ISQ and the different affiliates accepted the exceptional conditions approved to support and protect companies, in order to improve its cash flow and liquidity, relating to placing moratoriums on bank credit lines contracted with banking institutions.





LEGAL ACCOUNTS CERTIFICATE

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of **INSTITUTO DE SOLDADURA E QUALIDADE** (the Group), consisting of the balance sheet as at 31 December 2020 (reflecting total assets of 103,777,128 euros and total equity of 47,514,927 euros, including a net loss of 1,207,947 euros), the consolidated income statement by nature, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the notes accompanying the consolidated financial statements which include a summary of significant accounting policies.

In our opinion, the attached consolidated financial statements fairly and appropriately present, in all material aspects, the financial position of **INSTITUTO DE SOLDADURA E QUALIDADE** as of 31 December 2020 and its consolidated financial performance and cash flows for the year ending on that date, in accordance with the Accounting and Financial Reporting Standards adopted in Portugal through the Accounting Standardisation System.

Basis of the opinion

Our audit was conducted in accordance with International Auditing Standards (ISA) and other technical and ethical standards and guidelines of the Association of Official Accounts Auditors. Our responsibilities under the terms of these standards are described in the section entitled "Responsibilities of the auditor for auditing the consolidated financial statements" below. We are independent from the Group under the terms of the law and we comply with all other ethical requirements under the code of ethics of the Association of Official Accounts Auditors.

We are convinced that we have obtained sufficient **and** appropriate audit evidence to serve as a basis for our opinion.

Responsibilities of the management body for the consolidated financial statements

The management body is responsible for:

- preparing the financial statements that accurately and appropriately present the financial position, the financial performance and cash flows of the Group according to the Accounting and Financial Reporting Standards adopted in Portugal through the Accounting Standardisation System;

HEAD OFFICE

Rua Gomes Freire, 7 - 5.º Dto.
1150-175 LISBON
e-mail: geral@agrenha-sroc.pt

BRANCH 1

Rua Julio Dinis, 920 - 4.º Esq.
4050-322 PORTO
e-mail: geral@agrenha-sroc.pt

REGISTRATION WITH THE ASSOCIATION OF OFFICIAL
ACCOUNTS AUDITORS UNDER No. 5
AND WITH THE CMVM UNDER No. 217
Legal Person ID no. 501 311 700



- drafting of the management report under the applicable legal and regulatory terms; setting up and maintaining an appropriate internal control system to allow financial statements to be created that are free from material misrepresentation due to fraud or error;
- adopting accounting policies and criteria that are suitable for the circumstances; and
- assessing the Group's ability to continue its operations, disclosing, where applicable, any matters that could give rise to significant doubts about the continuity of activities.

Responsibilities of the auditor for auditing the consolidated financial statements

Our responsibility consists of obtaining reasonable certainty about whether the consolidated financial statements as a whole are free of material misrepresentations due to fraud or error, and of issuing a report stating our opinion. Reasonable certainty is a high level of certainty, but it is not a guarantee that an audit performed in accordance with the ISA will always detect a material misrepresentation whenever one exists. Misrepresentations can originate in fraud or error, and are considered material if, alone or as a whole, they can reasonably be expected to influence economic decisions of users, taken based on these financial statements.

As part of an audit in accordance with ISA, we make professional judgements and maintain professional scepticism during the audit. We also:

- identify and appraise the risks of material misrepresentation of the consolidated financial statements, due to fraud or error, we design and execute audit procedures to respond to these risks, and we obtain sufficient and appropriate audit evidence to serve as a basis for our opinion. The risk of failing to detect a material misrepresentation due to fraud is greater than the risk of failing to detect a material misrepresentation due to error, given that fraud may involve collusion, falsification, intentional omissions, false statements or overlapping of internal control;
- gain an understanding of the internal control relevant to the audit, aimed at designing audit procedures that are appropriate under the circumstances, but not to express an opinion on the effectiveness of the Group's internal control;
- assess the suitability of the accounting policies that are used, and the reasonable nature of accounting estimates and respective disclosures made by the management body;
- we reach a conclusion regarding whether or not the management body makes appropriate use of the continuity assumption, based on the audit evidence obtained, if there is any material uncertainty related to events or conditions that could give rise to significant doubts about the Group's ability to continue with its activities. If we conclude that a material uncertainty exists, in our report we should draw

HEAD OFFICE

Rua Gomes Freire, 7 - 5.º Dto.
1150-175 LISBON
e-mail: geral@agrenha-sroc.pt
Tel.: 213 138 210 - Fax: 213138 219

BRANCH 2

Rua Julio Dinis, 920 - 4.º Esq.
4050-322 PORTO
e-mail: geral@agrenha-sroc.pt
Tel.: 226 090 717 - Fax: 226 009 496

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attention to the related disclosures included in the financial statements or, if these disclosures are inadequate, we should amend our opinion. Our conclusions are based on audit evidence obtained up until the date of our report. Therefore, future events or conditions

may lead to the Entity discontinuing its activities;

- we appraise the presentation, structure and overall content of the consolidated financial statements, including the disclosures, and whether these consolidated financial statements represent the underlying transactions and events, such as to achieve an appropriate presentation;
- we communicate with those in charge of governance about, among other matters, the planned scope and schedule of the audit, and the significant conclusions of the audit, including any significant internal control deficiency identified during the audit.

Our responsibility also includes verifying the extent to which the information presented in the management report is consistent with the consolidated financial statements.

REPORT ON OTHER LEGAL AND STATUTORY REQUIREMENTS

About the management report

In our opinion the management report has been prepared in accordance with applicable legal and regulatory requirements in force, the information contained therein is consistent with the audited consolidated financial statements and, taking into account our knowledge and assessment of the Group, we have not identified any material misrepresentations.

Lisbon, 5 May 2021

ANTÓNIO GRENHA, BRYANT JORGE & ASSOCIADOS

Statutory Auditor Company

Represented by

David Diz Morais (ROC n.º 1690)

HEADQUARTERS

Rua Gomes Freire, 7 - 5.º
Dto. 1150-175 LISBON
e-mail: geral@agrenha-sroc.pt
Tel.: 213 138 210 - Fax: 213138 219

BRANCH3

Rua Júlio Dinis, 920 - 4.º Esq.
4050-322 PORTO
e-mail: geral@agrenha-sroc.pt
Tel.: 226 090 717 - Fax: 226 009 496

REGISTERED WITH THE ASSOCIATION OF
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INSTITUTO DE SOLDADURA E QUALIDADE

REPORT AND OPINION OF THE AUDIT COMMITTEE

CONSOLIDATED ACCOUNTS

Dear Associates,

1. In performing the duties entrusted to us and in accordance with the mandate that was assigned to us, we have monitored the activity of the **INSTITUTO DE SOLDADURA E QUALIDADE** (the Group) during the 2020 period, and have conducted all examinations and verifications, with regard to bookkeeping, accounting records, supporting documentation and compliance with statutory regulations with the regularity, depth and extent that we deem necessary in the circumstances, and we have always obtained any requested clarifications from the Board of Directors and services.
2. We have examined the consolidated financial statements and the Management Report of the Board of Directors, which have been drawn up in accordance with the aforementioned financial statements, reflecting the situation of the Group and making reference to its most significant operations.
3. The Consolidated Financial Statements and the Management Report were examined by the Official Accounts Auditors Firm which, as a result, issued the Legal Accounts Certificate, a document with which we agree.



4. In view of the above, taking into account the conclusions of the Statutory Auditor Company and the fact that we have not become aware of any violation of the Articles of Association, we are of the opinion that the following are deserving of your approval:

- a) The Management Report of the Board of Directors, as well as the accounts presented by the Board of Directors, for the 2020 period;

Lisbon, 5 May 2021

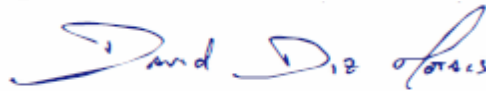
The Audit Committee

ANTÓNIO GRENHA, BRYANT JORGE & ASSOCIADOS

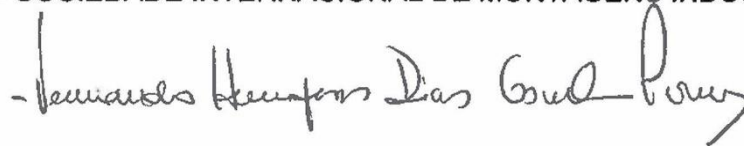
Statutory Auditor Company (Nº 5)

Represented by

David Diz Morais (ROC Nº 1690)



SIMI – SOCIEDADE INTERNACIONAL DE MONTAGENS INDUSTRIAIS, S.A.



ELECTRO - PORTUGAL, LDA



This matches the original
The Chair of the General
and Supervisory Board



CARLOS PINA

**EXTRACT FROM MINUTES No. 86
OF THE GENERAL AND SUPERVISORY
BOARD OF 13 MAY 2021**

“-----
**Approval of the Individual Report and Accounts of ISQ and the Consolidated
Accounts of the ISQ Group for the year two thousand and twenty and the
Proposal for Allocation of Results.** -----

The General and Supervisory Board unanimously decided to approve the individual Report and Accounts of ISQ and the Consolidated Accounts of the ISQ Group for the year two thousand and twenty, as well as the proposal for the Distribution of Net Results for two thousand and twenty, amounting to €360,141.66 to “Retained Earnings”. -----

a) Minutes signed by:

Eng. Carlos Pina, Chairperson, representing LNEC-Laboratório Nacional de Engenharia Civil;

Prof. Mário Patinha Antão, Deputy Chair;

Eng. Carlos Brás, representing The Navigator Company, **S.A.**;

Eng. Vítor Manuel Tomas das Dores, representing EDP - Energias de Portugal, **S.A.**;

Eng. Armando Carvalho, representing IEFP - Instituto do Emprego e Formação Profissional, I.P.;

Eng. Fernando Machado, representing Petrogal - Petróleos de Portugal, S.A.;

Dr. Alfredo Ferreira dos Santos, representing Partex Services Portugal, S.A.;

Eng. Ângelo Ramalho, representing Efacec;

Eng. Pedro Ávila, representing REN-Rede Elétrica Nacional, S.A.

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www.isqgroup.com

Taguspark - Oeiras • Av. Prof. Dr. Cavaco Silva, 33, 2740-120 Porto Salvo • Portugal
Branches: Castelo Branco, Loulé, Monção, V. N. Gaia, Sines