LISBON SCHOOL OF ECONOMICS & MANAGEMENT
UNIVERSIDADE DE LISBOA

MASTER OF SCIENCE IN
FINANCE

MASTER'S FINAL WORK
PROJECT

EQUITY RESEARCH MOTA ENGIL SGPS SA:

ECONOMIC IMPACT OF POLITICAL UNCERTAINTY IN LATAM

BENEDIKT GRUNDHEBER

OCTOBER 2017

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SUPERVISOR:

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Abstract

This project contains a detailed evaluation of Mota-Engil SGPS SA, conducted in accordabce with the standards of ISEG´s Master in Finance final work project. This report was written following the guidelines and recommendations of the CFA Institute. The choice of the company was done by the CFA Society Portugal who selected a company from the Portuguese PSI20 Index. The characteristics of the Engineering & Construction and Environment & Services Company Mota-Engil made this project an interesting and valuable experience due to the company's vast geographical and operational diversification. The information used throughout this report was publicly available information as at February 28, 2017. Any information or event subsequent to this date has not been considered. The target price was obtained using an absolute valuation method in the form of a Discounted Cash Flow (DCF) Approach, complemented by a relative valuation method, more specifically, the method of Comparable Multiples. The final target price reached amounts to € 2.35, representing an upside potential of 42% from the February 3, 2017 closing price of € 1.65. Our final recommendation for ME stands at a BUY, with a high risk attribute resulting from the high economic and political uncertainty in its major growth markets Africa and LATAM that may be reflected in substantial Revenue volatility for the regions in the short to medium term. With regard to the latter, LATAM, additional sensitivity analysis has been conducted in this report to determine a possible economic impact for ME from political and economic deterioration in the region. Such a deterioration is represented and measured in this report by the exchange rate of the respective country where ME operates as well as an increase in the WACC for the region through the country risk premium. For the regional additional analysis of LATAM, emphasis is placed on MEs main operating regions Brazil and Mexico that is projected to account for 62% of overall LATAM turnover by 2021.

JEL classification: G10; G32; G34.

Keywords: Equity Research; Valuation; LATAM; Mota-Engil S.G.P.S.,S.A.; Construction Industry; Political and Economic Uncertainty, Brazil, Mexico.

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A warm thank you also to my project partners and friends Fatima Freitas, Catarina Trindad, Bruno Fernandes and Ruben Penela.

Disclosure

A significant portion of this report was submitted by a group of students at ISEG, including the candidate, for the CFA Institute Research Challenge 2017, Portuguese Local final. With the wining of the Local final, the same report was submitted for the EMEA Regional Final 2017 in Prague, Czech Republic, as a representative of the CFA Society Portugal.

This report is published for educational purposes by Master students at ISEG and is not an investment recommendation. This report must be read with the Disclosures and Disclaimer at the end of this report. Appendices that support this report may be obtained from author upon request.

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Date: 03/02/2017 | **Ticker: MOTA.LS (Reuters)** | **Current Price: EUR 1.65** | EUR 1.000: USD 1.076 | **Recommendation: BUY (42% Upside)** | **Target Price: EUR 2.35 (USD 2.53)** High Risk

Mota-Engil: Unfazed by increased LATAM Volatility

Research Snapshot

We initiate a **BUY** recommendation for Mota-Engil S.G.P.S., S.A (ME) with a 2017YE price target of **€2.35** using a DCF model**,** implying a 42% upside potential from the February 3rd 2017 closing price of €1.65, although with high risk. In a difficult market environment, ME is able to benefit from its overall strong track record and robust 21% EBITDA margins in Africa as well as resilient business performance in LATAM that are main drivers for a continuation of top line growth, increasing consistent free cash flow generation and company deleveraging. Despite increased exchange rate volatility for Mota Engils main LATAM operating markets Brazil and Mexico, where historic volatility measured on a montly average of returns for the period 2013-2017 has hit 3,79% and 2,74%, respectively, the company is on track to continue its outstanding top line growth. Additional sensitivity analysis has determined that in case of an unfavorable 20% annual movement in its main exposures, the Brazilian Real and the Mexican Peso, the recommendation would stand at a **BUY**, with a YE 2017 target price of **€2.17.**

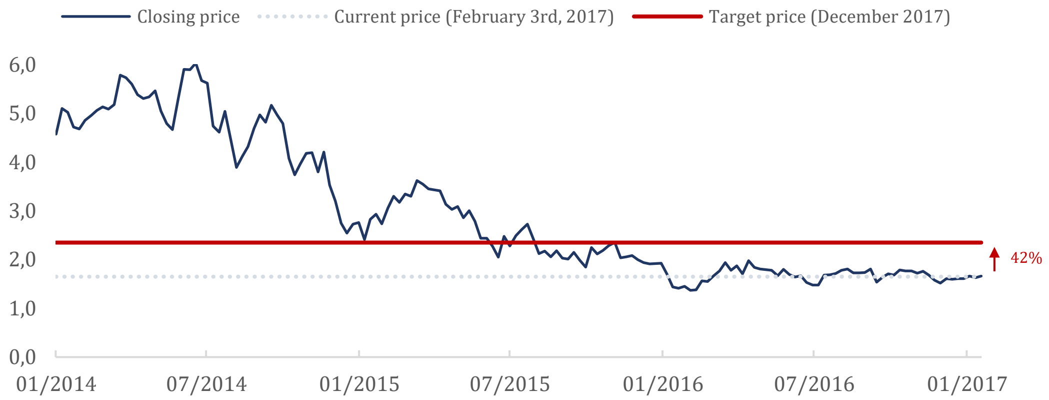


Table 1. ME market data

Market Profile	
Closing Price	€ 1.65
52-Week Price Range	€ 1.30 – € 2.05
Average Daily Volume	226,828
Shares outstanding	233.87M
Market Cap	391.65M
P/E (ntm)	4.8

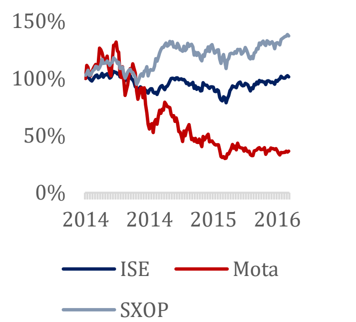
Source: *Reuters*

Table 2. ME target price

Valuation	2017 Target Price
DCF	€ 2.35
Multiples (average)	€ 2.15
DCF LATAM VOLATILITY	**€ 2.17**
EV/EBITDA	€ 2.70
EV/SALES	€ 1.59

Source: *Estimates*

Figure 1. Relative Price Performance



**ISE – Global Construction index*
***SXOP – European Construction Index*
Source: *Reuters, Estimates*

Weathering Uncertainty in LATAM

Taking a conservative approach due to political and economic uncertainy in the region and recent exchange rate volatility, we forecast a 2017-2021 Revenue CAGR of 6.7% with a strong current €2.3 billion backlog, (35.6% 5-year CAGR) emphasizing the resistance of the company to recent industry headwinds. Expansionary activity of its waste management business in the region as well as a pending approval to increase capacity in the Mexican Energy Sector that currently contributes €35 million in Revenue and 40% in EBITDA margins provide further upside potential.

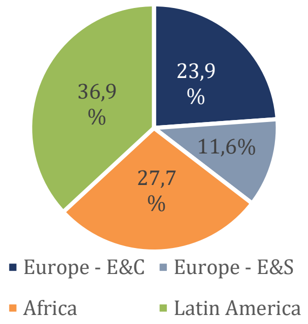
Geographical Diversification, Strong Free Cash Flow and Balance Sheet Deleveraging to Drive Stock Price Appreciation

Through 50% equity in a striking $1B deal in Tanzania, Mota-Engil continues its expansionary endeavors in Africa. The companys strong reputation has facilitated its ability to diversify geographically and more than justifies the projected 2,2% 2017-2021 Revenue CAGR. Domestically, ME has placed a major emphasis on the higher margin waste treatment sector where the recent acquisition of EGF is expected to contribute €43 million in FCFF by 2021, representing 23% of MEs total. Furthermore, the company will continue to divest of non core assets leading to a net debt reduction to €625 million by 2021, while doubling its interest coverage ratio to 3.3 through a combined effect of a 7.5% 2016-2021 EBIT CAGR and lower financial expenses.

Paving the Way Despite LATAM Exchage Rate Volatility

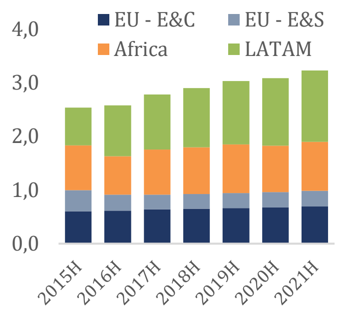
With 43% of MEs overall turnover expected to come from LATAM by 2021, the company finds itself vulnerable to unfavorable exchange rate moves. Despite this exposure and a high monthly 5-year SD of returns for the major currencies BRL and MXN of 3,79% and 2,74%, respectively, sensitivity analysis has determined a BUY rating target price €2,17 for an annual 20% drop in both rates. Bolstering my analysis, sensitivity for an increase in LATAM country risk premium by 500 Bps has yielded a target price of €2,14, ceteris paribus.

Figure 2. Sales per region



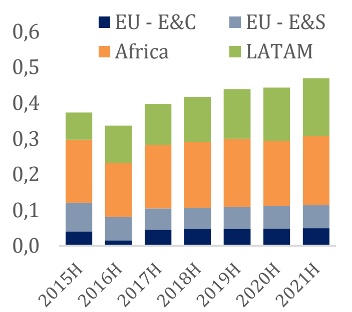
Source: *Estimates*

Figure 3. Sales per region, in €'Bn



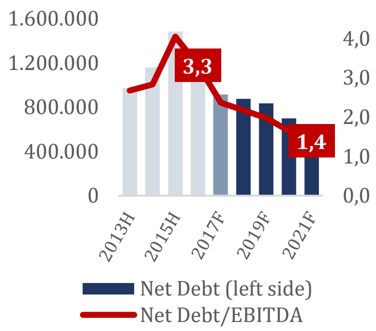
Source: *Estimates*

Figure 4. EBITDA per region, in €'Bn



Source: *Estimates*

Figure 5. Net Debt/ EBITDA



Source: *Estimates*

Business Description

Mota-Engil SGPS (ME, Reuters: MOTA.LS) is a Portuguese internationally diversified Conglomerate focused on the two core business areas Engineering & Construction (E&C) and Environmental & Services (E&S). Additionally, ME has a presence in the areas of Energy and Mining as well as transport concessions where it operates mainly through strategic partnerships in form of equity participations. The multinational group ME divides its operations into four segments, namely Europe E&C, Europe E&S, Africa and LATAM with predominant presence of the two main segments in all three regions, complemented mainly by Mining and Energy activities in Africa and LATAM. The area of E&S includes the increasingly significant business of waste collection and treatment that showed major 2015 yoy growth in revenues of 110% to €173 million in Europe with total turnover contribution of 17.3% and growth potential through expansion into the African and LATAM markets.

The company was founded in 2000, resulting from the business combination of Mota & Companhia (M&C) and Engil SGPS in late 1999, and later became market leader in the Portuguese construction sector. Prior to the merger, M&C had operations exclusively in Angola before expanding its operations to Sub Saharan Africa in 1974 and Portugal shortly thereafter. Engil originated in Lisbon after its incorporation in Portugal in 1952 and a first entrance into the LATAM market in 1978 before both, M&C and Engil concretized LATAM's expansion plans through acquisitions in Peru in 1998.

Contemporarily, with substantial businesses in Europe, Africa and LATAM, the group is managing a geographically diversified portfolio with offices in 22 countries and controlling interest in 294 companies. Expected 2016F revenue in each of the three geographies accounted for roughly one-third of overall company turnover of €2.487 billion with expected EBITDA contributions in 2016 of 29.1% for the European Market and 52.7% and 18.2% for Africa and LATAM, respectively.

With respect to the **European** business, the company has recently made a strategic move with the acquisition of EGF, which has a 68% market share in waste treatment in Portugal and is vertically integrated with SUMA, ME's waste collection business, where it leads the market with a 53% share of the 37% privatized market. The strategy implementation resulted from European lackluster top line growth in its E&C business with a 2011-2015 CAGR of -12,8% that is partially offset by a turnover CAGR of 18.1% in E&S. It further positively affected profitability with a more than 600bps 2015 yoy EBIT margin increase following the company's consolidation. ME is highly exposed to government spending on construction in Portugal and Poland for the E&C area, while EU targets for waste management yield a positive outlook for ME's E&S business.

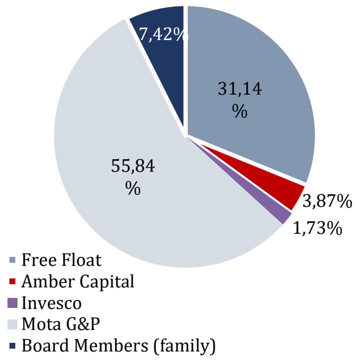
ME`s presence in the **Africa** region is predominately shaped by government infrastructure and construction projects with expansion potential through the EGF integration, as well as mining deals with multinational private companies Vale and Rio Tinto. EBITDA margins in the Africa region remain robust at a 22% average for the 2011-2015 period, while uncertainties in the region have caused a 2015 yoy decline in turnover of 21.4% with a further expected decline of 14.6% in 2016. While Angola remains the major turnover contributor in the region, steady expansionary progress is resulting in a more equally diversified distribution to other ME oprating regions in Africa.

LATAM has been ME`s driving force in terms of turnover contribution with a 2011-2015 revenue CAGR of 49% and a substantial relative 3-year backlog CAGR of 11%. While development in the main markets Peru and Brazil confirmed this trend, Mexico is expected to account for 43.8% of overall 2016 turnover of €416.6 million. Despite current geopolitical uncertainties in North and South America, strong demand for E&C and for energy production should provide stability to ME's yoy growth in the region. The recent entrance in the Energy sector is expected to generate Revenues around €35 million annually and shows a substantial 40% EBITDA margin.

Company Strategies

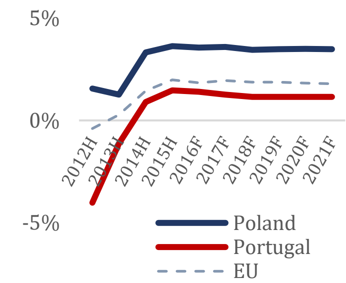
- **Deleveraging** – ME intends to decrease its financial leverage that currently contributes to a Net Debt/EBITDA of 3.4x as of 2016 year end as well as an interest coverage ratio of 1.2. In order to relieve financial distress and diversify funding sources, the company has laid out plans to divest non-core assets and increase CF through higher margin projects and Capex and Working Capital optimization.
- **Diversified Geographic Exposure** – The Group aims at limiting the impact of single volatile economic regions and promote maintainability of current regional balances that account for approximately one-third of 2016F turnover each.
- **Europe –** ME focuses on maintaining a leadership position in the Portuguese construction sector while increasing the mobility of its resources to facilitate internationalization of its know-how in case of economic downturn in Portugal. Additionally, in the area of E&S, the company plans to explore expansion opportunities for its waste business in and out of Europe through know how and business synergies.
- **Africa –** In addition to government infrastructure projects, the company aims at further bolstering its established partnerships with large multinational private companies. With decades of experience, ME will maintain their competitive position in the SADC* region, accounting for 54% of 2015 Africa turnover.

Figure 6. Shareholder's Structure



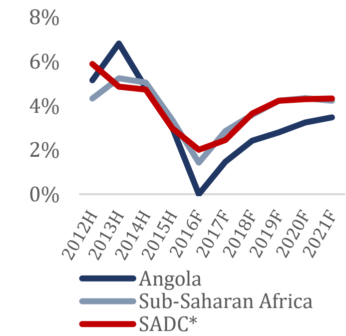
Source: *Estimates*

Figure 7. Europe – GDP Growth



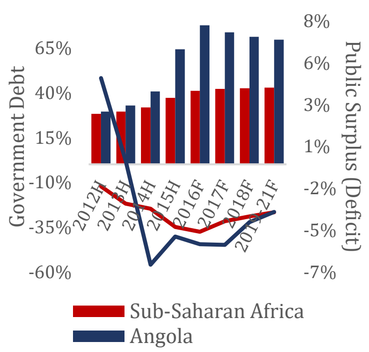
Source: *IMF*

Figure 8. Africa – GDP Growth



Source: *IMF and Estimates*

Figure 9. Africa – Government Debt/ Public Surplus



Source: *IMF*

- **LATAM -** With focus on the existing markets in Latin America, ME intends to target projects mainly in the businesses of transportation and mining infrastructure, as well as continue its diversification process through the waste business and growth potential in the Energy sector, primarily in Mexico.

Shareholder Structure

ME is a family owned and managed company with total voting rights of 63.14%. ME's family members have 7.42% directly and through Mota Gestão e Participações, SGPS, S.A., which they fully control, the family owns an adittional 55.84% of the company. Two other major institutional investors are Amber Capital and Invesco with a total control of 3.87% and 1.73%, respectively. 31.14% of the shares outstanding is free float.

Management and Corporate Governance

The company follows a Latin/Classic governance model composed of a Board of Directors, a Statutory Audit Board and a Statutory Auditor that is not a member of the Statutory Audit as it is described below:

- **Board of Directors (BoD)** - is determined by the annual general meeting and is composed of 17 members (7 executive participants that embody the **Executive Committee**). In the mandate of 2014-2017, only 3 members are independent. The BoD is responsible for the company's administrative issues. In addition, the Board formed the **Investment, Audit and Risk Committee** (see Appendix 15).
- **Supervisory Board** - is designated by the Statutory Audit Board and composed of four members: one president, two regular members and one substitute member. This board is responsible for ensuring the compliance with laws and regulations as well as the policies adopted by the company statutes.
- **Statutory Auditor not a member of the Statutory Audit** – This body is directed by António Magalhães & Carlos Santos, SROC, responsible for supervising and monitoring ME's accounts. Since 2002, the **External Auditor** is Deloitte & Associados, SROC, S.A.

From the forty recommendations of appropriate corporate governance put forth by the CMVM (The Portuguese Securities Exchange Commission), ME merely fulfills twenty-seven. While the company fails to comply with six of them, the remaining seven are not applicable. The dependence of the BoD and the Remuneration Committee and also the remuneration policy is among the governance risks that ME faces. (see **Error! Reference source not found.**).

Given the nature of the shareholder structure and a strong family influence on the Board of Directors, minority shareholders' interests are not fully protected, allowing the family to implement ideas or changes according to their needs without further impediment. The BoD has few independent members, resulting in the possibility of misjudgment and biased decision making.

Social Responsibility

Operating in different business areas and regions around the world, ME contributes to the global environmental landscape and assumes responsibility in making a positive impact on environmental development . In order to implement measures of social responsibility, the Foundation Manuel António da Mota (FMAM) was created in late 2009 as a key mechanism with the purpose of encouraging activities of cultural and social scope.

The Foundation is present in a majority of ME's operating countries, sponsoring events of charity in areas such as health and education with special emphasis on Africa and LATAM regions. The foundation also attributes an honorary gesture called "Manuel António da Mota Award" to associations and personalities that have made a significant impact and difference in their regions or communities.

Industry Overview and Competitive Positioning

Regional Economic Focus

European GDP Stabilization

The EU's economy has shown steady improvement with CAGR of 1.14% for the period 2013-2015, following the recessionary levels it reached during the financial crisis. For the period 2016F-2021F this trend is expected to continue with a forecasted CAGR of 1.86%. While Portugal is in line with this tendency at a marginally slower pace of 1.21% for the forecasted period, Poland has been outperforming its peers by an annual 160 bps and it is expected to continue to do so with CAGR of 3.52% until 2021 (see Figure 7).

Economic Volatility in Africa

Economic performance in the Sub Saharan region has been declining with expected real GDP growth in 2016 of 1.43%, down more than 3.5 pp from 2014 levels. For Angola and the SADC* economies, both follow this trend with an average annual decrease for the 2014-2016F period of 95 and 227 bps, respectively. According to IMF forecasts, Africa will experience a modest recovery with annual growth rates expected around 3.8% for the 2017-2021 period. Sub Saharan total government expenditures as a percentage of revenue have seen an increasing trend, registering a maximum value of 126% in 2015, up significantly from 105% in 2011. The reasons for this development is two-fold, with decreasing revenue for export dependent countries in a commodity down cycle as well as governments' attempt to honor planned infrastructure investment.

LATAM GDP recovery
After a global setback caused by the financial crisis and in real GDP contraction of 1.8% in LATAM and the Caribbean, economic conditions in the region quickly regained traction with an average 2010-2013 real GDP growth of 4.2% (IMF). Fueled by a sharp decline in commodity prices in 2014 and a subsequent 180 bps average decline in overall government revenue for the 2014-2016F period compared to the prior three years, real GDP reverted into negative territory in 2015 with a further FMI forecast for 2016 of -0.5%. Spurred by the recent stabilization of oil and major metal prices (see Figure 12) and a consequent forecasted upswing in LATAM overall export volume with a 2016-2021 average growth of 4.5%, real GDP is expected to recover at average levels of 2.3% for the 2017-2021 period (IMF).

With respect to ME's main markets, Brazil has been suffering economically due to political turmoil and commodity price pressure. Infrastructure construction volume declined by 7.6% in 2015. However, according to IMF, positive growth in real GDP of 0.5% will be reached in 2017 along with a return of growth in the construction sector of 1.2% (BMI). Regarding Mexico, growth prospects remain lackluster with steady 2016-2021 CAGR of 2.6% (IMF) that are subject to volatility given the country's export dependence on the US (72.7% in 2015 according to OEC), where increasing political and economic uncertainty arose after the US 2016 election. At average rates of 2.9% during the same period, BMI expects Infrastructure construction growth to be in line with overall economic performance.

Regional Construction Industry Overview

Europe - Funding as a Key Determinant to Industry Growth
After the major shrinkage of the global construction industry in 2008, investment in construction in the EU has been recovering. 2015 saw an annual growth of about 2%, which is expected to continue in 2016 and accelerate modestly in 2017 to 3.1% (see Figure 11). Project financing is a key element to consider when looking for this development. The investment plans for Europe together with an increasing popularity of public-private partnership (PPP), that is expected to play a crucial role once current EU funding draws down in 2020, are detrimental components in the shaping of the EU infrastructure landscape.

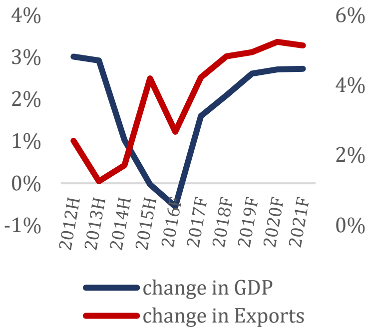
Europe - EU Funds as a key driver for Polish Infrastructure Construction
The Polish infrastructure construction sector will be reliant on the macroeconomic situation and depend on infrastructure investments financed by EU funds under the new 2014-2020 program, mostly through PPP. Poland is the biggest EU fund beneficiary among all the member states and expects to receive €82.5 billion from the 2014-2020 EU budget plan under the cohesion policy. Nevertheless, the recent decision of the UK to leave the EU may reduce the availability of EU funds, which suggests a more conservative approach.

Europe - Demand for the Portuguese Construction Sector
To alleviate the depression of the country's infrastructure investment, the Portuguese government introduced the Strategic Plan for Transport and Infrastructure for 2014-2020 (PETI3+). The government intends to invest around €6.7 billion, of which 44% are attributable to the railway sector and a further 15% to roads. As the Portuguese government still faces budgetary restraints, there is a continued need for alternative funding sources that amount to 80%, 60% of which is coming from EU funds and 20% from private investment.

Africa - Commodity Down Cycle Affecting Industry Demand
Sub Saharan governments substantial reliance on commodity prices has been instrumental in the countries' restraints on government budgets and the consequent deterioration of economic activity. Oil price contraction started in mid-2014 with a sharp decline from around 100 US$/barrel, bottoming at $26/barrel in early 2016, while major metals and other commodities also performed poorly (see Figure 12). Lower demand from major commodity importing countries, mainly China, has contributed to this commodity down cycle as well as OPEC's strategy on oil inventories. The November OPEC agreement to cut daily output by 1.2 million barrels may prove a relieve to some African governments. In 2014, 99% of China's imports from Angola were of Crude Oil. However, since 2013, China's imports have been decreasing, registering a significant 49% yoy drop in 2015. As a consequence of the resource dependence, most Sub Saharan governments have been forced to tighten their budgets in order to keep current accounts in check and avoid unsustainable indebtedness.

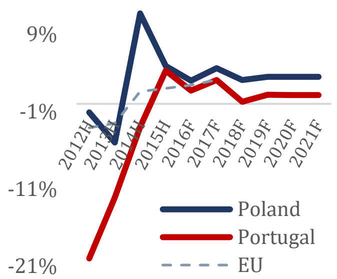
Africa - Construction Industry Outlook
Africa is a continent under demographic change and is considered one of the fastest-urbanizing regions, heavily relying on the governments' investments in national infrastructure. With the expected commodity price stabilization, BMI's prospects for the African Construction Industry seem mildly optimistic at forecasted 2017-2020 annual yoy growth rates between 2-10% for ME's operating countries with Rwanda, Uganda, Zambia and Mozambique showing above average contribution at average annual rates of 7%. Improvement in forecasted infrastructure investment is mainly due to an increase in export volume with expectation for SSA to post 2017-2021 CAGR of 4.7% compared to 1.6% for the preceding 5 years. For African overall infrastructure spending, projected 2017-2020 CAGR is expected at 6.1%, down 220 Bps from 2012-2016 levels (PWC). With respect to transport infrastructure demand, ME's main activity, it is expected a slowdown from previous rates to a 2017-2020 CAGR of 5.2% while demand for utility infrastructure is expected to remain stable at a CAGR of 7% and a mining extraction infrastructure rise of 320 bps to a CAGR of 7.8% for the same period.

Figure 10. LATAM – GDP vs Exports



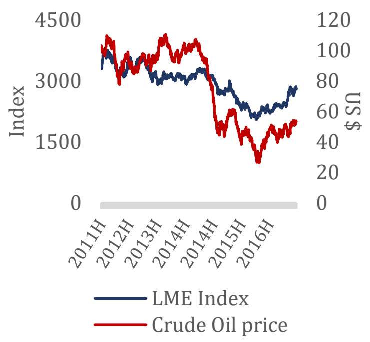
Source: *IMF*

Figure 11. Europe – Investment in Construction YoY



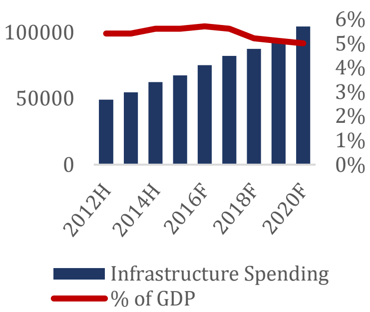
Source: *European Comission and Estimates*

Figure 12. LME Index vs Crude Oil Price



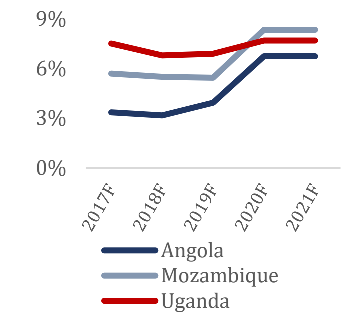
Source: *Thomson, Bloomberg*

Figure 13. Africa – Investment in Infrastructure



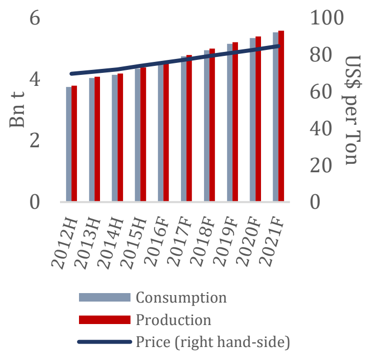
Source: *PwC*

Figure 14. Africa – Investment in Construction YoY



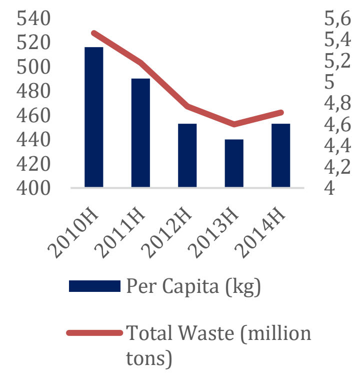
Source: *BMI and Estimates*

Figure 15. World Cement



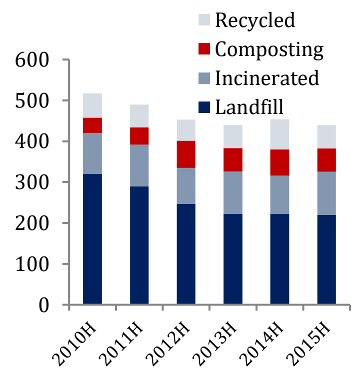
Source: CemNet; The Freedonia Group

Figure 16. Portuguese Total Waste



Source: *EuroStat*

Figure 17. Portuguese Waste Treatment (kg per capita)



Source: *EuroStat*

Africa's Problems - Mota-Engil's Opportunities

According to 2010 World Bank projections, for Africa to close its infrastructure gap and keep up with the pace of urbanization, it would need to invest $93 billion annually until 2020. Data estimates of PWC suggest that this value will be reached for the first time in 2019 at annual investment of $95 billion. In 2015, infrastructure investment recorded for ME's operating regions in East, West and Southern Africa amounted to $193, $152 and $27.6 billion, respectively, increasing from the prior year by an average 50% (ICA). Also, as a result of an increase in PPP, there was a 155% growth in the private sector participation to a total of $7.4billion, in 2016.

LATAM - Impact of budget deficits on Government Expenditure

Being one of the major economic and construction infrastructure drivers, public spending can spur economic growth and significantly influence the development of infrastructure gaps. According to the IMF, average expected annual government spending growth adjusted for inflation in Mexico and Brazil for the period 2017-2021 is 1.7% and 1.1%, respectively. The existing tradeoff between Government expenditure and favorable budget deficit development in times of economic distress is at the forefront of policy decision in the LATAM region. Estimates by the World Bank suggest state capital expenditures around 5% of GDP in order to grow sustainably and close infrastructure gaps. In anticipation of lower expenditures, Brazil is looking to reverse its primary deficit to a surplus by 2020 and achieve a 350Bps improvement by 2021 over the deficit of 1.9% in 2015 and an average surplus of 1.3% for the 2016-2021 period. According to IMF data, Mexico incurred primary net borrowing of 1.3% in 2015 with a 240Bps improvement expected by 2021 and an average 2017-2021 budget surplus of 1% of GDP. The quandary that governments find themselves in to increase government spending on infrastructure in times of budgetary limitations calls for increasing reliance on private companies to contribute to infrastructure investment (see **Error! Reference source not found.**).

LATAM - Attention on China Acceleration for Continuation of Growth

Amidst sharp commodity price contraction in 2014 following weakness in demand from China, major LATAM trading partners suffered a significant setback to their revenues with Brazil, Peru (both 18% exports to China) and Colombia (10%) registering changes of -0.5%, -4.3% and 0.7%, respectively for the year 2015 (OEC, IMF). Stalling development from the world's economic locomotive has increasingly dampened optimistic growth prospects for LATAM that show a connection to the regions ability to realize proposed infrastructure spending plans. As estimates by PWC reveal, a possible hard landing in China could negatively affect annual infrastructure investment by an average 5% annually for the 2017-2020 period in terms of both transport and overall investment. Monitoring economic development in China will be detrimental for a recovery in commodity prices as well as the ability for LATAM governments to honor budgeted infrastructure investment.

A Supply Side Perspective

As construction companies rely heavily on a number of Input Materials, it is important to observe the historical development of these costs and put in perspective the relevance of price volatility with respect to project profitability. Regarding infrastructure focused companies, major raw materials include iron ore which is the main component in the manufacturing of steel as well as heated crude oil residuals that are used to manufacture Bitumen to asphalt roads. In addition to Input Materials, labor costs constitute a substantial part of overall costs with ME Labor Cost/Sales margins stable around 20% for the 2013-2015 period while Input Prices show little variance accounting for approximately 15-17% of Sales during the same period. The reason for this consistency lies in the idea that companies are able to pass on higher input prices to consumers. As a consequence, Building Construction Input and Output variables have been moving in tandem for the 2010-2015 period. A concept referred to as Project Escalation Formula diminishes project volatility by contractually agreeing on compensation methods in case of sudden material Input Cost variation. ME has adopted these practices for medium and large size duration projects to prevent unexpected cost overruns due to external factors.

Environment & Services – Benefitting from Increasing Environmental Sustainability

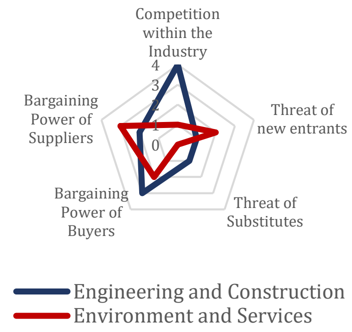
According to Eurostat, each EU citizen currently produces half a ton of Municipal Solid Waste (MSW). In 2013, the Portuguese population produced 4.6 million tones of such waste, representing a decrease of 15.7% from 2010. Starting in 2014, household waste production has reverted, representing an increase of 3.6% from 2013 until 2015.

Even though, in Portugal, landfilling is still the primary option in waste treatment, accounting for almost 60% of all MSW collected until 2010, there has been a decreasing trend in recent years, with a shift in the industry for better, more sustainable, alternatives such as incinerating, composting and recycling (see Figure 17). The targets set forth in European legislation have been key drivers in improving waste management, stimulating recycling innovation, limiting the use of landfill, and creating incentives to change consumer behavior. In 2015, Portugal total 10.4M inhabitants' MSW was reduced to an average of 440 kg/capita, from 516 kg/capita in 2010, of which 50% was landfilled, 26% composted and recycled and 24% incinerated, compared to 62%, 31% and 19%, respectively, in 2010. Regardless of recent improvements, Portugal has a long "road" ahead to achieve the values of 26% for landfill, 47% for composting and recycling and 28% for incinerating as targeted by the EU-27.

The performance of MSW management in Portugal is still influenced by factors that resulted from the financial crisis, the indebtedness of the Portuguese Government and subsequent cuts in public spending. However, it has been slowly improving in recent years, mainly due to national and international legislation like implemented National Waste Management Plans (PERSU). Through community financing, it is expected an investment of €306M for the 2014-2020 period to help reduce waste production to 409 kg/capita, diminish waste landfill by

20% and facilitate a 53% increase in selective waste collection in order to meet an annual recycling rate of 47 kg/capita by 2020.

Figure 18. Porter's Five Forces



Source: *Estimates*

Competitive Positioning

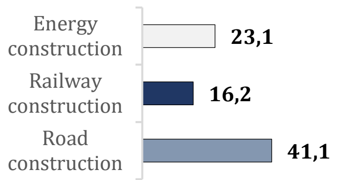
Integral Value Chain

Having multiple subsidiaries in the regions it operates in, ME has been successful in vertically integrating some businesses to fully benefit from a complete value chain. On the material input and supply side, the company controls prestressed goods manufacturers (Prefal), steel producers (Martinox) as well as companies operating in the construction equipment rental business (Rentaco). The existence of the subsidiaries gives ME an edge, especially over some foreign competitors, with regard to logistics and infrastructure equipment mobility.

Robust Local Partnerships with Strong Track Record

ME faces severe competition in an African and LATAM market that shows strong fragmentation as local companies strive to increase market share and foreign businesses turn to emerging markets for lucrative business expansion. Strong, trustworthy partnerships in both Africa in form of collaborations with Brazilian Vale and Rio Tinto and LATAM through construction sector partnerships like Bonsucesso in Brazil and Prodi in Mexico provide strategic perspective to the company that sets it apart from its competition. With regard to Africa, ME benefits from its vast experience with roots in Angola that have earned it a strong local reputation. With respect to its home market, ME is an Infrastructure flagship leading a stagnating market in terms of market share and profitability, with an average 2012-2015 EBITDA margin of 7.75%.

Figure 19. Major Investments in Poland in € Billion (2014-2020)



Source: *Deloitte*

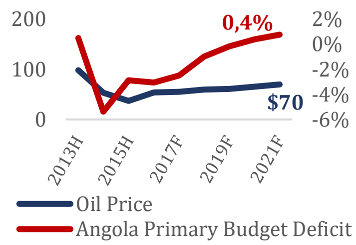
Europe - Leveraging on Infrastructure Expertise in Poland and Home Market Dominance

Leading the Portuguese market with steady profitability, ME's competition has seen dwindling margins following the recent economic recession. In addition to Portugal, ME has positioned itself in other European Markets, mainly Poland, where the heavily fragmented construction sector is characterized by fierce competition in tenders, suppressing margins in the short to medium term to around 4.5%, about 190 bps below that of its peers. ME is among the 15 largest infrastructure companies in Poland and is favorably positioned to continue strong execution relating to its main subsectors Road and Railway Infrastructure that account for about 75% of total Central Europe Revenue.

Africa – Strategic Diversification in a Difficult Environment

Although in terms of top line development, ME has suffered a 2015 yoy contraction of 20% compared to its competitors in the region, with an average decline of 2.3% for the same year, it outperformed its peers in terms of profitability with 2012-2015 average EBITDA margins of 20% vs. 7% for its main competitors. With over 7 decades of experience that solidly positioned the company in the African Infrastructure sector, ME may have a good understanding of industry dynamics that will increase awareness to diversify its focus on government collaboration as well as strategic deals with private multinational companies. A regional reputation for quality resulted in a strong track record that saw an increased interest in collaboration from Vale with a project awarded in 2015 totalling $700 million for a duration of 27 months with a further $95 million project in Mozambique that started shortly thereafter. In anticipation of further commodity price stabilization, the company was awarded government road and railway projects amounting to U$420 million in the countries of Angola, Malawi and Mozambique. Bearing in mind increasingly fierce competition from China, that includes a high level of funding availability and excessive price competition, ME's broad client base and quality standards may provide a competitive edge if market conditions normalize further.

Figure 20. Oil Price vs Angola Primary Budget Deficit

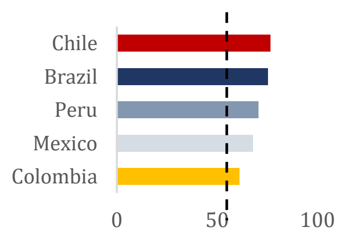


Source: *IMF and World Bank*

LATAM - International Know-How and Local Partnerships to Prevail

ME is playing an increasingly important role in shaping the LATAM Infrastructure. Above average growth numbers in the region bolster this trend that has seen exceptional average annual revenue growth of 31% for the 2013-2016F period that dwarf overall Infrastructure investment growth for the region of 5% (PWC) with total 2016 investment of $278Bn. Transportation Infrastructure investment for the region showed annual average growth of 15% during the same period. The company's predominant focus on Transportation Infrastructure will be a beneficiary factor for growth with a total investment of $386Bn in 2020 (PWC), steadily improving from previous 13% in 2012 when total investment amounted to $229Bn. ME's strategy to focus on its current main markets, namely Mexico, Brazil, Peru and Colombia, that are among the 5 countries with most favorable conditions for PPP's, is an advantage in times of uncertainty related to governments' ability to stem infrastructure investments single handedly. On a relative Basis, Mota-Engil is outperforming 8 of its 9 main publicly listed peers in the region in terms of revenue growth that amounts to an average 3-year rate of 12% compared to Mota-Engil's 29% (see Appendix 17 for list). While advantageous partnerships through equity participations in local companies, such as Bonsucesso in Brazil and Prodi in Mexico, in combination with international know-how have facilitated positive top line trends, ME has shown relative inferior performance with respect to EBITDA margins that, at a 2012-2105 average of 9%, fall short of its regional competitors. As EBITDA margins for the 2 larger players in the industry, ICA and Grana y Montero, show a 240 Bps premium to that of ME, the company is well positioned to benefit from further top line growth in terms of margin improvements.

Figure 21. Ranking PPP Infrastructure Landscape



Source: *World Bank*

Environment & Services – Limited Growth Prospect in Home Market

In Portugal, through SUMA, ME is a market leader in the waste collection industry, maintaining 53% of the 35% privatized sector and serving 2.2 million inhabitants. During recent years, with the acquisition and vertical

Table 3. ME's WACC

EU - Engineering and Construction

	2017F	Terminal
Weight of Equity	44.24%	60.00%
Weight of Debt	55.76%	40.00%
WACC	**9.2%**	**10.8%**

EU - Environment and Services

	2017F	Terminal
Weight of Equity	44.24%	60.00%
Weight of Debt	55.76%	40.00%
WACC	**8.9%**	**10.4%**

Africa

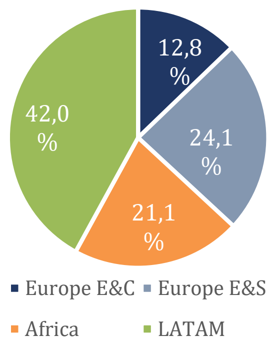
	2017F	Terminal
Weight of Equity	44.24%	60.00%
Weight of Debt	55.76%	40.00%
WACC	**13.0%**	**15.9%**

LATAM

	2017F	Terminal
Weight of Equity	44.24%	60.00%
Weight of Debt	55.76%	40.00%
WACC	**10.8%**	**12.9%**

Source: *Estimates*

Figure 22. Mota-Engil Total Enterprise Value



Source: *Estimates*

Table 4. DCF Price Target

ENTERPRISE VALUE		1,831,941
EU E&C	13%	234,569
EU E&S	24%	441,393
Africa	21%	386,141
LATAM	42%	769,838
Net Debt		(913,559)
NCI		(292,701)
Ass. and Financial Investments		248,271
Holdings		(15,244)
Provisions		(124,733)
Leasings		(121,083)
Equity Value		612,892
shares outstanding		233,865
Price Target:	€	2.62
Conglomerate Discount		10%
with discount:	€	2.35

Source: *Estimates*

integration of EGF, ME has further positioned itself as the market leader in the entire value chain of waste management, providing waste treatment for almost 6.4 million inhabitants, representing 66% of the whole market, according to the Portuguese Environmental Agency (APA).

The waste collection market in Portugal has small room to grow. It is fragmented between mucipalities and private companies, where the level of privatization is still low (37%) when compared to countries such as Spain (80%). Also, according to the IMF, the estimation for population growth is only 0.36%, from 2016 to 2021. As a consequence of domestic market saturation, ME will increase its effort to expand its expertise internationally.

Investment Summary

Our recommendation for ME stands at **BUY**, with a 2017 YE target price of € 2.35, representing a 42% upside potential to the company's stock price of € 1,65 at Feb 3rd, 2017, but with high risk. We attribute the company's undervaluation to excessive investor pessimism regarding its EM exposure and leverage that is fundamentally unjustified with an average forecasted 2017-2021 CAGR of 4.4% for its Emerging Markets business segments and a gross debt reduction of 27% for the 2015-2017 period to € 1.4 Bn.

With respect to Mota-Engil's core business, the company is market leader in a mostly saturated Portuguese market that is expected to show little revenue and margin variation and a highly fragmented Polish construction sector that is expected to see a 2017-2021 Revenue CAGR of 3.4%. Volatility reduction in Africa as a result of commodity price stabilization will be a major determinant of Revenue development in the region that is expected to grow at a 5 year CAGR of 6.5%. To limit dependence on individual economic regions in Africa, ME looks for geographic diversification that was recently facilitated through an awarded project in Tanzania worth about € 510 million. Business in LATAM is plagued by high political and economic uncertainy that jeopardizes planned infrastructure investments in ME's main markets Mexico and Brasil, forecasted to see top line CAGR of 4,4% and 11,1%, respectively that will be subject to currency translation.

Through vertical integration of Suma and EGF in the Portuguese Waste Management business, ME is increasing its operational diversification with a modest forecasted CAGR of 1.8% for the following 5 year period with profitability expected to increase 525 Bps as a result of the integration to an average EBITDA Margin of 30%. Due to environmental objectives to reduce less profitable and unsustainable Waste treatment processes, the company might further increase profitability margins in the future. Being well established in its external markets, ME will seek opportunities to expand its expertise in Waste Management and create synergies through its two subsidiaries EGF and SUMA abroad.

Substantial Cash Flow Generation to Calm Creditors and Reward Shareholders

Given Mota's decreasing level of leverage the company is moving closer to a capital structure that will please both, creditors as well as shareholders as free cash flow over the forecasted period shows robustness and consistency that allows the company to alieviate risk arising from unsustainable debt levels and guarantee a continuation of its dividend payout policy.

Valuation Methods

We obtain our target price using Discounted Cash Flow (DCF) valuation and consider the free cash flow to the firm (FCFF) methodology. To derive ME's intrinsic value, we valued through a SoP approach the segments Europe E&C, Europe E&S, Africa and LATAM, subtract net debt from the determined Enterprise Value, and make the necessary adjustments to equity to account for items previously not considered. As a complementary method, we value ME's equity using Multiple Valuation through EV/SALES and EV/EBITDA, obtaining an average price target of € 2.14 € in line with our DCF 2017YE valuation of € 2.35.

Investment Risks

Investors must be aware of the impact of commodity prices and an increase in LATAM forex volatility that might indirectly affect ME's ability to generate cash. Increasing importance and reliance on Revenue generation in LATAM entail the risk of overly negatively impacting profitability as a result of regional misbalances. On the other hand, on the operational and demand side, ME's unsustainable leverage might limit investors' desire to invest. Additionally, a sterk dependence on public infrastructure investment in times of severe budgetary constraints highlights Mota-Engil's reliance on external factors to grow its core business in its external markets.

Valuation

Free Cash Flow to the Firm: A Sum of Parts Approach (SoP)

We value ME using a Discounted Cash Flow to the Firm (DCF) approach where we determine the Enterprise Value (EV) of the company and adjust it for Net Debt and other items in order to arrive at a final equity value. The unique characteristics of the company's four operational segments enabled us to use a SoP approach for valuation, estimating a price target of €2.35 per common share for 2017YE.

We follow the same valuation technique for the respective operational segments, applying a two-stage growth model that considers detailed annual FCFF forecasts for the 2017-2021 period and assumes a constant growth rate for the perpetual period. Total EV is reached by summing the DCFs of each segment discounted by their respective Weighted Average Cost of Capital (WACC), which is subject to annual variation for each of the operating segments due to changes in Capital Structure. The main assumptions inherent in our FCFF relate to forecasting Revenue for each segment, determine appropriate future EBITDA margins and estimate Changes in NWC and Net CAPEX developments.

Engineering & Construction Business

Top line developments of the **European** Segment of Engineering and Construction is forecasted showing historic correlation of growth in Infrastructure Spending and GDP in order to justify future growth rate forecasting using IMF's GDP data for the two countries. Applying this approach, we determine Revenue for Portugal and Poland to show CAGR of 3.39% and 3.49%, respectively, for the forecasted 2017-2021 period. EBITDA margins were based on historical averages that are assumed to remain constant at 7.1% for the forecasted period given the slow pace of revenue growth and limited prospects for efficiency improvement.

We estimate Revenue for **Africa** considering BMI's weighted-average Construction Industry real growth rate forecasts for the countries where ME operates, adjusted for ME's competitive positioning, leading to a 2017-2021 Revenue CAGR of 5.2%. EBITDA margin are expected to remain robust throughout this period at 21%, reflecting excess margin requirements due to the inherent risks of large projects in the region, such as the new railway line in Tanzania.

Overall, **LATAM** Revenue CAGR for the forecasted period is estimated at 6.7%, resulting from individual country forecasts for ME presences in Mexico, Brazil, Peru and Colombia & Others. The valuation for the region is mainly influenced by Mexico where we remain conservative assuming a constant growth rate of 4.4% going forward affected by recent increases in uncertainty. To account for an increase in scale in the Region we apply an annual increase in EBTDA margin of 20 bps, converging to the average of its main peers by 2021F.

Waste Management in Portugal

For Europe E&S Revenues, we considered Portuguese MSW production and the market share of SUMA and EGF in their respective markets. The market for MSW is mature, with possibilities to grow dependent on M&As and/or privatization. For waste treatment, we considered the EU and National Directives and objectives until 2020. Based on aforementioned reasons, Revenue developments for EGF show a constant increase over the forecasted period with a CAGR of 2.9%, while Revenue for SUMA shows little variation. From 2013-2015, we calculated SUMA and EGF average EBITDA margins to be 24.75% and 33%, respectively, arriving at a total weighted EBITDA margin of about 30%. Even though it is above the European E&S market, these levels are considered to remain constant due to less competition and more resilient margins in Portugal.

Capex and D&A

Taking into account average historical Investment and limited upside expectation for expansionary investments, beginning in 2021, CAPEX winds down from €188 million to €158 million due to investment stabilization in EGF. D&A rates were computed using 3-year historical rates as they have remained constant leading to projected regional depreciation of equipment between 16% and 27%.

Weighted Average Cost of Capital

To discount FCFF, four different WACCs are used to distinguish between the risks inherent in each of the regions. For the Cost of Equity, we followed the CAPM approach using as the Risk-Free Rate (RFR) the current 10Y Government Bond's YTM for each region arriving at a RFR of 4.05% for Europe E&C, 4.12% for Europe E&S and 7.5% and 10% for LATAM and Africa, respectively. For the MRP, we considered the respective expected market return net its R_f, weighting it by 2015 Sales of each country. To estimate the Beta for the segments, we compute unlevered Betas for all our regional peers and adjust them for ME's capital structure and tax rate. Damodoran's Construction Emerging Markets Unlevered Betas were consulted to complement peer data for Africa and LATAM. To determine ME's cost of Debt we consider its debt structure, using the average rate of outstanding fix rate notes as well as an average of its spread for outstanding floating rate notes adjusted by a long term historical 6 months Euribor of 2.14% to anticipate expected future interest rate increases. Pretax cost of debt for the company is 6.82% and assumed to remain constant over the forecasted time horizon. Assuming an effective tax rate of 30%, the annual regional fluctuation in WACC only arises from a change in the capital structure as a result of deleveraging and EBITDA improvements.

Terminal Value (TV)

For the terminal value in period 2022, we calculate a perpetuity assuming Capex and Depreciation normalization for each of the segments and link long term growth rates to inflation prospects for the regions with a cap of 2% for Africa and LATAM and Inflation rates forecasted at 1% and 1.5% for Europe E&C and E&S, respectively. As a discount factor, we use the WACC correspondent to our target capital structure.

Peer's Selection

To select ME's peer companies, a four-stage process was conducted in which we: (i) gathered companies in the same industry according to GICS and evaluated their business congruency with ME, based on (ii) overall revenue generation, (iii) geographical distribution of revenues, as well as (iii) a detailed breakdown of operating segments of the competitors. Using this approach, we obtained a minimum of 4 peers per region that we considered adequate (see appendix 17).

Table 5. Cost of Capital

	EU E&C	EU E&S
COST OF EQUITY		
Risk Free Rate	4.05%	4.12%
Beta (β)	1.46	1.35
MRP	7.42%	7.43%
Re	**14.87%**	**14.13%**
COST OF DEBT		
Cost of Debt	6.82%	6.82%
Tax Rate	30.00%	30.00%
After-tax Rd	**4.77%**	**4.77%**

	Africa	LATAM
COST OF EQUITY		
Risk Free Rate	10.00%	7.50%
Beta (β)	2.12	1.85
MRP	6.31%	5.84%
Re	**23.40%**	**18.29%**
COST OF DEBT		
Cost of Debt	6.82%	6.82%
Tax Rate	30.00%	30.00%
After-tax Rd	**4.77%**	**4.77%**

Source: *Estimates*

Table 6. Multiples

Europe E&C	LATAM
Teixeira Duarte	Empresas ICA
Conduril Engenharia	Caputo
Erbud	Grana Y Montero
Trakcja PRKiI	DYCASA
Unibep	INGEVEC
Obrascon Huarte Lain	Empresa Constructora Moller
Europe E&S	**Africa**
GPE Groupe Pizzorno	Group Five
Prazske Sluzby	Stefanutti
Lassila & Tikanoja	Raubex Group
Shanks Group	Julius Berger Nigeria
Seche Environnement	

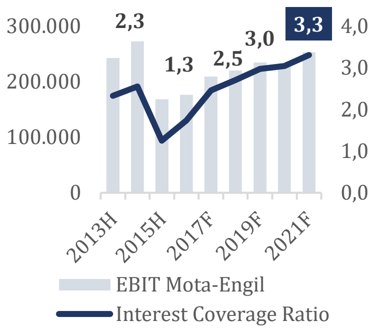
Source: *Estimates*

Table 7. Multiples Price Target

	EV/EBITDA Multiple	EV/SALES Multiple
ENTERPRISE VALUE	1,919,730	1,633,024
Net Debt	(913,559)	(913,559)
NCI	(292,701)	(292,701)
Associates and Financial Investments	248,271	248,271
Holdings	(15,244)	(15,244)
Provisions	(124,733)	(124,733)
Fin. Leasing	(121,083)	(121,083)
	700,681	**413,976**
Shares Outstanding	233,865	233,865
ME's Price	**€ 3.00**	**€ 1.77**
Discount	10%	10%
Price Target	**€ 2.70**	**€ 1.59**
Average	€ 2.14	
upside potential	30.6%	
current price	€ 1.65	

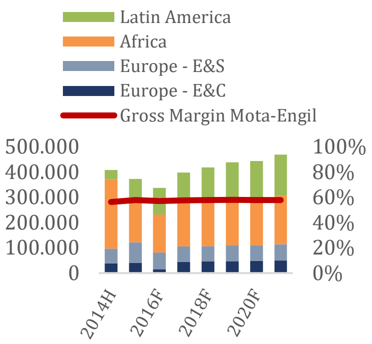
Source: *Estimates*

Figure 23. Interest Coverage Ratio



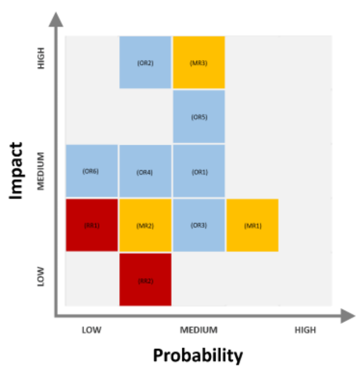
Source: *Estimates*

Figure 24. EBITDA and Gross Margin



Source: *Estimates*

Figure 25. Risk Matrix



Source: *Estimates*

Table 8. Investment Risks

Risks	Mitigating Factors
Operational and Demand Side Risk	
Decrease in Public Infrastructure Spending	Geographical Diversification/ Private Collaborations
Unsustainable Leverage	Non-Core Asset Divestiture
Market Saturation and Fierce Competition	Efficiecy Improvements/ Expansion
Market Risk	
Interest Rate Risk	Hedging/longer duration fixed rate loans
Exchange Rate Risk	Hedging (Forward/SWAP)
Commodity Price Risk	Geographical Diversification

Source: *Estimates*

Relative Valuation

As a complementary valuation to the DCF approach, we present a price range for ME using Relative Valuation Multiples considering peers' historical EV/EBITDA and EV/Sales ratios. To normalize the cyclicality of the industry we take a 2010-2015 annual sample and refrain from using inaccuracy of price multiples caused by great variation in leverage among peers. EV/EBITDA was considered well suited for a capital intense business by removing the impact of depreciation policies. The multiple approach using EBITDA and Sales are also not impacted by capital structures. To improve the multiples' accuracy, chosen multiples were adjusted for outliers to avoid selection bias. Performing the multiple valuation, we attain a value for ME's equity of € 1.59 per common share using EV/Sales valuation, with a price of € 2.70 for EV/EBITDA, arriving at an average price target of € 2.14, which complements our DCF approach of € 2.35.

Financial Analysis

Company Objectives weighing on ROE

As a result of the ongoing deleveraging process, Mota-Engil is suffering decreasing return on its equity, dropping to 14%-15% in the final 3 years of our forecasts compared to 15,8% to 18,5% in the first two years. Despite improvements in efficiency, showing an increase in fixed asset turnover from 1,28 in 2016 to 1,64 in 2021, the compay is not able to generate additional return on its equity as its equity multiplier changes disproportionately decreasing 36% by 2021, while profitability in terms of net profit margin moves in a short range averaging around 4,5%.

A further drawback appears through a change in WACC that increase R_E implying a higher financing cost that negatively impacts valuation. Offsetting the negative component, lower overall financial expenses and a dwindling impact of financial distress outweigh this component at current levels. The rationale of deleveraging is to to improve the interest coverage ratio by incurring lower interest cost relative to operational income. ME interest coverage ratio has seen positive impact due to both, the interest affect as well as nominal EBIT improvement in the forecasted period. In the forecasted period EBIT/Interest Expense increases significantly from 1.74 to 3.31 due to aforementioned measures.

EBITDA Margin moving in close Range

ME EBITDA margin has been stable overtime with 15.7%, 17.3% and 15.1% between 2013-2015. Considering the four business areas, Europe E&S has been performing in line with its peers while LATAM shows slight inferiority at a 200 Bps discount over its main rivals for the 2013-2015 period. Africa's EBITDA margin of 21.1% is contributing substantially to overall margins and outperforms all of its peers in term of profitability. Europe E&C has posted the lowest margins and disappoints on a relative basis to its peers. Analyzing the cost structure of the business and nature of historical margins, there is little room for a widening in profitability in terms of EBITDA margin.

Investment Risks

Operational and Demand Side Risk | **Decrease in Public Infrastructure Spending (OD1)**

ME's revenue dynamics depend to a large extend on the ability of Governments to finance national construction infrastructure projects. As a consequence of sovereign debt problems in some of the countries that the company operates in, governments may see themselves forced to cut planned investment if economic indicators take an unfavorable path. Being a fairly small player in the markets of Africa and LATAM and taking into account ME's strong backlog, increasing investment uncertainty can cause substantial volatility in the medium to long term.

Operational and Demand Side Risk | **Unsustainable Leverage (OD2)**

Investors' unease with respect to the company's debt level is a crucial driver of the stock price's downtrend witnessed over the past years. For the 2011-2015 period, the equity ratio (measured as equity as a percentage of total assets) averaged a mere 13.4% while a decrease in the interest coverage ratio (measured as EBIT over interest expense) from an average 2.4 for the 2013-2014 period to 1.3 in 2015 confirms the inherent risks of distress and the importance of debt reduction in a less favorable business environment.

Operational and Demand Side Risk | **Market Saturation and Fierce Competition (OD5)**

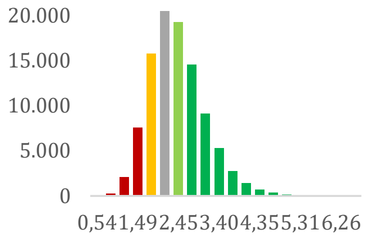
Disregarding the Portuguese business regions, ME is facing fierce competition. Following the example of the Polish market, where market saturation through a large number of national as well as international players has been negatively impacting margins, a further increase in competitiveness in Africa and LATAM can entail a similar development, forcing the company to match lower tender offers, effecting profitability unfavorably. Taking into account the high 20% margins that ME requires in Africa for larger projects to mitigate potential unforeseeable risks, exposure to fiercer rivalry could lead to significant erosion of that profitability.

Market Risk | **Interest Rate Risk (MR1)**

In the current low interest environment, ME is exposed to a normalization of rates with an amount of floating rate long and short term liabilities of €388 million in 2015 for debenture above €10 million. Anticipating an increase in Euribor rates, the company's main refinancing benchmark with respect to its floating rate debt, ME

Figure 26. Monte Carlo Simulation

Price Sensitivity distribution:
EUR/MXN
EUR/BRL
Cost of Debt
LATAM TV's g
Africa TV's g
EU – E&C TV's g
EU – E&S TV's g



Source: *Estimates*

will experience a tick up in financing costs from these debt instruments in the case of further economic stabilization and a subsequent increase in major refinancing rates. On the contrary, with a fixed rate debt exposeure of €419 million, ME is expected to decrease the present value of its fixed rate debt as interest rates normalize but will incur higher financing costs for newly issued fixed rates bonds. The company's overall large expose to interest rates through a debt burden of €1.9 billion creates a risk for ME in a rising rate environment that might put further downward pressure on the company's interest coverage ratio of 1.3% in 2015 if operating profits were to deteriorate. The company does not enter into IRS derivative to limit its exposure to floating rate notes.

Market Risk | Exchange Rate Risk (MR2)

Main exchange rate exposure for ME arises predominately from equity translation exposure in LATAM and Africa. The majority of business transactions in Africa is denominated in USD that, while strengthening substantially in recent years, has seen moderate fluctuations with a EUR/USD standard deviation of annual returns of 7% for the 2011-2016 period. In terms of currency risks LATAM has experienced greater fluctuation with an annual standard deviation of returns of 8% for Mexico and Peru and 21% for the Brazilian Real during the same period. Going forward, based on political tension with the US, the Mexican Peso is expected to show increasing volatility in the coming years, decreasing the certainty of revenue expectation in the region. This expectation has already affected the currency in 2016 with a devaluation over the Euro of 17%, that affects in full the consolidated revenue for the group as ME is not hedged with respect to its currency exposure.

Market Risk | Commodity Price Risk (MR3)

With respect to ME's exposure to commodity prices, the company incurs indirect risks from the LATAM and especially African countries where it operates. Effected by the commodity down cycle in recent years, resource dependent national governments in Africa and LATAM have generated lower revenue, resulting in increasing caution with respect to investment in national infrastructure – one of ME's main revenue drivers. Recent bottoming of commodity prices has led to a more optimistic outlook for government revenues, but fears remain that a hard landing in China may further deteriorate demand for commodities. The indirect exposure to commodity prices has been a major factor of ME's current depressed stock price and the remaining uncertainty will continue to pose a substantial risk to the company going forward.

Other minor risks are detailed in Appendix 23

Risks to Price Target

A sensitivity analysis was performed to assess the impact of some risks on ME's price target. We study a possible change in the cost of debt for ME, growth rates for Africa and LATAM as well as country risk premia for those regions.

As a way to complement our previous analysis, Monte Carlo simulation was considered. ME's valuation is highly sensitive to exchange, interest and growth rates. The average price with the simulation is €2.58, which is similar to our DCF target price of €2.35. According to the Monte Carlo simulation the variables that have the greatest impact on ME's target price are LATAM growth rates and EUR/MXN. Our BUY recommendation has an 83% probability of being accurate (appendix).

Sensitivity Analysis

Cost of Debt (Rd)	5.00%	5.75%	6.50%	6.82%	7.00%	7.75%	8.50%
DCF fair price	2.72	2.56	2.41	2.35	2.31	2.17	2.03
Change in inital price	6.2%	6.4%	2.7%		-1.5%	-6.2%	-6.3%

Terminal growth rate LATAM	Terminal growth rate Africa						
	0.0%	1.5%	1.8%	2.0%	2.3%	2.5%	2.8%
0%	1.86	2.10	2.15	2.19	2.25	2.30	2.35
1%	1.93	2.17	2.22	2.27	2.32	2.37	2.43
2%	2.01	2.25	2.30	**2.35**	2.40	2.45	2.51
3%	2.11	2.35	2.39	2.44	2.49	2.55	2.60
4%	2.22	2.46	2.50	2.55	2.60	2.66	2.71

Additional Country Risk Premium in LATAM	Additional Country Risk Premium in Africa						
	-1.0%	0.0%	1.0%	2.0%	3.0%	4.0%	5.0%
-1%	2.57	2.41	2.27	2.14	2.02	1.92	1.82
0%	2.51	**2.35**	2.21	2.08	1.96	1.85	1.76
1%	2.45	2.29	2.15	2.02	1.90	1.80	1.70
2%	2.40	2.24	2.09	1.97	1.85	1.74	1.65
3%	2.35	2.19	2.04	1.92	1.80	1.69	1.60
4%	2.30	2.14	2.00	1.87	1.75	1.65	1.55

Table 9. Sensitivity analysis

High Risk :
- **Sell** < 0%;
- 0% ≤ **Reduce** < 10%;
- 10% ≤ **Hold** < 20%;
- 20% ≤ **Buy** < 45%;
- **Strong Buy** ≥ 45%

Mota-Engil in LATAM: Political Uncertainty and Economic Impact

With annual Revenue in Latin America forecasted to be €1.33 billion by 2021, representing about 42% of overall company Turnover, Mota-Engil's vulnerability to severe volatility in foreign exchange rates of its main operating regions Mexico and Brazil becomes increasingly prominent. Relative revenue contribution for LATAM is projected to increase 400 Bps to 42% compared to 38% in 2016 while Mexico and Brazil will contribute revenue of estimated 17% and 10%, respectively. In absolute terms, the two countries are expected to generate revenue of around €836 million with the remaining €494 million in LATAM revenue coming from more diversified sources including Peru, Colombia and Chile. Given the increasing importance of the LATAM market to Mota-Engil's overall financial performance, it remains inevitable to consider the potential risks arising from recent political turmoil that has seen direct influence from a corruption scandal in Brazil as well as expected indirect consequences from US protectionist policies in Mexico. In the following section I will, in more detail, explore the effect of potential greater exchange rate volatility in MEs main markets Brazil and Mexico on the overall consolidated company results and the shares intrinsic valuation. Given the company's still relatively insignificant market share and strong historical and forecasted organic growth, it is assumed that minor economic turbulences arising from political tension and potential austerity measures will not impact MEs top line growth prospects as measured in Local Currency.

	2016E	2017F	2018F	2019F	2020F	2021F
Sales Mota Engil Total	**2.483.205**	**2.675.167**	**2.792.856**	**2.918.438**	**2.968.224**	**3.108.582**
Sales LATAM Total	**951.438**	**1.027.313**	**1.106.808**	**1.183.967**	**1.258.698**	**1.329.276**
Brasil	**178.005**	**209.286**	**240.471**	**270.028**	**296.441**	**318.434**
Mexico	**416.595**	**435.092**	**454.410**	**474.586**	**495.657**	**517.664**
Peru	224.497	240.576	257.368	272.537	287.489	301.851
Colombia and Others	132.341	142.360	154.560	166.816	179.111	191.326
Sum	**951.438**	**1.027.313**	**1.106.808**	**1.183.967**	**1.258.698**	**1.329.276**
Relative Latam						
Relative Brasil	**18,71%**	**20,37%**	**21,73%**	**22,81%**	**23,55%**	**23,96%**
Relative Maxico	**43,79%**	**42,35%**	**41,06%**	**40,08%**	**39,38%**	**38,94%**
Relative Peru	23,60%	23,42%	23,25%	23,02%	22,84%	22,71%
Relative Colombia	13,91%	13,86%	13,96%	14,09%	14,23%	14,39%
Total	**100,00%**	**100,00%**	**100,00%**	**100,00%**	**100,00%**	**100,00%**
Relative Mota Engil						
Relative Brasil	**7,17%**	**7,82%**	**8,61%**	**9,25%**	**9,99%**	**10,24%**
Relative Maxico	**16,78%**	**16,26%**	**16,27%**	**16,26%**	**16,70%**	**16,65%**
Relative Peru	9,04%	8,99%	9,22%	9,34%	9,69%	9,71%
Relative Colombia	5,33%	5,32%	5,53%	5,72%	6,03%	6,15%
	38,31%	**38,40%**	**39,63%**	**40,57%**	**42,41%**	**42,76%**

Table 10 LATAM Revenue Contribution

Currency Volatility caused by uncertain Political and Economic Environment

Due to their emerging market characteristic, the countries of Brazil and Mexico suffer a great deal of vulnerability with respect to exchange rates. As a result of economic dependence on a flourishing export industry, the two are equally effected by commodity prices as they are by the wellbeing of their major trading partners. With Soybeans, Iron Ore, Sugar and Petroleum accounting for roughly 30% of the country's exports (OEC), Brazil has seen itself exposed to a commodity down cycle that has led to ongoing discussions to cut government spending and slash the nation's budget deficit. While the down cycle of commodities has been largely caused by slowing demand from China, the lack of demand has also harmed Brazil directly, with China being the country's major export destination, accounting for 19% of the total in 2016. Similarly to Brazil, Mexico is greatly dependent on its $373 b export sector (OEC, 2016) with the US accounting for above 80% of the country's overall exports. With respect to the goods exported by Mexico, the country is more well diversified and less commodity price dependent, exporting mainly assembled consumer goods such as vehicles, telephones and computers with none of its single export items accounting for more than 6% of the total (OEC). Expected protectionist policies by the new US President such as the intent to renegotiate NAFTA have caused great volatility in the Mexican Peso (MXN) resulting in a low of 22,63 MXN/EUR (seen on a monthly average basis) reached in January 2017, shortly after the result of the US elections. On a related note, the Brazilian Real reached a multi-year low in February of 2016 when it traded at EUR / BRL 4,41 following the discovery of the "Lava Jato" scandal that alleged a majority of congress, including the former President Dilma Roussef, to be involved in in corruption.

Standard Deviation of Monthly Retuns for the Period 2013-2017	
Currency Pair	**Volatility**
EUR / BRL	3,79%
EUR / MXN	2,74%
EUR / PEN	1,77%
EUR / USD	1,96%

Table 11 Currency Volatility

Historically, exchange rate volatility against the EUR in the two for ME most important currencies were 3,79% and 2,74% for the Brazilian Real and the Mexican Peso, respectively. For this, monthly average data was used starting from January 2013 until September 2017. To put the numbers into perspective we see that EUR / USD volatility as measured by the standard deviation over the same time period was 1,96%. Taken into account the greater historical volatility for the Brazilian and Mexican Currency, I will, in the following section conduct a back test to see the net currency effect (in %) this risk factor has had on ME LATAM top line performance.

Given MEs geographically diversified business model in LATAM, is there a possibility of efficient hedging in form of a natural hedge?

Backtest of ME Natural Hedge in LATAM

Historically since 2013 in Latin America, Mota-Engil has been present mainly in the Markets of Brazil, Mexico and Peru with forecasts hinting at a continuation of this trend at least through 2021. This constellation has created an exchange rate exposure that leaves the company vulnerable to sudden shifts in Rates as the company is facing ever greater dependence on the South America region. To "back test" the effectiveness of the natural hedge through MEs geographical diversification., I have taken into account relative revenue contribution for the 3 main LATAM operating areas for the period 2013-2017 to back test the sales weighted impact from currency moves on MEs consolidated financial statements. The translation of Income Statement Item Revenue to Reporting Currency EUR from Operational Local Currency in LATAM Regions is done at a monthly average rate according to IFRS requirements to reflect the recurring business throughout the year.

Overall Top Line Curreny Effect for LATAM for the Period 2013-2017F					
Currency Effect for the Year	2013	2014	2015	2016	2017 (Jan-Oct)
BRL	-6,20%	3,65%	-20,25%	12,07%	-4,68%
MXN	-0,42%	1,82%	-2,95%	-5,62%	7,14%
PEN	-5,83%	1,59%	-1,27%	-0,13%	-3,04%
Sales Weighted Translation Impact on ME Consolidated Financial Results	-3,81%	2,03%	-6,01%	-0,24%	1,36%

Table 12 Currency Translation Impact

We can see that as a result of geographical diversification, the overall impact, from negative as well as positive exchange rate fluctuations, has always been smaller than the largest single exchange rate move for each of the years. While between 2013 and 2015 the currencies seem to have been positively correlated, leading to a more insignificant natural hedging effect, the past two years showed negative correlation of returns with sales weighted exchange rate movements almost offsetting each other completely for the main regions. Considering the geographical diversification of ME and a possible further extension of its operations to countries like Chile and Colombia, I remain optimistic that the foreign currency exposure in LATAM, despite above average volatility of monthly returns for the period 2013-2017F at 3,79% and 2,74% for Brazil and Mexico, respectively, can be hedged economically well through a natural hedge. Mota Engil is not advised to enter into derivative contracts to hedge its position. Nevertheless, in case of unexpected weakness in both the Brazilian Real and the Mexican Peso due to ongoing and worsening domestic political tension and strained political ties to the US, Mota Engil can suffer unfavorable currency translation effects that will have a negative impact on the company's share price.

A sensitivity analysis is performed to test the effect of currency exposure on the company's stock price.

Sensitivity Analysis for Exchange Rate Volatility of the Brazilian Real and the Mexican Peso

After back testing the effect of currency volatility in LATAM, I performed a sensitivity analysis to see the effect that a potential unfavorable exchange rate move will have. For this I focused on the two major currencies the BRL and the MXN who are forecasted to account for roughly 63% of MEs overall turnover by 2021. Being MEs reporting currency, the forex exposure was monitored against the EUR. Peru, MEs third largest exchange rate exposure, with relative LATAM sales around 20%, was not considered as it is known as one of the most stable LATAM currencies showing a 5-year monthly standard deviation of returns of merely 1,77%. As a comparison, for the same period and measurement, USD/EUR was slightly more volatile at around 2%.

Sensitivity Analysis

EUR/MXN Annual Delta	EUR/BRL Annual Delta					
	-20%	-10%	-5%	0%	10%	20%
-20%	€ 2,17	€ 2,17	€ 2,18	€ 2,19	€ 2,20	€ 2,22
-10%	€ 2,23	€ 2,23	€ 2,24	€ 2,25	€ 2,26	€ 2,27
-5%	€ 2,27	€ 2,27	€ 2,28	€ 2,29	€ 2,30	€ 2,32
0%	€ 2,33	€ 2,33	€ 2,34	€ 2,35	€ 2,36	€ 2,37
10%	€ 2,48	€ 2,49	€ 2,50	€ 2,51	€ 2,52	€ 2,53
20%	€ 2,71	€ 2,73	€ 2,73	€ 2,74	€ 2,75	€ 2,76

As expected, performing sensitivity analysis to the BRL and MXN exchange rate variables does not yield a significant change in the target price with the minimum target price of EUR 2,17 still being inside the buy rating range. The table depicts various combinations of exchange rate scenarios for the Brazilian Real and the Mexican Peso ranging from a positive 20% annual move to an unfavorable 20% move. The analysis yielded a maximum target price EUR 2,76 that results from additional revenue in LATAM caused by 20% exchange rate related translation gains to the company's reporting currency EUR for the two currencies under investigation. The reason for the mild effect on the overall target price is twofold. While LATAM is projected to be the single biggest revenue contributor by 2021, the two currencies under investigation account for roughly 60% of LATAM turnover leading to a worst case revenue decline of about 12% for LATAM which in turn will lead to an overall ME revenue deterioration of approximately 4% considering LATAM overall Revenue contribution. Secondly, due to the nature of a sensitivity analysis, we have isolated the top line effect caused by exchange rate volatility without stressing related factors such as the company's cost of capital that will likely be affected as a result of increasing political and economic uncertainty. The following table summarizes the result of stressing this other component of uncertainty that is represented by the country risk premium for LATAM. The variable is a component of the cost of capital for doing business in LATAM and increases the rate to discount the company's cash flows. Like the exchange rate sensitivity, the minimum target price reached is 10% lower than the original base case target price of EUR 2,35.

Concluding, I can summarize that while LATAM is MEs single biggest revenue contributor the region is unlikely to single handedly change the recommendation from a buy to a hold or sell unless volatility in LATAM currencies reaches unprecedented levels. Furthermore, the back test of the natural hedge for the region has shown that ME is geographically well enough diversified in the LATAM region to offset exchange rate declines in one currency by another.

Additional Country Risk Premium in LATAM	Additional Country Risk Premium in Africa							
		-1.0%	0.0%	1.0%	2.0%	3.0%	4.0%	5.0%
	-1%	2.57	2.41	2.27	2.14	2.02	1.92	1.82
	0%	2.51	**2.35**	2.21	2.08	1.96	1.85	1.76
	1%	2.45	2.29	2.15	2.02	1.90	1.80	1.70
	2%	2.40	2.24	2.09	1.97	1.85	1.74	1.65
	3%	2.35	2.19	2.04	1.92	1.80	1.69	1.60
	4%	2.30	2.14	2.00	1.87	1.75	1.65	1.55

Table 13 Sensitivity Analysis Country Risk Premium

Appendices

Appendix 1: Statement of Financial Position (Mota-Engil)

Balance Sheet €'000	2014H	2015H	2016F	2017F	2018F	2019F	2020F	2021F	CAGR 17F-21F
NON CURRENT ASSETS	1,704,259	2,612,013	2,260,956	1,990,039	1,994,569	1,994,586	1,960,735	1,923,547	-0.8%
Goodwill	136,677	80,512	80,512	80,512	80,512	80,512	80,512	80,512	0.0%
Intangible assets	127,668	627,398	593,038	560,635	530,075	501,252	474,063	448,415	-5.4%
Tangible fixed assets	771,662	782,116	832,562	874,795	909,885	938,726	932,063	920,523	1.3%
Financial investments under the equity method	161,697	34,338	38,146	44,319	44,319	44,319	44,319	44,319	0.0%
Available for sale and held to maturity financial assets	51,026	93,260	121,916	121,916	121,916	121,916	121,916	121,916	0.0%
Investment properties	69,106	82,037	82,036	82,036	82,036	82,036	82,036	82,036	0.0%
Trade and other receivables	215,093	85,466	56,810	56,810	56,810	56,810	56,810	56,810	0.0%
Other non-current assets	13,017	1,812	1,812	1,812	1,812	1,812	1,812	1,812	0.0%
Derivative financial instruments	4,214	166	0	0	0	0	0	0	n.a.
Deferred tax assets	56,052	137,672	137,672	137,672	137,672	137,672	137,672	137,672	0.0%
Cash and cash equivalents with recourse – Term Deposits	68,067	0	0	0	0	0	0	0	n.a.
Non-current assets held for sale	29,980	687,236	316,452	29,532	29,532	29,532	29,532	29,532	0.0%
CURRENT ASSETS	2,257,502	2,503,813	2,540,954	2,575,920	2,614,002	2,664,480	2,739,931	2,832,449	2.4%
Inventories	301,421	284,439	293,781	314,084	326,198	341,729	349,930	366,362	3.9%
Trade receivables	975,740	939,389	890,295	986,227	1,020,989	1,059,657	1,044,825	1,096,607	2.7%
Other receivables	284,586	284,975	256,132	243,055	223,513	205,734	184,312	170,029	-8.5%
Corporate income tax	9,728	16,033	12,881	14,457	13,669	14,063	13,866	13,964	-0.9%
Other current assets	363,488	525,898	525,898	525,898	525,898	525,898	525,898	525,898	0.0%
Derivative financial instruments	0	9,183	0	0	0	0	0	0	n.a.
Cash and cash equivalents with recourse – Term Deposits	5,190	62,391	0	0	0	0	0	0	n.a.
Cash and cash equivalents without recourse – Demand Deposits	0	102,946	0	0	0	0	0	0	n.a.
Cash and cash equivalents with recourse	317,349	278,559	561,968	492,199	503,736	517,399	621,099	659,590	7.6%
TOTAL ASSETS	3,961,761	5,115,826	4,801,910	4,565,959	4,608,572	4,659,066	4,700,666	4,755,996	1.0%
SHAREHOLDERS' EQUITY	577,988	693,067	668,190	724,905	775,632	832,645	893,415	961,196	7.3%
Equity capital	204,636	237,505	237,505	237,505	237,505	237,505	237,505	237,505	0.0%
Own shares	0	(3,084)	(5,788)	(5,788)	(5,788)	(5,788)	(5,788)	(5,788)	0.0%
Reserves, retained earnings and share premiuns	58,665	116,735	135,781	174,588	200,487	217,297	237,188	257,753	10.2%
Consolidated net profit for the year	50,550	19,046	38,807	25,898	16,811	19,890	20,566	25,334	-0.5%
Non-controlling interests	264,137	233,970	261,885	292,701	326,618	363,740	403,945	446,392	11.1%
NCI associated with non-current assets/liabilities held for sale	0	88,895	0	0	0	0	0	0	n.a.
NON CURRENT LIABILITIES	1,324,446	1,774,430	1,643,328	1,321,661	1,296,242	1,267,539	1,236,653	1,200,731	-2.4%
Loans without recourse	0	203,128	203,128	203,128	203,128	203,128	203,128	203,128	0.0%
Loans with recourse	996,857	698,582	672,200	351,677	326,387	297,216	266,599	230,654	-10.0%
Sundry Creditors	157,832	135,734	135,734	135,734	135,734	135,734	135,734	135,734	0.0%
Derivative financial instruments	0	188	188	188	188	188	188	188	0.0%
Provisions	125,120	123,201	125,878	124,733	124,604	125,071	124,803	124,826	0.0%
Other non-current liabilities	4,181	406,963	406,963	406,963	406,963	406,963	406,963	406,963	0.0%
Deferred tax liabilities	40,456	99,238	99,238	99,238	99,238	99,238	99,238	99,238	0.0%
Non-current liabilities held for sale	0	107,396	0	0	0	0	0	0	n.a.
CURRENT LIABILITIES	2,059,327	2,648,329	2,490,391	2,519,393	2,536,697	2,558,883	2,570,597	2,594,069	0.7%
Loans without recourse	0	40,534	40,534	40,534	40,534	40,534	40,534	40,534	0.0%
Loans with recourse	552,260	984,914	810,420	810,420	810,420	810,420	810,420	810,420	0.0%
Trade payables	431,792	436,839	461,053	490,055	507,359	529,545	541,259	564,731	3.6%
Derivative financial instruments	313	0	0	0	0	0	0	0	n.a.
Sundry creditors	580,022	627,168	627,168	627,168	627,168	627,168	627,168	627,168	0.0%
Corporate income tax	3,301	12,514	4,856	4,856	4,856	4,856	4,856	4,856	0.0%
Other current liabilities	491,639	546,360	546,360	546,360	546,360	546,360	546,360	546,360	0.0%
TOTAL LIABILITIES	3,383,773	4,422,759	4,133,720	3,841,055	3,832,939	3,826,421	3,807,250	3,794,800	-0.3%
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	3,961,761	5,115,826	4,801,910	4,565,959	4,608,572	4,659,066	4,700,666	4,755,996	1.0%

Appendix 2: Income Statement (Mota-Engil)

Income Statement €'000	2014H	2015H	2016F	2017F	2018F	2019F	2020F	2021F	CAGR 17F-21F
Sales & services rendered	**2,368,155**	**2,433,640**	**2,483,205**	**2,675,167**	**2,792,856**	**2,918,438**	**2,968,224**	**3,108,582**	**3.83%**
Europe - Engineering and Construction	598,563	601,658	615,427	639,144	647,637	661,394	675,483	689,946	1.93%
Europe - Environment and Services	337,694	396,489	298,419	272,033	274,255	279,410	284,694	292,670	1.84%
Africa	1,061,673	834,909	713,350	839,484	871,484	905,822	863,417	916,153	2.21%
Latin America	537,492	700,256	951,438	1,027,313	1,106,808	1,183,967	1,258,697	1,329,276	6.65%
Other and eliminations	(167,266)	(99,673)	(95,429)	(102,806)	(107,329)	(112,155)	(114,068)	(119,462)	3.83%
Other revenues	**16,548**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**n.a.**
COGS, mat. cons., changes in production & Subcontractors	**(1,053,194)**	**(1,029,455)**	**(1,069,575)**	**(1,136,856)**	**(1,176,999)**	**(1,228,465)**	**(1,255,641)**	**(1,310,092)**	**3.61%**
Europe - Engineering and Construction	357,510	350,695	350,072	354,798	350,846	358,298	365,931	373,766	1.31%
Europe - Environment and Services	132,318	125,699	83,447	76,069	76,690	78,132	79,609	81,840	1.84%
Africa	367,505	277,078	236,737	278,596	289,216	300,612	286,539	304,040	2.21%
Latin America	268,812	335,987	441,470	474,297	508,436	541,138	572,379	601,395	6.12%
Other and eliminations	(72,950)	(60,004)	(42,151)	(46,905)	(48,189)	(49,715)	(48,817)	(50,949)	2.09%
GROSS PROFIT	1,331,509	1,404,185	1,413,629	1,538,311	1,615,857	1,689,973	1,712,582	1,798,490	3.98%
Europe - Engineering and Construction	241,053	250,963	265,354	284,345	296,791	303,096	309,552	316,180	2.69%
Europe - Environment and Services	205,376	270,790	214,972	195,964	197,565	201,278	205,085	210,830	1.84%
Africa	694,168	557,831	476,613	560,888	582,268	605,210	576,878	612,113	2.21%
Latin America	268,680	364,269	509,968	553,016	598,373	642,829	686,318	727,881	7.11%
Other and eliminations	(94,316)	(39,669)	(53,278)	(55,901)	(59,140)	(62,440)	(65,251)	(68,514)	5.22%
Third-party supplies & services	**(430,801)**	**(527,941)**	**(540,413)**	**(588,189)**	**(618,729)**	**(646,588)**	**(655,140)**	**(687,015)**	**3.96%**
Europe - Engineering and Construction	101,673	105,918	112,285	120,856	126,918	129,614	132,376	135,210	2.85%
Europe - Environment and Services	80,171	106,258	84,540	77,065	77,694	79,155	80,652	82,911	1.84%
Africa	251,245	230,212	196,694	231,473	240,297	249,765	238,073	252,614	2.21%
Latin America	118,927	145,538	194,893	210,436	226,720	242,525	257,833	272,290	6.65%
Other and eliminations	(112,537)	(56,857)	(47,999)	(51,641)	(52,901)	(54,471)	(53,792)	(56,009)	2.05%
Wages and salaries	**(466,241)**	**(506,268)**	**(521,854)**	**(563,948)**	**(593,145)**	**(620,377)**	**(632,986)**	**(662,924)**	**4.13%**
Europe - Engineering and Construction	101,141	104,795	110,495	118,287	123,550	126,174	128,862	131,621	2.71%
Europe - Environment and Services	66,697	83,672	64,994	59,247	59,731	60,854	62,005	63,742	1.84%
Africa	168,251	151,529	129,467	152,359	158,167	164,399	156,703	166,274	2.21%
Latin America	113,234	143,221	210,275	227,044	244,613	261,666	278,182	293,781	6.65%
Other and eliminations	16,920	23,052	6,623	7,010	7,083	7,283	7,234	7,506	1.72%
Other operating income/(expenses)	**(25,229)**	**(3,130)**	**0**	**0**	**0**	**0**	**0**	**0**	**n.a.**
EBITDA	409,238	366,846	351,362	386,174	403,984	423,009	424,456	448,551	3.81%
Europe - Engineering and Construction	38,239	40,250	15,575	45,203	46,323	47,307	48,315	49,349	2.22%
Europe - Environment and Services	58,508	80,860	65,438	59,652	60,139	61,269	62,428	64,177	1.84%
Africa	274,672	176,090	150,452	177,055	183,804	191,046	182,103	193,225	2.21%
Latin America	36,519	75,510	104,799	115,536	127,040	138,638	150,304	161,810	8.79%
Other and eliminations	1,301	(5,864)	(11,902)	(11,271)	(13,321)	(15,252)	(18,693)	(20,011)	15.43%
Amortization	**(129,361)**	**(151,541)**	**(172,111)**	**(178,367)**	**(183,667)**	**(188,180)**	**(192,048)**	**(195,386)**	**2.30%**
Amortization of intangible fixed assets, E&S - EGF	8,557	29,799	34,360	32,403	30,560	28,824	27,189	25,648	-5.68%
Amortization of tangible fixed assets	120,804	121,742	137,751	145,964	153,107	159,356	164,860	169,738	3.84%
Land & Buildings	21,821	14,644	16,169	16,782	17,322	17,804	18,236	18,628	2.64%
Equipment	96,364	103,992	118,476	126,077	132,679	138,447	143,518	148,004	4.09%
Europe - Engineering and Construction	21,070	19,854	19,258	18,630	18,089	17,622	17,219	16,871	-2.45%
Europe - Environment and Services	11,187	10,779	15,561	19,831	23,488	26,621	29,305	31,604	12.36%
Africa	56,309	61,165	70,075	72,313	74,107	75,544	76,696	77,619	1.79%
Latin America	8,390	13,359	14,183	15,903	17,595	19,260	20,898	22,510	9.08%
Other and eliminations	(592)	(1,165)	(601)	(601)	(601)	(601)	(601)	(601)	0.00%
Other tangible fixed assets	**2,619**	**3,106**	**3,106**	**3,106**	**3,106**	**3,106**	**3,106**	**3,106**	**0.00%**
Provisions and impairment losses	**(7,230)**	**(47,226)**	**(2,677)**	**1,145**	**129**	**(468)**	**269**	**(23)**	**n.a.**
Europe Engineering & Construction	(13,930)	7,237	10,000	0	0	0	0	0	n.a.
Europe Environment & Services	3,226	(3,495)	0	0	0	0	0	0	n.a.
Africa	24,627	32,056	(7,323)	(1,145)	(129)	468	(269)	23	n.a.
Latin America	416	5,270	0	0	0	0	0	0	n.a.
Other and eliminations	(7,107)	6,159	0	0	0	0	0	0	n.a.
EBIT	272,647	168,079	176,574	208,952	220,446	234,361	232,676	253,142	4.91%
Financial income & gains	30,894	70,294	32,102	34,499	38,590	44,087	51,757	61,740	15.66%
Interest income	20,439	29,476	11,698	13,457	17,548	23,045	30,715	40,698	31.87%
Income from other financial assets	10,057	19,889	20,404	20,404	20,404	20,404	20,404	20,404	0.00%
Exchange gains and discounts	398	20,928	0	638	638	638	638	638	0.00%
Financial costs & losses	(162,116)	(160,761)	(138,400)	(121,777)	(118,361)	(115,596)	(113,319)	(113,319)	-1.78%
Interest expense	106,766	134,339	101,628	85,005	81,589	78,824	76,547	76,547	-2.59%
Other financial costs	42,884	25,447	35,860	35,860	35,860	35,860	35,860	35,860	0.00%
Exchange losses and discounts	12,466	975	0	0	0	0	0	0	n.a.
Gains/(losses) in associates and jointly controlled companies	(18,693)	67,123	3,839	3,839	3,839	3,839	3,839	3,839	0.00%
Gains/(losses) on disposal of ass. and jointly controlled companies	0	(44,729)	76,642	66,500	0	0	0	0	-100.00%
INCOME BEFORE TAXES	122,732	100,006	150,756	192,013	144,515	166,691	174,954	205,402	1.70%
Income Tax	(39,643)	(46,160)	(45,227)	(57,604)	(43,354)	(50,007)	(52,486)	(61,621)	1.70%
NET PROFIT	83,089	53,846	105,530	134,409	101,160	116,684	122,467	143,781	1.70%
to non-controlling interests	32,538	34,800	27,915	30,816	33,917	37,122	40,205	42,447	8.33%
to the Group	50,551	19,046	77,615	103,593	67,243	79,562	82,262	101,334	-0.55%

Appendix 3: Cash Flow Statement (Mota-Engil)

€'000	2016F	2017F	2018F	2019F	2020F	2021F
FREE CASH FLOW FROM OPERATING ACTIVITIES	**394,439**	**252,837**	**351,388**	**358,372**	**411,934**	**356,374**
EBITDA	351,362	386,174	403,984	423,009	424,456	448,551
Income Tax	(45,227)	(57,604)	(43,354)	(50,007)	(52,486)	(61,621)
NWC	(88,304)	75,733	9,242	14,629	(39,965)	30,556
FREE CASH FLOW FROM INVESTING ACTIVITIES	**(182,655)**	**(194,370)**	**(188,197)**	**(188,197)**	**(158,197)**	**(158,197)**
CAPEX	(188,197)	(188,197)	(188,197)	(188,197)	(158,197)	(158,197)
Other Investments	5,542	(6,173)	0	0	0	0
FREE CASH FLOW FROM FINANCING ACTIVITIES	**(93,711)**	**(128,236)**	**(151,654)**	**(156,512)**	**(150,036)**	**(159,686)**
Financial Income/Expenses	(25,817)	(16,938)	(75,932)	(67,670)	(57,723)	(47,740)
Dividends	(38,807)	(77,695)	(50,432)	(59,671)	(61,697)	(76,001)
Treasury buyback	(2,704)	0	0	0	0	0
Loan Payments	(26,382)	(33,602)	(25,290)	(29,171)	(30,617)	(35,945)

NET CASH FLOW	**118,073**	**(69,768)**	**11,536**	**13,663**	**103,701**	**38,491**
Beginning balance of Cash	443,896	561,969	492,200	503,737	517,400	621,100
Ending balance of Cash	561,969	492,200	503,737	517,400	621,100	659,591

Appendix 4: Key Financial Ratios

Ratios	Unit	2014H	2015H	2016F	2017F	2018F	2019F	2020F	2021F
PROFITABILITY RATIOS									
Gross Profit Margin	%	55.84%	57.70%	56.93%	57.50%	57.86%	57.91%	57.70%	57.86%
EBITDA Margin	%	17.16%	15.07%	14.15%	14.44%	14.46%	14.49%	14.30%	14.43%
EBIT Margin	%	11.43%	6.91%	7.11%	7.81%	7.89%	8.03%	7.84%	8.14%
Net Profit Margin	%	3.48%	2.21%	4.25%	5.02%	3.62%	4.00%	4.13%	4.63%
ROA	%	2.10%	1.05%	2.20%	2.94%	2.20%	2.50%	2.61%	3.02%
ROE	%	14.38%	7.77%	15.79%	18.54%	13.04%	14.01%	13.71%	14.96%
EFFICIENCY RATIOS									
Receivable turnover	times	0.53	0.50	0.46	0.46	0.45	0.43	0.41	0.41
Days Sales Outstanding (DSO)	days	192.90	183.63	168.51	167.72	162.64	158.26	151.15	148.72
Inventory turnover	times	0.29	0.28	0.27	0.27	0.27	0.27	0.28	0.27
Days Inventory Outstanding (DIO)	days	106.15	103.86	98.66	97.58	99.28	99.23	100.53	99.78
Payables turnover	times	0.96	1.03	1.02	0.98	0.96	0.94	0.93	0.91
Days payable outstanding (DPO)	days	350.66	377.25	371.36	358.70	351.83	343.68	339.65	332.07
Operating Cycle	days	299.05	287.49	267.17	265.30	261.92	257.49	251.67	248.51
Cash cycle conversion (CCC)	days	-51.61	-89.76	-104.19	-93.39	-89.91	-86.20	-87.97	-83.56
Fixed asset turnover	times	1.42	1.26	1.28	1.36	1.42	1.49	1.54	1.64
Total asset turnover	times	0.60	0.48	0.52	0.59	0.61	0.63	0.63	0.65
LIQUIDITY RATIOS									
Current Ratio	times	1.10	0.95	1.02	1.02	1.03	1.04	1.07	1.09
Quick Ratio	times	0.95	0.84	0.90	0.90	0.90	0.91	0.93	0.95
Cash Ratio	times	0.19	0.17	0.23	0.20	0.20	0.20	0.24	0.25
CAPITAL STRUCTURE									
Total Debt to Total Equity	times	5.85	6.38	6.19	5.30	4.94	4.60	4.26	3.95
Total Debt to Total Assets	times	0.85	0.86	0.86	0.84	0.83	0.82	0.81	0.80
Total Equity to Debt	times	0.17	0.16	0.16	0.19	0.20	0.22	0.23	0.25
Interest Coverage Ratio	times	2.55	1.25	1.74	2.46	2.70	2.97	3.04	3.31
Long-Term Debt to Equity	times	1.72	1.30	1.31	0.77	0.68	0.60	0.53	0.45
Long-Term Debt to Assets	times	0.25	0.18	0.18	0.12	0.11	0.11	0.10	0.09
Equity Multiplier	times	6.85	7.38	7.19	6.30	5.94	5.60	5.26	4.95

Appendix 5: Common-Size Statement of Financial Position (Mota-Engil)

Balance Sheet	2014H	2015H	2016F	2017F	2018F	2019F	2020F	2021F
NON CURRENT ASSETS	**43.0%**	**51.1%**	**47.1%**	**43.6%**	**43.3%**	**42.8%**	**41.7%**	**40.4%**
Goodwill	3.4%	1.6%	1.7%	1.8%	1.7%	1.7%	1.7%	1.7%
Intangible assets	3.2%	12.3%	12.4%	12.3%	11.5%	10.8%	10.1%	9.4%
Tangible fixed assets	19.5%	15.3%	17.3%	19.2%	19.7%	20.1%	19.8%	19.4%
Financial investments under the equity method	4.1%	0.7%	0.8%	1.0%	1.0%	1.0%	0.9%	0.9%
Available for sale and held to maturity financial assets	1.3%	1.8%	2.5%	2.7%	2.6%	2.6%	2.6%	2.6%
Investment properties	1.7%	1.6%	1.7%	1.8%	1.8%	1.8%	1.7%	1.7%
Trade and other receivables	5.4%	1.7%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Other non-current assets	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Derivative financial instruments	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred tax assets	1.4%	2.7%	2.9%	3.0%	3.0%	3.0%	2.9%	2.9%
Cash and cash equivalents with recourse – Term	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-current assets held for sale	0.8%	13.4%	6.6%	0.6%	0.6%	0.6%	0.6%	0.6%
CURRENT ASSETS	**57.0%**	**48.9%**	**52.9%**	**56.4%**	**56.7%**	**57.2%**	**58.3%**	**59.6%**
Inventories	7.6%	5.6%	6.1%	6.9%	7.1%	7.3%	7.4%	7.7%
Trade receivables	24.6%	18.4%	18.5%	21.6%	22.2%	22.7%	22.2%	23.1%
Other receivables	7.2%	5.6%	5.3%	5.3%	4.8%	4.4%	3.9%	3.6%
Corporate income tax	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Other current assets	9.2%	10.3%	11.0%	11.5%	11.4%	11.3%	11.2%	11.1%
Derivative financial instruments	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash and cash equivalents with recourse – Term	0.1%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash and cash equivalents without recourse – Demand Deposits	0.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash and cash equivalents with recourse	8.0%	5.4%	11.7%	10.8%	10.9%	11.1%	13.2%	13.9%
TOTAL ASSETS	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
SHAREHOLDERS' EQUITY	**14.6%**	**13.5%**	**13.9%**	**15.9%**	**16.8%**	**17.9%**	**19.0%**	**20.2%**
Equity capital	5.2%	4.6%	4.9%	5.2%	5.2%	5.1%	5.1%	5.0%
Own shares	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Reserves, retained earnings and share premiuns	1.5%	2.3%	2.8%	3.8%	4.4%	4.7%	5.0%	5.4%
Consolidated net profit for the year	1.3%	0.4%	0.8%	0.6%	0.4%	0.4%	0.4%	0.5%
Non-controlling interests	6.7%	4.6%	5.5%	6.4%	7.1%	7.8%	8.6%	9.4%
NCI associated with non-current assets/liabilities held for sale	0.0%	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NON CURRENT LIABILITIES	**33.4%**	**34.7%**	**34.2%**	**28.9%**	**28.1%**	**27.2%**	**26.3%**	**25.2%**
Loans without recourse	0.0%	4.0%	4.2%	4.4%	4.4%	4.4%	4.3%	4.3%
Loans with recourse	25.2%	13.7%	14.0%	7.7%	7.1%	6.4%	5.7%	4.8%
Sundry Creditors	4.0%	2.7%	2.8%	3.0%	2.9%	2.9%	2.9%	2.9%
Derivative financial instruments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions	3.2%	2.4%	2.6%	2.7%	2.7%	2.7%	2.7%	2.6%
Other non-current liabilities	0.1%	8.0%	8.5%	8.9%	8.8%	8.7%	8.7%	8.6%
Deferred tax liabilities	1.0%	1.9%	2.1%	2.2%	2.2%	2.1%	2.1%	2.1%
Non-current liabilities held for sale	0.0%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	**52.0%**	**51.8%**	**51.9%**	**55.2%**	**55.0%**	**54.9%**	**54.7%**	**54.5%**
Loans without recourse	0.0%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%
Loans with recourse	13.9%	19.3%	16.9%	17.7%	17.6%	17.4%	17.2%	17.0%
Trade payables	10.9%	8.5%	9.6%	10.7%	11.0%	11.4%	11.5%	11.9%
Derivative financial instruments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sundry creditors	14.6%	12.3%	13.1%	13.7%	13.6%	13.5%	13.3%	13.2%
Corporate income tax	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Other current liabilities	12.4%	10.7%	11.4%	12.0%	11.9%	11.7%	11.6%	11.5%
TOTAL LIABILITIES	**85.4%**	**86.5%**	**86.1%**	**84.1%**	**83.2%**	**82.1%**	**81.0%**	**79.8%**
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Appendix 6: Common-Size Income Statement (Mota-Engil)

Income Statement	2014H	2015H	2016F	2017F	2018F	2019F	2020F	2021F
Sales & services rendered	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Europe - Engineering and Construction	25.1%	24.7%	24.8%	23.9%	23.2%	22.7%	22.8%	22.2%
Europe - Environment and Services	14.2%	16.3%	12.0%	10.2%	9.8%	9.6%	9.6%	9.4%
Africa	44.5%	34.3%	28.7%	31.4%	31.2%	31.0%	29.1%	29.5%
Latin America	22.5%	28.8%	38.3%	38.4%	39.6%	40.6%	42.4%	42.8%
Other and eliminations	-7.0%	-4.1%	-3.8%	-3.8%	-3.8%	-3.8%	-3.8%	-3.8%
Other revenues	**0.7%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
COGS, mat. cons., changes in production & Subcontractors	**-44.2%**	**-42.3%**	**-43.1%**	**-42.5%**	**-42.1%**	**-42.1%**	**-42.3%**	**-42.1%**
Europe - Engineering and Construction	15.0%	14.4%	14.1%	13.3%	12.6%	12.3%	12.3%	12.0%
Europe - Environment and Services	5.5%	5.2%	3.4%	2.8%	2.7%	2.7%	2.7%	2.6%
Africa	15.4%	11.4%	9.5%	10.4%	10.4%	10.3%	9.7%	9.8%
Latin America	11.3%	13.8%	17.8%	17.7%	18.2%	18.5%	19.3%	19.3%
Other and eliminations	-3.1%	-2.5%	-1.7%	-1.8%	-1.7%	-1.7%	-1.6%	-1.6%
GROSS PROFIT	**55.8%**	**57.7%**	**56.9%**	**57.5%**	**57.9%**	**57.9%**	**57.7%**	**57.9%**
Europe - Engineering and Construction	10.1%	10.3%	10.7%	10.6%	10.6%	10.4%	10.4%	10.2%
Europe - Environment and Services	8.6%	11.1%	8.7%	7.3%	7.1%	6.9%	6.9%	6.8%
Africa	29.1%	22.9%	19.2%	21.0%	20.8%	20.7%	19.4%	19.7%
Latin America	11.3%	15.0%	20.5%	20.7%	21.4%	22.0%	23.1%	23.4%
Other and eliminations	-4.0%	-1.6%	-2.1%	-2.1%	-2.1%	-2.1%	-2.2%	-2.2%
Third-party supplies & services	**-18.1%**	**-21.7%**	**-21.8%**	**-22.0%**	**-22.2%**	**-22.2%**	**-22.1%**	**-22.1%**
Europe - Engineering and Construction	4.3%	4.4%	4.5%	4.5%	4.5%	4.4%	4.5%	4.3%
Europe - Environment and Services	3.4%	4.4%	3.4%	2.9%	2.8%	2.7%	2.7%	2.7%
Africa	10.5%	9.5%	7.9%	8.7%	8.6%	8.6%	8.0%	8.1%
Latin America	5.0%	6.0%	7.8%	7.9%	8.1%	8.3%	8.7%	8.8%
Other and eliminations	-4.7%	-2.3%	-1.9%	-1.9%	-1.9%	-1.9%	-1.8%	-1.8%
Wages and salaries	**-19.6%**	**-20.8%**	**-21.0%**	**-21.1%**	**-21.2%**	**-21.3%**	**-21.3%**	**-21.3%**
Europe - Engineering and Construction	4.2%	4.3%	4.4%	4.4%	4.4%	4.3%	4.3%	4.2%
Europe - Environment and Services	2.8%	3.4%	2.6%	2.2%	2.1%	2.1%	2.1%	2.1%
Africa	7.1%	6.2%	5.2%	5.7%	5.7%	5.6%	5.3%	5.3%
Latin America	4.7%	5.9%	8.5%	8.5%	8.8%	9.0%	9.4%	9.5%
Other and eliminations	0.7%	0.9%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%
Other operating income/(expenses)	**-1.1%**	**-0.1%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
EBITDA	**17.2%**	**15.1%**	**14.1%**	**14.4%**	**14.5%**	**14%**	**14.3%**	**14.4%**
Europe - Engineering and Construction	1.6%	1.7%	0.6%	1.7%	1.7%	1.6%	1.6%	1.6%
Europe - Environment and Services	2.5%	3.3%	2.6%	2.2%	2.2%	2.1%	2.1%	2.1%
Africa	11.5%	7.2%	6.1%	6.6%	6.6%	6.5%	6.1%	6.2%
Latin America	1.5%	3.1%	4.2%	4.3%	4.5%	4.8%	5.1%	5.2%
Other and eliminations	0.1%	-0.2%	-0.5%	-0.4%	-0.5%	-0.5%	-0.6%	-0.6%
Amortization	**-5.4%**	**-6.2%**	**-6.9%**	**-6.7%**	**-6.6%**	**-6.4%**	**-6.5%**	**-6.3%**
Amortization of intangible fixed assets, E&S - EGF	0.4%	1.2%	1.4%	1.2%	1.1%	1.0%	0.9%	0.8%
Amortization of tangible fixed assets	5.1%	5.0%	5.5%	5.5%	5.5%	5.5%	5.6%	5.5%
Land & Buildings	0.9%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%
Equipment	4.0%	4.3%	4.8%	4.7%	4.8%	4.7%	4.8%	4.8%
Europe - Engineering and Construction	0.9%	0.8%	0.8%	0.7%	0.6%	0.6%	0.6%	0.5%
Europe - Environment and Services	0.5%	0.4%	0.6%	0.7%	0.8%	0.9%	1.0%	1.0%
Africa	2.4%	2.5%	2.8%	2.7%	2.7%	2.6%	2.6%	2.5%
Latin America	0.4%	0.5%	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%
Other and eliminations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other tangible fixed assets	**0.1%**	**0.1%**	**0.1%**	**0.1%**	**0.1%**	**0.1%**	**0.1%**	**0.1%**
Provisions and impairment losses	**-0.3%**	**-1.9%**	**-0.1%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Europe Engineering & Construction	-0.6%	0.3%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Europe Environment & Services	0.1%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Africa	1.0%	1.3%	-0.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Latin America	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other and eliminations	-0.3%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT	**11.4%**	**6.9%**	**7.1%**	**7.8%**	**7.9%**	**8.0%**	**7.8%**	**8.1%**
Financial income & gains	1.3%	2.9%	1.3%	1.3%	1.4%	1.5%	1.7%	2.0%
Interest income	0.9%	1.2%	0.5%	0.5%	0.6%	0.8%	1.0%	1.3%
Income from other financial assets	0.4%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%
Exchange gains and discounts	0.0%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial costs & losses	-6.8%	-6.6%	-5.6%	-4.6%	-4.2%	-4.0%	-3.8%	-3.6%
Interest expense	4.5%	5.5%	4.1%	3.2%	2.9%	2.7%	2.6%	2.5%
Other financial costs	1.8%	1.0%	1.4%	1.3%	1.3%	1.2%	1.2%	1.2%
Exchange losses and discounts	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gains/(losses) in associates and jointly controlled companies	-0.8%	2.8%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%
Gains/(losses) on disposal of ass. and jointly controlled companies	0.0%	-1.8%	3.1%	2.5%	0.0%	0.0%	0.0%	0.0%
INCOME BEFORE TAXES	**5.1%**	**4.1%**	**6.1%**	**7.2%**	**5.2%**	**5.7%**	**5.9%**	**6.6%**
Income Tax	-1.7%	-1.9%	-1.8%	-2.2%	-1.6%	-1.7%	-1.8%	-2.0%
NET PROFIT	**3.5%**	**2.2%**	**4.2%**	**5.0%**	**3.6%**	**4.0%**	**4.1%**	**4.6%**
to non-controlling interests	1.4%	1.4%	1.1%	1.2%	1.2%	1.3%	1.4%	1.4%
to the Group	2.1%	0.8%	3.1%	3.9%	2.4%	2.7%	2.8%	3.3%

Appendix 7: Sales Breakdown Analysis (Mota-Engil)

Sales Breakdown Analysis	2013H	2014H	2015H	2016F	2017F	2018F	2019F	2020F	2021F
Europe - Engineering and Construction	**588,258**	**598,563**	**601,658**	**615,427**	**639,144**	**647,637**	**661,394**	**675,483**	**689,946**
Portugal	304,950	442,042	378,852	385,937	399,097	400,206	405,312	410,444	415,641
Central Europe	283,308	156,521	222,806	229,490	240,046	247,431	256,082	265,039	274,305
Europe - Environment and Services	**328,236**	**337,694**	**396,489**	**298,419**	**272,033**	**274,255**	**279,410**	**284,694**	**292,670**
SUMA	82,059	82,169	172,777	81,076	80,494	80,133	79,815	79,553	81,043
EGF	0	0	0	165,343	167,539	170,122	175,595	181,141	187,627
Logistic	205,148	207,426	204,736	28,000	0	0	0	0	0
Energy & Maintenance	41,030	48,099	18,976	24,000	24,000	24,000	24,000	24,000	24,000
Africa	**1,008,918**	**1,061,673**	**834,909**	**713,350**	**839,484**	**871,484**	**905,822**	**863,417**	**916,153**
Angola & Tanzania	512,704	469,193	341,750	323,251	426,760	437,350	450,930	382,432	408,246
SADC *	481,343	570,476	479,355	377,734	397,117	418,441	439,109	465,103	491,927
East Africa	0	2,159	1,698	967	1,052	1,138	1,228	1,327	1,425
West Africa	14,871	19,845	12,105	11,397	14,555	14,555	14,555	14,555	14,555
Latin America	**426,105**	**537,492**	**700,256**	**951,438**	**1,027,313**	**1,106,808**	**1,183,967**	**1,258,697**	**1,329,276**
Brazil	n.a.	113,333	153,000	178,005	209,286	240,471	270,028	296,441	318,434
Mexico	n.a.	183,660	281,000	416,595	435,092	454,410	474,586	495,657	517,664
Peru	n.a.	223,284	221,971	224,497	240,576	257,368	272,537	287,489	301,851
Colombia & others	n.a.	17,214	44,285	132,341	142,360	154,560	166,816	179,111	191,326
Other and eliminations	**(37,815)**	**(167,266)**	**(99,673)**	**(95,429)**	**(102,806)**	**(107,329)**	**(112,155)**	**(114,068)**	**(119,462)**
% over revenues (EU E&C + Africa)	*-2%*	*-8%*	*-5%*	*-4%*	*-4%*	*-4%*	*-4%*	*-4%*	*-4%*
Total Revenue	**2,313,702**	**2,368,155**	**2,433,640**	**2,483,205**	**2,675,167**	**2,792,856**	**2,918,438**	**2,968,224**	**3,108,582**

as % of Total Revenue

Sales Breakdown Analysis	2013H	2014H	2015H	2016F	2017F	2018F	2019F	2020F	2021F
Europe - Engineering and Construction	**25.4%**	**25.3%**	**24.7%**	**24.8%**	**23.9%**	**23.2%**	**22.7%**	**22.8%**	**22.2%**
Portugal	13.2%	18.7%	15.6%	15.5%	14.9%	14.3%	13.9%	13.8%	13.4%
Central Europe	12.2%	6.6%	9.2%	9.2%	9.0%	8.9%	8.8%	8.9%	8.8%
Europe - Environment and Services	**14.2%**	**14.3%**	**16.3%**	**12.0%**	**10.2%**	**9.8%**	**9.6%**	**9.6%**	**9.4%**
SUMA	3.5%	3.5%	7.1%	3.3%	3.0%	2.9%	2.7%	2.7%	2.6%
EGF	0.0%	0.0%	0.0%	6.7%	6.3%	6.1%	6.0%	6.1%	6.0%
Logistic	8.9%	8.8%	8.4%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Energy & Maintenance	1.8%	2.0%	0.8%	1.0%	0.9%	0.9%	0.8%	0.8%	0.8%
Africa	**43.6%**	**44.8%**	**34.3%**	**28.7%**	**31.4%**	**31.2%**	**31.0%**	**29.1%**	**29.5%**
Angola & Tanzania	22.2%	19.8%	14.0%	13.0%	16.0%	15.7%	15.5%	12.9%	13.1%
SADC *	20.8%	24.1%	19.7%	15.2%	14.8%	15.0%	15.0%	15.7%	15.8%
East Africa	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
West Africa	0.6%	0.8%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Latin America	**18.4%**	**22.7%**	**28.8%**	**38.3%**	**38.4%**	**39.6%**	**40.6%**	**42.4%**	**42.8%**
Brazil	n.a.	4.8%	6.3%	7.2%	7.8%	8.6%	9.3%	10.0%	10.2%
Mexico	n.a.	7.8%	11.5%	16.8%	16.3%	16.3%	16.3%	16.7%	16.7%
Peru	n.a.	9.4%	9.1%	9.0%	9.0%	9.2%	9.3%	9.7%	9.7%
Colombia & others	n.a.	0.7%	1.8%	5.3%	5.3%	5.5%	5.7%	6.0%	6.2%
Other and eliminations	**-1.6%**	**-7.1%**	**-4.1%**	**-3.8%**	**-3.8%**	**-3.8%**	**-3.8%**	**-3.8%**	**-3.8%**
Total Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Growth YoY %	2013H	2014H	2015H	2016F	2017F	2018F	2019F	2020F	2021F
Europe - Engineering and Construction	**n.a.**	**1.75%**	**0.5%**	**2.3%**	**3.9%**	**1.3%**	**2.1%**	**2.1%**	**2.1%**
Portugal	n.a.	45.0%	-14.3%	1.9%	3.4%	0.3%	1.3%	1.3%	1.3%
Central Europe	n.a.	-44.8%	42.3%	3.0%	4.6%	3.1%	3.5%	3.5%	3.5%
Europe - Environment and Services	**n.a.**	**2.9%**	**17.4%**	**-24.7%**	**-8.8%**	**0.8%**	**1.9%**	**1.9%**	**2.8%**
SUMA	n.a.	0.1%	110.3%	-53.1%	-0.7%	-0.4%	-0.4%	-0.3%	1.9%
EGF	n.a.	n.a.	n.a.	n.a.	1.3%	1.5%	3.2%	3.2%	3.6%
Logistic	n.a.	1.1%	-1.3%	-86.3%	-100.0%	n.a.	n.a.	n.a.	n.a.
Energy & Maintenance	n.a.	17.2%	-60.5%	26.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Africa	**n.a.**	**5.2%**	**-21.4%**	**-14.6%**	**17.7%**	**3.8%**	**3.9%**	**-4.7%**	**6.1%**
Angola & Tanzania	n.a.	-8.5%	-27.2%	-5.4%	32.0%	2.5%	3.1%	-15.2%	6.7%
SADC *	n.a.	18.5%	-16.0%	-21.2%	5.1%	5.4%	4.9%	5.9%	5.8%
East Africa	n.a.	n.a.	-21.4%	-43.0%	8.8%	8.1%	7.9%	8.1%	7.3%
West Africa	n.a.	33.4%	-39.0%	-5.8%	27.7%	0.0%	0.0%	0.0%	0.0%
Latin America	**n.a.**	**26.1%**	**30.3%**	**35.9%**	**8.0%**	**7.7%**	**7.0%**	**6.3%**	**5.6%**
Brazil	n.a.	n.a.	35.0%	16.3%	17.6%	14.9%	12.3%	9.8%	7.4%
Mexico	n.a.	n.a.	53.0%	48.3%	4.4%	4.4%	4.4%	4.4%	4.4%
Peru	n.a.	n.a.	-0.6%	1.1%	7.2%	7.0%	5.9%	5.5%	5.0%
Colombia & others	n.a.	n.a.	157.3%	198.8%	7.6%	8.6%	7.9%	7.4%	6.8%
Total Revenues	**n.a.**	**2.4%**	**2.8%**	**2.0%**	**7.7%**	**4.4%**	**4.5%**	**1.7%**	**4.7%**

Appendix 8: Europe – Engineering and Construction Revenues Forecast

For the period 2016-2017, we assumed the growth in investment in construction, per country, as the growth forecasted by the European Comission. In order to estimate for the period 2018-2021, we looked into the relationship between Real Growth GDP and Investment in Construction from EU, once we were looking into a very mature region. For both countries, Portugal and Poland, we saw a very strong relationship between the two variables (see Index Investment in Construction vs Index GDP), very close to 1. Taking into account that we were confortable to link the growth in the two variables.

	2011H	2012H	2013H	2014H	2015H	2016F	2017F	2018F	2019F	2020F	2021F
Change in Investment in Construction YoY - Poland	n.a.	-1.100%	-5.000%	11.700%	4.900%	3.000%	4.600%	3.077%	3.496%	3.498%	3.496%
Index Investment in Construction (2011=100)											
Index Investment in Construction	100.000	98.900	93.955	104.948	110.090	113.393	118.609	122.258	126.532	130.958	135.536
change Yt/2011	*n.a.*	*-1.100%*	*-6.045%*	*4.948%*	*10.090%*	*13.393%*	*18.609%*	*22.258%*	*26.532%*	*30.958%*	*35.536%*

Source: *European Comission and Team estimates*

	2011H	2012H	2013H	2014H	2015H	2016F	2017F	2018F	2019F	2020F	2021F
Change in GDP YoY - Poland	n.a.	1.562%	1.265%	3.334%	3.637%	3.571%	3.592%	3.458%	3.496%	3.498%	3.496%
Index (2011=100)											
Index GDP	100.000	101.562	102.847	106.276	110.141	114.074	118.172	122.258	126.532	130.958	135.536
change Yt/2011	*n.a.*	*1.562%*	*2.847%*	*6.276%*	*10.141%*	*14.074%*	*18.172%*	*22.258%*	*26.532%*	*30.958%*	*35.536%*

Source: *IMF*

Index Investment in Construction vs Index GDP	1.00	0.97	0.91	0.99	1.00	0.99	1.00	1.00	1.00	1.00	1.00

	2011H	2012H	2013H	2014H	2015H	2016F	2017F	2018F	2019F	2020F	2021F
Change in Investment in Construction YoY - Portugal	-	-20.000%	-12.100%	-3.000%	4.300%	1.700%	3.100%	0.252%	1.160%	1.151%	1.151%
Index Investment in Construction (2013=100)											
Index Investment in Construction	-	n.a.	100.000	97.000	101.171	102.891	106.081	106.348	107.582	108.820	110.073
change Yt/2013	*n.a.*	*n.a.*	*n.a.*	*-3.000%*	*1.171%*	*2.891%*	*6.081%*	*6.348%*	*7.582%*	*8.820%*	*10.073%*

Source: *European Comission and Team estimates*

	2011H	2012H	2013H	2014H	2015H	2016F	2017F	2018F	2019F	2020F	2021F
Change in GDP YoY - Portugal	-	-4.028%	-1.130%	0.906%	1.472%	1.397%	1.259%	1.160%	1.160%	1.151%	1.151%
Index GDP (2013=100)											
Index GDP	-	n.a.	100.000	100.906	102.391	103.822	105.129	106.348	107.582	108.820	110.073
change Yt/2013	*n.a.*	*n.a.*	*n.a.*	*0.906%*	*2.391%*	*3.822%*	*5.129%*	*6.348%*	*7.582%*	*8.820%*	*10.073%*

Source: *IMF*

Index Investment in Construction vs Index GDP	n.a.	n.a.	n.a.	0.96	0.99	0.99	1.01	1.00	1.00	1.00	1.00

Considering ME's market leadership in Portugal, we assumed that they will growth above the industry. For Poland we assumed sales growing as the same level as the industry because there is some uncertainty related to the EU funds (mainly in the railway sector), that otherwise would make the perspectives for ME Central Europe much more optimistic (above industry).

Appendix 9: Europe – Environment and Services Revenues Forecast

E&S	Unit	0	2017F	2018F	2019F	2020F	2021F	Description
Portuguese Inflation	%	0,73%	1,13%	1,43%	1,53%	1,64%	1,81%	Portuguese expected inflation rate by IMF.
Portuguese Population	000's	10.419	10.426	10.434	10.441	10.449	10.456	Portuguese expected population by IMF.
Portuguese MSW	Kg/capita	444	435	427	418	410	410	Average MSW per capita and subsquently for Portugal. We assume portuguese waste production will follow the downward trend until reaching the EU directives.
Total Portuguese MSW	000's tonnes	4.622	4.537	4.453	4.369	4.284	4.287	

Sales for EGF

Waste Treatment	000's tonnes	3.050	2.995	2.939	2.883	2.827	2.829	According to Portuguese Environment Agency (APA), around 66% of total portuguese MSW is treaded by EGF. We also consider market share to remain constant through our forecast. Waste treated is falling due to steady portuguese population and a reduction in MSW per capita.
Waste Tariffed	000's tonnes	2.439	2.395	2.350	2.306	2.261	2.263	EGF receives tariffs from around 80% of total waste treated (average from 2014-2015).
Waste Recycled	000's tonnes	458	479	500	548	594	622	Forecast for redistribution of waste treatment by categories. Through Environmental Awareness and according to EU directives and PERSU 2020, waste treatment will move towards EU-27 targets but at a slower pace than expected, due to Portugal current levels of treatment and to the notification of ERSAR about allowed revenues and regulated tariffs for the regulatory period 2016-2018, with a RAB at € 272.8 million. Since EGF market share is about 66%, we considered the same trend for EGF waste treatment.
Waste Composted	000's tonnes	427	427	426	425	424	431	
Waste Incinerated	000's tonnes	671	674	676	678	679	693	
Waste Landfilled	000's tonnes	1.495	1.415	1.337	1.233	1.131	1.082	
Energy from Composting	GWh	32	32	32	32	32	33	Total Energy produced per source. Clear decrease from landfill energy due to reduction of MSW redirected to other sources and subsquent close of landfills.
Energy from Incinerating	GWh	277	278	279	280	280	286	
Energy from Landfilling	GWh	153	145	137	126	116	111	
Tariff Price	€/ton	24,88	25,16	25,52	25,91	26,33	26,81	Forecast for the 11 EGF's concessionaries tariffs, adjusted for inflation. From 2014 to 2015 there was a 3.3% decrease. Based on the ERSAR regulated tariffs for the regulatory period of 2016-2018, the group decided to reduce 5% more from the starting point.
Recycled Price	€/ton	104,35	105,53	107,04	108,68	110,46	112,45	Average recycled price per ton from 2012-2014, adjusted for inflation.
Energy Price	€/GWh	97,10	98,19	99,60	101,13	102,78	104,64	Estimated Price per GWh, based on total GWh and Revenue from Energy, adjusted for inflation.
Revenue from Tariffs	€'000	60.679	60.244	59.974	59.735	59.539	60.654	All revenues from EGF's different segments. Revenues from other sources has remain constant for the last three years, so it is not likely to change in the foreseen period.
Revenues from Recycling	€'000	47.745	50.563	53.482	59.537	65.588	69.998	
Revenue from Energy	€'000	44.919	44.732	44.666	44.324	44.014	44.975	
Revenue from other sources	€'000	12.000	12.000	12.000	12.000	12.000	12.000	
EGF Total Revenue	€'000	165.343	167.539	170.122	175.595	181.141	187.627	We forecast EGF revenues to grow 15% from 2016 to 2021, representing a CAGR of 2,6%. The majority of the increase are due to changes in revenue sources, where EGF will rely more on Energy and Recycling and less on Tariffs.

Sales for SUMA

Waste Collected	000's tonnes	924	907	891	874	857	857	ME has 53% of the 37% privatized market for MSW collection. We considered that share is not likely to change in the foreseen period.
Price per ton	€/ton	88	89	90	91	93	95	Average price per ton of waste collected from 2013-2015, adjusted for inflation.
Suma Total Revenue	000's €	81.076	80.494	80.133	79.815	79.553	81.043	We forecast waste collecting revenue will not change much in our time horizon. MSW is decreasing which affects the average ammount of waste collected and subsquent revenue.

Total E&S Revenues	**000's €**	**246.419**	**248.033**	**250.255**	**255.410**	**260.693**	**268.670**	**Total E&S Revenues are estimated to grow 9% from 2016F-2021F.**

SUMA	Unit	2013H	2014H	2015H
Revenues	*€'000*	80.000	82.000	83.074
Total Waste	*000's tonnes*	4.598	4.710	4.765
Waste Collected	*000's tonnes*	920	942	953
Price per ton	*€/ton*	86,99	87,05	87,17
Average	***€/ton***	**87,07**		

EGF Waste from Tariff		2014H	2015H
Waste Treated	*000's tonnes*	3.159	3.160
Waste tariffed	*000's tonnes*	2.537	2.516
Waste tariffed	%	80,31%	79,62%
Average	%	79,97%	

EGF waste per category	2016F	2017F	2018F	2019F	2020F	2021F
Material Recycled	15,00%	16,00%	17,00%	19,00%	21,00%	22,00%
Composting	14,00%	14,25%	14,50%	14,75%	15,00%	15,25%
Incinerated	22,00%	22,50%	23,00%	23,50%	24,00%	24,50%
Landfill	49,00%	47,25%	45,50%	42,75%	40,00%	38,25%

EGF Revenues (Recycling)	Unit	2012H	2013H	2014H
EGF Recycling Revenue	*€'000*	38.000	45.000	46.000
Portugal Recycled Waste	*000's tonnes*	549	594	765
EGF Market Share	*000's tonnes*	362	392	505
Price per ton reclycled	*€/ton*	105	114,78	91,11
Adjusted Average (2012-2014)	***€/ton***	**103,59**		

EGF Energy from Landfill	Unit	2012H	2013H	2014H
Portuguese Landfilled Waste	*000's tonnes*	2.593	2.320	2.307
EG Market Share	*000's tonnes*	1.711	1.531	1.523
Total Landfill GWh	*GWh*	141	154	159
Energy	*GWh/ton*	0	0,10	0,10
Adjusted Average (2012-2014)	***GWh/ton***	**0,10**		

EGF Energy from Composting	Unit	2012H	2013H	2014H
Portuguese Composting Waste	*000's tonnes*	694	593	665
EG Market Share	*000's tonnes*	458	391	439
EGF Total Composting GWh	*GWh*	17	27	36
Energy	*GWh/ton*	0	0,07	0,08
Adjusted Average (2012-2014)	***GWh/ton***	**0,08**		

EGF Energy from Incinerating	Unit	2012H	2013H	2014H
Portugal Incinerating Waste	*000's tonnes*	930	1.091	974
EGF Market Share	*000's tonnes*	614	720	643
EGF Total Incinerating GWh	*GWh*	239	317	248
Energy	*GWh/ton*	0	0,44	0,39
Adjusted Average (2012-2014)	***GWh/ton***	**0,41**		

EGF Total Energy		2012H	2013H	2014H
Landfilling	*GWh*	141	154	159
Composting	*GWh*	17	27	36
Incinerating	*GWh*	239	317	248
Total Energy	*GWh*	397	498	443
Revenues from Energy	*€'000*	38.000	48.000	43.000
Revenue by Gwh	*€/GWh*	96	96,39	97,07
Adjusted Average (2012-2014)	***€/GWh***	**96,39**		

Portugal MSW	Unit	2010H	2011H	2012H	2013H	2014H	2015H
Waste Generated	*000's tonnes*	5.457	5.178	4.766	4.598	4.710	4.765
Total Waste Treatment	*000's tonnes*	5.457	5.178	4.766	4.598	4.710	4.765
Landfill	*000's tonnes*	3.381	3.048	2.593	2.320	2.307	2.319
Incineration	*000's tonnes*	1.058	1.088	930	1.091	974	1.044
Recycling	*000's tonnes*	619	595	549	594	765	717
Composting	*000's tonnes*	399	447	694	593	665	685

EU-27 Waste MSW	Unit	2010H	2011H	2012H	2013H	2014H	2015H
Waste Generated	*000's tonnes*	252.293	248.999	243.391	240.618	238.999	241.057
Total Waste Treatment	*000's tonnes*	246.195	243.090	237.146	234.182	235.274	234.122
Landfill	*000's tonnes*	91.817	83.882	76.233	70.466	66.137	60.763
Incineration	*000's tonnes*	57.211	60.191	59.402	61.695	63.281	64.399
Recycling	*000's tonnes*	62.479	64.344	65.428	64.730	67.840	69.214
Composting	*000's tonnes*	34.688	34.674	36.084	37.291	38.016	39.746

EU-27 MSW	Unit	2010H	2011H	2012H	2013H	2014H	2015H
Waste Generated	*Kg/capita*	506	499	486	480	475	477
Waste Treatment	*Kg/capita*	492	487	474	467	467	464
Material Recycled	*Kg/capita*	126	129	131	129	135	137
Composting	*Kg/capita*	70	69	72	74	76	79
Incinerated	*Kg/capita*	116	121	119	123	126	128
Landfill	*Kg/capita*	181	168	152	140	131	120

Portugal MSW	Unit	2010H	2011H	2012H	2013H	2014H	2015H
Waste Generated	*Kg/capita*	516	490	453	440	453	452
Waste Treatment	*Kg/capita*	516	490	453	440	453	452
Material Recycled	*Kg/capita*	59	56	52	57	74	68
Composting	*Kg/capita*	38	42	66	57	64	65
Incinerated	*Kg/capita*	100	103	88	104	94	99
Landfill	*Kg/capita*	320	289	247	222	222	220

Portugal	2010H	2011H	2012H	2013H	2014H	2015H	2016F	2017F	2018F	2019F	2020F	2021F
Material Recycled	11,3%	11,5%	11,5%	12,9%	16,2%	15,0%	15,0%	16,0%	17,0%	19,0%	21,0%	22,0%
Composting	7,3%	8,6%	14,6%	12,9%	14,1%	14,4%	14,0%	14,3%	14,5%	14,8%	15,0%	15,3%
Incinerated	19,4%	21,0%	19,5%	23,7%	20,7%	21,9%	22,0%	22,5%	23,0%	23,5%	24,0%	24,5%
Landfill	62,0%	58,9%	54,4%	50,5%	49,0%	48,7%	49,0%	47,3%	45,5%	42,8%	40,0%	38,3%

EU (27 countries)	2010H	2011H	2012H	2013H	2014H	2015H
Material Recycled	25,6%	26,5%	27,6%	27,6%	28,9%	29,5%
Composting	14,1%	14,2%	15,2%	15,8%	16,3%	17,0%
Incinerated	23,6%	24,8%	25,1%	26,3%	27,0%	27,6%
Landfill	36,7%	34,5%	32,1%	30,0%	28,1%	25,9%

Appendix 10: Africa Revenues Forecast

Revenues in 2016

Only the revenues for the mid-term 2016 are publicly available. Through an average of the last years weight of the 1st half over total revenue, we reach €713.350M as the total value for 2016. Then, the value of each sub-region for FY2016 was computed by an average 2013-2015 weight of each sub-region over the total.

Sales HY/FY

€'000	1st Half 2013	2013H	1st Half 2014	2014H	1st Half 2015	2015H	1st Half 2016	2016F
Africa	433,000	1,008,918	556,836	1,061,673	378,865	834,909	334,666	713,350
1st Half/Total Year		42.92%		52.45%		45.38%		46.91%

Forecast Sales 2016

	2013H	2014H	2015H	2016F
Africa	**1,008,918**	**1,061,673**	**834,909**	**713,350**
Angola	512,704	469,193	343,930	323,872
SADC*	481,343	570,476	473,674	376,116
East Africa	0	2,159	1,698	967
West Africa	14,871	19,845	15,607	12,394

As percentage of Total

	2013H	2014H	2015H	2016F
Angola	50.82%	44.19%	41.19%	45.40%
SADC*	47.71%	53.73%	56.73%	52.73%
East Africa	0.00%	0.20%	0.20%	0.14%
West Africa	1.47%	1.87%	1.87%	1.74%

Revenue Forecast 2017F-2021F

The forecast was performed through a BMI assumption of the YoY growth of the construction industry to every country where ME operates in Africa, apart from West Africa, which forecast is constant based on an average 2013-2016 trend. We adjusted BMI's growth rates according to our view on ME's competitive position. For Angola, we considered that ME in Angola will grow at the same pace as BMI's numbers, as the company is in that region for a long time. We also included a new project in Tanzania of about €1 billion in which ME owns 50%. For parsimony we added Tanzania's project into Angola and Tanzania because we do not have history for the country and the remaining forecasts are per regions. In SADC*, Mozambique and South Africa we foresee a growth similar to the industry forecasts: as Mozambique has shown good prospects in the last few years and South Africa once the growth is not significantly, it makes sense to assume that ME will growth as the BMI assumptions. For Zambia and Zimbabwe, we considered that ME would absorb 75% of BMI's growth rates. The main reason for this assumption is that these countries do not have a big weight in overall revenues and there is no reference of significant changes. Finally, BMI did not provide values for Malawi, therefore we computed an average of the remaining four countries according to BMI and since Malawi's position in 2015 decreased, we weighted it with 50% absorption rate. ME's operations in the East region are expected to grow slower (50%) than industry forecasts from BMI until 2020, as ME operations in those countries are new and the company is still developing its competitive position. The growth rates for the construction industry for 2021F are the same as the ones adjusted for 2020F.

Growth in Construction

Countries	2017F	2018F	2019F	2020F	2021F
Angola	3%	3%	4%	7%	7%
Mozambique	6%	6%	5%	8%	8%
South Africa	2%	3%	2%	3%	3%
Malawi	5%	5%	5%	5%	5%
Zambia	6%	6%	6%	6%	6%
Zimbabue	7%	8%	5%	5%	4%
Rwanda	10%	9%	9%	9%	7%
Uganda	8%	7%	7%	8%	8%

Growth in Construction according to ME Competitive Positioning

Absorption	Countries	2017F	2018F	2019F	2020F	2021F
100%	Angola	3.35%	3.17%	3.94%	6.75%	6.75%
100%	Mozambique	5.70%	5.50%	5.45%	8.35%	8.35%
100%	South Africa	2.10%	2.50%	2.40%	2.60%	2.60%
50%	Malawi	2.51%	2.66%	2.40%	2.69%	2.58%
75%	Zambia	4.15%	4.29%	4.42%	4.34%	4.34%
75%	Zimbabue	5.06%	5.67%	4.10%	3.59%	2.93%
50%	Rwanda	5.04%	4.72%	4.41%	4.27%	3.51%
50%	Uganda	3.76%	3.40%	3.45%	3.85%	3.85%

Estimates for Sales

Weight	Region	2016F	2017F	2018F	2019F	2020F	2021F
1	**SADC***	**377,734**	**397,117**	**418,441**	**439,109**	**465,103**	**491,927**
0.3333	Mozambique	125,911	133,088	140,408	148,060	160,423	173,819
0.1667	South Africa	62,956	64,278	65,885	67,466	69,220	71,020
0.1667	Malawi	62,956	66,114	69,632	72,976	76,902	80,868
0.1667	Zambia	62,956	66,437	70,237	74,374	78,673	83,220
0.1667	Zimbabue	62,956	67,199	72,279	76,233	79,884	83,000
1	**Angola & Tanzania**	**323,251**	**426,760**	**437,350**	**450,930**	**382,432**	**408,246**
1	**East Africa**	**967**	**1,052**	**1,138**	**1,228**	**1,327**	**1,425**
0.5	Rwanda	484	532	583	634	688	736
0.5	Uganda	484	520	555	594	639	689
1	**West Africa**	**14,555**	**14,555**	**14,555**	**14,555**	**14,555**	**14,555**
TOTAL		**716,507**	**839,484**	**871,484**	**905,822**	**863,417**	**916,153**

Appendix 11: LATAM Revenues Forecast

€'000	2016F	2017F	2018F	2019F	2020F	2021F	Assumptions Explanation
Total Revenue	951,438	1,027,313	1,106,808	1,183,967	1,258,698	1,329,276	
Brasil	178,005	209,286	240,471	270,028	296,441	318,434	Infrastructure Spending growth for the future years is forecasted to grow at the inflation rate (Orçamento do estado Brasil) Growth for ME's Brasil construction business is assumed to grow at a rate of 20% in 2016 and will show a decreasing growth trend that is assumed to steadily converge to the expected inflation rate by 2021. Waste is expected to continue its previous growth of 23% per year for the forecasted period. The remaining 2% of the business will move in line and is assumed to remain at 2% of overall Revenue
Mexico	416,595	435,092	454,410	474,586	495,657	517,664	4,4% real growth in infrastructure each year. For the Energy sector, we assumed revenue to remain at current levels based on instaled capacities.
Peru	224,497	240,576	257,368	272,537	287,489	301,851	Revenues for Peru are assumed to grow according to forecasted construction growth in Peru as estimated by Banco BMI (Moody's). The forecasts are in line with currency adjusted 2014-2016 Revenue CAGR for Peru as well as real GDP growth. forecasted by the IMF. Real growth forecasts are adjusted by IMF inflation forecasts for the region to reach nominal terms.
Colombia and Others	132,341	142,360	154,560	166,816	179,111	191,326	Colombia and Other are assumed to continue growth in line with forecasted construction growth for its main constituent Colombia. Real growth is adjusted by Inflation of 2 percent that is considered in order to not conflict with currency revaluation.

Historical Regional Estimates

- Revenue Breakdown 2014, 2015 and 2016

The share of Revenue for the countries in LATAM for 2014-2016 was estimated through backward induction through year 2016 growth rates and financial statement information. Mota-Engil states, in its annual report 2015, the importance of its main markets (Mexico, Brazil and Peru). Additionally, according to company filing, ME has minor operations in Colombia, Chile, Paraguay and the Dominican Republic. The 4 latter countries was grouped as Colombia and others in the Revenue Breakdown. According to a ME press release in May 2016, Revenue for full year 2016 in LATAM was expected to reach EUR 1 billion, of which approximately half was forecasted to come from the Mexican market. We implied expected revenue for Mexico to come in at around EUR 500 million. According to *portugaldigital.com*, 2015 Mexico revenue amounted to EUR 281 million, while revenue for Brazil totaled EUR 153 million, representing increases to the prior year of 53% and 35%, respectively (as confirmed in 2015 ME report). As a result, revenue estimates for Mexico were obtained for the 3 years.

According to Mota-Engil 2014 Annual Report, Mexico and Brazil had a combined Revenue of EUR 297 million in 2014. Having estimated 2014 revenue for Mexico, we attribute the difference between EUR 297 million and EUR 183.7 million, EUR 113.3 million, to Brazil for the year 2014 and apply the 35% revenue growth rate for the country to arrive at next year's revenue that is in line with the source quoted above.

Revenue for Peru 2014 were taken from the income statement of ME Peru that showed a total of Peruvian Sol 832.9 million and was equivalent to EUR 222.9 million at average 2014 exchange rates of 3,74 PEN / EUR. Similarly, for the following year we obtained revenues of Peruvian Sol 813.5 million equaling EUR 221.3 million at a prevailing average rate of 3,68 PEN / EUR. For FY2016, we assumed continuation of the previous growth rates for Peru and the region Columbia and others, resulting in a small decline for Peru to EUR 219.7 million, based on remarks that Revenue in the Region is stabilizing, while Colombia and other continued its positive trend totaling EUR 132.3 million. To obtain Brazil 2016 Revenue we subtracted the sum of the other 3 regions from the forecasted total of EUR 1 billion. We notice a decline in Brazil revenue which seems plausible given the political and economic headwinds.

As a result of currency weakness in Mota-Engil's LATAM markets, we have adjusted the forecasted revenue of EUR 1 billion for the region using a weighted exchange rate factor to arrive at total expected 2016 Revenue of EUR 891,4 million. This factor takes into account currency depreciation of ME's main long exposures and adjusts regional forecasted sales data.

Currency Development Relative to Euro 31.12.2015 - 31.12.2016	
Brasil Real	**20%**
Mexico Peso	**-17%**
Peruvian Sol	**2%**
Average Change	**1,93%**
Change Sales Weighted	**-4,86%**

Regional Forecast Assumptions

- Year 2017-2021 Sales Forecast

Brazil

In the state Budget for 2017 newly elected president Michel Temer announced a cap in spending, including infrastructure investments for the foreseeable future. The cap is to be effective starting 2017 and states a growth in government spending on infrastructure that is merely adjusted by the previous years' inflation rate. The expected growth rate for the period 2015-2016 for the construction business in Brazil is 20%. Taking this into account, as well as the above mentioned spending cap, we assume total construction revenue growth for the region to steadily converge with the stable average inflation rate until 2021. The waste segment, which accounted for roughly 10% of overall Brazil Revenue in 2016, is assumed to continue its 2016 annual growth rate of 23% leading to an overall increase in revenue contribution by 2021 of 18%. The continued strong growth number for the waste segment is spurred by a growing population and expected increasing private consumption. The remaining 2% of Revenue coming from Tracevia is assumed to remain constant over the forecasted period.

Mexico

With respect to Revenue growth from construction, given the difficult political and economic environment, we considered a more conservative approach. Revenue has seen strong growth in recent years with 2014-2016 revenue CAGR of around 50%. Taking into account the increasingly challenging business environment in the region, modest predicted infrastructure investment by the Mexican state and constant expected construction growth numbers of around 3%, as forecasted by Banco do Mexico. We assumed growth rates to slow down from historical levels, reaching average infrastructure real growth rates for 2017-2021 of 4,4% (PWC) by 2021. The reasons for a slowdown in revenue growth figures are mainly due to Mexican government budget cuts and uncertainty with regard to private participation in infrastructure investment that contributed to current political headwinds. The energy sector contributed about 8,4% to total Mexico revenue and is forecasted to continue generating revenue of EUR 35 million annually from the installed 300 MW capacity that Mota-Engil is currently operating. The numbers forecasted are excluding a potential revenue increase from additional capacity of 1700 MW that the company might generate starting in 2018 after negotiations about monetizing alternatives will unfold during 2017.

Peru

Peru has been seeing stagnating revenue numbers for the past years. As a result, revenue forecasts for Peru are assumed to show modest growth in line with predicted construction sector growth of 4,7% in 2017, decreasing steadily to 2,5% growth in 2021. The forecasts assumed for construction growth are in line with overall GDP growth for the country, as well as currency adjusted CAGR for the 2014-2016 period. To compliment the real growth rates for the respective years, it is added the inflation rate as forecasted by the IMF to arrive at nominal annual revenue growth rates.

Colombia

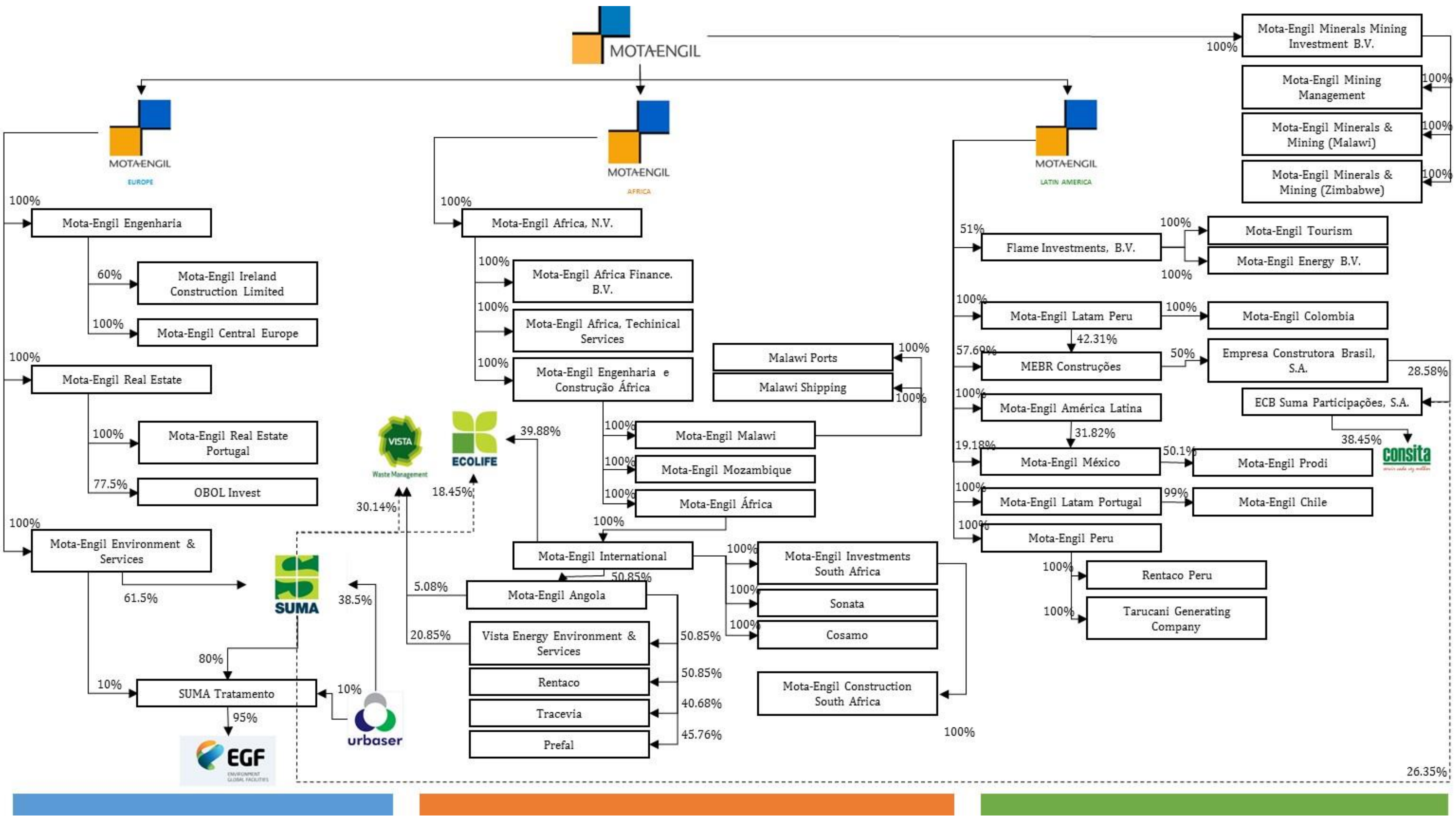
The segment of Colombia and Ohers in LATAM is mainly related to business activity in Colombia. For this reason, we assume economic activity in the country to be the major driver for future potential revenue. The assumptions made are similar to the ones at Peru, with main growth drivers expected to be real growth for the construction sector, as well as the 2% inflation premium applied for the same reasons as previously outlined.

Appendix 12: Statement of Financial Position: Assumptions

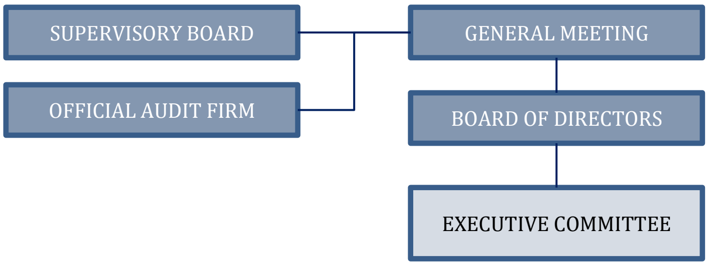
Balance Sheet - Assumptions	Description
NON CURRENT ASSETS	
Goodwill	Goodwill is subject to Impairment Testing and assumed to remain constant over the period
Intangible assets	Mainly EGF Concession Licenses that will be amortized anually at 5,81% based on average historic amortization rates
Tangible fixed assets	Anually adjusted per region by subtracting Depreciation for Equipment & Land and including CAPEX of the region
Financial investments under the equity method	Equity Investment assumed to remain constant over the forecasted period
Available for sale and held to maturity financial assets	Equity Investments recorded at aquisition cost subject to Impairment Testing, Angolan debt held to maturity not marked to market
Investment properties	Investment Properties assumed to remain constant over the forecasted period
Trade and other receivables	Non-Current receivables assumed to move at 3 year moving average with annual adjustment for historical impairment
Other non-current assets	Zero Balance according to 2016 HY Statement, assumed to not be affected
Derivative financial instruments	Zero Balance , no derivatives used for hedging or speculative purposes
Deferred tax assets	We assume Taxable Income to be equal to Accounting Income for the forecasted period
Cash and cash equivalents with recourse – Term Deposits	Determined through the Statement of Cash Flows
Non-current assets held for sale	Assumed to remain constant after the sale of Ascendithat was finalized in January 2017
CURRENT ASSETS	
Inventories	Based on historical stable inventory turnover that will be applied for the forecasted period
Trade receivables	Receivables assumed to move at average historical Day's Sales Outstanding, adjusted for annual collectible write offs
Other receivables	Other receivables are assumed to grow in line with overall Revenue, adjusted for annual write-off
Corporate income tax	Assumed to grow at a 3 year moving average
Other current assets	Mainly other receivables, are assumed to grow in line with Revenue growth, adjusted for annual uncollectibles
Derivative financial instruments	Zero Balance , no derivatives used for hedging or speculative purposes
Cash and cash equivalents with recourse – Term Deposits	Determined through the Statement of Cash Flows
Cash and cash equivalents without recourse – Demand Deposits	Determined through the Statement of Cash Flows
Cash and cash equivalents with recourse	Determined through the Statement of Cash Flows
TOTAL ASSETS	
SHAREHOLDERS' EQUITY	
Equity capital	Assumed no future capital increases or other alterations that change equity capital
Own shares	No treasury transactions anticipated for the forecasted period, recently aquired shares assumed to be retained
Reserves, retained earnings and share premiuns	Account includes NI attributable to the Group net Dividend payments ousing 50% payout ratio, changes in share premia only in 2016
Consolidated net profit for the year	Net Income from Income Statement minus Net Income attributable to non controlling interest
Non-controlling interests	Takes into account forecasted changes of major non controlling interest parties based on Revenue and margin development
NCI associated with non-current assets/liabilities held for sale	Item considered to remain constant after sale of Logistocs business and Aschendi Assets in 2017
NON CURRENT LIABILITIES	
Loans without recourse	Long term loans without recourse assumed to not see be affected by debt paydown, stable balances
Loans with recourse	Loans with recourse are considered for deleveraging of 300 million through Ascendi Asset Sale and Annual Free Cash Flow
Sundry Creditors	Sundry Creditors essentail include Leasing Liabilities that were used as Debt in the final calculation of equity value
Derivative financial instruments	Zero Balance , no derivatives used for hedging or speculative purposes
Provisions	Provision affected in 2016 by Czech Republic write off and assumed to be just affected by business development in Africa
Other non-current liabilities	Increase in 2015 mainly due to EGF companies that were asked to make constributions to waste treatment development
Deferred tax liabilities	We assume Taxable Income to be equal to Accounting Income for the forecasted period
Non-current liabilities held for sale	Item dissapears from the balance sheet in 2016 after Sale of Logistics business and its Liabilities
CURRENT LIABILITIES	
Loans without recourse	Assumed to not be affected by alterations in Leverage ratio, constant over time
Loans with recourse	According to HY2016 report decreased through proceeds from 2016 Asset Sale, assumed constant thereafter
Trade payables	Payables linked to average historical DPO and assumed to move in accordance with COGS
Derivative financial instruments	Zero Balance , no derivatives used for hedging or speculative purposes
Sundry creditors	Mainly other A/P that have historically remained constant as % of COGS, assumed to keep moving at this pace
Corporate income tax	Assumed to not experience any alterations in the forecasted period
Other current liabilities	Includes mainly work in progress not billed by suppliers that is assumed to grow in line with Revenues, other items assumed constant
TOTAL LIABILITIES	
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	

Appendix 13: Business Structure (Mota-Engil)

<u>Mota-Engil Structure</u>



Appendix 14: Governance Model



Appendix 15: Mota-Engil Key Management Personnel

Board of Directors							
Director	**Position**	**Voting Rights**	**Compensation (2015)**		**Held Since**	**Term**
António Manuel Queirós Vasconcelos da Mota	President and Non-Executive Member	2.30%	€	576,000.00	March 2000	December 2017
Arnaldo José Nunes da Costa Figueiredo	Vice-President and Non-Executive Member	0.00%	€	386,000.00	May 2008	December 2017
Gonçalo Nuno Gomes de A. Moura Martins	Vice-President, CEO and Executive Member	0.00%	€	526,000.00	March 2008	December 2017
Maria Manuela Queirós V. Mota dos Santos	Non-Executive Member	1.56%	€	301,000.00	March 2000	December 2017
Maria Teresa Queirós V. Mota Neves da Costa	Non-Executive Member	1.56%	€	301,000.00	March 2000	December 2017
Maria Paula Queirós V. Mota de Meireles	Non-Executive Member	1.90%	€	301,000.00	March 2000	December 2017
Carlos António Vasconcelos Mota dos Santos	Executive Member	0.02%	€	353,000.00	April 2012	December 2017
Ismael Antunes Hernandez Gaspar	Executive Member	0.00%	€	416,000.00	March 2008	December 2017
José Pedro Matos Marques Sampaio de Freitas	CFO and Executive Member	0.00%	€	213,000.00	April 2013	December 2017
Antonio Martinho Ferreira de Oliveira	Executive Member	0.00%	€	396,000.00	April 2014	December 2017
João Pedro dos Santos Dinis Parreira	Executive Member	0.00%	€	560,599.00	April 2014	December 2017
Luís Filipe Cardoso da Silva	Non-Executive Member	0.00%	€	373,207.00	March 2010	December 2017
Luís Francisco Valente de Oliveira	Indepedent and Non-Executive Member	0.00%	€	35,000.00	March 2006	December 2017
António Bernardo A. Da Gama Lobo Xavier	Indepedent and Non-Executive Member	0.00%	€	65,000.00	March 2006	December 2017
António Manuel da Silva Vila Cova	Indepedent and Non-Executive Member	0.00%	€	39,500.00	April 2009	December 2017
Manuel António Fonseca Vasconcelos Mota*	Executive-Member	-		-	2016	December 2017
Eduardo João Frade Sobral Pimentel*	Member	-		-	2016	December 2017
TOTAL			€	**4,842,306.00**		

*Became part of the BoD, during 2016

Supervisory Board						
Director	**Position**	**Voting Rights**	**Compensation (2015)**		**Held since**	**Term**
Alberto João Coraceiro de Castro	President	0.00%	€	30,000.00	March 2007	December 2018
Horácio Fernandes Reis Sá	Member	0.00%	€	6,000.00	April 2011	December 2018
José Rodrigues de Jesus	Member	0.00%	€	30,000.00	March 2007	December 2018
Pedro Manuel Seara Cardoso Perez	Substitute	0.00%		-	March 2007	December 2018
TOTAL			€	**66,000.00**		

Director	Affiliates / Other Work
Alberto João Coraceiro de Castro	President of the BoD of Instituição Financeira de Desenvolvimento, S.A. Member of the BoD of Mystic Invest, S.A. President of the Fiscal Board of Unicer - Bebibas S.A. Vice-President of the General Meeting of Metro do Porto, SA President of the Supervisory Board of the Portuguese Red Cross Member of the Investment Committee of Portuguese Venture Capital Member of the Fiscal Council of Mota-Engil, SGPS, SA Is not involved in any activity or positions of Mota Engil's subsidiaries
Horácio Fernandes Reis Sá	Is not involved in any activities or positions of Mota Engil's subsidiaries or other associations outside the Group
José Rodrigues de Jesus	Member of the Supervisory Board of Millennium bcp Fortis, Grupo Segurador, SGPS, SA, Germen - Moagem de Cereais, SA Vice-President of the Association of Statutory Auditors Assembly Board Vice-President of the Order of Economists Director of Banco Comercial Português, S.A. Member of the Studies' Office of the Order of the Chartered Accountants Member of the General Council of the Accounting Standards Commission Single Auditor of Calfor- Indústrias Metálicas, SA, Edemi Gardens - Promoção Imobiliária, SA, Arsopi - Holdings, Sociedade Is not involved in any activity or positions of Mota Engil's subsidiaries

Statutory Board and External Auditor					
Director	**Represented by:**		**Compensation (2015)**	**Held since**	**End of Term**
António Magalhães & Carlos Santos, SROC	António Monteiro de Magalhães	€	38,000.00	2007	2016
Deloitte & Associados, SROC, S.A.*	António Manuel Martins Amaral	€	335,425.00	2002	2016
TOTAL		**€**	**373,425.00**		

* External Auditor

Detail services paid to the external auditor						
Director		**Company**		**Group Company**		**Total**
Statuatory Audit	€	64,500.00	€	1,327,420.00	€	1,391,920.00
Other guarantee Services	€	27,000.00	€	311,075.00	€	338,075.00
Tax Consultancy Services	€	48,925.00	€	93,170.00	€	142,095.00
Other Services	€	195,000.00	€	6,600.00	€	201,600.00

Remuneration Committee				
Director	**Position**	**Voting Rights**	**Held Since**	**End of Term**
António Manuel Queirós Vasconcelos da Mota	President	2.30%	2014	2017
Maria Teresa Queirós V. Mota Neves da Costa	Member	1.56%	2014	2017
Manuel Teixeira Mendes	Member	0.00%	2014	2017

Investment, Audit and Risk Committee		
Director	**Position**	**Voting Rights**
Maria Teresa Queirós V. Mota Neves da Costa	Member	1.56%
Luís Filipe Cardoso da Silva	Member	0.00%
António Manuel da Silva Vila Cova	Member	0.00%

Board of General Meetings						
Director	**Position**	**Voting Rights**		**Compensation (2015)**	**Held Since**	**End of Term**
Luís Neiva Santos	President	0.00%	€	6,000.00	2014	2017
Rodrigo Neiva Santos	Secretary	0.00%			2014	2017
TOTAL			**€**	**6,000.00**		

Appendix 16: Comparable Companies

1st STEP: Initial sample

For **Europe E&C**, taking into consideration some overall limitations, the first sample was taken from Bloomberg considering the peers' description and operating environment, related with location and segment, having Mota-Engil Europe and Mota-Engil Central Europe as benchmark. As the EU funds for the railways construction are for the Iberian Peninsula, it makes sense to take into consideration a company in Spain specialized in this segment. Regarding **Europe E&S**, the initial sample process was developed considering the description of each company, comparing to Mota-Engil in E&S and also the overall location of revenues. For **Africa**, the possible comparable companies were taken from Bloomberg, according to Global Industry Classification System (GICS): Sector Industrials, Industry Group Capital Goods, Industry: Construction & Engineering, Sub-Industry Construction & Engineering. Finally, the region selected was Middle East & Africa with EUR as a currency. Finally, for **LATAM**, the initial sample was selected through Bloomberg, by some overall criteria, as Revenue between €'000 100-2500 and with the sector being Sector Industrials.

Europe - E&C
Teixeira Duarte
Conduril Engenharia
Erbud
Trakcja PRKil
Unibep

Europe - E&S
GPE Groupe Pizzorno
Prazske Sluzby
Lassila & Tikanoja OYJ
Shanks Group
Seche Environnement

Africa
Group Five
Stefanutti Stocks Holding
Raubex Group
Wilson Bauly Holmes-Ovcon
Murray & Roberts Holdings
Julius Berger Nigeria
Aveng

LATAM
EMPRESAS ICA
Grana y Montero
CAPUTO
DYCASA SA-B SHS
INGEVEC
MOLLER Y PEREZ

2nd STEP: Overall Revenue

Considering **Europe - E&C**, note that ME in 2015 accounts for €M 2,433.6 in revenue that will be the benchmark for this section, however Mota-Engil Portugal and Mota-Engil Central Europe for the E&C segment recorded €M 378.85 and €M 222.8 respectively in 2015. For **Europe - E&S**, the overall revenue must be similar to €M 396.49, which is the revenue for Mota-Engil in Europe for E&S in 2015. All companies, apart from Prazske Sluzby, passed in this category as their revenue are similar to Mota-Engil. For **Africa**, some of the revenues from the selected companies are similar to the revenue registered by MEA in Africa, as is the case of Group Five Ltd, Stefanutti Stocks Holding Ltd, Raubex Group Ltd and Julius Berger Nigeria PLC. These four companies show lower revenue values, however they are still within the selected boundary. For the revenue criteria, we applied an upper and lower bound of €500 million and €2,000 million. Considering **LATAM**, since ME's revenues for LATAM in 2015 were €M 700.26, Empresas ICA and Grana y Montero are the ones with the highest revenues. Considering all possible peers, there is one possible peers with revenues similar to ME, and the remaining companies' revenues are significantly lower.

Europe - E&C		
Company	**Revenues €'000**	**Peer?**
Teixeira Duarte	*1479.5	YES
Conduril Engenharia	196.20	YES
Erbud	421.90	YES
Trakcja PRKil	318.00	YES
Unibep	297.40	YES

Europe - E&S		
Company	**Revenues €'000**	**Peer?**
GPE Groupe Pizzorno	222.25	YES
Prazske Sluzby	92.74	NO
Lassila & Tikanoja OYJ	646.30	YES
Shanks Group	766.60	YES
Seche Environnement	460.90	YES

Africa		
Company	**Revenues €'000**	**Peer?**
Group Five	861.42	YES
Stefanutti Stocks Holding	657.64	YES
Raubex Group	539.05	YES
Wilson Bauly Holmes-Ovcon	1,916.91	YES
Murray & Roberts Holdings	1,635.33	YES
Julius Berger Nigeria	610.51	YES
Aveng	2,111.08	NO

LATAM		
Company	**Revenues €'000**	**Peer?**
EMP ICA	1,884.73	YES
Grana y Montero SAA	2,218.03	YES
CAPUTO SA	108.34	YES
DYCASA SA-B SHS	119.40	YES
INGEVEC SA	215.44	YES
MOLLER Y PEREZ	183.70	YES

*The company is facing a significant restructuring due to financial constraints

3rd STEP: Revenue by Region

In **Europe - E&C**, the tables show how much of overall revenue is allocated to Portugal and Poland. All companies pass in this criteria, since most of their revenue comes from those countries, with absolute values similar to Mota-Engil Europe and Central Europe. Conduril Engenharia SA has few revenues allocated to Portugal, therefore in this category this company is excluded. For **Europe - E&S**, considering each company's revenue, most of it is integrated in the E&S market through Waste Management, Waste treatment, Solid Waste and Waste Collection. For **Africa** we accepted as peers companies that have at least 50% of their revenue in African countries. Group Five, Stefanutti, Raubex and Aveng have most of their revenue coming from Africa. Group Five and Raubex have almost all revenue coming from this region, as Stefanutti has around 70% of Revenue from South Africa and, finally, Aveng with barely 50% coming from South Africa and other countries in this region. In **LATAM, m**ost of the companies selected have all their revenues allocated to one single country, as is the case of Besalco, Ingevec SA, Moller Y Perez which revenues come from Chile and Caputo SA and Dycasa SA-B SHS with 100% of revenue coming from Argentina. Grana Y Montero revenue must come mainly from Peru, as is the case in 2012, however there is no regional division for more recent years.

Europe - E&C		
Company	***Domestic Revenue**	**Peer?**
Teixeira Duarte	16.0%	YES
Conduril Engenharia	23.0%	NO
Erbud	91.0%	YES
Trakcja PRKil	63.4%	YES
Unibep	80.8%	YES

Europe - E&S		
Company	**Revenues in Europe**	**Peer?**
GPE Groupe Pizzorno	89.2%	YES
Prazske Sluzby	100.0%	YES
Lassila & Tikanoja OYJ	100.0%	YES
Shanks Group	74.9%	YES
Seche Environnement	94.9%	YES

Africa		
Company	**Revenues in Africa**	**Peer?**
Group Five	95.9%	YES
Stefanutti Stocks Holding	71.9%	YES
Raubex Group	91.2%	YES
Wilson Bauly Holmes-Ovcon	46.7%	NO
Murray & Roberts Holdings	31.1%	NO
Julius Berger Nigeria	100.0%	NO
Aveng	51.3%	YES

LATAM		
Company	**Revenue in LATAM**	**Peer?**
EMP ICA	84.5%	YES
Grana y Montero SAA	0.0%	YES
CAPUTO SA	100.0%	YES
DYCASA SA-B SHS	100.0%	YES
INGEVEC SA	100.0%	YES
MOLLER Y PEREZ	100.0%	YES

*The two first companies are peers for Portugal and the following are for Poland

<u>**4th STEP:** Revenue by Segment</u>

Finally for E&C in Europe, the last step joints the Domestic Revenue with the E&C segment. Most of the companies, considering both criteria, have similar revenues to the ones registered in Portugal and Poland by ME, however Conduril Engenharia SA shows a small revenue allocated to E&C in Portugal, being also excluded in this criteria. Considering E&S in Portugal possible peers, for each company's revenue, most of it is integrated in the E&S market through Waste Management, Waste Treatment, Solid Waste and Waste Collection. For Africa, Group five, Stefanutti, Raubex and Julius Berger are the companies that best fit ME in Africa in terms of revenue by segment. Finally, for LATAM, a significant part of the overall revenues is allocated mostly to Infrastructure development. Around 50% from Besalco's revenue comes from Infrastructure & Building, however for Moller Y Perez only 37% comes from Commercial projects, therefore in this selection this last company is excluded.

Europe - E&C		
Company	**Revenue (segments)**	**Peer?**
Teixeira Duarte	86.8%	YES
Conduril Engenharia	100.0%	NO
Erbud	85.6%	YES
Trakcja PRKil	100.0%	YES
Unibep	100.0%	YES

Europe - E&S		
Company	**Revenue (segments)**	**Peer?**
GPE Groupe Pizzorno	100.0%	YES
Prazske Sluzby	100.0%	YES
Lassila & Tikanoja OYJ	56.8%	YES
Shanks Group	77.4%	YES
Seche Environnement	98.6%	YES

Africa		
Company	**Revenue (segments)**	**Peer?**
Group Five	85.6%	YES
Stefanutti Stocks Holding	93.7%	YES
Raubex Group	72.9%	YES
Wilson Bauly Holmes-Ovcon	43.9%	NO
Murray & Roberts Holdings	70.4%	NO
Julius Berger Nigeria	91.3%	YES
Aveng	19.0%	YES

LATAM		
Company	**Revenue (segments)**	**Peer?**
EMP ICA	98.5%	YES
Grana y Montero SAA	71.0%	YES
CAPUTO SA	56.4%	YES
DYCASA SA-B SHS	100.0%	YES
INGEVEC SA	93.0%	YES
MOLLER Y PEREZ	37.5%	NO

In terms of conclusion, in order to selected a peer for Mota-Engil for each region, the selected companies must pass at least 2 of the 3 selection criteria.

Appendix 17: Valuation through Multiples

To estimate ME target price through market multiples, we opted to use **Enterprise Value over SALES** (EV/SALES) and **Enterprise Value over EBITDA** (EV/EBITDA). In our approach, we did not consider price multiples, as they are less appropriate, since the peers considered have different capital structure and thus different financial leverage.

For this valuation, we considered peers for specific segments and geographic areas of business. Although historical data does not provide any reliance for the upcoming period, we used that to arrive at the final Enterprise Value in order to include the cyclical effect of the industry where ME operates. For all the regions, we chose the 2010-2015 period and took data from Bloomberg.

Historical Comparables EV/Sales Valuation (EUR' 000)	EV/Sales Peers Average	ME Geographical Sales	ME EV by Peers Estimate
Europe E&C	0.768	639,144	491,169
Europe E&S	0.923	272,033	250,992
Africa	0.363	839,484	304,323
LATAM	0.571	1,027,313	586,540
		Mota-Engil Group	**1,633,024**

Historical Comparables EV/EBITDA Valuation (EUR' 000)	EV/EBITDA Peers Average	ME Geographical EBITDA	ME EV by Peers Estimate
Europe E&C	6.300	45,203	284,791
Europe E&S	5.597	59,652	333,855
Africa	2.851	177,055	504,834
LATAM	6.892	115,536	796,249
		Mota-Engil Group	**1,919,730**

In the table below it is shown the ME's price target according both multiples.

	EV/EBITDA Multiple	EV/SALES Multiple
ENTERPRISE VALUE	1,919,730	1,633,024
Net Debt	(913,559)	(913,559)
NCI	(292,701)	(292,701)
Associates and Financial Investments	248,271	248,271
Holdings	(15,244)	(15,244)
Provisions	(124,733)	(124,733)
Leasings	(121,083)	(121,083)
	700,681	**413,976**
Shares Outstanding	233,865	233,865
ME's Price	€ 3.00	€ 1.77
Discount	10%	10%
Price Target	€ 2.70	€ 1.59
Average	€ 2.14	
upside potential	30.0%	
current price	€ 1.65	

The current market price of €1.65, leads to an upside potential of 30.0% according to the average price of EV/EBITDA and EV/ SALES multiples.
The following tables show the EV/SALES and EV/EBITDA multiples for each peer after removing the outliers that would biased our estimates. No less than three observations were considered per peer.

Europe E&C - PEERS Multiples		
Multiple	**EV/ Sales**	**EV/ EBITDA**
Teixeira Duarte	1.10	7.78
Conduril Engenharia	0.54	1.72
Erbud	0.24	5.72
Trakcja PRKiI	0.32	5.77
Unibep	0.31	8.49
Obrascon Huarte Lain	2.10	8.33
1st Quartile	0.29	4.72
Median	0.43	6.77
Mean	0.77	6.30
3rd Quartile	1.35	8.37
ME's Multiple	0.74	5.79

Europe E&S - PEERS Multiples		
Multiple	**EV/ Sales**	**EV/ EBITDA**
GPE Groupe Pizzorno	0.56	3.02
Prazske Sluzby	0.93	5.25
Lassila & Tikanoja	0.99	7.42
Shanks Group	1.05	5.96
Seche Environnement	1.09	6.33
1st Quartile	0.74	4.14
Median	0.99	5.96
Mean	0.92	5.60
3rd Quartile	1.07	6.88
ME's Multiple	0.74	5.79

Africa - PEERS Multiples		
Multiple	**EV/ Sales**	**EV/ EBITDA**
Group Five	0.16	1.82
Stefanutti	0.17	2.07
Raubex Group	0.66	4.11
Julius Berger Nigeria	0.46	3.41
1st Quartile	0.16	1.88
Median	0.31	2.74
Mean	0.36	2.85
3rd Quartile	0.61	3.93
ME's Multiple	0.74	5.79

LATAM - PEERS Multiples		
Multiple	**EV/ Sales**	**EV/ EBITDA**
Empresas ICA	1.67	12.90
Caputo	0.32	6.18
Grana Y Montero	0.86	7.01
DYCASA	0.25	7.66
INGEVEC	0.33	7.59
Empresa Constructora Moller	0.00	0.00
1st Quartile	0.19	4.64
Median	0.32	7.30
Mean	0.57	6.89
3rd Quartile	1.06	8.97
ME's Multiple	0.74	5.79

Appendix 18: Discounted Cash Flow Assumptions

1. Weighted Average Cost of Capital (WACC)

The expected cost of equity using the Capital Asset Pricing Model is calculated as follows: CAPM= Re = RFR + β*MRP

For each geographic area and year, the WACC varies. Company's operational segments are Europe E&C, Europe E&S, LATAM and Africa. The WACC will be different in each segment as the risk free rate, the leveraged beta and the Market Risk Premium changes to consider country and industry specific realities. Moreover, it will change each year, as ME will not keep their capital structure constant through the foreseen horizon. We expect ME to continue deleveraging and reaching the target capital structure by the end of 2021F. For terminal value from 2021F onwards we used a target capital structure considering company's forecasts and current industry levels.

Cost of Debt	4.77%	See appendix
Marginal Tax Rate	30.00%	Statutory tax rate in Portugal + Municipal surcharge + State surcharge

Europe E&C		
Risk Free Rate (RFR)	4.05%	10Y Government Bond yields for Portugal and Poland as of 26th of January 2017 and weighted by their corresponding sales in 2015. See point 2
Beta (β)	1.46	Monthly Adjusted Leverage Betas of ME Europe E&C selected peers, from 2011-2015 (5 years) and delevered by their corresponding capital structure. The average of the unlevered betas were then levered by ME average capital structure from the same period.
Market Risk Premium (MRP)	7.42%	Excess Market Premium for Portugal and Poland and weighted by their corresponding sales in 2015. See point 4
Terminal Growth Rate	1.00%	

Europe E&S		
Risk Free Rate (RFR)	4.12%	10Y Government Bond yield for Portugal as of 26th of January 2017. See point 2
Beta (β)	1.35	Monthly Adjusted Leverage Betas of ME Europe E&S selected peers, from 2011-2015 (5 years) and delevered by their corresponding capital structure. The unlevered betas were then levered by ME 2015 capital structure. See point 5
Market Risk Premium (MRP)	7.43%	Excess Market Premium for Portugal. See point 4
Terminal Growth Rate	1.50%	

Africa		
Risk Free Rate (RFR)	10.00%	10Y Government Bond yield for Angola as of 26th January 2017. See point 2
Beta (β)	2.12	Monthly Adjusted Leverage Betas of ME Africa selected peers, from 2011-2015 (5 years) as well as Aswath Damodaran's leverage beta for E&C Emerging Markets. The unlevered betas were then delevered by their corresponding capital structure and a weighted average was computed, with 50% for peers' beta and 50% for Damodoran's beta. The weighted unleverage beta was levered by ME 2015 capital structure.
Market Risk Premium (MRP)	6.31%	Aswath Damodaran's calculation as of January 2017. See point 4
Terminal Growth Rate	2.00%	

LATAM		
Risk Free Rate (RFR)	7.50%	10Y Government Bond yields for LATAM countries as of 26th of January 2017 and weighted by their corresponding sales in 2015. See point 2
Beta (β)	1.85	Monthly Adjusted Leverage Betas of ME LATAM selected peers, from 2011-2015 (5 years) as well as Aswath Damodaran's leverage beta for E&C Emerging Markets. The unlevered betas were then delevered by their corresponding capital structure and a weighted average was computed, with 50% for peers' beta and 50% for Damodoran's beta. The weighted unleverage beta was levered by ME 2015 capital structure.
Market Risk Premium (MRP)	5.84%	Excess Market Premium from LATAM. See point 4
Terminal Growth Rate	2.00%	

2. Risk Free Rate

The 10Y bond yield for each region as of January 26th, 2017 is the benchmark for the risk free rate. For Europe E&C, we considered a weighted average bond yield according to 2015 Sales of Portugal and Poland. The same approach was developed for Europe E&S, although for this segment the Portuguese 10Y bond yield represents 100% of the final rate. For the African region, the Angolan bond was selected as the proxy for the Risk Free Rate for Africa. The Angolan region, besides a decrease in sales in 2015, is still a very attractive region for ME with positive prospects for the future. Even though there is more risk in other African countries, such as Mozambique, ME also operates in riskless countries, like South Africa. Finally, in LATAM, we considered the 10y bond yields for the four countries where ME operates, computing it with the same approach as before - countries weight in overall sales of 2015.

3. Expected Return - The expected return for E&C, E&S and LATAM was collected from Bloomberg for each segment and weighted by 2015 sales. For Africa, it results by the sum of the market risk premium and the risk free rate.

4. Market Risk Premium

The MRP was also computed based on a weighted average in each region. The Market Risk Premium for Europe is higher than for LATAM and Africa for two main reasons: 1) European countries where ME has its business are mainly Portugal and Poland, and these are not Europe representative – above average risk. 2) due to high LATAM and Africa risk free rate, the differential to arrive at MRP decreases accordingly.

Europe - E&C	Sales 2015	Risk Free Rate	Expected Return	Market Risk Premium
Portugal	62.67%	4.12%	11.55%	7.43%
Poland	37.33%	3.94%	11.33%	7.39%
Total	100.00%	4.05%	11.47%	7.42%

Europe - E&S	Sales 2015	Risk Free Rate	Expected Return	Market Risk Premium
Portugal	100.00%	4.12%	11.55%	7.43%

LATAM	Sales 2015	Risk Free Rate	Expected Return	Market Risk Premium
Brazil	21.85%	10.83%	15.13%	4.30%
Mexico	40.13%	7.59%	13.84%	6.25%
Peru	31.70%	6.08%	12.23%	6.15%
Colombia	6.32%	2.50%	9.44%	6.94%
Total	100.00%	7.50%	13.33%	5.84%

Africa	Sales 2015	Risk Free Rate	Expected Return	Market Risk Premium
Africa	100.00%	10.00%	16.31%	6.31%

5. Beta

The Beta was calculated per operational segment, on the basis of the public peer's beta per region, which considers differences in financial leverage and tax effects. Our option to calculate a Beta per operational segment, rather than for the ME as a whole is due to the differences in each region already mentioned in the industry overview (it would not be taken into account when computing a single WACC).

The capital structure of some of ME peers for 2016 were not available, so all the information collected to compute the ME levered betas per region was from the 2011-2015 time horizon period. This time period was selected considering that ME operates in a cyclical industry and therefore normalized variables must be used. The levered betas of ME peers presented are the average of 2011-2015 adjusted betas, with monthly data. For Europe E&C and Europe E&S, we didn´t weight in Aswath Damodoran's Western Europe levered beta. Portugal and Poland are not very representative of the area and would bias the final levered beta. For LATAM and Africa, we decided to compute the weighted average of the unlevered beta considering peer's beta and beta estimates from Aswath Damodoran for Emerging Markets. To estimate ME Beta for each region, besides considering each regions' unlevered beta, we also considered that the average Debt-to-Equity for ME would be 2,68, taking into account financial debt and marginal tax rate of 30%.

	Average D/E	Tax Rate
Mota-Engil	2.68046	30.00%

Europe E&C	Adjusted Levered β	Average D/E	Unlevered β
Teixeira Duarte	0.76	3.94	0.18
Conduril Engenharia	0.57	0.36	0.44
Erbud	0.69	0.48	0.53
Trakcja PRKil	1.15	0.47	0.82
Unibep	0.68	0.47	0.57
		Average	**0.51**
Mota-Engil	1.46		

Europe E&S	Adjusted Levered β	Average D/E	Unlevered β
GPE Groupe Pizzorno	0.76	1.88	0.30
Prazske Sluzby	0.22	0.12	0.20
Seche Environnement	1.01	0.98	0.62
Lassila & Tikanoja OYJ	0.78	0.51	0.54
Shanks Group PLC	1.02	1.27	0.68
		Average	**0.47**
Mota-Engil	1.35		

Africa	Adjusted Levered β	Average D/E	Unlevered β
Group 5	1.15	0.38	0.93
Stefanutti	1.14	0.24	0.96
Raubexx Group LTD	0.61	0.22	0.52
Julius Berger Nigeria PLC	1.19	1.18	0.81
Aswath Damodoran			0.67
		Weighted Average	**0.74**
Mota-Engil	2.12		

LATAM	Adjusted Levered β	Average D/E	Unlevered β
EMP ICA	1.91	2.31	0.72
Grana y Montero	1.44	0.52	1.00
CAPUTO S.A.	1.14	0.20	1.00
DYCASA SA-B SHS	0.86	0.50	0.63
INGEVEC S.A.	1.22	1.11	0.60
Moller & Peréz-Cotapos	0.37	0.96	0.21
Aswath Damodoran			0.67
		Weighted Average	**0.68**
Mota-Engil	1.85		

Appendix 19: Discounted Cash Flow Analysis

WACC	Europe E&C	Europe E&S	Africa	LATAM
COST OF EQUITY				
Risk Free Rate (RFR)	4.05%	4.12%	10.00%	7.50%
Beta (β)	1.46	1.35	2.12	1.85
Market Risk Premium (MRP)	7.42%	7.43%	6.31%	5.84%
Cost of Equity	**14.87%**	**14.13%**	**23.40%**	**18.29%**
COST OF DEBT				
Cost of Debt	6.82%	6.82%	6.82%	6.82%
Marginal Tax Rate	30.00%	30.00%	30.00%	30.00%
After-tax Cost of Debt	**4.77%**	**4.77%**	**4.77%**	**4.77%**

Europe - Engineering and Construction

	2017F	2018F	2019F	2020F	2021F	Terminal
Weight of Equity	44.24%	46.94%	49.96%	56.08%	60.59%	60.00%
Weight of Debt	55.76%	53.06%	50.04%	43.92%	39.41%	40.00%
WACC	**9.2%**	**9.5%**	**9.8%**	**10.4%**	**10.9%**	**10.8%**

Europe - Environment and Services

	2017F	2018F	2019F	2020F	2021F	Terminal
Weight of Equity	44.24%	46.94%	49.96%	56.08%	60.59%	60.00%
Weight of Debt	55.76%	53.06%	50.04%	43.92%	39.41%	40.00%
WACC	**8.9%**	**9.2%**	**9.4%**	**10.0%**	**10.4%**	**10.4%**

Africa

	2017F	2018F	2019F	2020F	2021F	Terminal
Weight of Equity	44.24%	46.94%	49.96%	56.08%	60.59%	60.00%
Weight of Debt	55.76%	53.06%	50.04%	43.92%	39.41%	40.00%
WACC	**13.0%**	**13.5%**	**14.1%**	**15.2%**	**16.1%**	**15.9%**

LATAM

	2017F	2018F	2019F	2020F	2021F	Terminal
Weight of Equity	44.24%	46.94%	49.96%	56.08%	60.59%	60.00%
Weight of Debt	55.76%	53.06%	50.04%	43.92%	39.41%	40.00%
WACC	**10.8%**	**11.1%**	**11.5%**	**12.4%**	**13.0%**	**12.9%**

	2017F	2018F	2019F	2020F	2021F	Terminal Value
CAPEX						
Europe Engineering & Construction	20,208	20,208	20,208	20,208	20,208	22,527
Europe Environment & Services	48,740	48,740	48,740	48,740	18,740	19,021
Africa	89,967	89,967	89,967	89,967	89,967	84,714
Latin America	29,283	29,283	29,283	29,283	29,283	28,503

	2017F	2018F	2019F	2020F	2021F	Terminal Value
D&A						
Europe Engineering & Construction	23,602	23,196	22,849	22,554	22,304	22,527
Europe Environment & Services	57,206	59,155	60,673	61,829	62,686	63,626
Africa	77,285	79,214	80,772	82,032	83,053	84,714
Latin America	20,875	22,702	24,487	26,234	27,944	28,503

	2017F	2018F	2019F	2020F	2021F	Terminal Value
change in NWC						
Europe Engineering & Construction	3,414	(7,089)	(3,811)	(9,262)	(938)	(948)
Europe Environment & Services	(1,514)	(1,180)	(556)	(4,558)	1,379	(1,286)
Africa	66,568	12,922	14,964	(27,442)	26,886	18,780
Latin America	7,265	4,589	4,032	1,298	3,229	3,294

	2017F	2018F	2019F	2020F	2021F	Terminal Value
Tax Rate	30%	30%	30%	30%	30%	30%

Europe E&C						
EBITDA (1-tax rate)	31,642	32,426	33,115	33,820	34,544	34,890
D&A	23,602	23,196	22,849	22,554	22,304	22,527
Provisions and Impairments	0	0	0	0	0	0
Net increase in NWC	3,414	(7,089)	(3,811)	(9,262)	(938)	(948)
CAPEX	20,208	20,208	20,208	20,208	20,208	22,527
FCFF	**15,101**	**26,266**	**23,573**	**29,641**	**21,966**	**204,179**
WACC	**9.2%**	**9.5%**	**9.8%**	**10.4%**	**10.9%**	**10.8%**
ENTERPRISE VALUE	234,569			**g=**	**1.0%**	

Europe E&S						
EBITDA (1-tax rate)	41,756	42,097	42,889	43,700	44,924	45,598
D&A	57,206	59,155	60,673	61,829	62,686	63,626
Provisions and Impairments	0	0	0	0	0	0
Net increase in NWC	(1,514)	(1,180)	(556)	(4,558)	1,379	(1,286)
CAPEX	48,740	48,740	48,740	48,740	18,740	19,021
FCFF	**11,692**	**12,284**	**12,906**	**18,067**	**43,611**	**528,259**
WACC	**8.9%**	**9.2%**	**9.4%**	**10.0%**	**10.4%**	**10.4%**
ENTERPRISE VALUE	441,393			**g=**	**1.5%**	

	2017F	2018F	2019F	2020F	2021F	Terminal Value
Tax Rate	30%	30%	30%	30%	30%	30%

Africa						
EBITDA (1-tax rate)	123,938	128,663	133,732	127,472	135,258	137,963
D&A	77,285	79,214	80,772	82,032	83,053	84,714
Provisions and Impairments	(1,145)	(129)	468	(269)	23	0
Net increase in NWC	66,568	12,922	14,964	(27,442)	26,886	18,780
CAPEX	89,967	89,967	89,967	89,967	89,967	84,714
FCFF	**(9,754)**	**49,500**	**53,174**	**89,477**	**43,328**	**391,726**
WACC	**13.0%**	**13.5%**	**14.1%**	**15.2%**	**16.1%**	**15.9%**
ENTERPRISE VALUE	386,141			**g=**	**2.0%**	

LATAM						
EBITDA (1-tax rate)	80,875	88,928	97,047	105,213	113,267	115,533
D&A	20,875	22,702	24,487	26,234	27,944	28,503
Provisions and Impairments	0	0	0	0	0	0
Net increase in NWC	7,265	4,589	4,032	1,298	3,229	3,294
CAPEX	29,283	29,283	29,283	29,283	29,283	28,503
FCFF	**50,590**	**61,866**	**71,077**	**82,501**	**89,138**	**840,901**
WACC	**10.8%**	**11.1%**	**11.5%**	**12.4%**	**13.0%**	**12.9%**
ENTERPRISE VALUE	769,838			**g=**	**2.0%**	

ENTERPRISE VALUE		1,831,941
Europe E&C	13%	234,569
Europe E&S	24%	441,393
Africa	21%	386,141
LATAM	42%	769,838
Net Debt		(913,559)
NCI		(292,701)
Associates and Financial Investments		248,271
Holdings		(15,244)
Provisions		(124,733)
Leasings		(121,083)
Equity Value		**612,892**
shares outstanding		233,865
Price Target:	**€**	**2.62**
Conglomerate Discount		10%
Price Target with discount:	**€**	**2.35**

Recommendation System

	SELL	REDUCE	HOLD	BUY	STRONG BUY
High Risk	0%	10%		20%	45%
Medium Risk	-5%	5%		15%	30%
Low Risk	-10%	0%		10%	20%
ME High Risk	**€ 1.65**	**€ 1.82**		**€ 1.98**	**€ 2.39**

Mota-Engil Current Price **€ 1.65** February 3rd, 2017

Appendix 20: Loans Schedule

Cost of Debt

To calculate the cost of Debt, we take into account the company's outstanding main debentures to see Mota-Engil's situation regarding its financing costs. We assume the company to maintain the ratio of Floating Rate Notes over Fixed Rates Notes constant over time at 66% of total debt (as of Annual Report 2015). The company's average cost of Long Term Fixed Rate Debt is 6.06% based on its 6 major outstanding Bond debentures. Concerning its Long Term Floating Rate Notes and taking into account its largest debt obligations, the company incurs average financing costs of Euribor + 5.5%, while Floating Rate Notes of short duration have on average a financing cost of Euribor + 3.5%.

To determine the annual pre-tax cost of debt for Mota-Engil, we calculated a weighted average of the aforementioned financing rates considering their respective weights of overall debt. According to Financial Statement 2015 Information the company's debt structure included 52.7% of Long-Term Floating Rate Debt and 13.3% and 34% for commercial paper and Fixed Rate Bonds, respectively.

Mota-Engil Distribution of Debt

2015 Debt Structure	
Long Term Fixed Rate	34.0%
Short Term Floating Rate	52.7%
Commercial Papers	13.3%

Mota-Engil Weighted Cost of Debt

Cost of Debt Instruments	
Long Term	
Average Cost of Fixed Rate	6.06%
Average Cost Floating Rate	5.50%
+ Average 6 months Euribor	2.14%
	7.64%
Short Term	
Average Cost of Floating Rate (CP)	3.47%
+ Average 3 months Euribor	2.03%
	5.50%
Total Pre-Tax Cost of Debt	**6.82%**

To account for possible changes in the 6 and 3 - months Euribor and a normalization of current negative rates we consider a long term historical average since 2000 as we believe it better reflects the real financing cost for the company's Variable Debt Instruments in the future.

For financial cost calculation we opted to not distinguish between regions due to the fact that a large majority of Mota-Engil's Debt is denominated in Euros (74% of total 2015 outstanding Debt) and collateralized in the form of recourse debt by the parent company's assets (87% of total 2015 debt).

Mota-Engil Debt Distribution by Currency

Debt Distribution by Currency	2013H	2014H	2015H	Average
Czech crowns	0%	0%	0%	0%
US dollars	10%	19%	15%	**14%**
Euros	77%	75%	72%	**74%**
Angola kwanzas	9%	2%	8%	**6%**
Peruvian new sol	0%	1%	1%	1%
Mexican pesos	1%	0%	2%	1%
South African rands	0%	2%	0%	1%
Brazilian real	0%	2%	2%	1%
Polish zlotys	2%	0%	1%	1%
Other	0%	0%	0%	0%

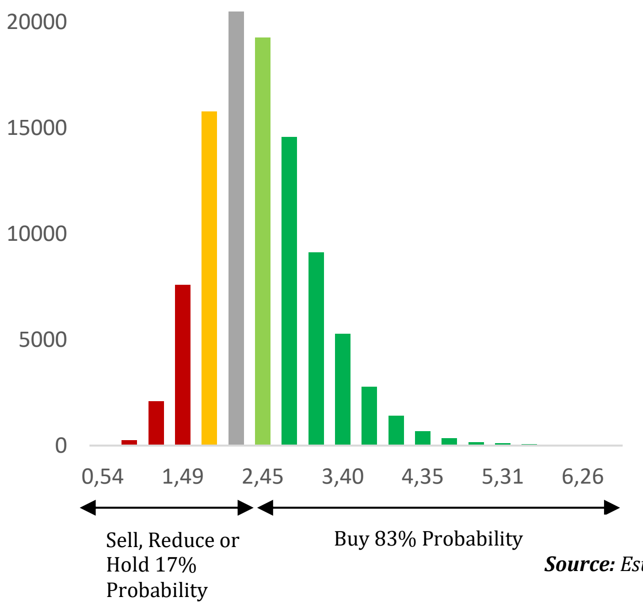
Appendix 21: Monte Carlo Simulation

To compute Monte Carlo simulation, we took into account seven variables to stress out in which we think might seriously impact ME's target price. The variables considered were the Terminal growth for each segment, the cost of debt and exchange rates for EUR/BRL and EUR/MXN.

Our assumptions are in the table below:

Variable	Mean	Std. Dev	Distribution	Explanation
Terminal Growth for Europe E&C	1.0%	1.5%	Normal	Stress the target price sensitivity to changes in the Terminal Growth for Europe E&C
Terminal Growth for Europe E&S	1.5%	1.5%	Normal	Stress the target price sensitivity to changes in the Terminal Growth for Europe E&S
Terminal Growth for Africa	2.0%	1.5%	Normal	Stress the target price sensitivity to changes in the Terminal Growth for Africa
Terminal Growth for LATAM	2.0%	1.5%	Normal	Stress the target price sensitivity to changes in the Terminal Growth for LATAM
Cost of Debt	6.82%	2.0%	Normal	Stress the target price sensitivity to changes in the Terminal Growth for Cost of Debt
EUR/BRL	3.37	0.67	Normal	Stress the target price sensitivity to changes in EUR/BRL
EUR/MXN	21.94	4.39	Normal	Stress the target price sensitivity to changes in EUR/MXN

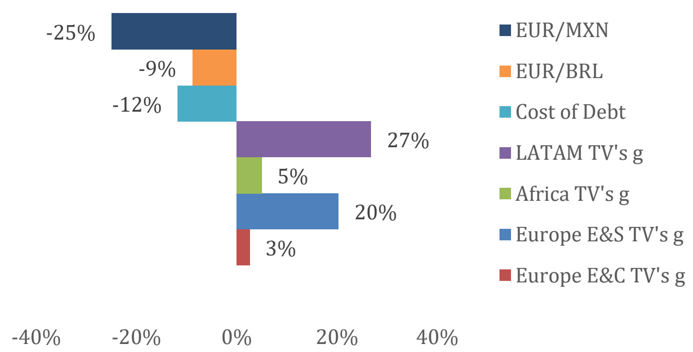
With Monte Carlo Simulation, we arrive at an average price target of €2.58, which is consistent to our DCF target price of €2.35. From ME's price sensitivity distribution, we conclude that LATAM's terminal growth rate (26.8%) and EUR/MXN exchange rate (-24.9%) have the highest impact on ME's price target. This conclusion is consistent with our conservative approach to LATAM, where we find a lot of potential as well as risk. Europe E&S' terminal growth rate (20.3%) also has a significant impact on ME's target price mostly due to high margins. Our buy recommendation has a 82.56% probability of being accurate.



Monte Carlo's Statistics	
Nº of trials	100000
Mean	2.58
Standard Deviation	0.67
10th Percentile	1.81
90th Percentile	3.44
Upside potential	56%

Source: *Estimates*

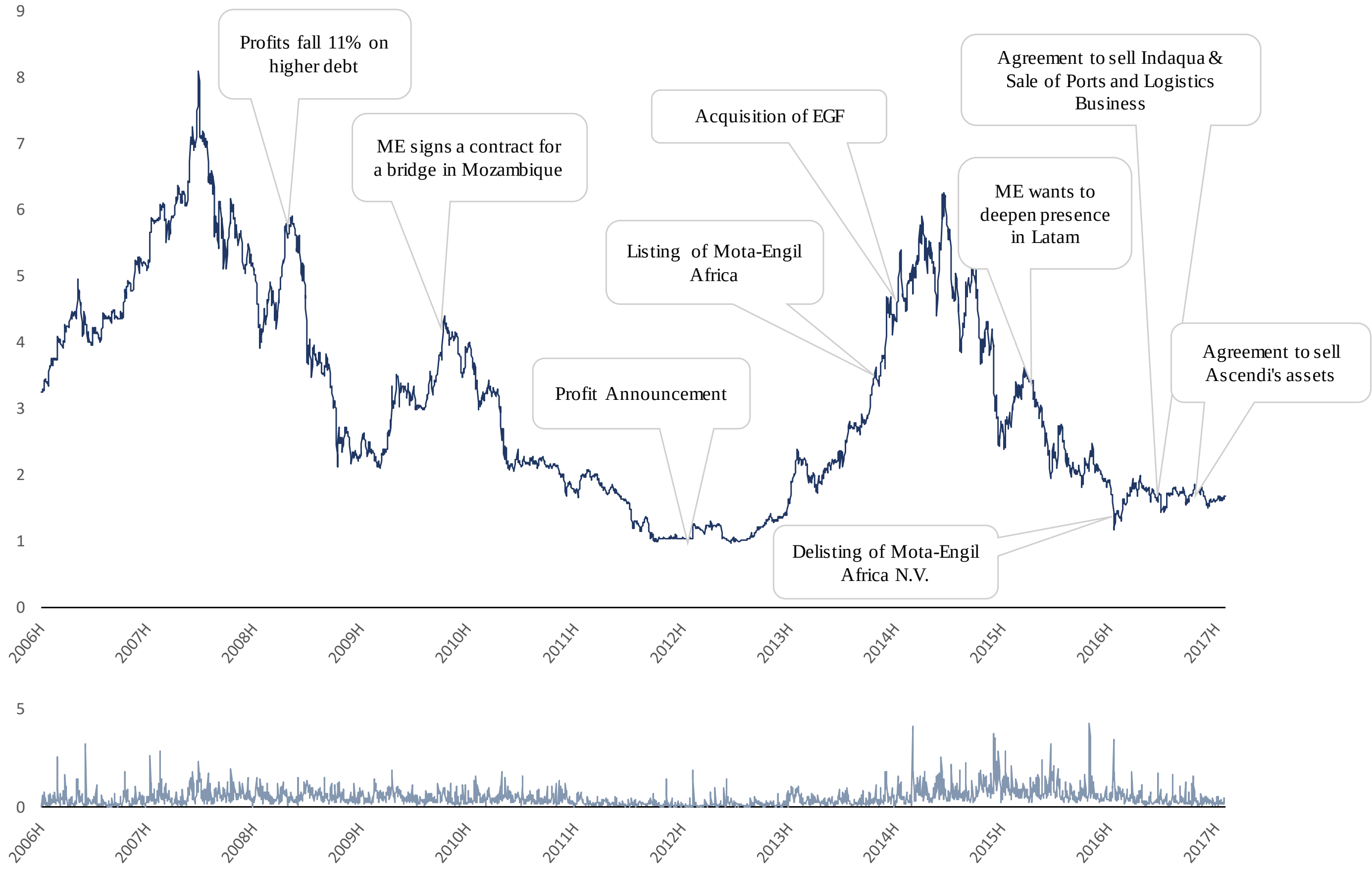
ME price sensitivity distribution



Source: *Estimates*

Appendix 22: Mota-Engil Share Price

Mota-Engil share price in Euros and main events



Source: *Thomson Reuters*

History of Mota-Engil:

August 2016 – Mota-Engil informs about agreement an sell Ascendi's assets: Ascendi, one of Mota-Engil subsidiaries, followed an agreement to sell some assets to Ardian, which is an independent investment company. This contract value is around €600 M.

February 2016 - Sale of Ports and Logistics business : Mota-Engil SGPS,SA is selling their ports and logistics businesses' to Yildirim Group, after approvals from the Portuguese Competition Authority and other legal authorisations, in a €245M deal.

February 2016 - Agreement to sell Indaqua : Mota-Engil announces an agreement with Group Miya to sell their stake in Indaqua for €60M.

December 2015 – Delisting of Mota-Engil Africa N.V. : Mota-Engil announces that the shares from Mota-Engil Africa N.V. stopped of being listed in Euronext Amsterdam. The settlement of the self-tender process and the last trading day of those shares was 9th December.

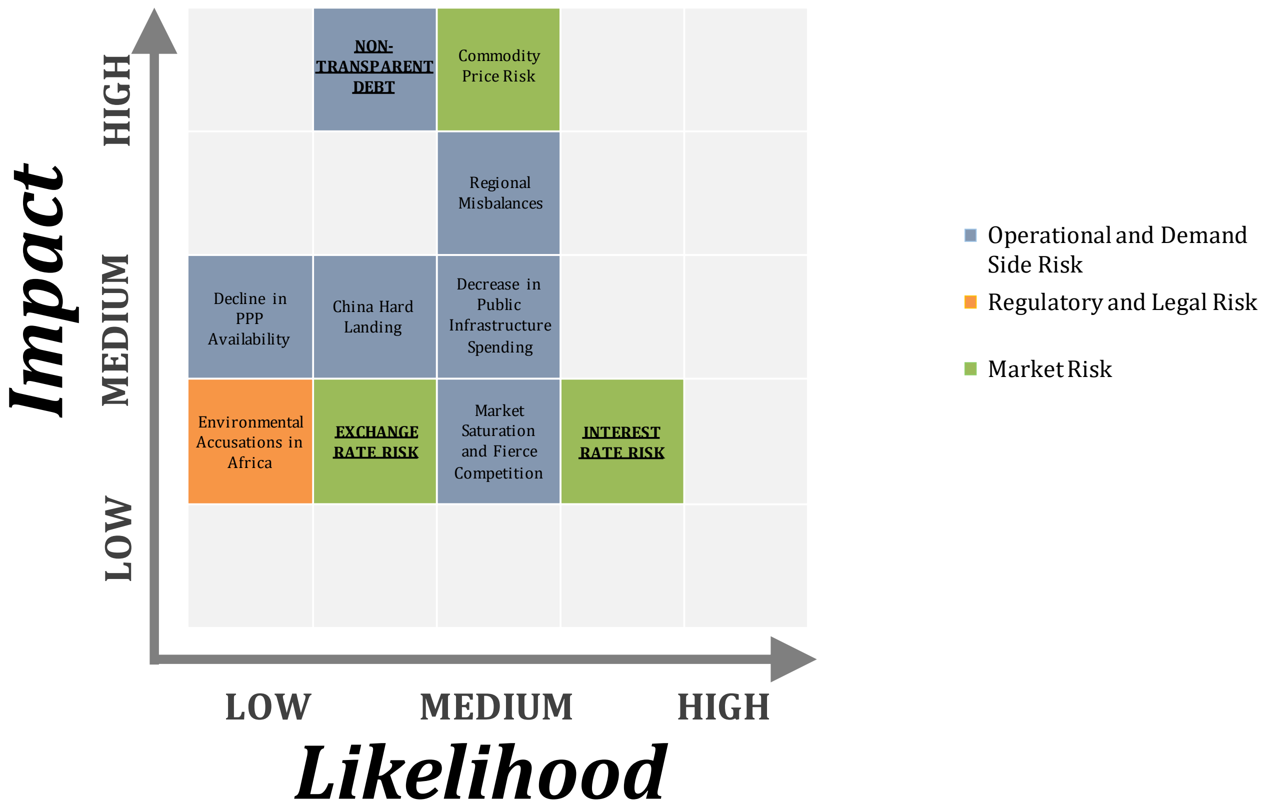
November 2014 – Acquisition of EGF : Mota-Engil acquired 95% of EGF for €147M, a company responsible for waste treatment and recycling activities in Portugal, where it is market leader. The remaining stake was attributed to employees.

November 2013 – Listing of Mota-Engil Africa : Mota-Engil´s shareholders were subject to 20% of Mota-Engil Africa share distribution, according to some conditions. Under this scenario, shareholders are allowed to contribute in a successful market. The company was listed in a European stock exchange market, in order to have a better access to global investors.

February 2012 – Africa contracts totaling €900M : Africa's order book increase with major contracts. Specially, a railway line contract awarded for Vale S.A totaling €540 M.

Appendix 23: Risk Matrix

Risk Matrix



Source: *Estimates*

Operational and Demand Side Risk | **China Hard Landing (OD4)**
Deterioration in Demand from China has had a meaningful impact on export dependent economies as commodity prices and government revenue tumbled, resulting in a slowdown of government and infrastructure spending for the region. Deterministic factors for a continued recovery in commodity prices along with a pickup in overall infrastructure investment include a soft landing of the Chinese economy. Failing to do so, would expose many countries in Africa and LATAM where ME operates to increased revenue volatility.

Operational and Demand Side Risk | **Regional Misbalances (OD6)**
ME's geographic business exposure in terms of expected 2016 Revenue is fairly balanced with Europe contributing 34% and 29% and 37% for Africa and LATAM, respectively, As a result of strong growth prospects for the LATAM business (56% of total revenue by 2021) and expected more modest growth rates for Europe and Africa (each 22% by 2021), regional misbalances will lead to increased dependence on one region. Consequently, harsh business development, adverse market conditions or unexpected swings in economic activity in that region may cause substantial damage to overall profitability and liquidity of the company (see sensitivity analysis LATAM).

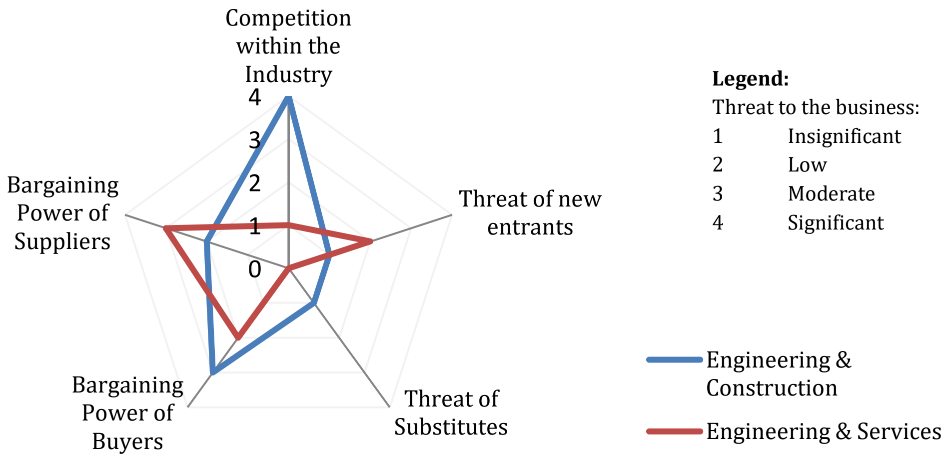
Regulatory and Legal Risk | **Environmental Accusations in Africa (RL1)**
In the midst of a yellow fever outbreak in Angola, the company finds itself facing accusation of having actively contributed to the increasing public health problems in the country's capital. The core of the accusations include safety related incidents after the renewal of most of the capital's main roads. Following the completion of one of the company's projects and as a result heavy rains in the region throughout the summer time, road parts close to sewers reopened, leading to accumulation of waste that is now held responsible for the increased number of yellow fever victims in the region. Taking into account the scale of the accusations that have not been determined to stem from wrong doing on part of the company, reputational consequences for ME are expected to remain negligible due to an overall great historical track-record.

Regulatory and Legal Risk | **Regulation and Compliance for Projects in Africa (RL2)**
The regulatory risk in Africa results mainly through the Group's subsidiaries and Governments, as a certain number of regulations must be evaluated and then approved in order for the projects to be accepted. Even though these risks are rather insignificant for some African regions, where operations dates back almost 70 years, they still need to be taken into consideration in more recently expanded countries.

Operational and Demand Side Risk | **Decline in PPP availability (OD3)**
The overall increase over the past decade in PPP as a means to relieve government budgets and engage in risk and profit sharing has come to a halt in recent years as private companies face cost overruns and overly optimistic revenue expectations that leave the usefulness and profitability of PPP's in doubt for the future periods. Additionally, PPP financing has become more difficult to obtain, creating possible uncertainty for future periods regarding private collaboration with the government.

Appendix 24: Porter's Five Forces Model

Five Forces Analysis of Mota-Engil SGPS,SA



Bargaining Power of Suppliers |

E&C: Level 3

In this industry, there are numerous suppliers providing raw materials as the ones ME requires. There is no differentiation degree and prices among suppliers are similar, resulting in a not so significant bargaining power regarding prices. ME is overall semi-dependent from suppliers, since changes on prices might directly influence ME's operational costs. Regarding COGS, they represent between 52.8%, 54.7% and 49.9% of overall costs of the group in 2013-2015 period. Africa has similar COGS/Total Costs for the same time period, with an average of 51%, 47 % and 41%. Europe E&C is the region with the highest COGS/Total Costs, showing a decreasing trend from 75.0% to 62.5% between 2014 and 2015. Finally, LATAM has 53.78% of their total costs allocated to COGS in 2015.

E&S: Level 3

This industry is mainly centered in Portugal where ME controls a high percentage of the market. Besides EGF and SUMA there are not much more companies available for waste treatment and waste collection. Contracts come from municipalities where most of them have a high rate of renewal, as large parts are long-term contracts. Therefore, ME depends from Governments ability to maintain their previous contracts.

Threat of Substitutes |

E&C: Level 1

There are low opportunities for substitute services for Engineering & Construction. Regarding ME's main raw materials, steel and aluminum might be a threat as substitutes, although with small impacts.

E&S: Level 0

For waste management and waste collection, ME does not face threats from substitute services.

Bargaining Power of Buyers |

E&C: Level 3

Considering this topic, ME has some contracts, mainly from Public-Private Partnerships and some international funds, which exposes the company towards infrastructure investment. For LATAM and Africa, regional contractors normally address the company. In Africa developing some delayed-contracts will come a close reality as the economic environment has improved. ME's Europe projects depend from some economic fund, as is the case of the European Commission.

E&S: Level 2

The energy that is developed through the waste is then transmitted to the grid. Regarding the recycling business there are a bunch of buyers to where EGF allocates its service. The energy distribution is a very competitive market with standardized energy prices, which leads to conclude that the power of buyers is low. We reached the same conclusion for the recycling segment, as ME through EGF and SUMA does not suffer from changes in the buyers, as the platform of it is extent.

Threat of new entrants |

E&C: Level 1

The infrastructure industry has high entrance costs since these business segments require a significant initial capital investment, especially for fixed costs. Considering barriers to entry, besides high capital expenditures, there are also economies of scale that are a disadvantage for newcomers that cannot reach those values. Companies trying to enter this industry also find it difficult to have access to distribution channels. Overall, the threat of entering in the E&C industry is low, wherever the region.

E&S: Level 2

The waste collection segment is run by municipalities with very consistent players within. It is not appealing for the Governments to have more privatized companies in this industry, so it makes sense that legal and ambient terms are a big remark, discouraging potential new entrants. For the waste treatment, overhead costs are high, mainly with equipment used to treat the waste.

Competition within the industry |

E&C: Level 4

The competition in the industry is relatively high once those companies deliver the same services; the question is which company gets the project, making the environment highly competitive. Concerning Europe, the competitive behavior is higher in Poland, however not as significant in Portugal. For Africa, despite present uncertainty regarding the behavior of commodity prices, this continent is still urging for construction development, as those are drivers for this industry. Besides the deficit in infrastructure, growth prospects are appealing for developers and investors, revealing even more attention to the industry.

E&S: Level 1

For the Environment & Services in Portugal, regarding Waste Treatment, EGF is responsible for 68% of that market, as the remaining comes from the municipalities. Regarding SUMA, it owns 53% from 37% of the Waste Collection market. The competition is not significant, as ME in Portugal owns part of this industry.

Appendix 25: Abbreviations

Mota-Engil S.G.P.S., S.A. (ME)

Portuguese Environment Agency (APA)

Board of Directors (BoD)

Basis Points (bps)

Billion (b)

Board of Directors (BoD)

Business Monitor International (BMI)

Capital Asset Pricing Model (CAPM)

Capital Expenditure (Capex)

Cash Flow (CF)

Chief Executive Officer (CEO)

Chief Financial Officer (CFO)

Compound Annual Rate Growth (CAGR)

Depreciation &Amortisation (D&A)

Discounted Cash Flow (DCF)

Earnings Before Interest & Taxes (EBIT)

Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)

Empresa Geral do Fomento, S.A. (EGF)

Engineering & Construction (E&C)

Environment & Services (E&S)

European Union (EU)

Euro (EUR)

Forecast (F)

Foundation Manuel António da Mota (FMAM)

GigaWatt (GW)

Gross Domestic Product (GDP)

Infrastructure Consortium for Africa (ICA)

Interest Rate Swap (IRS)

International Monetary Fund (IMF)

Kilogramme (kg)

Latin America (LATAM)

Market Risk Premium (MRP)

Million (M)

Mota & Companhia (M&C)

Municipal Solid Waste (MSW)

National Waste Management Plans (PERSU)

Net Working Capital (NWC)

Observatory of Economic Complexity (OEC)

Organization of the Petroleum Exporting Countries (OPEC)

Percentage Points (pp)

Portuguese Securities Exchange Commission (CMVM)

Public-Private Partnership (PPP)

PricewaterhouseCoopers, LLP (PWC)

Regulated Asset Base (RAB)

Relatório do Estado do Ambiente (REA)

Return on Assets (ROA)

Return on Equity (ROE)

Risk Free Rate (RFR)

Southern African Development Community (SADC)

Serviços Urbanos E Meio Ambiente, S.A. (SUMA)

Strategic Plan for Transport and Infrastructure (PETI3+)

Sum of Parts (SoP)

Transportation Infrastructure (T&I)

United Kingdom (UK)

United States (US)

US Dollar (USD)

Water and Waste Regulation Authority (ERSAR)

Weighted average cost of capital (WACC)

Working Capital (WC)

Year (Y)

Year over Year (YoY)

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Recommendation System

Level of Risk	SELL	REDUCE	HOLD/NEUTRAL	BUY	STRONG BUY
High Risk	0%≤	>0% & ≤10%	>10% & ≤20%	>20% & ≤45%	>45%
Medium Risk	-5%≤	>-5% & ≤5%	>5% & ≤15%	>15% & ≤30%	>30%
Low Risk	-10%≤	>-10% & ≤0%	>0% & ≤10%	>10% & ≤20%	>20%