Annual Report 2016

Seth

INDEX

Seth - Sociedade de Empreitadas e Trabalhos Hidráulicos was set up in 1933 by the Danish firm Højgaard & Schultz a/s. It is now one of Portugal's major Marine Works companies and it has gained international renown in Coastal and Port Engineering.

Throughout its 84 years of history the Company has undertaken countless civil construction, industrial and public works jobs for central and local government, autonomous institutes, the Portuguese Armed Forces, the US Armed Forces and NATO.

Seth soon became a technologically-advanced company all-time and the image of the Company is the innovation in the search for solutions in carrying out the customers' projects. This form of action constituted the basis of the Company's internationalisation as from 2004, which now extends to countries such as Algeria, Guinea-Conakry, Cape Verde, Mozambique, Angola and Gibraltar.

Although the domestic market has been in deep recession, it proved possible, through business abroad, to achieve very good results, in line with those of the previous year and above the targets set by the shareholders. However, given the absence of opportunities and business in the domestic market, together with the delays to the start of projects awarded in Mozambique, there has been a significant reduction of turnover.

Turnover decreased by 43% compared to 2015 but, on the contrary, significant profits were obtained.
The business activity primarily involved construction of infrastructure divided into three specific business areas: Maritime and Hydraulic Infrastructure, Electric Power Transmission and Geotechnics undertaken in Portugal, Mediterranean Europe and Africa.

Expectations for 2017 appear to be better, with a twofold increase public investment provided for in the State budget and acceleration of the 2020 Community Support Framework and of the European Strategic Investments Programme.

During 2016, of the company's business Africa accounted for 85% and Europe 15%, while Portugal accounted for a 14% share the total.

Turnover fell significantly over the previous year, to stand at €29,986,558.
The EBIT stood at €3,572,973, or 12% of turnover.
Net Income amounted to €3,076,088, an amount lower than the previous year.
At the year-end the order book amounted to €35,945,516, including amounts corresponding to letters of intent issued by employers but with contracts not yet signed.

Economic and Financial Indicators
In 2016 depreciation of tangible fixed assets, using the straight-line method, totalled €768,322. Assets of an acquisition price of less than €1,000 were fully written down during 2016.

At the end of the period the Company's Equity stood at €9,701,528.

Outlook for 2017
Confirmation of the award to the Mota-Engil Angola / Seth / SethAngola consortium in February 2017 of the construction of the Port of Cabinda breakwater/quay has provided an increase of the order book by 11 million euros.
Since a final value for Option 2 of the Mixcredit project in Mozambique has not been agreed, but as its activation has been exercised by the customer, it can be stated that the order book will soon be increased by an amount equivalent to 9 million euros in respect of these works to be carried out until June 2019.
On the basis of these assumptions it is expected that turnover of approximately €41 million and an EBIT of 5% will be achieved in 2017.

Annual Report 2016

INTRODUCTION

Although the domestic market has been in deep recession, it proved possible, through business abroad, to achieve very good results, in line with those of the previous year and above the targets set by the shareholders. However, given the absence of opportunities and business in the domestic market, together with the delays to the start of projects awarded in Mozambique, there has been a significant reduction of turnover.
The late handing-over of two jobs in the energy sector in Mozambique, a part of the EDAP project, of which two of the five jobs awarded were finalised during the year, was the main reason for not achieving the expected turnover, similar to that of 2015. The handing-over the projects in question, financed by the European Investment Bank, is scheduled for the first quarter 2017.
Turnover decreased by 43% compared to 2015 but, on the contrary, significant profits were obtained.
The business activity primarily involved construction of infrastructure divided into three specific business areas: Maritime and Hydraulic Infrastructure, Electric Power Transmission and Geotechnics undertaken in Portugal, Mediterranean Europe and Africa.
The main contribution to turnover came from the Electric Power Transmission area and from the Mozambican market where the greater part of the order book is located. During 2016, in the maritime infrastructure works area, works were carried out in Gibraltar and Guinea.
In Portugal, on the contrary, the level of activity was the lowest ever recorded by the company in its long history dating back more than eight decades, the result of the lowest level of public investment since the inception of the European database, AMECO, in 1960.
Indeed, contrary to initial expectations, the sector again experienced a reduction of activity for the ninth consecutive year, largely the result of the lack of public investment in construction of infrastructure and of the cooling-off of the buildings’ sector, which is still the most dynamic.
Expectations for 2017 appear to be better, with a twofold increase public investment provided for in the State budget and acceleration of the 2020 Community Support Framework and of the European Strategic Investments Programme. Nevertheless, the constant use by governments of measures to reduce the state deficit by putting back planned investments, does not allow a belief that growth opportunities in the infrastructure sector, the company's main area of operation, are assured.
During 2016, of the company’s business Africa accounted for 85% and Europe 15%, while Portugal accounted for a 14% share the total.
Turnover fell significantly over the previous year, to stand at €29,986,558.
The EBIT stood at €3,572,973, or 12% of turnover.
Net Income amounted to €3,076,088, an amount lower than the previous year.
At the year-end, the order book amounted to €35,945,516, including amounts corresponding to letters of intent issued by employers but with contracts not yet signed.

ACTIVITY IN THE MARKETPLACE

The company's business strategy continued to focus on the search for new opportunities in keeping with its areas of specialisation, Maritime and Hydraulic Infrastructure, Electric Power Transmission and Geotechnics. Private target customers are engaged in the Oil & Gas, Mining and Port-Concessionaire sectors, while public target customers involve energy companies and port authorities.
This will be further developed by diversifying the business geographically with a view to reducing exposure to a single market, in anticipation of the start of business in other countries of the Economic Community of Southern Africa in respect of the transmission of electric power and widening the search for opportunities in the maritime area of the Middle East, specifically Oman.
During 2016, the company was engaged in jobs in Portugal, Gibraltar, Guinea and Mozambique.

Of the jobs concluded in 2016 we would underscore the following:
- EDAP Grid Extension, Lots 2 and 8
  Customer: E.D.M. (Mozambique)
- Kamsar Container Terminal, Phase III, Kamsar
  Customer: GAC/Emirates Global Alumina (Guinea Conakry)

Of the jobs in progress continuing into 2017, we would underline:
- Reinforcement and Extension of the National Power Transmission Grid,
  Customer: E.D.M. (Mozambique)
- EDAP Grid Extension, Lots 4, 5 and 7
  Customer: E.D.M. (Mozambique)
- 66kV Infulene/Matola Line
  Customer: E.D.M. (Mozambique)

BRANCHES, SUBSIDIARIES AND JOINT VENTURES

BRANCHES

Seth ALGERIA

Operations in this market were finalised and the branch remains active solely to comply with legal obligations.

Seth MOZAMBIQUE

The entire business consisted of electrification works for EDM and the company has an order book for completion by the end of 2018. It should be noted that all these jobs are financed by aid agencies or development banks, and payment certainty and cash-flow predictability therefore entail risks lower than those of the market in general.
The coming year, 2017, will see a level of activity similar to that of 2016, while new opportunities are being

studied in order to maintain the current level of orders beyond 2018.

Seth GUINEA

Upon completion of the works involved in the third phase of the container terminal the same level of activity is not to be expected in the future. There is set to be a certain activity in the first quarter of 2017 but existing opportunities do not provide prospects of ongoing presence in this market thereafter.

Seth GIBRALTAR

During the year construction work was carried out in association with the company Casais Gibraltar for the Government of Gibraltar.
The works were completed in June 2016 and the branch remains active because of the prospect of new jobs for the local government.

Seth CAPE VERDE

The branch remains active for compliance with legal obligations.
Though continuing its commercial activity directed at identifying new opportunities in this market, no new orders are on the horizon.

SUBSIDIARIES

SETHANGOLA, SA

Despite the difficult situation of the Angolan economy the intention was confirmed of the award of a Quay and Breakwater in Cabinda for IMPA, in consortium with Mota-Engil Angola, as subcontractors of the Chinese company CGGC. The total of these jobs is set to amount to USD 43 million over the next two years, Seth having a 50% share.
A loss was returned by the subsidiary in 2016, in line with expectations.

SETHMOZ, SA

The company was not engaged in any activity during 2016.
Seth controls 60% of the company, the remainder of the share capital being held by Mozambican entities.
The result was in line with expectations and with the non-existence of activity.
The coming year, 2017, is expected to be no different.

MARINERTES, SA

The company has lodged a number of legal actions to contest the impediments that were raised in respect of fulfilment of the obligations stemming from the licences that had been granted to it.
There were no significant developments in this matter.
Seth has a 29% stake in this company.

MAISTRÊS – UNIPESSOAL, LDA

The company's business consists of the operation of its residential apartments, which are intended for sale.
Seth holds 100% of the share capital of this company.

JOINT VENTURES

CONSTRUSALAMONDE, ACE

The works were completed in 2016 and are now in the warranty period. Seth's claim and that of the joint venture in respect of unforeseen work have been acknowledged, and payment thereof was agreed with and made by the customer.
Seth has a 7.5% stake in this joint venture.

GMP MEK ACE e GMP ACE

In 2012, these joint ventures concluded the contract works in Algeria, which are now in the warranty period. Seth has a 33.3% holding in both these incorporated joint ventures. Both will be wound up in 2017.

CAIS DE CRUZEIROS, 2.ª FASE ACE

The incorporated joint venture was set up for the contract for the Rehabilitation and Reinforcement of the Quays between Santa Apolónia and Jardim do Tabaco – 2nd Stage the works were completed in 2011 and therefore their final acceptance has been requested. The work in respect of the quay has been accepted and discussions are ongoing regarding the landfill of the dock, conclusion of which may occur during 2017.

AARSLEFF-SETH JV I/S

During 2016, the consortium with the Danish construction concern Per Aarsleff a/s continued the execution of the contract for the Reinforcement and Extension of the National Power Transmission Grid (MixCredit) for Electricidade de Moçambique. The joint venture is headquartered at Aabyhoe in Denmark and in 2013, the year of its formation, a branch was established in Mozambique. Each company has a 50% stake in the joint venture.
During the year now ended, works were awarded relating to Option 1 provided for in the original contract, which will extend the work being undertaken up until June 2018. In keeping with the provisions of the original contract negotiations are under way with the customer to confirm Option 2, which may increase the turnover of the association by another €18 million and put back the completion date of the works to June 2019.

CMM/SETH ACE

The purpose of the joint venture is to carry out works on the Lajes Field in the Azores for the United States Navy and United States Air Force. During the year, the project for the conversion of a building as a workshop was finalised. The uncertainty as to the continuation of the United States Armed Forces at the Lajes Field also raises uncertainties regarding the continuity of the joint venture. This will be assessed during 2017.
Seth has a 50% holding in the joint venture.

QUALITY, ENVIRONMENT AND SAFETY - QES

During 2016, the process of Integration and Certification of the three Quality, Environment and Safety Management Systems (QES) was finalised, which brought the dates into line, speeding up the monitoring and renewal of the said systems.
Within the scope of monitoring the certification of the Integrated Quality, Safety and Environment Management System (SGIQAS) under Standards ISO 14001:2004, NP 4397-2008 (OHSAS 18001:2007) and ISO 9001:2008, the respective monitoring audits were performed on October 10, 11 and 12, 2016, by the

certification entity APCER – Associação Portuguesa de Certificação.
With regard to the Integrated QES Management System, this was the first external audit of the three management systems on an integrated basis.
The audit of the Management Systems focused on verification of the general documentation of the systems, visits to the Central Yard and to SETH's head office, and a documental audit of works already concluded. The audit report included the findings of the certifying entity, detailing the nonconformities and the opportunities for improvement under the SGIQAS.
All the findings were, as customary, included in the objectives of our system. The audit findings were once again very positive.
Of the strong points observed in the audit, the following are underscored:

- Commitment and motivation of the works team and of the areas involved;
- Organisation of the documentation;
- Motivation of the employees contacted and their involvement in the improvement of the Systems implemented;
- Willingness and constructive attitude demonstrated by all employees contacted in the course of the audit, involving willingness to introduce corrections in the course thereof;
- Organisation of the documentation of SAPEC Job;
- Financial control of the works during their execution and control of works under warranty.

In order to lend continuity to the process of improvement of Management Systems, it was determined that, in 2017, a start will be made to the adaptation of the Environment and Quality Systems to the respective new standards, which are scheduled for completion in 2018 in order to be certified in accordance with the new standard.

During the year training courses and the means of prevention were strengthened, primarily in respect of collective protection equipment and of the equipment for very large jobs. The training courses have covered Seth workers and also those of subcontractors, thereby enhancing a culture of safety at our jobs.

2016 Accident Rates

The 2016 Accident Rates figures were 16 for the Frequency Rate (qualitative class Very Good) and 0.8 for the in the Severity Rate (qualitative class Good). However, the Severity Rate for 2016 has not yet been finalised, since one of the casualties involved an injury considered serious, who transited to 2017, with days off that are always referred to the year in which the accident took place, altering the Severity Rate.

I&D

In 2016 there was an increase in research, development and innovation (RDI) activity undertaken by the company. This activity focused on the study of the application of BIM (Building Information Modelling) in the management and execution of works, having increased co-operation with technicians of the majority shareholder that operates in a market where the use of this methodology is already mature. On the basis of this co-operation it was decided to set up a BIM and VDC (Virtual Design & Construction) implementation group that will be responsible for the implementation of these methodologies at the company.
Seth continues to be an associate of the Portuguese Technological Construction Platform (PTPC), which aims to promote reflection on the industry and implementation of research, development and innovation initiatives and projects that can contribute to improving the competitiveness and internationalisation of the Portuguese construction industry.
The company is an associate of FUNDEC - Association for Training and Development in Civil Engineering and Architecture, a partnership between the university and companies with the objective of enhancing the company's R&D capacity and to complement the ongoing training of its employees.
During the current year, the group BIM/ VDC group was established and a start was made to the investments required for the creation of an IT and communications infrastructure allowing the use of these working technologies.
Investment was made in the company's geotechnical skills through the acquisition of micro-piling equipment and the start to the training of the company's personnel in the use thereof.

SOCIAL RESPONSIBILITY

The Social Responsibility Policy that Seth has implemented in its business is governed by moral principles and professional ethics that safeguard respect, integrity and trust. Through it, Seth undertakes to comply with various legal, social and moral commitments to employees, customers and society in general.

Seth views itself a socially responsible organisation, where in decision-making it values and respects the community and the environment in which it operates.
In its business, it has demonstrated respect for human rights, concern for future generations by focusing on sustainable development, investment in employees' personal enhancement, environmental protection, compliance with social standards and respect for the ethical values and principles of our society.

Regard for the Environment

The company's Environmental Policy assumes protection and conservation of the environment as a concern, not only for the need to respond to the requirements of applicable legislation but also because it contributes to sustainable development.
With due respect for preservation of the environment, Seth has implemented several eco-efficiency measures at its head office and, due to the importance given by the company to environmental protection, coupled with the fact that new solutions constantly arise on the market, new energy-saving measures are under review for implementation at the head office and at the central building yard.
There are frequent training courses for our employees, during which they are sensitised to environmental conservation through responsible and effective use of available resources.

Support for the Community

Over the years Seth has been involved, at several levels, in projects and with charitable institutions that perform humanitarian and solidarity activities at national and international level. All these initiatives providing support to the community do not merely serve the short-term purpose of return on the image or financial return, rather the primary purpose of contributing to the development and well-being of these communities.

Of the sponsorship provided, we would underscore:

APCA – Associação Portuguesa da Classe Access

Seth supports APCA (Portuguese Access Class Association), a non-profit NGODP (non-governmental association for disabled persons), the aim of which is to promote Access Class Sail and to provide its technical management as an adapted-sail sport. Seth sponsors the "SETH Sail" project, which aims to divulge and promote adapted sailing up and down the country.

Of the donations in 2016 we would underscore:

Um Pequeno Gesto Uma Grande Ajuda

Um Pequeno Gesto Uma Grande Ajuda is a legally-recognised non-profit NGOD, (Non-governmental Organisation for Development), which has acted in Mozambique (Gaza Province) since 2004. Its structure and intervention have been growing and nowadays it directly supports more than 900 children through the Sponsorship Programme, enhancing it with projects in areas such as Education, Infrastructure, Poverty Alleviation and Sustainability.
As of the date of this protocol, Seth and UPG have agreed to direct the funds generated within the scope of the said partnership to the annual co-financing of the School Feeding Programme at the Santa Luísa de Marillac (SLM) school at Manjangue, Chokwé, Mozambique.

ECONOMIC AND FINANCIAL INDICATORS

In 2016 depreciation of tangible fixed assets, using the straight-line method, totalled €768,332. Assets of an acquisition price of less than €1,000 were fully written down during 2016.
At the end of the period the Company's Equity stood at €9,701,528.

APPROPRIATION OF RESULTS

The Board of Directors proposes the following appropriation of net profit:

Dividend distribution	€750,000
Retained earnings	€2,326,088

2017 PREVIEW AND SUBSEQUENT EVENTS

A confirmação da adjudicação, em Fevereiro de 2017, Confirmation of the award to the Mota-Engil Angola / Seth / SethAngola consortium in February 2017 of the construction of the Port of Cabinda breakwater/quay has provided an increase of the order book by 11 million euros.
Since a final value for Option 2 of the Mixcredit project in Mozambique has not been agreed, but as its activation has been exercised by the customer, it can be stated that the order book will soon be increased by an amount equivalent to 9 million euros in respect of these works to be carried out until June 2019.
On the basis of these assumptions it is expected that turnover of approximately €41 million and an EBIT of 5% will be achieved in 2017.

Queijas, March 1, 2017

The Board of Directors
Ricardo Pedrosa Gomes (President)
Peter Kofoed
Steffen Kremmer
Villy Petersen

Monetary Unit: EURO

HEADINGS	Notes	Dec 31, 2016	Dec 31, 2015
		Periods	
ASSETS			
Non-current assets			
Tangible fixed assets	6	5 729 080	5 653 505
Trade receivables	10	3 651 069	3 241 508
		9 380 149	**8 895 013**
Current assets			
Inventories	9	313 246	319 416
Trade receivables	10	10 216 295	13 385 314
State & other public entities	11	1 034 649	1 182 015
Other receivables	12	4 170 056	11 468 929
Deferrals	13	50 769	155 004
Financial assets held for trading	14	10 000	20 116
Cash & Bank deposits	4	1 716 340	3 707 238
		17 511 355	30 238 032
Total Assets		**26 891 504**	**39 133 045**
EQUITY & LIABILITIES			
Equity			
Share capital	15	4 000 000	4 000 000
Legal reserves	16	801 069	801 069
Other reserves	17	197 542	197 542
Retained Earnings	18	2 588 385	25 987
Adjustments to financial assets/Other changes in equity	19	(961 556)	(589 139)
Net Profit		**3 076 088**	**3 766 959**
Total Equity		**9 701 528**	**8 202 418**
Liabilities			
Non-current liabilities			
Provisions	20	1 539 528	1 616 192
Loans	21	609 404	881 806
		2 148 932	**2 497 998**
Current liabilities			
Trade payables	23	6 176 651	8 762 669
Prepayments received from customers	24	3 543 881	8 099 088
State & other public entities	11	508 604	798 071
Loans	21	3 334 531	5 419 573
Other payables	22	1 039 992	3 498 892
Deferrals	13	437 386	1 854 336
		15 041 045	**28 432 629**
Total liabilities		**17 189 977**	**30 930 627**
Total equity and liabilities		**26 891 505**	**39 133 045**

The Board of Directors
Ricardo Pedrosa Gomes (President)
Peter Kofoed
Steffen Kremmer
Villy Petersen

The Chartered Accountant
Sofia Mendes

Monetary Unit: EURO

	Notes	Equity attributed tothe parent company's equityholders: Share capital	Legal reserves	Other reserves	Retained Earnings	Adjustments to financial assets/Other changes in equity	Net profit for the period	Total	Noncontrolling interests	Total do Capital Próprio
POSITION AT THE START OF THE PERIOD 2015	2.4	4 000 000	801 069	197 542	1 915 082	33 431	(1 889 096)	**5 058 028**		**5 058 028**
CHANGES DURING THE PERIOD										
First adoption of the new accounting standards								-	-	-
Accounting policies alterations								-	-	-
Financial statement conversion differences								-	-	-
Realisation of the tangible and intangible fixed assets revaluation surplus								-	-	-
Deferred tax adjustments								-	-	-
Other changes recognised in equity						(622 570)		(622 570)	-	(622 570)
	2	-	-	-	-	(622 570)	-	(622 570)	-	(622 570)
NET PROFIT FOR THE PERIOD							3 766 959	**3 766 959**	**-**	**3 766 959**
COMPREHENSIVE RESULT							3 766 959	**3 144 389**	**-**	**3 144 389**
TRANSACTIONS WITH EQUITYHOLDERS DURING THE PERIOD										
Equity capital paid up								-	-	-
Issued premiums paid up								-	-	-
Distributions								-	-	-
Inflows to cover losses								-	-	-
Other transactions					(1 889 096)		1 889 096	-	-	-
	5	-	-	-	(1 889 096)	-	1 889 096	-	-	-
POSITION AT THE END OF THE PERIOD 2015		4 000 000	801 069	197 542	25 986	(589 139)	3 766 959	8 202 418	-	8 202 418
POSITION AT THE START OF THE PERIOD 2016	**2.4**	4 000 000	801 069	197 542	25 986	(589 139)	3 766 959	**8 202 418**	-	**8 202 418**
CHANGES DURING THE PERIOD										
First adoption of the new accounting standards								-	-	-
Accounting policies alterations								-	-	-
Financial statement conversion differences								-	-	-
Realisation of the tangible and intangible fixed assets revaluation surplus								-	-	-
Deferred tax adjustments								-	-	-
Other changes recognised in equity					14 439	(372 417)		(357 978)	-	(357 978)
	7	-	-	-	14 439	(372 417)	-	(357 978)	-	(357 978)
NET PROFIT FOR THE PERIOD							3 076 088	**3 076 088**	-	**3 076 088**
COMPREHENSIVE RESULT							3 076 088	**2 718 110**	-	**2 718 110**
TRANSACTIONS WITH EQUITYHOLDERS DURING THE PERIOD										
Equity capital paid up								-	-	-
Issued premiums paid up								-	-	-
Distributions					(1 219 000)			(1 219 000)	-	(1 219 000)
Inflows to cover losses								-	-	-
Other transactions					3 766 959		(3 766 959)	-	-	-
	10	-	-	-	2 547 959	-	(3 766 959)	(1 219 000)	-	(1 219 000)
POSITION AT THE END OF THE PERIOD 2016		4 000 000	801 069	197 542	2 588 385	(961 556)	3 076 088	9 701 528	-	9 701 528

The Board of Directors
Ricardo Pedrosa Gomes (President)
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Steffen Kremmer
Villy Petersen

The Chartered Accountant
Sofia Mendes

PERIOD ENDED DECEMBER 31, 2016

Monetary Unit: EURO

INCOME & EXPENSES	Notes	Periods	
		Dec 31, 2016	Dec 31, 2015
Revenue	25	29 986 558	52 615 392
Operating subsidies	26	-	3 356
Own works capitalised	27	4 013	-
Cost of goods sold & materials consumed	28	(7 500 797)	(10 842 758)
Third party supplies & services	29	(12 205 397)	(27 548 277)
Staff costs	30	(6 477 838)	(6 553 269)
Impairment of receivables (losses/Losses)	10	64 365	(271 004)
Provisions (increases/reductions)	20	85 587	(1 577 057)
Other income	31	2 240 088	1 853 359
Other costs	32	(1 855 274)	(2 334 225)
EBITDA		4 341 305	5 345 516
Expenses / Losses of depreciation & amortisation	6	(768 332)	(1 014 715)
Imparidade de investimentos depreciáveis/amortizáveis (Losses/reversões)			
EBIT		3 572 973	4 330 802
Interest & similar income	33	1 934	14 482
Interest & similar costs	34	(114 615)	(131 722)
Profit before tax		3 460 293	4 213 561
Income tax for the period	8	(384 205)	(446 602)
Net profit for the period		3 076 088	3 766 959
Net profit /(loss) for the period attributable to:			
Parent company equityholders			
Non-controlling interests			
Basic earnings per share		(0,77)	(0,94)

The Board of Directors
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Sofia Mendes

PERIOD ENDED December 31, 2016

Monetary Unit: EURO

Headings	Notes	Period 31 Dez 2016	Period 31 Dez 2015
Cash Flow from operating activities - Direct Method	**4**		
Cash receipts from customers		31 928 707	44 283 914
Cash paid to suppliers		(22 027 877)	(33 713 442)
Cash paid to employees		(6 500 983)	(6 207 958)
Cash generated by operating activities		**3 399 846**	**4 362 514**
Income tax - paid / received		(457 239)	(370 962)
Other receipts/payments		(735 283)	(4 222 212)
Cash Flow from Operating Activities (1)		**2 207 325**	**(230 660)**
Cash Flow from investing activities			
Cash paid in respect of:			
Tangible fixed assets		(886 873)	(999 509)
Financial Investments		(50 635)	-
Cash receipts from:			
Tangible fixed assets		56 775	119 070
Financial Investments		10 198	-
Other assets		-	500 000
Interest & similar income		1 238	2 007
Dividends		100 000	115 469
Cash Flow from Investing Activities (2)		**(769 298)**	**(262 963)**
Cash Flow from financing activities			
Cash receipts from:			
Borrowings		1 878 157	3 049 646
Cash paid in respect of:			
Loans		(4 192 467)	(779 332)
Interest & similar costs		(114 615)	(131 723)
Dividends		(1 000 000)	(104 990)
Cash Flow from Investing Activities (3)		**(3 428 924)**	**2 033 600**
Variation of cash & cash equivalents (1+2+3)		**(1 990 898)**	**1 539 977**
Effect of currency translation differences			
Cash & cash equivalents of the beginning of the period		3 707 238	2 167 261
Cash & cash equivalents at the end of the period		**1 716 340**	**3 707 238**

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Sofia Mendes

Notes to the Account

1 Entity's identity

Sociedade de Empreitadas e Trabalhos Hidráulicos, SA, ("SETH" or "Company") is a public limited company having its registered office at Avenida Tomás Ribeiro, 145, Queijas, having been incorporated on 17/3/1933, and is principally engaged in Engineering and Civil Construction.

MT Hojgaard a/s, having its registered office in Denmark, has a majority holding in the Company.

2 Accounting standard for the preparation of the financial statements

2.1 The consolidated financial statements of SETH have been prepared in accordance with the Accounting Standardisation System (ASS), in accordance with Decree-Law 158/2009, of July 13. The ASS consists of the Bases for the Presentation of Financial Statements (BPFS), Draft Financial Statements (DFS), Accounts Code (AC), Accounting and Financial Reporting Standards (AFRS), Interpretive Standards (IS) and the Conceptual Structure.

The financial statements, which include the balance sheet, the statement of income by nature of expense, the statement of changes in equity, the statement of cash flows and the notes to the accounts, were approved by Company's Board of Directors on March 1st, 2017, are expressed in euros and were prepared on the going-concern and accrual accounting basis in which items are recognised as assets, liabilities, equity, income and costs expenses when they satisfy the definitions and the recognition criteria for these items as contained in the conceptual structure, in accordance with the qualitative characteristics of understandability, relevance, materiality, reliability, reliable representation, substance over form, neutrality, prudence, fullness and comparability

The accounting policies set out in Note 3 were used in the financial statements for the period ended December 31, 2016, and in the comparative financial information presented in these financial statements for the period ended December 31, 2015.

Companies included in the consolidation:

Subsidiaries

MAISTRÊS – Desenvolvimento Imobiliário Sociedade Unipessoal, LDA.
Av. Tomás Ribeiro, 145 – QUEIJAS
SETH shareholding- 100%

SethAngola, S.A.
Av. Comandante Valódia, n.º 5 – 6.º, apt 61, Kinaxixi – Luanda – ANGOLA
SETH shareholding – 60%

SethMoz – Construção, Engenharia & Obras Públicas, SA.
Praça dos Trabalhadores, nº 50, 5º andar
Maputo - Moçambique
SETH shareholding – 60%

Associates

Marinertes, S.A.
Rotunda Engenheiro Edgar Cardoso, 23, 8.ºA,
VILA NOVA DE GAIA
SETH shareholding - 29%

Joint ventures

Cais de Cruzeiros – 2ª Fase, ACE
Rua da Tapada da Quinta de Cima, Linhó
2714-555 SINTRA
SETH shareholding - 37,5%

GMP - GRUPO MARÍTIMO PORTUGUÊS, A.C.E.
Lagoas Park, Edifício Um, 2740-265 PORTO SALVO
SETH shareholding - 33,33%

GMP MEK – GRUPO MARÍTIMO PORTUGUÊS MERS EL KEBIR, A.C.E.
Lagoas Park, Edifício Um, 2740-265 PORTO SALVO
SETH shareholding - 33,33%

AARSLEFF – SETH JV I/S
Lokesvej 15, DK8230 Aabyhøj, DINAMARCA
SETH shareholding - 50%

CMM/SETH, ACE
Rua do Hospital, s/n, Santa Rita, Praia da Vitória
SETH shareholding - 50,00%

2.2 There were no derogations of the provisions of the ASS..

2.3 There are no accounts of the balance sheet and statement of income whose contents are not comparable with those of the previous period.

3 Main accounting policies

The main accounting policies applied in preparing the financial statements are as follows:

3.1 **Measurement bases used in preparing the financial statements**

The financial statements have been prepared under the historic-cost principle.

Preparation of financial statements in conformity with the AFRS requires the Board of Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts of assets and liabilities, income and costs. The associated estimates and assumptions are based on historical experience and other factors considered reasonable under the circumstances and form the basis for making judgements as to the value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Matters that require a greater degree of judgement or complexity, or where the assumptions and estimates are considered significant are presented in Note 3.3 - Main estimates and judgements used in the preparation of the financial statements, in Note 3.4 - Key assumptions concerning the future and in Note 3.5 - Key sources of estimation uncertainty.

3.2 Other significant accounting policies

a) Consolidation principles

Reference dates

The financial statements reflect the assets, liabilities and results of the Group and its subsidiaries for the periods December 31, 2016 and 2015.
The accounting policies have been applied consistently by all Group companies.

Financial holdings in subsidiaries

Companies over which SETH exercises control are classified as subsidiaries. Control is normally presumed to exist when the Company has the power to exercise the majority of the voting rights. Control may also exist where SETH has the power, directly or indirectly, to manage the financial and operating policies of a given company so as to obtain benefits from its business, even if its holding of the equity is less than 50%. Subsidiaries are fully consolidated from the time when SETH assumes control over its business up to the moment when control ceases.
When the accumulated losses of a subsidiary exceed the non-controlling interest in the equity of that subsidiary, the excess is attributable to SETH to the extent that it is incurred. Subsequent profits made by such a subsidiary are recognised as SETH's income until the losses previously absorbed are recouped.

Translation of financial statements in foreign currency

The financial statements of subsidiaries are prepared SETH in their working currency. The consolidated financial statements are prepared in euros, which is SETH's working currency of SETH.
The financial statements of companies whose working currency is other than the euro are translated into euros in keeping with the following criteria:

- Assets and liabilities are translated at the exchange rate ruling on the balance sheet date;
- Income and costs are translated using the exchange rates approximating the actual rates ruling on the dates of the transactions;
- Exchange differences resulting from translation into euros of the financial position at the beginning of the year and translation at the exchange rate ruling on the balance sheet date to which the consolidated accounts refer are recorded against reserves. Likewise, in relation to the results of subsidiaries and associate companies, exchange differences arising from the translation into euros of the net income for the period between the exchange rates used in the statement of income and those on the reporting date are recognised in reserves. On disposal of the company, these differences are recognised in profit or loss as an integral part of the gain or loss on the disposal.

Balances and transactions eliminated in the consolidation

Balances and transactions between Group companies, including any unrealised gains or losses resulting from intra-group transactions, are eliminated in the consolidation process, except where unrealised losses provide evidence of an impairment that should be recognised in the consolidated accounts.
Unrealised gains arising from transactions with associates are eliminated in the proportion of SETH's holding therein. Unrealised losses are also eliminated, but only in situations where there is no sign of impairment.

Jointly-controlled entities

Jointly controlled entities are recognised using the equity method as from the date that joint control commenced until the date that it ceases, and they are entities in which the Company has joint control, established by contractual agreement.

b) Tangible fixed assets

Tangible fixed assets are carried at cost, which comprises their purchase price, including import duties and non-refundable purchase taxes, after deducting discounts and rebates, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, less accumulated depreciation and impairment losses
On the date of transition to the AFRS the Company decided to consider as cost of the tangible fixed assets their revalued value determined in accordance with the previous accounting policies, which was broadly comparable to their cost measured in accordance with AFRS 7.
Subsequent costs are recognised as tangible fixed assets only if it is probable that future economic benefits will flow to the Company.
Routine maintenance and repair costs are recognised to the extent they are incurred in accordance with the accrual accounting mechanism.
The Company carries out impairment tests whenever events or circumstances indicate that the carrying amount exceeds the recoverable amount, the difference, if any, being recognised in profit or loss. The realisable value is determined as the higher of its fair value less selling costs and its value in use, the latter calculated on the basis of the present value of the expected future cash flows expected to be obtained from ongoing use of the asset and from its sale at the end of its useful life.
Land is not depreciated. Depreciation of tangible fixed assets is calculated using the straight-line method, after deducting their residual value, according to the following estimated useful lives of the assets:

Assets	Years
Buildings & other constructions	8-50
Plant & machinery	3-16
Transport equipment	4-10
Office equipment	3-10
Other tangible fixed assets	5-12

The useful lives, depreciation method and residual value of assets are reviewed annually. The effect of alterations of these estimates is recognised prospectively in the statement of income.
Gains or losses arising from writing off or disposal are

determined by the difference between the amount received and the carrying amount of the asset, recognised as income or cost for the period. In the event of disposal of revalued assets, the amount included under revaluation surplus is transferred to retained earnings.

c) **Leasing**

The Company classifies lease transactions as finance leases or operating leases based on the substance of the transaction rather than the form of the contract. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating finance lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases

Payments/ receipts made by the Company in light of operating leases are recognised as costs/ income for the periods to which they relate on a straight-line basis.

Finance leases

The finance lease contracts are recorded at their inception as assets and liabilities at the fair value of the leased property, or if lower, the present value of the minimum lease payments. The lessee's initial direct costs are added to the amount recognised as an asset.

The minimum finance lease payments are split between the financial charge and the reduction of the outstanding liability. The financial charges are allocated to each period over the life of the lease so as to produce a constant periodic interest rate on the outstanding balance of the liability.

d) **Financial holdings**

Investiments in subsidiaries

Financial holdings in subsidiaries in which the Company exercises direct and indirect control are carried using the equity method, from the date on which the Company assumes control over their financial and operational activities until the moment that control ceases. Control is deemed to exist when the company holds more than half of the voting rights or when it has the power to manage the financial and operating policies of an enterprise or of an economic activity in order to obtain the benefits therefrom, even if the percentage it holds is less than 50%.

Investiments in associates

Financial investments in associates are recorded for using the equity method from the date on which the Company directly or indirectly acquires significant influence to the moment it ceases, unless there are lasting severe restrictions which that impair the ability to transfer funds to the Company, in which case the cost method is used. Associates are entities over which the Company has significant influence, but not control, over their financial and operating policies. The Company is presumed to exercise significant influence when it has the power to exercise more than 20% of the voting rights of the associate. If the Company owns less than 20% of the voting rights, it is assumed that it exercises no significant influence unless such influence can be clearly demonstrated.

The existence of significant influence is usually evidenced by one or more of the following:

- Representation on the Board of Directors or equivalent management body;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Existence of material transactions between the Company and the associate;
- Exchange of management staff;
- Provision of essential technical information.

The goodwill relating to an associate is included in the carrying amount of the investment. However, such goodwill cannot be written down and is therefore not included in the determination of the investor's share of the income of the associate.

Goodwill is tested annually, regardless of the existence of impairment indicators. Any impairment losses are recognised in profit or loss. The recoverable amount is determined based on value in use of the assets, calculated using valuation methodologies underpinned discounted cash-flow techniques, considering market conditions, the time span and the business risk.

Any excess of the investor in the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate above the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share of the associate's results for period in which the investment is acquired.

Investiments in subsidiaries and associates residents abroad

With regard to holdings expressed in foreign currency in respect of which the equity method is used, exchange differences determined between the translation into euros of the financial position at the beginning of the year and the translation at the exchange rate ruling on the reporting date are recorded against reserves.

The goodwill generated in foreign currency on acquisition of these investments is revalued at the exchange rate ruling on the reporting date, with a contra entry in reserves.

Jointly-controlled entities

Jointly-controlled entities are recognised using the equity method as from the date that joint control commenced until the date that it ceases, and they are entities in which the Company has joint control, established by contractual agreement.

e) **Corporation tax for the period**

Corporation tax for the period is calculated based on the Company's taxable income and considers deferred taxation.

Current corporation tax is calculated based on the Company's taxable income (which differs from the book income) in accordance with the tax rules in force as of the date of the reporting date at the place of the Company's registered office. The Company is subject to Corporation

Tax (IRC) on taxable income at the rate of 21%. Taxation is increased by the 1.5% municipal surcharge on the taxable income, leading to an aggregate tax rate of 22.5% (including the relevant municipal surcharge of up to 1.5%).

Additionally, taxable income exceeding €1,500,000 is subject to a State surcharge at the following rates:

- 3% for taxable income between €1,500,000 and €7,500,000;
- 5% for taxable income between €1,500,000 and €7,500,000;
- 7% for taxable income over €35,000,000.

Deferred taxes refer to temporary differences between the amounts of assets and liabilities for accounting purposes and the respective amounts for taxation purposes.

Deferred tax assets and liabilities are calculated and assessed periodically using the tax rates in force as of the reporting date, with no financial discount.

Deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. At each balance sheet date, a reassessment is made of the temporary differences related to deferred tax assets with a view to recognising or adjusting in the light of the current expectation of their future recovery.

The tax losses carried forward calculated in taxation periods started on or after January 1, 2014, can be used during 12 years. For 2012 and 2013 the deadline for the use of tax losses carried forward is five tax years.

Additionally, the deduction of tax losses carried forward is limited to 70% of the taxable income, and this rule applies to deductions made in taxation periods beginning on or after January 1, 2014, regardless of the tax period in which they were established.

Income tax is recognised in the statement of income, except when it relates to items that accounted under equity, which implies its recognition in equity.

Deferred taxes recognised in equity are recognised in profit or loss when recognised in the dates of gains and loss that gave rise to them.

In accordance with the provisions of paragraph 68 of AFRS 25, the Company offsets deferred tax assets and tax liabilities where the Company:

Has a legally enforceable right to offset current tax assets against current tax liabilities;

The deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

f) **Inventories**

Inventories are valued at the lower of acquisition cost and net realisable value. The cost of inventories comprises all purchasing costs, conversion costs and other costs incurred in bringing the inventories to their present location in their present condition. The net realisable value is the estimated selling price in the ordinary course of business less selling costs.

The formula for costing warehouse outgoings (consumption) is the weighted average cost.

The Company writes down the cost of inventories to their net realisable value when the assets are carried at amounts greater than those that will which foreseeably result from their sale or use.

g) **Receivables**

Trade receivables are initially recognised at fair value and subsequently stated at cost or amortised cost, using the effective interest rate method, carried in the balance sheet net of impairment losses pertaining thereto.

Impairment losses are recorded based on regular assessment of the existence of objective evidence of impairment associated with doubtful debt on the balance sheet date. Impairment losses identified are recognised against profit or loss and are subsequently reversed if there is a reduction of the estimated loss in a subsequent period.

h) **Non-current assets held for sale**

Available-for-sale non-current assets or groups of non-current assets (groups of assets together with the respective liabilities, which include at least one non-current asset), are classified as available-for-sale when they are available for immediate sale in their present condition subject only to terms that are usual and customary for their sale and whose sale is highly probable.

The company also classifies as available-for-sale non-current assets or groups of non-current assets acquired for the purpose of later sale, which are available for immediate sale as found, subject only to terms that are usual and customary for their sale and whose sale is highly probable.

Immediately before their classification as such, available-for-sale non-current assets held for sale and all assets and liabilities included in a group of available-for-sale assets are measured at the lesser of cost and fair value, less costs to sell.

i) **Cash and cash equivalents**

Cash and cash equivalents comprise cash, sight deposits and highly-liquid short-term investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

j) **Transactions in foreign currency**

Transactions in foreign currencies are translated to euros at the exchange rate ruling on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated to euros at the exchange rate ruling on the balance sheet date. Foreign exchange differences arising on translation are recognised in profit or loss.

Non-monetary assets and liabilities carried at historical cost denominated in a foreign currency are translated using the exchange rate ruling on the transaction date.

Non-monetary assets and liabilities denominated in foreign currency and carried at fair value are translated using the exchange rate ruling when the fair value was determined.

Exchange differences arising on the settlement of monetary items or reporting monetary items at rates different from those initially recorded during the period, or reported in previous financial statements, are recognised in profit or loss in the period they occur.

When a gain or loss on a non-monetary item is

recognised directly in equity, any exchange difference included in that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange difference included in that gain or loss is recognised in profit or loss.
The exchange rates used in preparing the financial statements are as follows:

		Rates in Dec 2016		Rates in Dec 2015	
Currency		Closing rate	Average rate	Closing rate	Average rate
United States dollar	USD	1,0541	-	1,0887	-
British sterling	GBP	0,84441	-	0,73395	-
Kwanza	AKZ	184,475	184,475	147,8315	142,6458
Algerian dinar	DZD	-	-	116,5985	-
Cape Verde escudo	CVE	110,265	110,265	110,27	110,27
Guinean franc	GNF	9929,62	8876,943	8442,87	8463
Mozambique metical	MZN	74,54	69,823	49,29	43,534

k) **Provisions**

Provisions are recognised when:

- The Company has a present legal or constructive obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate of the obligation can be made.
- Provisions are subject to review on an annual basis, in keeping with the estimate of the respective future liabilities. The financial update of the provision, with reference to the end of each period, is recognised as finance cost.

l) **Provisions for onerous contracts**

The Company recognises a provision for onerous contracts where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

m) **Contingents assets and liabilities**

The Company does not recognise contingent assets and liabilities.
Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. The assets are disclosed when an inflow of economic benefits is probable.

n) **Recognition of costs and income**

Income and costs are recorded during the period to which they relate regardless of their receipt or payment, in accordance with the accrual-accounting mechanism. Differences between the amounts received and paid and the corresponding income and costs is recorded under Other assets or liabilities depending on whether they are amounts receivable or payable.

o) **Revenue**

Revenue is measured at the fair value of the remuneration received or receivable. The Company's revenue results primarily from the provision of construction services that fall under AFRS 19 - Construction contracts and sale of goods.
In accordance with NCRF 19, when the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity as of the reporting date. An expected loss on the construction contract is recognised immediately as an expense.
The outcome of a construction contract can be estimated reliably when all the following conditions are fulfilled:

- The contract revenue can be measured reliably;
- It is probable that the economic benefits associated with the contract will flow to the entity;
- Both the contract costs to complete it as well as the stage of completion of the contract as at the reporting date can be measured reliably; and
- The contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with previous estimates.

When the outcome of a construction contract cannot be estimated reliably:

- The revenue is recognised only to the extent that it is probable that the contract costs incurred are recoverable; and
- The contract costs are recognised as an expense in the period in which they are incurred.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company does not have ongoing management involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- The amount of revenue can be reliably measured;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The stage of completion of the contract is determined based on the proportion of costs incurred for work performed up to the reporting date to the estimated total contract costs. Progress payments and advances received from customers do not reflect work performed

are therefore not considered in the recognition of revenue.
Revenue comprises the amounts invoiced on the sale of products or services rendered, net of value added tax, rebates and discounts. When the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount. This difference is recognised as interest income.

p) **Financing costs/income**
Expenses/income of loans include interest paid on borrowings, interest received on investments made before the borrowings are used, and similar income and expenses obtained and borne in respect of exchange differences associated with loans and swap contracts or other derivatives related hedging the risk associated with borrowings.
Interest is recognised on an accrual basis using the amortised cost method.
Interest from financial placements and other investment income is recognised in the statement of income under other income and gains.

q) **Subsequent events**
The financial statements reflect subsequent events until March 1st, 2017, the date they were approved by the Management Body as stated in Note 1.
Events occurring after the balance sheet date about conditions that existed at the balance sheet date are taken into consideration in the preparation of the financial statements.
Material events after the balance sheet date that do not involve adjustments are disclosed in Note 37.

r) **Financial instruments**
The Company recognizes a financial asset, a financial liability or an equity instrument only when it becomes a party to the contractual provisions of the instrument.
A financial instrument is classified as a financial liability when there is a contractual obligation for the issuer to settle the principal and/or interest in cash or by delivering another financial asset, regardless of its legal form.
The initial costs do not include transaction costs of financial assets or liabilities measured at fair value recorded against profit or loss.
The Company measures its financial assets and liabilities at each reporting date at cost or amortised cost less any impairment loss or at fair value with changes in fair value being recognised in the statement of income.
The Company measures financial instruments at cost or amortised cost less impairment loss when they satisfy the following conditions:

- they are at sight or have a defined maturity;
- the returns to the holder are (i) a fixed sum, (ii) fixed interest rate during the life of the instrument or variable rate that is a typical market index for financing operations (such as the Euribor) or includes a spread over and above that index;
- contain no contractual provision that may cause the holder a loss of the par value and the accrued interest (excluding the typical cases of credit risk).

s) **Impairment**
On each reporting date an assessment is made of the existence of objective evidence of impairment, particularly having a particularly adverse impact on the estimated future cash flows of the financial asset or group of financial assets, provided it can be measured reliably.
For financial assets that show signs of impairment the recoverable amount is determined, the impairment losses being recorded against profit or loss.
A financial asset or group of financial assets is impaired where there is objective evidence of loss of value resulting from one or more events occurring after initial recognition.

t) **Hedging accounting**
The Company uses financial instruments to hedge its exposure to the interest-rate, exchange-rate and price risk arising from its operating and financing activities. Derivatives that do not qualify as hedges are carried as trading derivatives.
Hedging derivatives are recorded at fair value and gains or losses are recognised in accordance with the hedge accounting model adopted by the Company. A hedge relationship exists where:

- at the inception of the relationship, there is formal documentation of the hedge;
- there is expectation that the hedge will be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is assessed on an ongoing basis and actually determined as being highly effective throughout the financial reporting period;

Regarding the hedging of a planned transaction, it must be highly probable and must be exposed to present an exposure to variations in cash flows that could ultimately affect results.

Hedging Fixed interest-rate risk
or commodity-price risk for goods held
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded against profit, together with changes in the fair value of the hedged risk of the asset, liability or group of assets and liabilities. Should the hedging relationship no longer meet the requirements for hedge accounting and the hedged instrument is not derecognised, the cumulative gain or loss recognised in the valuation of the hedged risk is amortised to maturity of the hedged item using the original effective interest-rate method.

Effectiveness
For a hedging relationship to be classified as such, its effectiveness has to be demonstrated. Accordingly, the Company performs prospective tests at the start date of the hedging relationship and prospective and retrospective tests at each reporting date in order to demonstrate its effectiveness by showing that changes in the fair value of the hedged item are offset by changes in fair value of the hedging instrument, in relation to the hedged risk. Any ineffectiveness determined is recognised in profit or loss when incurred.

3.3 Main estimates and judgements

The AFRS require that judgements and estimates be made within the framework of decision-taking on certain accounting procedures impacting on the amounts reported under total assets, liabilities, equity, income and costs. The actual effects may differ from the estimates and judgements made, particularly with regard to the effect of actual income and costs.

The main accounting estimates and judgements used in the application of the accounting principles are discussed in this note with a view to improving the understanding of how their application affects the results reported by the Company and their disclosure. A detailed description of the accounting policies used by the Company is provided in Note 3.2 of the Notes to the Accounts.

Considering that in many cases there are alternatives to the accounting treatment adopted by the Company, the reported results would differ if a different treatment had been selected. The board of directors considers that the choices made are appropriate and that the financial statements truly and fairly present the Company's financial position and the results of its operations in all materially relevant aspects. The results of the alternatives analysed hereunder are presented only to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates are more appropriate.

Provisions

The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation as at the reporting date.

Fair value of the financial instruments

The fair value is based on market prices, where available, and in the absence of a price it is determined based on the use of prices of recent similar transactions conducted at arm's length or based on valuation methodologies supported by flows future cash-flow techniques, discounted considering market conditions, the value over time, the yield curve and volatility factors. These methods may require the use of assumptions or judgements in estimating the fair value.

Consequently, the use of other methods or different assumptions or judgements in applying a given model could give rise to financial results different from those reported.

Recoverability of trade accounts receivable and of other receivables

Impairment losses in respect of the debtor balances of customers and of other debtors are based on the valuation performed by the Company of the likelihood of recovering the receivables, of the age of the balances, of debt cancellation and of other factors. There are certain circumstances and facts that can change the estimate of impairment losses on receivables vis-à-vis the assumptions considered, including changes in the economic climate, sectoral trends, deterioration of the credit status of key customers and major defaults. This evaluation process is subject to various estimates and judgements. Alterations of these estimates may imply determination of different levels of impairment and, consequently, different impacts on results.

Corporation tax

There are various transactions and calculations in respect of which determination of the final amount of tax payable is uncertain during the normal business cycle. Other interpretations and estimates could result in a different amount of income taxes, current and deferred, recognised during the period.

In Portugal, the Tax Authorities are entitled to review the calculation of the taxable income made by the Company during a period of four to six years (four years as from losses generated during 2010), in the case of tax losses carried forward. The may therefore be corrections to the taxable income, resulting primarily from differences in the interpretation of tax legislation. However, it is Company's belief that there will be no significant corrections to the corporation tax recorded in the financial statements.

The recognition of deferred tax assets relating to tax losses is based on the Company's projections showing the existence of future taxable income.

Useful life of tangible fixed assets

The useful life is the period during which the Company expects the asset to be available for use. The estimated useful lives presented in Note 3.2 were determined considering the following factors:

- Expected use of the asset;
- Normal wear and tear expected of the asset considering the levels of activity and maintenance and repair programme;
- Technical or commercial obsolescence arising from changes to or improvements in production or from a change in market demand for the product or service derived from the asset; and
- Legal or similar limits on the use of the asset.

The useful life of the asset is thus a matter of value judgement based on the Company's experience. The Board of Directors believes that the useful lives considered are those that best reflect the asset's expected usefulness.

Estimated total contract costs

The revenue of provision of construction services contracts is recognised by reference to stage of completion of the activity of the contract as of the reporting date.

In determining the stage of completion of the contract estimates of total contract costs are considered. These total contract cost estimates are determined on the basis of Production Department estimating system that identifies and values the activities to be performed throughout the project that cause alterations in gauging the stage of completion of the contract as of the reporting date and consequently to the amount of contract revenue to be recognised.

The Board of Directors reviews the estimated total contract costs on each reporting date and believes that, based on the estimating system, on the monitoring of the execution of the projects and on its experience, the estimates appropriately reflect the probable outcome of contracts as of the reporting date.

3.4 Key assumptions concerning the future

The Company's governing body did not determine any situation which could cause material adjustments to the carrying amounts of assets and liabilities during the coming year or even call into question the continuity of the Company. On December 31, 2016, the works portfolio totalled approximately 36 million Euro to be completed within two year.

3.5 Main sources of incertainty of the estimates

The main sources of uncertainties are detailed in Note 3.3.

4 Cash flows

The Statement of Cash Flows is prepared under the direct method, through which gross cash receipts and in operating, investing and financing activities are disclosed.

The Company classifies interest and dividends paid as financing activities and interest and dividends received as investing activities.

4.1 As at December 31, 2016, all cash and cash equivalent balances are available for use.

4.2 Cash and bank deposits comprise the following balances:

(expressed in Euro)

Description	Dec 31, 2016	Dec 31, 2015
Cash		
Cash Head Office	859	598
Cash Works	5 861	8 589
Cash Branches	10 382	11 550
Cash Joint Ventures/Subsidiaries	2 410	3 172
	19 512	**23 909**
Sight deposits		
Banks Head Office	304 766	221 278
Banks Branches	345 949	393 910
Banks Joint Ventures/Subsidiaries	1 046 114	2 878 141
	1 696 828	**3 493 328**
Other bank deposits		
Banks Joint Ventures	-	190 000
	-	**190 000**
Total:	***1 716 340***	***3 707 238***

5 Accounting policies, changes in accounting estimates and judgements

During this year, the Company did not make any changes in accounting policies or estimates nor recorded any correction due to judgements.

6 Fixed tangible assets

The breakdown of this heading is as follows:

(expressed in Euro)

Description	Dec 31, 2016	Dec 31, 2015
Gross Value:		
Land & natural resources	1.074.621	1 074 621
Buildings & other constructions	3.404.797	3 404 797
Plant & machinery	11 904 861	11 495 972
Transport equipment	2 612 863	2 343 073
Office equipment	1 636 410	1 649 156
Other tangible fixed assets	57 255	57 255
Investments in progress	13 678	-
	20 704 486	20 024 875
Accumulated depreciation & impairme nt		
Depreciation for the period	(768 332)	(1 014 715)
Accumulated depreciation of previous periods	(14 207 074)	(13 356 655)
	(14 975 406)	(14 371 370)
Net carrying amount:	***5 729 080***	***5 653 505***

The breakdown of movements under tangible fixed assets during 2016 is as follows:

(expressed in Euro)

Description	Opening balance	Additions	Disposals	Transfers	Other changes	Closing balance
Gross Value :						
Land & natural resources	1 074 621	-	-			1 074 621
Buildings & other constructions	3 404 797	-	-			3 404 797
Plant & machinery	11 495 972	441 326	(32 437)			11 904 861
Transport equipment	2 343 073	414 788	(144 998)			2 612 863
Office equipment	1 649 156	15 653	(28 400)			1 636 410
Other tangible fixed assets	57 255	-	-			57 254,98
Propriedades de Investimento		(3 228)	-			-
Investments in progress	-	13 678	-			13 678
	20 024 876	882 217	(205 835)	-	-	20 704 486
Accumulated depreciation & impairment						
Buildings & other constructions	(1 353 987)	(132 036)	-			(1 486 023)
Plant & machinery	(9 957 925)	(309 290)	32 437			(10 234 779)
Transport equipment	(1 652 260)	(228 907)	111 614			(1 769 553)
Office equipment	(1 361 224)	(95 283)	20 246			(1 436 261)
Other tangible fixed assets	(45 975)	(2 815)	-			(48 790)
	(14 371 371)	(768 332)	164 297	-	-	(14 975 406)
Net carrying amount:	5 653 505					5 729 080

The breakdown of movements under tangible fixed assets during 2015 is as follows:

(expressed in Euro)

Description	Opening balance	Additions	Disposals	Transfers	Other changes	Closing balance
Gross Value:						
Land & natural resources	1 074 621	-	-	-	-	1 074 621
Buildings & other constructions	3 404 797	-	-	-	-	3 404 797,05
Plant & machinery	11 695 113	409 877	(646 527)	36 277	1 233	11 495 972,34
Transport equipment	2 177 929	391 396	(232 890)	-	6 639	2 343 073,46
Office equipment	1 474 106	188 847	(13 692)	-	(104)	1 649 156,45
Other tangible fixed assets	53 899	3 344	-	-	12	57 254,98
Investments in progress	-	-	-	-	-	-
	19 880 466	993 463	(893 109)	36 277	7 779	20 024 876
Accumulated depreciation & impairment						
Buildings & other constructions	(1 221 138)	(132 850)	-	-	-	(1 353 987,39)
Plant & machinery	(10 016 274)	(442 587)	603 929	(102 993)	-	(9 957 925,12)
Transport equipment	(1 511 108)	(350 885)	215 759	-	(6 026)	(1 652 259,63)
Office equipment	(1 288 755)	(85 759)	13 291	-	-	(1 361 223,80)
Other tangible fixed assets	(43 341)	(2 634)	-	-	-	(45 975,09)
	(14 080 616)	(1 014 715)	832 979	(102 993)	(6 026)	(14 371 371)
Net carrying amount:	***5 799 850***					5 653 505

The main additions in 2016 are in respect of the acquisition of machinery and transport equipment.
The main disposals in 2016 relate to the sale of four vehicules.

As at December 31, 2016, the value of tangible fixed assets financed by lease contracts is as follows:

(expressed in Euro)

Heading	Dec 31, 2016			Dec 31, 2015		
	Gross value	Depreciation/ Impairment	Net value	Gross value	Depreciation/ Impairment	Net value
Land & natural resources	1 030 558	-	1 030 558	1 030 558	-	1 030 558
Buildings & other constructions	2 718 549	(894 995)	1 823 554	2 718 549	(777 045)	1 941 504
Plant & machinery	318 596	(15 930)	302 667	145 009	(40 628)	104 381
Transport equipment	29 815	(26 708)	3 107	29 815	(19 254)	10 560
Total:	***4 097 518***	***(937 633)***	***3 159 885***	***3 923 931***	***(836 928)***	***3 087 003***

Total future minimum lease payments are as follows:

(expressed in Euro)

Description	Dec 31, 2016			Dec 31, 2015		
	Capital owed	Interest owed	Rendas vincendas	Capital owed	Interest owed	Rendas vincendas
Less than one year	337 573	8 743	346 316	294 513	8 089	302 602
One to five years	584 403	8 123	592 526	668 983	8 617	677 600
Over five years	-	-	-	-	-	-
Total:	***921 976***	***16 866***	***938 842***	***963 496***	***16 706***	***980 202***

7 Financial holdings – Equity method

The breakdown of this heading is as follows:

(expressed in Euro)

Description	Dec 31, 2016			Dec 31, 2015		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Marinertes, SA	312 759	(312 759)	-	321 601	(321 601)	-
Total:	312 759	(312 759)	**-**	321 601	(321 601)	**-**

The Company applies the equity method in the valuation of the financial investments in its financial statements. The summary financial information concerning associates, subsidiaries and joint ventures is as follows:

Company	Holding %	Reference date	Assets	Liabilities	Equity	Income	Net profit
Marinertes, SA	29,00%	Dec 31, 2016	16 374	502 359	(485 985)	8	(30 490)

8 Corporate tax for the period

The main components of tax expense/income are as follows:

(expressed in Euro)

Description	2016	2015
Current Tax	(384 205)	(446 602)
	(384 205)	***(446 602)***

The breakdown of tax credits carried forward is as follows:

(expressed in Euro)

Carry-forward limit	Dec 31, 2016	Dec 31, 2015
2017	-	51 181
2020	-	39 444
2021	-	34 930
	-	-
	-	***125 555***

The company did not recognise the following deferred tax assets:

(expressed in Euro)

	Dec 31, 2016		Dec 31, 2015	
Description	**Basis**	**Tax**	**Basis**	**Tax**
Tax losses				
2012	-	-	1 001 295	210 272
2013	1 403 268	294 686	1 436 085	301 578
2014	1 893 772	397 692	1 893 772	397 692
	3 297 040	***692 378***	***4 331 153***	***909 542***

The effective tax rate is as follows:

(expressed in Euro)

Description	2016	2015
Pre-tax profit	3 460 293	4 200 480
Tax rate	22,5%	22,5%
Expected tax	778 566	945.108
Differences between book and taxable income		
Temporary differences		151 298
Equity method	178 484	11 174
Impairments not accepted		6 474
Non-deductible provisions		49 740
Tax loss imputed by Joint ventures	75 854	-
Impairments taxed		(1 714)
Provisions taxed	(73 512)	(10 938)
Others	(43 946)	76 616
Taxable profit/ (Tax loss)	3 316 983	4 707 480
Deductions of previous years' tax losses	(2 321 888)	(3 295 236,28)
Tax calculated	208 970	296 571
Adjustments to the assessement	(30 855)	156 363
Tax rate differences - branches	(19 633)	(6 331)
Corporate tax for the period - payable/(receivable)	158 481	446 602
Current tax - expense / (income)	384 205	446 602
Deferred tax for the period - expense / (income)	-	-
	384 205	***446 602***
Effective tax rate	**11,1%**	**10,3%**

The permanent differences relate to increases of and deductions from taxable income, while the adjustments to the assessment relate to deductions from the assessment according to tax rules in effect on the reporting date.

9 Inventories

The breakdown of this heading is as follows:

(expressed in Euro)

Description	Dec 31, 2016	Dec 31, 2015
Gross Value:		
Raw, Subsidiary Materials & Consumables	313 246	319 416
Net carrying amount:	***313 246***	***319 416***

During 2016, Cost of goods sold and materials consumed totalled Euro 7.500.797 (2015: Euro 10.842.758), as per Note 28.

10 Trade receivables

The breakdown of Trade accounts receivable is as follows:

(expressed in Euro)

Description	Dec 31, 2016	Dec 31, 2015
Gross Value:		
Trade receivable		
General	11 090 922	14 062 917
Subsidiaries	2 146	3 302
Associates	36 971	20 810
Joint ventures	85 343	361 738
	11 215 382	14 448 766
Accumulated impairment		
Impairment losses for the period	64 365	(271 004)
Impairment losses of previous periods	(1 063 452)	(792 448)
	(999 087)	(1 063 452)
Net carrying amount:	***10 216 295***	***13 385 314***

As at December 31, 2016, the non-current trade receivable amounted to Euro 3.651.069 (2015: Euro 3.241.508) which 92% pertains to the Aarsleff-SETH JV.

During the year, there was an impairment reversal in the amount of Euro 65.631 and a recognition of impairment of Euro 1.266 related to Marinertes.
This item also comprises amounts withheld by customers by way of contractual warranty, the release of the guarantees occurring between 1 and 10 years.
Movements under impairment losses are as follows:

(expressed in Euro)

Description	Opening balance	Losses	Reversals	Closing balance
Impairment losses:				
Customers	(1 063 452)	-	64 365	(999 087)
Total:	***(1 063 452)***	**-**	***64 365***	***(999 087)***

The ageing of Trade receivables is as follows:

(expressed in Euro)

Balance due	< 1 month	1<month<2	2<month<3	3<month<6	6<month<12	12<month<18	18<month<24	>24 months	Total
Customers	4 328 814	3 309 400	672 002	98 645	256 608	1 025 834	97 955	427 038	10 216 295

11 State and other public entities

The breakdown of State & other public entities is as follows:

(expressed in Euro)

Description		Dec 31, 2016	Dec 31, 2015
Assets			
VAT refund applications		16 886	66 146
VAT recoverable		27 150	106 316
Corporation tax		-	163 302
Other taxes		6 060	4 990
VAT recoverable (branches)		739 314	666 315
Corporation tax (branches)		78 023	33 439
VAT recoverable (other companies)		21 429	53 943
Corporation tax (other companies)		145 787	87 562
	Total:	***1 034 649***	***1 182 015***
Liabilities			
Corporation tax		176 465	178 779
Social Security Contributions		72 573	99 114
Income tax withheld		52 387	64 260
Other Taxes		-	-
Corporation tax (branches)		203 320	422 587
Social Security Contributions (branches)		1 777	2 089
Other taxes (branches)		2 039	11 424
VAT payable (other companies)		-	19 355
Social Security Contributions (other companies)		6	374
Other taxes (other companies)		37	88
	Total:	***508 604***	***798 071***

12 Other Receivables

The breakdown of other receivables is as follows:

(expressed in Euro)

Description		Dec 31, 2016	Dec 31, 2015
Gross Value:			
Prepayment to suppliers		1 126 742	1 892 602
Other debtors		(334 356)	5 915 021
Stage of completion		3 438 564	3 403 450
Other accrued income		309 736	628 487
		4 540 687	11 839 560
Accumulated impairment:			
Impairment of the period		-	-
Impairmente of previous periods		(370 631)	(370 631)
		(370 631)	(370 631)
	Net carrying amount:	***4 170 056***	***11 468 929***

Other debtors item presents a creditor balance due to two Customers' prepayments from EDAP lot 5 (Euro 820.545) and lot 7 (Euro 768.972) that were not yet received.
The stage of completion heading refers to amounts related to the provision of construction services by SETH as of the reporting date, as per the respective bills of quantities of costs incurred, for which the respective invoice has not issued.

Job		Stage Completion €
EDAP Lot 2, EDM		683 302
EDAP Lot 5, EDM		157 945
EDAP Lot 7, EDM		184 782
EDAP Lot 8, EDM		622 212
Infulene - Matola 66 kV line		682 823
Mozambique Power Grid		1 107 500
	Total:	***3 438 564***

13 Deferrals

The breakdown of Deferrals is as follows:

(expressed in Euro)

Description		Dec 31, 2016	Dec 31, 2015
Assets			
Costs pending recognition			
Insurance paid		3 894	57 158
Other costs pending recognition		46 875	97 846
	Total:	***50 769***	***155 004***
Liabilities			
Income pending recognition			
Stage of completion		75 443	1 489 140
Interest		339 502	327 826
Job warranty		22 441	37 371
Other income pending recognition		-	-
	Total:	***437 386***	***1 854 336***

Stage of completion refers to amounts related to the provision of construction services not yet performed on the reporting date but already charged to the customer.

Job		Stage Completion €
EDAP Lot4, EDM		29 535,05
Sheetpiling, Tecnasol		23 062,85
Sheetpiling, Braço de Prata		22 845,46
	Total:	***75 443,37***

Interest income pending recognition has to do with interest charged to customers, recognition of which depends on its actual receipt.
Job warranty refers to the amount estimated by SETH of the income pending recognition required to meet the costs of additional work to meet the contractual warranties of jobs completed and in progress.

14 Financial assets held for trading

The breakdown of Financial assets held for trading is as follows:

(expressed in Euro)

Description		Dec 31, 2016	Dec 31, 2015
Financial assets (shares)		10 000	20 116
	Total:	***10 000***	***20 116***

The balance of the item essentially comprises shares in LISGARANTE carried at market value as at the reporting date.

15 Paid-up share capital

The equity capital of €4,000,000, represented by 4 million ordinary shares each of a par value of €1, is fully paid up as at 31 December 2016.

16 Legal reserves

In accordance with Article 295 of the Companies Code and with the Company's articles of association, the legal reserve is necessarily allocated a minimum of 5% of the annual net income until such time as it equals 20% of the Company's equity capital. This reserve can only be used to cover losses or to increase the equity capital.

17 Other reserves

The breakdown of this heading is as follows:

(expressed in Euro)

Description		Dec 31, 2016	Dec 31, 2015
Other Reserves		(197 542)	(197 542)
	Total:	***(197 542)***	***(197 542)***

The balance comprises revaluation surpluses and foreign exchange adjustments with the branches.

18 Retained earnings

The variation of retained earnings includes the appropriation of the 2015 in the sum of €3.766.959 deducted by dividends distributed amounting to Euro 900.000 and bonuses to Staff tottalling Euro 319.000. Also, it was regognised a loss of Euro 14.439 for loss coverage of the GMP ACE.

19 Adjustments to financial assets/other changes in equity

The breakdown of this heading is as follows:

(expressed in Euro)

Description		Dec 31, 2016	Dec 31, 2015
Stemming from other changes in equity of subsidiaries		(12 002)	143 512
Financial statement translation differences		(949 554)	(732 651)
	Total:	***(961 556)***	***(589 139)***

Financial statement translation differences include the amount resulting from the change in euros of the equity of the branches expressed in foreign currency due to the alteration of the respective exchange rate.

20 Provisions, Contingent Liabilities and Contingent Assets

O movimento na rubrica de provisões é analisado como segue:

(expressed in Euro)

Description	Opening balance	Additions	Reversals	Closing balance
Onerous contracts	49 740	-	(49 740)	-
Warranties for customers	28 952	-	(26 925)	2 028
Taxes	270 000	-	-	270 000
Other	1 267 500	-	-	1 267 500
Total:	***1 616 192***	***-***	***(76 665)***	***1 539 528***

Others heading relates to the parcel of risk assumed by the Project Management of the Aarsleff-SETH JV.
A reversal of provisions from Onerous Contracts was recognised in the amount of Euro 49.740 as well a gain of Euro EUR 8.924.
As at December 31, 2016, there are legal proceedings against the Company which the Board believes, given the assumptions and background of the legal actions, the expectations of the Company's lawyers and other circumstances inherent in the proceedings, will not result in liabilities for the Company that would justify a need for provisions for legal proceedings in progress.

The proceedings are related to claims relating to Corporation tax assessments for 1997, 1998, 2004, 2005, 2006, 2007 and 2008

As at December 31, 2016, the Company had provided the following bank guarantees:

(expressed in Euro)

Description	Dec 31, 2016	Dec 31, 2015
Bank guarantees provided to third party		
- Perfomance (construction contracts)	13 847 128	14 688 218
- Tenders	47 433	-
- Services acquired	62 422	62 422
- Legal	1 853 660	1 853 660
Total:	***15 810 643***	***16 604 301***

The bank guarantees in the sum of Euro 1.853.660 are related to legal proceedings described above.
The Company does not predict the occurrence of facts requiring an economic outflow.

21 Bank loans

The breakdown of this item is as follows:

(expressed in Euro)

Description	Dec 31, 2016	Dec 31, 2015
Non-current		
Credit institutions and financial companies		
Bank loans	25 000	212 823
Finance leases	584 403	668 983
	609 403	881 806
Current		
Credit institutions and financial companies		
Bank loans	560 106	4 565 832
Factoring	1 450 000	-
Overdraft facilities	986 853	559 229
Finance leases	337 573	294 513
	3 334 531	5 419 573
Total:	***3 943 935***	***6 301 379***

Non-current financing relates to borrowings and finance leases contracted with BPI, Santander Totta and Novo Banco with maturities up to 2020. The breakdown of Borrowings by maturity is as follows :

(expressed in Euro)

Description	Dec 31, 2016	Dec 31, 2015
Credit institutions and financial companies		
Bank Loans/Overdraft facilities/Factoring		
Up to 1 year	2 996 959	5 125 060
1 to 5 years	25 000	212 823
Over 5 years	-	-
	3 021 959	5 337 883
Credit institutions and financial companies		
Finance leasess		
Up to 1 year	337 573	294 513
1 to 5 years	584 403	668 983
Over 5 years	-	-
	921 976	963 496
Total:	***3 943 935***	***6 301 379***

As at December 31, 2016, the breakdown of future payments of principal and accrued interest of non-current borrowings is as follows:

(expressed in Euro)

Description	2018	2019	2020	Total
Credit institutions and financial companies				
Bank Loans/Overdraft facilities/Factoring	25 452	-	-	25 452
Finance leases	344 555	194 783	53 147	592 485
Total:	***370 007***	***194 783***	***53 147***	***617 937***

22 Other payables

The breakdown of Other payables is as follows:

(expressed in Euro)

Description	Dec 31, 2016	Dec 31, 2015
Current		
Remunerations payable	611 942	525 581
Creditors for accrued costs	124 093	311 529
Other creditors	303 957	2 661 782
Total:	***1 039 992***	***3 498 892***

23 Trade payables

The breakdown of Trade payables is as follows:

(expressed in Euro)

Description	Dec 31, 2016	Dec 31, 2015
Trade payables		
General	6 166 861	8 761 125
Parent company	7 800	-
Subsidiary companies	1 990	-
Associated companies	-	1 544
Total:	***6 176 651***	***8 762 669***

24 Customer prepayments

The breakdown of Customer prepayments is as follows:

(expressed in Euro)

Description	Dec 31, 2016	Dec 31, 2015
General Customers	3 543 881	8 099 088
Total:	***3 543 881***	***8 099 088***

The major amounts most, which account for 99% of the balance of this item, relate to prepayments by Electricidade de Moçambique (Euro 1.342.485) in contracts performed either by SETH or by the Aarsleff-SETH JV I/S joint venture (Euro 2.177.255).

25 Revenue

The breakdown of Services rendered is as follows:

(expressed in Euro)

Description	2016	2015
Services rendered		
Construction Works	29 732 568	52 361 952
Secondary services	253 990	253 440
Total:	***29 986 558***	***52 615 392***

The major jobs in 2016 are as follows:

(expressed in Euro)

Job	2016	2015
Caissons, Gibraltar	-	5 114 154
Salamonde ACE, EDP	471 292	49 719
Quay, Enacol CV	-	65 903
Mozambique Power Grid Mixed Credit	7 660 759	19 446 362
EDAP	10 166 828	7 097 095
Mozgrid Distribution	1 261 274	3 117 083
Ponte de Gafa	-	642 744
EDM 33 kV, Gaza, MZ	-	440 040
APL Barreiro	-	612 331
GAC Equipment	6 493	558 977
Kamsar Container Terminal III	3 648 669	8 473 990
220 kV Mocuba	563 413	3 500 740
Convert T-611, Lajes	390 914	575 358
Cais de pesca, Montijo	(45 389)	632 117
Armazém SAPEC, Setúbal	1 649 809	-
Pontões APSS, Setúbal	404 275	-
Defensas terminal LNG, Sines	349 007	-
Infulene-Matola 66 kV line	1 946 694	-
Stilling Chamber North Mole, Gib	253 500	-
Degraus, EDP	485 184	-
Outras	773 837	2 288 779
Total:	***29 986 558***	***52 615 392***

26 Operating grants

There were no operationg grants received in 2016 (2015: Euro 3.356).

27 Own work capitalised

The breakdown of Own work capitalised is as follows:

(expressed in Euro)

Description	2016	2015
Tangible Fixed Assets	4 013	-
Total:	***4 013***	**-**

28 Cost of goods sold and materials consumed

Cost of goods sold and materials consumed is as follows:

(expressed in Euro)

Description	Dec 31, 2016	Dec 31, 2015
Opening balance (+)	319 416	319 942
Purchases (+)	7 494 627	10 842 232
Adjustments (+/-)	-	-
Closing balance (-)	313 246	319 416
Cost of goods sold & materials	***(7 500 797)***	***10 842 758***

29 Third party supplies and Services

The breakdown of Third-party supplies & services is as follows:

(expressed in Euro)

Description	2016	2015
Subcontracts	7 242 530	19 705 439
	7 242 530	***19 705 439***
Specialized services:		
Specialized contracts	1 158 258	1 584 125
Maintenance and repairs	417 466	665 026
Fees	108 741	149 564
Guards and security	120 512	314 103
Advertising and publicity	5 148	9 577
Others		
	1 810 124	***2 722 394***
Materials:		
Rapid wear tools and utensils	120 163	482 339
Office supplices	21 712	43 146
Gift articles	3 147	9 037
Technical documentation	6 706	8 852
Others	8 251	41 543
	159 979	***584 918***
Energy and fuels:		
Fuel	410 379	695 389
Electricity	42 657	48 141
Water	17 404	15 679
Others	18 845	36 414
	489 285	***795 622***
Traves and transportation:		
Carriage of goods	140 270	866 141
Travel and lodging	320 215	411 323
Transport of personnel	5 122	11 844
	465 608	***1 289 308***
Sundry services:		
Leases and rentals	1 091 496	1 236 597
Insurance	265 960	322 211
Communication	82 328	105 550
Cleaning, hygiene and comfort	82 511	89 853
Entertainment costs	18 122	99 607
Litigation and notaries	4 195	11 452
Other services	493 259	585 325
	2 037 871	***2 450 595***
Total:	***12 205 397***	***27 548 277***

The negative variation between 2015 and 2016 is essencially due to the contract performed by the Aarsleff-SETH Joint venture and the jobs concluded in Gibraltar, Guinea and Mocuba, Mozambique.

30 Staff costs

The breakdown of Staff costs is as follows:

(expressed in Euro)

Description	2016	2015
Remuneration of directors	260 163	257 925
Remuneration of personnel	5 295 449	5 388 780
Charges on remuneration	730 543	749 834
Indemnities	30 252	2 041
Wordmen's compensation and occupation disease insurances	61 753	66 395
Social Costs	-	-
Other staff costs	99 678	88 295
Total:	***6 477 838***	***6 553 269***

Total Staff costs have decreased essencially as a result of the conclusion of the Guinea contract in April 2016.
The breakdown the permanent staff as at December 31, 2015 and 2016, by management positions / senior managers and professional category is presented as follows:

Description	Dec 31, 2016	Dec 31, 2015
Directors	2	2
Managers/Senior management	5	6
Upper management	16	21
Middle management	13	9
Foreman	13	17
Highly-skilled labour	5	11
Skilled labour	39	64
Semi-skilled labour	4	5
Unskilled labour	1	1
Total:	***98***	***136***

31 Other income

The breakdown of Other income is as follows:

(expressed in Euro)

Description	2016	2015
Supplementary income	1 090 269	713 582
Other financial assets	710 922	479 863
Non-financial investments	32 689	450 239
Gains on inventories	-	-
Prompt payment discounts earned	4 943	32 790
Others	401 266	176 885
Total:	***2 240 088***	***1 853 359***

As per December 31, 2016, assignment of personnel and equipment rental account for almost all the additional income item.
Other financial Assets heading reflects exchange differences during the period.

32 Other costs

The breakdown of Other costs is as follows:

(expressed in Euro)

Description	2016	2015
Banking fees and services	710 261	654 742
Taxes	256 257	505 435
Non-financial investments	9 770	43 000
Bad debt	-	196 000
Exchange rate differences	843 732	693 273
Other	35 254	241 773
Total:	***1 855 274***	***2 334 223***

33 Interest and similar income

The breakdown of Interest & similar income is as follows:

(expressed in Euro)

Description	2016	2015
Interest income	1 934	13 419
Other similar income	-	1 063
Total:	***1 934***	***14 482***

34 Interest and similar costs

The breakdown of Interest and similar costs is as follows:

(expressed in Euro)

Description	2016	2015
Interest expenses	114 615	131 722
Total:	***114 615***	***131 722***

Interest expenses relate to the borrowings mentioned in Note 21.

35 Related party disclosures

As per December 31, 2016, the company's shareholding was distributed as follows :

(number of shares)

Description	Dec 31, 2016	Dec 31, 2015
MT Hojgaard a/s	2 400 000	2 400 000
Approachdetail – SGPS, SA	1 600 000	1 600 000
Total:	***4 000 000***	***4 000 000***

Balances with related parties are as follows:

(expressed in Euro)

Description		Dec 31, 2016	Dec 31, 2015
Assets			
Subsidiaries		437 230	256 152
Associates		36 971	20 810
Joint Ventures		1 031 496	1 504 544
Eng. Ricardo Gomes		401	1 796
	Total:	***1 506 099***	***1 783 301***
Liabilitiess			
Subsidiaries		1 990	1 544
Associates		3 567	48 369
Joint Ventures		-	-
MT Højgaard a/s		-	-
	Total:	***5 557***	***49 912***

36 Construction contracts

The method of accounting for construction contracts is the stage of completion method. Contract revenue and costs are recognised in accordance with AFRS 19.

(expressed in Euro)

Description	Recognised in previous years	Recognised in the period	Deferred/Not recognised	Total
Costs	43 746 394	23 818 707	-	***67 565 101***
Income/Revenue	51 788 157	30 835 608	(2 255 621)	***80 368 144***

37 Subsequent events

There were no significant events with impact on the Financial Statements as at December 31, 2016.

The Board of Directors
Ricardo Pedrosa Gomes (President)
Peter Kofoed
Steffen Kremmer
Villy Petersen

The Chartered Accountant
Sofia Mendes

Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of SETH – Sociedade de Empreitadas e Trabalhos Hidráulicos, SA. (the Entity), which comprise the Consolidated Balance Sheet as at December 31, 2016 (which show a total of 26.891.504 euros and a total equity of 9.701.528 euros, including a net profit for the year of 3.076.088 euros), and the Consolidated Income Statement by Natures, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flows Statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, (or give a true and fair view of) the consolidated financial position of the SETH – Sociedade de Empreitadas e Trabalhos Hidráulicos, S.A. as at December 31, 2016, and (of) its financial performance and its cash flows for the year then ended in accordance with the Financial Accounting Reporting Standards adopted in Portugal through the Accounting Standardization System ("Sistema de Normalização Contabilística").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and with other standards and technical directives of the Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Entity in accordance with the law and we comply with the ethical requirements of the ethic code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the Statutory audit report as of 31 December, 2015 issued on March 7, 2016, which included a scope limitation related to insufficient and appropriate audit evidence that would enable us to conclude the extent to which the revenues and costs related to the joint venture "Aarsleff-Seth" should be recognised in previous years. This qualification is not applicable to the year ended on December 31, 2016.

Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for:

- Preparation of the consolidated financial statements which present a true and fair view of the company's financial position, results of operations, changes in equity and cash flows in accordance with the Financial Accounting Reporting Standards adopted in Portugal through the Accounting Standardization System ("Sistema de Normalização Contabilística");
- The preparation of the Management Report in accordance with the laws and regulations;
- Such internal control as management determines is necessary to enable the preparation of financial statement that are free from material misstatement, whether due to fraud or error;
- Adoption of appropriate accounting policies and principles for the circumstances;
- Assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient and appropriate auditing evidence over financial information of the entities or activities in the Group in order to express an opinion on the consolidated financial statements. We are responsible for the orientation, supervision and performance of the audit of the group and we are ultimately responsible for our audit opinion.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibility includes the verification of the consistency of the Management Report with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management Report

Pursuant of article 451º, nº 3, al. e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with laws and regulations in force, the information contained therein is in agreement with the audited consolidated financial statements and, taking into consideration our assessment and understanding of the Entity, we have not identified any material misstatement.

Lisboa, 13 de Março de 2017

Ernst & Young Audit & Associados – SROC, SA
Sociedade de Revisores Oficiais de Contas (n.º 178)
Represented by:
Registered with the Portuguese Securities Market Commission under Licence nr.º 20161217

Certifications

Certificado
Certificate

NÚMERO 2012/CEP.4165
Number

O Sistema de Gestão da Qualidade de
The Quality Management System of

SETH – SOCIEDADE DE EMPREITADAS E TRABALHOS HIDRÁULICOS, S.A.

Sede
Head Office
Avenida Tomás Ribeiro, 145
2790-467 QUEIJAS
PORTUGAL

Estaleiro Central de Palmela
Palmela Central Yard
Rua da Ponte 2 - Drvidais
2950-422 SETÚBAL
PORTUGAL

implementado em obras de construção civil, engenharia portuária e costeira, cravação de estacas, trabalhos de hidráulica fluvial e marítima, estações de tratamento de águas e de águas residuais em Portugal e Ilhas, cumpre os requisitos da norma
implemented in the civil works, port and coastal engineering, pile driving, hydraulic works and river sea, water treatment plants and wastewater in Portugal and Islands, meets the requirements of the standard

NP EN ISO 9001:2008

José Leitão
CEO

Emitido em 2016-01-25
Date of issue
Válido até 2018-09-15
Valid until

THE INTERNATIONAL CERTIFICATION NETWORK

CERTIFICATE

IQNet and
APCER
hereby certify that the organization

SETH – SOCIEDADE DE EMPREITADAS E TRABALHOS HIDRÁULICOS, S.A.

Head Office
Avenida Tomás Ribeiro, 145
2790-467 QUEIJAS - PORTUGAL

Palmela Central Yard
Rua da Ponte 2 - Drvidais
2950-422 SETÚBAL - PORTUGAL

for the following field of activities

civil works, port and coastal engineering, pile driving, hydraulic works and river sea, water treatment plants and wastewater in Portugal and Islands

has implemented and maintains a

Quality Management System

Which fulfils the requirements of the following standard

ISO 9001:2008

Issued on: 2016-01-25
Validity date: 2018-09-15

Registration Number: PT- 2012/CEP.4165

Michael Drechsel
President of IQNet

José Leitão
APCER CEO

Any additional clarification concerning the scope of this certificate may be obtained by consulting APCER.

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Certificado
Certificate

NÚMERO 2009/AMB.0420
Number

O Sistema de Gestão Ambiental da
The Environmental Management System of

SETH – SOCIEDADE DE EMPREITADAS E TRABALHOS HIDRÁULICOS, S.A.

Sede
Head Office
Avenida Tomás Ribeiro, 145
2790-467 QUEIJAS
PORTUGAL

Estaleiro Central de Palmela
Palmela Central Yard
Rua da Ponte, 2, Orvidais – Palmela
2950-422 SETÚBAL
PORTUGAL

implementado na coordenação e execução de obras de construção civil e públicas, designadamente para obras de proteção costeira, portuárias, hidráulicas, gasodutos, estruturas de betão e metálicas e cravação de estacas em Portugal e Ilhas, cumpre os requisitos da norma
implemented in the coordination and execution of civil construction and public works, particularly for coastal protection works, port, water, pipelines, concrete and metal structures and pile-driving in Portugal and Islands, meets the requirements of the standard

NP EN ISO 14001:2012

José Leitão
CEO

Emitido em 2015-09-01
Date of issue
Válido até 2018-08-31
Valid until

APCER – Associação Portuguesa de Certificação
Edifício de Serviços da Exponor, 2º Andar, Av. Dr. António Macedo
4450-617 Leça da Palmeira
www.apcergroup.com

IQNet

THE INTERNATIONAL CERTIFICATION NETWORK

CERTIFICATE

IQNet and
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Head Office
Avenida Tomás Ribeiro, 145
2790-467 QUEIJAS
PORTUGAL

Palmela Central Yard
Rua da Ponte, 2, Orvidais – Palmela
2950-422 SETÚBAL
PORTUGAL

for the following field of activities

Coordination and execution of civil construction and public works, particularly for coastal protection works, port, water, pipelines, concrete and metal structures and pile-driving in Portugal and Islands

has implemented and maintains a

Environmental Management System

Which fulfils the requirements of the following standard

ISO 14001:2004

Issued on: 2015-09-01
Validity date: 2018-08-31

Registration Number: PT- 2009/AMB.0420

Michael Drechsel
President of IQNet

José Leitão
APCER CEO

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SQS *Switzerland* SRAC *Romania* TEST St Petersburg *Russia* TSE *Turkey* YUQS *Serbia*
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Certificado
Certificate

NÚMERO 2008/SST.0177

O Sistema de Gestão da Segurança e Saúde do Trabalho da

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Sede	**Estaleiro Central de Palmela**
Avenida Tomás Ribeiro, 145	Rua da Ponte, 2, Orvidais – Palmela
2790-467 QUEIJAS	2950-422 SETÚBAL
PORTUGAL	PORTUGAL

implementado na coordenação e execução de obras de construção civil e públicas, designadamente para obras de proteção costeira, portuárias, hidráulicas, gasodutos, estruturas de betão e metálicas e cravação de estacas em Portugal e Ilhas, cumpre os requisitos da norma

OHSAS 18001:2007 / NP 4397:2008

José Leitão
CEO

THE INTERNATIONAL CERTIFICATION NETWORK

CERTIFICATE

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Head Office	**Palmela Central Yard**
Avenida Tomás Ribeiro, 145	Rua da Ponte, 2, Orvidais – Palmela
2790-467 QUEIJAS	2950-422 SETÚBAL
PORTUGAL	PORTUGAL

for the following field of activities

Coordination and execution of civil construction and public works, particularly for coastal protection works, port, water, pipelines, concrete and metal structures and pile-driving in Portugal and Islands

has implemented and maintains a

Occupational Health and Safety Management System

Which fulfils the requirements of the following standard

OHSAS 18001:2007

Issued on: 2015-09-11
Validity date: 2018-09-10

Registration Number: PT- 2008/SST.0177

Michael Drechsel | *José Leitão*
President of IQNet | *APCER CEO*

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CISQ *Italy* CQC *China* CQM *China* CQS *Czech Republic* Cro Cert *Croatia* DQS Holding GmbH *Germany*
FCAV *Brazil* FONDONORMA *Venezuela* ICONTEC *Colombia* IMNC *Mexico* Inspecta Certification *Finland* IRAM *Argentina*
JQA *Japan* KFQ *Korea* MIRTEC *Greece* MSZT *Hungary* Nemko AS *Norway* NSAI *Ireland* PCBC *Poland*
Quality Austria *Austria* RR *Russia* SII *Israel* SIQ *Slovenia* SIRIM QAS International *Malaysia*
SQS *Switzerland* SRAC *Romania* TEST St Petersburg *Russia* TSE *Turkey* YUQS *Serbia*
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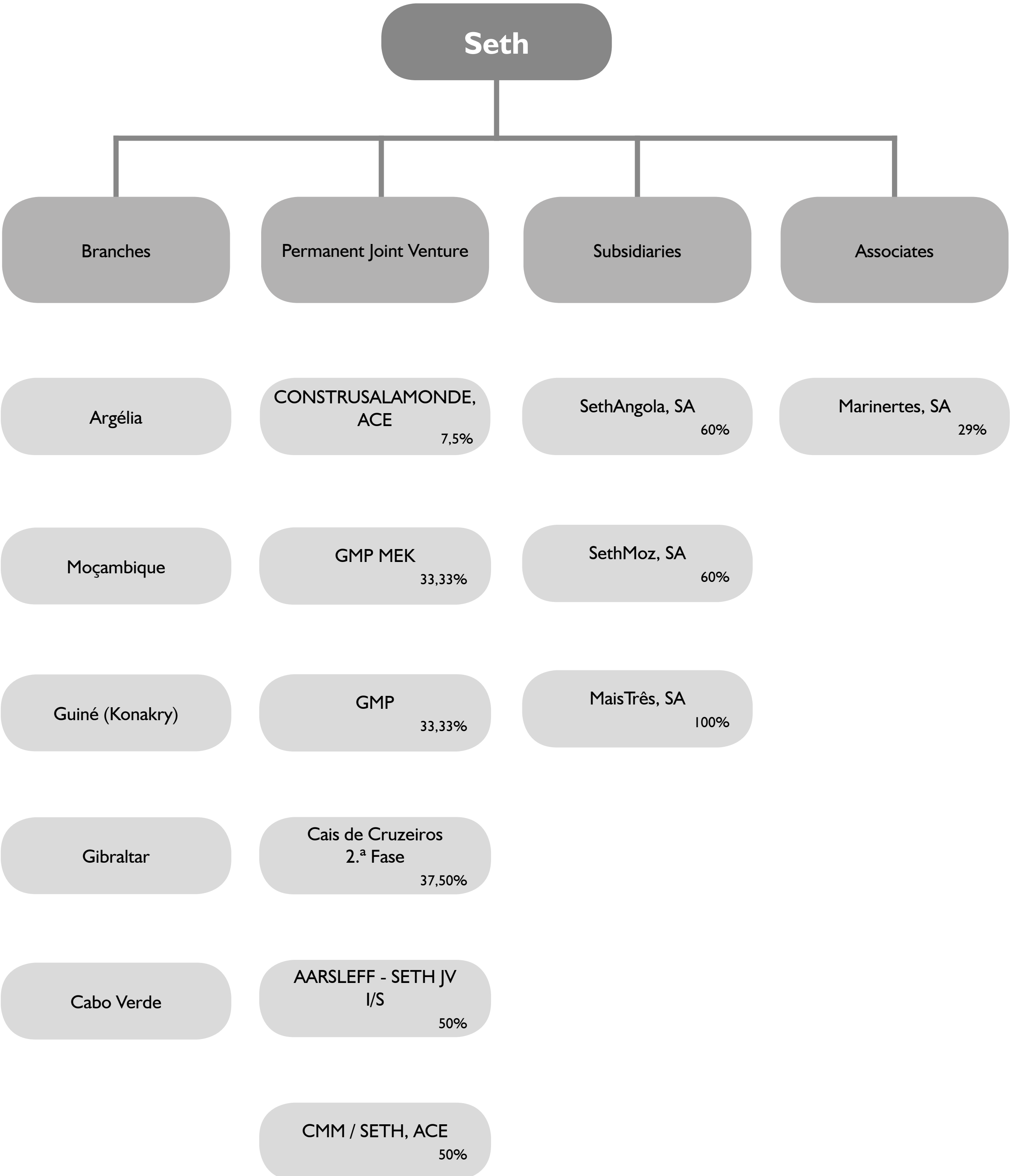
Seth


Seth
Branches
Permanent Joint Venture
Subsidiaries
Associates
Argélia
CONSTRUSALAMONDE, ACE
7,5%
SethAngola, SA
60%
Marinertes, SA
29%
Moçambique
GMP MEK
33,33%
SethMoz, SA
60%
Guiné (Konakry)
GMP
33,33%
MaisTrês, SA
100%
Gibraltar
Cais de Cruzeiros 2.ª Fase
37,50%
Cabo Verde
AARSLEFF - SETH JV I/S
50%
CMM / SETH, ACE
50%

SETH – ANNUAL REPORT 2016

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Seth

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