Annual Report 2017

Seth

INDEX

Annual Report 2017

INTRODUCTION

The company's overall business increased by 20% over the previous year, supported by business abroad. Net income fell significantly due to the late start of jobs awarded long ago, the execution of which led to a smaller-than-expected contribution in 2017. This situation is unfortunately recurrent and is characteristic of the African markets in which the company operates, penalising expectations largely because the domestic market has continued not to help mitigate this effect. This situation is set to change significantly next year, in that the domestic market, already quite dynamic in the buildings segment, it set to entail activity in the infrastructures area. Since this is our main market segment and since the company has formed partnerships that allow it to be present in the area of construction of buildings, it can be expected that the increase of business in Portugal will attenuate the effect of unpredictability associated with the foreign market and that, in the coming years, the net income seen in previous years will again come about.
The business development strategy is based essentially on the infrastructure construction market, the domestic market being complemented by the activity as general contractor in the area of construction of industrial and services buildings in partnership.
In the foreign market the business involves company's three central, distinctive areas: Marine and Hydraulic Infrastructure, Power Transmission and Geotechnics.
Geographically, business abroad has been carried out in Mozambique, Angola and Guinea (Conakry), and the activity of securing jobs addresses, in regional terms, the countries of the Gulf of Guinea and of the SADC (Southern African Development Community).
The Power Transmission area and the Mozambican market were those that most contributed to the company's turnover.
In the maritime infrastructures area works were carried out in Angola and Guinea.
Business in the domestic market has not yet increased in relation to the previous year, standing for the company at historically low levels, a result of the continuing reduction of public investment, essential to the infrastructure market. However, during the second half of 2017 there was a significant increase of opportunities that allowed an increase of the order book for the domestic market. In the Geotechnics area business has increased as a result of the increase of the company's capabilities in other types of foundation solutions that have given rise to investments in specific equipment for this purpose.
Although a smaller-than-expected growth can be expected when compared to that of 2017 in the construction market in Portugal, the commercial activity in progress and the set of offers being prepared, on a par with the order book in execution, provides expectations of a significant increase, in the coming years, of the weight of the domestic market as a proportion of turnover.
During 2017, the company's business grew by 88% in Africa and by 12% in Portugal.
Turnover increased over the previous year, to stand at €35,882,059.
The EBIT stood at €863,441, or 2.4% of turnover.
Net Income amounted to €665,195, an amount lower than the previous year.
At the year-end the order book stood at €37,425,213.

ACTIVITY IN THE MARKETPLACE

The focus on achieving a better balance in the distribution of the business and in the reduction of the unpredictability resulting from total dependence on foreign markets led to the establishment of partnerships with companies specialised in the area of construction of buildings of regional implementation, as a way to take advantage of the more dynamic sector of construction in Portugal. This line of action has borne fruit with the securing of a significant contract in the Algarve that will have major impact on turnover in 2018.
In relation to the foreign markets, 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, Electricity Transmission and Geotechnics.
It will continue to target the regional markets of the Gulf of Guinea and of the SADC and the maritime area of the Middle East, more specifically in Oman.
During 2017 the company was engaged in jobs in Portugal, Angola, Guinea and Mozambique.

Of the more relevant jobs in progress continuing into 2018, we would underline:

- Reinforcement and Extension of the National Power Transmission Grid,
  Employer: E.D.M. (Mozambique)
- EDAP Grid Extension, Lots 4, 5 and 7
  Employer: E.D.M. (Mozambique)
- 66kV Infulene/Matola Line
  Employer: E.D.M. (Mozambique)
- Jetty Taresa Port
  Employer: COBAD, SA - Compagnie de Bauxite et D´Alumine de Dian-Dian (Guinea Conakry)
- Breakwater and Pier, Port of Cabinda
  Employer: IMPA Instituto Marítimo Portuário Angola (Angola)
  Reserva, Tourism Complex
  Employer: Quinta Reserva, Quinta do Lago (Portugal)

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 business in Mozambique focuses on electrification works, and the company's order book includes orders for completion by the end of 2020. The prospects of

new opportunities to maintain a similar level of activity in the long term are good. There is currently significant commercial activity in the preparation of new tenders for works financed by international co-operation agencies, which, for their nature, are not affected by the general funding problems that the country suffers.
Besides this area, the first tenders for the long-awaited project for the development of natural gas exploration at Cabo Delgado began to be requested at the end of 2017, and the company is studying various marine-structure works to be built within the scope thereof.
The coming year is set to see a level of business similar to that of 2017.

Seth GUINEA
The activity of several mining companies has created various opportunities for the continuation of operations in this country, in particular around the coastal area of Kamsar. At this time, a barge berth is under construction for shipment of bauxite to the local company COBAD, a subsidiary of the Rusal group. The works will take place until April 2018 and talks are currently under way regarding work to be carried out for other companies operating in the area, which could ensure our continuity in the country beyond that date.
Seth has carried on business on a permanent basis in Guinea since 2005.

Seth GIBRALTAR
During the year there was no activity, though there are talks about works to be carried out related to marine works connected with property development projects at the port of Gibraltar.

Seth CAPE VERDE
The branch remains active for compliance with legal obligations.
Several projects are under study in respect of works related with desalination plants that could lead to the resumption of activity in this country.

SUBSIDIARIES

SETH ANGOLA, SA
The construction is in progress of a wharf and breakwater in Cabinda for IMPA, in consortium with the parent company and with Mota-Engil Angola, as subcontractors of Chinese company CGGC. The total of these jobs is set to amount to US$ 43 million over the next two years.
The current moment of the Angolan economy, though not the most favourable, has a positive aspect, the change of the political situation suggesting that, in time, better conditions may be created for the development of activities, particularly through the entry of new financiers whose practices are aligned with the World Bank's procurement rules. This may allow an increase of the company's business.

SETHMOZ, SA
The company was not engaged in any activity during 2017.
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, 2018, is expected to be no different.

MARINERTES, SA
In the absence of acceptable probability of success in the lawsuits filed in order to challenge the impediments to the fulfilment of the obligations arising out of the licences granted to it, and in the absence of a possibility of achieving the company's purpose, it was decided by the shareholders to wind up the company, which took place in December 2017.

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 has a 7.5% stake in this joint venture.

CAIS DE CRUZEIROS, 2ª 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. It was granted in relation to the quay, and a discussion is pending as to the acceptance of the landfill of the dock.
Seth has a 37.5% holding.

AARSLEFF-SETH JV I/S
During 2017, the consortium (joint venture) 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.
The negotiations with the customer were successfully concluded for confirmation of Option 2, which will increase the turnover of the association by more than €16.4 million. The completion of the works is scheduled for July 2020.

CMM/SETH ACE
The purpose of the joint venture is to carry out works on the Lajes Base in the Azores for the United States navy and air force. The uncertainty as to the continuation of the US armed forces at the base also raises uncertainties regarding the continuity of the joint venture. This will be assessed during 2018.
Seth has a 50% holding in the joint venture.

QUALITY, ENVIRONMENT AND SAFETY - QES
Within the scope of monitoring the certification of the Integrated Quality, Safety and Environment Management System (SGIQAS) under Standards ISO 14001:2012, NP 4397-2008 (OHSAS 18001:2007)and ISO 9001:2008, the respective monitoring audits were performed on October 25, 26 and 12, 2016, by the certification entity APCER - Associação Portuguesa de Certificação.

With regard to the Integrated QES Management System, this was the second 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 the Reserva Quinta do Lago job. The audit report included the findings of the certifying entity, and no non-conformities were found, just opportunities for the improvement of the SGIQAS.
All improvement opportunities were, as customary, included in the plan of activities of the 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 the audited Job;
- Financial control of the works during their execution and control of works under warranty.
- Good environmental practices highlighted, in particular in waste management.

In order to lend continuity to the process of improvement of the Management Systems, a start was made in 2017 to the adaptation of the Environment and Quality Systems to the respective new standards, which are scheduled for completion in 2018 and will allow certification under this new standard in June 2018.

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.

2017 Accident Rates

The 2017 Accident Rates figures were 16.3 for the Frequency Rate (qualitative class Very Good) and 0.3 for the in the Severity Rate (qualitative class Very 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.

R&D

The biggest effort of the company is focused on the development of training and internal skills to implement the BIM methodology in carrying out the works. For the purpose an implementation group was set up in 2017 and significant investments were made in hardware and software appropriate to the demands of working with this methodology. Training courses in the use of these tools were intensified for technicians in order to achieve in-house ability to carry out the first project during the first half of 2018.
During 2017 and within the scope of the execution of maritime works projects in Cabinda and Guinea, solutions have been developed in-house for platforms for pile driving over water. Within the scope of the development and enlargement of the offer of geotechnical solutions, alternative solutions were conceived for indirect foundations based on the use of prefabricated concrete piles.
Also developed in-house, based on the contribution of those responsible for the job fronts, were work platforms for the placement of spacers in high voltage lines that allowed a significant increase of the execution output.
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 complementing the ongoing training of its employees.

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. Seth undertakes to comply with legal, social and moral commitments to the 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 regard to preservation of the environment, Seth has implemented at its premises several eco-efficiency measures and began to replace its car fleet with hybrid vehicles. Under review are new energy-saving measures to be implemented at the head office, at the central yard and at the construction sites. This effort has been, and will continue to be particularly significant in choosing and buying lifting and pile-driving equipment more efficient from an energy standpoint and with less greenhouse gas emission.

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 image or financial return, rather the primary purpose of contributing to the development and well-being of these communities.

Of the initiatives in which we are involved in a sustainable manner we would underscore:

APCA – Portuguese Access Class Association
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.

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 Luisa de Marillac (SLM) school at Manjangue, Chokwe, Mozambique.

ECONOMIC AND FINANCIAL INDICATORS

In 2017 depreciation of tangible fixed assets, using the straight-line method, totalled €939,557. Assets of an acquisition price of less than €1,000 were fully written down during 2017.
At the end of the period the Company's Equity stood at €9,268,928.

APPROPRIATION OF PROFITS

The Board of Directors proposes that net income be taken to retained earnings.

2018 PREVIEW AND SUBSEQUENT EVENTS

Confirmation of the award, in January 2018, to the Aarsleff-Seth JV Consortium of the works for the execution of Option 2 of the MixCredit project in Mozambique, which added to the order book an amount of €8.2 million in respect of the 50% of those jobs to be carried out by July 2020. This decision was obtained together with the completion of the negotiations on several disputes relating to the implementation of the overall agreement that should lead to improvement of the result over and above what was reported.

On the basis of the foregoing and of the works in the order book, it is expected that a turnover of approximately €44 million and an EBIT of 5% will be achieved in 2018.

Queijas, February 12 2018

The Board of Directors
Ricardo Pedrosa Gomes
Peter Kofoed
Steffen Kremmer
Sofia Mendes

Seth

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2017

Monetary Unit: EURO

HEADINGS	Notes	Periods Dec 31, 2017	Periods Dec 31, 2016
ASSETS			
Non-current assets			
Tangible fixed assets	6	6 386 802	5 729 080
Customers with Guarantee deposit	10	4 562 578	3 651 069
Total non-current assets		**10 949 380**	**9 380 149**
Current assets			
Inventories	9	314 089	313 246
Customers	10	8 411 686	10 216 296
State & other public entities	11	1 460 358	1 034 649
Other receivables	12	6 119 073	4 170 056
Deferrals	13	182 117	50 769
Financial assets held for trading	14	5 000	10 000
Cash & Bank deposits	4	3 139 456	1 716 340
Total current assets		19 631 779	17 511 356
Total Assets		**30 581 159**	**26 891 505**
EQUITY & LIABILITIES			
Equity			
Paid-up equity 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	4 468 604	2 588 385
Other changes in equity	19	(863 481)	(961 556)
Net Profit		**665 194**	**3 076 088**
Total Equity		**9 268 928**	**9 701 528**
Liabilities			
Non-current liabilities			
Provisions	20	1 537 500	1 539 528
Loans	21	620 776	609 404
Total non-current liabilities		**2 158 276**	**2 148 932**
Current liabilities			
Suppliers	23	6 885 744	6 176 651
Customers prepayments	24	3 780 874	3 543 881
State & other public entities	11	398 601	508 604
Loans	21	4 889 337	3 334 531
Other accounts payable	22	1 329 010	1 039 992
Deferred income	13	1 870 389	437 386
Total current liabilities		**19 153 955**	**15 041 045**
Total liabilities		**21 312 231**	**17 189 977**
Total equity and liabilities		**30 581 159**	**26 891 505**

The Board of Directors
Ricardo Pedrosa Gomes (President)
Peter Kofoed
Steffen Kremmer
Sofia Mendes

The Chartered Accountant
Bárbara Themudo

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (2017-2016)

Monetary Unit: EURO

Description		Notes	Equity								
			Share capital	Legal reserves	Other reserves	Retained Earnings	Adjustments to financial assets/Other changes in equity	Net profit for the period	Total	Non-controlling interests	Total Equity
POSITION AT THE START OF THE PERIOD 2016	1	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)
	2		-	-	-	14 439	(372 417)	-	(357 978)		(357 978)
NET PROFIT FOR THE PERIOD	3							3 076 088	**3 076 088**		**3 076 088**
COMPREHENSIVE RESULT	4=2+3							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)	-		-
	5		-	-	-	2 547 959	-	(3 766 959)	(1 219 000)		(1 219 000)
POSITION AT THE END OF THE PERIOD 2016	6=1+2+3+5		4 000 000	801 069	197 542	2 588 385	(961 556)	3 076 088	9 701 528		9 701 528
POSITION AT THE START OF THE PERIOD 2017	6	2.4	4 000 000	801 069	197 542	2 588 385	(961 556)	3 076 088	**9 701 528**		**9 701 528**
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						(445 868)	98 075		(347 794)		(347 794)
	7		-	-	-	(445 868)	98 075	-	(347 794)		(347 794)
NET PROFIT FOR THE PERIOD	8							665 194	**665 194**		**665 194**
COMPREHENSIVE RESULT	**9=7+8**							665 194	**317 400**		**317 400**
TRANSACTIONS WITH EQUITYHOLDERS DURING THE PERIOD											
Equity capital paid up									-		-
Issued premiums paid up									-		-
Distributions						(750 000)			(750 000)		(750 000)
Inflows to cover losses									-		-
Other transactions						3 076 088		(3 076 088)	-		-
	10		-	-	-	2 326 088	-	(3 076 088)	(750 000)		(750 000)
POSITION AT THE END OF THE PERIOD 2017	11=6+7+8+10		4 000 000	801 069	197 542	4 468 604	(863 481)	665 194	9 268 928		9 268 928

The Board of Directors
Ricardo Pedrosa Gomes (President)
Peter Kofoed
Steffen Kremmer
Sofia Mendes

The Chartered Accountant
Bárbara Themudo

CONSOLIDATED INCOME STATEMENT BY NATURE OF EXPENSE

PERIOD ENDED DECEMBER 31, 2017

Monetary Unit: EURO

INCOME & EXPENSES	Notes	Periods Dec 31, 2017	Dec 31, 2016
Sales & services rendered	25	35 882 059	29 986 558
Share of profit/(loss) after tax of subsidiary, associated companies	7	(3 391)	-
Own works capitalised	26	5 410	4 013
Cost of goods sold & materials consumed	27	(7 875 706)	(7 500 797)
Third party supplies & services	28	(19 078 060)	(12 205 397)
Staff costs	29	(7 029 926)	(6 477 838)
Impairment of receivables (losses/reversals)	10	32 535	64 365
Provisions (increases/reductions)	20	2 028	85 587
Other income & gains	30	2 070 423	2 240 088
Other costs & losses	31	(2 202 374)	(1 855 274)
Earnings before depreciation, borrowing costs and taxes		1 802 998	4 341 305
Expenses / Losses of depreciation & amortisation	6	(939 557)	(768 332)
Operating profit (before borrowing costs and taxes)		863 441	3 572 973
Interest & similar income	32	5 849	1 934
Interest & similar costs	33	(81 623)	(114 615)
Profit before tax		787667	3 460 293
Income tax for the period	8	(122 473)	(384 205)
Net profit for the period		665 194	3 076 088
Net profit /(loss) for the period attributable to:			
Parent company equityholders			
Non-controlling interests			
Basic earnings per share		(0,17)	(0,77)

The Board of Directors
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Peter Kofoed
Steffen Kremmer
Sofia Mendes

The Chartered Accountant
Bárbara Themudo

CONSOLIDATED CASH-FLOW STATEMENT

PERIOD ENDED December 31, 2017

Monetary Unit: EURO

Headings	Notes	Period 31 Dez 2017	Period 31 Dez 2016
Cash Flow from operating activities - Direct Method	**4**		
Cash receipts from customers		35 455 061	31 928 707
Cash paid to suppliers		(22 151 702)	(22 027 877)
Cash paid to employees		(6 840 211)	(6 500 983)
Cash generated by operating activities		**6 463 148**	**3 399 846**
Income tax - paid / received		(382 198)	(457 239)
Other receipts/payments		(3 925 234)	(735 283)
Cash Flow from Operating Activities (1)		**2 155 717**	**2 207 325**
Cash Flow from investing activities			
Cash paid in respect of:			
Tangible fixed assets		(1 584 375)	(886 873)
Financial Investments		(16 001)	(50 635)
Cash receipts from:			
Tangible fixed assets		128 643	56 775
Financial Investments		5 000	10 198
Interest & similar income		-	1 238
Dividends		-	100 000
Cash Flow from Investing Activities (2)		**(1 466 732)**	**(769 298)**
Cash Flow from financing activities			
Cash receipts from:			
Borrowings		3 913 477	1 878 157
Cash paid in respect of:			
Loans		(2 347 299)	(4 192 467)
Interest & similar costs		(82 047)	(114 615)
Dividends		(750 000)	(1 000 000)
Cash Flow from Investing Activities (3)		**(734 130)**	**(3 428 924)**
Variation of cash & cash equivalents (1+2+3)		**(1 423 115)**	**(1 990 898)**
Effect of currency translation differences			
Cash & cash equivalents at the beginning of the period		1 716 340	3 707 238
Cash & cash equivalents at the end of the period		**3 139 456**	**1 716 340**

The Board of Directors
Ricardo Pedrosa Gomes (President)
Peter Kofoed
Steffen Kremmer
Sofia Mendes

The Chartered Accountant
Bárbara Themudo

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 February 12th, 2018, 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, 2017, and in the comparative financial information presented in these financial statements for the period ended December 31, 2016.

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, nº5 6º apt 61, Kinaxixi – Luanda – Angola
SETH shareholding – 60%

SethMoz – Construção, Engenharia & Obras Públicas, S.A.
Praça dos Trabalhadores, nº50, 5º andar – Maputo - Mozambique
SETH shareholding – 60%

Associates

Marinertes, S.A.
Rot. Eng. Edgar Cardoso, 23, 8ºA,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 - 50,00%

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, 2017 and 2016.
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 2017		Rates in Dec 2016	
Currency		Closing rate	Average rate	Closing rate	Average rate
United States dollar	USD	1,1993	-	1,0541	-
British sterling	GBP	0,88723	-	0,84441	-
Kwanza	AKZ	185,4	-	184,475	184,475
Algerian dinar	DZD	137,6197	-	-	-
Cape Verde escudo	CVE	110,265	-	110,265	110,265
Guinean franc	GNF	10859,66	-	9929,62	8876,943
Mozambique metical	MZN	70,57	-	74,54	69,823

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 February 12th, 2018, the date they were approved by the Management Body as stated in Note 2.1.

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 36.

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, 2017, the works portfolio totalled approximately 37 million Euro.

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, 2017, 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, 2017	Dec 31, 2016
Cash		
Cash Head Office	1 308	859
Cash Works	24 539	5 861
Cash Branches	12 468	10 382
Cash Joint Ventures/Subsidiaries	8 128	2 410
	46 443	**19 512**
Sight deposits		
Banks Head Office	792 853	304 766
Banks Branches	522 886	345 949
Banks Joint Ventures/Subsidiaries	1 777 275	1 046 114
	3 093 013	**1 696 828**
Other bank deposits		
Banks Joint Ventures	-	-
	-	**-**
Total:	***3 139 456***	***1 716 340***

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, 2017	Dec 31, 2016
Gross Value:		
Land & natural resources	1.074.621	1.074.621
Buildings & other constructions	3.404.797	3.404.797
Plant & machinery	13 024 771	11 904 861
Transport equipment	2 678 373	2 612 863
Office equipment	1 662 167	1 636 410
Other tangible fixed assets	58 752	57 255
Investments in progress	5 610	13 678
	21 909 091	20 704 486
Accumulated depreciation & impairment		
Depreciation for the period	(939 557)	(768 332)
Accumulated depreciation of previous periods	(14 975 406)	(14 207 074)
	(15 522 288)	(14 975 406)
Net carrying amount:	***6 386 802***	***5 729 080***

The breakdown of movements under tangible fixed assets during 2017 is as follows:

(expressed in Euro)

Description	Opening balance	Additions	Revaluations / Impairment	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	11 904 861	1 502 009		(382 099)			13 024 771
Transport equipment	2 612 863	132 167		(66 658)			2 678 373
Office equipment	1 636 410	25 757		-			1 662 167
Other tangible fixed assets	57 255	1 497		-			58 752
Investments in progress	13 678	-		-	(8 068)		5 610
	20 704 486	1 661 430	-	(448 757)	(8 068)	-	21 909 091
Accumulated depreciation & impairment							
Buildings & other constructions	(1 486 023)	(129 246)		-			(1 615 269)
Plant & machinery	(10 234 779)	(478 542)		345 530			(10 367 791)
Transport equipment	(1 769 553)	(259 781)		47 145			(1 982 189)
Office equipment	(1 436 261)	(69 265)		-			(1 505 526)
Other tangible fixed assets	(48 790)	(2 724)		-			(51 513)
	(14 975 406)	(939 557)	-	392 675	-	-	(15 522 288)
Net carrying amount:	5 729 080						6 386 802

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

(expressed in Euro)

Descrição	Opening balance	Additions	Revaluations / Impairment	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	-		-			57 255
Investment properties		(3 228)		-			-
Investimentos em curso	-	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 main additions in 2017 are in respect of the acquisition of machinery and transport equipment.

Some equipment is located in our job in Angola which totals Euro 2.148.938,48 and other is situated in our job in Guinea in the amount Euro 538.595,47.

As at December 31, 2017, the value of tangible fixed assets financed by lease contracts is as follows:

(expressed in Euro)

Heading	Dec 31, 2017 Gross value	Dec 31, 2017 Depreciation/ Impairment	Dec 31, 2017 Net value	Dec 31, 2016 Gross value	Dec 31, 2016 Depreciation/ Impairment	Dec 31, 2016 Net value
Land & natural resources	1 030 558	-	1 030 558	1 030 558	-	1 030 558
Buildings & other constructions	2 718 549	(1 012 148)	1 706 401	2 718 549	(894 995)	1 823 554
Plant & machinery	1 341 859	(181 269)	1 160 590	318 596	(15 930)	302 667
Transport equipment	29 815	(20 815)	-	29 815	(26 708)	3 107
Total:	***5 120 781***	***(1 223 232)***	***3 897 549***	***4 097 518***	***(937 633)***	***3 159 885***

Total future minimum lease payments are as follows:

(expressed in Euro)

Description	Dec 31, 2017 Capital owed	Dec 31, 2017 Interest owed	Dec 31, 2017 Rents falling due	Dec 31, 2016 Capital owed	Dec 31, 2016 Interest owed	Dec 31, 2016 Rents falling due
Less than one year	590 431	14 861	605 292	337 573	8 743	346 316
One to five years	620 776	7 900	628 676	584 403	8 123	592 526
Over five years	-	-	-	-	-	-
Total:	***1 211 207***	***22 761***	***1 233 968***	***921 976***	***16 866***	***938 842***

7 Financial holdings – Equity method

The breakdown of this heading is as follows:

(expressed in Euro)

Description	Dec 31, 2017 Gross value	Dec 31, 2017 Impairment	Dec 31, 2017 Net value	Dec 31, 2016 Gross value	Dec 31, 2016 Impairment	Dec 31, 2016 Net value
Marinertes, SA	-	-	-	312 759	(312 759)	-
Total:	-	-	-	312 759	(312 759)	-

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	2017	2016
Current Tax	(103 411)	(384 205)
	(103 411)	***(384 205)***

The company did not recognise the following deferred tax assets:

(expressed in Euro)

	Dec 31, 2017		Dec 31, 2016	
Description	**Basis**	**Tax**	**Basis**	**Tax**
Tax losses				
2013	859 350	294 686	1 403 268	294 686
2014	1 893 772	397 692	1 893 772	397 692
	2 753 122	***578 156***	***3 297 040***	***692 378***

The effective tax rate is as follows:

(expressed in Euro)

Description	**2017**	**2016**
Pre-tax profit	678 077	3 460 293
Tax rate	22,5%	22,5%
Expected tax	152 567	778 566
Differences between book and taxable income		
Temporary differences		
Equity method	38 112	178 484
Impairments not accepted	-	
Non-deductible provisions	-	
Tax loss imputed by Joint ventures	8 682	75 854
Impairments taxed	-	
Provisions taxed	(373 556)	(73 512)
Others	(148)	(43 946)
Taxable profit/ (Tax loss)	502 761	3 316 983
Deductions of previous years' tax losses	(351 933)	(2 321 888,00)
Tax calculated	31 674	208 970
Adjustments to the assessement	58 781	(30 855)
Tax rate differences - branches	-	(19 633)
Corporate tax for the period - payable/(receivable)	(145 213)	158 481
Current tax - expense / (income)	103 411	384 205
Deferred tax for the period - expense / (income)	-	-
	103 411	***384 205***
Effective tax rate	**15,3%**	**11,1%**

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, 2017**	**Dec 31, 2016**
Gross Value:		
Raw, Subsidiary Materials & Consumables	314 089	313 246
Net carrying amount:	***314 089***	***313 246***

During 2017, Cost of goods sold and materials consumed totalled Euro 7.875.706 (2016: Euro 7.500.797) as per note 27.

10 Trade receivables

The breakdown of Trade accounts receivable is as follows:

(expressed in Euro)

Description	Dec 31, 2017	Dec 31, 2016
Gross Value:		
Trade receivable		
General	9 180 749	11 090 922
Subsidiaries	2 489	2 146
Associates	-	36 971
Joint ventures	1 538	85 343
	9 184 775	11 215 382
Accumulated impairment		
Impairment losses for the period	225 998	64 365
Impairment losses of previous periods	(999 087)	(1 063 452)
	(773 089)	(999 087)
Net carrying amount:	***8 411 686***	***10 216 295***

As at December 31, 2017, the non-current trade receivable amounted to Euro 4.562.578 (2016: Euro 3.651.069) which 96% pertains to the Aarsleff-SETH JV.

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	(999 087)	(17 077)	243 075	(773 089)
Total:	***(999 087)***	***(17 077)***	***243 075***	***(773 089)***

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	1 966 389	2 168 140	478 625	1 873 640	1 285 236	194 607	(7 148)	452 197	8 411 686

11 State and other public entities

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

(expressed in Euro)

Description	Dec 31, 2017	Dec 31, 2016
Assets		
VAT refund applications	40 601	16 886
VAT recoverable	143 306	27 150
Corporation tax	146 438	-
Other taxes	10 190	6 060
VAT recoverable (branches)	955 417	739 314
Corporation tax (branches)	92 703	78 023
VAT recoverable (other companies)	3 668	21 429
Corporation tax (other companies)	68 035	145 787
Total:	***1 460 358***	***1 034 649***
Liabilities		
Corporation tax	-	176 465
Social Security Contributions	96 560	72 573
Income tax withheld	65 283	52 387
Corporation tax (branches)	212 468	203 320
Social Security Contributions (branches)	-	1 777
Other taxes (branches)	8 558	2 039
Social Security Contributions (other companies)	1 003	6
Other taxes (other companies)	14 728	37
Total:	***398 601***	***508 604***

12 Other Receivables

The breakdown of other receivables is as follows:

(expressed in Euro)

Description	Dec 31, 2017	Dec 31, 2016
Gross Value:		
Prepayment to suppliers	2 097 131	1 126 742
Other debtors	566 285	(334 356)
Stage of completion	3 712 787	3 438 564
Other accrued income	88 745	309 736
	6 464 948	4 540 687
Accumulated impairment:		
Impairment of the period	-	-
Impairmente of previous periods	(345 875)	(370 631)
	(345 875)	(370 631)
Net carrying amount:	***6 119 073***	***4 170 056***

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 4, EDM	371 197
EDAP Lot 5, EDM	765 051
EDAP Lot 7, EDM	1 035 625
Infulene - Matola 66 kV line	26 925
Quay and Breakwater Cabinda	1 310 383
22KV Chimoio, Beira, EDM	1 895
Micropiles, Museu Coches	27 520
Apartments, Quinta do Lago	98 162
33Kv line Nhamapaza, EDM	2 033
Fenders, APSS	2 156
Piling, SE Faro-Olhão	12 238
Micropiles, EDP	59 601
Total:	***3 712 787***

13 Deferrals

The breakdown of Deferrals is as follows:

(expressed in Euro)

Description	Dec 31, 2017	Dec 31, 2016
Assets		
Costs pending recognition		
Insurance paid	70 549	3 894
Other costs pending recognition	111 568	46 875
Total:	***182 117***	***50 769***
Liabilities		
Income pending recognition		
Stage of completion	1 531 333	75 443
Interest	339 056	339 502
Job warranty	-	22 441
Other income pending recognition	-	-
Total:	***1 870 389***	***437 386***

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 €
Jetty for export bauxite	251 096
Fenders, Docapesca	50 302
Cegelec optic fibre	122 205
Piling, Vila F Xira	39 230
Mozambique Power Grid	1 068 500
Total:	***1 531 333***

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, 2017	Dec 31, 2016
Financial assets (shares)		5 000	10 000
	Total:	***5 000***	***10 000***

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 2017.

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, 2017	Dec 31, 2016
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 2016 Net Profit in the sum of € 3.076.088 deducted by dividends distributed amounting to Euro 750.000.

19 Adjustments to financial assets/other changes in equity

The breakdown of this heading is as follows:

(expressed in Euro)

Description		Dec 31, 2017	Dec 31, 2016
Stemming from other changes in equity of subsidiaries		-	(12 002)
Financial statement translation differences		(863 481)	(949 554)
	Total:	***(863 481)***	***(961 556)***

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

Movement under provisions is as follows:

(expressed in Euro)

Description	Opening balance	Additions	Reversals	Closing balance
Onerous contracts	-	-	-	-
Warranties for customers	2 028	-	(2 028)	-
Taxes	270 000	-	-	270 000
Other	1 267 500	-	-	1 267 500
Total:	***1 539 528***	***-***	***(2 028)***	***1 537 500***

Others heading relates to the parcel of risk assumed by the Project Management of the Aarsleff-SETH JV.
As at December 31, 2017, 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, 2017, the Company had provided the following bank guarantees:

(expressed in Euro)

Description	Dec 31, 2017	Dec 31, 2016
Bank guarantees provided to third party		
- Perfomance (construction contracts)	10 867 215	13 847 128
- Tenders	306 695	47 433
- Services acquired	62 422	62 422
- Legal	1 853 660	1 853 660
Total:	***13 089 992***	***15 810 643***

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, 2017	Dec 31, 2016
Non-current		
Credit institutions and financial companies		
Bank loans	-	25 000
Finance leases	620 776	584 403
	620 776	881 806
Current		
Credit institutions and financial companies		
Bank loans	1 731 783	560 106
Factoring	-	1 450 000
Overdraft facilities	498 485	-
Finance leases	2 068 637	986 853
	4 889 337	3 334 531
Total:	***5 510 113***	***3 943 935***

Non-current financing relates to borrowings and finance leases contracted with CGD, 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, 2017	Dec 31, 2016
Credit institutions and financial companies		
Bank Loans/Overdraft facilities/Factoring		
Up to 1 year	4 298 906	2 996 959
1 to 5 years	-	25 000
Over 5 years	-	-
	4 298 906	3 021 959
Credit institutions and financial companies		
Finance leasess		
Up to 1 year	590 431	337 573
1 to 5 years	620 776	584 403
Over 5 years	-	-
	1 211 207	921 976
Total:	***5 510 113***	***3 943 935***

As at December 31, 2017, 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	-	-	-	-
Finance leases	605 292	456 992	171 684	1 233 968
Total:	***605 292***	***456 992***	***171 684***	***1 233 968***

22 Other payables

The breakdown of Other payables is as follows:

(expressed in Euro)

Description	Dec 31, 2017	Dec 31, 2016
Current		
Remunerations payable	640 209	611 942
Creditors for accrued costs	340 316	124 093
Other creditors	348 485	303 957
Total:	***1 329 010***	***1 039 992***

23 Trade payables

The breakdown of Trade payables is as follows:

(expressed in Euro)

Description	Dec 31, 2017	Dec 31, 2016
Trade payables		
General	6 883 995	6 166 861
Parent company	-	7 800
Subsidiary companies	1 749	1 990
Associated companies	-	1 544
Total:	***6 885 744***	***6 176 651***

24 Customer prepayments

The breakdown of Customer prepayments is as follows:

(expressed in Euro)

Description		Dec 31, 2017	Dec 31, 2016
General Customers		3 780 874	3 543 881
	Total:	***3 780 874***	***3 543 881***

Prepayments from Electricidade de Moçambique accounts for 39% of total, whilst from Quinta da Reserva totals 55% and just 6% comes from the contract performed with Aarsleff-SETH JV.

25 Revenue

The breakdown of Services rendered is as follows:

(expressed in Euro)

Description		2017	2016
Services rendered			
Construction Works		35 386 963	29 732 568
Secondary services		495 096	253 990
	Total:	***35 882 059***	***29 986 558***

The major jobs in 2017 are as follows:

(expressed in Euro)

Job		2017	2016
Caissons,Salamonde ACE, EDP			471 292
EDAP		4 984 823	10 166 828
Mozgrid Distribution			1 261 274
GAC Equipment			6 493
Kamsar Container Terminal III			3 648 669
220 kV Mocuba			563 413
Cais de pesca, Montijo			(45 389)
Armazém SAPEC, Setúbal			1 649 809
Pontões APSS, Setúbal			404 275
Defensas terminal LNG, Sines			349 007
Infulene-Matola 66 kV line		4 415 417	1 946 694
Stilling Chamber North Mole, Gib			253 500
Degraus, EDP			485 184
Estacas prefabricadas ETAR de Faro		615 775	
Defensas PSA, Sines		381 439	
33 kV Vunduzi, Sofala		1 253 604	
Cais, Cabinda		4 606 444	
Defensas Cimangola		307 875	
Dragagem, Angeiras		285 270	
Jetty Rusal, Kamsar		4 403 129	
Reserva, Quinta do Lago		1 255 485	
Mozambique Power Grid		11 490 154	
Outras		1 882 644	773 836
	Total:	***35 882 059***	***21 934 884***

26 Own work capitalised

The breakdown of Own work capitalised is as follows:

(expressed in Euro)

Description		2017	2016
Tangible Fixed Assets		5 410	4 013
	Total:	***5 410***	***4 013***

27 Cost of goods sold and materials consumed

Cost of goods sold and materials consumed is as follows:

(expressed in Euro)

Description	Dec 31, 2017	Dec 31, 2016
Opening balance (+)	313 246	319 416
Purchases (+)	7 876 549	7 494 627
Adjustments (+/-)	-	-
Closing balance (-)	314 089	313 246
Cost of goods sold & materials	***(7 875 706)***	***(7 500 797)***

28 Third party supplies and Services

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

(expressed in Euro)

Description	2017	2016
Subcontracts	11 323 220	7 242 530
	11 323 220	***7 242 530***
Specialized services:		
Specialized contracts	1 600 382	1 158 258
Maintenance and repairs	677 163	417 466
Fees	62 676	108 741
Guards and security	169 069	120 512
Advertising and publicity	17 141	5 148
	2 526 431	***1 810 124***
Materials:		
Rapid wear tools and utensils	446 044	120 163
Office supplices	50 305	21 712
Gift articles	-	3 147
Technical documentation	1 095	6 706
Others	34 106	8 251
	531 551	***159 979***
Energy and fuels:		
Fuel	440 462	410 379
Electricity	42 893	42 657
Water	13 796	17 404
Others	43 253	18 845
	540 405	***489 285***
Traves and transportation:		
Carriage of goods	1 613 905	140 270
Travel and lodging	444 882	320 215
Transport of personnel	3 064	5 122
	2 061 851	***465 608***
Sundry services:		
Leases and rentals	1 013 381	1 091 496
Insurance	260 880	265 960
Communication	89 850	82 328
Cleaning, hygiene and comfort	82 012	82 511
Entertainment costs	17 887	18 122
Litigation and notaries	6 670	4 195
Other services	623 923	493 259
	2 094 602	***2 037 871***
Total:	***19 078 060***	***12 205 397***

A significant increase in wear tools and goods carriage was mainly due to the mobilization of materials and equipaments to Guinea and Cabinda.

29 Staff costs

The breakdown of Staff costs is as follows:

(expressed in Euro)

Description	2017	2016
Remuneration of directors	314 441	260 163
Remuneration of personnel	5 775 994	5 295 449
Charges on remuneration	795 921	730 543
Indemnities	4 466	30 252
Wordmen's compensation and occupation disease insurances	71 458	61 753
Social Costs	112	-
Other staff costs	67 533	99 678
Total:	***7 029 926***	***6 477 838***

Total Staff costs have decreased essencially as a result of both jobs in Guinea and Cabinda.
The breakdown of workers as at December 31, 2017 and 2017, by management positions / senior managers and professional category is presented as follows:

Description	Dec 31, 2017	Dec 31, 2016
Directors	2	2
Managers/Senior management	7	5
Upper management	17	16
Middle management	16	13
Foreman	15	13
Highly-skilled labour	8	5
Skilled labour	50	39
Semi-skilled labour	4	4
Unskilled labour	1	1
Total:	***120***	***98***

30 Other income

The breakdown of Other income is as follows:

(expressed in Euro)

Description	2017	2016
Supplementary income	912 060	1 090 269
Other financial assets	682 924	710 922
Non-financial investments	135 273	32 689
Prompt payment discounts earned	14 351	4 943
Others	325 814	401 266
Total:	***2 070 423***	***2 240 088***

As per December 31, 2017, assignment of personnel and equipment rental account for almost all the additional income item.
Other financial Assets heading reflects exchange differences during the period.

31 Other costs

The breakdown of Other costs is as follows:

(expressed in Euro)

Description	2017	2016
Banking fees and services	585 359	710 261
Taxes	384 311	256 257
Non-financial investments	36 569	9 770
Bad debt	77 784	-
Exchange rate differences	948 696	843 732
Other	169 655	35 254
Total:	***2 202 374***	***1 855 274***

32 Interest and similar income

The breakdown of Interest & similar income is as follows:

(expressed in Euro)

Description	2017	2016
Interest income	5 849	1 934
Other similar income	-	-
Total:	***5 849***	***1 934***

33 Interest and similar costs

The breakdown of Interest and similar costs is as follows:

(expressed in Euro)

Description	2017	2016
Interest expenses	81 623	114 615
Total:	***81 623***	***114 615***

Interest expenses relate to the borrowings mentioned in Note 21.

34 Related party disclosures

As per December 31, 2017, the company's shareholding was distributed as follows:

(number of shares)

Description	Dec 31, 2017	Dec 31, 2016
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, 2017	Dec 31, 2016
Assets			
Subsidiaries		364 395	437 230
Associates		-	36 971
Joint Ventures		22 948	1 031 496
Eng. Ricardo Gomes		8 337	401
	Total:	***395 679***	***1 506 099***
Liabilitiess			
Subsidiaries		1 749	1 990
Associates		-	3 567
Joint Ventures		-	-
MT Højgaard a/s		-	-
	Total:	***1 749***	***5 557***

35 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	35 228 047	30 708 159	-	***65 936 206***
Income/Revenue	39 277 904	36 452 989	(3 249 954)	***72 480 939***

36 Subsequent events

There were no significant events with impact on the Financial Statements as at December 31, 2017.

The Board of Directors
Ricardo Pedrosa Gomes (President)
Peter Kofoed
Steffen Kremmer
Sofia Mendes

The Chartered Accountant
Bárbara Themudo

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, 2017 (which show a total of 25,076,590 euros and a total equity of 9,268,928 euros, including a net profit for the year of 665,194 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, 2017, 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.

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.

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.

Lisbon, March 1, 2018

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:
(Signed)
Luis Miguel Gonçalves Rosado – ROC nº 1607
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	Estaleiro Central de Palmela
Head Office	*Palmela Central Yard*
Avenida Tomás Ribeiro, 145	Rua da Ponte 2 - Orvidais
2790-467 QUEIJAS	2950-422 SETÚBAL
PORTUGAL	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

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

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	Palmela Central Yard
Avenida Tomás Ribeiro, 145	Rua da Ponte 2 - Orvidais
2790-467 QUEIJAS - PORTUGAL	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

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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
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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, 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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Certificado
Certificate

NÚMERO **2008/SST.0177**
Number

O Sistema de Gestão da Segurança e Saúde do Trabalho da
The Occupational Health and Safety 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

OHSAS 18001:2007 / NP 4397:2008

José Leitão
CEO

Emitido em 2015-09-11
Date of issue
Válido até 2018-09-10
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CERTIFICATE

IQNet and

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hereby certify that the organization

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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

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
President of IQNet

José Leitão
APCER CEO

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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*
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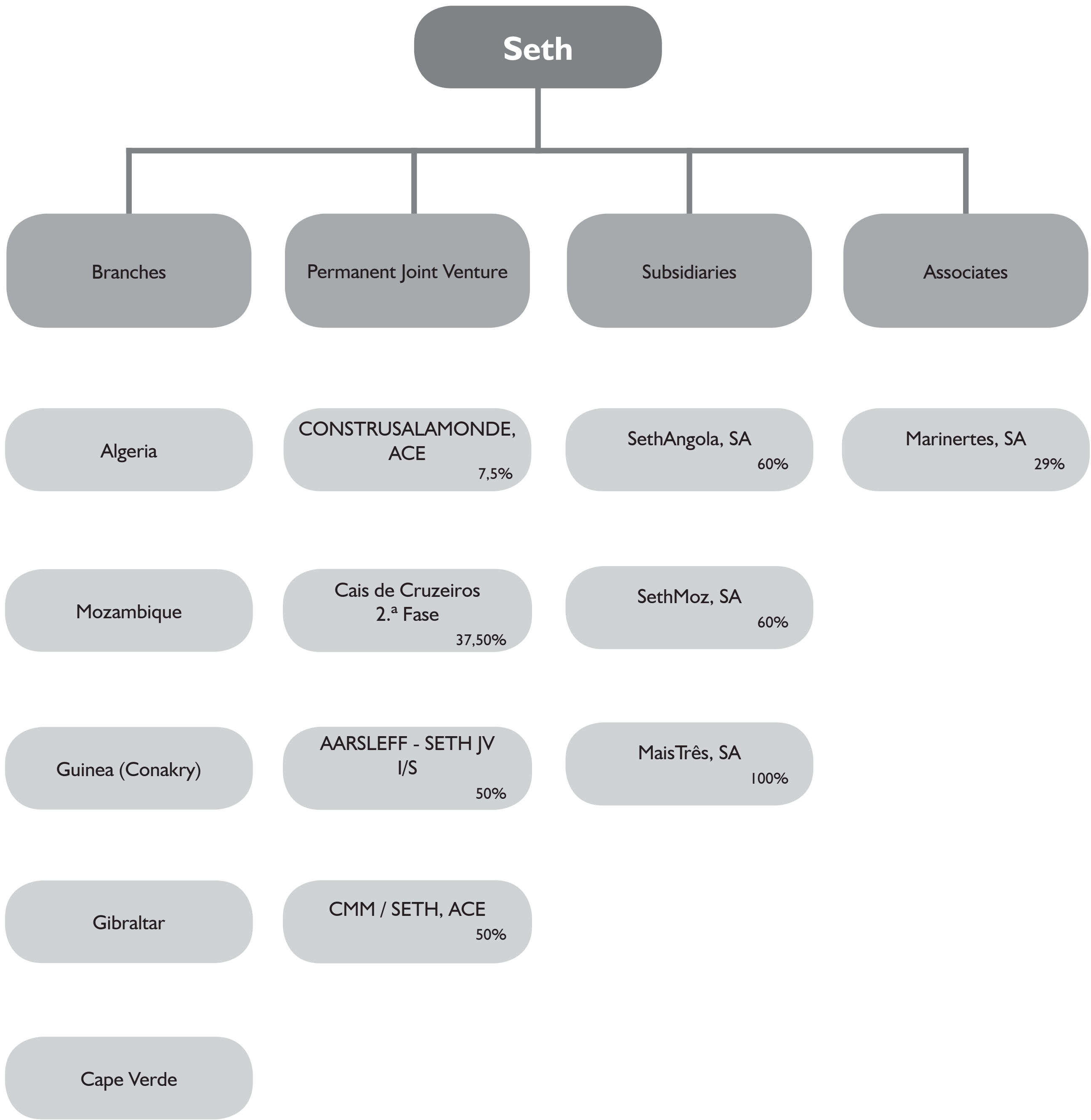
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Avenida Tomás Ribeiro, 145
2790-467 QUEIJAS – Portugal
Phone: +(351) 21 943 14 79
Fax: +(351) 21 943 15 18
seth@seth.pt

Portuguese License Construction No. 5
Tax Identification Number 500 257 760