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Annual Report 2018

INTRODUCTION

Turnover for the year was both less than expected and less than that of the preceding year. However, net profit for the period was significantly greater than in 2017 due to the improvement of the profitability of most projects and the successful outcome of the negotiating processes in the largest contract in progress. Net profit is all the more relevant in that the expected turnover was not achieved partly because, on the one hand, funding was suspended for some projects that had been awarded and, on the other, expectations were frustrated in relation to the domestic market that, despite having had an expected overall growth of 4.5%, did not entail sufficient investment in the Infrastructure segment to generate opportunities for the company's core business. As such, most of the business was carried on in the international market and in those African markets in which the company operates, the latter accounting for 68% of turnover, while the domestic market accounted for just 32% of the business, which in any case entailed an increase of the business compared to 2017. There are expectations that in the coming years the company's business development pattern will accompany the trend seen in 2018, though it would be desirable that the domestic market might contribute a little more, the conviction and strategy being that the desired profitability will have to arise from the foreign market.

On the domestic market 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 tourism, industrial and services buildings in partnership.

In turn, in the foreign market, the business was carried on in the company's three distinct central areas: Marine Infrastructure, Power Transmission and Geotechnics. The foreign markets where business was carried on in 2018 were Mozambique, Angola and Guinea (Conakry), and the activity of securing jobs is directed, in regional terms, at the countries of the Gulf of Guinea and of the SADC (Southern African Development Community). The Power Transmission area and the Mozambican market accounted for 75% of turnover in foreign markets in 2018.

In the maritime infrastructures area works were carried out and are in progress in Angola and an ore terminal was concluded in Guinea.

In the domestic market the desirable business levels have not yet been achieved in the company's areas of specialisation, the result of continuous reduction of public investment essential for the infrastructures market. However, there was a significant increase compared to 2017, due to the successful strategy of partnerships with companies specialised in other areas in carrying out construction projects involving buildings having special characteristics. Due to the increase of the company's capabilities in other types of foundations solutions as a result of investments in

specific equipment for the purpose, the level of activity increased in the Geotechnics area.

In 2018, turnover totalled €34,344,588, less than the previous year's figure.

The EBIT stood at €5,451,927, or 15.9% of turnover.

Net Profit stood at €4,602,774, which €4,339,004 was attributable to the owners of the parent company.

At the year-end the order book stood at €24,016,393.

ACTIVITY IN THE MARKETPLACE

Having obtained results in the establishment of partnerships with companies specialised in the construction of buildings at regional level, and in order to take advantage of the more dynamic construction sector in Portugal, the company will continue to make efforts to secure work in the Algarve, which we trust will continue on the wake of the contracts currently in progress. Besides this business, we expect that 2019 will provide a greater number of opportunities in the maritime sector in the domestic market, which will allow domestic business to be maintained at the level seen 2018.

In relation to the foreign market, the activity will continue to focus on the search for new opportunities in keeping with its areas of specialisation, Maritime and Infrastructure, Power and Geotechnics.

We will target the African continent, the priority regional markets being those of the Gulf of Guinea and of the SADC (Southern Africa Development Community). Besides these, the intention is to continue the sales efforts in markets where we have regularly had business through partnerships with local companies, as in the case of Gibraltar and southern Spain.

During 2018 Seth was engaged in jobs in Portugal, Angola, Guinea and Mozambique.

Of the more relevant jobs in progress continuing into 2019, we would underline:

- Reinforcement and Extension of the National Power Transmission Grid,
Employer: E.D.M. (Mozambique)
- EDAP Grid Extension, Lots 5.7
Employer: E.D.M. (Mozambique)
- 66kV Infulene/Matola Line
Employer: E.D.M. (Mozambique)
- Cabinda Breakwater and Pier Port
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 fulfil legal obligations.

Seth MOZAMBIQUE

Mozambique is the company's main market by turnover, the business focusing on electrification works in which the projects horizon is vast. The order book in this market ensures work up until 2020. We await decisions by customers that may significantly increase it as a result of various calls for tender held at the end of 2018. Despite the country's economic problems, the power sector and the jobs that we are carrying out are relatively immune, in that they are financed by external agencies and development banks. During the year several short-duration works of lesser value related with emergencies were successfully carried out, which enhanced the company's image among local decision makers connected with the energy sector.

The first works related to the natural gas development project in Cabo Delgado are awaited, Seth having taken part in several commercial procedures with good prospects in some of them.

The coming year is set to see a level of business identical to that of 2018.

Seth GUINEA

Seth has carried on business on a permanent basis in Guinea since 2005, working for the mining sector. On completion of the work in progress in April 2018, the branch was closed.

Seth GIBRALTAR

During the year there was no activity, though talks continued 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.

At the end of the year tenders were submitted for port works that may lead to the resumption of activity in this country.

SUBSIDIARIES

SETH ANGOLA, SA

During the year construction continued of a Wharf and Breakwater in Cabinda for IMPA, in consortium with Seth, SA, and Mota-Engil Angola, as subcontractors of the Chinese company CGGC. These works amount a total of USD 43 million and are scheduled for completion in early 2020.

As a result of the country's economic situation, no other works are expected to commence in 2019, though expectations of its future stabilisation provide excellent prospects in the medium term for the Infrastructure market.

SETHMOZ, SA

The company was not engaged in any activity during 2018.

Seth controls 60% of this company.

MAISTRÊS – UNIPESSOAL LDA

The whole of the company's share capital of the company was sold during 2018.

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, resolution of which might entail legal proceedings. In the event the client attempts any action against the ACE, it is our conviction that it won't be upheld which is the reason of no provision recognised.

Seth has a 37.5% holding.

AARSLEFF-SETH JV I/S

The joint venture set up by Seth and the Danish construction concern Per Aarsleff a/s continued the work under 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 successful completion of negotiations with the client involving confirmation of Option 2 allowed an increase of the joint venture's turnover by more than €19.8 million and led to a significant improvement of the expected results. The official date for the completion of the works is scheduled for July 2020, the aim of the consortium being to bring forward the conclusion of the works.

The works of the main contract were concluded, some of the components of the main contract having been definitively handed over, as were almost all of the works in respect of Option 1.

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. In the second half of the year the joint venture was awarded a contract with the US Air Force that is currently in progress.

Seth has a 50% holding in the joint venture.

QUALITY, ENVIRONMENT AND SAFETY - QES

Management of the Quality, Environment and Health and Safety at Work is fundamental to the development of Seth's business. As such, the company implements its QES management in a systematic and disciplined manner and, within the scope of the renewal of the Integrated Quality, Environment and Safety Management System Certification (SGIQAS), external audits were conducted on June 4, 5, 6, 11 and 12, 2018, by the LUSO AENOR certification body.

With regard to the QES Integrated Management System, during this external audit the transition to the new 9001:2015 Quality and ISO 14001: 2015 Environment

standards was carried out, and for this reason the audit took longer than usual.

The audit of the QES Management Systems focused on verification of the general documentation of the Systems. The findings of the certifying entity were recorded in the audit report, and no non-conformities were found, just comments and opportunities for the improvement of the SGIQAS.

All improvement comments and 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:

- Openness and technical competence of the employees audited.
- Organisation of the Safety Data Sheets of the chemical products stored in Central Palmela Yard.
- Commitment and motivation of the works team and of the areas involved;
- 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;
- 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, in 2019 a start will be made to the adaptation of the Safety and Health Systems to the respective new Standard ISO 45001, which are scheduled for completion this year in order to be certified in accordance with the new standard in June 2020.

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.

Personal Data Processing

The company prepared and developed the procedures required to ensure correct application of the General Data Protection Regulations in May 2018. The Data Protection Policy and the Personal Data Processing Manual were created and implemented, and training sessions were organised for the various persons involved to ensure the correct and proper processing of personal data at the company. The completion of this process will culminate in its integration into the Quality Environment and Safety Management System during the first half of 2019.

2018 Accident Rates

The figures for the 2018 Accident Indices – the Frequency Index and the Severity Index – were both zero since there were no works accidents.

R&D

The delay in the implementation in Portugal of legislation on the use of the BIM methodology in carrying out the works led to a reduction in the planned rate of investment in the company's in-house training. Significant investments were made in hardware and software appropriate to the demands of working with this methodology. Training courses for technicians in the use of these tools continued, as did collaboration with senior staff of the company's majority shareholder, MTH Denmark, the country where the methodology is broadly disseminated and applied.

Based on the contribution of the frontline execution personnel, solutions were implemented for the adaptation of floating equipment solutions, rendering them more versatile and able to be used in types of work that they did not previously carry out.

Seth continues to be an associate of the Portuguese Technological Construction Platform (PTPC), which aims to promote reflection on the industry and implementation of research, development and innovation initiatives and projects that can contribute to improving the competitiveness and internationalisation of the Portuguese construction industry.

The company is an associate of FUNDEC - Association for Training and Development in Civil Engineering and Architecture, a partnership between the university and companies with the objective of enhancing the company's R&D capacity and to complement the ongoing training of its employees.

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 as 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

Our social responsibility concept is not limited to the circle of our employees, rather it extends to the surrounding community, seeking to engage them also in this relationship.

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 Manjangué, Chokwe, Mozambique.

had been expected for the end of 2018, are scheduled for conclusion in the first quarter of 2019.

Alongside these, the resumption of works suspended in respect of projects already awarded in Mozambique, in addition to others in the portfolio, provides expectations of a turnover of approximately €47 million and a minimum EBIT of 5% in 2019.

Queijas, February 12, 2019

The Board of Directors

ECONOMIC AND FINANCIAL INDICATORS

In 2018, depreciation of tangible fixed assets amounted to €1,086,117. The straight-line method was used. Assets of an acquisition price of less than €1,000 were fully written down during 2018.

At the end of the period the company's Equity stood at €13,841,889 whose amount attributable to Minority Interest were € 232,852.

APPROPRIATION OF PROFITS

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

2019 PREVIEW AND SUBSEQUENT EVENTS

Ongoing negotiations on the tenders submitted in Mozambique and Guinea-Bissau, the award of which

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2018

Monetary Unit: EURO

HEADINGS	Notes	Periods	
		Dec 31, 2018	Dec 31, 2017
ASSETS			
Non-current assets			
Tangible fixed assets	6	5 916 813	6 386 802
Customers with Guarantee deposit	10	2 347 825	4 562 578
Total non-current assets		8 264 638	10 949 380
Current assets			
Inventories	9	103 110	314 089
Customers	10	17 777 426	8 411 686
State & other public entities	11	1 246 948	1 460 358
Other receivables	12	6 098 299	6 119 073
Deferrals	13	100 856	182 117
Financial assets held for trading	14	-	5 000
Cash & Bank deposits	4	2 641 652	3 139 456
Total current assets		27 968 290	19 631 779
Total Assets		36 232 928	30 581 159
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	5 133 799	4 468 604
Other changes in equity	19	(862 376)	(863 481)
Net Profit		4 339 004	665 194
Total Equity attributable to shareholders		13 609 037	-
Minority interest	34	232 852	-
Total Equity		13 841 889	9 268 928
Liabilities			
Non-current liabilities			
Provisions	20	270 000	1 537 500
Loans	21	600 739	620 776
Total non-current liabilities		870 739	2 158 276
Current liabilities			
Suppliers	23	4 417 661	6 885 744
Customers prepayments	24	2 545 559	3 780 874
State & other public entities	11	764 236	398 601
Loans	21	9 812 958	4 889 337
Other accounts payable	22	2 065 839	1 329 010
Deferred income	13	1 914 048	1 870 389
Total current liabilities		21 520 301	19 153 955
Total liabilities		22 391 039	21 312 231
Total equity and liabilities		36 232 928	30 581 159

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 (2018-2017)

Monetary Unit: EURO

Description	Notes	Equity							Non-controlling interests	Total Equity
		Share capital	Legal reserves	Other reserves	Retained Earnings	Adjustments to financial assets/Other changes in equity	Net profit for the period	Total		
POSITION AT THE START OF THE PERIOD 2017	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										
Other changes recognised in equity					(445 868)	98 075		(347 794)		(347 794)
	2	-	-	-	(445 868)	98 075	-	(347 794)		(347 794)
NET PROFIT FOR THE PERIOD							665 194	665 194		665 194
COMPREHENSIVE RESULT							665 194	317 400		317 400
TRANSACTIONS WITH EQUITYHOLDERS DURING THE PERIOD										
Distributions					(750 000)			(750 000)		(750 000)
Other transactions					3 076 088		(3 076 088)	-		-
	5	-	-	-	2 326 088	-	(3 076 088)	(750 000)		(750 000)
POSITION AT THE END OF THE PERIOD 2017 6=1+2+3+5		4 000 000	801 069	197 542	4 468 604	(863 481)	665 194	9 268 928		9 268 928
POSITION AT THE START OF THE PERIOD 2018	6	2.4	4 000 000	801 069	197 542	4 468 604	(863 481)	665 195	9 268 928	9 268 928
CHANGES DURING THE PERIOD										
Other changes recognised in equity						1 105		1 105	(30 919)	(29 814)
	7	-	-	-	-	1 105	-	1 105		1 105
NET PROFIT FOR THE PERIOD							4 339 004	4 339 004	263 770	4 602 774
COMPREHENSIVE RESULT							4 339 004	4 340 109	263 770	4 603 879
TRANSACTIONS WITH EQUITYHOLDERS DURING THE PERIOD										
Other transactions					665 195		(665 195)	-		-
	10	-	-	-	665 195	-	(665 195)	-		-
POSITION AT THE END OF THE PERIOD 2017 11=6+7+8+10		4 000 000	801 069	197 542	5 133 799	(862 376)	4 339 004	13 609 037	232 852	13 841 889

The Board of Directors

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Bárbara Themudo

CONSOLIDATED INCOME STATEMENT BY NATURE OF EXPENSE

PERIOD ENDED DECEMBER 31, 2018

Monetary Unit: EURO

INCOME & EXPENSES	Notes	Periods	
		Dec 31, 2018	Dec 31, 2017
Sales & services rendered	25	34 344 588	35 882 059
Share of profit/(loss) after tax of subsidiary, associated companies	7	469	(3 391)
Own works capitalised	26	15 260	5 410
Cost of goods sold & materials consumed	27	(7 400 821)	(7 875 706)
Third party supplies & services	28	(13 788 209)	(19 078 060)
Staff costs	29	(7 285 084)	(7 029 926)
Impairment of receivables (losses/reversals)	10	88 299	32 535
Provisions (increases/reductions)	20	-	2 028
Other income & gains	31	2 185 758	2 070 423
Other costs & losses	32	(1 622 217)	(2 202 374)
Earnings before depreciation, borrowing costs and taxes		6 538 044	1 802 998
Expenses / reversals of depreciation & amortisation	6	(1 086 117)	(939 557)
Operating profit (before borrowing costs and taxes)		5 451 927	863 441
Interest & similar income	32	3 987	5 849
Interest & similar costs	33	(241 495)	(81 623)
Profit before tax		5 214 420	787 667
Income tax for the period	8	(611 646)	(122 473)
Net profit for the period		4 602 774	665 194
Net profit attributable to:	34		
Shareholders of SETH SA		4 339 004	665 194
Non-controlling interests		263 770	
Basic earnings per share		1,15	0,17

The Board of Directors
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The Chartered Accountant
Bárbara Themudo

CONSOLIDATED CASH-FLOW STATEMENT

PERIOD ENDED December 31, 2018

Monetary Unit: EURO

Headings	Notes	Period 31 Dez 2018	Period 31 Dez 2017
Cash Flow from operating activities - Direct Method	4		
Cash receipts from customers		25 061 550	35 455 061
Cash paid to suppliers		(23 194 534)	(22 151 702)
Cash paid to employees		(6 984 331)	(6 840 211)
Cash generated by operating activities		(5 117 314)	6 463 148
Income tax - paid / received		(37 689)	(382 198)
Other receipts/payments		85 405	(3 925 234)
Cash Flow from Operating Activities (1)		(5 069 598)	2 155 717
Cash Flow from investing activities			
Cash paid in respect of:			
Tangible fixed assets		(644 238)	(1 584 375)
Financial Investments		(200 047)	(16 001)
Cash receipts from:			
Tangible fixed assets		481 892	128 643
Financial Investments		182 764	5 000
Interest & similar income		-	-
Cash Flow from Investing Activities (2)		(179 630)	(1 466 732)
Cash Flow from financing activities			
Cash receipts from:			
Borrowings		6 572 239	3 913 477
Cash paid in respect of:			
Loans		(1 579 320)	(2 347 299)
Interest & similar costs		(241 495)	(82 047)
Dividends		-	(750 000)
Cash Flow from Investing Activities (3)		4 751 424	734 130
Variation of cash & cash equivalents (1+2+3)		(497 804)	1 423 115
Effect of currency translation differences			
Cash & cash equivalents of the beginning of the period		3 139 456	1 716 340
Cash & cash equivalents at the end of the period		2 641 652	3 139 456

The Board of Directors
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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.

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, 2019.

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

The financial statements of the parent company can be found at www.mth.com.

Pursuant to article 68 of the CSC, the General Meeting of Shareholders may refuse the proposal of the members of the Board of Directors regarding the approval of the accounts, provided that it reasonably decides to prepare new accounts or to reform, at specific points, the presented ones.

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 changed by Decree-Law 98/2015. The ASS consists of the Bases for the Presentation of Financial Statements (BPFS), Draft Financial Statements (DFS) – Ordinance 220/2015, Accounts Code (AC) – Ordinance 218/2015, Accounting and Financial Reporting Standards (AFRS) – Ordinance notice 8256/2015, Interpretive Standards (IS) - Ordinance notice 8258/2015 and the Conceptual Structure – Ordinance notice 8254/2015.

The accounting policies set out in Note 3 were used in the financial statements for the period ended December 31, 2018, and in the comparative financial information presented in these financial statements for the period ended December 31, 2017.

The financial statements 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.

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 – Moçambique

SETH shareholding – 60%

Joint ventures

Cais de Cruzeiros – 2ª Fase, ACE

Rua da Tapada da Quinta de Cima, Linhó, 2714-555 Sintra

SETH shareholding - 37,5%

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.

In addition, the financial statements have been prepared taking into account the basis of going-concern, the accrual regime, presentation consistency, materiality and aggregation, non-compensation and comparative data.

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, 2018 and 2017.

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.

Regardless of indications that they are impaired, assets that are not yet available for use are tested annually for impairment.

Impairment reversals are recognised in the income statement (unless the asset is carried at the revalued amount, in which case it is treated as a revaluation increase) and must not exceed the carrying amount of the asset that would have been determined if no impairment loss had occurred previously recognised.

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.

Tangible Fixed Assets in progress relate to assets that are still under construction or development and are measured at acquisition cost and are only depreciated when they are available for use.

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**

Investments 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.

Investments 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 €7,500,000 and €35,000,000;
- 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.

Under the legislation in force in the various jurisdictions in which the companies included in the consolidation carry on their business, the corresponding tax returns are subject to review by the tax authorities for a period ranging from 4 to 5 years, which may be extended in certain circumstances, especially when there are tax losses, or inspections, complaints or challenges are under way.

The Board of Directors, taking into account the liabilities recognised, believes that any revisions to these tax returns will not result in material corrections to the consolidated financial statements.

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 2018	Rates in Dec 2017
Currency		Closing rate	Closing rate
US dollar	USD	1,145	1,1993
British pound	GBP	0,89453	0,88723
Angolan Kwuanza	AKZ	353,0155	185,4
Algerian dinar	DZD	135,566	137,6194
Cape Verde escudo	CVE	110,265	110,265
Guinean franc	GNF	10430,95	10859,66
Mozambique metical	MZN	70,24	70,57

k) Provisions

The recognition of provisions is the best estimate of future outflows and their measurement with reliability.

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

A contingent asset or liability is a possible asset or liability arising from past events whose existence will only be confirmed by the occurrence or not of one or more uncertain future events not wholly under the control of the entity.

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, 2019, the date they were approved by the Management Body as stated in Note 1.

Events occurring after the balance sheet date about conditions that existed at the balance sheet date are taken into consideration in the preparation of the financial statements.

Material events after the balance sheet date that do not involve adjustments are disclosed in Note 35.

r) **Financial instruments**

The Company recognises 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 recognition of provisions is the best estimate of future outflows and their measurement with reliability. These factors are often dependent on future events and not always under the control of the Group and therefore may lead to significant future adjustments, either by varying the assumptions used or by the future recognition of provisions previously disclosed as contingent liabilities

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, 2018, the works portfolio totalled approximately 24 million Euro.

3.5 **Main sources of uncertainty 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, 2018, all cash and cash equivalent balances are available for use.

4.2 Cash and bank deposits comprise the following balances:

Description	(expressed in Euro)	
	Dec 31, 2018	Dec 31, 2017
Cash		
Cash Head Office	1 521	1 308
Cash Works	18 811	24 539
Cash Branches	9 850	12 468
Cash Joint Ventures/Subsidiaries	15 680	8 128
	45 863	46 443
Cash deposits		
Banks Head Office	355 987	792 853
Banks Branches	576 633	522 886
Banks Joint Ventures/Subsidiaries	1 663 169	1 777 275
	2 595 789	3 093 013
Total:	2 641 652	3 139 456

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:

Description	(expressed in Euro)	
	Dec 31, 2018	Dec 31, 2017
Gross Value:		
Land & natural resources	1 074 621	1 074 621
Buildings & other constructions	3 404 797	3 404 797
Plant & machinery	12 330 542	13 024 771
Transport equipment	2 608 195	2 678 373
Office equipment	1 651 469	1 662 167
Other tangible fixed assets	56 375	58 752
Investments in progress	16 306	5 610
	21 142 305	21 909 091
Accumulated depreciation & impairment		
Depreciation of the period	(1 086 117)	(939 557)
Sales of the period	1 382 913	392 675
Accumulated depreciation of previous periods	(15 522 288)	(14 975 406)
	(15 225 492)	(15 522 288)
Net carrying amount:	5 916 813	6 386 803

The breakdown of movements under tangible fixed assets during 2018 is as follows:

(expressed in Euro)

Description	Opening balance	Additions	Disposals	Closing balance
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	618 111	(1 312 340)	12 330 542
Transport equipment	2 678 373	-	(70 178)	2 608 195
Office equipment	1 662 167	33 974	(44 672)	1 651 469
Other tangible fixed assets	58 752	594	(2 971)	56 375
Investments in progress	5 610	10 696	-	16 306
	21 909 091	663 375	(1 430 161)	21 142 305
Accumulated depreciation & impairment				
Buildings & other constructions	(1 615 269)	(125 763)		(1 741 032)
Plant & machinery	(10 367 791)	(508 126)	1 083 369	(9 792 547)
Transport equipment	(1 982 189)	(389 010)	274 183	(2 097 015)
Office equipment	(1 505 526)	(62 278)	24 305	(1 543 499)
Other tangible fixed assets	(51 514)	(940)	1 055	(51 399)
	(15 522 289)	(1 086 117)	1 382 913	(15 225 493)
Net carrying amount:	6 386 802			5 916 813

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

(expressed in Euro)

Descrição	Opening balance	Additions	Disposals	Transfers	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 main additions in 2018 relate to the acquisition of machinery, namely a driller and a hammer.

Some equipment is located in our job in Angola which totals Euro 2.148.938,48.

The amount booked in Disposals is mainly due to disposal of a crane, to the closure of our branch in Guinea Conakry (whole equipment was written-off or sold) and to the sale of transport equipment of the Joint Venture Aarsleff-SETH JV I/S.

As at December 31, 2018, the value of tangible fixed assets financed by lease contracts is as follows:

(expressed in Euro)

Description	Dec 31, 2018			Dec 31, 2017		
	Gross value	Depreciation/ Impairment	Net value	Gross value	Depreciation/ Impairment	Net value
Land & natural resources	1 030 558		1 030 558	1 030 558		1 030 558
Buildings&otherconstructions	2 718 549	(1 128 182)	1 590 367	2 718 549	(1 012 148)	1 706 401
Plant & machinery	1 877 925	(513 754)	1 364 172	1 341 859	(181 269)	1 160 590
Transport equipment	-	-	-	29 815	(29 815)	-
Total:	5 627 032	(1 641 936)	3 985 096	5 120 781	(1 223 232)	3 897 549

Total future minimum lease payments are as follows:

(expressed in Euro)

Description	Dec 31, 2018			Dec 31, 2017		
	Capital owed	Interest owed	Rents falling due	Capital owed	Interest owed	Rents falling due
Less than one year	580 146	15 301	595 447	590 431	14 861	605 292
One to five years	500 739	10 325	511 063	620 776	7 900	628 676
Over five years	-	-	-	-	-	-
Total:	1 080 884	25 625	1 106 510	1 211 207	22 761	1 233 968

7 Corporate tax for the period

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

(expressed in Euro)

Description	Dec 31, 2018		Dec 31, 2017	
Current Tax		(611 646)		(103 411)
		(611 646)		(103 411)

The company did not recognise deferred tax assets.

(expressed in Euro)

Description	Dec 31, 2018		Dec 31, 2017	
	Basis	Tax	Basis	Tax
Tax losses				
2013		-	859 350	180 464
2014		-	1 893 772	397 692
	-	-	2 753 122	578 156

The effective tax rate is as follows:

Description	(expressed in Euro)	
	2018	2017
Pre-tax profit	5 214 420	678 077
Tax rate	22,5%	22,5%
Expected tax	1 173 245	152 567
Differences between book and taxable income		
Equity method	(254 709)	38 112
Tax loss imputed by Joint ventures	16 781	8 682
Provisions taxed	-	(373 556)
Others	(184 475)	(148)
Minority Interests	(263 770)	-
Taxable profit / (Tax loss)	4 528 246	502 761
Deductions of previous years' tax losses	(2 711 327)	(351 933)
Tax calculated	381 553	31 674
Adjustments to the assesment	196 204	58 781
Tax rate differences - branches	5 158	-
Tax rate differences - subsidiaries	28 731	-
Corporate tax for the period - payable/(receivable)	542 829	(145 213)
Current tax - expense / (income)	611 646	103 411
	582 915	103 411
Effective tax rate	11,2%	15,3%

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

8 Inventories

The breakdown of this heading is as follows:

Description	(expressed in Euro)	
	Dec 31, 2018	Dec 31, 2017
Gross Value:		
Raw & subsidiary materials & consumables	103 110	314 089
Net carrying amount:	103 110	314 089

During 2018, Cost of goods sold and materials consumed totalled Euro 7.400.821 (2017: Euro 7.875.706) as per note 26. The decrease is due to the sale of 100% of the share capital of the subsidiary Maistres on the 31st December 2018.

9 Trade receivables

The breakdown of Trade accounts receivable is as follows:

(expressed in Euro)

Description	Dec 31, 2018	Dec 31, 2017
Gross Value:		
Trade receivable		
General	18 387 303	9 180 749
Subsidiaries	74 009	2 489
Joint ventures	904	1 538
	18 462 217	9 184 775
Accumulated impairment		
Impairment losses for the period	88 299	225 998
Impairment losses of previous periods	(773 089)	(999 087)
	(684 790)	(773 089)
Net carrying amount:	17 777 426	8 411 686

As at December 31, 2018, the non-current trade receivable amounted to 2.347.825 (2017: Euro 4.562.578) which 63% 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.

Records of impairment losses are as follows:

(expressed in Euro)

Description	Opening balance	Losses	Reversals	Closing balance
Impairment losses:				
Customers	(773 089)	(12 500)	100 799	(684 790)
Total:	(773 089)	(12 500)	100 799	(684 790)

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	3 187 531	2 262 039	1 798 685	520 717	8 360 809	542 633	507 067	597 945	17 777 426

10 State and other public entities

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

<i>(expressed in Euro)</i>		
Description	Dec 31, 2018	Dec 31, 2017
Assets		
VAT refund applications	160 207	40 601
VAT recoverable	102 680	143 306
Corporation tax	-	146 438
Other taxes	13 840	10 190
VAT recoverable (branches)	865 932	955 417
Corporation tax (branches)	69 122	92 703
VAT recoverable (other companies)	2 658	3 668
Corporation tax (other companies)	32 509	68 035
Total:	1 246 948	1 460 358
Liabilities		
Corporation tax	377 472	-
Social Security Contributions	93 330	96 560
Income tax withheld	63 147	65 283
Corporation tax (branches)	221 892	212 468
Social Security Contributions (branches)	2 270	-
Other taxes (branches)	3 065	8 558
Social Security Contributions (other companies)	-	1 003
Other taxes (other companies)	3 061	14 728
Total:	764 236	398 601

11 Other Receivables

The breakdown of other receivables is as follows:

<i>(expressed in Euro)</i>		
Description	Dec 31, 2018	Dec 31, 2017
Gross Value:		
Prepayment to suppliers	848 339	2 097 131
Other debtors	646 198	566 285
Stage of completion	4 803 717	3 712 787
Other accrued income	145 919	88 745
	6 444 173	6 464 948
Accumulated impairment:		
Impairment of the period	-	-
Impairment of previous periods	(345 875)	(345 875)
	(345 875)	(345 875)
Net carrying amount:	6 098 299	6 119 073

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 €
Infulene - Matola 66 kV line	1 270 859
Quay and Breakwater Cabinda	1 653 312
Apartments, Quinta do Lago	60 957
Cegelec optic fibre	313 389
Warehouse, Sapec Quimica	339 755
Mueda electrification, EDM	29 694
Mozambique Power Grid	925 761
Anti-veh barrier, Lajes field US Airforce	209 988
TOTAL	4 803 717

12 Deferrals

The breakdown of Deferrals is as follows:

Description	<i>(expressed in Euro)</i>	
	Dec 31, 2018	Dec 31, 2017
Assets		
Costs pending recognition		
Insurance paid	51 387	70 549
Other costs pending recognition	49 468	111 568
Total:	100 856	182 117
Liabilities		
Income pending recognition		
Stage of completion	1 592 571	1 531 333
Interest	321 477	339 056
Total:	1 914 048	1 870 389

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

Job	Stage Completion €
EDAP Lot 5, EDM	674 554
EDAP Lot 7, EDM	320 148
33Kv line Nhamapaza, EDM	548 083
Rehabilitation Trafaria	11 188
Barge service Porto Leixoes	38 597
Total:	1 592 571

Interest income pending recognition has to do with interest charged to customers, recognition of which depends on its actual receipt.

13 Financial assets held for trading

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

Description	<i>(expressed in Euro)</i>	
	Dec 31, 2018	Dec 31, 2017
Financial assets (shares)	-	5 000
Total:	-	5 000

During 2018, LISGARANTE's shares were sold.

14 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 2018.

15 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.

16 Other reserves

The breakdown of this heading is as follows:

Description	(expressed in Euro)	
	Dec 31, 2018	Dec 31, 2017
Other Reserves	(197 542)	(197 542)
Total:	(197 542)	(197 542)

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

17 Retained earnings

The variation of retained earnings includes the appropriation of the 2017 Net Profit in the sum of € 665.194.

18 Adjustments to financial assets/other changes in equity

The breakdown of this heading is as follows:

Description	(expressed in Euro)	
	Dec 31, 2018	Dec 31, 2017
Financial statement translation differences	(862 376)	(863 481)
Total:	(862 376)	(863 481)

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

19 Provisions, Contingent Liabilities and Contingent Assets

Provision details in 2018 are as follows:

Description	(expressed in Euro)			
	Opening balance	Additions	Reversals	Closing balance
Taxes	270 000	-	-	270 000
Other	1 267 500	-	(1 267 500)	-
Total:	1 537 500	-	(1 267 500)	270 000

Other heading relates to the parcel of risk assumed by the Project Management of the Aarsleff-SETH JV which was reverted in 2018.

As at December 31, 2018, 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.

A provision of EUR 270.000 was created for tax claim in Algeria.

As at December 31, 2018, the Company had provided the following bank guarantees:

Description	(expressed in Euro)	
	Dec 31, 2018	Dec 31, 2017
Bank guarantees provided to third party		
- Performance (construction contracts)	8 251 069	10 867 215
- Tenders	931 435	306 695
- Services acquired	62 422	62 422
- Legal	1 853 660	1 853 660
Total:	11 098 587	13 089 992

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.

20 Bank loans

The breakdown of this item is as follows:

Description	(expressed in Euro)	
	Dec 31, 2018	Dec 31, 2017
Non-current		
Credit institutions and financial companies		
Bank loans	330 075	-
Finance leases	170 663	620 776
Shareholders' loans	100 000	-
	600 739	620 776
Current		
Credit institutions and financial companies		
Bank loans	1 204 494	1 731 783
Factoring	93 209	-
Other facilities	1 554 722	498 485
Overdraft facilities	3 991 926	2 068 637
Finance leases	452 426	590 431
Shareholders' loans	2 516 181	-
	9 812 958	4 889 337
Total:	10 413 696	5 510 113

Non-current financing relates to borrowings and finance leases contracted with CGD, Santander Totta and Novo Banco with maturities up to 2022.

There's a significant increase in loans compared to 2017.

The delay in receiving EDM's debt related to the large amounts of EDAP Lot 5 and Lot 7 contracts forced the company to make significant use of bank financing as well as from shareholders'(EUR 2.516.181).

Other facilities comprises Confirming on time financing from Millennium BCP bank.

The breakdown of Borrowings by maturity is as follows:

Description	(expressed in Euro)	
	Dec 31, 2018	Dec 31, 2017
Credit institutions and financial companies		
Bank Loans/Overdraft facilities/Factoring		
Up to 1 year	6 844 351	4 298 906
1 to 5 years	330 075	-
	7 174 426	4 298 906
Credit institutions and financial companies		
Finance leases		
Up to 1 year	452 426	590 431
1 to 5 years	170 663	620 776
	623 089	1 211 207
Shareholders' loans		
Up to 1 year	2 516 181	-
1 to 5 years	100 000	-
	2 616 181	-
Total:	10 413 696	5 510 113

As at December 31, 2018, the breakdown of future payments of principal and accrued interest of non-current borrowings is as follows

21 Other payables

The breakdown of Other payables is as follows:

Description	(expressed in Euro)	
	Dec 31, 2018	Dec 31, 2017
Current		
Remunerations payable	725 661	640 209
Creditors for accrued costs	1 031 683	340 316
Other creditors	308 495	348 485
Total:	2 065 839	1 329 010

22 Trade payables

The breakdown of Trade payables is as follows:

Description	(expressed in Euro)	
	Dec 31, 2018	Dec 31, 2017
Trade payables		
General	4 395 400	6 883 995
Parent company	20 066	-
Subsidiary companies	1 832	1 749
Associate companies	363	-
Total:	4 417 661	6 885 744

23 Customer prepayments

The breakdown of Customer prepayments is as follows:

(expressed in Euro)

Description	Dec 31, 2018	Dec 31, 2017
General Customers	2 545 559	3 780 874
Total:	2 545 559	3 780 874

Prepayments from Electricidade de Moçambique accounts for 17% of total, where as 35% from Quinta da Reserva, 59% comes from the contract performed with Aarsleff-SETH JV and Client Sapec Quimica contributes with 10%.

24 Revenue

The breakdown of Services rendered is as follows:

(expressed in Euro)

Description	2018	2017
Services rendered		
Construction Works	34 059 368	35 386 963
Secondary services	285 220	495 096
Total:	34 344 588	35 882 059

Jobs in 2018 are as follows:

(expressed in Euro)

Job	2018	2017
EDAP	5 141 973	4 984 823
Infulene-Matola 66 kV line	1 929 773	4 415 417
Estacas prefabricadas ETAR de Faro		615 775
Defensas PSA, Sines		381 439
33 kV Vunduzi, Sofala		1 253 604
Cais, Cabinda	3 393 620	4 606 444
Defensas Cimangola		307 875
Dragagem, Angeiras		285 270
Jetty Rusal, Kamsar	2 600 852	4 403 129
Reserva, Quinta do Lago	7 235 939	1 255 485
22 kV Chimoio e Beira	717 125	
Linha 33 kV Nhamapaza	799 218	
Cegelec Optic Fibre	888 086	
Remod.Escola Marquês de Pombal	688 488	
Armazém Sapec Química, Setúbal	1 121 351	
Electrificação de Mueda, Moçambique	1 181 474	
Mozambique Power Grid	6 475 853	11 490 154
Outras	2 170 836	1 882 644
Total:	34 344 588	35 882 059

25 Own work capitalised

The breakdown of Own work capitalised is as follows:

(expressed in Euro)

Description	2018	2017
Tangible Fixed Assets	15 260	5 410
Total:	15 260	5 410

26 Cost of goods sold and materials consumed

Cost of goods sold and materials consumed is as follows:

	(expressed in Euro)	
Description	Dec 31, 2018	Dec 31, 2017
Opening balance (+)	314 089	313 246
Purchases (+)	7 189 842	7 876 549
Closing balance (-)	103 110	314 089
Cost of goods sold & materials consumed	(7 400 821)	(7 875 706)

27 Third party supplies and Services

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

	(expressed in Euro)	
Description	2018	2017
Subcontracts	7 847 165	11 323 220
	7 847 165	11 323 220
Specialized services:		
Specialized contracts	1 570 075	1 600 382
Maintenance and repairs	416 975	677 163
Fees	44 373	62 676
Guards and security	119 429	169 069
Advertising and publicity	17 222	17 141
	2 168 074	2 526 431
Materials:		
Rapid wear tools and utensils	162 047	446 044
Office supplies	30 144	50 305
Technical documentation	2 067	1 095
Others	1 923	34 106
	196 181	531 551
Energy and fuels:		
Fuel	424 278	440 462
Electricity	52 309	42 893
Water	26 391	13 796
Others	22 929	43 253
	525 906	540 405
Traves and transportation:		
Carriage of goods	545 302	1 613 905
Travel and lodging	441 591	444 882
Transport of personnel	3 134	3 064
	990 027	2 061 851
Sundry services:		
Leases and rentals	1 158 308	1 013 381
Insurance	271 206	260 880
Communication	80 543	89 850
Cleaning, hygiene and comfort	75 359	82 012
Entertainment costs	13 336	17 887
Litigation and notaries	11 676	6 670
Other services	450 428	623 923
	2 060 855	2 094 602
Total:	13 788 209	19 078 060

A significant decrease in wear tools and goods transport expenses was due to the beginning of contracts in Guinea and Cabinda during 2017, in opposition to 2018 in which occurred only the demobilisation of Guinea contract.

28 Staff costs

The breakdown of Staff costs is as follows:

Description	(expressed in Euro)	
	2018	2017
Remuneration of directors	317 127	314 441
Remuneration of personnel	5 904 374	5 775 994
Charges on remuneration	875 586	795 921
Indemnities	6 476	4 466
Wordmen's compensation and occupation disease insurances	77 657	71 458
Social work costs	20	112
Other staff costs	103 843	67 533
Total:	7 285 084	7 029 926

Total Staff costs have increase essentially as a result of Cabinda contract.

The breakdown of workers in Portugal and in Mozambican branch as at December 31, 2018 and 2017, by management positions / senior managers and professional category is presented as follows:

Description	Dec 31, 2018	Dec 31, 2017
Directors	2	2
Managers/Senior management	7	7
Upper management	14	17
Middle management	17	19
Foreman	27	25
Highly-skilled labour	10	10
Skilled labour	85	92
Semi-skilled labour	71	90
Unskilled labour	63	57
Total:	296	319

At the end of 2018, the branch in Mozambique had hired 179 workers whereas in 2017 the figure amounted to 199.

29 Other income

The breakdown of Other income is as follows:

Description	(expressed in Euro)	
	2018	2017
Supplementary income	530 037	912 060
Other financial assets	1 039 908	682 924
Non-financial investments	487 614	135 273
Prompt payment discounts earned	6 689	14 351
Others	121 510	325 814
Total:	2 185 758	2 070 422

As per December 31, 2018, assignment of personnel to the JV AarsleffSETH and equipment rental in Cabinda account for almost all the Supplementary income item.

Other financial Assets heading reflects exchange differences during the period.

30 Other costs

The breakdown of Other costs is as follows:

(expressed in Euro)

Description	2018	2017
Banking fees and services	975 415	585 359
Taxes	432 589	384 311
Non-financial investments	95 099	36 569
Bad debt	-	77 784
Exchange rate differences	96	948 696
Other	119 018	169 655
Total:	1 622 217	2 202 374

31 Interest and similar income

The breakdown of Interest & similar income is as follows:

(expressed in Euro)

Description	2018	2017
Interest income	3 987	5 849
Total:	3 987	5 849

32 Interest and similar costs

The breakdown of Interest and similar costs is as follows:

(expressed in Euro)

Description	2018	2017
Interest expenses	241 495	81 623
Total:	241 495	81 623

Interest expenses relate to the borrowings mentioned in Note 20.

33 Related party disclosures

As per December 31, 2018, the company's shareholding was distributed as follows :

(number of shares)

Description	Dec 31, 2018	Dec 31, 2017
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:

Description	(expressed in Euro)	
	Dec 31, 2018	Dec 31, 2017
Assets		
Subsidiaries	222 614	364 395
Joint Ventures	108 254	22 948
Eng. Ricardo Gomes	41 878	8 337
Total:	372 746	395 679
Liabilities		
Subsidiaries	1 832	1 749
MT Hojgaard a/s	20 066	-
Total:	21 898	1 749

34 Minority interests

Minority interests' balances are included in the financial statements as follows:

Description	(expressed in Euro)	
	Dec 31, 2018	
Net profit of the period		
SethAngola, S.A.		270 600
SethMoz – Construção, Engenharia & Obras Públicas, S.A.		(6 830)
Total:		263 770
Equity Adjustments		
SethAngola, S.A.		(12 135)
SethMoz – Construção, Engenharia & Obras Públicas, S.A.		(18 783)
Total:		(30 919)
Total:		232 852

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.

Description	(expressed in Euro)		
	Recognised in previous years	Recognised in the period	Deferred/Not recognised
Costs	62 606 283	27 095 677	-
Income/Revenue	70 886 398	34 916 860	(3 075 146)
			89 701 960
			102 728 113

36 Subsequent events

There were no significant events with impact on the Financial Statements as at December 31, 2018.

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, 2018 (which show a total of 36,232,928 euros and a total equity of 13,841,889 euros, including a net profit for the year of 4,339,004 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, 2018, 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 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 13, 2019

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

AENOR

Quality Management System Certificate



ER-0292/2018

AENOR certifies that the organization

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

has a quality management system according to the ISO 9001:2015 Standard

for the activities: Coordination and execution of civil and public construction works, namely for building works, coastal protection, port, hydraulics, pipelines, concrete and metal structures and pile-driving.

which is/are carried out in: Sede: Avenida Tomás Ribeiro, 145. - 2790-467 Queijas (Portugal)
Estaleiro Central de Palmela: Rua da Ponte 2 - Orvidais. - 2950-422 Setúbal (Portugal)

First issued on: 2018-05-17
Last issued: 2018-08-31
Validity date: 2021-08-31

Rafael GARCIA MEIRO
Chief Executive Officer

Certificate transferred. Issuance date by accredited certification body: 2016-01-25

AENOR INTERNACIONAL S.A.U.
Génova, 6. 28004 Madrid. España
Tel. 91 432 60 00.- www.aenor.com



Lus AENOR Avenida da Boavista, 1180 - 2º C - 4100-113 PORTO Portugal - www.lusaenor.com



CERTIFICATE

AENOR has issued an IQNet recognized certificate that the organization:

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

**Sede: Avenida Tomás Ribeiro, 145.
2790-467 QUEIJAS
Portugal**

**Estaleiro Central de Palmela:
Rua da Ponte 2 - Orvidais
2950-422 SETÚBAL
Portugal**

has implemented and maintains a

Quality Management System

for the following scope:

Coordination and execution of civil and public construction works, namely for building works, coastal protection, port, hydraulics, pipelines, concrete and metal structures and pile-driving.

which fulfills the requirements of the following standard

ISO 9001:2015

First issued on: 2018-05-17 Last issued: 2018-08-31 Validity date: 2021-08-31

This attestation is directly linked to the IQNet Partner's original certificate and shall not be used as a stand-alone document

Registration Number: ES-0292/2018



Alex Stoichitoiu
President of IQNet

Rafael GARCÍA MEIRO
Chief Executive Officer

AENOR

Original Electronic Certificate

IQNet Partners*:

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Oy Finland INTECO Costa Rica IRAM Argentina JQA Japan KFQ Korea MIRTEC Greece MSZT Hungary Nemko AS Norway
NSAI Ireland NYCE-SIGE México PCBC Poland Quality Austria Austria RR Russia SII Israel SIQ Slovenia
SIRIM QAS International Malaysia SQS Switzerland SRAC Romania TEST St Petersburg Russia TSE Turkey YUQS Serbia
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* The list of IQNet partners is valid at the time of issue of this certificate. Updated information is available under www.iqnet-certification.com

AENOR

Environmental Management System Certificate



GA-2018/0140

AENOR certifies that the organization

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

has an environmental management system in accordance to the ISO 14001:2015 Standard

for the activities: Coordination and execution of civil and public construction works, namely for building works, coastal protection, port, hydraulics, pipelines, concrete and metal structures and pile-driving.

which is/are carried out in: Sede: Avenida Tomás Ribeiro, 145. - 2790-467 Queijas (Portugal)
Estaleiro Central de Palmela: Rua da Ponte 2 - Orvidais. - 2950-422 Setúbal (Portugal)

First issued on: 2018-05-17
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Validity date: 2021-08-31

Rafael GARCÍA MEIRO
Chief Executive Officer

Certificate transferred. Issuance date by accredited certification body: 2015-09-01

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Lus AENOR Avenida da Boavista, 1180 - 2º C - 4100-113 PORTO Portugal - www.lusaenor.com



CERTIFICATE

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

Sede:
Avenida Tomás Ribeiro, 145
2790-467 QUELHAS
Portugal

Estaleiro Central de Palmela:
Rua da Ponte 2 - Orvidais
2950-422 SETÚBAL
Portugal

has implemented and maintains a
Environmental Management System
for the following scope:

Coordination and execution of civil and public construction works, namely for building works, coastal protection, port, hydraulics, pipelines, concrete and metal structures and pile-driving.

which fulfills the requirements of the following standard


ISO 14001:2015

First issued on: **2018-05-17** Last issued: **2018-08-31** Validity date: **2021-08-31**

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AENOR

Management System Certificate Occupational Health and Safety



SST-0075/2018

AENOR certifies that the organization

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

has a Health and Safety Management System in accordance to the OHSAS 18001:2007 Standard

for the 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.

which is/are carried out in: Sede: Avenida Tomás Ribeiro, 145. - 2790-467 Queijas (Portugal)
Estaleiro Central de Palmela: Rua da Ponte 2 - Orvidais. - 2950-422 Setúbal (Portugal)

First issued on: 2018-06-01
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Rafael GARCÍA MEIRO
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Sede:
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2790-467 QUELHAS
Portugal

Estaleiro Central de Palmela:
Rua da Ponte 2 - Orvidais
2950-422 SETÚBAL
Portugal

has implemented and maintains a

Occupational Health and Safety Management System

for the following scope:

Coordination and execution of civil construction and public works, particularly for coatal protection works, port, water, pipelines, concrete and metal structures and pile-driving.

which fulfills the requirements of the following standard


OHSAS 18001:2007

First issued on: **2018-06-01** Last issued: **2018-09-10** Validity date: **2021-03-12**

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Registration Number: ES-SST-0075/2018




Alex Stoichitoiu
President of IQNet


Rafael GARCIA MEIRO
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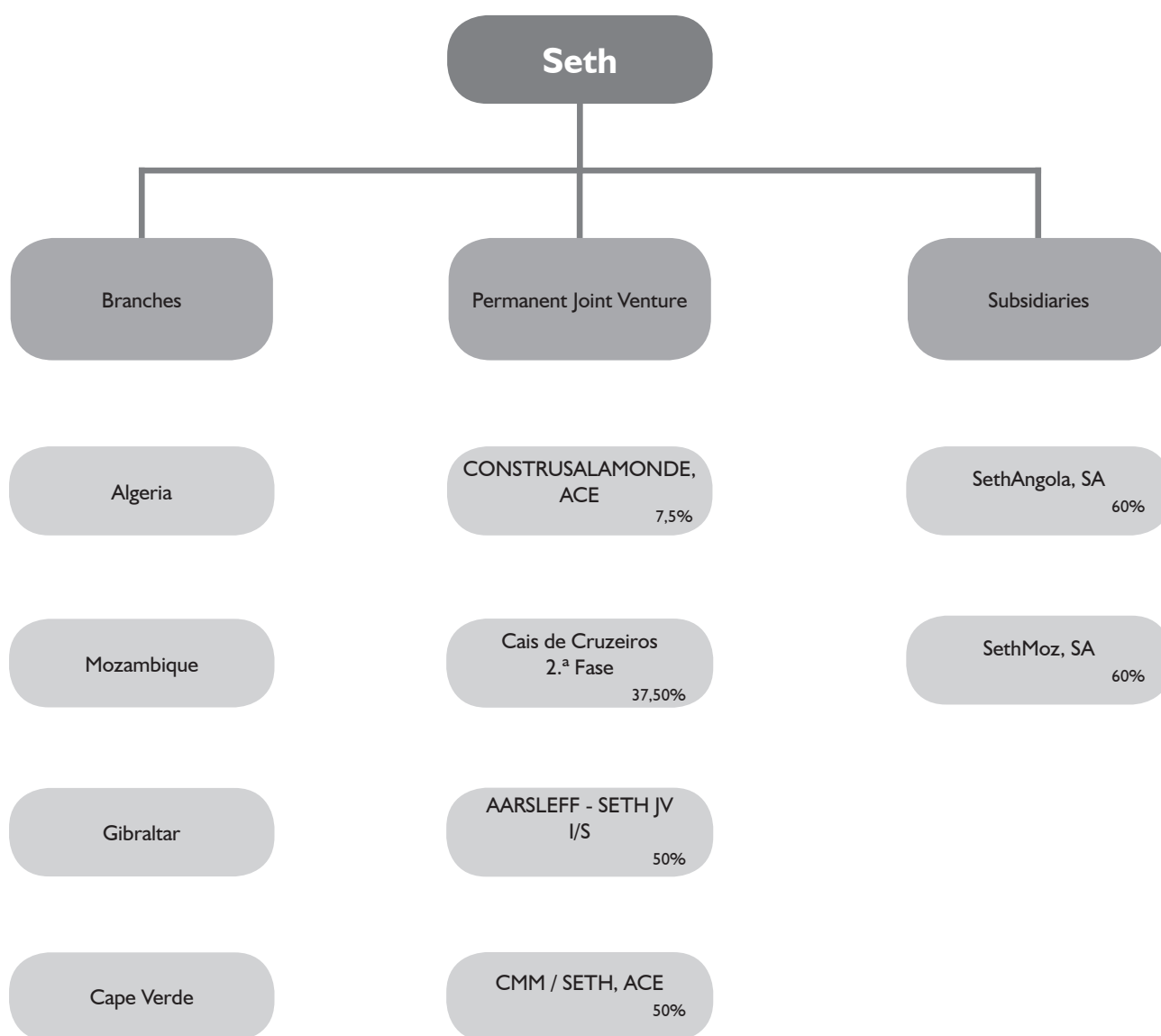
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