Annual Report 2019

Seth

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INTRODUCTION

Turnover for the year was lower than for the previous year, as was net income, though in keeping with the expected amount and within the normal pattern of recent years. Business development during the year was conditioned by a process of possible shareholder recomposition that placed some restrictions on attracting new opportunities. The year under review was marked by a significant increase of business in Portugal that accounted for one third of turnover and a large part of the order book for the coming years. This was due to the development of projects in the buildings construction area, which, though not traditionally the main area of the company's business, is in keeping with its capabilities. It is the most dynamic area of the domestic market and it will therefore be the subject of ongoing attention in terms of job opportunities. The international market and the African markets in particular were mostly responsible for the greater turnover, accounting for 72% of the total, with the Mozambican market accounting for 45% of the business. The company's business development pattern will continue to follow this orientation, and the domestic market is expected to contribute more to turnover, even though net income will have to be obtained mainly from business abroad.

On the domestic market the business development strategy is based essentially on the infrastructure-construction market, which is expected to create a greater number of opportunities on the basis of acceleration of the 2020 investment programme, complemented by our activity, in partnership, as general contractor in the area of construction of tourism, industrial and services buildings.

In the foreign market business development will follow the defined strategy, centred on the company's three central, distinctive areas: Maritime Infrastructure, Energy Transmission and Geotechnics, all of which are expected to increase as a result of the development of partnerships with companies of the group of the largest shareholder.

During the year under review, jobs were carried out in Mozambique, Angola and Guinea-Bissau, corresponding to the geographical areas identified as the target of the company's business development abroad: countries of the Gulf of Guinea and of the SADC (Southern Africa).

The Power Transmission area and the Mozambican market accounted for 63% of the turnover of the foreign market in 2019.

In the maritime infrastructure area, work was carried out and continues in Angola and Guinea-Bissau, and a new project was started in Cape Verde.

During the financial year, there was a sharp increase of business in the Geotechnics area, the result of considerable demand in the construction market, which led to the increase of the investment in equipment and human resources required for this business segment.

ACTIVITY IN THE MARKETPLACE

The development of partnerships with companies of regional and local scale, along with the increase in the use of digital tools and modular construction processes as a way to reduce the ever-high impact of construction, are key lines of the company's business development strategy. In this sense, during the year under review steps were taken for their implementation, leading to an increase in the number of consortia established for the execution of the works, investment in information and communication technologies and training of workers for the ongoing transformations in the industry of which the Lean methodology is an example. As a result of the increase of opportunities on the domestic infrastructure market, and in keeping with the foregoing, the company secured major maritime works for the Azores and Aveiro port administrations, which will increase the weight of the domestic market in 2020.

In relation to the foreign market, the business will continue to be focused on the search for new opportunities in keeping with the company's distinctive areas of specialisation: Marine Infrastructure, Power Transmission and Geotechnics. The Mozambican market will continue to be the most relevant in terms of business. Besides this, 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 2019 Seth was engaged in jobs in Portugal, Angola, Guinea-Bissau and Mozambique.

Of the more relevant jobs in progress continuing into 2020, we would underline:

- EDAP Grid Extension, Lots 5,7
  Employer: E.D.M. (Mozambique)
- Vilanculos Rural Electrification, Lot 3
  Employer: E.D.M. (Mozambique)
- Cabinda Breakwater and Pier Port
  Employer: IMPA - Instituto Marítimo Portuário Angola (Angola)
- Extension and Modernization of Porto Inglês, Maio Island.
  Employer: Ministry of Infrastructure (Cape Verde)

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 continues to be the company's main market, with the business centred on electrification works, the time horizon of the projects identified extending until 2030. The set of offers in preparation and the calls for tender announced allow us to expect an increase of the current order book up until the first half of 2021.

With the effective start of the works related to Rovuma's LNG project, in Cabo Delgado, Seth has taken part in several calls for tender, with reasoned expectations that it will be successful in some of them.
The current year is set to see a level of business identical to that of 2019.

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

In the last quarter of the year, jobs were awarded to the consortium, of which Seth is a member (33%), for the extension and modernization of Porto Inglês on Maio Island. The work will last 18 months, and it is to be expected that other opportunities may arise of the same nature during this period.

SUBSIDIARIES

SETH ANGOLA, SA

The construction of a Wharf and Breakwater in Cabinda for IMPA, by a consortium of Seth, SA, and Mota-Engil Angola, as subcontractors of the Chinese company CGGC, was affected by the worsening of the country's economic situation. This determined a temporary shutdown of the works in the last quarter of the year, though they resumed early in 2020. These works amount a total of USD 43 million and are scheduled for completion in late 2020.
The country's economic situation does not provide expectations that other works will commence in 2020, though expectations of its future stabilisation provide excellent prospects for the Infrastructure market in the medium term.
Seth, SA, controls 60% of the company.

SETHMOZ, SA

The company had no activity during 2019, and it is expected to be wound up during 2020, since the partners believe there is no reason for its continuation.
Seth controls 60% of this company.

INCORPORATED 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 was 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 will entail legal proceedings. The incorporated joint venture will proceed judicially against the customer and it is of the conviction that it will be successful.
Seth has a 37.5% holding.

AARSLEFF-SETH JV I/S

The consortium (joint venture) set up by Seth and the Danish construction concern Per Aarsleff a/s concluded 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 conclusion of negotiations with the customer allowed all existing disputes to be closed in conjunction with the performance of the work of Option 2, the last part of the project, which began in April 2014, the overall amount of which totalled €122 million.
The official completion date of the work will be February 2020, when the warranty period starts that will end in April 2021. During this period the structure of the consortium will be minimal and will be maintained to solve possible problems under the warranty of the job.

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.
During 2019, the work was resumed on the contract awarded in 2018 and suspended in the meantime. The continuity of the incorporated joint venture depends on the outcome of a call for tenders for the US Government at the Lajes Base that is expected for the first half of 2020. Seth has a 50% holding in the joint venture.

QUALITY, ENVIRONMENT AND SAFETY - QES

The company implements its QES management in a systematic and disciplined manner and, within the scope of the monitoring of the Integrated Quality, Environment and Safety Management System Certification (SGIQAS), external audits were conducted by the LUSO AENOR certification body.
The audit of the QES Management Systems focused on verification of the general documentation of the Systems and on visits to the company's facilities and works. The findings of the certifying entity were recorded in the audit report, one non-conformity, three comments and two opportunities for improvement of the SGIQAS having been identified.
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.
- Organization of the Safety Data Sheets of the chemical products stored in the Central Palmela Yard.
- Organization of the 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.
- Organization of the documentation of the audited Job;

In order to lend continuity to the process of improvement of the Management Systems, a start was made in 2019 to the adaptation of the Safety and Health Systems to the new Standard ISO 45001, in order to be certified in accordance with the new standard in June 2020. This will thus be a monitoring audit of two systems (quality and environment) and of migration of the safety system to the new regulatory framework, and it will be a more detailed audit with a longer duration.

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.

2019 Accident Rates

The 2019 Accident Rates figures were 30.7 for the Frequency Rate (qualitative class Good) and 1.4 for the in the Severity Rate (qualitative class Average). However, the Severity Rate for 2019 has not yet been finalised, since two of the casualties transited to 2020, with days off that are always referred to the year in which the accident took place, altering the Severity Rate.

R&D

In the gradual preparation for the ongoing digital transformation process in the economy and in the construction industry, a decision was taken to develop digital information sharing and knowledge platforms as a way to encourage collaborative resolution of problems, thereby creating a database for the collection and processing of data allowing evolution in the long term for the future use of Machine Learning mechanisms.

These platforms and procedures will be implemented during 2020.

Significant investments were made in the acquisition of hardware and software appropriate to the demands of working with the methodology. Training courses for technicians in the use of these tools continued during 2019.

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 employees, customers and society in general.

Seth views itself as a socially responsible organization 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.

Thus, for systematic aggregation of long-applied principles and practices, the Company's Code of Conduct was developed and implemented.

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 Manjangue, Chokwe, Mozambique.

ECONOMIC AND FINANCIAL INDICATORS

In 2019, turnover totalled €31,474,334, less than 3% of the previous year's figure.
EBIT amounted to €3,004,835, or 9.5% of turnover.
Net Income stood at €1,129,969 and the part allocated to the holders of the parent company's capital amounted to € 1,409,912.
The company's Equity at the end of the period amounted to €10,971,733, of which Minority Interests were allocated €-90,978.
At the year-end the order book stood at €36 million.

APPROPRIATION OF PROFITS

The Board of Directors proposes that net income be taken to Retained Earnings.

2020 PREVIEW AND SUBSEQUENT EVENTS

In February 2020, a decision was taken to maintain the company's shareholder structure, the possible recomposition of which had been considered during 2019. During the period, the normal performance of the company's commercial activities was conditioned by this situation and it was reflected in the make-up of the order book.
The decision now taken and the redefinition of the largest shareholder's strategy, as well as Seth's inclusion therein, will allow access to opportunities for significant growth of turnover in the coming years.
We expect a turnover of approximately €46 million and an EBIT of 4,7% in 2020.

Queijas, February 20, 2020

The Board of Directors
Ricardo António Pedrosa Gomes (President)
Martin Stig Solberg
Peter Kofoed
Sofia Mendes

Monetary Unit: EURO

HEADINGS	Notes	Periods Dec 31, 2019	 Dec 31, 2018
ASSETS			
Non-current assets			
Tangible fixed assets	6	5 034 979	5 916 813
Customers with Guarantee deposit	9	1 101 371	2 347 825
Total Non- Current Assets		**6 136 350**	**8 264 638**
Current Assets			
Inventories	8	103 549	103 110
Customers	9	13 555 186	17 777 426
State & other public entities	10	733 628	1 246 948
Other receivables	11	4 783 245	6 098 299
Deferrals	12	101 670	100 856
Cash & Bank deposits	4	6 096 184	2 641 652
Total Current Assets		25 373 462	27 968 290
Total Assets		**31 509 812**	**36 232 928**
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	5 474 092	5 133 799
Other changes in equity	19	(910 882)	(862 376)
Net Profit		**1 409 912**	**4 339 004**
Total Equity attributable to shareholders		**10 971 733**	**13 609 037**
Minority interest	34	(90 178)	232 852
Total Equity		**10 881 555**	**13 841 889**
Liabilities			
Non-current liabilities			
Provisions	18	1 832 500	270 000
Loans	20	4 278 082	600 739
Total non-current liabilities		**6 110 583**	**870 739**
Current liabilities			
Suppliers	22	3 233 296	4 417 661
Customers prepayments	23	309 541	2 545 559
State & other public entities	10	592 885	764 236
Loans	20	4 629 817	9 812 958
Other accounts payable	21	5 128 965	2 065 839
Deferred income	12	623 171	1 914 048
Total current liabilities		**14 517 675**	**21 520 301**
Total liabilities		**20 628 257**	**22 391 039**
Total equity and liabilities		**21 509 812**	**36 232 928**

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Peter Kofoed
Sofia Mendes

The Chartered Accountant
Bárbara Themudo

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 2018 **1**	2.4	4 000 000	801 069	197 542	4 468 604	(863 481)	665 195	9 268 929		**9 268 929**
CHANGES DURING THE PERIOD										
Other changes recognised in equity						1 105	-	1 105	(30 919)	(29 814)
2		-	-	-	-	1 105	-	1 105	(30 919)	(29 814)
NET PROFIT FOR THE PERIOD							**4 339 004**	**4 339 004**	**23 770**	**4 602 774**
COMPREHENSIVE RESULT							**4 339 004**	**4 340 109**	**23 770**	**317 400**
TRANSACTIONS WITH EQUITYHOLDERS DURING THE PERIOD										
Distributions										
Other transactions					665 195		(665 195)	-		-
5		-	-	-	665 195	-	(665 195)	-		-
POSITION AT THE END OF THE PERIOD 2018 **6=1+2+3+5**		4 000 000	801 069	197 542	5 133 799	(862 376)	4 399 004	13 609 037	232 852	13 841 889
POSITION AT THE START OF THE PERIOD 2019	**2.4**	4 000 000	801 069	197 542	5 133 799	(862 376)	4 399 004	13 609 037	232 852	13 841 889
CHANGES DURING THE PERIOD										
Other changes recognised in equity					1 289	(48 505)		(47 216)	(43 086)	(90 303)
7		-	-	-	1 289	(48 505)	-	(47 216)	(43 086)	(90 303)
NET PROFIT FOR THE PERIOD 8							1 409 912	**1 409 912**	(279 943)	**1 129 969**
COMPREHENSIVE RESULT							1 409 912	**1 362 696**	(279 943)	**1 082 753**
TRANSACTIONS WITH EQUITYHOLDERS DURING THE PERIOD										
Subscrição de Capital								-		
Realizações de prémios de emissão								-		
Distribuições					(4 000 000)			(4 000 000)		(4 000 000)
Entradas para cobertura de perdas								-		
Other transactions					4 339 004		(4 339 004)	-		-
10		-	-	-	339 004	-	(4 339 004)	(4 000 000)	-	(4 000 000)
POSITION AT THE END OF THE PERIOD 2019 **11= 6+7+8+10**		4 000 000	801 069	197 542	5 474 092	(910 882)	1 409 912	10 971 733	(90 178)	10 881 555

The Board of Directors
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CONSOLIDATED INCOME STATEMENT BY NATURE OF EXPENSE

PERIOD ENDED DECEMBER 31, 2019

Monetary Unit: EURO

INCOME & EXPENSES	Notes	Periods	
		Dec 31, 2019	Dec 31, 2018
Sales & services rendered	24	31 474 334	34 344 588
Share of profit/(loss) after tax of subsidiary, associated companies		-	469
Own works capitalised	25	7 285	15 260
Cost of goods sold & materials consumed	26	(5 338 726)	(7 400 821)
Third party supplies & services	27	(13 995 855)	(13 788 209)
Staff costs	28	(6 690 539)	(7 285 084)
Impairment of receivables (losses/reversals)	9	(89 127)	88 299
Provisions (increases/reductions)	19	(1 890 578)	-
Other income & gains	29	1 674 726	2 185 758
Other costs & losses	30	(2 146 685)	(1 622 217)
Earnings before depreciation, borrowing costs and taxes		3 004 835	6 538 044
Expenses / reversals of depreciation & amortisation	6	(1 026 663)	(1 086 117)
Operating profit (before borrowing costs and taxes)		1 978 172	5 451 927
Interest & similar income	31	3 167	3 987
Interest & similar costs	32	(212 693)	(241 495)
Profit before tax		1 768 646	5 214 420
Income tax for the period	7	(638 677)	(611 646)
Net profit for the period		1 129 969	4 602 774
Net profit attributable to:	34		
Shareholders of SETH SA		1 409 912	4 339 004
Non-controlling interests		(279 943)	263 770
Basic earnings per share		0,32	1,15

The Board of Directors
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Bárbara Themudo

PERIOD ENDED December 31, 2019
Monetary Unit: EURO

	Notes	Period 31 Dez 2019	Period 31 Dez 2018
Cash Flow from operating activities - Direct Method	**4**		
Cash receipts from customers		37 301 819	25 061 550
Cash paid to suppliers		(20 123 893)	(23 194 534)
Cash paid to employees		(6 640 263)	(6 984 331)
Cash generated by operating activities		**(10 537 663)**	**(5 117 314)**
Income tax - paid / received		(656 480)	(37 689)
Other receipts/payments		(671 951)	85 405
Cash Flow from Operating Activities (1)		**(9 209 232)**	**(5 069 598)**
Cash Flow from investing activities			
Cash paid in respect of:			
Tangible fixed assets		(237 554)	(644 238)
Financial Investments		42 980	(200 047)
Cash receipts from:			
Tangible fixed assets		167 209	481 892
Financial Investments		-	182 764
Interest & similar income		1 990	-
Cash Flow from Investing Activities (2)		**(25 375)**	**(179 630)**
Cash Flow from financing activities			
Cash receipts from:			
Borrowings		4 580 296	6 572 239
Cash paid in respect of:			
Loans		(6 096 928)	(1 579 320)
Interest & similar costs		(212 693)	(241 495)
Dividends		(4 000 000)	-
Cash Flow from Investing Activities (3)		**(5 729 324)**	**4 751 424**
Variation of cash & cash equivalents (1+2+3)		**3 454 533**	**(497 804)**
Effect of currency translation differences			
Cash & cash equivalents of the beginning of the period		2 641 652	3 139 456
Cash & cash equivalents at the end of the period		**6 096 184**	**2 641 652**

The Board of Directors
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Martin Stig Solberg
Peter Kofoed
Sofia Mendes

The Chartered Accountant
Bárbara Themudo

Annex

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 20th, 2020.
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, 2019, and in the comparative financial information presented in these financial statements for the period ended December 31, 2018.
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

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, 2019 and 2018.
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

Investiments in associates

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

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

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

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

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

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

Investiments in subsidiaries and associates residents abroad

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

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

Jointly-controlled entities

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

e) Corporation tax for the period

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

Current corporation tax is calculated based on the Company's taxable income (which differs from the book income) in accordance with the tax rules in force as of the date of the reporting date at the place of the Company's registered office. The Company is subject to Corporation Tax (IRC) on taxable income at the rate of 21%. Taxation is increased by the 1.5% municipal surcharge on the taxable income, leading to an aggregate tax rate of 22.5% (including the relevant municipal surcharge of up to 1.5%).

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

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

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

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

Deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. At each balance sheet date, a reassessment is made of the temporary differences related to deferred tax assets with a view to recognising or adjusting in the light of the current expectation of their future recovery. The tax losses carried forward calculated in taxation periods started on or after January 1, 2017, can be used during 5 years. For 2014 till 2016 the deadline for the use of tax losses carried forward is twelve 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 6 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:

Currency		Rates in Dec 2019 Closing rate	Rates in Dec 2018 Closing rate
US dollar	USD	1,1234	1,145
British pound	GBP	0,8508	0,89453
Angolan Kwuanza	AKZ	536,2617	353,0155
Algerian dinar	DZD	-	135,566
Cape Verde escudo	CVE	110,265	110,265
Guinean franc	GNF	-	10430,95
Mozambique metical	MZN	68,7	70,24

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 20h, 2020, 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. There 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, 2019, the works portfolio totalled approximately 36 million Euro.

3.5 **Main sources of incertainty of the estimates**

The main sources of uncertainties are detailed in Note 3.3.

4 **Cash flows**

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

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

4.1 As at December 31, 2019, all cash and cash equivalent balances are available for use.

4.2 Cash and bank deposits comprise the following balances:

(expressed in Euro)

Description	Dec 31, 2019	Dec 31, 2018
Cash		
Cash Head Office	2 648	1 521
Cash Works	24 346	18 811
Cash Branches	13 000	9 850
Cash Joint Ventures/Subsidiaries	15 731	15 680
	55 724	**45 863**
Cash deposits		
Banks Head Office	72 611	355 987
Banks Branches	533 435	576 633
Banks Joint Ventures/Subsidiaries	5 434 415	1 663 169
	6 040 460	**2 595 789**
Total:	***6 096 184***	***2 641 652***

5 **Accounting policies, changes in accounting estimates and judgements**

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

6 **Fixed tangible assets**

The breakdown of this heading is as follows:

(expressed in Euro)

Description	Dec 31, 2019	Dec 31, 2018
Gross Value:		
Land & natural resources	1 074 621	1 074 621
Buildings & other constructions	3 404 797	3 404 797
Plant & machinery	12 278 304	12 330 542
Transport equipment	2 394 859	2 608 195
Office equipment	1 640 304	1 651 469
Other tangible fixed assets	59 739	56 375
Investments in progress	-	16 306
	20 852 624	21 142 305
Accumulated depreciation & impairment		
Depreciation of the period	(1 026 663)	(1 086 117)
Sales of the period	434 509	1 382 913
Accumulated depreciation of previous periods	(15 225 492)	(15 522 288)
	(15 817 646)	(15 225 492)
Net carrying amount:	***5 034 979***	***5 916 813***

The breakdown of movements under tangible fixed assets during 2019 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	12 330 542	174 310	(226 548)	12 278 304
Transport equipment	2 608 195	72 507	(285 843)	2 394 859
Office equipment	1 651 469	11 441	(22 606)	1 640 304
Other tangible fixed assets	56 375	3 364	-	59 739
Investments in progress	16 306	-	(16 306)	-
	21 142 305	261 622	(551 303)	20 852 624
Accumulated depreciation & impairment				
Buildings & other constructions	(1 741 032)	(93 836)	-	(1 834 869)
Plant & machinery	(9 792 547)	(705 931)	244 051	(10 254 428)
Transport equipment	(2 097 015)	(172 094)	180 287	(2 088 822)
Office equipment	(1 543 499)	(53 866)	10 172	(1 587 193)
Other tangible fixed assets	(51 399)	(935)	-	(52 334)
	(15 225 492)	(1 026 663)	434 509	(15 817 646)
Net carrying amount:	5 916 813			5 034 979

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

(expressed in Euro)

Descrição	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	-	169 306
	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	(9 752 547)
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 main additions in 2019 relate to the acquisition of machinery, namely a power pack and sheet piles as well as four vehicles in Mozambique branch.
Some equipment is located in our job in Angola which totals Euro 2.578.389,98.
The amount booked in Disposals is mainly due to the sale of some vehicles by the branch in Mozambique and to the sale of machinery and transport equipment by the Joint Venture Aarsleff-SETH JV I/S.

As at December 31, 2019 and 2018, the value of tangible fixed assets financed by lease contracts is as follows:

(expressed in Euro)

Description	Dec 31, 2019			Dec 31, 2018		
	Gross value	Depreciation/ Impairment	Net value	Gross value	Depreciation/ Impairment	Net value
Land & natural resources	-	-	-	1 030 558		1 030 558
Buildings & other constructions	-	-	-	2 718 549	(1 128 182)	1 590 367
Plant & machinery	1 355 925	(727 846)	628 080	1 877 925	(513 754)	1 364 172
Total:	***1 355 925***	***(727 846)***	***628 080***	***5 627 032***	***(1 641 936)***	***3 985 096***

Total future minimum lease payments are as follows:

(expressed in Euro)

Description	Dec 31, 2019			Dec 31, 2018		
	Capital owed	Interest owed	Rents falling due	Capital owed	Interest owed	Rents falling due
Less than one year	170 663	1 021	171 684	580 146	15 301	595 447
One to five years			-	500 739	10 325	511 063
Total:	***170 663***	***1 021***	***171 684***	***1 080 884***	***25 625***	***1 106 510***

7 Corporate tax for the period

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

(expressed in Euro)

Description	Dec 31, 2019	Dec 31, 2018
Current Tax	(638.677)	(611 646)
	(638.677)	***(611 646)***

The company did not recognise deferred tax assets.

The effective tax rate is as follows:

(expressed in Euro)

Description	2019	2018
Pre-tax profit	1 768 646	5 214 420
Tax rate	22,5%	22,5%
Expected tax	397 945	1 173 245
Differences between book and taxable income		
Equity method	245 960	(254 709)
Tax loss imputed by Joint ventures	24 149	16 781
Provisions taxed	36 903	-
Others	89 444	(184 475)
Minority Interests	279 943	(263 770)
Taxable profit / (Tax loss)	2 445 045	4 528 246
Deductions of previous years' tax losses	-	(2 711 327)
Tax calculated	507 261	381 553
Adjustments to the assessement	130 308	196 204
Tax rate differences - branches	1 109	5 158
Tax rate differences - subsidiaries		28 731
Corporate tax for the period - payable/(receivable)	638 677	542 829
Current tax - expense / (income)	638 677	611 646
	638 677	***611 646***
Effective tax rate	**36,1%**	**11,2%**

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:

(expressed in Euro)

Description	Dec 31, 2019	Dec 31, 2018
Gross Value:		
Raw & subsidiary materials & consumables	103 549	103 110
Net carrying amount:	***103 549***	***103 110***

During 2019, cost of goods sold and materials consumed totalled Euro 5.338.726 (2018: Euro 7.400.821), as per note 25. An impairment of stocked subsidiary materials was recognised in the amount of Euro 445.

9 Trade receivables

The breakdown of Trade accounts receivable is as follows:

(expressed in Euro)

Description	Dec 31, 2019	Dec 31, 2018
Gross Value:		
Trade receivable		
General	14 195 889	18 387 303
Subsidiaries	92 377	74 009
Joint ventures	3 490	904
	14 291 756	18 462 217
Accumulated impairment		
Impairment losses for the period	(51 780)	88 299
Impairment losses of previous periods	(684 790)	(773 089)
	(736 570)	(684 790)
Net carrying amount:	***13.555.186***	***17.777.426***

As at December 31, 2019, the non-current trade receivable amounted to 1.101.371 (2018: Euro 2.347.825) which 92% pertains to the Aarsleff-SETH JV. The change in this item between 2019 and 2018 corresponds to the release of the performance guarantees in cash from our clients Quinta Reserva - Empreendimentos Imobiliários e Turísticos, SA, (totally reimbursed) and Electricidade de Moçambique, EP related to the contract performed by the Joint venture Aarsleff-Seth (partially).
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 in 2019 are as follows:

(expressed in Euro)

Description	Opening balance	Losses	Reversals	Closing balance
Impairment losses:				
Customers	(684.790)	(51.780)	-	(736.570)
Total:	***(684.790)***	***(51.780)***	**-**	***(736.570)***

And in 2018 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 in 2019 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	5 762 014	661 749	524 845	2 830 562	1 925 834	1 388 081	17 600	444 503	13 555 186

And in 2018 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:

(expressed in Euro)

Description	Dec 31, 2018	Dec 31, 2017
Assets		
VAT refund applications	160 207	40 601
VAT recoverable	102 680	143 306
Other taxes	19 516	13 840
VAT recoverable (branches)	498 259	865 392
Corporation tax (branches)	75 616	69 122
VAT recoverable (other companies)	19 986	2 658
Corporation tax (other companies)	33 435	32 509
Total:	***909 698***	***1 246 948***
Liabilities		
Corporation tax	200 651	377 472
Social Security Contributions	97 293	93 330
Income tax withheld	63 807	63 147
Corporation tax (branches)	221 892	221 892
Social Security Contributions (branches)	2 634	2 270
Other taxes (branches)	5 250	3 065
Social Security Contributions (other companies)	673	-
Other taxes (other companies)	686	3 061
Total:	***592 885***	***764 236***

11 Other Receivables

The breakdown of other receivables is as follows:

(expressed in Euro)

Description	Dec 31, 2019	Dec 31, 2018
Gross Value:		
Prepayment to suppliers	110 196	848 339
Other debtors	1 379 962	646 198
Stage of completion	3 637 218	4 803 717
Other accrued income	38 646	145 919
	5 166 022	6 444 173
Accumulated impairment:		
Impairment of the period	(36 903)	
Impairment of previous periods	(345 875)	(345 875)
	(382 777)	(345 875)
Net carrying amount:	***4 783 245***	***6 098 299***

The stage of completion item 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.

Contract	Stage Completion €
EDAP Lot 5, EDM	94 056
EDAP Lot 7, EDM	346 418
Apartments, Quinta do Lago	50 000
Vilanculos lot 3, EDM	15 358
66KV line improv Lot1 DL2,Lot 2 DL13/14, EDM	28 303
Alto Ligonha, Lot B and C, EDM	9 326
Micropiling, D Luis Building	11 219
Piling, Vila do Conde	12 292
Marine structure, APSS	38 569
Porto Ilha do Maio, Cabo Verde	153 203
Quay Tua-Valeira, APDL	118 504
Quay 10M ZH, Ponta Delgada	4 202
Quay, Porto Aveiro	4 009
Quay and Breakwater Cabinda	2 007 672
Mozambique Power Grid	728 766
Anti-vehicle barrier, Lajes field US Air Force	15 321
TOTAL	***3 637 218***

12 Deferrals

The breakdown of Deferrals is as follows:

(expressed in Euro)

Description	Dec 31, 2019	Dec 31, 2018
Assets		
Costs pending recognition		
Insurance paid	58 625	51 387
Other costs pending recognition	43 045	49 468
Total:	***101 670***	***100 856***
Liabilities		
Income pending recognition		
Stage of completion	301 694	1 592 571
Interest	321 477	321 477
Total:	***623 171***	***1 914 048***

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.

Contract	Stage Completion €
Mooring, Bissau	33 023
Piling, Prior Velho	58 270
Terminal, Sapec Química	133 448
Sheetpiling micropiles, Barreiro	12 284
Line 33kV, Marracuene, Norconsult	64 669
Total:	***301.694***

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

13 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 2019.

14 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.

15 Other reserves

The breakdown of this heading is as follows:

(expressed in Euro)

Description		Dec 31, 2019	Dec 31, 2018
Other Reserves		(197 542)	(197 542)
	Total:	***(197 542)***	***(197 542)***

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

16 Retained earnings

The variation of retained earnings includes the appropriation of the 2018 Net Profit in the sum of € 339.004.

17 Adjustments to financial assets/other changes in equity

The breakdown of this heading is as follows:

(expressed in Euro)

Description		Dec 31, 2019	Dec 31, 2018
Financial statement translation differences		(910 882)	(862 376)
	Total:	***(910 882)***	***(862 376)***

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.

18 Provisions, Contingent Liabilities and Contingent Assets

Provision details in 2019 are as follows:

(expressed in Euro)

Description	Opening balance	Additions	Reversals	Closing balance
Taxes	270 000	-	-	270 000
Other	-	1 562 500	-	1 562 500
Total:	***270 000***	***1 562 500***	**-**	***1 832 500***

Other provision relates to the parcel of risk during the defects liability period expected by the Project Management of the Joint Venture Aarsleff-SETH.

As at December 31, 2019, 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, 2019, the Company had provided the following bank guarantees:

(expressed in Euro)

Description	Dec 31, 2019	Dec 31, 2018
Bank guarantees provided to third party		
- Perfomance (construction contracts)	13 572 398	8 251 069
- Tenders	-	931 435
- Services acquired	62 422	62 422
- Legal	1 853 660	1 853 660
Total:	***15 488 481***	***11 098 587***

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.

19 Bank loans

The breakdown of this item is as follows:

(expressed in Euro)

Description	Dec 31, 2019	Dec 31, 2018
Non-current		
Credit institutions and financial companies		
Bank loans	199 582	330 075
Finance leases	-	170 663
Shareholders' loans	4 078 500	100 000
	4 278 082	600 739
Current		
Credit institutions and financial companies		
Bank loans	567 493	1 204 494
Factoring	460 933	93 209
Other facilities	1 012 443	1 554 722
Overdraft facilities	2 418 285	3 991 926
Finance leases	170 663	452 426
Shareholders' loans	-	2 516 181
	4 629 817	9 812 958
Total:	***8 907 900***	***10 413 696***

Non-current financing relates to borrowings and finance leases contracted to Santander Totta with maturities up to 2022.
There has been a significant decrease in current loans between 2019 and 2018 after the release of EDM's late payments.
Other facilities comprises Confirming on time financing from Millennium BCP bank.

The breakdown of Borrowings by maturity is as follows:

(expressed in Euro)

Description	Dec 31, 2019	Dec 31, 2018
Credit institutions and financial companies		
Bank Loans/Overdraft facilities/Factoring		
Up to 1 year	4 459 154	6 844 351
1 to 5 years	199 582	330 075
	4 658 736	7 174 426
Credit institutions and financial companies		
Finance leases		
Up to 1 year	170 663	452 426
1 to 5 years	-	170 663
	170 663	623 089
Shareholders' loans		
Up to 1 year	78 500	2 516 181
1 to 5 years	4 000 000	100 000
	4 078 500	2 616 181
Total:	***8 907 900***	***10 413 696***

In 2019 both shareholders conceded loans to the Company that will be expectadly reimbursed in 2021.
As at December 31, 2019 the breakdown of future payments of principal and accrued interest of non-current borrowings is as follows:

(expressed in Euro)

Description	2020	2021	2022	Total
Credit institutions and financial companies				
Bank Loans/Overdraft facilities/Factoring	4 459 154	133 326	66 256	4 658 736
Finance leases	170 663	-	-	170 663
Shareholders' loans	78 500	4 000 000	-	4 078 500
Total:	***4 708 317***	***4 133 326***	***66 256***	***8 907 900***

20 Other payables

The breakdown of Other payables is as follows:

(expressed in Euro)

Description	Dec 31, 2019	Dec 31, 2018
Current		
Remunerations payable	755 504	725 661
Creditors for accrued costs	648 828	1 031 683
Other creditors	3 724 634	308 495
Total:	***5 128 965***	***2 065 839***

The steep increase in Other Creditors between 2019 and 2018 is mainly due to a change in the booking record of the following advance payment invoices which will only be paid in the first quarter of 2020:

Obra	Valor
66 KV Line Impov Lot1 DL2, Lot 2 DL13/14, EDM	1 675 152
Alto Lingonha, Lot B and C, EDM	272 330
Porto Ilha do Maio, Cabo verde	857 478
Vilanculos Lot 3, EDM	669 231
Total:	***3 474 191***

21 Trade payables

The breakdown of Trade payables is as follows:

(expressed in Euro)

Description	Dec 31, 2019	Dec 31, 2018
Trade payables		
General	3 231 428	4 395 400
Parent company	-	20 066
Subsidiary companies	1 867	1 832
Associate companies	-	363
Total:	***3 233 296***	***4 417 661***

22 Customer prepayments

The breakdown of Customer prepayments is as follows:

(expressed in Euro)

Description	Dec 31, 2019	Dec 31, 2018
General Customers	309 541	2 545 559
Total:	***309 541***	***2 545 559***

In 2019, prepayments from Electricidade de Moçambique accounts for 96% of total, where as the other 4% come from the contract with Client Sapec Química.

23 Revenue

The breakdown of Services rendered is as follows:

(expressed in Euro)

Description	2019	2018
Services rendered		
Construction Works	31 040 823	34 059 368
Secondary services	433 510	285 220
Total:	***31 474 334***	***34 344 588***

Jobs in 2019 are as follows:

(expressed in Euro)

Contract	2019	2018
EDAP lot 5 + lot 7	5 123 595	5 141 973
Infulene-Matola 66 kV line	30 207	1 929 773
Quay, Cabinda	2 838 779	3 393 620
Jetty Rusal, Kamsar	-	2 600 852
Apartments, Quinta do Lago	3 741 757	7 235 939
22 kV Chimoio e Beira	-	717 125
33 kV line Nhamapaza	822 396	799 218
Cegelec Optic Fibre	-	888 086
Refurbish Escola Marquês de Pombal	-	688 488
Warehouse Sapec Química, Setúbal	993 358	1 121 351
Mueda lines, Moçambique	-	1 181 474
Mooring, Guiné-Bissau	5 304 173	-
Terminal , SAPEC Setúbal	793 692	-
Micropiling Edif.D.Luís	338 717	-
Quay, Ilha de Tavira	241 251	-
Quay, Tua-Valeira	245 869	-
Anti-vehicle barrier, Lajes field US Air Force	329 380	-
Mozambique Power Grid	8 876 759	6 475 853
Other	1 794 399	2 170 836
Total:	***31 474 334***	***34 344 588***

24 Own work capitalised

The breakdown of Own work capitalised is as follows:

(expressed in Euro)

Description	2019	2018
Tangible Fixed Assets	7 285	15 260
Total:	***7 285***	***15 260***

25 Cost of goods sold and materials consumed

Cost of goods sold and materials consumed is as follows:

(expressed in Euro)

Description	Dec 31, 2019	Dec 31, 2018
Opening balance (+)	103 110	314 089
Purchases (+)	5 339 164	7 189 842
Closing balance (-)	103 549	103 110
Cost of goods sold & materials consumed	***(5 338 726)***	***(7 400 821)***

26 Third party supplies and Services

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

(expressed in Euro)

Description	2019	2018
Subcontracts	7 849 819	7 847 165
	7 849 819	***7 847 165***
Specialized services:		
Specialized contracts	1 518 513	1 570 075
Maintenance and repairs	503 910	416 975
Fees	36 972	44 373
Guards and security	113 439	119 429
Advertising and publicity	4 996	17 222
Others	5 400	-
	2 183 230	***2 168 074***
Materials:		
Rapid wear tools and utensils	93 953	162 047
Office supplices	24 391	30 144
Technical documentation	2 098	2 067
Others	2 178	1 923
	122 619	***196 181***
Energy and fuels:		
Fuel	443 138	424 278
Electricity	49 886	52 309
Water	21 334	26 391
Others	40 853	22 929
	555 211	***525 906***
Traves and transportation:		
Carriage of goods	577 222	545 302
Travel and lodging	551 206	441 591
Transport of personnel	2 076	3 134
	1 130 504	***990 027***
Sundry services:		
Leases and rentals	984 201	1 158 308
Insurance	238 602	271 206
Communication	71 872	80 543
Cleaning, hygiene and comfort	87 675	75 359
Entertainment costs	29 742	13 336
Litigation and notaries	14 555	11 676
Other services	727 825	450 428
	2 154 472	***2 060 855***
Total:	***13 995 855***	***13 788 209***

Between 2019 and 2018 there hasn't been any significant change in any item.

27 Staff costs

The breakdown of Staff costs is as follows:

(expressed in Euro)

Description	2019	2018
Remuneration of directors	502 927	317 127
Remuneration of personnel	5 169 284	5 904 374
Charges on remuneration	850 810	875 586
Indemnities	3 715	6 476
Wordmen's compensation and occupation disease insurances	78 303	77 657
Social work costs		20
Other staff costs	85 500	103 843
Total:	***6 690 539***	***7 285 084***

The breakdown of workers in Portugal and in Mozambican branch as at December 31, 2019 and 2018, by management positions / senior managers and professional category is presented as follows:

Staff	Dec 31, 2019	Dec 31, 2018
Directors	2	2
Managers/Senior management	7	7
Upper management	14	14
Middle management	16	17
Foreman	27	27
Highly-skilled labour	8	10
Skilled labour	114	85
Semi-skilled labour	60	71
Unskilled labour	26	63
Total:	***274***	***296***

At the end of 2019, the branch in Mozambique had hired 124 workers whereas in 2018 the figure amounted to 179.

28 Other income

The breakdown of Other income is as follows:

(expressed in Euro)

Description	2019	2018
Supplementary income	206 609	530 037
Other financial assets	1 164 654	1 039 908
Non-financial investments	93 247	487 614
Prompt payment discounts earned	5	6 689
Others	210 211	121 510
Total:	***1 674 726***	***2 185 758***

As per December 31, 2019, assignment of personnel to the JV AarsleffSETH account for almost all the Supplementary income item.
Other financial Assets heading reflects exchange differences during the period.

29 Other costs

The breakdown of Other costs is as follows:

(expressed in Euro)

Description		2019	2018
Banking fees and services		381 737	975 415
Taxes		355 500	432 589
Non-financial investments		-	95 099
Exchange rate differences		1 219 315	96
Other		190 133	119 018
	Total:	***2 146 685***	***1 622 217***

30 Interest and similar income

The breakdown of Interest & similar income is as follows:

(expressed in Euro)

Description		2019	2018
Interest income		3 167	3 987
	Total:	***3 167***	***3 987***

31 Interest and similar costs

The breakdown of Interest and similar costs is as follows:

(expressed in Euro)

Description		2019	2018
Interest expenses		212 693	241 495
	Total:	***212 693***	***241 495***

Interest expenses relate to the borrowings mentioned in Note 19.

32 Related party disclosures

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

(number of shares)

Description		Dec 31, 2019	Dec 31, 2018
MT Hojgaard a/s		2 400 000	2 400 000
Approachdetail – SGPS, SA		1 600 000	1 600 000
	Total:	***4 000 000***	***4 000 000***

Balances with related parties are as follows:

(expressed in Euro)

Description		Dec 31, 2018	Dec 31, 2017
Assets			
Subsidiaries		150 344	222 614
Joint Ventures		81 990	108 254
Eng. Ricardo Gomes		128 547	41 878
	Total:	***360 882***	***372 746***
Liabilitiess			
Subsidiaries		3 130	1 832
Joint Ventures		35 917	-
MT Hojgaard a/s		***2 400 000***	***20 066***
Approachdetail – SGPS, SA		***1 600 000***	***-***
	Total:	***4 039 047***	***21 898***

33 Minority interests

Minority interests' balances in 2019 and 2018 are included in the financial statements as follows:

(expressed in Euro)

Description		Dec 31, 2019	Dec 31, 2018
Net profit of the period			
SethAngola, S.A.		(271 377)	270 600
SethMoz – Construção, Engenharia & Obras Públicas, S.A.		(8 566)	(6 830)
	Total:	***(279 943)***	***263 770***
Equity Adjustments			
SethAngola, S.A.		326 947	(12 135)
SethMoz – Construção, Engenharia & Obras Públicas, S.A.		43 175	(18 783)
	Total:	***370 122***	***(30 919)***
	Total:	***90 178***	***232 852***

34 Construction contracts

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

(expressed in Euro)

Description	Recognised in previous years	Recognised in the period	Deferred/Not recognised	Total
Costs	74 449 627	25 351 669	-	***99 801 296***
Income/Revenue	86 041 870	32 540 012	629 772	***119 211 654***

35 Subsequent events

There were no significant events with impact on the Financial Statements as at December 31, 2019.

The Board of Directors

Ricardo Pedrosa Gomes (President)

Martin Stig Solberg

Peter Kofoed

Sofia Mendes

The Chartered Accountant

Bárbara Themudo

Statutory Auditor’s Report and Opinion

**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, 2019 (which show a total of 31,509,812 euros and a total equity of 10,881,555 euros, including a net profit for the year of 1,409,912 euros), and the Consolidated Incarne 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.

ln our opinion, the accompanying consolidated financial statements present fairly, in ali 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, 2019, 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 lnternational Standards on Auditing (ISAs) and with other standards and technical directives of the lnstitute 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 lnstitute 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 ofthe consolidated financial statements which presenta 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 internai contrai as management determines is necessary to enable the preparation of financial statement that are free from material misstatement, whether dueto fraud or error;
- Adoption of apprapriate accounting policies and principies 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 dueto fraud or errar, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high levei 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 errar 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 prafessional scepticism thraughout the audit. We also:

- ldentify and assess the risks of misstatement of the consolidated financial statements, whether dueto fraud or errar, design and perform audit pracedures responsive to those risks, and obtain audit evidence that is sufficient and apprapriate to pravide 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 contral;
- Obtain an understanding of internai contrai relevant to the audit in order to design audit pracedures that are apprapriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal contral;
- Evaluate the apprapriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the apprapriateness 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. lf 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 internai contrai that we identify during our audit.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management Report

Pursuant of article 451º, nº 3, ai. e) of the Commercial Companies Code, it is our opinion that the anagement Report was prepared in accordance with laws and regulations in force, the information contained herein 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, February 28, 2020
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

THE INTERNATIONAL CERTIFICATION NETWORK

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

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THE INTERNATIONAL CERTIFICATION NETWORK

CERTIFICATE

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

Sede:	Estaleiro Central de Palmela:
Avenida Tomás Ribeiro, 145	Rua da Ponte 2 - Orvidais
2790-467 QUEIJAS	2950-422 SETÚBAL
Portugal	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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Registration Number: ***ES-2018/0140***

IQNet

Alex Stoichitoiu
President of IQNet

Rafael GARCÍA MEIRO
Chief Executive Officer

AENOR

Original Electronic Certificate

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THE INTERNATIONAL CERTIFICATION NETWORK

CERTIFICATE

***AENOR** has issued an IQNet recognized certificate that the organization:*

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

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

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-SST-0075/2018***

IQNet

Alex Stoichitoiu
President of IQNet

Rafael GARCÍA MEIRO
Chief Executive Officer

AENOR

Original Electronic Certificate

IQNet Partners*:
AENOR *Spain* AFNOR Certification *France* APCER *Portugal* CCC *Cyprus* CISQ *Italy* CQC *China* CQM *China* CQS *Czech Republic* Cro Cert *Croatia* DQS Holding GmbH *Germany* FCAV *Brazil* FONDONORMA *Venezuela* ICONTEC *Colombia* Inspecta Sertifiointi 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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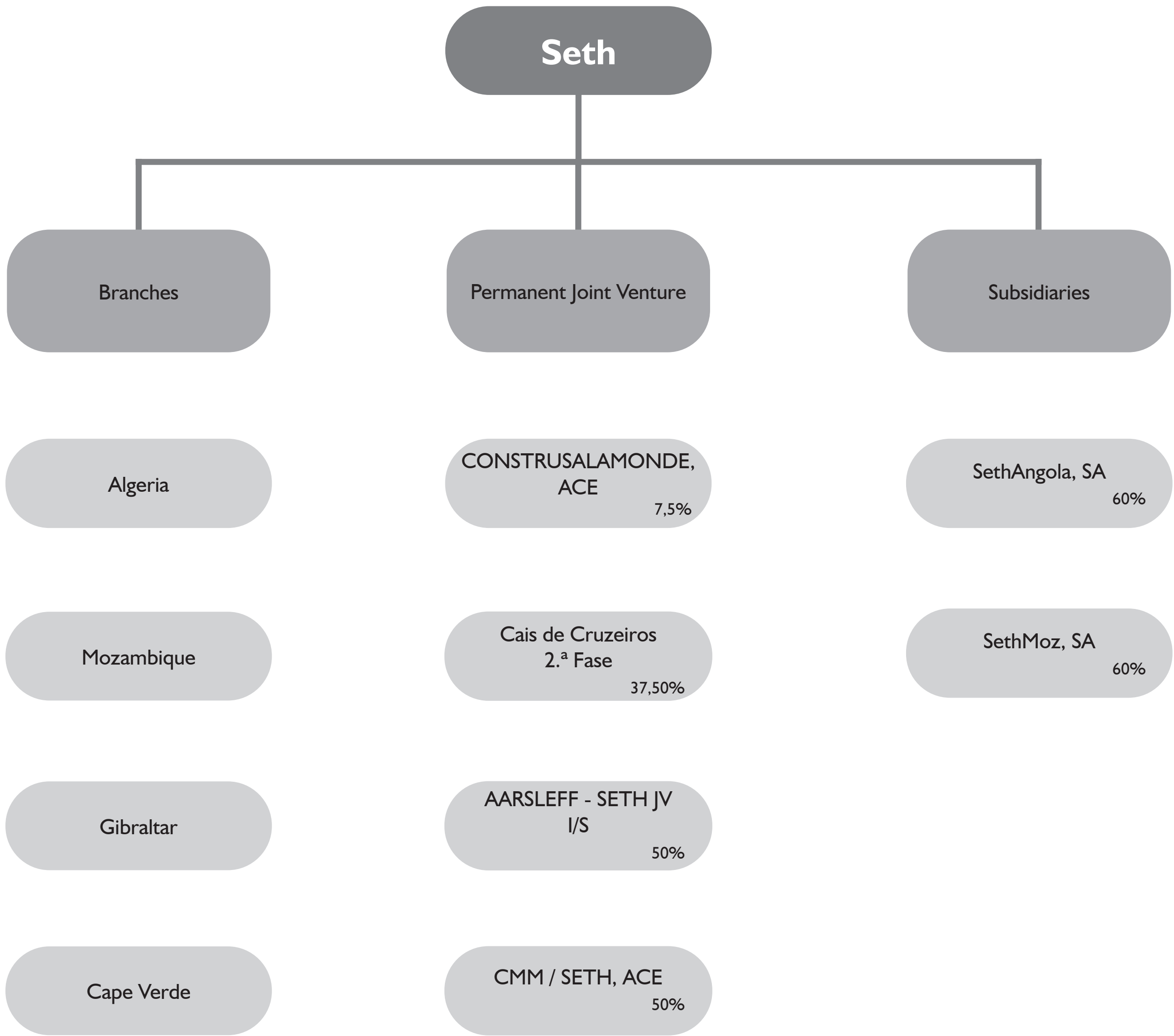
Organisation Chart


Seth
Branches
Permanent Joint Venture
Subsidiaries
Algeria
Mozambique
Gibraltar
Cape Verde
CONSTRUSALAMONDE, ACE
7,5%
Cais de Cruzeiros 2.ª Fase
37,50%
AARSLEFF - SETH JV I/S
50%
CMM / SETH, ACE
50%
SethAngola, SA
60%
SethMoz, SA
60%

SETH – ANNUAL REPORT 2019

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