



Annual Report 2020

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Annual Report 2020

INTRODUCTION

For those who went through it and in the and the history of mankind 2020 will remain as a year that was unexpected, unpredictable and disruptive, like others in the past, which produced and will impact on the lives of all persons and entities. People and businesses have suffered and have adapted to unknown and unforeseen situations, having to absorb immediate impacts on their activities and trying to anticipate future impacts that this disruption will cause. This effect did not affect all sectors in the same way nor, within the same sector, all companies equally. In the case of construction, companies more exposed to international operations were most affected by the lag of the confinement cycles that were different depending on the countries of operation, leading to ongoing reductions of activity throughout the year. That was the situation of the company, which saw much of its activity come to a halt between March and October 2020, a situation that led to a substantial reduction of turnover and of execution of the order book. Faced with this situation, the shareholders decided that the first priority would be to maintain its capacity intact and retain its employees in the fullness of their rights, in order to guarantee the ability to resume business promptly as soon as conditions allowed. From the fourth quarter of 2020, it was possible to start to act in different geographies and reuse the capacity of the company, without, however, be able to recoup the time of lesser activity. The impact of this decision and the events that occurred necessarily translated into a bad result for the year, with a substantial reduction in turnover compared to the previous year and to meeting the objective that the order book would have permitted under normal conditions. The year under review was therefore an extraordinary and unusual year it was decided to regard as one of preparation for the sustained recovery that is to follow the post-pandemic period and for which the company intends to be prepared. Not everything, however, was negative in the year now ended, since Seth also reinforced the intention of its main shareholder to use it as an instrument for the growth the business of the MTH Group, this decision resulting in the inclusion, as from January 2021, into the new international business unit called Group MTHInternational, which will provide access to a set of financial instruments that will increase Seth's performance capacity in markets of developing country, and the opening of new opportunities in markets till now exploited only by the main shareholder. It was in the international market and the African markets, in particular, that we obtained the greater of the turnover, accounting for 58% of the total, the Mozambican market the most important accounting for 29% of the business.

In the domestic market, the continued policy of public disinvestment has kept the infrastructure market at low levels, though higher than in previous years, and it proved possible to acquire new orders whose start was delayed by the effects of the pandemic but will contribute positively to the business in 2021. This, which is by calling the main business area of the company, should, as a result of the funding from the post of EU pandemic response

programmes, create strong momentum in the next few years and growing relevance in the company's turnover.

In the foreign market the business continues in company's three central, distinctive areas: Marine Infrastructure, Power Transmission and Geotechnics.

During the year works were carried on in Portugal, Mozambique, Angola, Cape Verde and Guinea-Bissau.

The Power Transmission area and the Mozambican market accounted for 49% of the turnover of the foreign market in 2020.

In the area of maritime infrastructure, construction work was carried out on a fuel unloading quay in Guinea Bissau and works continued work in Portugal, Angola and Cape Verde.

ACTIVITY IN THE MARKETPLACE

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, on a par with new awards of water management infrastructures which will increase the weight of the domestic market in 2021.

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, southern Spain and the Mediterranean zone that is part of the European Union. The integration of the company into the Group's international business unit and its implementation of the strategy to use synergies between the subsidiaries, will open doors to joint participation in projects in geographical areas so far excluded, such as northern Europe and the Middle East.

The pursuit of the strategy to be implemented does not exclude the possibility of increasing the business through the acquisition of companies that strengthen Seth's core competencies.

Of the more relevant jobs in progress continuing into 2021, we would underline:

- 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)
- Reprofiling of the Quay of the Ponta Delgada Port
Employer: Ports of the Azores
- Ship berth, Port of Aveiro
Employer: Aveiro Port Management

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 rural electrification works, the time horizon of the projects identified extending until 2030. During the year, a start was made to projects mainly financed by multilateral entities in the provinces of Inhambane, Maputo, Nampula, Cabo Delgado and Zambezia and the EDAP projects financed by the EIB were completed. Despite the instability created by subversive activities in the province of Cabo Delgado, the actual commencement of work on the Rovuma LNG project has raised new opportunities in Maputo zone linked to the construction of marine infrastructure in which we will be involved and is expected to begin to carry out the works. 2021 is expected to see a higher level of activity than 2020 despite the impacts that the pandemic may cause.

Seth GIBRALTAR

Since the expected opportunities did not come about, it was decided to close the branch, which occurred during the year. However, we are keeping attention focused on possible works related with marine works and with real-estate development projects in the port of Gibraltar, which were postponed due to the pandemic, and may turn soon to the market.

Seth CAPE VERDE

In the last quarter of the year the constraints posed by the pandemic and the need to make significant changes of to the project, the consortium, of which Seth is part (33%), made a start to the extension and modernization work of the English Port on the Isle of Maio. The works will last 18 months and the most significant part is scheduled for completion at the end of this year.

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, were affected by the development of the pandemic and by the worsening of the country's economic situation. This caused a temporary stoppage of work between March and October 2020, having been restarted as from then. The total amount of work was increased by the inclusion of additional dredging works already contracted with the Angolan State and included in the special decree intended for priority projects. Work will be completed in the first quarter of 2022, the most substantial part thereof being carried out during 2021. The expectation of future economic stabilization and the greater openness to financing by multilateral entities, open excellent prospects in the medium term for the Infrastructure market that considers the best way to take advantage thereof. Seth, SA, controls 60% of the company.

SETHMOZ, SA

The company did not carry on any business during 2020, having concluded that there is no longer any interest in maintaining the shareholder structure. As such, Seth acquired the shares held by the remaining shareholders, the transaction of which, of immaterial value, was not reflected in the year's financial statements for procedural reasons.

The company came to be 100% owned by Seth.

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. An independent technical audit was performed to determine the legal procedure to be followed against the customer, the conviction being that there will be a favourable outcome.

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 project began in April 2014, the overall amount of which totalled €122 million. All the works were received in 2021, leaving only outstanding but excluded from the warranty, the reception in working order of the substation corresponding to Option 2, which is conditional upon events that the pandemic has prevented.

There may arise in the context of this association supplies to the customer to make use of the existing funding in 2022.

The structure of the consortium will be minimal and maintained for solving possible problems related to the commissioning still to be carried out.

CMM/SETH ACE

The purpose of the joint venture is to carry out works on the Lajes Base in the Azores for the United States Navy and Air Force.

The conversion work of a building called T-715 has been awarded and will be carried out during 2021.

Seth has a 50% holding in the joint venture.

QUALITY, ENVIRONMENT AND SAFETY - QES

The company implements its QES management in a systematic 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 objective outlined for 2020, of migration of Safety Standard OHSAS 18001: 2007 to the new reference standard ISO 45001: 2018 was initially extended to 2021 in view of the challenges posed by the pandemic. However, after a Gap Analysis that involved comparing the current state of the Management System and the intended state, readiness management system for migration was considered necessary, and thus Seth maintained the initial objective of migration in 2020.

Thus, the audit of the QAS management systems focused on verification of the general documentation of the Systems and on visits to the company's facilities and works, the Quality and Environment Systems having been monitored and the guarantee for migration having been ensured.

It was 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. The degree of difficulty having been increased by the pandemic, and all participants and auditors made an additional effort to ensure that, even under these adverse conditions, the impact thereon would be as low as possible.

The findings were recorded by the certification body in the audit report, no non-compliances, having been determined, which is kept in keeping with the Quality and Safety systems and ensures the successful migration to the new standard 45001:2018.

Also recorded was one observation and four opportunities for improvement that, as usual, were included in the plan of action of the system. The audit findings were once again very positive.

Of the strong points observed in the audit, the following are underscored:

- 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;

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.

Considering an integrated view of the activities that we have carried out and of the resultant impact thereof, we work every day to improve our Performance in all three areas, Quality, Environment and Safety (QAS) by focusing on continuous improvement, innovation, the dedication of our employees and a closer relationship with suppliers, customers and the community.

2020 Accident Rates

The 2020 Accident Rates figures were 4.9 for the Frequency Rate FR (qualitative class Very Good) and 0.22 for the in the Severity Rate SR (qualitative class Very Good). Compared with 2019 both indices suffered a reduction (in IF from 30 to 4.9 and in IG from 1.8 to 0.22 respectively).

R&D

A digital platform was implemented to share information and knowledge as a way to encourage collaborative problem solving, thus creating a basis for the collection and processing of data to pave the way for the use and future application of other digital tools. For the purpose an open social network was used, based on which a platform was created having restricted access and controlled content.

Also defined were the principles of a digital transition policy based on identification processes and operations that to be scanned that will be treated as individual projects and developed as such with due respect for the principle of utility and efficiency.

The effects of the pandemic and of the changes that the successive constraints placed on the ways to perform the work required significant investments in the acquisition of hardware and software that would ensure that all functions so requiring a need to work from home could do so.

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.

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 2020, turnover totalled €19,087,666, 39% less than the previous year's figure.

The EBIT amounted to €-822,757. Net Income stood at €-954,866 and the part allocated to the holders of the parent company's capital amounted to €-959,852.

The company's Equity at the end of the period amounted

to €9,766,551, the amount allocated to Minority Interests standing at €-83,406.

At the year-end the order book stood at €40 million.

APPROPRIATION OF PROFITS

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

2021 PREVIEW AND SUBSEQUENT EVENTS

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 4.5% in 2021, taking into account that the possible impacts of the pandemic will be smaller.

Queijas, February 23, 2021

The Board of Directors

Ricardo António Pedrosa Gomes (President)

Martin Stig Solberg

Peter Kofoed

Sofia Mendes

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2020

Monetary Unit: EURO

HEADINGS	Notes	Periods	
		Dec 31, 2020	Dec 31, 2019
ASSETS			
Non-current assets			
Tangible fixed assets	6	5 277 746	5 034 979
Customers with Guarantee deposit	9	1 234 383	1 101 371
Total Non- Current Assets		6 512 129	6 136 350
Current Assets			
Inventories	8	427 399	103 549
Customers	9	7 920 522	13 555 186
State & other public entities	10	1 255 847	733 628
Other receivables	11	11 897 605	4 783 245
Deferrals	12	131 830	101 670
Cash & Bank deposits	4	3 283 675	6 096 184
Total Current Assets		24 916 879	25 373 462
Total Assets		31 429 008	31 509 812
EQUITY & LIABILITIES			
Equity			
Paid-up equity capital	13	4 000 000	4 000 000
Legal reserves	14	801 069	801 069
Other reserves	15	197 542	197 542
Retained Earnings	16	6 884 004	5 474 092
Other changes in equity	17	(1 156 213)	(910 882)
Net Profit		(959 852)	1 409 912
Total Equity attributable to shareholders		9 766 551	10 971 733
Minority interest	33	(83 406)	(90 178)
Total Equity		9 683 145	10 881 555
Liabilities			
Non-current liabilities			
Provisions	18	722 615	1 832 500
Loans	19	5 814 942	4 278 082
Total non-current liabilities		6 537 557	6 110 583
Current liabilities			
Suppliers	21	3 496 436	3 233 296
Customers prepayments	22	2 284 375	309 541
State & other public entities	10	347 864	592 885
Loans	19	4 770 021	4 629 817
Other accounts payable	20	3 373 452	5 128 965
Deferred income	12	936 157	623 171
Total current liabilities		15 208 307	14 517 675
Total liabilities		21 745 863	20 628 257
Total equity and liabilities		31 429 008	31 509 812

The Board of Directors

Ricardo Pedrosa Gomes (President)
Martin Stig Solberg
Peter Kofoed
Sofia Mendes

The Chartered Accountant

Bárbara Themudo

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (2020)

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 2019	1	2.4	4 000 000	801 069	197 542	5 133 799	(862 376)	4 339 004	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)
	2		-	-	-	1 289	(48 505)	-	(47 216)	(43 086)	(90 303)
NET PROFIT FOR THE PERIOD	3							1 409 912	1 409 912	(279 943)	1 129 969
COMPREHENSIVE RESULT	4=2+3							1 409 912	1 362 696	(279 943)	1 082 753
TRANSACTIONS WITH EQUITYHOLDERS DURING THE PERIOD											
Distributions						(4 000 000)			(4 000 000)		(4 000 000)
Other transactions						4 339 004		(4 339 004)	-		-
	5		-	-	-	339 004	-	(4 339 004)	(4 000 000)		(4 000 000)
POSITION AT THE END OF THE PERIOD 2019	6=1+2+3+5		4 000 000	801 069	197 542	5 474 092	(910 882)	1 409 912	10 971 733	(90 178)	10 881 555
POSITION AT THE START OF THE PERIOD 2020	6	2.4	4 000 000	801 069	197 542	5 474 092	(910 882)	1 409 912	10 971 733	(90 178)	10 881 555
CHANGES DURING THE PERIOD											
Other changes recognised in equity							(245 331)		(245 331)	1 786	(243 545)
	7		-	-	-	-	(245 331)	-	(245 331)	1 786	(243 545)
NET PROFIT FOR THE PERIOD	8							(959 852)	(959 852)	4 986	(954 866)
COMPREHENSIVE RESULT	9=7+8							(959 852)	(1 205 183)	4 986	(1 200 197)
TRANSACTIONS WITH EQUITYHOLDERS DURING THE PERIOD											
Distributions									-		-
Other transactions						1 409 912		(1 409 912)	-		-
	10		-	-	-	1 409 912	-	(1 409 912)	-	-	-
POSITION AT THE END OF THE PERIOD 2020	11=6+7+8+10		4 000 000	801 069	197 542	6 884 004	(1 156 213)	(959 852)	9 766 551	(83 406)	9 683 145

The Board of Directors

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Peter Kofoed
Sofia Mendes

The Chartered Accountant

Bárbara Themudo

CONSOLIDATED INCOME STATEMENT BY NATURE OF EXPENSE

PERIOD ENDED DECEMBER 31, 2020

Monetary Unit: EURO

INCOME & EXPENSES	Notes	Periods	
		31-12-2020	31-12-2019
Sales & services rendered	23	19 087 666	31 474 334
Own works capitalised	24	-	7 285
Cost of goods sold & materials consumed	25	(4 593 175)	(5 338 726)
Third party supplies & services	26	(8 026 715)	(13 995 855)
Staff costs	27	(6 434 619)	(6 690 539)
Impairment of receivables (losses/reversals)	9/11	143	(88 682)
Provisions (increases/reductions)	18	313 484	(1 890 578)
Share of profit/(loss) after tax of subsidiary, associated companies	8	-	(445)
Other income & gains	28	1 087 400	1 674 726
Other costs & losses	29	(1 430 586)	(2 146 685)
Earnings before depreciation, borrowing costs and taxes		3 598	3 004 835
Expenses / reversals of depreciation & amortisation	6	(886 354)	(1 026 663)
Operating profit (before borrowing costs and taxes)		(882 757)	1 978 172
Interest & similar income	30	178 166	3 167
Interest & similar costs	31	(150 435)	(212 693)
Profit before tax		(855 026)	1 768 646
Income tax for the period	7	(99 840)	(638 677)
Net profit for the period		(954 866)	1 129 969
Net profit attributable to:	33		
Shareholders of SETH SA		(959 852)	1 409 912
Non-controlling interests		4 986	(279 943)
Basic earnings per share		(0,24)	0,28

The Board of Directors

Ricardo Pedrosa Gomes (President)
Martin Stig Solberg
Peter Kofoed
Sofia Mendes

The Chartered Accountant

Bárbara Themudo

CONSOLIDATED CASH-FLOW STATEMENT

PERIOD ENDED December 31, 2020

Monetary Unit: EURO

	Notes	Period 31 Dez 2020	Period 31 Dez 2019
Cash Flow from operating activities - Direct Method	4		
Cash receipts from customers		17 655 434	37 301 819
Cash paid to suppliers		(13 778 046)	(20 123 893)
Cash paid to employees		(6 431 245)	(6 640 263)
Cash generated by operating activities		(2 553 858)	(10 537 663)
Income tax - paid / received		(582 645)	(656 480)
Other receipts/payments		(627 667)	(671 951)
Cash Flow from operating activities (1)		(3 764 169)	9 209 232
Cash Flow from investing activities			
Cash paid in respect of:			
Tangible fixed assets		(1 000 615)	(237 554)
Financial Investments		121 090	42 980
Cash receipts from:			
Tangible fixed assets		200 818	167 209
Interest & similar income		175 112	1 990
Dividends		37 567	-
Cash Flow from financing activities (2)		(466 028)	(25 375)
Cash Flow from financing activities			
Cash receipts from:			
Borrowings		3 869 293	4 580 296
Cash paid in respect of:			
Loans		(2 301 170)	(6 096 928)
Interest & similar costs		(150 435)	(212 693)
Dividends		0	(4 000 000)
Cash Flow from financing activities (3)		1 417 688	(5 729 324)
Variation of cash & cash equivalents (1+2+3)		(2 812 509)	3 454 533
Effect of currency translation differences			
Cash & cash equivalents of the beginning of the period		6 096 184	2 641 652
Cash & cash equivalents at the end of the period		3 283 675	6 096 184

The Board of Directors
Ricardo Pedrosa Gomes (President)
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 23th, 2021.

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

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, n.º5, 6.º - apt 61, Kinaxixi – Luanda – Angola

SETH shareholding – 60%

SethMoz – Construção, Engenharia & Obras Públicas, S.A.

Praça dos Trabalhadores, n.º50, 5.º andar – Maputo - Moçambique

SETH shareholding – 60%

Joint ventures

Cais de Cruzeiros – 2ª Fase, ACE

Rua Castilho, 165-1.º Piso, Sala ACE, 1070-050 Lisboa

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, 2020 and 2019.

The accounting policies have been applied consistently by all Group companies.

Financial holdings in subsidiaries

Companies over which SETH exercises control are classified as subsidiaries. Control is normally presumed to exist when the Company has the power to exercise the majority of the voting rights. Control may also exist where SETH has the power, directly or indirectly, to manage the financial and operating policies of a given company so as to obtain benefits from its business, even if its holding of the equity is less than 50%. Subsidiaries are fully consolidated from the time when SETH assumes control over its business up to the moment when control ceases.

When the accumulated losses of a subsidiary exceed the non-controlling interest in the equity of that subsidiary, the excess is attributable to SETH to the extent that it is incurred. Subsequent profits made by such a subsidiary are recognised as SETH's income until the losses previously absorbed are recouped.

Translation of financial statements in foreign currency

The financial statements of subsidiaries are prepared SETH in their working currency. The consolidated financial statements are prepared in euros, which is SETH's working currency of SETH.

The financial statements of companies whose working currency is other than the euro are translated into euros in keeping with the following criteria:

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

Balances and transactions eliminated in the consolidation

Balances and transactions between Group companies, including any unrealised gains or losses resulting

from intra-group transactions, are eliminated in the consolidation process, except where unrealised losses provide evidence of an impairment that should be recognised in the consolidated accounts.

Unrealised gains arising from transactions with associates are eliminated in the proportion of SETH's holding therein. Unrealised losses are also eliminated, but only in situations where there is no sign of impairment.

Jointly-controlled entities

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

b) Tangible fixed assets

Tangible fixed assets are carried at cost, which comprises their purchase price, including import duties and non-refundable purchase taxes, after deducting discounts and rebates, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, less accumulated depreciation and impairment losses

On the date of transition to the AFRS the Company decided to consider as cost of the tangible fixed assets their revalued value determined in accordance with the previous accounting policies, which was broadly comparable to their cost measured in accordance with AFRS 7.

Subsequent costs are recognised as tangible fixed assets only if it is probable that future economic benefits will flow to the Company.

Routine maintenance and repair costs are recognised to the extent they are incurred in accordance with the accrual accounting mechanism.

The Company carries out impairment tests whenever events or circumstances indicate that the carrying amount exceeds the recoverable amount, the difference, if any, being recognised in profit or loss. The realisable value is determined as the higher of its fair value less selling costs and its value in use, the latter calculated on the basis of the present value of the expected future cash flows expected to be obtained from ongoing use of the asset and from its sale at the end of its useful life.

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

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

Land is not depreciated. Depreciation of tangible fixed assets is calculated using the straight-line method, after deducting their residual value, according to the following estimated useful lives of the assets:

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

The useful lives, depreciation method and residual value of assets are reviewed annually. The effect of alterations of these estimates is recognised prospectively in the statement of income.

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

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

c) Leasing

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

Operating leases

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

Finance leases

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

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

d) Financial holdings

Investments in associates

Financial investments in associates are recorded for using the equity method from the date on which the Company directly or indirectly acquires significant influence to the moment it ceases, unless there are lasting severe restrictions which that impair the ability

to transfer funds to the Company, in which case the cost method is used. Associates are entities over which the Company has significant influence, but not control, over their financial and operating policies. The Company is presumed to exercise significant influence when it has the power to exercise more than 20% of the voting rights of the associate. If the Company owns less than 20% of the voting rights, it is assumed that it exercises no significant influence unless such influence can be clearly demonstrated.

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

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

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

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

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

Investments in subsidiaries and associates residents abroad

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

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

Jointly-controlled entities

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

e) Corporation tax for the period

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

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

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

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

		Rates in Dec 2020	Rates in Dec 2019
Currency		Closing rate	Closing rate
US dollar	USD	1,2271	1,1234
British pound	GBP	0,9016	0,8508
Angolan Kwuanza	AKZ	797,1291	536,2617
Cape Verde escudo	CVE	110,265	110,265
Mozambican metical	MZN	91,05	68,7

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) Contingent 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 23h, 2021, 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, 2020, the works portfolio totalled approximately Euro 40 million.

3.5 Main sources of uncertainty of the estimates

The main sources of uncertainties are detailed in Note 3.3.

4 Cash flows

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

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

4.1 As at December 31, 2020, all cash and cash equivalent balances are available for use.

4.2 Cash and bank deposits comprise the following balances:

Description	(expressed in Euro)	
	31-12-2020	31-12-2019
Cash		
Cash Head Office	1 378	2 648
Cash Works	12 924	24 346
Cash Branches	7 760	13 000
Cash Joint Ventures/Subsidiaries	6 205	15 731
	28 267	55 724
Cash deposits		
Banks Head Office	99 740	72 611
Banks Branches	511 732	533 435
Banks Joint Ventures/Subsidiaries	2 643 936	5 434 415
	3 255 408	6 040 460
	-	-
Total:	3 283 675	6 096 184

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:

<i>(expressed in Euro)</i>		
Description	31-12-2020	31-12-2019
Gross Value:		
Land & natural resources	1 074 621	1 074 621
Buildings & other constructions	3 404 797	3 404 797
Plant & machinery	12 890 506	12 278 304
Transport equipment	2 571 072	2 394 859
Office equipment	1 612 675	1 640 304
Other tangible fixed assets	80 962	59 739
	21 634 634	20 852 624
Accumulated depreciation & impairment		
Depreciation of the period	(886 354)	(1 026 663)
Sales of the period	347 112	434 509
Accumulated depreciation of previous periods	(15 817 646)	(15 225 492)
	(16 356 888)	(15 817 646)
Net carrying amount:	5 277 746	5 034 979

The breakdown of movements under tangible fixed assets during 2020 is as follows:

<i>(expressed in Euro)</i>				
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	12 278 304	766 264	(154 061)	12 890 506
Transport equipment	2 394 859	304 134	(127 921)	2 571 072
Office equipment	1 640 304	58 512	(86 141)	1 612 675
Other tangible fixed assets	59 739	21 223	(16 306)	80 962
	20 852 624	1 150 132	(368 122)	21 634 633
Accumulated depreciation & impairment				
Buildings & other constructions	(1 834 869)	(78 185)		(1 913 054)
Plant & machinery	(10 254 428)	(652 438)	97 452	(10 809 415)
Transport equipment	(2 088 822)	(104 972)	165 110	(2 028 685)
Office equipment	(1 587 193)	(50 017)	84 551	(1 552 658)
Other tangible fixed assets	(52 334)	(742)		(53 076)
	(15 817 646)	(886 354)	347 113	(16 356 887)
Net carrying amount:	5 034 979			5 277 746

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 main additions in 2020 relate to the acquisition of machinery, namely a Grove Crane, a wheel loader and an excavator Komatsu, of vehicles comprising two light and one heavy working vehicles.

Equipment located in our job in Angola amount to Euro 2.576.773,47.

The amount booked in Disposals is mainly due to the sale of some vehicles in Azores and to the sale of machinery and transport equipment by the Joint Venture Aarsleff-SETH JV I/S.

As at December 31, 2020 and 2019, the value of tangible fixed assets financed by lease contracts is as follows:

(expressed in Euro)

Description	31-12-2020			31-12-2019		
	Gross value	Depreciation/Impairment	Net value	Gross value	Depreciation/Impairment	Net value
Buildings & other constructions	375 000	(8 925)	366 075	1 355 925	(727 846)	628 080
Plant & machinery	33 500	(1 397)	32 103			-
Total:	408 500	(10 322)	398 178	1 355 925	(727 846)	628 080

Total future minimum lease payments are as follows:

(expressed in Euro)

Description	31-12-2020			31-12-2019		
	Capital owed	Interest owed	Rents falling due	Capital owed	Interest owed	Rents falling due
Less than one year	272 092	2 150	274 241	170 663	1 021	171 684
One to five years	20 487	243	20 730			-
Total:	292 579	2 393	294 971	170 663	1 021	171 684

7 Corporate tax for the period

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

(expressed in Euro)

Description	2020	2019
Current tax	(99 840)	(638 677)
	(99 840)	(638 677)

The company did not recognise deferred tax assets.

The effective tax rate is as follows:

Description	(expressed in Euro)	
	2020	2019
Pre-tax profit	855 026	1.768.646
Tax rate	22,5%	22,5%
Expected tax	192 381	397.945
Differences between book and taxable income		
Equity method	(42 224)	245.960
Tax loss imputed by Joint ventures	35 496	24.149
Provisions taxed		36.903
Others	242 711	89.444
Minority Interests	(4 986)	279.943
Taxable profit / (Tax loss)	1 086 023	2.445.045
Adjustments to the assesment	80 142	130.308
Tax rate differences - branches	19 698	1.109
Corporate tax for the period - payable/(receivable)	(41 507)	638.677
Current tax - expense / (income)	99 840	638.677
	99 840	638.677
Effective tax rate	11,7%	36,1%

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

8 Inventories

The breakdown of this heading is as follows:

Description	(expressed in Euro)	
	31-12-2020	31-12-2019
Gross Value:		
Raw & subsidiary materials & consumables	427 399	103 549
Net carrying amount:	427 399	103 549

The variation between 2020 and 2019 corresponds to materials in transit to both our branches in Mozambique and Cape Verde.

During 2020, cost of goods sold and materials consumed totalled Euro 4.593.175 (2019: Euro 5.338.726), as per note 25.

9 Trade receivables

The breakdown of Trade accounts receivable is as follows:

(expressed in Euro)

Description	31-12-2020	31-12-2019
Gross value:		
Trade receivable		
General	8 518 724	14 195 889
Subsidiaries	2 858	92 377
Joint ventures		3 490
	8 521 582	14 291 756
Accumulated impairment		
Impairment losses for the period	135 510	(51 780)
Impairment losses of previous periods	(736 570)	(684 790)
	(601 060)	(736 570)
Net carrying amount:	7 920 522	13 555 186

As at December 31, 2020, the non-current trade receivable amounted to Euro 1.234.383 (2019: Euro 1.101.371) which 84% pertains to the Aarsleff-SETH JV. The change in this item corresponds to the withholding of warranty by the client of the branch in Cape Verde.

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 2020 are as follows:

(expressed in Euro)

Description	Opening balance	Losses	Reversals	Closing balance
Impairment losses:				
Customers	(736 570)		135 510	(601 060)
Total:	(736 570)	-	135 510	(601 060)

And in 2019 the following:

(expressed in Euro)

Description	Opening balance	Losses	Reversals	Closing balance
Customers	(684 790)	(51 780)		(736 570)
Total:	(684 790)	(51 780)	-	(736 570)

The ageing of Trade receivables in 2020 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
Cientes	2 145 878	92 054	2 371 089	1 514 296	472 420	1 035 049	44 829	244 907	7 920 521

And in 2019:

(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

10 State and other public entities

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

	<i>(expressed in Euro)</i>	
Descrição	31-12-2020	31-12-2019
Assets		
VAT refund applications	192 099	80 478
VAT recoverable	110 866	6 339
Other taxes	282 103	
VAT recoverable (branches)	24 283	19 516
Corporation tax (branches)	557 588	498 259
VAT recoverable (other companies)	34 420	75 616
Corporation tax (other companies)	22 508	19 986
Total:	31 979	33 435
Liabilities	1 255 847	733 628
Corporation tax		200 651
Social Security Contributions	106 174	97 293
Income tax withheld	77 049	63 807
Corporation tax (branches)	157 006	221 892
Social Security Contributions (branches)	2 021	2 634
Other taxes (branches)	2 887	5 250
Social Security Contributions (other companies)	922	673
Other taxes (other companies)	1 805	686
Total:	347 864	592 885

11 Other Receivables

The breakdown of other receivables is as follows:

	<i>(expressed in Euro)</i>	
Description	31-12-2020	31-12-2019
Gross value:		
Prepayment to suppliers	760 096	110 196
Other debtors	1 359 405	1 379 962
Stage of completion	9 559 914	3 637 218
Other accrued income	571 070	38 646
	12 250 485	5 166 022
Accumulated impairment:		
Impairment of the period	29 898	(36 903)
Impairment of previous periods	(382 777)	(345 875)
	(352 879)	(382 777)
Net carrying amount:	11 897 605	4 783 245

The stage of completion item refers 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 of completion €
Vilanculos lot 3, EDM	732 827
66KV line improv Lot1 DL2,Lot 2 DL13/14, EDM	435 291
Porto Ilha de Maio, Cabo Verde	812 200
6.6 kV OHL, Mavuzi	2 065
PERIP Lot4, Maputo	13 261
Quay and Breakwater Cabinda	4 169 813
Quay, Porto Aveiro	1 478 824
Microestacas Hotel Sta. Apolónia	13 108
Infraestruturas Armação de Pêra	4 101
Escadas e Defensas Ponte Cais 2	343
Nova Reserva do Barlavento, Lagos	1 435
Passadiços Praia de Cabanas, Tavira	789
Mozambique Power Grid	1 895 856
Total:	9 559 914

12 Deferrals

The breakdown of Deferrals is as follows:

Description	<i>(expressed in Euro)</i>	
	31-12-2020	31-12-2019
Assets		
<i>Costs pending recognition</i>		
Insurance paid	62 686	58 625
Other costs pending recognition	69 144	43 045
Total:	131 830	101 670
Liabilities		
<i>Income pending recognition</i>		
Stage of completion	886 242	301 694
Interest	41 219	321 477
Other	8 697	-
Total:	936 157	623 171

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 of completion €
Piling, Prior Velho	94 147
Cais -10m (ZH), Ponta Delgada	266 153
Postos Adm Zambezia,Nampula CDelgad	525 942
Total:	886 242

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 2020.

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:

Description	(expressed in Euro)	
	31-12-2020	31-12-2019
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 2019 Net Profit in the sum of € 1.409.912.

17 Adjustments to financial assets/other changes in equity

The breakdown of this heading is as follows:

Description	(expressed in Euro)	
	31-12-2020	31-12-2019
Financial statement translation differences	(1 156 213)	(910 882)
Total:	(1 156 213)	(910 882)

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

Provision details in 2020 are as follows:

Description	(expressed in Euro)			
	Opening balance	Additions	Reversals	Closing balance
Taxes	270 000	-	-	270 000
Other	1 562 500	-	(1 109 885)	452 615
Total:	1 832 500	-	(1 109 885)	722 615

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, 2020, 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, 2020, the Company had provided the following bank guarantees:

Description	(expressed in Euro)	
	31-12-2020	31-12-2019
Bank guarantees provided to third party		
- Performance (construction contracts)	11 749 502	13 572 398
- Tenders		
- Services acquired	62 422	62 422
- Legal	1 853 660	1 853 660
Total:	13 665 585	15 488 481

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:

Description	(expressed in Euro)	
	31-12-2020	31-12-2019
Non-current		
Credit institutions and financial companies		
Bank loans	1 794 455	199 582
Finance leases	20 487	
Shareholders' loans	4 000 000	4 078 500
	5 814 942	4 278 082
Current		
Credit institutions and financial companies		
Bank loans	1 251 500	567 493
Factoring		460 933
Other facilities	678 155	1 012 443
Overdraft facilities	2 537 834	2 418 285
Finance leases	272 092	170 663
Shareholders' loans	30 441	
	4 770 021	4 629 817
Total:	10 584 964	8 907 900

Non-current financing relates to borrowings contracted to Novo Banco and CGD with maturities up to 2022 and Covid19 lines from Santander Totta and Millennium BCP.

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

In 2019 both shareholders granted loans to the Company that will expectedly be reimbursed in 2022.

The breakdown of Borrowings by maturity is as follows:

Descrição	(valores em euros)	
	31-12-2020	31-12-2019
Credit institutions and financial companies		
Bank Loans/Overdraft facilities/Factoring		
Up to 1 year	4 467 489	4 459 154
1 to 5 years	1 794 455	199 582
	6 261 944	4 658 736
Credit institutions and financial companies		
Finance leases		
Up to 1 year	272 092	170 663
1 to 5 years	20 487	
	292 579	170 663
Shareholders' loans		
Up to 1 year	30 441	78 500
1 to 5 years	4 000 000	4 000 000
	4 030 441	4 078 500
Total:	10 584 964	8 907 900

As at December 31, 2020 the breakdown of future payments of principal and accrued interest of borrowings is as follows:

Description	(expressed in Euro)				
	2021	2022	2023	2024	Total
Credit institutions and financial companies					
Bank Loans/Overdraft facilities/Factoring	4 467 489	822 789	721 667	250 000	6 261 945
Finance leases	272 092	11 271	9 215		292 579
Shareholders' loans	30 441	4 000 000			4 030 441
Total:	4 770 021	4 834 060	730 882	250 000	10 584 964

20 Other payables

The breakdown of Other payables is as follows:

Description	(expressed in Euro)	
	31-12-2020	31-12-2019
Current		
Remunerations payable	785 685	755 504
Creditors for accrued costs	184 500	648 828
Other creditors	2 403 266	3 724 634
Total:	3 373 452	5 128 965

Item Other creditors includes advance payment but not received of rental of Equipment in Angola (EUR 2.049.880).

21 Trade payables

The breakdown of Trade payables is as follows:

(expressed in Euro)

Description	31-12-2020	31-12-2019
Trade payables		
General	3 494 726	3 231 428
Subsidiary companies	1 710	1 867
Total:	3 496 436	3 233 296

22 Customer prepayments

The breakdown of Customer prepayments is as follows:

(expressed in Euro)

Description	31-12-2020	31-12-2019
General Customers	2 284 375	309 541
Total:	2 284 375	309 541

In 2020, prepayments from Electricidade de Moçambique accounts for 67% of total, where as the other 33% come from the contract with customer MIOTH.

23 Revenue

The breakdown of Services rendered is as follows:

(expressed in Euro)

Description	2020	2019
Services rendered		
Construction Works	18 660 724	31 040 823
Secondary services	426 942	433 510
Total:	19 087 666	31 474 334

Jobs in 2020 are listed as follows:

(expressed in Euro)

Job	2020	2019
Cais acostável, Aveiro	4 736 273	
Duques d'Alba, Guiné-Bissau	2 297 972	5 304 173
Cais, Cabinda	2 126 267	2 838 779
EDAP	1 863 972	5 123 595
Mozambique Power Grid	1 340 761	8 876 759
Porto Ilha de Maio, Cabo Verde	1 300 960	
Electrificação Alto Lingonha	1 031 882	
Cais -10m (ZH), Ponta Delgada	920 180	
Vilanculos Lote 3	917 897	
Terminal solventes, SAPEC Setúbal	508 703	793 692
Cais de Espera Tua-Valeira	144 376	245 869
Anti-vehicle barrier, Lajes field US Airforce	48 524	329 380
Microestacas Edif.D.Luís	18 711	338 717
Infulene-Matola 66 kV line		30 207
Reserva, Quinta do Lago		3 741 757
Linha 33 kV Nhamapaza		822 396
Armazém Sapec Química, Setúbal		993 358
Cais, Ilha de Tavira		241 251
Outras	1 831 191	1 794 399
Total:	19 087 666	31 474 334

The breakdown of revenue per country is as follows:

(expressed in Euro)

Country	2020	2019
Portugal	7 917 357	8 478 424
Moçambique	5 445 111	14 852 958
Guiné Bissau	2 297 972	5 304 173
Angola	2 126 267	2 838 779
Cabo Verde	1 300 960	-
Total:	19 087 666	31 474 334

24 Own work capitalised

The breakdown of Own work capitalised is as follows:

(expressed in Euro)

Description	2020	2019
Tangible Fixed Assets		7 285
Total:	-	7 285

25 Cost of goods sold and materials consumed

Cost of goods sold and materials consumed is as follows:

(expressed in Euro)

Description	31-12-2020	31-12-2019
Opening balance (+)	103 549	103 110
Purchases (+)	4 917 025	5 339 164
Closing balance (-)	427 399	103 549
Cost of goods sold & materials consumed	(4 593 175)	(5 338 726)

26 Third party supplies and Services

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

		<i>(expressed in Euro)</i>	
Description	2020	2019	
Subcontracts	2 796 680	7 849 819	
	2 796 680	7 849 819	
Specialized services:			
Specialized contracts	1 675 578	1 518 513	
Maintenance and repairs	495 722	503 910	
Fees	32 155	36 972	
Guards and security	148 846	113 439	
Advertising and publicity	5 149	4 996	
Other	700	5 400	
	2 358 151	2 183 230	
Materials:			
Rapid wear tools and utensils	98 486	93 953	
Office supplies	67 145	24 391	
Gift Articles	7 435		
Technical information	4 979	2 098	
Other	3 111	2 178	
	181 156	122 619	
Energy and fuels:			
Fuel	356 209	443 138	
Electricity	48 956	49 886	
Water	18 592	21 334	
Others	31 080	40 853	
	454 837	555 211	
Traves and transportation:			
Carriage of goods	609 391	577 222	
Travel and lodging	477 976	551 206	
Transport of personnel	1 289	2 076	
	1 088 657	1 130 504	
Sundry services:			
Leases and rentals	1 736 852	984 201	
Insurance	286 879	238 602	
Communication	59 119	71 872	
Cleaning, hygiene and comfort	83 445	87 675	
Entertainment costs	26 870	29 742	
Litigation and notaries	2 250	14 555	
Other	(1 048 181)	727 825	
	1 147 234	2 154 472	
Total:	8 026 715	13 955 855	

The most significant changes have happened in Subcontracts, Leases and rentals and Other services items. The negative change in Subcontracts is related to the completion of Apartments, Quinta do Lago and Armazem Sapec Quimica jobs. The positive change in Leases and rentals is due to the rental of equipment in Cais Acostável de Aveiro. In Other services item the costs supported in 2020 by the Joint Venture Aarsleff-SETH JV were annuled in return for the reversal of the provision created in 2019, as per note 18.

27 Staff costs

The breakdown of Staff costs is as follows::

Description	(expressed in Euro)	
	2020	2019
Remuneration of directors	445 702	502 927
Remuneration of personnel	4 909 152	5 169 284
Charges on remuneration	881 476	850 810
Indemnities	11 608	3 715
Wordmen's compensation and occupation disease insurances	87 026	78 303
Other staff costs	99 654	85 500
Total:	6 434 619	6 690 539

The breakdown of workers in Portugal and in Mozambican branch as at December 31, 2020 and 2019, by management positions / senior managers and professional category is presented as follows:

Description	31-12-2020	31-12-2019
Directors	2	2
Managers/Senior management	7	7
Upper management	14	14
Middle management	19	16
Foreman	25	27
Highly-skilled labour	8	8
Skilled labour	98	114
Semi-skilled labour	44	60
Unskilled labour	67	26
Total:	284	274

At the end of 2020, the branch in Mozambique had hired 154 workers whereas in 2019 the figure amounted to 124. The branch of Cape Verde had hired 4 workers in 2020.

28 Other income

The breakdown of Other income is as follows:

Description	(expressed in Euro)	
	2020	2019
Supplementary income	466 644	206 609
Other financial assets	368 506	1 164 654
Non-financial investments	174 160	93 247
Prompt payment discounts earned	4 108	5
Others	73 982	210 211
Total:	1 087 400	1 674 726

As per December 31, 2020, assignment of personnel to the JV AarsleffSETH accounts for 50% of the Supplementary income item whereas the remaining amount is due to the export of materials to the Cape Verde branch. 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	2020	2019
Banking fees and services	453 092	381 737
Taxes	137 222	355 500
Exchange rate differences	784 095	1 219 315
Other	56 178	190 133
Total:	1 430 586	2 146 685

30 Interest and similar income

The breakdown of Interest & similar income is as follows:

(expressed in Euro)

Description	2020	2019
Interest income	178 166	3 167
Total:	178 166	3 167

31 Interest and similar costs

The breakdown of Interest and similar costs is as follows:

(expressed in Euro)

Description	2020	2019
Interest expenses	150 435	212 693
Total:	150 435	212 693

Interest expenses relate to the borrowings mentioned in Note 19.

32 Related party disclosures

As per December 31, 2020 and 2019, the company's shareholding was distributed as follows:

(no. shares)

Description	31-12-2020	31-12-2019
MT Højgaard 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	31-12-2020	31-12-2019
Assets		
Subsidiaries	160 912	150 344
Joint Ventures	1 333	81 990
Ricardo Gomes	114 040	128 547
Total:	276.285	360.882
Liabilities		
Subsidiaries	9 745	3 130
Joint Ventures		35 917
MT Højgaard a/s	2 400 000	2 400 000
Approachdetail – SGPS, SA	1 600 000	1 600 000
Total:	4 039 047	4 039 047

33 Minority interests

Minority interests' balances in 2020 and 2019 are included in the financial statements as follows:

(expressed in Euro)		
Description	31-12-2020	31-12-2019
Net profit of the period		
SethAngola, S.A.	11 166	(271 377)
SethMoz – Construção, Engenharia & Obras Públicas, S.A.	(6 180)	(8 566)
Total:	4 986	(279 943)
Equity Adjustments		
SethAngola, S.A.	39 585	326 947
SethMoz – Construção, Engenharia & Obras Públicas, S.A.	38 836	43 175
Total:	78 420	370 122
Total:	83 406	90 178

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	23 175 073	16 144 100		39 319 173
Income/Revenue	32 014 240	18 221 937	(6 777 816)	43 458 361

35 Subsequent events

In the last quarter of 2020, it was agreed to purchase 40% of the share capital of Sethmoz by SETH, becoming the only shareholder of that company. This transaction was not reflected in the financial statements as per 31/12/2020 because the subsequent procedures only occurred thereafter.

The financial statements have been authorized to be disclosed by the Board of Directors on the 23rd February 2021.

36 Disclosures required by laws

In 2019 a total of Euro 34.390 fees was paid to the auditors appointed by the Annual General Meeting whereas in 2020 the amount was Euro 34.885.

The board of directors

Ricardo António 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 Group), which comprise the Consolidated Balance Sheet as at December 31, 2020 (which show a total of 31,429,008 euros and a total equity of 9,683,145 euros, including a net loss for the year of 959,852 euros), and the Consolidated Income Statement by Natures, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flows Statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, (or give a true and fair view of) the consolidated financial position of the SETH – Sociedade de Empreitadas e Trabalhos Hidráulicos, S.A. as at December 31, 2020, and (of) its financial performance and its cash flows for the year then ended in accordance with the Financial Accounting Reporting Standards adopted in Portugal through the Accounting Standardization System (“Sistema de Normalização Contabilística”).

Basis for opinion

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

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

Emphasis of Covid-19

The impact of the development of the pandemic Covid-19 (Coronavirus) on people’s health as well as on the society as a whole is significant, increasing the uncertainty over the operational and financial performance of the Organizations.

We draw attention to the introductory section of the Management’s Report regarding the uncertainties arising from the pandemic Covid-19 and the impacts on the financial statements. Our opinion is not changed in this matter.

Responsibilities of management for the consolidated financial statements

Management is responsible for:

- Preparation of the consolidated financial statements which present a true and fair view of the Group’s financial position, financial performance and the Group’s 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 consolidated Management Report in accordance with the laws and regulations;
- Such internal control as management determines is necessary to enable the preparation of financial statement that are free from material misstatement, whether due to fraud or error;
- Adoption of appropriate accounting policies and principles for the circumstances;
- Assessment of the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern.

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

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

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

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

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of continuity and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient and appropriate auditing evidence over financial information of the entities or activities in the Group in order to express an opinion on the consolidated financial statements. We are responsible for the orientation, supervision and performance of the audit of the Group and we are ultimately responsible for our audit opinion.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management Report

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

Lisbon, March 24, 2021

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



CERTIFICATE

AENOR has issued an IQNet recognized certificate that the organization:

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

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

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

has implemented and maintains a

Quality Management System

for the following scope:

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

which fulfills the requirements of the following standard


ISO 9001:2015

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

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

Registration Number: **ES-0292/2018**




Alex Stoichitoiu
President of IQNet


Rafael GARCÍA MEIRO
Chief Executive Officer

AENOR

Original Electronic Certificate

IQNet Partners*:

AENOR Spain AFNOR Certification France APCER Portugal CCC Cyprus CISQ Italy CQC China CQM China CQS Czech Republic
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Oy Finland INTECO Costa Rica IRAM Argentina JQA Japan KFQ Korea MIRTEC Greece MSZT Hungary Nemko AS Norway
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SIRIM QAS International Malaysia SQS Switzerland SRAC Romania TEST St Petersburg Russia TSE Turkey YUQS Serbia
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* The list of IQNet partners is valid at the time of issue of this certificate. Updated information is available under www.iqnet-certification.com



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

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




Alex Stoichitoiu
President of IQNet


Rafael GARCÍA MEIRO
Chief Executive Officer

AENOR

Original Electronic Certificate

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Cro Cert Croatia DQS Holding GmbH Germany FCAV Brazil FONDONORMA Venezuela ICONTEC Colombia Inspecta Sertifointi
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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CERTIFICATE

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

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2790-467 QUEIJAS
Portugal

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

has implemented and maintains a

Occupational Health and Safety Management System

for the following scope:

Coordination and execution of civil 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 45001:2018

First issued on: 2021-02-08 Validity date: 2021-09-10

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



Alex Stoichitoiu
President of IQNet

Rafael GARCÍA MEIRO
Chief Executive Officer

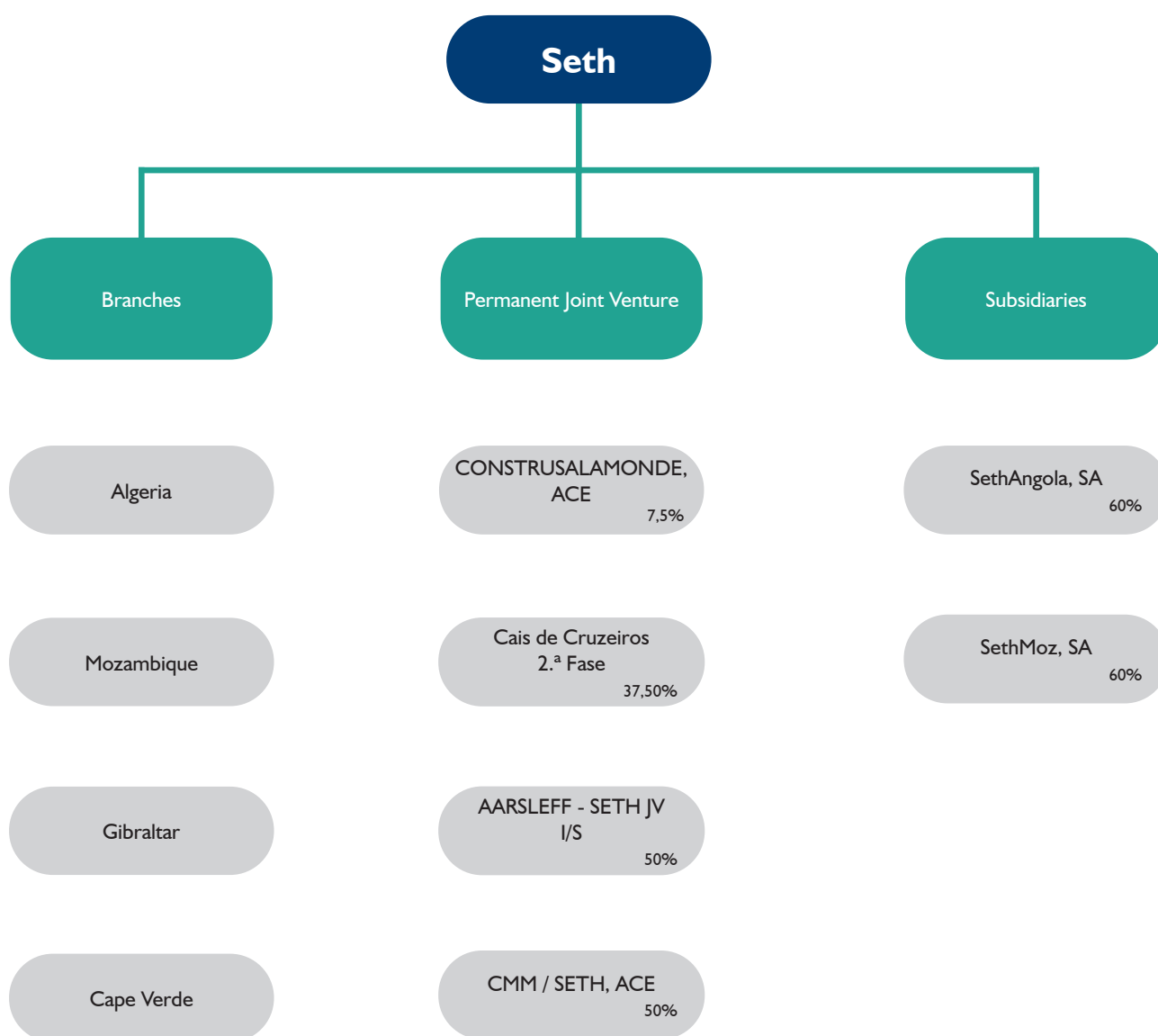
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Organisation Chart





SETH – ANNUAL REPORT 2020

Coordination – Inácio Beirão

Texts – Seth

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

Portuguese License Construction N.º 5
Tax Identification Number 500 257 760

www.seth.pt

