



REPORTS AND ACCOUNTS 2017



“Teixeira Duarte - Engenharia e Construções, S.A.” is a Portuguese company established in 1934 with a structure and experience that stems from the initial activity of its founder, Mr. Ricardo Esquível Teixeira Duarte, in his own capacity in 1921.

The Company's first areas of operation were water collection, boring, hydraulic work and geological drilling at great depths.

Pursuant to his character as a House of Engineering, early on he got involved in works of greater complexity, having, since the 30's, extended his operation to other aspects of geotechnics and foundations, executing works in some iconic endeavors in the city of Lisbon.

His technical capacity and availability of capable human resources granted him the opportunity, in the 50's, to perform geotechnics and foundation works in India and concrete injection in the Biopio Dam in Angola.

Nevertheless, it was only in the 60's that the company extended its operations to buildings and in the mid 80's to the area of infrastructures, executing diverse types of works from bridges, highways, dams, and underground works. In the 90's a position was also established in railway and maritime works.

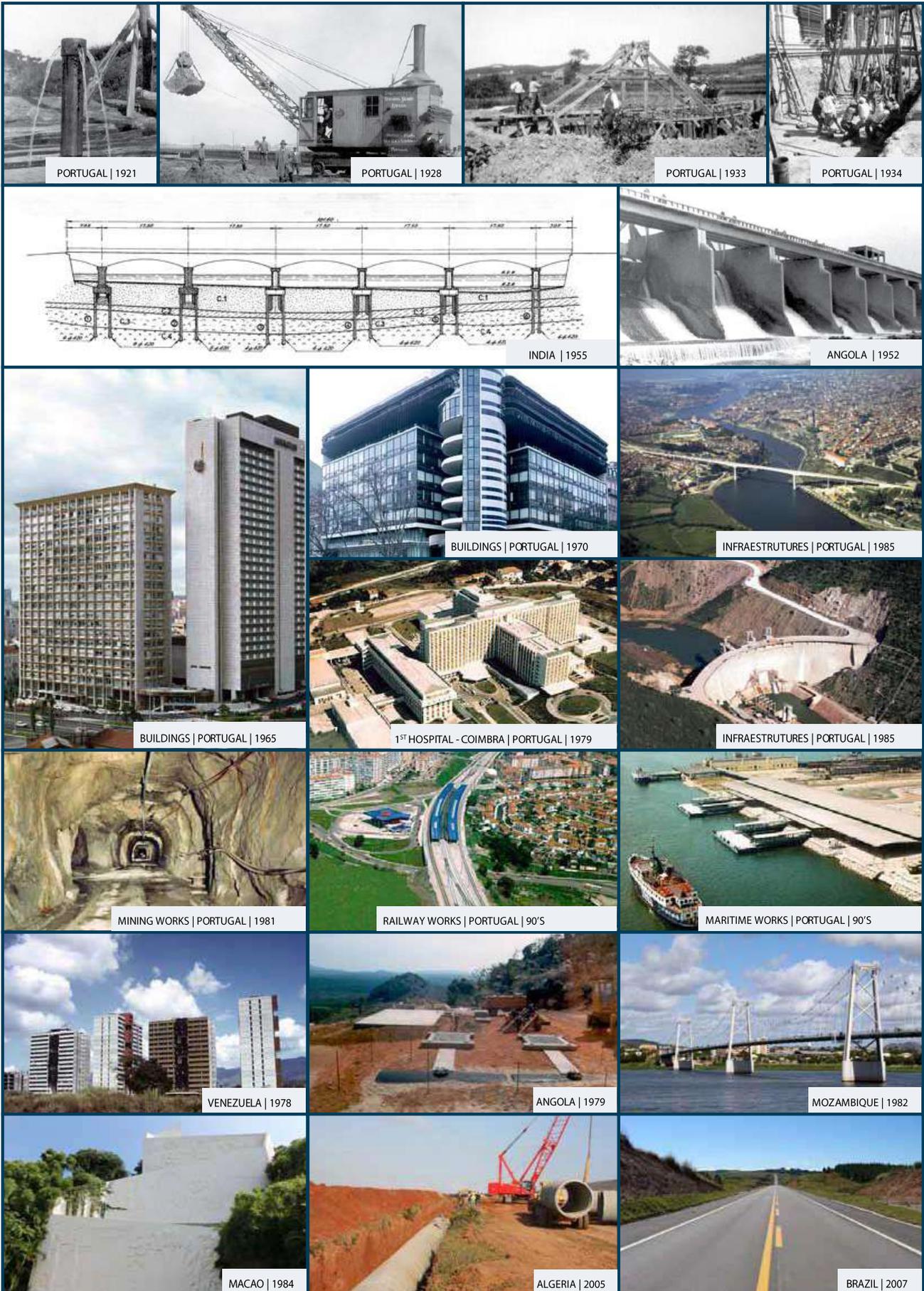
This sustained growth resulted from a large number of tenders launched in Portugal for developing infrastructure during these years, allowing Teixeira Duarte to extend his technical capacity, human resources and equipment, as well as production, research and projects.

International since the late 70's, in the early 80's Teixeira Duarte limited his operation to Portugal, Venezuela (since 1978), Angola (since 1979), Mozambique (since 1982) and the Special Administrative Region of Macao (since 1984). Countries with historical and cultural ties close to Portugal.

The downturn of the Construction market in Portugal since the start of the 21st century, plus the ever increasing adverse global circumstances, brought the Teixeira Duarte Group to seek out other alternatives for the Construction sector, extending his scope of operation to Spain, Algeria, Brazil, among others to a much lesser extent like France, Morocco, Colombia, Peru and United Kingdom.

The cyclical variations belonging to the different geographies enabled Teixeira Duarte to promote a rotation of technical means and resources directly to those countries, where production would vary from the same as though affecting core resources of studies, projects and proposals for those different markets according to the work intensity of each one.

Currently the company continues totally integrated into the Teixeira Duarte Group, of which the company reached the top by 2010, yet today it focuses its operation essentially in the Construction Sector, where it directly and indirectly operates in twelve countries, with a total of around 3,000 employees that contribute to an annual Turnover of 313.4 million euros.



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COMPANY IDENTIFICATION AND CERTIFICATIONS

Teixeira Duarte – Engenharia e Construções, S.A

Head Office: Lagoas Park, Edifício 2 - 2740-265 Porto Salvo

Share capital: € 280.000.000

Single Legal Person and Registration number 500 097 488 at Cascais (Oeiras) Commercial Register 500 097 488

Owner of Construction Permit No. 24- PUB



Certification Document of the Quality Management System granted to Teixeira Duarte on December 20, 2002, in the scope of Civil and Industrial Construction and Public Works, including Foundation Technology



Certification Document of the Occupational Safety, Hygiene and Health Management System granted to Teixeira Duarte on February 23, 2006, in the scope of Civil and Industrial Construction and Public Works, including Foundation Technology



Certification Document of the Environmental Management System granted to Teixeira Duarte on April 15, 2008, in the scope of Civil and Industrial Construction and Public Works, including Foundation Technology



Certification Document of the Social Responsibility Management System granted to Teixeira Duarte on November 24, 2009, in the scope of Civil and Industrial Construction and Public Works, including Foundation Technology



Certification Document of the Research, Development and Innovation Management System granted to Teixeira Duarte on April 5, 2011, in the scope of Research, Design, Development, Execution and Innovation in the areas of Civil and Industrial Construction and Public Works, including Foundation Technology



Certification Document of the Control System for the Manufacturing of Steel Structures granted to Teixeira Duarte on November 9, 2015

COMPANY BODIES

- "TEIXEIRA DUARTE – ENGENHARIA E CONSTRUÇÕES, S.A." -

Presiding Board of the Shareholder's Meeting:

- President: - Mr. José Pedro Poiares Cobra Ferreira
- Secretary: - Mrs. Maria Filipa Rebelo Pereira de Matos Alves Torgo

Board of Directors:

- President: - Mr. Pedro Maria Calainho Teixeira Duarte
- Directors: - Mr. Manuel Maria Calainho de Azevedo Teixeira Duarte
 - Mr. Joel Vaz Viana de Lemos
 - Mr. Pedro Miguel Pinho Plácido
 - Mr Rogério Esteves da Fonseca
 - Mr Fernando Frias Correia

Sole Auditor:

- Effective: - Moore Stephens & Associados, SROC, S.A.
Chartered Accounting Company, represented by
 - Mr. António Gonçalves Monteiro - ROC
- Deputy: - Mrs. Ana Patrícia Correia Monteiro - ROC

Secretary of the Company

- Effective: - Mr. José Pedro Poiares Cobra Ferreira
- Deputy: - Mrs. Maria António Monteiro Ambrósio

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS 2017

I. INTRODUCTION

This Management Report and respective accounts confine themselves to an individual analysis of Teixeira Duarte - Engenharia e Construções, S.A. (TD-EC), the information being global and consolidated of the Teixeira Duarte Group, in which it is a part, presented and developed in the scope of provision of accounts of TEIXEIRA DUARTE, S.A., the top company of the Group and sole shareholder of TD-EC.

TD-EC is the main company of the Teixeira Duarte Group, focusing its operation in the Construction Sector and also reflecting in its accounts the activity developed through its branches operating in other countries.

Nevertheless, there are other entities in the Group also operating in the Construction Sector, which are all directly or indirectly held by TD-EC, but relatively to which, under applicable accounting standards, the impact of the activity and their accounts is effected by the equity method, that is, by appropriation of the respective income and other variations occurred in their equity.

In this way and in order for a coherence of presentation between individual financial statements from TD-EC - along with this report and prepared in compliance with the Accounting Normalisation System (SNC), and the management report, in this document only the activity of TD-EC and its Branch Offices will be reported.

Notwithstanding the contents of the previous paragraph, it is deemed appropriate to insert a separate supplementary chapter to make brief reference to the actions of some of those other companies with whom TD-EC maintains very close corporate and operational relationships. Despite this being outside the scope of the attached financial statements, it will provide a broader view of the actions of the Teixeira Duarte Group, and not just of TD-EC, in the construction sector.

	2013	2014	2015	2016	2017	Variation 2016/2017 (%)
Workers	3,820	3,730	3,503	3,022	3,015	(0.2%)
Turnover	631,082	566,234	343,375	308,415	313,470	1.6%
EBITDA	133,211	148,041	69,142	27,495	56,367	105.0%
EBITDA Margin / Turnover	21.1%	26.1%	20.1%	8.9%	17.98%	101.7%
Net Result	70,282	67,962	14,083	19,715	16,004	(18.8%)
Net asset	1,697,755	1,719,356	1,600,660	1,620,247	1,610,125	(0.6%)
Liability	1,261,729	1,140,207	1,017,256	1,053,326	1,097,780	4.2%
Equity	436,026	579,149	583,404	567,101	512,345	(9.7%)
Net Debt	650,099	741,327	612,187	648,800	604,319	(6.9%)
Financial Autonomy	25.7%	33.7%	36.4%	35.0%	31.82%	(9.1%)
General Settlement	116.7%	121.6%	136.7%	138.7%	128.8%	-7.2%

Note: The accounting values are expressed in thousand euros.

The figures in the "Variation 2017/2016%" column were calculated based on amounts that were not rounded off.

II. TEIXEIRA DUARTE'S MODE OF OPERATION

1. MISSION AND VALUES - "CODE OF ETHICS AND CONDUCT OF TEIXEIRA DUARTE'S GROUP"

The rules of operation and guidelines that have defined TD-EC's operation have been successively adapted but essentially remain unchanged since their start over 95 years ago, thus considered a pride and incentive for the Company's growth as well as for the Group it is a part of.

Teixeira Duarte's mission and values have always been transmitted to all workers by example and through daily practice. They are the essence of the company's ethics and shape the conduct of its employees; they have been laid down by Teixeira Duarte as a faithful reflection of their past and as cornerstones for building the future.

TD-EC has had a Code of Ethics and Conduct since 2015, which sets out the mission and values that define Teixeira Duarte's ethics, and puts rules in place to strengthen, develop and supplement them, thereby molding the conduct of all recipients.

The document currently in force, adopted by TD-EC in February 2018, is entitled "Code of Ethics and Conduct of Teixeira Duarte's Group", which consolidates the adaptation to the legislative evolution and internal processes developed by the Teixeira Duarte Group, particularly in the area of compliance.

The core of Teixeira Duarte's Ethics is based on its mission and values, which are stated below:

Mission – Make, contributing to the construction of a better world – defines what moves its employees day-by-day, and establishes the objective shared by all independently from their area of operation, geography or work team.

“Make”, because it is always intended to make it happen.

“Contributing”, because we must understand that no one does anything alone.

For the “Construction”, of which we are part.

Of “a better world”, which is the objective that we all share, within and outside of Teixeira Duarte.

The Values are the way we must act to reach that objective and characterize the Company's relationship with all of related parties. They are:

Ingenuity - Value based on the origin and purpose of the Company: “A House of Engineering,” where, from the research and domination of the principles of science, it innovates and develop the knowledge and techniques to apply, with efficiency and the minimum of waste, in the resolution of practical issues, forming, encouraging and relying to the “in-house” people.

Truth – It consists in the straight appreciation of the facts, exposing the things as they are, with good faith and with great accuracy, assuming the mistakes and limitations, as well as the successes and capabilities, and always reporting in a transparent and adequate the company areas of performance and responsibilities.

Commitment - Corresponds to a responsible and committed way of accepting challenges and responsibilities, on the importance of the "given word" and on the fulfilment of all obligations, with others as well as on the loyalty and complicity with their own colleagues and the Company itself, with respect for others, for the dignity of every human person and for the sustainability of the community.

Many of these aspects are expanded upon in greater detail in the aforementioned “Code of Ethics and Conduct (the most recent version of which, dated February 2018, is entitled “Teixeira Duarte Group Code of Ethics and Conduct”), as well as in procedures detailed in the TD-EC Integrated Management System in areas in which is it certified. These areas currently range from Occupational Health and Safety, Quality, the Environment, Social Responsibility, Research, Development and Innovation, to In-Factory Production Control of the Construction of Steel Structures.

2. ORGANISATION OF TEIXEIRA DUARTE

TD-EC as the presiding company of the Group in the Construction Sector, currently develops its activity in different Areas of Operation that divide the facets of production and are essential in the formation of managing staff and in the follow up of their careers and integration in Exploration Centres and Offices, also providing a set of Central Support Structures specific to this sector of Construction, particularly in the areas of Form-work and Prestressing, Equipment and Proposals.

Still in the scope of TD-EC structures, there are two other Central Offices that are however more focused on Construction, they also support other sectors of the Group: The Central Office of Management and Technology Systems and the Central Office of Supplies.

In addition to all those structures more closely connected to the operational area of the Company, there is a set of Central Offices and Services – some of them established by employees of the presiding company, "Teixeira Duarte, S.A." – with special support responsibilities transversal to the operations developed in the various sectors of activity, integrated in the denominated Corporate Centre, which promotes the uniformity of procedures and joint support of the structures that operate abroad in these common areas and various businesses.

All of these structures are duly identified in the Organization Chart reported to date and presented on the following page.

ORGANISATION CHART

"TEIXEIRA DUARTE - ENGENHARIA E CONSTRUÇÕES, S.A."

Board of Directors

Adviser to the Board of Directors

Mr. António Costeira Faustino

Markets

Portugal	South Africa
Brazil	Belgium
Angola	China
Algeria	Colombia
Spain	United Arab Emirates
Mozambique	United States of America
Venezuela	France
	Morocco
	Peru
	Qatar
	United Kingdom

CORPORATE CENTRE

Central Offices

Juridical	Mrs. Maria António Ambrósio
Human Resources	Mr. Isabel Amador
Information Tecnology	Mr. José Gaspar
Finance and Accounting	Mr. Martins Rovisco Mr. Sérgio Castro

Corporate Services

Corporate Secretariat	Mr. José Pedro Cobra Ferreira
Accounts Consolidation	Mr. Alexandre de Jesus
Internal Audit	Mr. Mário Ferreira Faria

AREAS OF OPERATION

Geotechnics and Rehabilitation	Buildings	Infrastructures	Metalworking	Formwork and Pre-stressing Operations Centre
Mr. Magalhães Gonçalves	I Exploration Centres	I Exploration Centres	Mr. Henrique Nicolau	Mr. Marques dos Santos
I Exploration Centres	Mr. Pedro Costa	Mr. Sampayo Ramos	Underground Works	Central Office of Equipment
Mr. Hélder Matos	Mr. Fernando Martins	Mr. Rosa Saraiva	Mr. Dias de Carvalho	Mr. Rodrigo Ouro
Mr. João Pedro Lopes	Mr. Luís Santos	Mr. Correia Leal	Mr. Carlos Russo	Central Office of Management and Technology Systems
Mr. Duarte Nobre	Mr. Carlos Timóteo	Mr. Júlio Filho	Railway Works	Mr. Ivo Rosa
Mr. António Diniz	Mr. Luís Mendonça	Mr. Amílcar Teresinho	Mr. Magalhães Gonçalves	Central Office of Supplies
I Direction of Projects	I Direction of Projects	I Direction of Projects	Mr. Paulo Serradas	Mr. Rosa Almeida
Mr. Baldomiro Xavier	Mr. Garcia Fernandes	Mr. Ricardo Acabado	Maritime Works	Proposals Service
	Mr. Pedro Nunes	Mr. João Torrado	Mr. Magalhães Gonçalves	Mr. Viana de Lemos

CENTRAL SUPPORT STRUCTURES

3. TEIXEIRA DUARTE'S AREAS OF OPERATION

TD-EC is a company whose start-up dates back to 1921, currently operating in the areas of Geotechnics and Rehabilitation, of Buildings, Infrastructures, Metal Working and Maritime Works, which have the support of a Form-works and Prestressing Operations Centre, a Proposals Service as well as a Central Office of Equipment and a Teixeira Duarte Operational Pole, installed on plot of land with a surface area of over 130,000m², which makes up an enormous added value to the company and to the service rendered to its clients.

Its founder, Engineer Ricardo Esquível Teixeira Duarte, who concluded the first course of Civil Engineering administered at the Higher Technical Institute and acted as the president of the Order of Engineers, he was always recognised by his contemporaries for his technical merit and innovation.

TD-EC continued its operation marked by that hallmark, always considering itself a true House of Engineering. From large infrastructures like bridges, dams, highways and other public works, as well as hospitals and large buildings considered historic landmarks, namely in Portugal, TD-EC is recognized as a synonym of knowledge and experience, being a constant presence in the construction market.

In addition to TD-EC - which is the main company of the Group it is a part of - there are also branch offices and several other associated companies that operate in specific areas of Construction, as well as several Complementary Groups of the Company and other similar structures directed at specific projects, particularly in the area of Infrastructures.

III. ACTIVITY IN 2017

1. OPERATING MARKETS - ECONOMIC FRAMEWORK

In 2017, TD-EC and other Group entities operating in the Construction sector, operated in 13 countries across 4 continents, identified on the Companies Table attached later in this Report, at the beginning of Chapter III.4.

In this regard, emphasis should be placed on the availability of capability of employees to adapt to the many different markets in which the Companies operate; express recognition should also be given to the different fronts of Portuguese diplomacy in countries where these companies carry out their activities, with particular emphasis on the case of Venezuela.

Below can be found some brief notes on the economic framework seen in 2017 in the main markets in which TD-EC operates.

PORTUGAL

The growth of the Portuguese economy accelerated during the financial year in question, specifically due to a 2.7% increase in Gross Domestic Product (GDP) volume, reaching around 193 billion euros in nominal terms.

The average annual unemployment rate fell from the 11.1% seen in 2016 to 8.9% in 2017, with this indicator continuing on the downward trend that began in 2014.

ANGOLA

2017 was still affected by a difficult macroeconomic framework caused by the prolonged drop in the price of the barrel of oil; however, some positive signs of the recovery of the price of crude started to be seen during the second half of the year.

The rate of GDP growth in 2016 stood at below 1%, with IMF forecasts estimating a value of 1.3% for 2017. Annual inflation stood at below 20% in 2017.

Forecasts suggest that economy adjustment movements will continue in Angola during 2018, to continually promote a reduction in dependence on the oil sector, involving a strategic commitment to economic diversion, with an emphasis on industry and agriculture.

ALGERIA

Despite the oil recovery, 2017 was marked by the introduction of structural reforms to the Algerian economy, with a major impact on its economic growth.

According to the World Bank, the Algerian economy is expected to grow by 2.2% in 2017, which is a slowdown compared to the growth achieved during 2016.

Inflation in 2017 will stand at approximately 6% as a result of the devaluation of the local currency and the resulting price hike of imported products; an inflation rate of 5.5% is envisaged for the current year.

World Bank forecasts for 2018 point to a growth rate of around 3.6%, essentially supported by recently adopted measures aimed at increasing public investment, positively influencing growth in the short term.

BRAZIL

2017 was marked by the recovery of economic activity; GDP grew by 1% while inflation stood at 2.95% (its lowest since 1998), and the Selic target rate at 7% (its lowest since 1986). The unemployment rate has been declining consistently and there has been a stable exchange rate against the USD.

The construction sector, which is still being structurally affected by the multiple proceedings that have been under investigation since 2014, was in a counter-cycle trend with a 6% contraction, whereas the real estate sector reversed the negative cycle seen over the past two years, with increased sales and a 12.3% reduction in real estate stock.

Expectations for 2018 are that economic activity will continue to improve moderately, with GDP expected to grow by 2.5%, mainly driven by higher household consumption and increased investment, also reflecting an expansion of credit and an increase in investor confidence levels. Despite some risk relating to political decisions that may be made from October 2018 onwards, no significant changes to the trends seen in 2017 in the construction sector are expected.

SPAIN

A volume of 1,163,662 million euros was recorded for GDP at current prices, representing a 3.1% growth when compared to 2016, thereby confirming that 2017 was yet another year of economic recovery in that country; the unemployment rate dropped by 2.09% when compared to 2016.

Forecasts for 2018 suggest that Spain's economy will continue to experience a recovery, albeit less intense than in previous years.

MOZAMBIQUE

In a context of increased government debt, there was a slowdown in capital flows, specifically due to the reactions of the direct budget support group and the International Monetary Fund, which interrupted their support and cooperation programs. These aspects, associated with a decline in export product prices, led to a downturn in the main macroeconomic indicators and affected businesses and investments as a whole.

It is estimated that the economic growth rate, which dropped to 6% in 2015 and 3% in 2016, will remain with similar figures in 2017, and is even forecast to increase to 5% in 2018.

Following an acceleration period, which followed the announcement of the interruption of external aid programs, in 2017 inflation declined rapidly, from 25.25% of cumulative inflation in December 2016 to 5.7% in December 2017, according to the most recent data published by Banco de Moçambique.

The country's total wealth stock increased with the discovery of mineral resources, putting it on the map of major economies with potential to produce mineral resources, particularly gas and coal, which are expected to improve the global framework of the economy, attracting investment, reducing public debt and returning to international structuring support for a country that has major structural challenges ahead of it.

VENEZUELA

During 2017, Teixeira Duarte maintained a residual activity in the Construction sector, and entered the Concessions and Services sector in April 2017, within the scope of the Strategic Partnership for the port Administration, Operation and Management of the Specialized Container Terminal.

Despite efforts by the executive to kick start other driving forces of the economy, specifically in the mining sector, the truth is that the economy is highly dependent of the price of Venezuelan crude oil, which will be fixed at an average value of 46.66 USD/barrel.

With decreased production and sanctions imposed by the USA (even affecting some financial operations), GDP has shown a tendency to contract over recent years. A continuation of this downward trend, albeit less pronounced, is forecast for 2018.

The onerous evolution of the domestic economic-financial environment, relating to both the rate of inflation and exchange rate changes, adds to the aspects described above.

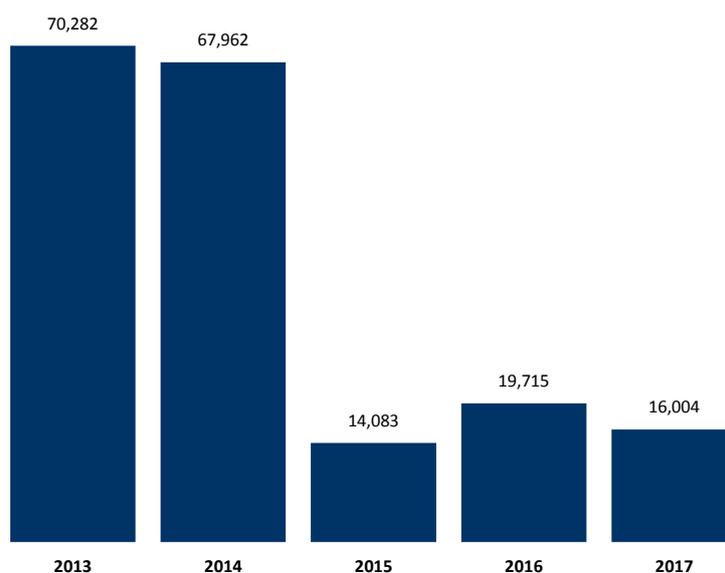
Even so, despite the economic and financial environment not being the most favorable, the policy of wage increases and other social support mechanisms was continued, to ensure that the workforce is kept in the country.

2. FINANCIAL APPRECIATION OF THE ACTIVITY IN 2017

For a global approach to TD-EC's operation throughout 2017, a set of management and financial analysis indicators reported in that financial year are shown here, which are not only seen in the internal evaluation of the Company, but they are also part of the market references and the commercial operation requirements in the Construction sector.

Development of the Net Result

(Values in thousand euros)



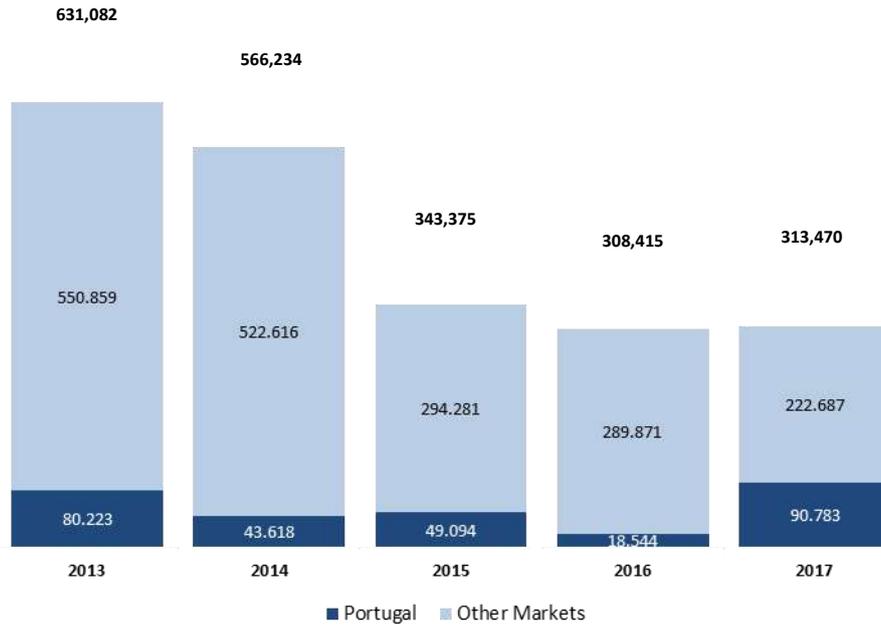
The net result calculated for the year 2017 decreased by 18.8% when compared to the previous year, reaching 16,004 thousand euros.

It should be mentioned that a positive evolution was seen from an activity point of view, as the reductions of around 106,491 thousand euros in Venezuela and around 11,121 thousand euros in Angola, were compensated by an increase of around 72,239 in Portugal, around 35,148 thousand euros in Brazil and around 15,638 thousand in Algeria.

However, despite this positive impact on operational activities, the net result was penalized by a reduction in financial results of around 9,447 thousand euros, including a negative exchange rate effect of around 3,985 thousand euros.

Development of the Turnover by Markets

(Values in thousand euros)



A 1.6% increase in turnover was seen when compared with the same period of the previous year, reaching 313,470 thousand euros. This change reflects the positive effect of the increased activity in Brazil and Algeria, and particularly in Portugal being greater than reduced activity in other geographical areas, specifically Venezuela and Angola.

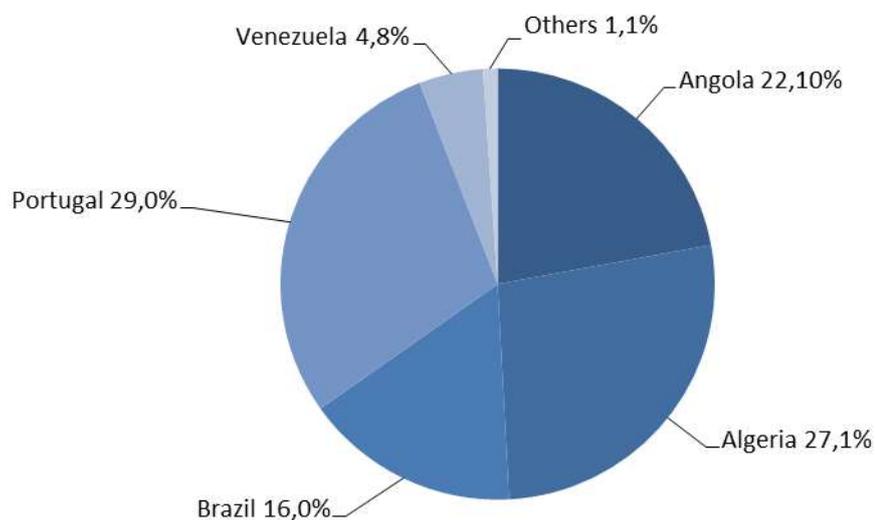
To this end, it should also be mentioned that ongoing contracts are currently being executed by Teixeira Duarte's investee in Mozambique. Therefore, despite this being reflected in the consolidated accounts of the Group's top listed company, they are not reflected in the same way in these Teixeira Duarte indicators, as in this case - with the accounts in question being individual - these stakes are included using the equity method and consequently are neither reflected in turnover.

Within this framework, it should be indicated that the turnover of the investee company "Teixeira Duarte - Engenharia e Construções - Moçambique, Lda." - which for the reasons set out above does not influence the Turnover of Teixeira Duarte - amounted to 50,531 thousand euros due to major contracts in their conclusion phase in that country.

The graphic that follows shows turnover broken down by countries, in Percentage terms, for the period ending 31 December 2017; and it shows the company's exposure to different economic contexts.

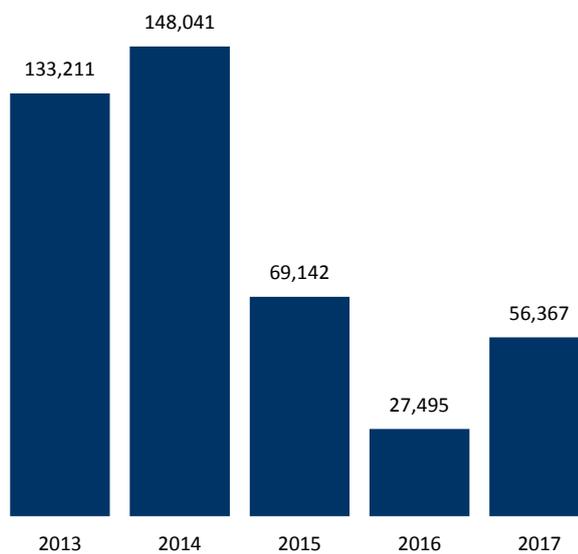
Turnover by Markets

(Values in thousand euros)



Evolution of EBITDA

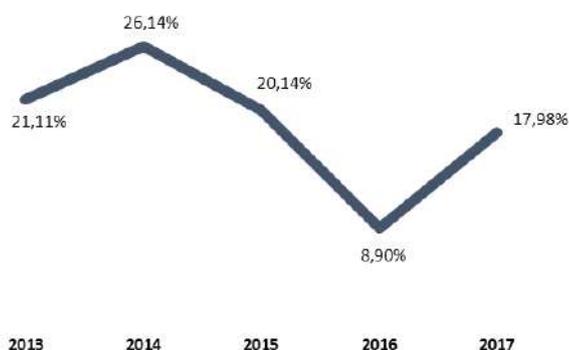
(Values in thousand euros)



The aforementioned circumstances also influenced EBITDA, which increased by 105.0% when compared to the same period of the previous year, amounting to 56,367 thousand euros during the period ending 31 December 2017.

Evolution of the EBITDA margin / Turnover

(Values in thousand euros)



The EBITDA Margin / Turnover increased in comparison to December of 2016, having gone from 8.9% to 17.98% by December of 2017.

The financial results were minus (9,447) thousand euros.

Financial results

	2017	2016
Financial Expenses and Losses:		
Supported interests	39,577	42,466
Unfavorable exchange rate differences	25,552	51,305
Other costs and financial losses	8,741	6,435
	73,870	100,206
Income and Financial Earnings:		
Obtained interests	36,087	47,339
Favorable exchange rate differences	21,567	72,425
Cash discounts obtained	-	-
Other income and financial earnings	5,393	63
	63,047	119,827
Income related to investment activities:		
Dividends (a)	1,376	1,310
	1,376	1,310
Financial Results	(9,447)	20,931

(a) The presented amounts correspond to dividends received from "LUSOPONTE, Concessionária para a Travessia do Tejo, S.A.", whose participation is valued by the cost method.

Income tax amounted to 12,427 thousand euros, reflecting a 19.2% increase when compared to 10,328 thousand euros calculated in 2016.

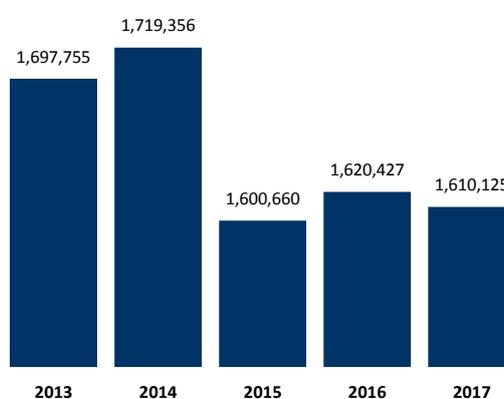
Income tax

(Values in thousand euros)

	2017	2016
Current Tax	11,361	10,024
Deferred tax	1,066	304
	12,427	10,328

Evolution of Net asset

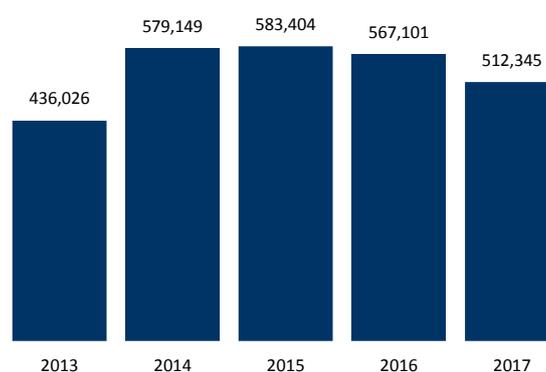
(Values in thousand euros)



Total net assets decreased by 0.6% when compared to 31 December 2016, dropping to 1,610,125 thousand euros.

Evolution of total Equity

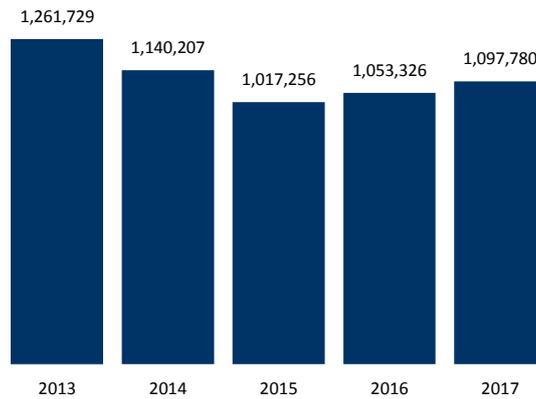
(Values in thousand euros)



Total Equity reached 512,345 thousand euros, which translates into a 9.7% decrease.

Evolution of total Liability

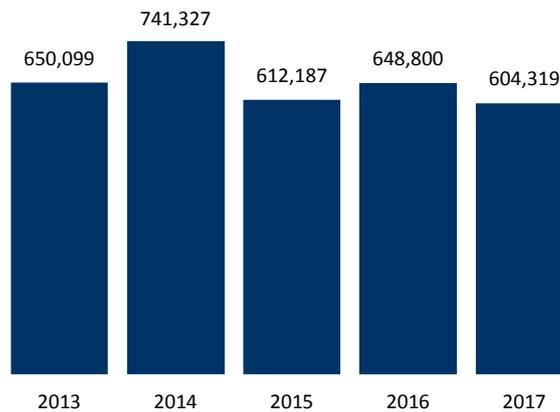
(Values in thousand euros)



Total liabilities increased by 4.2% when compared to 31 December 2016, reaching 1,097,780 thousand euros. This increase is essentially justified by an increase of suppliers by approximately 75,570 thousand euros, and by a loan reduction of around 37,540 thousand euros.

Evolution of Net Debt

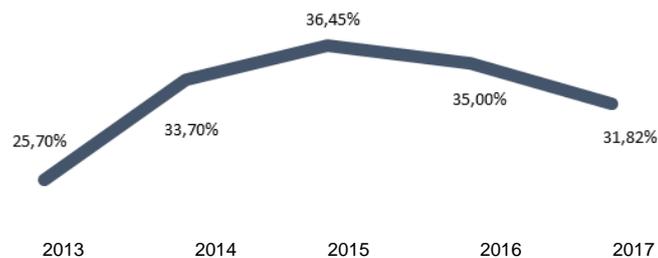
(Values in thousand euros)



The Net Debt reached 604,319 thousand euros at December 31, 2017, which means a decrease of 6.9% in relation to the end of the previous year.

Evolution of Financial Autonomy

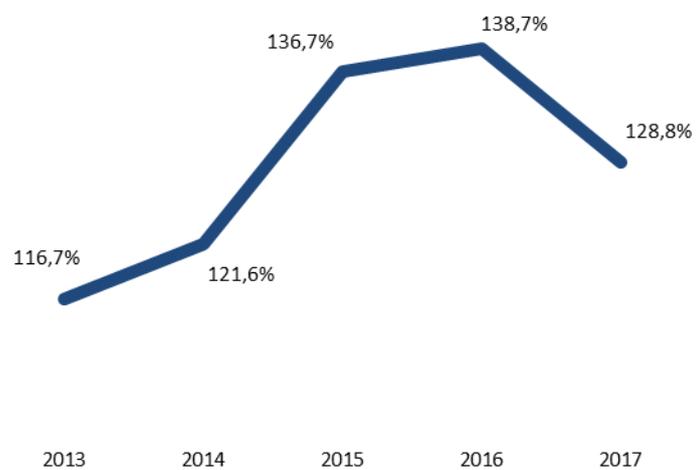
(Values in thousand euros)



Financial autonomy reached 31.82%, which means a decrease of 9.08% at December 31, 2016.

Evolution of General Liquidity

(Values in thousand euros)



The Overall Liquidity in December 31, 2017 recorded a decrease of 7.2% compared to December 31, 2016, shifting from 138.7% to 128.8%.

3. OPERATIONAL APPRECIATION OF THE ACTIVITY IN 2017

TD-EC's areas of operation indicated above as the basis, the following presents some brief notes on the activity developed in the areas of Geotechnics and Rehabilitation of Buildings, Infrastructures, Metal Working, Maritime Works as well as Form-works and Prestressing, Materials Laboratory and the Central Office of Equipment.

GEOTECHNICAL AND REFURBISHMENT is TD-EC's area of activity that covers geotechnical aspects, foundations and refurbishment, along with project management which, in addition to focusing on an engineering and investigation core that is a benchmark in the company and on the market, it coordinates the implementation of the BIM (Building Information Modeling) system throughout the entire Teixeira Duarte Group.

The operation of the Teixeira Duarte in this sector is characterised by interventions in projects of elevated technical complexity and size, both in public and private enterprises, having highly specialised and technically prepared human resources, supported by their own state-of-the-art technology.

Designed and carried out in the area of Geotechnics and Foundations are Technical Solutions of Engineering and Foundations, Geological Studies, Mining Prospection, Pile Walls, Stakes, Micro Stakes, Nailings, Anchors, Consolidations, Injections, Jet-Grouting, Projected Concrete, among other special works.

Carried out in the area of Rehabilitation are specialised works in the domains of Rehabilitation of Structures and Conservation of Monuments and Built Architectural Heritage, as well as Structure Inspection and Diagnostics.

In the Project Management area, Engineering Studies and Technical Projects were developed for the entire Teixeira Duarte Group. These were of great importance for the reasoned technical presentation of bids and projects. This Department is also responsible for coordinating and implementing BIM (Building Information Modeling) throughout the entire Teixeira Duarte Group, by consolidating internal and external training, developing projects with this technology and creation of internal procedures.

In 2017, TD-EC operated in this area in Portugal, Angola, Algeria, Brazil, Colombia, the USA, Mozambique and Morocco, where no work was done this year, but several bids were submitted for major contracts, meaning that there are good prospects of success in the near future.

Contrary to the trend seen in previous financial years, the activity carried out in TD-EC's Geotechnical and Refurbishment area saw a significant increase in total profits in 2017, reaching a value of close to 69.7 million euros, corresponding to an 87.2% increase when compared to the 2016 financial year.

TD-EC still continues with significant activity in the **BUILDING** sector, a TD-EC, encompassing the construction and refurbishment of all building types, specifically large scale and highly complex public and private buildings, as well as buildings designed for a wide range of uses.

The recovery experienced on the domestic market during the year in question allowed for a significant increase in the volume of work done in Portugal. However, 62% of work was done in overseas markets, where reductions were seen in Angola and increases in Algeria and Brazil.

Overall turnover increased by around 28% compared to 2016; however, the signing of several contracts of significant value at the beginning of 2018, along with the fact that others are in an advanced stage of negotiation, mean that 2018 can be faced with optimism, as billing from this area of activity will be in excess of figures achieved in 2017.

Emphasis should also be placed on the significant changes in production resources in each country, to maintain structures with suitable dimensions and characteristics to withstand the wild swings seen in several markets over recent years.

Only by doing this was it possible to ensure that the resources available to the company were properly occupied, leading to higher levels of profitability. The high levels of availability, sense of responsibility and involvement with the Company's commitments shown by employees has made a significant contribution to this.

In 2017, TD-EC operated in this area in Portugal, Angola, Algeria, Brazil and Mozambique.

Overall, in this area of activity TD-EC earned profits of 137,220 thousand euros, which represents a 27.6% increase when compared to 2016.

Teixeira Duarte brings together in its portfolio all types of **INFRASTRUCTURES** works, namely having carried out Roads and Highways, Bridges and Viaducts, Dams, Tunnels, Railways, Train Stations and Interfaces, Port Works, Environmental Construction and even Water and Natural Gas Infrastructures.

Activities in this area have gone through the cyclical changes of the different markets in which the Group operates. A similar level of activity to 2016 was seen in 2017, although the profits earned during this year suffered an overall reduction of around 45.7% due to the recognition during the 2016 financial year of work previously done in Venezuela.

Commercial activity continued to focus on growth efforts that have intensified significantly but have not yet been able to achieve significant results on the level of targets set for the year in question.

In 2017, TD-EC operated in this area in Portugal, Angola, Algeria, Brazil and Venezuela; it also carried out technical and commercial activities in the Middle East and in some Latin American, African and European countries, meaning that the award of some contracts in some of these geographical areas is expected in the near future.

As a highly specialized metal construction area of activity, **METALWORKING** is Teixeira Duarte's department in this specialist area focuses on the construction and refurbishment of metal and mixed bridges, metal and mixed viaducts, miscellaneous metal buildings and structures, and hydro-mechanical equipment. Either working directly for end customers or in an integrated manner with other sectors, combining its metal construction expertise with high levels of *know-how* in the mechanics and oil-hydraulic sectors, this area develops solutions and does highly complex work, specifically involving the movement and installation of large scale structures with a high degree of rigor.

In 2017, TD-EC operated in this area in Portugal, Angola, Algeria and Brazil.

During 2017, it continued with its activity in several different geographical areas where Teixeira Duarte operates, posting identical profits to the previous year.

In the **MARITIME WORKS** area, TD-EC is capable of performing different types of port infrastructure, such as commercial, fishing and nautical recreation ports, with construction and rehabilitation of coastal protection, such as piers, groins, artificial beaches and adherent defense works, hydraulic landfills, outfalls and even dredging operations and other maritime and river works.

In 2017, TD-EC operated in this area in Portugal, Angola, Algeria, Brazil, Colombia, Mozambique, and in Morocco, where there were no commercial activities, including the submission of a major bid.

THE OPERATING CENTER FOR FORMWORK AND PRE-STRESSING is the Operating Center responsible for managing and developing TD-EC's formwork, trusses and pre-stressing area, which provided support to other areas of activity in Portugal, Angola and Algeria in 2017.

Overall, in this area of activity TD-EC earned profits of 5,643 thousand euros, which represents a 15.3% decrease when compared to 2016.

THE CENTRAL EQUIPMENT DEPARTMENT, continued with its economic, administrative and technical management activities for equipment in different geographical areas, guaranteeing the proper availability of equipment and assignment of technicians, specifically operators, mechanics and electricians.

4. OTHER GROUP ENTITIES IN THE CONSTRUCTION SECTOR

As mentioned in the introduction of this Management Report, TD-EC is a part of an Economic Group where there are other entities acting in the Construction Sector, and without prejudice of that more global analysis to be consulted in the scope of the Report and Accounts of the presiding company of the Group, “Teixeira Duarte, S.A.”, it seemed appropriate to leave a few notes here on some of those other companies whose accounts are autonomous of those of TD-EC, yet they maintain a strong corporate and operational connection to it.

In the table on the following page, all of the entities of the Teixeira Duarte Group that operate in the Construction Sector are shown.

We will only point out a few of them all and in two distinct groups: first a set of entities that operate in specific construction areas and then a few entities highlighted for their greater relevance in the construction sector in some markets where the Group remains active.

TEIXEIRA DUARTE CHART - CONSTRUCTION 2017

This chart presents the Teixeira Duarte Group entities operating in the Construction sector in different countries, including branches, societies, and CGC's.

TEIXEIRA DUARTE - ENGENHARIA E CONSTRUÇÕES, S.A.				
BRANCHES	SOCIETIES	CGC's		
Portugal	EPOS, S.A. SOMAFEL, S.A. CINTEL, LDA.	AVIAS, ACE CAIS DE CRUZEIROS 2ª FASE, ACE CONBATE, ACE CONSTRUSALAMONDE, ACE	DOURO LITORAL, ACE DOURO LITORAL OBRAS ESPEC., ACE FERROVIAL/TD, ACE METROLIGEIRO, ACE	NOVA ESTAÇÃO, ACE SOMAFEL E FERROVIAS, ACE TD/SOPOI - METRO SUP., ACE TRÊS PONTO DOIS, ACE
Angola	TD-EC, S.A. (SUC. ANGOLA) EPOS, S.A. (SUC. ANGOLA)			
Algeria	TD, ALGÉRIE, SPA	ETRH/TD, AE GMP - ORAN, AE GOTERA, AE	TD COMPLEXE AGB- EL BIAR TD/ETRH, AE TD/KANAGHAZ, AE	
Brazil	SOMAFEL, S.A. (SUC. BRASIL) TD-EC, S.A. (SUC. BRASIL)	SOMAFEL, LTDA. EMPA, S.A.		
Cape Verde	OFM, S.A. (SUC. CABO VERDE)			
Colombia	EPOS, S.A. (SUC. COLÔMBIA) TD-EC, S.A. (SUC. COLÔMBIA)	TD-EC (COLÔMBIA), S.A.S.		
Spain	TD-EC, S.A. (SUC. ESPANHA) EPOS, S.A. (SUC. ES PANHA)	UTEVIANA		
United States of America	TD CONSTRUCTION SERVICES, LLC			
France	SOMAFEL, S.A. (SUC. FRANÇA)	ALSOMA, GEIE		
Macao	TD-EC - MACAU, LDA.			
Morocco	SOMAFEL, S.A. (SUC. MARROCOS)			
Mozambique	TD-EC, S.A. (DEL. MOÇAMBIQUE) SOMAFEL, S.A. (DEL. MOÇAMBIQUE)	TD - MOÇAMBIQUE, LDA.		
Peru	EPOS, S.A. (SUC. PERU)	TD PERU, S.A.C.		
U. Kingdom	SOMAFEL, S.A. (SUC. REINO UNIDO)			
Tunisia	SOMAFEL, S.A. - ESTAB. EST. TUNISIA			
Venezuela	TD-EC, S.A. (SUC. VENEZUELA) EPOS, S.A. (SUC. VENEZUELA) OFM, S.A. (SUC. VENEZUELA)	ADOQUINVAR, CA CONLUVAR, CA TEGAVEN, CA	CONSORCIO BOYACA-LA GUAIRA CONSORCIO OPSUT	

Caption: ■ Companies owned directly or indirectly by Teixeira Duarte - Engenharia e Construções, S.A.
■ Companies of the Group that aren't owned by Teixeira Duarte - Engenharia e Construções, S.A.

"**E.P.O.S. - Empresa Portuguesa de Obras Subterrâneas, S.A.**", 100% owned by TD-EC, has over 30 years of experience in the area and is equipped with the resources that it needs for executing work of this nature; it operates in the civil engineering and mining sectors.

In 2017, EPOS, S.A. operated in Portugal, Spain, Angola, Venezuela, Colombia and Peru, through branches set up in these countries.

The industrial activity carried out in Portugal accounted for around 85% of total billing, with the remaining percentage being accounted for by this group of other markets. However, in percentage terms there has been a decrease in revenue obtained on overseas markets; in absolute terms there has been a slight increase when compared to 2016. This fact is the result of activity carried out in Peru, with the execution of the Lima metro project, which positively compensated for the drop in sales, particularly the decrease seen in Spain.

"**SOMAFEL - Engenharia e Obras Ferroviárias, S.A.**" (SOMAFEL, S.A.) is a company of the Teixeira Duarte Group purposed for the construction, renovation and conservation of railway infrastructures including its electrification (catenary).

The Group has been consolidating its operation in the railway area, which, currently, is focused on Portugal, Algeria, Brazil, France, Morocco, Mozambique and United Kingdom, having been developing an activity optimisation process in those countries, where it works with four distinct gauges.

In 2017, SOMAFEL's profits increased by around 12%, to achieve operating profits of around 38 million euros. Activities in Brazil made a substantial contribution to this, accounting for around 38% of total profits, through the subsidiary "SOMAFEL - Obras Ferroviárias e Marítimas, Ltda", along with activity in Portugal, which also experienced an upturn, accounting for 32% of total profits. Conversely, a significant reduction was seen in activity in Morocco, Algeria and Mozambique.

In terms of operating results, 2017 was the best recent year at SOMAFEL, with a notable highlight being its activity in Brazil, which contributed to around 52% of EBITDA of approximately 3.8 million euros.

"**Teixeira Duarte - Engenharia e Construções (Mozambique), Lda.**", is a Mozambican company that TD-EC has direct participation in and it is the main vehicle of execution in this country where the Group is operating since 1982.

The Group experienced a significant reduction in turnover in this country in 2017, essentially due to the completion of construction work on buildings for the new headquarters of Banco de Moçambique, one with 30 floors and a total constructed area of 87,000m², involving complex engineering solutions and the installation of many pieces of highly sophisticated equipment. This outstanding work for its architecture, construction area and height of the main building, and the prospect of the lower area of Maputo.

"**EMPA S.A. Serviços de Engenharia**", is a Brazilian company, headquartered in Belo Horizonte, which was acquired at 100% ownership by TD-EC in 2007. In 2016, Group activities in this Construction Sector in several States of this country were shared with the TD-EX Subsidiary set up there, in all of its areas of activity, from geotechnics and refurbishment, to construction, infrastructure and metalwork.

"**Teixeira Duarte Algérie, SPA**", is an Algerian company based in Algiers, set up by TD-EC in 2006. It has been one of the vehicles for Teixeira Duarte Group activities in this north African country, more recently with particular emphasis on the areas of geotechnics, refurbishment and metalwork.

In 2017, good performance was seen in this subsidiary's activity, with an 8% increase in turnover when compared to 2016.

5. TEIXEIRA DUARTE - ENGENHARIA E CONSTRUÇÕES, S.A - CONCESSIONS AND SERVICES

Some brief references are made here to TD-EC's direct and indirect participation in the Concessions and Services Sector, specifically following its execution of public works contracts.

PORT OPERATIONS IN VENEZUELA: Through the license granted to it, TD-EC has proceeded to commercialize, maintain, operate, administer, construct and use the "specialized container terminal (Quays 27 and 28- West Sector) at the Port of Guaira".

In effect, it was on 30 March 2017 that this Group company received this authorization under the "Strategic Partnership for the port operation and management of the Guaira Port specialist container terminal", entered into with the Venezuelan entity "Bolivariana de Puertos (BOLIPUERTOS), S.A.".

The aim of this partnership was to optimize the development and growth of the terminal's activity, turning it into a transshipment port between the Caribbean Sea and Latin America. For a period of 20 years, TD,EC has assumed responsibility for the commercialization, maintenance, operation, administration, construction and use of the aforementioned La Guaira Port specialized container terminal, which has sufficient yard space to move 1,200,000 tonnes/year and a surface area of 17ha; it has 693m of dockable berths and bottoms at 15.2m. It is fitted out with state-of-the-art port operation equipment - 6 STS quayside gantry cranes, 15 yard RTG cranes, 2 reach stackers, 6 front loaders, 32 terminal tractors and 40 platforms, along with a total of over 5ha of administrative and technical facilities and equipment maintenance and repair spaces.

Organizational structuring took place in 2017, along with staff training, the disclosure of the partnership to stakeholders, registration with some International port organizations and obtaining all mandatory authorizations and licenses for performing this activity, as well as the drafting of operational procedures, among other phases. Proceedings are currently underway with the competent Venezuelan authorities to facilitate international transshipment operations. This is a fundamental objective for achieving installed capacity, as current import and export operations only allow around 20% of installed capacity to be used.

During their first year, between March 2017 and March 2018, revenue from port operations increased to around 10.3 million USD and around 31.1 billion bolivars.

In addition to these direct actions, TD,EC has stakes in several entities that operate in this Concessions and Services sector, reported below:

"TDHOSP - Gestão de Edifício Hospitalar, S.A." is a company 100% owned by TD-EC, whose objective is the management of the Cascais Hospital for a period of 30 years, including design, project, construction, financing, conservation and maintenance.

Following completion of the construction of the Cascais Hospital Building in February 2010, TDHOSP's activity focused on the management and maintenance of the hospital building, as well as on the management and operation of its respective parking lot.

During the year 2017, in addition to the normal maintenance of the building, several improvements were also made, approved beforehand by the partner "LUSÍADAS - Parcerias Cascais, S.A." e pela Entidade Pública Contratante.

TDHOSP's activity is in the scope of and under the Management Contract, annually monitored and assessed by the Contracting Public Entity in the parameters of Availability, Service and Satisfaction, having obtained in the last year the classification of Very Good just as it has since the beginning of the operation.

The implementation of processes aimed at operational improvements and boosting the efficiency of different technical areas of activity were continued in 2018; it should be noted that "TDHOSP - Gestão de Edifício Hospitalar, S.A." holds an ISO 9001 - 2008 Quality certificate, although an ISO 9001 - 2015 transition process is currently underway, with a certification audit planned for May this year.

On April 9, 2018, "Teixeira Duarte - Engenharia e Construções, S.A." has signed a contract with subsidiaries for an investment fund managed by "3i Investments plc", a management company, for the sale of 90% of the capital stock of "TDHOSP - Administration of Edifício Hospitalar, S.A." (TDHOSP).

The transaction has as a suspensive condition - in addition to obtaining consent from TDHOSP itself, authorization must be obtained on behalf of the Portuguese state, as a conceding entity, as well as on behalf of the concession's financing entities - which is expected to occur by July 30 of 2018.

The total price set for the transaction, including the transfer of shares and credit claims existing over TDGOSP, is around 19.4 million euros, which will have an impact of around 19 million euros on the "Equity" item of the 2018 accounts of "Teixeira Duarte, S.A.", leading to a reduction of around 75 million euros in the Group's liabilities.

"AEDL - Auto-Estradas do Douro Litoral, S.A." is a company in which TD-EC has shareholdings in its share capital and that signed the Douro Litoral concession contract with the Portuguese Government at the end of December 2007.

On January 28, 2016, TD-EC alienated "BRISA - Auto-Estradas de Portugal, S.A." and under Options Contracts signed in December of 2010, almost all of the shares held in "AEDL - Auto-Estradas do Douro Litoral, S.A." - only 1.000 shares remaining, corresponding to 0.02% of the share capital of this entity in comparison with the 19.67% held before -, also in the scope of alienation of that shareholding, having transferred the contractual position in the financing contracts that it had subscribed while shareholder of "AEDL - Auto-Estradas do Douro Litoral, S.A."

In the year 2017, the procedures and works aimed at the close of the construction contract continued.

"AEBT - Auto-Estradas do Baixo Tejo, S.A.", incorporated on 15 January 2009, is a company in which TD-EC holds a 9% share of its respective share capital, entered into a sub-concession contract with IP - Infraestruturas de Portugal, S.A. with a 30 year duration. This contract was concluded on 24 January 2009 and amended by the reform instrumented dated 28 April 2010 and by addenda signed on 22 November 2011 and 7 September 2012, and included planning, design, construction, lane expansion, financing, operation and conservation activities for stretches of highway, regional roads and associated road junctions in the district of Setúbal, as of the date on which the aforementioned contract was signed.

No construction activities took place in 2017, as the last stretch entered service at the end of 2012. The execution of some work has been seen since then under the scope of the warranty period.

It is an asset that is expected to be divested in 2018, so it was reclassified according as an Asset for Sale.

"MTS - Metro Transportes do Sul, S.A." is a company in which TD-EC holds 9.11% of the share capital, it develops its activity in the area of concession, project, construction, supply of equipment and rolling stock, financing, exploitation, maintenance and conservation of the entire light rail network of the southern margin of Tejo, under the concession contract signed on July 30, 2002 with the Portuguese State, having started the concession on December 12, 2002, for a period of 30 years.

In the year 2017, the procedures aimed at the close of the construction contract continued.

"LUSOPONTE - Concessionária para a Travessia do Tejo, S.A.", which is a company dedicated exclusively to management, in the scope of concession of its roadway stretches in Tejo, in the region of Lisbon, in which TD-EC holds 7.5% its share capital.

This subsidiary had very reasonable performance during the 2017 financial year, with Earnings Before Taxes increasing by 6.1%, amounting to 28,695 thousand euros when compared to the value of 27,044 thousand euros from 2016.

It is an asset that is expected to be divested in 2018, so it was reclassified according as an Asset for Sale.

6. OTHER RELEVANT FACTS OCCURRED IN 2017

In addition to the matters more directly related to the operation of TD-EC presented above, it seems appropriate to also report some relevant facts of the company's life in the scope of this Management Report, namely:

TD-EC's Management System

In 2017, further activities were carried out to support processes to obtain, monitor and renew the Management System certificates of several Group Companies, and Internal Control Process certificates for the Production of Metal Structures at TD-EC. Emphasis should be placed on the extension of safety management (OHSAS 18001), Quality (ISO 9001) and Environment (ISO 14001) certificates to TD-EC's Brazilian market, along with joint third party audits of Portugal-based companies that hold these main management system references, including the transition of the ISO 9001 and ISO 14001 certificates to the 2015 versions of the standards.

IDI (Investigation, Development and Innovation)

Due to the growing importance of knowledge networks for conducting R&D+i (research, development and innovation) activities, specifically in the construction industry, continued support was given to TD-EC's production structures, for their membership of and participation on committees and work groups of scientific societies and technology platforms. This was done in close collaboration with Portuguese universities and laboratories, and these partnerships were expanded to include overseas consortia.

Worth noting in this domain:

Participation in TWG eCO2 Foundations – Geotechnical Carbon Calculator of the EFFC, European Federation of Foundation Contractors, with the aim of contributing to a new policy inside this organization, extended to its members, concerning the sustainability of the geotechnical and foundations activity.

Ongoing involvement in the COST ACTION TU1404 "Towards the next generation of standards for service life of cement-based materials and structures" project, with the manufacturing of concrete and several tests of concrete properties at different ages during the experimental phase, entitled "Main phase".

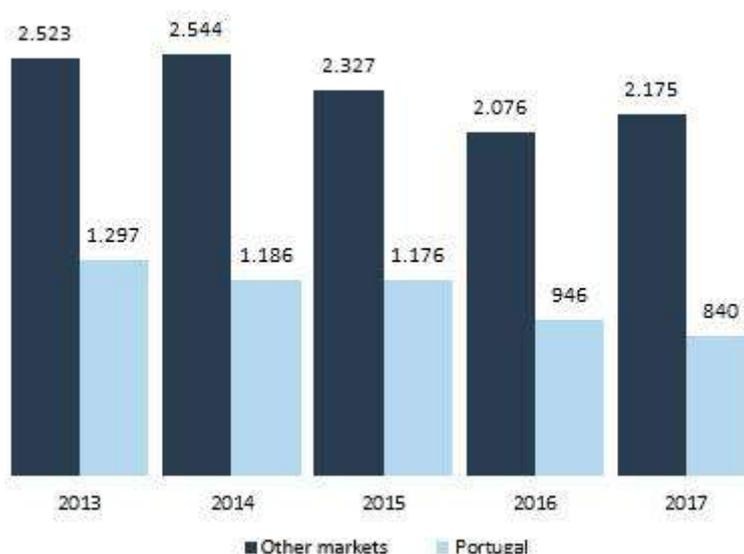
As part of the scope of standardization activities, TD-EC sits on the Portuguese Standardization Committee CT156 - Geotechnics in Civil Engineering, and chairs subcommittee SC10, the technical body that aims to issue opinions on standards and to translate CEN's European standards in the field of Tests of Geotechnical Structures and the Execution of Special Geotechnical Projects; it also forms part of working group WG3 of the ISO's Technical Committee TC182, responsible for drawing up the DIS version of the ISO 22477-5 standard Geotechnical investigation and testing - Testing of geotechnical structures - Part 5: Testing of grouted anchors, the publication of which is planned for the middle of 2018.

The Materials Laboratory is integrated into the Central Management Systems and Technology Department, with direct links to the Centre for Innovation and Technological Development. It has held an accreditation from the Portuguese Accreditation Institute (IPAC) since 1996, and is based at the "Teixeira Duarte Operations Centre" in Montijo. During 2017 it carried out multiple studies and tests as part of its role providing support to areas of activity and sales teams.

Human Resources

TD-EC seeks to assign an appropriate number of workers to the activities carried out in the different sectors and markets, promoting the personal and professional development of its employees.

Evolution of the average number of workers



The average number of workers recorded a decrease of 0.2% from 2016, however, at December 31, 2017, the number of workers was higher by 3.4% – 104 workers more – than 2016, shifting from 2,937 workers in 2016 to 3,041 at the end of 2017.

Above all, this increase was reflected in the enlargement of teams in Angola and Brazil, the latter which is where TD-EC's activity has grown the most when compared to the previous year, as well as in Portugal, where a slight increase was seen in the number of employees.

In Algeria, the number of TD-EC employees had dropped by 27.9% when compared to 31 December 2016, reflecting the status of major works that suffered some constraints during their development.

Professional Qualification

Since its foundation, TD-EC chose to the qualification of its employees as one of its main concerns. From this standpoint, emphasis should be placed on the role of internal qualification activities, which have provided training to main different generations of employees, embodied in the transmission of enriched capital with testimonies and know-how in countries where the Company has made its presence felt.

For this purpose, the activities carried out in the markets to train TD-EC employees run in close collaboration and monitoring with the central structure headquartered in Portugal, with the intent of co-operating in the development of their potential, through the implementation of adequate and innovative solutions.

Without prejudice of other actions that involved TD-EC workers together with other entities of the Teixeira Duarte Group – and that were reported in the scope of the management report of the presiding company of Group “Teixeira Duarte, S.A.” – which exclusively concerns TD-EC, in the different countries where the Company operates, multiple training activities were administered, reaching 12,510 trainees and totalling 56,487 hours of training.

Social Responsibility

In the scope and execution of its Social Responsibility policy, the continuation of the program “Todos Damos” (We all Give) is worth noting, being approved by the Board of Directors of “Teixeira Duarte, S.A.” and extendible to all the entities and collaborators of the Group, including TD-EC.

True to its Values, Teixeira Duarte always assumes an active role in regards to the wellbeing of its workers and their

families, having understood the need to focus the options for supporting social projects through an institutionalized position directed at social solidarity organizations and that also include the very employees in a direct action.

The *Todos Damos* program is, therefore, a corollary of other prior initiatives, consisting in support for people through co-financing by the Companies of the Teixeira Duarte Group of projects or social institutions that their own employees also desire to directly support.

In effect, the employees indicate an institution with social intervention to which they intend to contribute and Teixeira Duarte provides co-funding for the institutions to be supported by doubling the amount the employees intend to contribute.

According to the program's regulations, the budget made available for this purpose each year is announced. In 2017, the overall amount of this budget was €100,000.00. Donations from 18 employees and Group donations raised €17,805 and Kwz 413,502.00 (four hundred and thirteen thousand five hundred and two kwanzas), distributed to several different institutions in Portugal and Angola.

Company Facts

The only item to highlight in this ware is the Annual General Meeting, held on 21 April 2017, during which the following unanimous decisions were taken:

Approve the Management Report presented by the Board of Directors, the Balance Sheet, the Company Accounts and the Sole Auditor's Report and Opinion, for the financial year 2016, under the terms of the respective documents duly provided.

Approve the proposal by the Board of Directors for the following application of the Company's net results of 19,715,198.53 (nineteen million seven hundred and fifteen thousand one hundred and ninety eight euros and fifty three cents), calculated for the 2016 financial year:

Legal reserve:	€1,000,000.00
Free Reserve:	€7,965,198.53
Dividends:	€10,750,000.00

Approve a deliberation of trust in the Board of Directors, in each of its Members and in the Sole Auditor, as well as an applause for the way they performed their roles in the ended financial year.

Approve the continuation of the existing situation of full ownership of the subsidiary "TDAP - ATIVIDADES PORTUÁRIAS, S.A." incorporated from the outset by TD-EC on 14 March 2017 (single shareholder).

IV. RELEVANT FACTS OCCURRED AFTER THE CLOSE OF THE FINANCIAL YEAR

TD-EC continued its business in several sectors and markets in which it operates, being worth noting the following relevant factors occurred after the close of the financial year:

1. TD-EC was chosen by IMO HEALTH – Investimentos Imobiliários, S.A. – an entity of the José de Mello Saúde Group – to execute the contract for the construction of structures, special facilities, finishings and exterior arrangements of the CUF Tejo Hospital, in Alcântara, Lisbon. The deadline for the execution of the work is 16 months and the total value of the work is estimated at 52.3 million euros.

The contract signed on February 13, 2018, involves the execution of the structure, special facilities, finishings and exterior arrangements of the new CUF Tejo Hospital, which will have six floors above-ground and four floors below-ground. The gross construction area of around 73,000sqm will comprise parking areas on floors -4 to -2, with specialist units and services on the remaining floors.

The participation of TD-EC in this large-scale project began in 2016 with excavations, peripheral containment and the building of up to Floor 0. The cost of both works will total 65.4 million euros.

2. A consortium led by TD-EC, received, on March 1, 2018, from the "Concessionária do Aeroporto de Salvador, SA" – a company belonging to the Vinci Airports Group – the contract and respective service order for the execution of the "Engineering, supply and construction contract, for the expansion of Salvador airport, with fixed prices and timeframes, under an EPC turn-key contract (Engineering, Procurement and Construction), for a flat-rate price", with a view to carrying out work on, remodeling- and expanding Salvador Airport. This includes the undertaking of the executive project, the construction of a new terminal and its respective boarding bridges, construction of a building to connect the new terminal to the existing terminal, and remodeling of the existing terminal and improvement of the runway, landing strips and taxiways.

The estimated period of execution of the work is 20 months and the total value of the contract amounts to approximately R \$ 600 million (Brazilian Reals) corresponding to 149,6 million euros.

TD-EC is the leader of this consortium, in which it has a stake of 32.99%.

3. A joint venture which includes its 100% controlled company "EMPA, S.A. Serviços de Engenharia", has received, on March 13 of 2018, on behalf of the National Transportation Infrastructure Department (known as the DNIT), a contract for the "Elaboration of the basic and executive engineering projects and implementation of road duplication, side roads, capacity adaptation, restoration with improvements and special engineering structures on highway BR-116/BA, Lot 06", to be developed between Km 387.41 and km 427.75, for a total extension of 40.34 km.

The time frame foreseen for implementation of the work is of 1350 days and it is valued at 297 million Reais, corresponding to 74 million Euros, of which "EMPA, S.A. Serviços de Engenharia" owns a participation of 45%, equivalent to 33.3 million Euros.

4. Its 100% controlled company "EMPA, S.A. Serviços de Engenharia" has signed, on March 26 of 2018, with the company "VALE S.A.", a contract for the "Full implementation of the civil works for raising the scope of the Itabiruçu Dam to a height of 850 meters, in the municipal district of Itabira/MG, including the supply of materials".

The work is valued at R\$ 109 million Reais [Brazilian Reals], corresponding to 26.6 million Euros and divided into two Work Orders; the first one valued at R\$ 13.5 million, corresponding to 3.3 million Euros and a period of 170 days, and the second one valued at R\$ 95.5 million, corresponding to 23.3 million Euros and a period of 514 days.

5. TD-EC has signed, on April 9, 2018, a contract with subsidiaries for an investment fund managed by "3i Investments plc", a management company, for the sale of 90% of the capital stock of "TDHOSP - Gestão de Edifício Hospitalar, S.A." (TDHOSP).

The transaction has as a suspensive condition - in addition to obtaining consent from TDHOSP itself, authorization must be obtained on behalf of the Portuguese state, as a conceding entity, as well as on behalf of the concession's financing entities - which is expected to occur by July 30 of 2018.

The total price set for the transaction, including the transfer of shares and credit claims existing over TDHOSP, is around 19.4 million euros, which will have an impact of around 19 million euros on the “Equity” item of the 2018 accounts of “Teixeira Duarte, S.A.”, leading to a reduction of around 75 million euros in the Group’s liabilities.

6. On this date, TD-EC, Teixeira Duarte, S.A. and other Teixeira Duarte Group entities concluded a “Framework Agreement on Teixeira Duarte Group Debt” with Banco Comercial Português, Caixa Geral de Depósitos and Novo Banco, which essentially significantly reduces TD-EC's banking liabilities, in line with an asset divestment program; it also augments the maturity of financing and optimizes the cost of financing.

V. FUTURE DEVELOPMENT PERSPECTIVES

TD-EC’s activity is forecast to increase in 2018, essentially due to growth expected in Algeria and Brazil.

In addition to possible new contracts, TD-EC has ensured adequate levels of activities in Construction in the external market.

Therefore, TD-EC foresees reaching operational income levels in 2018 slightly higher to those recorded in 2017.

VI. DISTRIBUTION OF NET INCOME TO MEMBERS OF THE BOARD OF DIRECTORS AND EMPLOYEES

Following the contacts established with the Remuneration Committee with the assumed purpose regarding distribution of the income calculated for the year to the Board Members and to employees, in compliance with the current norms in force, it was accounted at €1,800,000.00 (one million and eight hundred thousand euros) as an expense for the period of 2017, with the resulting reduction of the net income calculated in the financial statements annexed to this Report and also subject to approval by the General Assembly.

In this way, with the approval of this Report and Accounts, the mentioned distribution of income to Board Members and employees for that amount is also approved by the Shareholders, to be deliberated by the Remuneration Committee up to that amount.

VII. PROPOSED ALLOCATION OF RESULTS

The net income whose proposed appropriation is presented herein corresponds to the amounts calculated as at 31 December 2017 plus the cost of €1,800,000.00 (one million and eight hundred thousand euros) which, having been foreseen as liabilities to be distributed to the employees and management, was, pursuant to the applicable rules, recorded as a cost for the actual financial year of 2017 in the financial statements which are an integral part of this Management Report and which, should they be approved, confirm, on the one hand the agreement of the Shareholders to distribute profit to the employees and members of the Board of Directors and, on the other hand, that the Net Income object of the proposal for the appropriation of net income is €16,004,137.40 (six million and four thousand one hundred thirty-seven euros and forty cents).

In addition to the above, it is also Teixeira Duarte's policy to prioritize the reinforcement of the company's equity and to ensure continuity and balanced distribution of dividends to the shareholders.

Based on these assumptions, the Board of Directors proposes the net results of "Teixeira Duarte - Engenharia e Construções, S.A.", calculated for the 2017 financial year at €16,004,137.40 (six million and four thousand one hundred thirty-seven euros and forty cents), should be distributed in the following way:

Legal reserve: €1,000,000.00

Other reserves: €15,004,137.40

Lagoas Park, April 24, 2018

The Board of Directors,

(Pedro Maria Calainho Teixeira Duarte)

(Manuel Maria Calainho de Azevedo Teixeira Duarte)

(Joel Vaz Viana de Lemos)

(Pedro Miguel Pinho Plácido)

(Rogério Esteves da Fonseca)

(Fernando Frias Correia)

Under the terms and to the effects of that laid out in article 447 of the Code of Commercial Companies, it informs that the members of the company's Bodies of Administration and Inspection are not owners of any shares of TEIXEIRA DUARTE - Engenharia e Construções, S.A., nor did they perform any operation with the company's shares during the year 2017.

FINANCIAL STATEMENTS 2017

BALANCE SHEET

	Notes	2017	2016
Asset			
Non-current asset:			
Fixed tangible assets	7 and 8	34,012	44,509
Investment Properties	9	252	339
Goodwill	12	34,854	39,210
Intangible assets	6	42,571	676
Shares - Equity method	11 and 12	224,057	220,286
Other financial investments	19.1	456	2,335
Other financial assets	10 and 19.1	19,564	38,452
Assets for deferred tax	18	13,372	17,868
Credits receivable	19.1	301,746	344,246
Clients	19.1	38,105	-
		708,989	707,921
Current asset:			
Inventories	10 and 13	5,203	5,281
Clients	10 and 19.1	330,033	398,366
Government and other public entities	19.1	23,526	3,939
Other credits receivable	19.1	507,763	482,060
Deferrals	19.1	4,794	1,688
Non-current assets held for sale	19.1	1,879	-
Cash and bank deposits	4	27,938	21,172
		901,136	912,506
Total Assets		1,610,125	1,620,427
Equity and Liability			
Equity:			
Subscribed capital	27	280,000	280,000
Legal reserves	27	44,000	43,000
Other reserves	27	88,058	80,093
Retained income:			
Retained income		102,752	104,138
Non-attributed profit - application of the equity method		(158,178)	(111,261)
Adjustments in financial assets:			
Non-attributed profit - application of the equity method		158,178	111,261
Other adjustments in financial assets		(82,164)	(23,647)
Other changes in equity		63,695	63,802
		496,341	547,386
Net result for that period		16,004	19,715
Equity total		512,345	567,101
Liability			
Non-current liabilities:			
Provisions	16	16,471	37,624
Obtained financing	19.2	353,472	324,181
Liabilities by deferred taxes	18	1,727	2,243
Other debts payable	19.2	339	339
Advance payments from clients	19.2	25,946	31,106
		397,955	395,493
Current liability:			
Suppliers	19.2	218,757	143,187
Advance payments from clients	19.2	46,986	40,911
Government and other public entities	19.2	14,752	14,274
Obtained financing	19.2	279,028	346,349
Other debts payable	19.2	133,215	86,721
Deferrals	19.2	7,087	26,391
		699,825	657,833
Total of liability		1,097,780	1,053,326
Total of Equity and Liability		1,610,125	1,620,427

The annex forms are an integral part of the Balance Sheet at December 31, 2017 and 2016.
 (Values in thousand euros)

The Board of Directors,

The Certified Accountant

I. INCOME STATEMENT BY NATURE

	Notes	2017	2016
Sales and services rendered	15	313,470	308,415
Operating subsidies		4	39
Gains / losses attributable to subsidiaries, associates and joint-ventures	11 and 12	41,182	1,635
Changes in production inventories		-	(137)
Works for the entity	7	781	2,066
Cost of goods sold and materials consumed	13	(69,469)	(68,429)
External supplies and services	23	(167,825)	(157,170)
Expenses with staff	22	(79,455)	(78,700)
Impairment of inventories (losses/reversals)	10	(159)	(417)
Impairment of debts receivable (losses/reversals)	10	6,156	(7,887)
Provisions (increases / deductions)	16	16,079	(2,419)
Impairment of non-depreciable / amortized investments (losses / reversals)	10	-	42,079
Increases / reductions of fair value	9	(87)	(28)
Other income	24	26,394	41,081
Other expenses	25	(30,704)	(52,633)
Result before depreciation, financing expenses and taxes		56,367	27,495
Depreciation and amortization expenses	6, 7 and 12	(18,489)	(18,383)
Operational result (before financing expenses and taxes)		37,878	9,112
Interests and similar income obtained	21	64,423	121,137
Interests and similar expenses borne	21	(73,870)	(100,206)
Result before taxes		28,431	30,043
Income tax for that period	18	(12,427)	(10,328)
Net result for that period		16,004	19,715

The annex forms are an integral part of the Income Statement by nature at December 31 2017 and 2016.
 (Values in thousand euros)

The Board of Directors,

The Certified Accountant

II. STATEMENT OF CHANGES IN EQUITY

	Notes	Equity attributed to the holders of capital							Total
		Paid-up capital	Legal Reserves	Other reserves	Retained income	Adjustments in financial assets of subsidiaries and associates	Other equity variations	Net result for that period	
Balance on January 1st, 2016	1	280,000	42,000	68,010	(348,392)	423,908	103,795	14,083	583,404
Alterations for the period:									
Financial statements' conversion differences	17	-	-	-	-	-	(39,993)	-	(39,993)
Application of the Equity Method	11, 12 and 16	-	-	-	232,604	(336,294)	-	-	(103,690)
Application of results		-	1,000	12,083	-	-	-	(13,083)	-
Other recognized changes in equity		-	-	-	108,665	-	-	-	108,665
	2	-	1,000	12,083	341,269	(336,294)	(39,993)	(13,083)	(35,018)
Net result for the period	3							19,715	19,715
Integral income for the period	4=2+3								(15,303)
Operations with equity owners for that period:									
Distributions	27	-	-	-	-	-	-	(1,000)	(1,000)
	5	-	-	-	-	-	-	(1,000)	(1,000)
Balance on December 31st, 2016	6=1+2+3+5	280,000	43,000	80,093	(7,123)	87,614	63,802	19,715	567,101
Balance on January 1st, 2017	7	280,000	43,000	80,093	(7,123)	87,614	63,802	19,715	567,101
Alterations for the period:									
Financial statements' conversion differences	17	-	-	-	-	-	(107)	-	(107)
Application of the Equity Method	11, 12 and 16	-	-	-	(46,916)	(11,601)	-	-	(58,517)
Application of results		-	1,000	7,965	-	-	-	(8,965)	-
Other recognized changes in equity		-	-	-	(1,386)	-	-	-	(1,386)
	8	-	1,000	7,965	(1,386)	(58,517)	(107)	(8,965)	(60,010)
Net result for the period	9							16,004	16,004
Integral income for the period	10=8+9								(44,006)
Operations with equity owners for that period:									
Distributions	27	-	-	-	-	-	-	(10,750)	(10,750)
	11	-	-	-	-	-	-	(10,750)	(10,750)
Balance on December 31, 2017	12=7+8+9+11	280,000	44,000	88,058	(55,425)	76,013	63,695	16,004	512,345

The annex forms are an integral part of the Statement of changes in equity at December 31 2017 and 2016.
 (Values in thousand euros)

The Board of Directors,

The Certified Accountant

III. CASH FLOWS STATEMENT

	Notes	2017	2016
Operational activities:			
Receipts from customers		248,643	312,831
Payment to suppliers		(193,324)	(217,447)
Payment to staff		(47,844)	(57,655)
Cash generated by operations		7,475	37,729
Payment/receipt of income tax		(5,057)	(1,638)
Other receipts/payments		(6,518)	(38,869)
Cash flows of operational activities (1)		(4,100)	(2,778)
Investment activities:			
Payments related to:			
Fixed tangible assets		(11,837)	(10,876)
Intangible assets		(80)	(168)
Financial investments	4	(53)	(285)
Other Assets		-	(909)
Related parties		(114,059)	(125,873)
Receipts related to:			
Fixed tangible assets		3,703	1,165
Financial investments	4	23,695	1,371
Interests and similar income		39,848	22,041
Dividends	4	1,032	2,779
Related parties		133,526	70,761
Cash flows of investment activities (2)		75,775	(39,994)
Financing activities:			
Receipts related to:			
Obtained financing		175,612	331,472
Coverage of losses		-	4
Related parties		256,580	205,940
Donations		-	4
Other financing operations		-	1
Payments related to:			
Obtained financing		(206,675)	(307,826)
Amortisation of finance leasing contracts		(329)	(770)
Interests and similar expenses		(41,016)	(36,234)
Related parties		(234,642)	(164,689)
Dividends	4	(10,750)	(1,000)
Other financing operations		-	(291)
Cash flows of financing activities (3)		(61,220)	26,611
Variation of cash and cash-equivalent items (1+2+3)		10,455	(16,161)
Effect of exchange rate differences		(3,689)	(3,672)
Cash and cash-equivalent items at the beginning of the period	4	21,172	41,005
Cash and cash-equivalent items at the end of the period	4	27,938	21,172

The annex forms are an integral part of the Cash Flow Statement at December 31 2017 and 2016.
(Values in thousand euros)

The Board of Directors,

The Certified Accountant

V. ATTACHMENT

1. INTRODUCTION

TEIXEIRA DUARTE - Engenharia e Construções, S.A. (hereinafter TEIXEIRA DUARTE or Company), legal person number 500.097.488, headquartered in Porto Salvo, was established on January 4, 1934 and Civil Construction and Public Works are its main activities.

The financial statements in annex refer to the Company in individual terms with the financial investments in subsidiaries and affiliates registered by the equity method, as explained in Note 3.2.a).

The Company's individual financial statements are incorporated in the consolidated accounts of the parent company, TEIXEIRA DUARTE, S.A., headquartered in Porto Salvo, Oeiras.

All the values of these Notes are expressed in thousand euros.

2. ACCOUNTING REFERENCE

These financial statements were elaborated pursuant to the Accounting Standards and Financial Reporting (NCRF) foreseen by the Accounting Standardization System (SNC), approved by Decree-Law No. 158/2009, of July 13, with the rectifications of the Declaration of Rectification No. 67-B/2009, of September 11, and with amendments introduced by Law No. 20/2010, of August 23, and by Decree-Law no. 98/2015, of 2 June, which introduced into the Accounting Standardization System (SNC) changes considered essential to guarantee its compliance with Directive no. 2013/34/EU, of the European Parliament and of the Council, of 26 June, with subsequent alterations being made to Directives and Notices relating to the accounting instruments that make up the SNC.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of measurement

The financial statements have been prepared according to the convention of recorded expenses, except for that concerning investment properties, on an assumption of the continuity of operations, from the accounting records of the Company, maintained in accordance with the SNC's Accounting and Financial Reporting Standards.

The Company integrates all the movements of branches eliminating the internal operations, in case there are results deriving from them.

3.2. Relevant accounting policies

Assumed continuation

The attached financial statements were prepared with the assumption of the continuity of operations, from the accounting record books of the Company maintained according to the SNC's Accounting and Financial Report Standards.

a) Financial investments

The financial investments in subsidiaries and associated companies are recorded by the equity method, the participation initially being calculated by the cost of acquisition, which was added or deducted by the difference between that cost of acquisition and the proportional value from the participation in the capital belonging to those companies, reported on the date of acquisition or the first application of the mentioned method.

The differences between the cost of acquisition of the investments in subsidiaries and affiliates, if positive, are recorded as Goodwill or maintained under investments in subsidiaries and affiliated companies. In cases when the cost of acquisition is less than the fair value of the identified net assets, the calculated difference (negative *Goodwill*) is registered as gain from the period when the acquisition occurs, under "Other income and earnings".

Amortizations are calculated, by the straight line method according to the utility period expected by the company for the Goodwill in cause. Amortization is calculated in accordance with the following estimated useful life:

	Service life in years
<i>Goodwill</i>	10

Pursuant to the equity method, financial investments are adjusted periodically by the value corresponding to the participation in the net income of the associated companies against Income and Gains or Costs and Losses in subsidiaries and associates and through other changes which might have occurred in their equity under the heading "Other adjustments in financial assets", as well as through the recognition of impairment losses. Furthermore, the dividends received from these companies are recorded as a reduction in the value of financial investments.

When the losses in subsidiaries and associates exceed the investment in those entities, provision is recognized up to the limit of the holdings in them.

The financial holdings in jointly controlled entities were integrated by the proportional consolidation method, from the date when the joint control is acquired. Pursuant to this method, the assets, liabilities, expenses and income of these entities were integrated into the financial statements, heading by heading, in the proportion of the control attributable to the Company. The transactions, balances and distributed dividends are eliminated in the proportion of the control attributable to the Company.

The classification of the financial investments such as jointly controlled entities is determined based on agreements that jointly regulate the control.

b) Investment Properties

The investment properties include buildings for lease, capital appreciation or both. They are initially recorded by their purchase price or by their cost at the date of construction (when concerning self-constructed investment), including any directly attributable expenditure.

After initial recognition, all investment properties, including those in construction, are measured by their respective value which reflects the market conditions at the date of the balance sheet. All the gains or losses resulting from alterations of the fair value of investment properties are recognized in the income of the period in which they occurred and are recorded under "Gains by increase of fair value" or "Losses by decrease of fair value", accordingly they deal with gains and losses.

The fair value of each investment property is determined by the evaluations made by the independent specialized entity and in compliance with evaluation criteria generally accepted by the real-estate market. The expenses incurred with investment properties in use, namely maintenance, repairs, insurance and taxes, are recognized in the income statement of the period they refer to.

c) Tangible fixed assets

The fixed tangible assets used in the production, service rendering or for administrative use, are registered with the cost of acquisition or production, including the expenditures imputable to the purchase, deducted from the accumulated depreciation and impairment losses, when applicable.

The fixed tangible assets are depreciated by the straight line method according to its estimated useful life, from the date when the same is found available to be used for the intended use and stops when the assets are disposed or become classified as non-current assets held for sale. Depreciation is calculated in accordance with the following estimated useful lives:

	Service life in years
Buildings and other constructions	50
Basic equipment	4-8
Transportation equipment:	4-5
Administrative equipment	3-10
Other fixed tangible assets	1

The benefactors and benefications are only recorded as assets in cases where they correspond to the replacement of goods, which are written off, or lead to an increase of the future economic benefits.

The fixed tangible assets underway represent assets even during construction, being recorded in the cost of acquisition, deducted from the possible impairment. These fixed tangible assets are depreciated from the moment the underlying assets are concluded or in use.

The gains or losses arising from the sale or write-off of fixed tangible assets are determined as the difference between the sale price and the net book value on the date of alienation/write-off, being recorded at the net value in the income statement under the headings "Other income" or "Other expenses".

All of the works that the Company does for itself, under its direct administration, applying its own means or those acquired to do so and that are directed at its fixed tangible assets, are recognized as gain of the period under "Works for the entity itself".

d) Intangible assets

The intangible assets essentially correspond to contractual entitlements on computer programs, surface rights and operation concession are recorded with the cost of acquisition, deducted from the accumulated amortizations and impairment losses. The intangible assets are only recognized if it is probable for future economic benefits for the company to result from them, they are controllable by the company and the respective value may be accurately measured.

The internal expenses associated with maintenance and the development of software are recorded as expenses in the income statement when incurred, except when these expenses are directly associated with projects that are likely to generate future economic benefits for the company. In these situations, these expenses are capitalized as intangible assets.

Amortizations are calculated, from the date when they become available to be used for their intended use, by the straight line method according to the utility period expected by the company for the assets in cause. Amortization is calculated in accordance with the following estimated useful lives:

	Service life in years
Software	3
Industrial property	3-60

e) Leases

Leasing contracts are classified as: (i) financial leases, if substantially all the risks and advantages inherent to ownership are transferred by them; or (ii) operational leases, if substantially not all of the risks and advantages inherent to ownership are transferred by them.

The classification of the leases as financial or operational is done according to the substance and not the form of the contract.

The fixed tangible assets acquired by financial leasing contracts, as well as the corresponding responsibilities, are accounted by the financial method, recognizing the fixed tangible asset, the corresponding accumulated depreciations and the outstanding debts according to the contractual financial plan.

In addition, the interest included in the value of the profits and the depreciations of the fixed tangible asset are recognized as expenses in the income statement of the respective period.

In the leases considered as operational, the due profits are recognized as expenses in the income statement on a linear basis during the leasing contract term.

f) Inventories

Raw material is recorded with the cost of acquisition, using the rounded average cost as costing method.

The finished and intermediate products are valued at the rounded average cost of production, which includes the cost of incorporated raw material, labor and general manufacturing expenses (considering the depreciation of the production equipment calculated according to normal levels of usage), which is lower than the net realizable value. The net realizable value corresponds to the normal sale price deducted from the costs to complete the production and from the commercialization costs.

Adjustments are recorded by depreciation of inventory by the difference between the cost value and the respective value of performing inventory, in the case these are lower than the cost.

g) Impairment of assets

On each reporting date, and whenever an event or alteration in circumstances is identified which indicates that the amount for which the asset is recorded may not be recoverable, an assessment is made of their impairment.

Whenever the amount for which the asset is recorded is greater than its recoverable value, an impairment loss is recognized and recorded in the income statement under the respective headings, according to their nature.

The recoverable amount is the highest value between the net sales price and its value in use. The net sales price is the amount that would be obtained from the sale of the asset in a transaction between independent and knowledgeable parties, minus the costs directly attributable to the sale. The value in use is the net present value of the estimated future cash flow which would be expected to arise from the continued use of the asset and its disposal at the end of its useful life. The recoverable value is estimated for each asset, individually or, when this is not possible, for the unit generating the cash flow to which the asset belongs.

A reversal of impairment losses recognized in previous years is recorded when it is concluded that the previously recognized impairment losses no longer exist or have decreased. The reversal of impairment losses is immediately recognized in the income statement under the respective headings.

The reversal of the impairment loss is made up to the amount that would have been recognized (net of amortization or depreciation) if the impairment loss had not been recorded in prior years.

h) Accrual basis

Income and expenditure are recorded on an accrual basis of accounting, through which they are recognized as they are generated.

When the real value of the costs and income is unknown they are estimated.

Differences between the amounts received and paid and the corresponding income and costs are recorded under “Other credits receivable” and “Deferrals” in the assets and under “Other debts payable” and “Deferrals” in the liabilities.

i) Costs of loans obtained

Loan costs are recognized in the income statement for the period to which they refer, except to the extent that the financial costs of the loans received directly related to the acquisition, construction and production of assets that take a substantial period of time to become ready for their intended use are capitalized as part of the costs of the assets. The capitalization of these costs begins after the beginning of the preparation of construction activities or development of the asset and is interrupted after the beginning of use or end of production or construction of the asset or when the project concerned is suspended. Any financial gain arising from loans obtained in advance and which may be allocated to a specific investment is deducted from financial costs eligible for capitalization.

j) Construction contracts

The company recognizes the revenue and the costs of the works underway according to the degree of completion method, which is understood as being the relationship between the incurred costs in each contract until the date of the balance sheet and the sum of these costs with the costs estimated to complete the work. The assessment of the degree of completion of each contract is periodically reviewed, taking into consideration the most recent production indicators.

Provision are made for onerous contracts where it is likely that the total expenses of the contract will exceed its total revenue. The corresponding expected loss is immediately recognized as an expense. The amount of such a loss is determined independently: (i) from having or not started the contract work, (ii) from completion stage of the contract activity, or (iii) from the amount of profit that is expected to result from other contracts that are not treated as single construction contracts.

k) Revenue

Revenue arising from the sale of goods is recognized in the income statement when all the following conditions have been met:

- The Company has transferred to the buyer the significant risks and rewards of the ownership of the assets;
- The company has neither continued managerial involvement to the extent usually associated with ownership nor effective control over the sold goods;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will go to the company; and
- The costs incurred or to be incurred with the transaction can be reliably measured.

Sales are recognized net of taxes, discounts and other costs incurred to realize the fair value of the amount received or receivable. The revenue resulting from services is recognized in the income statement with reference to the completion stage of the services rendered at the date of the balance sheet.

l) Balances and transactions expressed in foreign currencies

The transactions in foreign currency (currency different than the functional currency of the Company) are registered at the exchange rates of the transaction dates. On each reporting date, the recorded quantities of the monetary items shown in foreign currency are updated to the exchange rate of that date.

The exchange differences calculated on the date reception or payment of the transactions in foreign currency and those resulting from the updates mentioned above are recorded in financing gains and losses of the period when they are generated.

m) Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party in the contractual relationship.

Cash and bank deposits

The amounts included in Cash and bank deposits correspond to cash, bank deposits, term deposits and other cash investments, with a maturity of less than three months and which can be mobilized immediately with no significant risk of change in value.

Accounts receivable

The accounts receivable are measured, when initially recognized, by the respective fair value and, subsequently, by the respective amortized cost, which usually does not defer from its nominal value. When there is evidence that they are impaired, the corresponding adjustment is recorded in income. The recognized adjustment is measured by the difference between the value by which the accounts receivable are recognized and the actual value of the cash flows discounted from the effective interest rate determined at the initial recognition.

Investments

Investments are recognized on the date when the inherent risks and rewards are transferred substantially. They are initially recorded at their acquisition value, which is the fair value of the price paid, including transaction costs.

Non-current assets held for sale

Non-current assets (or discontinued operations) are classified as held for sale whenever it is determined that their value will be recovered through their sale and not through their continued use. This situation is considered to occur only when: (i) the sale is highly probable; (ii) the asset is available for sale immediately in its current conditions; (iii) the management is committed to a sales plan and, (iv) it is expected that the sale will take place within the period of twelve months.

Non-current assets (or discontinued operations) classified as held for sale are measured at their respective book value, or at fair value less costs of sale, whichever is lower.

Non-current assets held for sale are measured based on the assumptions in the first paragraph of NCRF 8, either at their carrying amount or at fair value less costs of sale, whichever is lower, and are distinguished from their presentation on the balance sheet. This classification of an asset of this nature is used if its carrying value can be recovered through a sales transaction instead of its use.

Financial liabilities and equity instruments

The financial liabilities and the equity instruments are classified according to the contractual substance independent from the legal form they assume. The equity instruments are contracts that show a residual interest in the company's assets after deduction of the liabilities.

The equity instruments issued by the company are recorded by the net received value of costs supported by its issuance.

Accounts payable

The accounts payable are initially recognized by the respective fair value and, subsequently, by the respective amortized cost, which usually does not defer from its nominal value.

Bank loans

Loans are initially recorded and recognized as liabilities at the amount received, net of costs of issuing such loans and later measured by the amortized cost method. Financial costs, calculated in accordance with the effective interest rate and including premiums payable, are accounted for in accordance with the accrual basis of accounting, being added to the book value of the loan if they are not settled during the financial year.

n) Responsibilities with pensions

The Company offers its employees a reform insurance policy established in the scope of a social policy and incentives for the workers. It is characterized by its optional nature, it is the exclusive decision of the Administration that the contributions are made which are always adequate, taking into consideration performance and economic and financial situation. Therefore, the contributions made are recorded as expenses on the date they are due.

Notwithstanding its optional origin, the availability of the contributions made by the Company are those exclusively foreseen in the applicable tax legislation.

o) Income tax

The Company is subject to the Special Taxation Regime of Company Groups (RETGS) foreseen in article 69 of the Corporate Income Tax Code, to which TEIXEIRA DUARTE, S.A. belongs. (Parent company), since January 1, 2012, the controlling company.

The "Income tax for that period" recorded in the income statement shows the sum of the current tax and the deferred tax and the estimated differences.

Current tax on income is calculated based on the taxable profits of the company in accordance with the tax rules in force. The taxable profits can defer from the accounting results, as they can exclude diverse expenses and profits that are only deductible or taxable in years to come, as well as expenses and profits that will never be deductible or taxable.

Deferred tax is the result of the temporary differences between the amount of assets and liabilities for the purpose of accounting (book value) and the respective amounts for the purposes of taxation (tax basis), according to the dispositions in NCRF 25 - Income taxes.

Deferred tax assets and liabilities are calculated and assessed annually using the taxation rates which are in force or announced to be in force on the expected date of the reversal of the temporary differences.

Deferred taxes assets are recognized only when there are reasonable expectations of sufficient future taxable profits for their use, or in situations where there are temporary differences for taxation purposes which compensate the deductible temporary differences in the period of their reversal. Deferred tax assets and liabilities are calculated and assessed periodically using the tax rates expected to be in force when the timing differences reverse.

At the end of each period the deferred income tax is reviewed, the amount of the same being adjusted in function with the expectations of future use.

Deferred taxes are recorded as a cost or income for the year, unless they result from values recorded directly under equity, in which case the deferred tax is also recorded under the same heading.

p) Contingent assets and liabilities

Contingent assets are possible assets derived from past events and whose existence will only be confirmed by the occurrence, or not, of one or more uncertain future events, not totally under the control of the entity.

Contingent assets are not recognized in the consolidated financial statements of the entity, but are disclosed when the existence of a future economic benefit is probable.

Contingent liabilities are defined as: (i) possible liabilities arising from past events and whose existence will only be confirmed by the occurrence, or not, of one or more uncertain future events not totally under the control of the entity; or (ii) present liabilities which arise from past events but are not recognized because it is unlikely that an outflow of resources affecting economic benefits will be required to settle the liability or the amount of the liability cannot be measured reliably.

Contingent liabilities are not recognized in the entity's consolidated financial statements, but are disclosed, unless the possibility of an outflow of funds affecting future economic benefits is remote, in which case they are not subject to disclosure.

q) Provisions

The provisions are recorded when the Company has a current legal or implicit obligation resulting from a past occurrence, it is probable that for the liquidation of that obligations a draw on resources will take place and the amount of the obligation can be reasonably estimated.

The amount of the recorded provisions consists of the best estimate, at the reporting date, of the resources needed to liquidate the obligation. Such estimate, reviewed on each reporting date, is determined in consideration of the risks and uncertainties associated with each obligation.

The current obligations resulting from onerous contracts are recognized and measured as provisions. An onerous contract is when the Company is an integral part of a contract or agreement, whose fulfilment has associated costs that are impossible to avoid, which exceed the economic benefits derived from them.

3.3. Value judgements of the board of directors

When preparing the financial statements, the Company adopted certain assumptions and estimates which affect the reported assets, liabilities, income and costs. All the estimates and assumptions made by the Board of Directors were based on the best existing knowledge, at the date of the approval of the financial statements, of the events and transactions in progress.

However, situations may occur in subsequent periods that, since they are not being predictable at this time, were not considered in those estimates. The changes to these estimates which may occur after the date of the financial statements will be corrected in the profit and loss account in a prospective way.

The most significant accounting estimates reflected in the financial statements include i) useful lives of the fixed tangible and intangible assets ii) impairment analysis, namely accounts receivable; and iii) construction contracts; iv) provisions; and v) accruals and deferrals.

4. CASH FLOWS

Cash and bank deposits

On December 31, 2017 and 2016, the cash and bank deposits details were as follows:

	2017	2016
Cash	521	409
Bank deposits	21,765	10,905
Time deposits	5,652	9,858
	27,938	21,172

The cash and bank deposits heading includes the cash amounts, immediately mobilizable deposits and term deposits with expiration in less than three months, and can be immediately mobilized with insignificant risk of change in value.

Cash flow from investment activities

The payments related to the financial investments during the periods ended on 31 December 2017 and 2016, concern the following operations:

	2017	2016
increase in the share capital of SATU-Oeiras - E.M., S.A.	-	10
Constitution of TD COLOMBIA, SAS	-	275
Constitution of TDAP, S.A.	50	-
Constitution of TD Perú, S.A.C.	3	-
	53	285

The payments received from financial investments during the periods ended on 31 December 2017 and 2016, concern the following operations:

	2017	2016
Alienation of shareholding in AEDL, S.A.	-	1,362
Settlement SATU-Oeiras - E.M., S.A.	-	8
Settlement of NOVAPONTE, ACE	-	1
Alienation of Public Debt of Angola	12,940	-
Alienation of shareholding in AEBT, S.A.	3,858	-
Reduction of capital of EMPA, S.A.	6,892	-
Strengthening of the Work Compensation Fund - FCT	5	-
	23,695	1,371

The payments received from dividends in the periods ending on December 31, 2017 and 2016, were as follows:

	2017	2016
TD (Macau), Lda.	-	33
Lusoponte, S.A.	1,032	1,310
EPOS, S.A.	-	1,000
UTE Viana	-	436
	1,032	2,779

Flows of financing activities

In the General Shareholders Meeting held on April 21, 2017, the distribution of dividends was deliberated for the amount of 10,750 thousand euros, its liquidation having taken place in May of 2017 (Note 27).

5. RELATED PARTIES

Parent company

Identification: TEIXEIRA DUARTE, S.A.

Head Office: Lagoas Park, Edifício 2, Porto Salvo, Oeiras

Remuneration of corporate bodies and of the Company's senior management

The remunerations attributed to the members of the Company's governing bodies for the periods ended on 31 December 2017 and 2016 were as follows:

	2017	2016
Executive Directors:		
Short-term benefits	739	799
Chartered accountant:		
Short-term benefits	58	55
	797	854

The remunerations attributed to the members of the Company's senior management for the periods ended on 31 December 2017 and 2016 were as follows:

	2017	2016
Short-term benefits	3,283	4,990

Balances and transactions

The terms or conditions applied between the Company and the related parties are, in substance, identical to those which would normally be contracted, accepted and applied between independent entities in comparable operations.

The main balances in the periods ended on 31 December 2017 and 2016, with the parent company, subsidiaries, associates, joint-ventures and other related parties can be detailed as follows:

	Balance Receivable		Receivable shareholders / partners		Supplementary payments		Balance Payable		Obtained financing		Other debts receivable and payable	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Parent company:												
Teixeira Duarte, S.A.	27,727	1,535	64,072	66,695	-	-	4,033	1,800	-	3,510	434,810	441,994
Subsidiaries:												
CBLG	13,782	12,648	-	-	-	-	(18)	(109)	2	12	(36)	(201)
CONLUVAR	14	189	-	-	-	-	-	-	-	-	-	-
Consorcio Opsut 2010	7	40	-	-	-	-	36	36	-	-	37	37
EPOS, S.A.	3,239	998	-	-	-	-	4,662	8,892	4,610	-	(262)	2,273
EPOS, S.A. (Angola Branch)	2,836	2,593	-	-	-	-	179	-	-	-	231	859
EPOS, S.A. (Colombian Branch)	148	148	-	-	-	-	-	-	-	-	(1,238)	(1,148)
Marinertes, S.A.	-	48	-	-	-	-	-	-	-	-	3	202
TD Algérie, SPA	1,917	6,992	-	-	-	-	3,926	2,060	-	-	(180)	143
TD (Angola), Lda.	4,710	8,806	-	-	2,696	2,696	66	666	1,348	-	10,258	73
TD (Colombia), Lda.	252	-	-	-	-	-	-	-	-	-	-	90
TD (Macau), Lda.	-	-	-	-	-	-	-	-	-	-	(154)	(145)
TD (Mozambique), Lda.	9,735	5,852	-	-	-	-	15,314	17,305	-	-	(8,686)	(9,646)
TD Hosp, S.A.	-	-	-	-	7,681	7,681	-	-	-	-	(1,267)	(1,267)
Tegaven, CA	(5)	-	-	-	-	-	(149)	(191)	-	-	85	(14)
UTE Viana	7,130	9,592	-	-	-	-	-	-	-	-	-	-
	43,765	47,906	-	-	10,377	10,377	24,016	28,659	5,960	12	(1,209)	(8,744)
Joint-ventures:												
Conbate, ACE	15	17	-	-	-	-	1	1	-	-	-	-
Construsalamonde, ACE	1	1	-	-	-	-	16	-	370	1,600	(3)	58
D.L.O.E., ACE	177	98	-	-	-	-	27	19	260	260	-	(166)
Douro Litoral, ACE	6	15	-	-	-	-	(55)	136	-	-	-	-
Metroligeiro, ACE	32	11	-	-	-	-	-	-	-	-	-	-
Nova Estação, ACE	1,017	1,017	-	-	-	-	88	88	(7)	(7)	6	6
TD / Sopol, ACE	7	7	-	-	-	-	58	45	-	-	-	(13)
Três Ponto Dois, ACE	-	-	-	-	-	-	35	35	-	-	-	-
	1,255	1,166	-	-	-	-	170	324	623	1,853	3	(115)
Other related parties:												
AEBT, S.A.	9	7	-	-	1,515	5,373	-	-	-	-	-	-
Alvalade, Lda.	2,256	133	-	-	-	-	4,840	2,208	9,834	13,315	(513)	(2,201)
Angopredial, Lda.	316	1	-	-	-	-	-	-	-	-	18	(29)
Auto Competição, Lda.	1,030	859	-	-	-	-	4	6	-	-	176	178
Avenida, LDA	865	931	-	-	-	-	7	86	-	-	-	-
Comércio de Automóveis, Lda.	2,803	2,419	-	-	-	-	324	288	-	-	564	576
C + PA, S.A.	-	-	-	-	-	-	-	46	50,532	46,930	(852)	(1,314)
Educare, Lda.	89	131	-	-	-	-	1,384	988	1,314	1,321	268	(448)
EMPA, S.A.	1,463	906	-	-	-	-	7,309	2,246	5,000	-	-	(306)
GO Corp, S.A.	1,391	1,400	-	-	-	-	-	-	3,910	2,450	(63)	(54)
CND, Lda.	56,528	54,052	-	-	-	-	188	114	-	-	8,252	7,818
OCC, Lda.	2,219	1,771	-	-	-	-	-	-	-	-	319	234
Hotel Trópico, Lda.	5,886	1,530	-	-	-	-	98	594	-	-	(7,136)	307
Somafel, S.A.	37	47	-	-	-	-	6,898	291	1,360	3,129	(704)	(1,778)
Somafel, S.A. (Suc. Morocco)	788	1,367	-	-	-	-	-	925	-	-	110	303
TDA, Lda.	13,706	26,099	-	-	-	-	26,713	27,712	512	1,924	1,139	620
TD - G.P.I.I., S.A.	6,493	1,628	-	-	-	-	46,627	482	-	4,600	104,814	119,436
TDGI, S.A.	1	24	-	-	-	-	2,681	24	2,625	4,275	(26)	(11)
TDGI (Angola), Lda.	2,518	4,210	-	-	-	-	14	42	-	-	470	(306)
TD Distribuição, S.A.	29	31	-	-	-	-	11,161	11,023	4,534	10,110	(218)	(204)
Hotel Baía, Lda.	2,200	385	-	-	-	-	909	917	-	-	13,438	3,175
Other	37,790	29,134	-	-	114	114	3,056	5,855	41,017	24,383	10,405	42,808
	138,417	127,065	-	-	1,629	5,487	112,213	53,847	120,638	112,437	130,461	168,804
	211,164	177,672	64,072	66,695	12,006	15,864	140,432	84,630	127,221	117,812	564,065	601,939

The main transactions made in the periods ended on 31 December 2017 and 2016, with the parent company, subsidiaries, associates, joint-ventures and other related parties were detailed as follows:

	Sales and Services rendered		Income and Financial Gains		Purchases and Services Obtained		Expenses and Financial Losses	
	2017	2016	2017	2016	2017	2016	2017	2016
Parent company:								
Teixeira Duarte, S.A.	1,124	1,892	22,719	26,289	4,892	4,691	-	-
Subsidiaries:								
CBLG	-	(7)	-	857	-	-	-	(26)
CONLUVAR	-	225	-	-	-	-	-	-
EPOS, S.A.	1,397	972	54	366	253	5,943	120	2
EPOS, S.A. (Angola Branch)	27	17	62	51	919	1,468	-	-
EPOS, S.A. (Spain Branch)	633	11,916	-	-	-	-	-	-
Marinertes, S.A.	-	-	9	12	-	-	-	-
TD Algérie, SPA	471	5,457	-	-	2,352	2,973	-	-
TD (Angola), Lda.	173	124	2,204	-	147	1,437	67	(100)
TD (Colombia), Lda.	143	-	-	-	-	-	-	(45)
TD (Mozambique), Lda.	10,655	18,885	-	-	1,659	3,581	-	-
TD Hosp, S.A.	1	-	-	-	-	-	-	-
Tegaven, CA	-	3	-	-	374	414	-	-
UTE Viana	633	11,916	-	-	-	-	-	-
	14,133	49,508	2,329	1,286	5,704	15,816	187	(169)
Joint-ventures:								
Conbate, ACE	72	84	-	-	-	-	-	-
Construsalamonde, ACE	87	361	-	137	19	1	35	8
D.L.O.E., ACE	68	72	-	-	-	-	8	17
Douro Litoral, ACE	1,276	51	-	-	32	40	-	-
Metroligeiro, ACE	22	20	-	-	-	-	-	-
TD/Sopol, ACE	-	11	-	-	-	-	-	-
	1,525	599	-	137	51	41	43	25
Other related parties:								
Hotel Alvalade, Lda.	574	464	-	-	41	85	1,101	2,810
Auto Competição, Lda.	50	104	-	39	16	21	-	-
CND, Lda.	2,440	3,654	-	239	966	1,143	-	-
Comércio de Automóveis, Lda.	121	209	-	-	130	164	-	-
Educare, Lda.	240	58	-	-	9	-	133	604
EMPA, S.A.	14	86	-	-	882	1,440	-	-
Imopedrouços, S.A.	5,066	2,660	-	-	-	-	334	35
Somafel, S.A.	(205)	420	-	25	8,773	6,037	50	6
Hotel Trópico, Lda.	362	216	-	-	32	369	-	-
TDA, Lda.	513	2,099	-	(116)	1,707	1,433	315	802
TD - G.P.I.I., S.A.	5	90	4,657	6,896	1,886	4,151	101	116
TDGI, S.A.	135	142	-	2	49	264	128	32
TDGI (Angola), Lda	163	675	4	4	254	883	-	1,381
Hotel Baía, Lda.	477	324	947	305	53	24	-	-
Vauco, Lda.	368	371	-	32	385	295	-	-
Other	5,168	10,883	3,361	8,455	2,909	4,223	4,301	4,762
	15,491	22,454	8,969	15,881	18,092	20,532	6,463	10,548
	32,273	74,454	34,017	43,593	28,739	41,080	6,693	10,404

6. INTANGIBLE ASSETS

During the period ended on 31 December 2017, the movements that occurred in the intangible assets, as well as in the respective accumulated amortizations, were as follows:

	Software	Industrial Property	Total
Gross asset:			
Balance on January 1st, 2017	4,202	13	4,215
Additions	70	37,757	37,827
Transfers and write-offs	(89)	7,085	6,996
Sales	(19)	-	(19)
Balance on December 31, 2017	4,164	44,855	49,019
Amortizations depreciations:			
Balance on January 1st, 2017	3,539	-	3,539
Additions	353	1,534	1,887
Transfers and write-offs	(22)	1,063	1,041
Sales	(19)	-	(19)
Balance on December 31, 2017	3,851	2,597	6,448
Net value as at 31 December 2017	313	42,258	42,571

On 31 December 2017, the addenda refer to the concession of the "Port Management of the De La Guaira Port Specialized Container Terminal" for a 20 year period, for the commercialization, maintenance, operation, administration, construction and use of the aforementioned terminal.

During the period ended on 31 December 2016, the movements that occurred in the intangible assets, as well as in the respective accumulated amortizations, were as follows:

	Software	Industrial Property	Total
Gross asset:			
Balance on January 1st, 2016	3,773	13	3,786
Additions	429	-	429
Balance on December 31st, 2016	4,202	13	4,215
Amortizations depreciations:			
Balance on January 1st, 2016	3,031	-	3,031
Additions	508	-	508
Balance on December 31st, 2016	3,539	-	3,539
Net value as at 31 December 2016	663	13	676

7. FIXED TANGIBLE ASSETS

During the period ended on 31 December 2017, the movements that occurred in the fixed tangible assets, as well as in the respective accumulated depreciations, were as follows:

	Land and Natural Resources	Buildings and other constructions	Basic Equipment	Transportation equipment	Tools and utensils	Administrative equipment	Other tangible fixed assets	Fixed tangible assets ongoing	Total
Gross asset:									
Balance on January 1st, 2017	1	28,409	119,865	29,773	25,681	10,552	187	227	214,695
Exchange conversion effect	-	-	-	-	-	-	17	-	17
Additions	-	33	5,807	357	1,631	165	-	-	7,993
Works for the entity itself (a)	-	-	12	-	769	-	-	-	781
Transfers and write-offs	-	(7,156)	(2,852)	(1,042)	(171)	(184)	(23)	(55)	(11,483)
Sales	-	(2)	(454)	(74)	(289)	(464)	-	-	(1,283)
Balance on December 31, 2017	1	21,284	122,378	29,014	27,621	10,069	181	172	210,720
Accumulated depreciations:									
Balance on January 1st, 2017	-	11,875	100,143	25,131	23,434	9,400	203	-	170,186
Additions	-	1,075	7,833	1,549	1,213	574	-	-	12,244
Transfers and write-offs	-	(66)	(3,021)	(1,082)	(159)	(168)	(27)	-	(4,523)
Sales	-	(2)	(454)	(71)	(256)	(416)	-	-	(1,199)
Balance on December 31, 2017	-	12,882	104,500	25,527	24,233	9,390	176	-	176,708
Net value on December 31, 2017	1	8,402	17,877	3,487	3,389	679	5	172	34,012

(a) - The works for the entity essentially rise from the capitalization of expenses associated with the manufacturing of basic equipment and tools and utensils.

During the period ended on 31 December 2016, the movements that occurred in the fixed tangible assets, as well as in the respective accumulated depreciations, were as follows:

	Land and Natural Resources	Buildings and other constructions	Basic Equipment	Transportation equipment	Tools and utensils	Administrative equipment	Other tangible fixed assets	Fixed tangible assets under-way	Total
Gross asset:									
Balance on January 1st, 2016	1	26,492	117,135	29,610	29,075	10,630	208	227	213,378
Additions	-	1,324	12,682	3,231	1,147	296	(17)	96	18,759
Works for the entity itself (a)	-	1,531	4	15	516	-	-	-	2,066
Transfers and write-offs	-	(23)	(457)	-	(4,884)	(368)	-	(48)	(5,780)
Sales	-	(915)	(9,499)	(3,083)	(173)	(6)	(4)	(48)	(13,728)
Balance on December 31st, 2016	1	28,409	119,865	29,773	25,681	10,552	187	227	214,695
Accumulated depreciations:									
Balance on January 1st, 2016	-	11,403	100,457	25,944	27,561	9,076	208	-	174,649
Additions	-	1,312	8,587	1,997	894	727	-	-	13,517
Transfers and write-offs	-	(750)	(4,275)	76	(4,869)	(398)	-	-	(10,216)
Sales	-	(90)	(4,627)	(2,886)	(153)	(6)	(5)	-	(7,767)
Balance on December 31st, 2016	-	11,875	100,143	25,131	23,434	9,400	203	-	170,186
Net value on December 31, 2016	1	16,534	19,722	4,642	2,247	1,152	(16)	227	44,509

(a) - The works for the entity essentially rise from the capitalization of expenses associated with the manufacturing of basic equipment and tools and utensils.

8. LEASES

Finance leasing

On December 31, 2017 and 2016, the net value of the tangible assets and capital outstanding, referring to sales and lease-backs were as follows:

	Net asset		Capital outstanding	
	2017	2016	2017	2016
Basic equipment	146	447	243	558
	146	447	243	558

On December 31, 2017 and 2016, the current value of the minimal lease payments, referring to sales and lease-backs were as follows:

	2017	2016
2017	-	315
2018	243	243
	243	558

Finance leasing contracts bear interest at market rates and have defined life periods and the financial leasing obligations are guaranteed by the reservation of property of the leased goods.

Operating leasing

On December 31, 2017 and 2016, the value of the minimum payments of the non-cancellable operating lease was required as follows:

	2017	2016
2017	-	8
2018	11	8
2019	3	-
2020	3	-
2021	1	-
	18	16

In the periods ending on 31 December 31, 2017 and 2016, the expenses related to operating leasing contracts were recognized as follows:

	2017	2016
Vehicle and management services	4	2
Rental of Vehicles	9	9
Insurance and others	3	2
	16	13

These expenses were recognized in External supplies and services.

9. INVESTMENT PROPERTIES

This heading is constituted by 5 stores, whose buildings are part of Housing Development Contracts (CDH), 1st and 2nd Stages, in Porto Salvo.

In the measurement of the Investment property heading, the fair value was used (Note 3.2.b)).

The periods ending on 31 December 2017 and 2016, the movements occurred under the Investment property heading were as follows:

	2017	2016
Balance on January 1	339	367
Adjustment to fair value	(87)	(28)
Balance on December 31	252	339

The fair value of each investment property is determined by the evaluations made by an independent expert appraiser registered in the C.M.V.M., in compliance with evaluation methodology generally accepted by the real-estate market, namely the market comparison methods or reposition cost and income multiples, depending on the concrete situations of each property.

The main assumptions and methods inherent to the assessment of support for the market value of the investment properties were as follows:

- Yield of 8%;
- Corporate method and income multiples approach.

The amounts referring to investment properties recognized in the results in the periods ending on 31 December 31, 2017 and 2016, were as follows:

	2017	2016
Income	26	24
Expenses	(3)	(3)
Margin	23	21

The "Expenses" heading is mostly constituted by condominium expenditures, sewer maintenance tax, and municipal taxes on property.

10. IMPAIRMENT OF ASSETS

The amounts referring to impairment losses and reversals recognized in the results in the periods ending on 31 December 31, 2017 and 2016, were as follows:

	Debts receivable	Other debts re- ceivable	Financial invest- ments (a)	Inventories
Initial balance on January 1, 2016	31,167	94	42,079	151
Increases	13,674	-	-	502
Reversals	(5,787)	-	(42,079)	(85)
Regularization/Transfers (Note 16)	6,000	-	-	-
Currency exchange rate effects	(11,771)	-	-	(78)
Final balance on December 31, 2016	33,283	94	-	490
Initial balance on January 1, 2017	33,283	94	-	490
Increases	5,957	-	-	159
Reversals	(12,113)	-	-	-
Currency exchange rate effects	(48)	(13)	-	(9)
Final balance on December 31, 2017	27,079	81	-	640

The credit risk from the accounts receivable balances is evaluated every reporting date, considering the historic information of the clients and other debtors and their risk profile. The accounts receivable are adjusted by the evaluation performed by management, regarding risks of collection existing at the date of the close of the financial statements, which may differ from the effective risk to incur.

11. INVESTMENTS IN JOINT-VENTURES AND INVESTMENTS IN ASSOCIATED COMPANIES

Joint-ventures

In the period ending on 31 December of 2017, the proportional consolidation method was applied to the joint-ventures that the Company held shares in. They are:

Corporate name	Head Office	Percentage of effective participation
Conbate, ACE	Edifício 2, Lagoas Park Oeiras	20.00%
Construsalamonde, ACE	Edifício 2, Lagoas Park Oeiras	56.76%
Douro Litoral, ACE	Edifício 8, Lagoas Park Oeiras	40.00%
D.L.O.E.- Douro Litoral Special Works, ACE	Edifício 2, Lagoas Park Matosinhos	40.00%
Ferrovial / Teixeira Duarte - Alqueva Hydraulic Works, ACE	Edifício Central Park Rua Alexandre Herculano, Nº 3 - 2º Piso Linda-a-Velha	50.00%
Metroligeiro - Construction of Infrastructures, ACE	Rua Abranches Ferrão, Nº 10 – 5º F Lisbon	26.80%
Nova Estação, ACE	Edifício 6, Piso 1, Lagoas Park Porto Salvo	25.00%
Teixeira Duarte / Sopol - Surface Metro, ACE	Edifício 2, Lagoas Park Oeiras	57.30%
Três Ponto Dois - General Civil Construction Works, Via and Catenary of Modernization of Linha do Norte, ACE	Av. Das Forças Armadas, 125 - 2ºC Lisbon	50.00%

As a result of applying the proportional consolidation method, the following amounts were included in the financial statements:

	Assets		Liabilities		Income		Net Income	
	2017	2016	2017	2016	2017	2016	2017	2016
Conbate, ACE	352	383	169	166	6	13	(33)	(34)
Construsalamonde, ACE	178	247	353	454	1,108	3,333	32	1,298
D.L.O.E., ACE	508	491	185	100	9	14	(68)	(86)
Douro Litoral, ACE	3,069	2,253	1,503	1,792	3,016	316	1,105	5
Ferrovial / T.D., ACE	34	35	17	163	151	-	145	-
Nova Estação, ACE	947	946	956	948	-	-	(8)	(1)
TD / Sopol, ACE	113	113	113	113	3	-	-	-
Três Ponto Dois, ACE	181	181	178	178	-	-	-	-
	5,382	4,649	3,474	3,914	4,293	3,676	1,173	1,182

To the effects of applying the proportional consolidation method, the gains not made in transactions with joint-ventures were eliminated, proportionally to the interest in the same. The income and gains as well as the intra-group expenses and losses were also completely eliminated.

Associated companies

In the period ending on 31 December of 2017, the Company held shares in the following associated companies

Corporate name	Head Office	Percentage of effective participation
Cintel - Construção do Interceptor de Esgotos de Lisboa, Lda.	Av. 24 de Julho, nº 24 Lisbon	25.00%

Being in the process of liquidation, its associated company CINTEL, Lda., did not provide financial statements referenced to the 2017 and 2016 periods at the close of the Company's accounts.

12. INVESTMENTS IN SUBSIDIARIES

During the period ending 31 December 2017, the Company presented the following financial stakes in subsidiaries, measured by the Equity Method:

Corporate name	Head Office	Percentage of effective participation
Consorcio Boyacá - La Guaira (CBLG) (a)	Av. San Juan Bosco, Edificio Centro Altamira, Piso 5, Oficina 54, Urb. Altamira Caracas - Venezuela	57.20%
Consorcio Minero Luso Vargas (CONLUVAR) (a)	District Capital Caracas - Venezuela	49.00%
Consorcio OPSUT 2010 (a)	Calle 4, Casa Nº 4, Urbanizacion Los Laureles Valle de la Pascoa - Venezuela	51.00%
ADOQUINVAR(a)	Calle 4, Casa Nº 4, Urbanizacion Los Laureles Valle de la Pascoa - Venezuela	49.00%
EMPA - Serviços de Engenharia, S.A.	Rua Major Lopes, Nº 800 Belo Horizonte - Brasil	99.99%
EPOS - Empresa Portuguesa de Obras Subterrâneas, S.A.	Edifício 1, Lagoas Park Porto Salvo	100.00%
TEGAVEN - Teixeira Duarte Y Asociados, C.A.	Av. Venezuela com Calle Mohedano, Torre JWM, Piso 5, Of. 5-2, Urb. El Rosal Caracas - Venezuela	100.00%
TEIXEIRA DUARTE Algérie, SPA	Parc Miremont, Rue A, Nº136 Argel - Argélia	99.94%
TEIXEIRA DUARTE - Engenharia e Construções (Angola), Lda.	Alameda Manuel Van-Dünem, Nº 318 Luanda - Angola	80.00%
TEIXEIRA DUARTE - Engenharia e Construções (Macau), Lda.	Av. Dr. Mário Soares, Nº 25, Apr. 26 e 28 - 3º andar Macau	80.00%
TEIXEIRA DUARTE - Engenharia e Construções (Moçambique), Lda.	Av. Vinte e Quatro de Julho, Nº 141 Maputo - Mozambique	49.00%
TD Hosp - Gestão de Edifício Hospitalar S.A.	Edifício 2, Lagoas Park Porto Salvo	100.00%
UTE VIANA	Av. Alberto Alcocer, 24-7º Madrid - Spain	30.00%
TEIXEIRA DUARTE - Engenharia e Construções Colômbia S.A.S.	Bogota, D.C. Bogota - Colômbia	100.00%
TDAP - Atividades Portuárias, S.A.	Funchal Madeira	100.00%
TEIXEIRA DUARTE - Constructions Services (EUA), LLC	New Jersey New Jersey - EUA	100.00%
TEIXEIRA DUARTE PERÚ – Ingeniería y Construcciones, S.A.C.	Lima Lima - Peru	80.00%

The main financial information related to subsidiaries at December 31, 2017 and 2016, is the following:

	Total assets		Total liabilities		Income		Net Income	
	2017	2016	2017	2016	2017	2016	2017	2016
CBLG	4,701	13,016	3,754	8,269	1,133	427	(418)	(2,418)
CONLUVAR	789	684	745	661	986	1,890	69	18
Consortio OPSUT 2010	4	24	21	82	1	(1)	10	(6)
ADOQUINVAR, C.A.	86	57	68	39	242	94	29	23
EMPA, S.A.	79,359	87,669	31,916	29,726	118,850	79,768	6,757	5
EPOS, S.A.	35,561	44,912	27,440	31,314	41,603	38,892	(5,444)	(1,538)
TD Algérie, SPA	22,027	32,172	17,339	27,253	10,056	10,397	597	712
TD (Angola), Lda.	175,279	116,816	166,574	44,663	76,390	23,038	31,882	(28,829)
TD (Macau), Lda.	189	226	-	-	3	44	2	42
TD (Mozambique), Lda.	69,225	84,097	29,226	49,558	61,201	166,666	3,698	16,455
TD Hosp, S.A.	60,184	61,560	58,534	63,879	5,171	5,156	527	481
TEGAVEN, C.A.	245	1,620	389	703	800	721	(177)	4
UTE Viana	7,410	7,199	5,825	6,951	2,721	24,822	6,156	228
TD (Colômbia), S.A.S.	1,069	388	910	284	2,104	208	71	46
TDAP, S.A.	35,718	-	15	-	-	-	(17)	-
TEIXEIRA DUARTE (EUA), LLC	1,220	-	1,068	-	432	-	64	-
TEIXEIRA DUARTE PERÚ, S.A.C.	31	-	140	-	-	-	(117)	-
	493,097	450,440	343,964	263,382	321,693	352,122	43,689	(14,777)

This information corresponds to the statutory accounts companies, the same having been adjusted for effects of application of the equity method.

The following movements occurred in the holdings in the subsidiaries during the period ended on 31 December 2017 and 2016:

	Equity holdings	Goodwill	Total
Balance on January 1st, 2016	210,053	43,567	253,620
Increase	13,365	-	13,365
Decrease	(7,806)	-	(7,806)
Amortization	-	(4,357)	(4,357)
Effects of the application of equity method:			
- Effect on the result of the period	2,643		2,643
- Effect on equity	1,265		1,265
- Received dividends	(1,033)		(1,033)
Currency exchange rate effects	1,799		1,799
Balance on December 31, 2016	220,286	39,210	259,496
Balance on January 1st, 2017	220,286	39,210	259,496
Increase	35,814	-	35,814
Decrease	(9,881)	-	(9,881)
Amortization	-	(4,356)	(4,357)
Effects of the application of equity method:			
- Effect on the result of the period	40,750		40,750
- Effect on equity	(58,889)		(58,889)
Currency exchange rate effects	(4,024)		(4,024)
Balance on December 31, 2017	224,057	34,854	258,910

The increase occurred in the period ending on 31 December 2017 and 2016 is referenced to:

	2017	2016
EPOS, S.A.	-	6,500
TEIXEIRA DUARTE (Angola), Lda.	-	6,797
TEIXEIRA DUARTE (Colômbia), S.A.S.	-	68
TDAP, S.A.	35,720	-
TEIXEIRA DUARTE (EUA), LLC	94	-
	35,814	13,365

The decrease occurred in the period ending on 31 December 2017 and 2014 is referenced to:

	2017	2016
TD - G.P.I.L., S.A.	-	(7,806)
EMPA, S.A.	(9,881)	-
	(9,881)	(7,806)

For the period ending 31 December 2017, the company registered *Goodwill* amounting to 34,854 thousand euros, for its stake in the company EPOS - Empresa Portuguesa de Obras Subterrâneas, S.A., the amortization of which began over a 10 year period from 2016.

Effects of the application of the equity method in the periods ending on 31 December 2017 and 2016, is detailed as follows:

	Gains / losses		Equity adjust-ments		Dividends	
	2017	2016	2017	2016	2017	2016
CONLUVAR	113	9	-	-	-	-
Consortio OPSUT 2010	33	-	-	-	-	-
ADOQUINVAR, C.A.	12	11	-	-	-	-
EMPA, S.A.	6,757	5	(7,506)	11,842	-	-
EPOS, S.A.	(5,444)	(1,538)	(33)	(1,280)	-	(1,000)
TEIXEIRA DUARTE Algérie, SPA	596	711	(809)	33	-	-
TEIXEIRA DUARTE (Angola), Lda.	36,459	(4,768)	(51,284)	4,945	-	-
TEIXEIRA DUARTE (Macau), Lda.	2	34	(31)	16	-	(33)
TEIXEIRA DUARTE (Moçambique), Lda.	1,812	8,063	864	(14,235)	-	-
TEGAVEN, C.A.	(177)	2	-	-	-	-
UTE VIANA	469	68	(68)	(46)	-	-
TEIXEIRA DUARTE (Colômbia), S.A.S.	71	46	(16)	(10)	-	-
TDAP, S.A.	(17)	-	-	-	-	-
TEIXEIRA DUARTE (EUA), LLC	64	-	(6)	-	-	-
	40,750	2,643	(58,889)	1,265	-	(1,033)

On December 31, 2017, the Company had constituted provisions for holdings in subsidiaries, for the total amount of 132 thousand euros (Note 16).

13. INVENTORIES

On December 31, 2017 and 2016, the Company had recorded under Inventories the following amounts:

	2017			2016		
	Raw material, subsidiaries and consumption	Finished and intermediate products	Total	Raw material, subsidiaries and consumption	Finished and intermediate products	Total
Gross quantities	5,468	375	5,843	5,396	375	5,771
Losses by accumulated impairment (Note 10)	(640)	-	(640)	(490)	-	(490)
Net quantities	4,828	375	5,203	4,906	375	5,281

The movement occurred under the headings of Raw materials, subsidiaries and consumption, in the periods ended on 31 December 2017 and 2016, is as follows:

Raw material, subsidiaries and consumption	
Gross asset:	
Balance on January 1st, 2016	9,478
Regularization	(28)
Currency exchange rate effects	(4,605)
Purchases	68,982
Cost of the period	(68,429)
Balance on December 31st, 2016	5,396
Balance on January 1st, 2017	5,396
Regularization	(2)
Currency exchange rate effects	3,138
Purchases	66,404
Cost of the period	(69,469)
Balance on December 31, 2017	5,468
Accumulated inventory adjustments:	
Balance on January 1st, 2016	(151)
Regularization	-
Currency exchange rate effects	78
Increases	-
Reversals	(417)
Balance on December 31st, 2016	(490)
Balance on January 1st, 2017	(490)
Regularization	-
Currency exchange rate effects	9
Increases	-
Reversals (Nota 3)	(159)
Balance on December 31, 2017	(640)
Net value on December 31, 2016	4,906
Net value on December 31, 2017	4,828

The movement occurred under the headings of Finished products, in the periods ended on 31 December 2017 and 2016, is as follows:

	Finished and intermediate
Balance on January 1st, 2016	512
Production changes	(137)
Balance on December 31st, 2016	375
Balance on January 1st, 2017	375
Production changes	-
Balance on December 31, 2017	375

14. CONSTRUCTION CONTRACTS

On December 31, 2017 and 2016, the Company had its accounts influenced by the following values, related to construction contracts (a):

	2017	2016
Total estimated cost	1,956,032	2,305,842
Costs incurred in previous periods	923,529	1,459,886
Costs incurred in the period	256,677	202,345
Accumulated incurred costs	1,180,206	1,662,231
Contract value	2,169,925	2,626,902
Revenue from previous periods	1,122,807	1,755,084
Revenue of the period	152,029	141,795
Accumulated revenue	1,274,836	1,896,879
Amount of down payments received	72,932	72,017
Amount of withholdings	3,590	3,463

(a) – Includes works in guarantee period.

15. REVENUE

In the periods ending on 31 December 2017 and 2016, the revenue recognized by the company had the following decomposition:

	2017	2016
Sales	288,305	283,652
Service Provision	25,165	24,763
Interests and similar income	61,879	119,827
Royalties [Note 24]	8,180	9,902
Dividends	1,376	1,310
	384,905	439,454

In the periods ending on 31 December 2017 and 2016, the Company's turnover was geographically distributed as follows:

	2017			2016		
	Civil construction and public works	Service Provision	Total	Civil construction and public works	Service Provision	Total
Angola	68,800	479	69,279	65,889	7,611	73,500
Algeria	84,760	35	84,795	68,997	160	69,157
Brazil	50,280	-	50,280	15,132	-	15,132
Portugal	78,027	12,756	90,783	3,006	15,538	18,544
Venezuela	3,083	11,854	14,937	120,863	565	121,428
Other	3,355	41	3,396	9,765	889	10,654
	288,305	25,165	313,470	283,652	24,763	308,415

16. CONTINGENT PROVISIONS AND LIABILITIES

Provisions

The movement occurred in the accrued provisions for the periods ended December 31st, 2017 and 2016 was as follows:

	Guarantees to clients	Onerous contracts	Parts of capital	Other provisions	Total
Balance on January 1st, 2016	18,500	1,622	10,723	11,916	42,761
Additional / reinforcements	170	521	1,778	9,342	11,811
Decrease	(4,057)	(856)	(481)	(2,702)	(8,096)
Regularization	-	-	-	(41)	(41)
Transfer (Note 10)	-	-	-	(6,000)	(6,000)
Currency exchange rate effects	(2,143)	(11)	(657)	-	(2,811)
Balance on December 31st, 2016	12,470	1,276	11,363	12,515	37,624
Balance on January 1st, 2017	12,470	1,276	11,363	12,515	37,624
Additional / reinforcements	701	322	99	1,204	2,326
Decrease	(2,887)	(1,064)	(10,255)	(8,076)	(22,282)
Regularization	-	-	-	(38)	(38)
Currency exchange rate effects	(83)	(1)	(1,075)	-	(1,159)
Balance on December 31, 2017	10,201	533	132	5,605	16,471

The provisions related to holdings are directed to cover responsibilities rising from losses in associated companies, with negative equity.

The movements occurred in the provision for holdings in the period ended on 31 December, 2017 and 2016, were as follows:

	2017						Closing balance
	Initial balance	Reinforcements		Reversal		Currency exchange rate effect	
		Income net	Capital own	Income net	Capital own		
Cintel	39	-	-	-	-	-	39
TD Hosp, S.A.	10,000	-	-	(6,558)	(3,442)	-	-
Consorcio OPSUT 2010	30	5	-	-	-	(29)	6
Marinertes, S.A.	246	-	-	(246)	-	-	-
CBLG	1,048	-	-	-	-	(1,048)	-
Teixeira Duarte Perú, S.A.C.	-	94	-	-	(7)	-	87
Total	11,363	99	-	(6,804)	(3,449)	(1,075)	132

	2016						Closing balance
	Initial balance	Reinforcements		Reversal		Currency exchange rate effect	
		Income net	Capital own	Income net	Capital own		
Cintel	39	-	-	-	-	-	39
TD Hosp, S.A.	10,194	-	287	(481)	-	-	10,000
Consorcio OPSUT 2010	95	3	-	-	-	(68)	30
Marinertes, S.A.	230	16	-	-	-	-	246
CBLG	165	1,472	-	-	-	(589)	1,048
Total	10,723	1,491	287	(481)	-	(657)	11,363

Contingent liabilities

Tax processes

Following several inspections carried out by the Tax and Customs Authority (TA) for the financial years 2007 to 2011, TEIXEIRA DUARTE - Gestão de Participações e Investimentos Imobiliários, SA, a company directly owned at 100% of its share capital by Teixeira Duarte, S.A., the following adjustments were made to the tax losses initially determined by this investee:

	Calculated tax loss	AT correction
2007	42,088	29,331
2008	36,573	45,938
2009	46,203	24,807
2010	5,123	6,467
2011	12,779	3,213

Nature of corrections made:

1. Financial costs not accepted

With the exception of the situations listed in the following points, the corrections result from the fact that the financial charges incurred due to the investment made in owned companies, under the form of ancillary payments subject to the supplementary provisions regime, have been disregarded as a taxable expense.

Given that TEIXEIRA DUARTE– Gestão de Participações e Investimentos Imobiliários, S.A. pays corporation tax (IRC) according to the Special Taxation Regime for Groups of Companies (article 69 onwards of the Corporate Income Tax Code), the corrections to tax losses over the financial years from 2007 to 2011 were subject to Corporate Income Tax settlement statements and compensatory interest issued to the parent company during these financial years - TEIXEIRA DUARTE, S.A. Under the terms of the law, the company contested the corrections made by AT (tax authorities) to the financial years 2007 through 2011.

Following the close of the 2017 financial year, the company, in its capacity as controlling company during the 2007 financial year, was notified of a ruling handed down by the Supreme Administrative Tribunal, ordering the annulment of the additional settlement issued by AT.

2. Elimination of economic double taxation - revenue distributed by the TDF Fund

The correction to the 2008 tax loss includes the amount of 611 thousand euros relating to, according to AT, the improper application of item 10 of article 22 of the Tax Benefits Statute (EBF) to the distribution of revenue by the Real Estate Investment Fund TDF.

The company, in its capacity as parent company, contested this correction under the terms of the law.

In addition to the aforementioned corrections regarding the subsidiary TEIXEIRA DUARTE – Gestão de Participações e Investimentos Imobiliários, S.A., below can be found individual reports on correction made by the AT to the company:

- Correction to the taxable profit ascertained in the 2008 period, amounting to 35,467 thousand euros, of which the Company contested 32,595 thousand euros related to tax credits, the taxable gains re-investment regime and the undue application of item 10 of article 22 of EBF;

Others processes of low value

In the period ending on 31 December of 2017, the Company was involved in some legal processes implemented by third parties and that the Company implemented against third parties. In these low value processes, with the experience resulting from previous years and with the data known at the present date, the opinion of the legal advisers is that reasonable probability of winning should be verified in relation to the actions proposed against the Company. In this sense, the Administration did not constitute just any provision to legal processes underway.

17. EFFECTS FROM EXCHANGE RATE CHANGES

The quotes used to convert the assets and liabilities expressed in foreign currency to Euros on December 31, 2017 and 2016, as well as the results from operations developed in countries with functional currency other than the Euro, from the periods ended on those dates:

Currency	Closing exchange rate			Mean exchange rate		
	2017	2016	Var.	2017	2016	Var.
Venezuelan Bolivar (VEF)	4,011.6585	710.2122	3,301.4463	2,353.2600	538.3002	1,814.9598
Algerian Dinar (DZD)	137.6194	116.3682	21.2512	125,5197	120,4747	5.0450
American Dollars (USD)	1.1993	1.0541	0.1452	1.1307	1.1021	0.0286
Angolan Kwanza (AON)	185.4000	184.4750	0.9250	184.8361	179.6710	5.1651
Mozambican Metical (MZN)	70.5700	74.5400	(3.9700)	71.7446	68.2438	3.5008
Macanese Pataca (MOP)	9.6532	8.4204	1.2328	9.0741	8.8096	0.2645
Brazilian Real (BRA)	3.9729	3.4305	0.5424	3.6271	3.8571	(0.2301)
Colombian Peso - (COP)	3,579.3100	3,164.4100	414.9000	3,358.9723	3,357.0377	1.9346

The differences of net change recognized in the equity in the periods ending on December 31, 2017 and 2016, were as follows:

	Net exchange rate differences
Balance on January 1st, 2016	103,795
Positive exchange rate differences	1,219
Negative exchange rate differences	(41,212)
Balance on December 31st, 2016	63,802
Balance on January 1st, 2017	63,802
Positive exchange rate differences	6,632
Negative exchange rate differences	(6,739)
Balance on December 31, 2017	63,695

18. INCOME TAX

The Company is subject to Taxation on the Income of Legal Persons (IRC) at 21% on the collectable material. On the IRC taxable profit, the Company will still be subject to the Municipal Surtax, whose rate may vary up to a maximum of 1.5%.

Additionally, the taxable profit part that exceeds the amount of 1,500, 7,500 and 35,000 thousand euros is subject to Federal Surtax at rates of 3%, 5% and 7%, respectively.

The Company is still subject to autonomous taxation, at the rates and on the charges and expenditures foreseen in article 88 of the IRC Code.

In the calculation process of the company's taxable income, amounts that are not tax deductible are added to, and subtracted from the accounting result. These differences between the book value profit and the profit for tax purposes may be of a temporary or permanent nature.

In accordance with the legislation in force, tax returns in Portugal are subject to review and correction by the tax authorities for a period of four years, unless tax losses have been deducted or inspections, claims or appeals, in which cases, depending on the circumstances, this period may be increased or suspended. The Board of Directors believes that any corrections which might arise from any tax reviews/inspections to financial years subject to review will not have a materially significant effect on the financial statements reported on 31 December 2017.

The tax charge recorded in the periods ended on 31 December 2017 and 2016 can be presented in the following manner:

	2017	2016
Current tax:		
Income tax in Portugal	7,794	3,533
Income tax in other jurisdictions	3,567	6,491
	11,361	10,024
Deferred tax:		
Deferred tax in Portugal	2,506	541
Deferred tax in other jurisdictions	(1,440)	(237)
	1,066	304
	12,427	10,328

The relationship, in Portugal, between the book expense and profit in the periods ended on 31 December 2017 and 2016, is as follows:

	2017	2016
Net result for that period	16,004	19,715
Adjustments for taxable profit:		
Definite differences: (a)		
- To add	30,957	64,669
- To deduct	(44,657)	(53,223)
Temporary differences: (b)		
- To add	9,885	28,165
- To deduct	(13,456)	(50,558)
Profit / (tax loss)	(1,267)	8,768
Collectable Material	(1,267)	8,768
Collection	(266)	1,841
Tax Credit by Double International Taxation	(2,928)	(6,522)
Tax benefits by deduction from the collection	-	-
Other tax components:		
- Autonomous taxation	859	190
- Municipal Tax	-	375
- Others	453	1,227
Current Tax	1,312	1,792
Deferred tax	2,506	541
Differences in the estimates	6,482	2,116
Tax expenses	10,300	4,449

(a) - The definite differences essentially include the cancellation of effects from equivalence accounting (Notes 11, 12 and 16).

(b) - The temporary differences essentially include the constitution and reversal of impairment of assets and non-taxable provisions (Notes 10 and 16).

The tax rate effective in the periods ended on 31 December 2017 and 2016, was as follows:

	2017	2016
Current Tax	11,361	10,024
Result before taxes	28,431	30,043
Effective tax rate	40.0%	33.4%

The movements occurred in the assets and liabilities by deferred taxes in the periods ending on December 31, 2017 and 2016, were as follows:

	2017					
	Initial balance	Constitution	Reversal	Currency exchange rate effect	Adjustment	Closing balance
Assets for deferred tax:						
Adjustments of clients, bad debt	25	-	-	-	-	25
Reportable tax losses	273	1,408	-	(113)	(186)	1,382
Double international taxation	10,227	2,928	-	-	(2,832)	10,323
Works with losses	291	-	(172)	-	-	119
Other taxed provisions	7,052	174	(5,676)	(27)	-	1,523
	17,868	4,510	(5,848)	(140)	(3,018)	13,372
Liabilities by deferred taxes:						
Urban building tax (IPU)	100	-	(135)	(5)	-	(40)
Investment Properties	52	-	(20)	-	-	32
Reassessment of fixed tangible assets	2,091	-	(356)	-	-	1,735
	2,243	-	(511)	(5)	-	1,727

The verified constitutions and reversals were recognized as gains or income from the period under "Income tax".

	2016					
	Initial balance	Constitution	Reversal	Currency exchange rate effect	Adjustment	Closing balance
Assets for deferred tax:						
Adjustments of clients, bad debt	25	-	-	-	-	25
Reportable tax losses	386	58	-	20	(191)	273
Double international taxation	9,934	4,438	-	-	(4,145)	10,227
Works with losses	369	110	(71)	(117)	-	291
Impairment of financial assets	9,468	-	(9,468)	-	-	-
Other taxed provisions	2,718	4,978	(571)	(4)	(69)	7,052
	22,900	9,584	(10,110)	(101)	(4,405)	17,868
Liabilities by deferred taxes:						
Urban building tax (IPU)	168	-	-	-	(68)	100
Investment Properties	58	-	(6)	-	-	52
Reassessment of fixed tangible assets	2,307	-	(216)	-	-	2,091
Other taxed provisions	-	-	-	-	-	-
	2,533	-	(222)	-	(68)	2,243

The verified constitutions and reversals were recognized as gains or income from the period under "Income tax".

19. FINANCIAL INSTRUMENTS

The current financial assets and liabilities for the periods ended on 31 December 2017 and 2016 were broken down as follows:

19.1. Financial assets

Clients

On December 31, 2017 and 2016 the heading "Clients" is broken down as follows:

	2017			2016		
	Non-group	Group	Total	Non-group	Group	Total
Clients current account	156,974	211,164	368,138	227,140	171,226	398,366
Clients with bad debt	27,079	-	27,079	33,284	-	33,284
	184,053	211,164	395,217	260,424	171,226	431,650
Losses by accumulated impairment	(27,079)	-	(27,079)	(33,284)	-	(33,284)
	156,974	211,164	368,138	227,140	171,226	398,366

Other credits receivable

On December 31, 2017 and 2016 the heading "Other credits receivable" is broken down as follows:

	2017		2016	
	Current	Non-current	Current	Non-current
Debtors by income accruals:				
Supplies and services rendered and not billed	6,622	-	12,341	-
Income accruals - degree of completion application	78,034	-	63,607	-
Interests receivable	15,952	-	26,821	-
<i>Royalties</i>	3,863	-	4,450	-
Other	2,143	-	951	-
	106,614	-	108,170	-
Other debtors:				
Expenses by account to debit	-	-	376	-
Parent company	189,233	301,746	142,002	344,246
Related parties	101,416	-	122,906	-
Advance payments to suppliers	9,030	-	7,940	-
RETGS	8,045	-	13,203	-
Other	92,425	-	87,463	-
	401,149	301,746	373,890	344,246
	507,763	301,746	482,060	344,246

Net of impairment

Other Assets

On December 31, 2017 and 2016 the remaining current assets is broken down as follows:

	2017	2016
State and other public entities		
Corporate persons income tax - Other jurisdictions	(1,519)	-
Added value tax - VAT	1,871	3,268
Other	23,174	671
	23,526	3,939
Deferrals:		
Incurred expenses to debit	3,400	197
Insurance paid in advance	571	193
Sales	212	248
Expenses with the issuance of commercial paper	324	924
Other	287	126
	4,794	1,688

Non-current assets held for sale

On December 31, 2017 and 2016 the heading “Non-current assets held for sale” is broken down as follows (Note 8):

	2017	2016
Assets for sale		
AEBT - Auto-Estradas do Baixo Tejo, S.A.	4	-
Lusoponte - Concessionária para a Travessia do Tejo, S.A.	1,875	-
TD Hosp - Gestão de Edifício Hospitalar, S.A.	-	-
	1,879	-

On 31 December 2017, 90% of the financial stake held in TDHOSP - Gestão de Edifício Hospitalar, S.A., was reclassified as non-current Assets held for sale.

Shares – other methods

On December 31, 2017 and 2016 the heading “Shares – other methods” is broken down as follows:

	2017	2016
AEBT - Auto-Estradas do Baixo Tejo, S.A.	-	4
AEDL - Auto-Estradas do Douro Litoral, S.A.	-	-
Lusoponte - Concessão para a Travessia do Tejo, S.A.	-	1,875
MTS - Metro, Transportes do Sul, S.A.	456	456
	456	2,335

The financial stakes held in AEBT - Auto-Estradas do Baixo Tejo, S.A. and Lusoponte - Concessão para a Travessia do Tejo, S.A., on 31 December 2017 were reclassified as non-current assets held for sale.

Other financial assets

On December 31, 2017 and 2016 the heading “Other net financial assets of impairment” is broken down as follows:

	2017	2016
AEBT - Auto-Estradas do Baixo Tejo, S.A.	1,515	5,373
Lusoponte - Concessionária para a Travessia do Tejo, S.A.	150	150
MTS - Metro, Transportes do Sul, S.A.	114	114
TDHOSP - Gestão de Edifício Hospitalar, S.A.	7,681	7,681
Teixeira Duarte Algérie, SPA	7,033	7,033
Teixeira Duarte Angola, Lda.	3,068	3,491
Public debt of Angola (a)	-	14,610
Employment Compensation Fund	3	-
	19,564	38,452

(a) During the period ending 31 December 2017, the company divested all of its Angolan Government Debt Securities, recognizing a loss amounting to 1,604 thousand euros.

19.2. Financial liabilities

Suppliers

On December 31, 2017 and 2016 the heading “Suppliers” is broken down as follows:

	2017			2016		
	Non-group	Group	Total	Non-group	Group	Total
Current account	67,105	140,432	207,537	47,528	84,630	132,158
Bills in reception and conference	403	-	403	176	-	176
Other	10,817	-	10,817	10,853	-	10,853
	78,325	140,432	218,757	58,557	84,630	143,187

Other debts payable

On December 31, 2017 and 2016 the heading “Other debts payable” is broken down as follows:

	2017		2016	
	Current	Non-current	Current	Non-current
Creditors by accrued expenses:				
Incurring expenses and not billed by suppliers	50,927	-	32,088	-
Charges with staff	5,123	-	4,884	-
Distribution of profit	2,913	339	1,563	339
Outstanding financial charges	3,795	-	11,491	-
Litigation	196	-	196	-
Insurance to liquidate	126	-	83	-
Other	4,012	-	11,275	-
	67,092	339	61,580	339
Other Creditors	66,123	-	25,141	-
	133,215	339	86,721	339

Other liabilities

On December 31, 2017 and 2016 the remaining current and non-current liabilities is broken down as follows:

	2017		2016	
	Current	Non-current	Current	Non-current
State and other public entities				
Corporate persons income tax - IRC:				
Tax estimates	-	-	1	-
- Withholding tax	9	-	456	-
- Special payments by account	-	-	865	-
	9	-	1,322	-
Corporate persons income tax - Other jurisdictions	592	-	5,745	-
Income tax - Third party withholdings	158	-	240	-
Added value tax - VAT	7,339	-	9,292	-
Social Security	-	-	1,083	-
Other	6,654	-	(3,408)	-
	14,752	-	14,274	-
Deferrals:				
Works realized and not invoiced	6,876	-	26,211	-
Other	211	-	180	-
	7,087	-	26,391	-
Advance payments from clients	46,986	25,946	40,911	31,106

Obtained financing

On December 31, 2017 and 2016 the heading "Obtained financing" is broken down as follows:

	2017		2016	
	Current	Non-current	Current	Non-current
Escrow accounts	15,245	11,722	25,995	-
Contracted bank overdrafts	14,480	33,584	41,211	-
Bank loans	49,639	79,091	117,497	53,845
Debentures loans	-	1,500	-	1,500
Finance leasing	243	-	315	243
Related parties	127,221	-	116,781	1,468
Commercial Paper	72,200	227,575	44,550	267,125
	279,028	353,472	346,349	324,181

On December 31, 2017 the heading "Obtained financing" contains the different contracted operations along with various financial institutions and related parties, bearing interest at normal market rates.

a) Bank loans

On December 31, 2017, the bank loans bank related to the overdrafts and the secured accounts bore interest at normal market rates.

The bank loans contracted by the Company essentially correspond to:

Loan taken out with Banco Santander Totta, S.A., (ex-Banco Popular Portugal), on 13 December 2012 by V8-Gestão Imobiliária, S.A., by Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários, S.A., by Quinta de Cravel - Imobiliária, S.A. and by the Company, and, used in full by V8 - Gestão Imobiliária, S.A., with a current amount of 1,098 thousand euros, which will be repaid in 8 consecutive quarterly installments, terminating on 13 December 2019.

Loan taken out with Nova Banco, S.A., on 26 January 2015, used in full by the Company, with a current amount of 21,916 thousand euros, which will be repaid in 4 half-yearly installments of amounts varying between 1,543 thousand euros and 1,929 thousand euros, with the final installment of 16,901 thousand euros on 30 December 2019.

Loan taken out with Nova Banco, S.A., on 20 May 2015, and used in full by the Company, with a current amount of 6,754 thousand euros, terminating on 30 December 2018.

Loan taken out with Banco Commercial Português, S.A. on 27 November 2017, with a current amount of 50,000 thousand euros, by the Company, by Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários, S.A., and by Teixeira Duarte, S.A., of which 10,975 thousand euros, 38,975 thousand euros and 50 thousand euros have been used respectively. It will be repaid in 4 installments of amounts varying between 2,000 thousand euros and 10,000 thousand euros, with the final installment of 33,000 thousand euros being paid on 27 June 2019.

Loan taken out with Banco Commercial Português, S.A.; Caixa Geral de Depósitos, S.A. and Novo Banco, S.A. on 17 June 2016, used in full by the Company with a current amount of 8,705 thousand euros, with liability shared between the banks amounting to 3,263 thousand euros, 2,325 thousand euros and 3,117 thousand euros, respectively, terminating on 31 March 2018.

Loan taken out with Nova Banco, S.A., on 30 June 2016, and used in full by the Company, with a current amount of 3,474 thousand euros, terminating on 4 April 2018.

Loan taken out with Banco Português de Investimento, S.A. on 5 July 2016 by the Company, by Teixeira Duarte, S.A. and by Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários S.A., used in full by the company with a current amount of 15,769 thousand euros, which will be repaid in 47 consecutive monthly installments, terminating on 5 November 2021.

Loan taken out with Banco Santander Totta S.A., on 1 August 2016, and used in full by the Company, with a current amount of 993 thousand euros, which will be repaid in 8 consecutive monthly installments, terminating on 1 August 2018.

Loan taken out with Banco Commercial Português, S.A.; Caixa Geral de Depósitos, S.A. and Novo Banco, S.A. on 12 August 2016, used in full by the Company with a current amount of 35,213 thousand euros, with liability shared between the banks amounting to 13,205 thousand euros, 9,402 thousand euros and 12,606 thousand euros, respectively, terminating on 28 February 2018.

Factoring line with recourse taken out with Novo Banco, S.A., by the Company, by EPOS - Empresa Portuguesa de Obras Subterrâneas, S.A. and by Somafel - Engenharia e Obras Ferroviárias, S.A., currently with an amount of 927 thousand euros being used by the Company and 106 thousand euros by Somafel - Engenharia e Obras Ferroviárias, S.A., in December 2017.

Factoring line with recourse taken out with Banco Santander Totta, S.A. (ex-Banco Popular Portugal), currently with an amount of 21 thousand euros used by the Company in December 2017.

Factoring line with recourse taken out with Caixa Económica Montepio Geral, S.A. currently with an amount of 1,390 thousand euros used by the Company in December 2017.

Credit agreement for the acquisition of equipment, entered into with Caterpillar Financial Corporación Financiera on 2 June 2016, used in full by the Company with a current amount of 809 thousand euros, which will be repaid in 30 consecutive monthly installments, terminating on 7 June 2020.

Credit agreement for the acquisition of equipment, entered into with Caterpillar Financial Corporación Financiera, on 11 July 2016, used in full by the Company, with a current amount of 371 thousand euros, which will be repaid in 31 consecutive monthly installments, terminating on 7 July 2020.

Credit agreement for the acquisition of equipment, entered into with Caterpillar Financial Corporación Financiera, on 19 July 2016, used in full by the Company, with a current amount of 100 thousand euros, which will be repaid in 32 consecutive monthly installments, terminating on 7 August 2020.

Credit agreement for the acquisition of equipment, entered into with Caterpillar Financial Corporación Financiera on 12 December 2016, used in full by the Company with a current amount of 188 thousand euros, which will be repaid in 36 consecutive monthly installments, terminating on 22 December 2020.

Overseas commercial discount line (Algeria) from Caixa Geral de Depósitos, S.A., with a maximum amount of 35,000 thousand euros, of which 16,629 thousand euros was being used by the company at the close of December 2017.

Overseas commercial discount line (Angola) contracted with Caixa Geral de Depósitos, S.A. by the Company, by Teixeira Duarte - Distribuição, S.A., by TDO - Investimentos e Gestão, S.A., and by EPOS - Empresa Portuguesa de Obras Subterrâneas, S.A., with a maximum amount of 4,321 thousand euros, of which 1,793 thousand euros was being used by the Company, and 2,528 thousand euros were being used by EPOS - Empresa Portuguesa de Obras Subterrâneas, S.A., on 31 December 2017.

Line of credit with Banco Occidental de Descuento (Venezuela), with a maximum amount of 6,802,000 thousand bolivars (equivalent to 1,696 thousand euros), which were used in full by Teixeira Duarte - Engenharia e Construções, S.A. (Venezuela Branch) at the end of December 2017.

Line of credit with Banco Mercantil (Venezuela), with a maximum amount of 8,297,000 thousand bolivars (equivalent to 2,068 thousand euros), which is used in full by Teixeira Duarte - Engenharia e Construções, S.A. (Venezuela Branch) at the end of December 2017.

Line of credit with Novo Banco (Venezuela), with a maximum amount of 12,500 thousand bolivars (equivalent to 3 thousand euros), which were used in full by Teixeira Duarte - Engenharia e Construções, S.A. (Venezuela Branch) at the end of December 2017.

b) Commercial paper

On December 31, 2017, the Company has negotiated the following commercial paper programs:

A grouped commercial paper issuance program contracted with Haitong Bank, S.A. and Novo Banco S.A., on 16 December 2005, with a current amount of 42,500 thousand euros, in which the Company, Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários S.A. and Teixeira Duarte, S.A. are participants; used in full by Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários S.A.. Each company's participation in the program may vary for each issuance. Interest is payable in advance on the date of each subscription, with the intervention rate indexed to the Euribor for the respective period, plus a *spread* of 1.8%, which will be repaid in full upon the final issuance on 20 August 2018.

A grouped commercial paper issuance program contracted with Haitong Bank, S.A. and Novo Banco S.A., on 30 December 2013, with a current amount of 191,250 thousand euros, in which the Company, Teixeira Duarte, S.A. and Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários S.A. are participants; the guarantors are TEDAL - Sociedade Gestora de Participações Sociais, S.A., Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários, S.A., Quinta de Cravel – Imobiliária, S.A., and V8 – Gestão Imobiliária, S.A., and it is used in full by the company. The participation of each company in each programme may vary each time it is issued. The programme is subject to a partial amortization amounting to 12,550 thousand euros, to take place on 30 June 2018, and the remaining amount will be repaid upon the final issuance on 29 December 2018.

A grouped commercial paper issuance program contracted with Caixa Geral de Depósitos, S.A., on 7 July 2010, with a current amount of 40,000 thousand euros, in which the Company and Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários S.A. participate, used in full by the Company. Each company's participation in the program may vary for each issuance. The program will be subject to 3 amortizations: on 26 March 2018, amounting to 20,000 thousand euros, on 14 May 2018, amounting to 10,000 thousand euros, and on 14 May 2019, amounting to 10,000 thousand euros. Interest is payable in advance on the date of each subscription, with the application rate indexed to the Euribor for the respective period, in force two business days prior to each subscription date, plus a spread of 2.75%.

A grouped commercial paper issuance program contracted with Banco Comercial Português, S.A., on 14 January 2011, with a current amount of 20,750 thousand euros, in which the Company and Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários S.A. participate, with the amounts of 18,675 thousand euros and 2,075 thousand euros respectively. Each company's participation in the program may vary for each issuance, with the Company's minimum participation being 10% of the total value. Interest is payable in arrears, with the intervention rate indexed to the one to six months Euribor by competitive bidding from 7 to 180 days by direct placement, plus a *spread* of 2.90%, repaid in full upon the final issuance on 30 January 2018.

A grouped commercial paper issuance program contracted with Banco Comercial Português, S.A., on 28 December 2011, with a current amount of 53,400 thousand euros, in which the Company, Teixeira Duarte, S.A., Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários S.A. and Lagoas Park, S.A., participate, with the amounts of 250 thousand euros, 250 thousand euros, 250 thousand euros and 52,650 thousand euros, respectively. Each of the issues must necessarily be carried out together by all the issuers and the participation of each issuer cannot be less than EUR 250 thousand. The programme is in force until 30 December 2021, and the first amortisation is scheduled for Saturday, March 30, 2018, amounting to 13,500 thousand euros, and the remaining amortizations are scheduled every six months, starting on 30 June 2018, with amounts varying between 3,300 thousand euros and 8,400 thousand euros. The applicable interest rate is the Euribor for each issue period, in force on the second business day prior to its beginning, increased by a spread of 2.90%.

A grouped commercial paper issuance program contracted with Banco Finantia, S.A., on 2 May 2014, with a maximum amount of 10,000 thousand euros, in which the Company, Teixeira Duarte, S.A. and Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários S.A. participate, used by the Company with a current amount of 2,050 thousand euros, in December 2017. The participation of each company in each programme may vary each time it is issued. The programme lasts until 2 May 2020, and issues may have a period of between 7 and 365 days. Interest is payable in arrears, with the intervention rate corresponding to the rate resulting from direct placement, never lower than the maximum rate indicated by the issuer.

A grouped commercial paper issuance program contracted with Banco BIC Português, S.A., on 18 November 2014, with a current amount of 5,000 thousand euros, in which the Company, Teixeira Duarte, S.A. and Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários S.A. participate, used in full by the Company. The program is in force until 2 January 2020, and the issues may have a term of one or six months. Interest is payable in arrears, with the intervention rate indexed to the Euribor applicable to the emission period, plus a spread of 3.25%.

A grouped commercial paper issuance program contracted with Novo Banco, S.A., on 28 December 2015, with a current amount of 95,000 thousand euros, in which the Company, Teixeira Duarte, S.A. and Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários S.A., participate, with the amounts of 8,850 thousand euros, 8,550 thousand euros and 77,600 thousand euros, respectively. The participation of each company in each programme may vary each time it is issued. The interest is earned in advance, with the intervention rate being indexed to the Euribor for the respective period, in force on the second business day prior to each subscription date, plus a spread of 2.25% and determined in accordance with the date of each auction. The program is subject to partial amortizations, the first amounting to 2,850 thousand euros, taking place on 6 May 2018, and the rest taking place half-yearly, with amounts varying between 3,350 thousand euros and 3,400 thousand euros. The settlement of the remaining value on the repayment date of the final issuance amounts to 75,250 thousand euros on 27 December 2020.

A grouped commercial paper issuance program contracted with Novo Banco, S.A., on 14 January 2016, with a current amount of 34,000 thousand euros, in which the Company, and Teixeira Duarte, S.A. participate, used in full by the Company. The interest is earned in advance on each subscription date, with the intervention rate being indexed to the Euribor for the respective period, in force on the second business day prior to each subscription date, plus a *spread* of 1.80% and determined in accordance with the date of each auction. The program is subject to partial amortizations, the first amounting to 2,400 thousand euros, and the rest taking place half-yearly, with amounts varying between 2,400 thousand euros and 2,900 thousand euros. The settlement of the remaining value on the repayment date of the final issuance amounts to 26,300 thousand euros on 13 January 2020.

c) Debentures loans

The company and Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários, S.A. entered into a contract with Banco Comercial Português, S.A. for the Provision of Assistance and Placement Services for a Private Bond Issue Offer, as well as a Paying Agent Contract related to the Grouped Issue of Bonds by Private Subscription, amounting to 15,300 thousand euros (1,500 thousand euros from the Company and 13,800 thousand euros from Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários, S.A.) known as “Teixeira Duarte - Engenharia e Construções, S.A./Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários, S.A. – 2014/2021”.

Interest is settled quarterly at a rate of 4.57%, and repayment will be made at part in three equal instalments, on 2 April 2019, 2 April 2020 and 2 April 2021.

The impact of the “Teixeira Duarte Group Debt Framework Agreement”, signed on 24 April 2018, determines that the repayment plans of the financing agreements identified below, contracted with Banco Comercial Português, S.A. with a current amount of 65,464 thousand euros, with Caixa Geral de Depósitos, S.A., with a current amount of 61,431 thousand euros and with Novo Banco, S.A., with an amount of 278,550 thousand euros, include a 2 year waiting period, with the first

amortization in December 2019 amounting to 306 thousand euros, 77 thousand euros and 1,024 thousand euros, respectively, followed by an annual repayment plan of 3,534 thousand euros, 890 thousand euros and 11,838 thousand euros, respectively.

Bank	Type of Financing	Amount
Banco Comercial Português, S.A.	Bank overdrafts	33,584
Banco Comercial Português, S.A.	Loan	13,205
Banco Comercial Português, S.A.	Commercial Paper	18,675
Caixa Geral de Depósitos, S.A.	Escrow account	1,793
Caixa Geral de Depósitos, S.A.	Escrow account	9,929
Caixa Geral de Depósitos, S.A.	Loan	9,402
Caixa Geral de Depósitos, S.A.	Loan	307
Caixa Geral de Depósitos, S.A.	Commercial Paper	40,000
Novo Banco, S.A.	Loan	12,606
Novo Banco, S.A.	Loan	21,916
Novo Banco, S.A.	Loan	6,754
Novo Banco, S.A.	Loan	3,474
Novo Banco, S.A.	Commercial Paper	191,250
Novo Banco, S.A.	Commercial Paper	8,550
Novo Banco, S.A.	Commercial Paper	34,000
		405,445

The Obtained financing is refundable according to the following terms of redemption:

	2017	2016
Less than a year	279,028	346,349
1 to 2 years	6,081	199,397
2 to 3 years	27,758	48,857
3 to 4 years	24,567	55,752
4 to 5 years	16,262	20,175
Over 5 years	278,804	-
	632,500	670,530

For guarantee of the obtained financing previously described, mortgages and loans of different collateral were established (Note 20).

20. GUARANTEES AND COMMITMENTS

Guarantees

On December 31, 2017 and 2016, the Company had granted bank guarantees and insurance bonds to third parties, as follows:

	2017	2016
Bank guarantees	259,465	284,616
Guarantee insurance	182,158	204,768
	441,623	489,384

The bank guarantees and the insurance bonds were granted fundamentally for the tenders, down payments received and as a guarantee of good execution of works.

For the suspension of two tax enforcement proceedings filed with the subsidiary TEIXEIRA DUARTE - Engenharia e Construções, SA, relating to IRC (Corporation Tax) debt for the period of 2008, whose settlements were contested, were issued on behalf of the Customs and Tax Authority (AT), bank guarantees in the overall amount that exceeds EUR 27,546m.

For the purpose of suspending a tax enforcement proceeding filed with the subsidiary TEIXEIRA DUARTE - Engenharia e Construções, SA, relating to IRC (Corporation Tax) debt for the period of 2010, "TD, SA" presented a guarantee, amounting to EUR 10,139m, which was accepted by the AT.

For the purposes of guaranteeing the installments payment of an additional corporation tax settlement from the 2013 period of "TD, SA", a bank guarantee amounting to 582 thousand euros was issued, in favor of AT (the tax authority).

For the purposes of suspending a tax enforcement procedure filed against "TD, SA", concerning the corporation tax debt for the 2013 period, bank guarantees amounting to a total of 1,125 thousand euros were issued in favor of AT.

For the purposes of suspending a tax enforcement procedure filed against the subsidiary TEIXEIRA DUARTE – Engenharia e Construções, S.A., concerning the corporation tax debt for the 2014 period, which is pending settlement under the scope of a loan plan, bank guarantees amounting to a total of 4,038 thousand euros were issued in favor of AT. After 31 December 2017, the amount of these guarantees was reduced based on the payments made by that subsidiary.

The following liens and mortgages were also provided, in addition to the aforementioned guarantees:

To guarantee the commercial paper issuance program contracted with Banco Comercial Português, S.A., on 28 December 2011, with a current amount of 53,400 thousand euros, in which the Company, Teixeira Duarte, S.A., Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários S.A. and Lagoas Park, S.A., participate, a generic mortgage was taken out on the properties located on plots 6, 18 and 19 located at Lagoas Park - Porto Salvo, owned by Lagoas Park, S.A.

To guarantee the loan agreement entered into with Banco Santander Totta, S.A: (ex-Banco Popular de Portugal), on 13 December 2012, with a current amount of 1,098 thousand euros, V8 - Gestão Imobiliária, S.A. took out a mortgage on fractions of urban properties belonging to it, located at Rua de Castro Portugal (numbers 497 and 511), Rua Professora Rita Lopes Ribeiro Fonseca (numbers 46, 52, 76, 80, 94 and 96) - District and Parish of Vila Nova de Gaia and on the fractions of an urban property known as plot 14, located on Rua Guilherme Duarte Camarinha, number 12 - District of Candal, parish of Vila Nova de Gaia, for a total value of 1,611 thousand euros.

To guarantee the loan contract entered into with Banco Comercial Português, S.A., Caixa Geral de Depósitos, S.A. and Novo Banco, S.A.; on 17 June 2016, with a current amount of 8,705 thousand euros, with liabilities of 3,263 thousand euros, 2,325 thousand euros and 3,117 thousand euros respectively shared between the banks, the Company pledged to transfer 375,000 shares in lieu of payment, with a nominal value of 5 euros, representing 7.5% of the share capital of the limited company Lusoponte - Concessionária para a Travessia do Tejo, S.A..

To guarantee the loan agreement entered into with Banco Comercial Português, S.A., Caixa Geral de Depósitos, S.A. and Novo Banco, S.A., on 12 August 2016, with a current amount of 35,213 thousand euros, with liabilities of 13,205 thousand euros, 9,402 thousand euros and 12,606 thousand euros respectively shared between the banks, Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários S.A. took out a mortgage on 14 plots of land located in Casal do Deserto in Porto Salvo, and on a mixed property located in Zemouto in Seixal, TDE - Empreendimentos Imobiliários, S.A. took out a mortgage on an urban property located in Estrada Municipal, number five hundred and four in Troviscas, district of Loures, and TD VIA - Sociedade Imobiliária, S.A. took out a mortgage on one urban and three rural properties located in the district of Vila Franca de Xira.

To guarantee the commercial paper agreement entered into with Novo Banco, S.A.; on 28 December 2015, with a current amount of 95,000 thousand euros, the guarantors TDE - Empreendimentos Imobiliários, S.A: and Transbrital - Britas and Empreendimentos Imobiliários, S.A. took out mortgages on 10 and 14 plots of land of the project known as Pedregueiras, respectively, with a total value of 59,640 thousand euros, and TEDAL - Sociedad Gestora de Participações Sociais, S.A. pledged 1,045,610 shares in Recolte - Servicios y Medio Ambiente, S.A.U., valued at 30,720 thousand euros, as a guarantee.

To guarantee the commercial paper agreement entered into with Haitong Bank, S.A. and Novo Banco, S.A., on 16 December 2005, with a current amount of 42,500 thousand euros, Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários, S.A. and TEDAL - Sociedad Gestora de Participações Sociais, S.A. pledged 4,333,333 and 426,666 shares in Banco Comercial Português, S.A., respectively.

To guarantee the commercial paper agreement entered into with Novo Banco, S.A., on 26 January 2015, with a current amount of 21,916 thousand euros, Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários, S.A. and C+PA - Cimentos e Produtos Associados, S.A., pledged 600,000 and 1,936,395 shares in Banco Comercial Português, S.A., respectively

To guarantee the commercial paper agreement entered into with Haitong Bank, S.A. and Novo Banco S.A., on 30 December 2013, with a current amount of 191,250 thousand euros, TEDAL - Sociedad Gestora de Participações Sociais, S.A. pledged 12,500,000 shares in EPOS - Empresa Portuguesa de Obras Subterrâneas, S.A.; 200,000,000 shares in C+PA - Cimentos e Produtos Associados, S.A., and Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários S.A. pledged 1,325,000 participation units in the Imobiliário Fechado TDF Investment Fund. In addition, Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários, S.A. constituted a voluntary mortgage on an urban property it owns, destined for warehouses, workshops, materials laboratory and parking of equipment, located on Avenida da Indústria, Alto Estanqueiro - Jardim, Montijo, of the value of EUR 13,242 thousand. QUINTA DE CRAVEL - Imobiliária, S.A., also mortgaged the lots for construction numbers 10, 11, 12, 13, 19, 23, 26 and 31, located at Quinta de Cravel, Mafamude, Vila Nova de Gaia, for the total value of EUR 6,829 thousand. V8 - Gestão Imobiliária, S.A. mortgaged the lots for construction numbers 1, 2, 3, 5, 6, 8, 16, 18, 20 and 30 located at Empreendimento Santa Marinha Design District, Santa Marinha, Vila Nova de Gaia, for the total value of 26,698 thousand euros.

To guarantee the commercial paper agreement entered into with Caixa Geral de Depósitos, S.A., on 7 July 2010, with a current amount of 40,000 thousand euros, Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários S.A. pledged 4,675,000 participation units in the Imobiliário Fechado Investment Fund.

To guarantee the commercial paper agreement entered into with Novo Banco, S.A., on 14 January 2016, with a current amount of 34,000 thousand euros, Teixeira Duarte, S.A. pledged 1,000,000 shares in TDGI - Tecnologia de Gestão de Imóveis, S.A..

To strengthen the guarantees provided under the scope of the financial lease contract entered into with Banco Comercial Português, S.A. on 31 December 2008, with a current amount of 139,676 thousand euros, TEDAL - Sociedad Gestora de Participações Sociais, S.A. pledged 9,000,000 shares in Somafel - Engenharia e Obras Ferroviárias, S.A.:

To guarantee the loan agreement entered into with Banco Comercial Português, S.A. on 29 March 2016, with a current amount of 10,000 thousand euros, Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários S.A. took out a mortgage on plot 13 of the Lagoas Park project in Porto Salvo.

To guarantee the loan agreement entered into with Caixa Geral de Depósitos, S.A., on 30 December 2008, with a current amount of 23,680 thousand euros, Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários S.A. took out a mortgage on plot 3 of the Lagoas Park project in Porto Salvo.

To guarantee the loan agreement entered into with Caixa Geral de Depósitos, S.A., on 29 February 2016, with a current amount of 7,000 thousand euros, Teixeira Duarte - Gestão de Participações e Investimentos Imobiliários S.A. took out a second mortgage on plot 3 of the Lagoas Park project in Porto Salvo.

To guarantee the credit agreement for the acquisition of equipment, entered into with Caterpillar Financial Corporation Financiera, on 2 June 2016, with a current amount of 809 thousand euros, the Company provided the equipment acquired under the scope thereof as a guarantee.

To guarantee the credit agreement for the acquisition of equipment, entered into with Caterpillar Financial Corporation Financiera, on 11 July 2016, with a current amount of 371 thousand euros, the Company provided the equipment acquired under the scope thereof as a guarantee.

To guarantee the credit agreement for the acquisition of equipment, entered into with Caterpillar Financial Corporation Financiera, on 19 July 2016, with a current amount of 100 thousand euros, the Company provided the equipment acquired under the scope thereof as a guarantee.

To guarantee the credit agreement for the acquisition of equipment, entered into with Caterpillar Financial Corporation Financiera, on 12 December 2016, with a current amount of 188 thousand euros, the Company provided the equipment acquired under the scope thereof as a guarantee.

Assumed financial commitments

On December 31, 2017 and 2016, factoring contracts without recourse were in effect, which were recorded as deduction from accounts receivable, as follows:

	2017	2016
Factoring notified without use	1,725	5,941
	1,725	5,941

According to the contract conditions, the Company's responsibility is essentially limited to the guarantee of acceptance by the clients of the bills, object of factoring.

On December 31, 2017, the Company issued comfort letters in favour of companies of the group as follows:

Company	Value in currencies	Currency	Values in thousand euros
Bonaparte - Imóveis Comerciais e Participações, S.A.	8,330,850.00	EUR	8,331
ESTA - Gestão de Hoteis, S.A.	997,595.79	EUR	998
Hotel Baía, Lda.	25,000,000.00	USD	20,845
Hotel Trópico S.A.	2,000,000,000.00	AON	10,787
RECOLTE, Servicios y Medioambiente, S.A.	33,550,000.00	EUR	33,550
TDA - Comércio e Indústria, Lda.	2,000,000.00	USD	1,668
TDF - Sociedade Gestora Fundos Investimentos Imobiliário, S.A.	1,250,515.01	EUR	1,251
TDHC - Instalações para Desporto e Saúde, S.A.	397,867.86	EUR	398
TDHOSP - Gestão de Edifício Hospitalar, S.A.	8,050,000.00	EUR	8,050
Teixeira Duarte (Algérie), S.P.A.	700,000,000.00	DZD	5,086
Teixeira Duarte - Engenharia e Construções (Sucursal Angola), S.A.	29,000,000.00	USD	24,181
Teixeira Duarte - Engenharia e Construções (Sucursal Venezuela), S.A.	950,000,000.00	VEF	237
Teixeira Duarte - Engenharia e Construção (Moçambique), Lda.	5,164,311,081.51	MZN	73,180
Teixeira Duarte - Engenharia e Construção (Moçambique), Lda.	66,000,000.00	USD	55,032
Teixeira Duarte - Gestão de Participa e Investimentos Imobiliários, S.A.	13,500,000.00	EUR	13,500
			257,094

21. FINANCIAL RESULTS

In the periods ended on 31 December 2017 and 2016, the financial results were broken down as follows:

	2017	2016	Var (%)
Financial Expenses and Losses:			
Supported interests	39,577	42,466	(6.8%)
Unfavourable exchange rate differences	25,552	51,305	(50.2%)
Other costs and financial losses	8,741	6,435	35.8%
	73,870	100,206	(26.3%)
Income and Financial Earnings:			
Obtained interests	36,087	47,339	(23.8%)
Favourable exchange rate differences	21,567	72,425	(70.2%)
Other income and financial earnings	5,393	63	8460.3%
	63,047	119,827	(47.4%)
Income related to investment activities:			
Dividends (a)	1,376	1,310	5.0%
	1,376	1,310	5.0%
Financial Results	(9,447)	20,931	(145.1%)

(a) - On 31 December 2017 and 2016, the values shown under the "Dividends" heading correspond to dividends received from Lusoponte – Concessionária para a Travessia do Tejo, S.A., the Company's stake was valued using the cost method (Note 19.1).

22. EMPLOYEE BENEFITS

During the periods ended on 31 December 2017 and 2016, the average number of employees hired directly by Portugal was 840 and 946 people, respectively. The average number of employees hired directly by branches and stable establishment abroad was 2,175 and 1,938 people, respectively.

In the periods ended on those dates, the expenses with personnel had the following break-down:

	2017	2016
Salaries	39,276	34,776
Other remunerations	21,079	24,191
Charges with remunerations	11,541	10,164
Distribution of profit	1,800	(384)
Insurance	1,576	1,328
Others costs with personnel	4,183	8,625
	79,455	78,700

23. EXTERNAL SUPPLIES AND SERVICES

In the periods ended on 31 December 2017 and 2016, the supplies and external services heading was broken down as follows:

	2017						Total
	Subcontracts	Specialised Services	Materials	Energy and fluids	Travel, stays and transport	Miscellaneous services	
Angola	12,505	4,237	6,006	714	4,097	(2,836)	24,723
Algeria	20,104	9,548	(513)	392	1,969	13,725	45,225
Brazil	6,246	5,472	1,110	1,497	5,368	6,647	26,340
Colombia	137	55	5	4	174	80	455
Spain	-	5	-	-	-	4	9
Morocco	12	2	29	-	71	1	91
Mozambique	-	1,654	-	-	44	(5)	1,693
Portugal	36,681	12,781	1,081	455	2,757	3,277	57,032
Venezuela	402	3,139	4,602	4	462	3,648	12,257
	76,063	36,893	12,320	3,066	14,942	24,541	167,825

	2016						Total
	Subcontracts	Specialised Services	Materials	Energy and fluids	Travel, stays and transport	Miscellaneous services	
Angola	23,372	5,432	2,798	854	2,494	10,571	45,521
Algeria	18,361	6,334	(708)	493	3,400	16,257	44,137
Brazil	689	1,609	368	425	1,095	1,672	5,858
Colombia	78	37	1	3	33	27	179
Spain	-	-	-	-	-	3	3
Morocco	(925)	3	-	-	49	3	(870)
Mozambique	-	4,493	-	-	-	3	4,496
Portugal	26,996	16,896	1,429	500	2,644	(3,743)	44,722
Venezuela	4,830	3,717	178	4	215	4,180	13,124
	73,401	38,521	4,066	2,279	9,930	28,973	157,170

24. OTHER INCOME AND EARNINGS

On December 31, 2017 and 2016, the other income and gains were as follows:

	2017	2016
Alienation of fixed tangible assets	1,620	8,225
Premium Redemption	1,766	5,889
Indemnity	1,083	-
Ceding of technical frames	7	25
Corrections referring to previous periods	1	30
Performance of social body responsibilities	428	408
Gains with Financial Assets	21	-
Tax refund	204	-
Royalties [Note 15] (a)	8,180	9,902
Other	13,084	16,602
	26,394	41,081

(a) – The indicated gains are from Trademark Exploitation License contracts signed with several related parties that, in the scope their business, use commercial brands created and maintained by the Company.

25. OTHER EXPENSES AND LOSSES

On December 31, 2017 and 2016, the other expenses and losses were as follows:

	2017	2016
Corrections related to prior financial years	2,469	1,401
Joint-Venture	4,191	3,760
Taxes and rates	6,729	5,921
Losses with fixed tangible assets	542	48
Breaches in inventory	7	139
Quotes	144	127
Social Responsibility Contributions (a)	-	3
Other	16,622	41,234
	30,704	52,633

(a) – The indicated losses are related to expenses assumed by the Company, regarding Social Responsibility policies, in the monitoring of contracting public works in Venezuela.

26. FINANCIAL RISKS MANAGEMENT

General principles

The Company is exposed to a number of financial risks arising from its activities, among which the following deserve special mention:

- Interest rate risks arising from financial liabilities;
- Exchange rate risk primarily resulting from the existence of operations and assets located outside of the Euro zone, namely Angola, Algeria, Brazil, Macao, Mozambique and Venezuela;
- Credit risk, particularly from amounts receivable from customers related to the company's operating activities;
- risk of liquidation, as regards the maintenance of cash balance stability.

The Company's Financial Department ensures the centralized management of the financing operations, applications of cash surplus, exchange transactions as well as the counterparty risk of the Company.

It is also responsible for the identification, quantification and for the proposal and implementation of measures aimed at the management/mitigation of the financial risks to which the Company is exposed.

Following is a more detailed description of Company's main financial risks and measures implemented to manage them.

Interest rate risk

The objective of the interest rate risk management policy is the minimization of the cost of debt subject to the maintenance of a low level of volatility of financial costs.

As at 31 December 2017, the financial liability is composed only and exclusively of 100% variable interest tax.

In case the market interest rates were less by 1% during the periods ended on December 31, 2017 and 2016, the income of those periods would have diminished by 787 thousand euros and 1,138 thousand euros, respectively. In case the same market interest rates had been greater by 1% during the same periods, the income of those periods would have increased by 787 thousand euros and 1,138 thousand euros, respectively.

Exchange rate risk

The company's operating activities are exposed to variations in the Euro exchange rate against other currencies.

In addition, considering the different countries where the company develops its business, its exposure to the exchange rate risk by default results from its subsidiaries reporting assets and liabilities in currencies different from the currency of the report, namely, Angola, Algeria, Brazil, Colombia, Macao, Mozambique and Venezuela.

The exchange rate risk management policy followed by the company is ultimately aimed at reducing, as much as possible, the sensitivity of the company's net income to currency fluctuations.

The monetary assets and liabilities denominated in foreign currency, converted into Euro as at 31 December 2017 and 2016, were as follows:

	Asset		Liability		Balances	
	2017	2016	2017	2016	2017	2016
Venezuelan Bolivar	59	12,471	2,163	2,994	2,222	9,477
Algerian Dinar (DZD)	-	-	34,080	16,303	(34,080)	(16,303)
American dollars	150,853	139,847	67,621	28,887	83,232	110,960
Pound Sterling	1	49	(45)	-	46	49
Mozambican Metical	16,477	15,929	11,579	6,033	4,898	9,896
Macanese Pataca	3	-	-	145	3	(145)
Brazilian Real	(175)	-	224	-	(399)	-
Moroccan Dinar	-	-	158	490	(158)	(490)
Angola Kwanza	139,188	190,807	126,703	34,270	12,485	156,537
	306,406	359,103	238,157	89,122	68,249	269,981

The possible impacts generated on the financial statements of the Company, in case a valorisation of 5% of the above mentioned currency occurs, they can be summed up as follows:

	Asset		Liability		Balances	
	2017	2016	2017	2016	2017	2016
Venezuelan Bolivar	3	624	(108)	150	111	474
Algerian Dinar (DZD)	-	-	1,704	815	(1,704)	(815)
American dollars	7,543	6,992	3,381	1,444	4,162	5,548
Pound Sterling	-	2	(2)	-	2	2
Mozambican Metical	824	796	579	302	245	494
Macanese Pataca	-	-	-	7	-	(7)
Brazilian Real	(9)	-	11	-	(20)	-
Moroccan Dinar	-	-	8	25	(8)	(25)
Angola Kwanza	6,959	9,540	6,335	1,714	624	7,826
	15,320	17,954	11,908	4,457	3,412	13,497

Credit risk

On December 31, 2017 and 2016, the accounts receivable balances of clients for whom adjustments were not recorded by the Board of Directors, considering that the same are realisable, are the following:

	2017	2016
Balances:		
Unexpired	37,123	147,083
Up to 180 days	80,523	56,394
From 180 to 360 days	74,696	59,749
Over 360 days	175,796	135,140
	368,138	398,366

Liquidity risk

This risk can occur if the sources of financing, such as the cash flows from operating activities, divestment, credit lines and from financing operations, do not meet the financing needs, such as the cash outflows for operating activities and financing, investments, remuneration of shareholders and debt repayment.

In order to mitigate this risk, the Company seeks to maintain a liquidity position and an average maturity of debt that allows it to repay its debt within reasonable periods of time.

The financial liability valid up to a year is, whenever deemed appropriate, substituted by medium and long term maturity.

The maturity of the financial liabilities at 31 December 2017 and 2016 is as follows:

	2017				Total
	Until 1 year	From 1 to 2 years	From 2 to 3 years	Over 3 years	
Suppliers	218,757	-	-	-	218,757
Obtained financing	279,028	6,081	27,758	319,633	632,500
Government and other public entities	14,752	-	-	-	14,752
Other debts payable	133,215	194	145	-	133,554
Advance payments from clients	46,986	16,354	9,592	-	72,932
Deferrals	7,087	-	-	-	7,087
	699,825	22,629	37,495	319,633	1,079,582

	2016				Total
	Until 1 year	From 1 to 2 years	From 2 to 3 years	Over 3 years	
Suppliers	143,187	-	-	-	143,187
Obtained financing	346,349	199,397	48,857	75,927	670,530
Government and other public entities	14,274	-	-	-	14,274
Other payable accounts	86,721	194	145	-	87,060
Advance payments from clients	40,911	31,106	-	-	72,017
Deferrals	26,391	-	-	-	26,391
	657,833	230,697	49,002	75,927	1,013,459

27. CAPITAL

Share capital

As at 31 December 2017, the Company's paid-in capital, totally underwritten and paid-up, was composed of 280.000.000 shares with the nominal value of 1.00 euro each.

On December 31, 2017 and 2016 the Company's capital was held at 100% by Teixeira Duarte, S.A..

Legal reserve

Commercial legislation establishes that at least 5% of annual net profit must be appropriated to a legal reserve until the reserve equals at least 20% of capital. This reserve is not distributable, except in the case of the Company's liquidation, but may be used to absorb losses, after all the other reserves have been depleted, or incorporated in the share capital.

Other reserves

The other reserves are composed only and exclusively by free reserves.

Application of results

A decision made by the General Meeting on 21 April 2017 approved the accounts for the 2016 period. It was decided that the calculated Net Result, amounting to € 19,715,198.53 (nineteen million seven hundred and fifteen thousand one hundred and ninety eight euros and fifty three cents) should be applied as follows:

	Value
Legal reserve	1,000,000.00
Free Reserve	7,965,198.53
Dividends	10,750,000.00
	19,715,198.53

28. OTHER INFORMATION

The Board of Directors discloses that the Company does not have any debts to the State in a situation of late payment, under the terms of Decree-Law 534/80, of 7 November.

Pursuant to Decree-Law number 411/91, of 17 October, the Board of Directors discloses that the situation of the Company relative to Social Security is settled, within the legally stipulated periods of time.

29. SUBSEQUENT EVENTS AT THE DATE OF THE BALANCE SHEET

Teixeira Duarte continued its activity in the different sectors and markets in which it operates. The following relevant facts that occurred after the close of the financial year should be highlighted:

1. Teixeira Duarte - Engenharia e Construções, S.A. was chosen by IMO HEALTH – Investimentos Imobiliários, S.A. – an entity of the José de Mello Saúde Group – to execute the contract for the construction of structures, special facilities, finishings and exterior arrangements of the CUF Tejo Hospital, in Alcântara, Lisbon. The deadline for the execution of the work is 16 months and the total value of the work is estimated at 52.3 million euros.
The contract signed on February 13, 2018, involves the execution of the structure, special facilities, finishings and exterior arrangements of the new CUF Tejo Hospital, which will have six floors above-ground and four floors below-ground. The gross construction area of around 73,000sqm will comprise parking areas on floors -4 to -2, with specialist units and services on the remaining floors.
The participation of Teixeira Duarte - Engenharia e Construções, S.A. in this large-scale project began in 2016 with excavations, peripheral containment and the building of up to Floor 0. The cost of both works will total 65.4 million euros.
2. A consortium led by “Teixeira Duarte – Engenharia e Construções, S.A.”, received, on March 1, 2018, from the “Concessionária do Aeroporto de Salvador, SA” – a company belonging to the Vinci Airports Group – the contract and respective service order for the execution of the “Engineering, supply and construction contract, for the expansion of Salvador airport, with fixed prices and timeframes, under an EPC turn-key contract (Engineering, Procurement and Construction), for a flat-rate price”, with a view to carrying out work on, remodelling and expanding Salvador Airport. This includes the undertaking of the executive project, the construction of a new terminal and its respective boarding bridges, construction of a building to connect the new terminal to the existing terminal, and remodelling of the existing terminal and improvement of the runway, landing strips and taxiways.
The estimated period of execution of the work is 20 months and the total value of the contract amounts to approximately R \$ 600 million (Brazilian Reals) or 149,6 million euros.
“Teixeira Duarte - Engenharia e Construções, S.A.” is the leader of this consortium, in which it has a stake of 32.99%.
3. Despite not having been disclosed to the market as “Privileged Information” due to its dimensions, it is deemed appropriate to include here, under this scope, the following relevant factors within the scope of activities in the Infrastructure area, in Brazil:
 - a. A joint venture which includes its 100% controlled company “EMPA, S.A. Serviços de Engenharia”, has received, on March 13 of 2018, on behalf of the National Transportation Infrastructure Department (known as the DNIT), a contract for the “Elaboration of the basic and executive engineering projects and implementation of road duplication, side roads, capacity adaptation, restoration with improvements and special engineering structures on highway BR-116/BA, Lot 06”, to be developed between Km 387.41 and km 427.75, for a total extension of 40.34 km.
The time frame foreseen for implementation of the work is of 1350 days and it is valued at 297 million Reais, corresponding to 74 million Euros, of which “EMPA, S.A. Serviços de Engenharia” owns a participation of 45%, equivalent to 33.3 million Euros.
 - b. Its 100% controlled company “EMPA, S.A. Serviços de Engenharia” has signed, on March 26 of 2018, with the company “VALE S.A.”, a contract for the “Full implementation of the civil works for raising the scope of the Itabiruçu Dam to a height of 850 meters, in the municipal district of Itabira/MG, including the supply of materials”.
The work is valued at R\$ 109 million Reais [Brazilian Reals], corresponding to 26.6 million Euros and divided into two Work Orders; the first one valued at R\$ 13.5 million, corresponding to 3.3 million Euros and a period of 170 days, and the second one valued at R\$ 95.5 million, corresponding to 23.3 million Euros and a period of 514 days.
4. “Teixeira Duarte - Engenharia e Construções, S.A.” has signed, on April 9, 2018, a contract with subsidiaries for an investment fund managed by “3i Investments plc”, a management company, for the sale of 90% of the capital stock of “TDHOSP – Gestão de Edifício Hospitalar, S.A.” (TDHOSP).

The transaction has as a suspensive condition - in addition to obtaining consent from TDHOSP itself, authorization must be obtained on behalf of the Portuguese state, as a conceding entity, as well as on behalf of the concession's financing entities - which is expected to occur by July 30 of 2018.

The total price set for the transaction, including the transfer of shares and credit claims existing over TDGOSP, is around 19.4 million euros, which will have an impact of around 19 million euros on the "Equity" item of the 2018 accounts of "Teixeira Duarte, S.A.", leading to a reduction of around 75 million euros in the Group's liabilities.

5. The kwanza suffered a 43% devaluation against the euro during the first three months of 2018. As the company has monetary assets and liabilities denominated in foreign currency, this devaluation has had an impact on equity, amounting to around 5,368 thousand euros.
6. As mentioned in the Management Report, the Teixeira Duarte Group concluded a Framework Agreement with Banco Comercial Português, Caixa Geral de Depósitos and Novo Banco, which sets out the terms by which the Group's debt will be significantly reduced. The aforementioned agreement had no effect on the amounts recognized on the Company's financial statements, but it had an effect on their presentation, in consequence of the extension of financial debt maturities.

**REPORT AND OPINION
OF THE SOLE AUDITOR AND
LEGAL ACCOUNTS
CERTIFICATION 2017**

REPORT OF THE FISCAL BOARD

*(Free translation from a report originally issued in Portuguese language.
In case of doubt the Portuguese version will always prevail)*

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Dear Shareholders,

In accordance with the law and the statutes we hereby submit to you our report on the activity and accounts of the company TEIXEIRA DUARTE – ENGENHARIA E CONSTRUÇÕES, S.A., referring to the financial year at December 31, 2017.

In performing our functions, we followed up the company's activity and the management on a regular basis, by means of the analysis of the accounting data and through the clarifications requested from the Administration and the Services, from whom we obtained all the requested cooperation. We also carry out the verification and verification acts we deem appropriate for the fulfilment of our supervisory obligations, namely the supervision of the process of preparation and disclosure of the financial statements.

Regarding the appraisal of the management report presented by the Management, we are of the opinion that it is in compliance with the applicable legal provisions and that it refers to the most relevant aspects that characterize the Company's activity.

It's important to enhance, as mentioned in Management Report and note 28 of Notes, that it was signed an Agreement between the Group Teixeira Duarte and the main banking institutions.

We have also performed the statutory audit of the yearly financial statements and issued the respective Statutory Auditor's Report, which contents and conclusions shall be considered as reproduced in this report.

In consequence, it is our opinion that:

- a) The Report and Accounts submitted by the Board of Directors should be approved;
- b) The Proposal for the application of results should be approved.

Lisbon, April 26, 2018

MOORE STEPHENS & ASSOCIADOS, SROC, S.A.
Represented by António Gonçalves Monteiro

STATUTORY AUDITOR'S REPORT

*(Free translation from a report originally issued in Portuguese language.
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have examined the accompanying financial statements of TEIXEIRA DUARTE – ENGENHARIA E CONSTRUÇÕES, S.A. (the Entity), comprising the balance sheet at December 31, 2017 (which reflects a total of 1.610.125 thousand euros and a shareholders' equity of 512.345 thousand euros, including a net loss for the period of 16.004 thousand euros), the income statement, the changes in equity and the cash flow statement for the year ended that date, and the annex to the financial statements which includes a summary of the main accounting policies.

In our opinion, the attached financial statements give, in all material aspects, a true and fair view of the financial position of TEIXEIRA DUARTE – ENGENHARIA E CONSTRUÇÕES, S.A. at December 31, 2017, the results of its operations, the changes in equity and its cash flows for the year then ended, in accordance with the Accounting and Financial Reporting Standards approved by the Portuguese standard setters.

Basis for Opinion

We conducted our audit in accordance with the International Auditing Standards (ISAs) and guidelines issued by the Portuguese Institute of Statutory Auditors. Our responsibilities under those standards are described below in the section "Auditor responsibilities for the audit of the financial statements". We are independent with respect to the Company in accordance with legal and regulatory provisions of the Code of Ethics approved by the Portuguese Institute of Statutory Auditors.

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

Responsibilities of management for the financial statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the Entity's financial position, financial performance and cash flows in accordance with the Accounting and Financial Reporting Standards approved by the Portuguese standard setters;
- the preparation of the management report in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Entity's ability to continue as a going concern.

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

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

- identify and assess the risks of material misstatement of the 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 purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a 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 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 audit evidence regarding the financial information of the entities or activities within the Entity to express an opinion on the financial statements. We are responsible for the guidance, oversight and performance of the Entity's audit and we are ultimately responsible for our audit opinion;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies I internal control that we identify during our audit.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements.

REPORT ON OTHER LEGAL REQUIREMENTS

On the management report

Pursuant to article 451º, nº3, al. (e) of the Portuguese Companies' Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Entity, we have not identified any material misstatements.

Lisbon, April 26, 2018

MOORE STEPHENS & ASSOCIADOS, SROC, S.A.
Represented by António Gonçalves Monteiro