



Report and Accounts

2012

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PART 1

MANAGEMENT REPORT

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1. Economic Background

The world economy slowed again in 2012, although the pace of growth differed significantly from region to region: in the advanced economies, growth in Gross Domestic Product remained either weak or negative, whilst the emerging and developing economies, if slightly less ebullient than in the previous year, achieved growth at comparatively more robust levels.

International trade flows slowed significantly in 2012, reflecting the significant extent to which the global economy is exposed to trends in the more developed regions.

The international business climate once again featured high levels of uncertainty, visible in the continued volatility of the financial markets, in the erosion of business confidence and the consequent deferment of economic recovery on a global scale. Dwindling confidence - associated not only with uncertainty about the outcome of the public debt crisis in the Euro zone but also with persistent doubts about the resolution of major fiscal issues in the USA - has critically undermined the prospects for growth worldwide.

The euro zone found itself centre stage in the economic and financial crisis. In a contractionary context, characterized by a broad process of reduction in the levels of public and private sector debt, which had been shown to be excessive, efforts intensified to consolidate budgets. This process was observed throughout the zone, but most significantly in the countries which have negotiated bailouts. This process of procyclical adjustment naturally contributed to a deepening of the recession: the outlying countries recorded significant drops in GDP and a substantial increase in unemployment (exacerbating the reduction in consumer spending and adding to the lack of confidence).

The sovereign debt crisis has been prolonged in part because of the difficulty of shaping a coordinated and prompt European response, and also due to continuing doubts as to the willingness of national authorities to implement the policies needed to resolve the problems and the ability of some countries to meet the budget targets, in a recessionary environment. At the same time, the ECB has responded to the economic recession by adopting an expansionist monetary policy, but the perception of high risk levels in the outlying countries means that these economies continued to operate within a more restrictive financial environment: private sector borrowing costs remained extremely high, practically unaffected by the rate changes announced by the ECB or by the drop in the Euribor rate to all-time lows.

Nonetheless, the European authorities took important steps in the second half of 2012, seeking to restore investor confidence and contributing to an appreciable improvement in risk perception on the financial markets. These developments included the decisions of the European Council to create a banking union and the ECB's declaration that it was prepared to do whatever it takes, within the scope of its mandate, to save the Euro. Lower spreads on issues of sovereign debt by outlying countries, particularly towards the end of the year, offered a positive sign that the markets were evolving towards normality.

In Portugal, the process of adjusting the economy continued, along the lines established in the programme of economic and financial aid. This took place within an extremely restrictive monetary and financial environment, in which budgetary policy remained wedded to contractionary aims.

This context, combined with high levels of economic and social uncertainty, severely inhibited economic growth, resulting in a sharp drop in output (- 3.0%) and unprecedented levels of unemployment (over 16%).

Linked to the high costs resulting from the worsening economic situation, in line with the recessionary cycle, some progress was observed in the process of adjustment, in particular in current and capital account balances, with growing exports and a sharp reduction in imports. At the same time, perception amongst international investors of the risk of the Portuguese economy showed signs of improvement.

The US economy showed signs of an upturn in 2012 (slightly above 2%), held back by the deleveraging process under way. Although far from full employment, the jobless rate (7.8% at the end of 2012) compares very favourably with that recorded in Europe. Questions about the credibility of budgetary policy - after a limited period of expansionist policies - and the corresponding sustainability of the level of federal debt continue to hold back the prospects for growth in the US economy.

Economic growth in Asia was significantly curbed, with a drop in external demand (the knock-on effect from the developed economies) and slower rates of growth in the Chinese economy (above 7%). At a structurally different level, the Japanese economy showed signs of renewal, with growth of more than 2%, benefiting from reconstruction efforts during the first half of the year.

Latin America experienced a significant slowdown in economic growth, one of the crucial factors behind which was the less favourable trend in external demand, due in particular to the slowing of the European economy.

On average, the US dollar was 8% stronger against the Euro in relation to 2011, although it ended the year 9% down from its highest point against the Euro, recorded during the summer.

2. Overview of Semapa Group Operations

LEADING BUSINESS INDICATORS – comparison with figures for 2011:

Turnover: 1,952.6 million euros ↑ 9.7%

Total EBITDA: 494.8 million euros ↑ 15.8%

EBITDA Margin: 25.3% ↑ 1.3 p.p.

Pre-tax profits: 241.5 million euros ↑ 6.9%

Net income: 126.5 million euros ↑ 1.9%

Net debt: 1,453.0 million euros ↑ 539.9 million euros (vs. December 2011.)

Comparison of the Semapa Group's results is affected by two structural changes which took place during 2012:

- Acquisition of 49% of the Secil Group from CRH, following the arbitral award;
- The Group moved into the Brazilian cement market, acquiring 50% of Supremo Cimentos.

Leading Business Indicators

IFRS - accrued amounts (million euros)	2012	2011	Var. (%)
Turnover	1.952,6	1.779,7	9,7%
Other income	96,5	53,3	81,1%
Costs and losses	(1.554,3)	(1.405,7)	-10,6%
Total EBITDA	494,8	427,3	15,8%
Recurrent EBITDA	447,1	424,4	5,4%
Depreciation and impairment losses	(199,8)	(165,5)	-20,8%
Provisions (increases and reversals)	9,5	1,3	621,5%
EBIT	304,5	263,1	15,7%
Net financial profit	(63,0)	(37,4)	-68,7%
Pre-tax profit	241,5	225,8	6,9%
Tax on profits	(70,9)	(56,6)	-25,2%
Retained profits for the year	170,6	169,1	0,8%
Attributable to Semapa equity holders	126,5	124,2	1,9%
Attributable to minority interests	44,0	45,0	-2,1%
Cash-flow	360,9	333,3	8,3%
EBITDA margin (% Sales)	25,3%	24,0%	1,3 p.p.
EBIT margin (% Sales)	15,6%	14,8%	0,8 p.p.
	31-12-2012	31-12-2011	Dec12 vs. Dec11
Equity (before MI)	796,0	1.048,8	-24,1%
Net debt	1.453,0	913,1	59,1%
Net Debt / EBITDA *	2,9 x	2,1 x	0,4 x

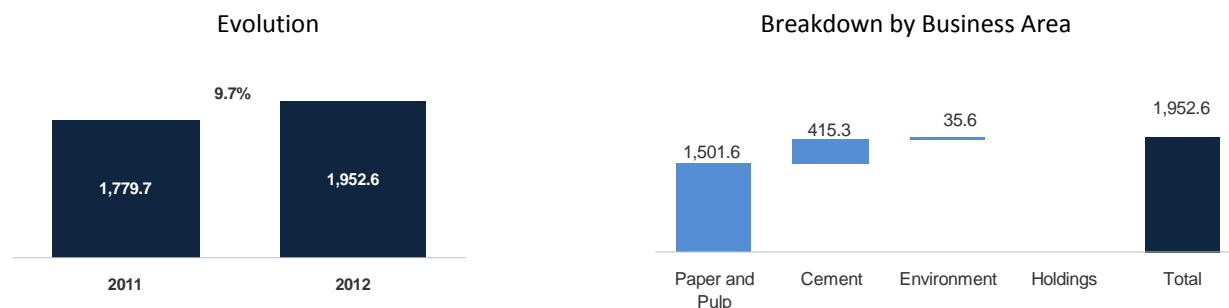
Notes:

- Total EBITDA = operating profit + depreciation and impairment losses + provisions – reversal of provisions
- Cash flow = retained earnings + depreciation and impairment losses + provisions – reversal of provisions
- Net debt = non-current interest bearing debt (net of loan issue charges) + current interest-bearing debt (including debts to shareholders) – cash and cash equivalents – market value of own shares and other securities held by the Group

Comparability is affected by: i) inclusion of 50% of the recently acquired operation in Brazil (Supremo Cimentos, SA), consolidated on a proportional basis, and by ii) full consolidation of Secil as from the end of March 2012 (100% integration of Secil in balance sheet items, as compared to 51% in the comparative figures for 31 December 2011; income accounts include 51% of Secil's results in the 1st quarter and 100% in the remaining quarters of 2012, as compared to 51% for the financial year of 2011).

Consolidated Turnover: 1,952.6 million euros ↑ 9.7%

Exports and sales on foreign markets accounted for 78.0% of Consolidated Turnover



Figures in million euros

Consolidated turnover was up by 9.7% in relation to 2011, with 78.0% relating to foreign markets. Turnover broke down by business area as follows:

Paper and Pulp: 1,501.6 million euros ↑ 0.9%

With turnover topping 1.5 billion euros, the Portucel group recorded in 2012 its highest ever figures for output and paper sales, consolidating its position as Europe's leading manufacturer of uncoated woodfree (UWF) printing and writing paper. The Group's growing turnover has been achieved thanks to strong performance in paper operations, and also to burgeoning returns from the energy sector.

Despite the difficult climate in the world economy and the high level of unemployment recorded throughout the year, with a negative impact on paper consumption, the Group was once again able to increase the quantity of paper sold, breaking through the barrier of 1.5 million tons. This growth, combined with an increase in the average sales price, contributed positively to the excellent performance achieved in **paper** business. This increase in the Group's average sales price was in contrast with the benchmark index in the paper market, the PIX Copy B, down by around 1%. This was due essentially to changes in the geographical sales mix, combined with more favourable exchange rate trends.

In bleached eucalyptus **pulp** (BEKP) business, turnover was down by approximately 11%, due in part to the maintenance stoppage at the Setúbal industrial complex in September and also to the smaller volume of pulp available for sale on the market, as a result of increased paper output, incorporating larger quantities of pulp. Prices moved upwards over the year, with the PIX BHKP index (in euros) gaining 0.6%, in line with the Group's average price. This helped to offset the impact of the diminishing volume of pulp sales. As a result, the value of pulp sales in 2012 was down by approximately 10% in comparison with 2011.

The energy business area performed well over the course of 2012, with sales up by around 8% in value, thanks to increased output and rising sale prices.

Cement*: 496.4 million euros ↓ -2.1%

Appropriated by Semapa: 415.3 million euros ↑ 60.7%

In the financial year of 2012, turnover in the Cement business area stood at 496.4 million euros, down by 2.1% on the figure recorded for the previous financial year, with the Semapa Group appropriating 415.3 million euros¹. These

* Includes 100% of the Secil Group + 100% of the Supremo Group

¹ Appropriation by the Semapa Group of 51% of the Secil Group in the 1st quarter and 100% of the Secil Group in the remaining quarters + 50% of the Supremo Group over the 12 months of 2012.

² Appropriation by the Semapa Group of 51% in the 1st quarter and 100% in the remaining quarters of 2012

figures reflected worsening performance in sales in most sectors of the domestic market.

Despite growth of 25.8% in sales to foreign markets by the cement business unit in Portugal and positive performance in Lebanon and Tunisia, the Group failed to offset the decline in sales on the home market by the cement business unit in Portugal and in sales by the cement business unit in Angola.

In **Portugal**, the construction industry remained weak with the extremely negative trends of the previous year worsening further over the period. In the period from January to December, output in the construction sector dropped by 16.6 % (production index in construction and public works – INE January 2013). This was accompanied by a slump of around 26.9% in cement consumption in relation to 2011 (figures from FEPICOP – Federação Portuguesa da Indústria da Construção e Obras Públicas), with total consumption standing at 3,329 thousand tons, the same level as recorded in 1973.

In this particularly harsh environment, cement operations in Portugal recorded turnover of 177.1 million euros² over the financial year of 2012, down by 12.3% on the previous year.

Attention should be drawn to the increase in export business, with sales up by 25.8% in relation to the financial year of 2011, partially offsetting a reduction of 25.9% in sales on the domestic market. The reduction in business, due to falling domestic demand, was sharper during the second half of the year.

Turnover in non-cement business segments (concrete, aggregates, mortars, pre-cast and others) operating from Portugal stood at 83.7 million euros², down by 34.0% on the previous year.

In **Tunisia**, the construction industry and demand for cement continued to grow at a healthy pace. Over the financial year, demand for cement increased by around 12.3% for the country as a whole and 11.7% for the southern region which is the natural market for Secil's operations.

In this context, the cement business unit in Tunisia recorded turnover of around 59.1 million euros², up by 12.5% on the figures for the 12 months of the previous year, due essentially to increasing sales in quantity (up by 11.1%).

Over the period in question, turnover from cement operations in **Lebanon** stood at approximately 79.9 million euros², representing an increase of 9.2% over the previous year, due fundamentally to the rising average sale prices in euros, insofar as sales by quantity were slightly lower.

The cement business unit in **Angola** recorded performance down by 6.2% on the financial year of 2011, with turnover of approximately 28.5 million euros², due essentially to a reduction in cement sales in quantity (down by 22.6%), insofar as the average sales price rose over the period (up by 21.2%). The start-up of a new cement mill in the Benguela region, with annual capacity of 600 thousand tons, was a contributing factor to contracting business in this market.

During the financial year of 2012, operations in **Brazil (Supremo Group)** generated turnover of 46.1 million euros, of which the Semapa Group appropriated 23.1 million euros.

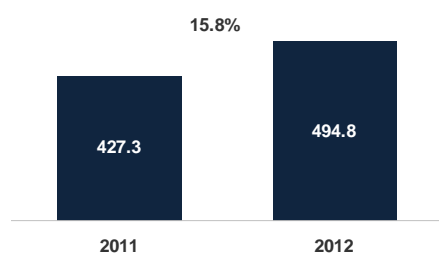
Environment: 35.6 million euros ↑ 7.2%

Despite reduction in the level of animal slaughter, caused by the current economic situation in Portugal and Spain, turnover in 2012 stood at 35.6 million euros, representing an increase of 7.2% over the financial year of 2011, due essentially to the extension of services to new abattoirs as the result of acquisition in April 2011 of the assets of another operator, to the stepping up of commercial operations in Spain, resulting in the contracting of a number of new suppliers, including a number of former suppliers, and to rising average sales prices for category 3 by-products (fats and meals).

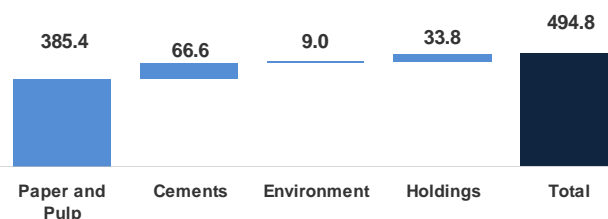
Consolidated EBITDA: 494.8 million euros ↑ 15.8%

Consolidated EBITDA Margin: 25.3% ↑ 1.3 p.p.

EBITDA



Breakdown by Business Area



Figures in million euros

Paper and Pulp: 385.4 million euros ↑ 0.1%

Consolidated EBITDA for paper and pulp business stood at € 385.4 million, close to the figure recorded in 2011 and resulting in an EBITDA / Sales margin of 25.7%, down 0.2 percentage points on the margin recorded in the previous year.

Trends in a certain production costs were positive throughout 2012, in particular as regarded the costs of some of the raw materials and chemicals used. This was nonetheless not enough to offset the sharp hike in power and natural gas costs, up by around 36 million euros, meaning that the Group recorded an overall increase in its production costs.

Logistical costs also worsened, due to wider dispersal of points of sale, rising fuel prices, reduced availability of means of transport (due to changes in import and export flows) and exchange rate variations, which were detrimental for this item. The increase in logistical costs was significantly exacerbated by the dock workers' strikes that disrupted operations at the ports of Lisbon, Setúbal, Figueira da Foz and Aveiro over the last five months of the year.

Cement*: 74.7 million euros ↓ 26.9%

Appropriated by Semapa: 66.6 million euros ↑ 27.7%

EBITDA in the cement sector stood at 74.7 million euros, down by 26.9% on the financial year of 2011, with the Semapa Group appropriating 66.6 million euros¹.

Despite the improvement in operational performance in the 4th quarter of 2012, accrued figures for the year as a whole point to a negative trend due to poorer performance in business segments located in Portugal (as a direct consequence of the severe crisis affecting the construction sector) and also, to a lesser extent, in the cement business unit in Lebanon .

The EBITDA margin stood at 15.1% for the period in question, 5.1 p.p. down from the margin recorded in the same period in the previous year.

EBITDA from cement operations based in **Portugal** stood at approximately 40.7 million euros², down by 42.4% on the same period in 2011.

This decline was due essentially to the following factors: i) an appreciable reduction in the average sales margin, caused by decreased sales on the domestic market which offers higher prices and margins than the export market; ii) an increase in power costs; iii) occurrence of non-recurrent costs related to redundancies, due to the streamlining plan currently under way, partially offset by a reduction in liabilities for other benefits.

Factors which had a positive impact on performance included continued tight control of production and maintenance overheads, and also of distribution and structural costs. Secil has various projects underway, in particular in the cement, ready-mixed and aggregates segments, with a view to achieving significant savings by streamlining operations and resizing supporting departments in order to bring the company's structure into line with the new situation created by shrinking domestic demand.

Other business segments operating in Portugal generally recorded performance well down on 2011, due to the significant contraction of the construction market.

In **Tunisia**, EBITDA from cement operations totalled 8.5 million euros², up by 20.5% on the financial year of 2011, when business had been badly hit in the wake of the political events.

Overall, performance was positive, considering the following factors which affected operations over the course of 2012: (i) temporary blockade of the mill due to strikes and sit-ins, (ii) delay in the start-up of the new cement mill, (iii) the shortfall in clinker output meant that substantial quantities had to be imported, at higher prices, in order to meet internal demand, resulting in a squeeze on the margin on local sales.

Performance in the ready-mixed and pre-cast segments was slightly down on 2011 (-16.9%), with EBITDA at 0.8 million euros², due to a reduction in both the quantity and value of sales.

In **Lebanon**, EBITDA from the cement business unit totalled 23.2 million euros², down by -9.3% on 2011, despite a significant improvement as from the 3rd quarter of 2012.

The decline in performance recorded in the first part of the year was due essentially to lengthy stoppages on production lines due to frequent power cuts and other technical problems. In order to respond to market demands, the company was obliged to buy in sizeable quantities of clinker and cement from other manufacturers, with a consequent loss of margin. At the same time, successive stoppages led to increased maintenance costs and added thermal fuel consumption due to kiln start-ups.

In the concrete segment, performance was positive and showed an improvement on the financial year of 2011. EBITDA stood at 0.51 million euros², up by 18.0%.

In **Angola**, EBITDA from cement business stood at 2.9 million euros², down by approximately 34.4% in relation to the 12 months of 2011. This improvement was achieved essentially on the strength of rising average sales prices and streamlining of costs.

Operations in **Brazil** generated EBITDA of 3.1 million euros, of which the Semapa Group appropriated 1.5 million euros.

Environment: 9.0 million euros 10.5%

EBITDA in the environmental sector totalled 9.0 million euros, representing growth of 10.5% over the financial year of 2011, thanks essentially to (i) improvement in turnover, thanks to acquisition of the assets of another operator, as reported above, and in change in stocks and (ii) the pressure exerted throughout operations by cost control systems, despite unfavourable trends in unit costs for the Group's main energy needs.

The EBITDA margin stood at 25.2%, representing an increase of 0.7 p.p in relation to the margin for the same period in 2011.

Holdings (Semapa SGPS and instrumental sub-holdings)

EBITDA from the holding companies made a positive contribution of 33.8 million euros, comparing favourably with the negative figure of 18.1 million euros recorded in 2011, due to the inclusion in the accounts of non-recurrent items with a value of 45.4 million euros. 9.6 million euros relating to the reimbursement of expenses by CRH in connection with the acquisition of 49% of Secil, 16.8 million euros resulting from recognition at fair value of the original holding owned by Semapa in Secil (51%) and 19.0 million euros due to the discount on redemption of the pension plans for Semapa's directors.

Financial results: -63.0 million euros ↓ 68.7%

Financial results in 2012 worsened by 25.7 million euros in relation to the financial year of 2011, standing at -63.0 million euros.

This was due to increased interest payable by the Secil and ETSA Groups and the holding companies as a result of rising levels of indebtedness, due to acquisitions, and higher average interest rates over the period, which were not partially offset by inclusion in the accounts of exchange rate gains worth 10.8 million euros deriving from acquisition of Supremo.

Consolidated Net Income: 126.5 million euros ↑ 1.9%

Accrued consolidated net income in 2012 totalled 126.5 million euros, representing an increase of 1.9% in relation to the financial year of 2011. This increase was due essentially to the following factors:

- An increase in EBITDA of approximately 67.5 million euros;
- An increase in depreciation and impairment losses of 34.4 million euros
- An improvement in provisions of 8.2 million euros.
- A worsening of financial results by 25.7 million euros in relation to the financial year of 2011;
- A taxation increase of 14.3 million euros, fundamentally due to the impact of harmonization of the tax rate applicable to deferred taxes in order to accommodate a state surtax (*derrama estadual*) of 5% and by the growth in the pre-tax profits of the Portucel Group.

Consolidated Net Debt: 1,453.0 million euros ↑ 539.9 million euros

At 31 December 2012, consolidated net debt stood at 1,453.0 million euros, representing an increase of 539.9 million euros over the figure recorded at year-end 2011.

Segment Reporting (IFRS)

IFRS-accrued amounts (million euros)	Paper and Pulp	Cement	Environment	Holdings	Consolidated
Sales	1,501.6	415.3	35.6	-	1,952.6
Total EBITDA	385.4	66.6	9.0	33.8	494.8
Recurrent EBITDA	384.1	65.6	9.0	(11.6)	447.1
Depreciation and impairment losses	(129.4)	(67.2)	(2.8)	(0.3)	(199.8)
Provisions (increases and reversals)	15.0	0.5	(1.0)	(5.0)	9.5
EBIT	270.9	(0.2)	5.2	28.5	304.5
Net financial profit	(15.7)	(12.4)	(1.6)	(33.3)	(63.0)
Pre-tax profits	255.2	(12.6)	3.6	(4.8)	241.5
Tax on profits	(63.4)	(7.2)	(0.5)	0.2	(70.9)
Retained profits for the year	191.9	(19.8)	3.1	(4.6)	170.6
Attributable to Semapa equity holders	152.8	(24.6)	2.9	(4.6)	126.5
Attributable to minority interests	39.1	4.8	0.2	-	44.0
Cash-flow	306.4	47.0	6.9	0.7	360.9
EBITDA margin (% Sales)	25.7%	16.0%	25.2%	-	25.3%
EBIT margin (% Sales)	18.0%	0.0%	14.6%	-	15.6%
Net debt	255.6	304.3	20.4	872.8	1,453.0

Notes:

- Figures for business segment indicators may differ from those presented individually by each Group, as a result of consolidation adjustments
- The Cement segment includes 51% of the Secil Group in the 1st quarter and 100% in the remaining quarters of 2012 + 50% of the Supremo Group in 2012

3. Paper and Paper Pulp Business Area - PORTUCEL

3.1. LEADING BUSINESS INDICATORS

IFRS - accrued amounts (million euros)	2012	2011	Var %
Sales	1,501.6	1,487.9	0.9%
Other income	30.6	21.5	42.5%
Costs and losses	(1,146.8)	(1,124.3)	-2.0%
EBITDA	385.4	385.1	0.1%
Recurrent EBITDA	384.1	385.0	-0.2%
Depreciation and impairment losses	(129.4)	(139.8)	7.4%
Provisions (increases and reversals)	15.0	5.6	166.5%
EBIT	270.9	250.9	8.0%
Net financial profit	(15.7)	(15.8)	0.4%
Pre-tax profit	255.2	235.1	8.5%
Tax on profits	(63.4)	(49.6)	-27.7%
Retained profits for the year	191.9	185.5	3.4%
Attributable to Portucel equity holders *	191.8	185.5	3.4%
Attributable to minority interests (IM)	0.0	0.0	10.5%
Cash-Flow	306.4	319.7	-4.2%
EBITDA margin (%)	25.7%	25.9%	-0.8%
EBT margin (%)	18.0%	16.9%	7.0%
	31-12-2012	31-12-2011	Dec12 vs. Dec11
Equity (before MI)	1,336.3	1,353.0	-1.2%
Net debt	255.6	422.8	-39.5%

* of which 80.84% is attributable to Semapa

Note: The above figures may differ from those presented individually by the Portucel Group, as a result of consolidation adjustments made by the holding company, Semapa.

3.2. PORTUCEL GROUP – OVERVIEW OF OPERATIONS

With turnover topping 1.5 billion euros, the Portucel group recorded in 2012 its highest ever figures for output and paper sales, consolidating its position as Europe's leading manufacturer of uncoated woodfree (UWF) printing and writing paper. The Group's growing turnover has been achieved thanks to strong performance in paper operations, and also to burgeoning returns from the energy sector.

Despite the difficult climate in the world economy and the high level of unemployment recorded throughout the year, with a negative impact on paper consumption, the Group was once again able to increase the quantity of paper sold, breaking through the barrier of 1.5 million tons. This growth, combined with an increase in the average sales price, contributed positively to the excellent performance achieved in paper business. This increase in the Group's average sales price was in contrast with the benchmark index in the paper market, the PIX Copy B, down by around 1%. This was due essentially to changes in the geographical sales mix, combined with more favourable exchange rate trends.

In bleached eucalyptus pulp (BEKP) business, turnover was down by approximately 11%, due largely to the smaller volume of pulp available for sale on the market, as a result of increased paper output and the consequent incorporation of larger quantities of pulp. Prices moved upwards over the year, with the PIX BHKP index (in euros) gaining 0.6%, in line with the Group's average price. This helped to offset the impact of the diminishing volume of pulp sales. As a result, the value of pulp sales in 2012 was down by approximately 10% in comparison with 2011.

The energy business area performed well over the course of 2012, with sales up by around 8% in value, thanks to increased output and rising sale prices; however, business in this sector was hit by steep rises in costs and by the reduction in the tariff applied to power produced through co-generation by one of the Group's industrial units, under recently published legislation. It should be stressed that the tariffs set by this legislation severely penalize the manufacturers of tradable goods, and are not even sufficient to cover the cost of the gas required to operate the units.

Trends in a certain production costs were positive throughout 2012, in particular as regarded the costs of some of the raw materials and chemicals used. This was nonetheless not enough to offset the sharp hike in power and natural gas costs, up by around 36 million euros, meaning that the Group recorded an overall increase in its production costs.

Logistical costs also worsened, due to wider dispersal of points of sale, rising fuel prices, reduced availability of means of transport (due to changes in import and export flows) and exchange rate variations, which were detrimental for this item. The increase in logistical costs was significantly exacerbated by the dock workers' strikes that disrupted operations at the ports of Lisbon, Setúbal, Figueira da Foz and Aveiro over the last five months of the year.

In this context, consolidated EBITDA stood at 385.4 million euros, close to the figure recorded in 2011 and resulting in an EBITDA / Sales margin of 25.7%, down 0.2 percentage points on the margin recorded in the previous year.

Operating results stood at 270.9 million euros, up by 8.0% on 2011, having been favourably influenced by the reversal of provisions of approximately € 15 million, as well as by a reduction in the value of depreciation over the period, due to the normal life cycle of industrial assets.

The Group recorded a financial loss of 15.7 million euros, in line with that recorded in 2011. This was due essentially to a significant reduction in borrowing rates over the year, which to a certain extent countered the effect of the reduction in the Group's net debt, and to the negative result from currency hedges.

As a result, the Group closed the financial year of 2012 with a consolidated net profit of € 191.8 million, representing growth of 3.4% in relation to the previous year.

3.3. BUSINESS REVIEW

3.3.1. Paper

3.3.1.1. Market Background

The European and North American markets account for 45% of the total volume of the world market for uncoated woodfree (UWF) paper. It follows from this that sluggish economic growth in the US and recession in Europe has lowered the overall demand for UWF paper, with consumption of this type of paper estimated to be down by around 3.5% on 2011.

Despite this gloomy economic climate in Europe, reflected in rising levels of unemployment, which is a crucial factor for the consumption of office paper, demand for this product continued to prove resilient, as in previous years, down by an estimated 1.5% on 2011, outperforming all other types of printing paper.

The European paper industry felt the beneficial impact in 2012 of the capacity closures effected in the previous year by some of our competitors. This helped to balance the market and allowed the industry to operate at 93% of its total capacity, up by 3 percentage points on 2011. In the US, the capacity utilization rate in the industry improved by one percentage point, to 91%.

The combination of the exchange rate situation and trends in demand in different geographical regions resulted in a reduction in UWF imports into the European market and stabilization in the quantities exported, despite the reduction of 7% in the industry's production capacity. Markets in Africa and the Middle East strengthened their position as a prime destination for European exports.

3.3.1.2. Performance

The Portucel group recorded its all-time highest figures for output and sales in 2012, as well as for quantities sold on the European markets, which grew by 4% in relation to 2011. The Group's average sale price for paper rose by approximately 1%, in contrast to a reduction of nearly 1% in the benchmark index for the sector, Copy B, published by FOEX. The Group succeeded in bucking the industry trend thanks to a better geographical mix in its sales and the positive exchange rate effect.

As a result, the Group continued to expand its penetration in the European market and increased its market share by a further 85 thousand tons, giving it a total share in UWF of 17%, rising to over 20% for sheeted products (office paper and paper for the printing industry).

The Group's prime focus in sales is on premium segments, in view of the perceived quality of its products and the positioning of its brands. The economic and financial situation, particularly in southern Europe, where the Group enjoys a strong position in the UWF market, has resulted in a degree of downgrading in the quality sought by consumers, and a reduction in total consumption.

Mill brands are another key element of the Group's sales strategy, and trends in this area were also positive in relation to 2011. These brands continue to dominate the business mix, to an extent unmatched by other manufacturers of this size. In particular, the Group's top premium brand, Navigator, achieved new sales records around the world, growing by 4% in relation to 2011.

Changes in the geographical mix and strong inflationary pressures in the logistical sector resulted in sharply rising transport costs.

Lastly, in a context of tight restrictions on access to credit throughout paper distribution channels, the Portucel Group recorded successful performance in the management of credit risks.

3.3.1.3. Branding

Over the course of 2012 the Portucel Group continued to invest in growth in its own brands as the cornerstone of its sales strategy. As a result, these brands accounted for more than 62% of its total sales of sheeted products.

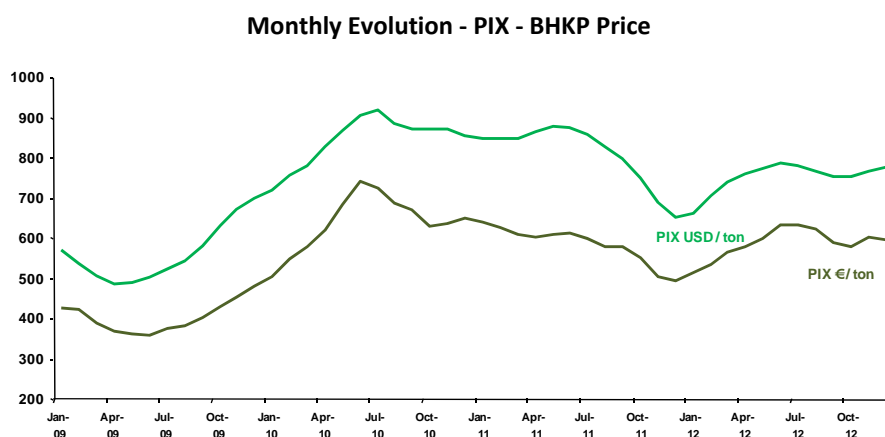
Crucially important to the success of this strategy was the launch of new products, in the Group's various brand ranges, allowing it to reach new segments of consumers, and helping to increase sales in all of its brands.

The Group's brands for the printing industry, Soporset and Inaset, were also centre stage at the world's leading trade fair for the sector, in Düsseldorf, an event held every four years. Both brands took advantage of the latest technological developments in digital printing to position themselves in this segment, earning recognition for their excellent quality, even in the toughest assignments.

3.3.2. Pulp

3.3.2.1. Market Background

After the contraction of the pulp market observed in the 3rd quarter of 2012, caused primarily by the traditional summer slowdown in European markets and the high levels of stocks existing at this time in China, the market recovered again in the 4th quarter. with increases in the PIX price in USD, reflecting a rush of price adjustments announced in October, for both long and short fibre. Due to trends on the foreign exchanges, this increase in USD prices was not fully reflected in prices in Euros, as shown by the following table.



The Chinese market continued to be the single most important driver of demand in the world pulp market. Despite slacker demand in the summer months, this market remained robust throughout 2012, with pulp imports at high levels, higher than in 2011: up by 15.4% overall through to November, at 17% for short fibre and 13.9% for long fibre.

At the same time, the difficult economic situation experienced in certain euro zone countries, combined with a still tentative recovery in the US and poor performance in the Japanese economy, has resulted in a global economic slowdown, with repercussions for the paper industry, as well as a degree of instability on the foreign exchanges, as emerging countries, principally geared to exports, devalued their currencies to keep their products competitive. This is

the case of major pulp producers such as Brazil, Indonesia and Russia, where manufacturers are not in a situation so favourable to rising prices in USD, as in the recent past.

3.3.2.2. Performance

Pulp sales in 2012 was down by approximately 10% in value in comparison with 2011, as explained above.

A breakdown of BEKP pulp sales by paper segment shows that the Group strengthened its position in the special papers segment, which offers the greatest value added, with sales to this segment rising from 57% of total in 2011 to 63% in 2012.

An analysis of sales by destinations shows that almost all pulp sales went to European markets, home to manufacturers of higher quality paper where technical demands are more stringent and where the intrinsic qualities of the *Eucalyptus globulus* pulp produced by the Group are more properly valued.

3.4. INDUSTRIAL OPERATIONS

3.4.1. Production

The Portucel Group's industrial units again recorded outstanding performance in 2012, improving their production efficiency and consequently breaking some of their previous records for output.

All the plants operated at full production capacity and achieved high levels of efficiency with their equipment, allowing them to equal and even surpass their previous output indicators.

Performance in pulp operations was among the best ever recorded, whilst paper operations, concentrated at the industrial sites in Figueira da Foz and Setúbal, resulted in output at a new all-time high of 1,530 thousand tons of printing and writing paper, making this more than ever the Group's prime area of business. The increase in paper output, in relation to the previous year, resulted from the natural progression in the operations of the new Setúbal paper mill.

The positive performance of the Portucel Group's industrial units can be attributed to the excellence of its production equipment which, combined with careful maintenance and operation, leads to high standards of production efficiency.

The average age of the Group's industrial assets means that efficiency indicators can be kept high was a low level of capital expenditure. As a result, investment is normally directed at increasing production capacity or improving efficiency.

Pulp output at the Setúbal and Figueira da Foz industrial complexes stood at levels close to full capacity, and special attention should be drawn to performance at the Cacia pulp mill, which set a new record for output, 2% higher than the best figures achieved in the past.

It should be noted that part of the output from the Cacia mill is now being integrated in paper production at the other sites, resulting in a gradual decrease in the Portucel Group's exposure to pulp sales on the open market.

The quality of the paper produced is in line with the highest international benchmarks, allowing the Group to enjoy the benefits of growing sales of own-brand premium products on the world's toughest markets.

High performance and quality standards have allowed the Group to manufacture new paper products, tailored to the varying requirements of world markets, with the output from the new Setúbal Paper Mill leading the way.

Efficiency has been achieved in production thanks to a constant quest for fresh reductions in the specific consumption of products and raw materials, and the Group has been successful in achieving major efficiencies in the consumption of chemicals and reduced energy use. In this field, the Group has adopted ever-cleaner technologies, based on renewable fuels and natural gas, reducing its dependence on fossil fuels. The consumption of fuel oil in the Portucel Group is now close to negligible.

Importantly, cost savings have been achieved in the purchasing of raw material and chemicals for pulp production, and energy consumption has been adjusted to the levels of production capacity.

Special reference should be made to consumption of bleaching chemicals at the pulp mills where, thanks to increased operational efficiency in washing, combined with the improved performance of this equipment, significant cuts in consumption have been possible.

In paper production, the Group's excellent energy performance is owed essentially to a reduction in energy consumption, thanks to high levels of production efficiency and up-to-date equipment which makes it possible to optimize our use of this resource.

We may also point to the performance of the natural gas co-generation plant in Setúbal, which set a new record for output, and also to the stable and efficient performance of the Group's biomass power plants, which achieved consistently high standards of performance and efficiency.

The overheads of the Portucel Group's industrial units evolved fairly positively in 2012, thanks to the policies and programmes implemented, which have resulted in constant, ongoing reductions.

Maintenance operations at the Group's sites are entrusted to its subsidiary EMA 21 which has achieved high standards of efficiency, breaking records for production equipment uptime whilst performing well in terms of costs.

The LEAN Project, designed primarily to improve production and maintenance operations, was completed successfully, resulting in gains of 8.5 million euros over the implementation period.

The project aiming at improved energy efficiency at all Group plants is nearing completion, awaiting merely the physical implementation of some of the investment plans developed. This project has essentially helped to raise even further the Group's already high level of efficiency in energy performance, opening the way to further gains in this area.

The new MEO project was launched during the year at the Group's various plants, with a view to improving operational efficiency through increased integration of the different units, contributing to the transfer of best practices in operation and maintenance. This made it possible to consolidate the results and improvements achieved with the previous LEAN project, helping to disseminate good performance levels and intensifying a number of activities with the potential for achieving fresh efficiency and productivity gains.

3.4.2. Capital Expenditure Projects

The need to consolidate the major industrial investment projects recently implemented has meant that capital expenditure in the Portucel Group has been directed at the specific aims of improving efficiency and productivity, allowing it to overcome constraints on its industrial operations.

Special attention has accordingly been paid to projects for replacing end-of-life equipment, to environmental projects and to others for improving energy efficiency.

In 2012, the Group successfully completed the project for increasing the evaporation capacity at the Figueira da Foz Industrial Complex. The new equipment came online in September with excellent results for the site's energy efficiency.

Work was also completed on the project for replacing the furnace and superheaters in the biomass boiler at the Setúbal Industrial Complex, resulting in an expected increase in the useful life of this equipment and significant improvements to environmental performance.

In another important project in the energy area, work was completed in September on converting the lime kilns at the Setúbal Industrial Complex from fuel oil to gas, resulting in further cost savings and reductions in the level of atmospheric emissions.

At the Cacia mill, various projects were implemented to improve the reliability of production equipment and to improve energy efficiency.

Several projects also went ahead to improve production efficiency in the manufacture of paper.

3.5. DEVELOPMENT

The Group has continued to advance with the first phase of its investment project in Mozambique consisting, as previously reported, of developing a forestry operation and constructing a pulp mill and power generation facility. Early results have been highly encouraging, especially from the field trials for selecting the plant materials with the best potential and for testing forestry models. This should make it possible to expand the scale of the forestry operation sooner than originally anticipated.

In the field of logistics, studies are being conducted to determine the feasibility of the different alternatives for inflows of raw materials and other factors of production, and for dispatching BEKP. This phase is expected to continue through to next year.

In Portugal, the Group has followed up its investment in modernizing and doubling the capacity of its Espirra nurseries by successfully concluding its first production season for cloned eucalyptus saplings since the completion of the project, which will allow the Group, for the first time in its history, to produce in the order of six million cloned plants. This will make it possible to make better use of the Group's plantations and to provide high-quality, certified genetic materials for organizations of Portuguese forestry producers, with significant benefits for the sector's yields and the returns enjoyed by forestry operators.

With the conclusion of this capital project, the Group now owns the largest nurseries for certified forest plants in Europe, with annual production capacity of 12 million plants.

Another important area in the Group's strategy is centred on certification of forestry management, which it pioneered in Portugal. In 2012, the Group successfully renewed its forest management certification under the strict FSC and PEFC systems, bearing witness to its efforts and investment in implementing best forestry practise, biodiversity management plans and its plans for preventing and fighting forest fires. In its continued efforts to help other forestry producers and land owners to achieve certification, the Group again took part in local initiatives to promote these certification schemes and renewed its support to leading organizations in the sector.

The Group pressed ahead with its forestation plan in 2012, as well as a range of maintenance activities to protect its forestry holdings. In terms of protection against forest fires, the 2012 season was closed with positive results overall. The resources mobilized to prevent and help fight forest fires proved effective, and despite the adverse meteorological conditions experienced, the area of woodland lost to fire was relatively small, and in line with that recorded in recent years. We should stress that the overwhelming majority of the incidents – more than 85% - to

which our resources responded occurred on the property of third parties, illustrating the support provided to the national forest fire protection system. This summer season once again proved that professional and certified forest management is the best defence against the scourge of wildfires.

In the field of forest fire prevention, we should also draw attention to the Group's participation in the program organized by MIT (Massachusetts Institute of Technology) Portugal, with work continuing in 2012 on the Fire-Engine project (Flexible Design of Forest Fire Management Systems). The models for supporting public policy making and management of fire protection systems produced through this partnership between the Portucel Group and MIT will be available for adoption by Portuguese institutions.

3.6. RESOURCES AND SUPPORTING FUNCTIONS

3.6.1. Sustainability

On the road to sustainable development - a journey on which the world's nations and political leaders set out in 1992 at the Earth Summit in Rio de Janeiro - 2012 will be remembered as the year when a broader consensus was generated at the Rio + 20 Conference on the need for and the advantages of what is called the green economy.

Forest-based industries, and in particular the the paper and pulp industry, are the oldest and most successful examples of the green economy.

After being bombarded in the later part of the twentieth century with groundless arguments against the paper industry, the general public is now watching with interest and curiosity as the best informed and less extremist environmental organizations begin to recognize the need for and usefulness of forestry plantations as a source of industrial raw materials, a means of reforestation degraded land, retaining fossil carbon and creating renewable energy.

Bearing witness to their long-held concerns about the sustainability of the pulp and paper industry, the largest and most active manufacturers in this sector are prime movers in the world sustainability movement known as the WBCSD – World Business Council for Sustainable Development, founded shortly after the Rio Summit.

The Portucel Group, having been invited to join this international organization at its earliest stages, has been a consistently active participant over nearly two decades and has taken a leading role in the SFPI – Sustainable Forest Products Industries initiative, later renamed as WBCSD – Forest Solutions.

This leading role has included chairing the Forest Resources Action Team, one of four such teams run by WBCSD – Forest Solutions, and putting two issues of great current importance on its agenda: water, in products, processes and forests, and the transparency of forest certification, in particular the meaning and public perception of the different logos used by the two main certification schemes (FSC and PEFC).

The WBCSD, which argues that the key to sustainable development lies with business rather than with the regulators, has gained growing recognition of its role in an environment which might lead some to believe that the business world would not be interested in the principles and challenges of sustainability. This is because it has become increasingly clear that only a business model like that of the Portucel Group, which is based on renewable natural resources, which serves the real needs of society, which minimizes the impact of its operations and generates biodegradable products suitable to recycling, is capable of withstanding the undesirable effects of globalization.

This was the context in which the Group took part in drafting the WBCSD's Vision 2050 report and put its weight behind a similar exercise undertaken by CEPI (European Confederation of Forest Industries), with a view to integrating the medium and long term strategies of the United Nations and the European Union.

Despite the Portucel Group's global vocation, reflected by the presence of its products in more than 113 countries, it has never ceased to concentrate its efforts on developing Portugal's woodlands, providing incentives and financial, technical and human support for certification by the small forest landowners characteristic of the northern and central regions of Portugal, encouraging them to work through associations, with a commitment to transparency of good practice, and seeking at all times to diversify, developing policies and initiatives for conserving biodiversity, without causing any type of irreversible impact on the ecosystems in which it intervenes.

Several ventures, including the launch of a prize, with the University of Coimbra, for new business ideas that open the way to the adoption of sustainable forest management, closer links with the academic world, support for improving the health of Portugal's woodlands (combating *Gonipterus* and supporting research into the pinewood nematode), and the joint funding, with the FCT (Science and Technology Foundation), of research into eucalyptus plantations, were all steps taken in 2012 towards implementing our strategy of carrying further the Group's sustainability policy, as formally defined in 2005.

3.6.2. Forestry and Timber Supply

Sustainable Management

The financial year of 2012 represented a further milestone in the reorganization of the Portucel Group's forestry operations, in particular with the specialization of land and forestry assets, with the goal of standardizing processes and consequently the management model. Portucel Soporcel Floresta is currently the Group's company in charge of forestry operations, bringing together management of all its agro-forestry holdings, both on its own land and on land entrusted to its management by the respective owners.

At year-end 2012, the Portucel was responsible for managing approximately 120 thousand hectares of agro-forestry holdings, around 70% of which corresponded to eucalyptus plantations, spread over 160 Portuguese municipalities.

In a decisive contribution to strengthening the Group's presence at a local level, the business of renting and acquiring land, which includes taking on new areas or renegotiating existing contracts, represents an important way of conducting our relationship with forestry landowners. The Group has formed partnerships with a growing number of forestry landowners seeking to add to the value of their assets, either by reforesting their land with selected cloned saplings, which leads to significantly improved yields in relation to traditional forestry, or else by enjoying the benefits of their land being managed with the best forestry practices and certified under the strictest international schemes.

Licensing applications were made for more than 200 forestation projects in 2012, including reforestation, forestation and conversion projects. There was a significant increase during the period in the number of forestation projects drawn up by the Group, reflecting its increased objectives in relation to the area to be planted. However, the licensing process remains extremely complicated and weighed down by the bureaucracy required by the existing legal framework for operations of this type.

Timber suppliers

It is crucial to the development of the Portucel Group that it is able to secure supplies of certified wood on competitive terms.

Since 2006, the supply of eucalyptus roundwood on the Portuguese market has fallen short of demand, meaning that significant quantities have to be purchased from markets such as Spain, Africa and the South America, resulting in higher total costs, due to the logistics involved.

In relation to the wood sourced from its own woodlands, the Group was able to assure quality and the sustainability of felling, given that nearly all the forestry holdings in question are certified. In the pursuit of its policy of corporate responsibility and engagement with its local communities, the Group remained strongly committed to certification of forest management and the chain of custody, as means of assuring sustained development of its business.

Forestry logistics and transport

The Group's forestry logistics and transportation sector was responsible for logistical flows of more than 2 million tons of wood received at its industrial sites.

Over the course of the year, the Group relocated some of its external road freight timber reception yards to port or railway yards, in particular in areas most distant from its production plants (such as in Galicia). The logistical network is based on 15 timber reception and temporary storage yards, collecting raw material from neighbouring areas, and 8 ports for optimized management of forest logistical flows bound for the Group's mills.

This initiative is designed to assure transportation with less pollution and lower costs, substantially reducing mileage in the transport of wood.

In 2012, tracking devices were installed in timber trucks in the Group's service, allowing for a significant improvement in safety and operational control of road freight.

Purchasing

The worsening economic crisis in Europe, combined with high energy prices in the European economic zone and the dollar exchange rate effect, has continued to encourage the relocation of industrial units to markets which, although more distant, are enjoying growth.

As a result, chemicals at attractive prices are in shorter supply, whilst a clear process is under way of disinvestment in Europe and relocation of suppliers to the BRIC markets (Brazil, Russia, India and China) and to Asia in general, accompanying fresh industrial investments in these regions.

Commodity prices were also extremely volatile in 2012, especially for the majority of chemical products used in manufacturing paper.

Production capacity was also shut down due to business sell-offs, with some suppliers in a precarious financial situation; suppliers were clearly concerned about the profitability of their European plants, raising questions as to future investment plans and even their continued existence.

The supply base has offered little stability, although in the case of some chemicals the market is over-supplied. Europe has witnessed an increase in vertically integrated Asian suppliers, who are also seeking to move into the US market.

New products, or products with innovative features, are coming out of Asia, again from vertically integrated suppliers. For reasons of global competitiveness and regulation, European suppliers have difficulty in achieving this form of integration.

No significant problems have been experienced in securing supplies of wood to meet internal needs, although some difficulty has been felt in obtaining benefits through price negotiations. Efforts were made to achieve advantages through the TCO-Total Cost of Ownership System.

Prices for products purchased were revised upwards, especially due to the influence of commodity prices and rising energy costs. Brent prices were on average high, at over USD 108.00, which exerted pressure on the prices of various raw materials.

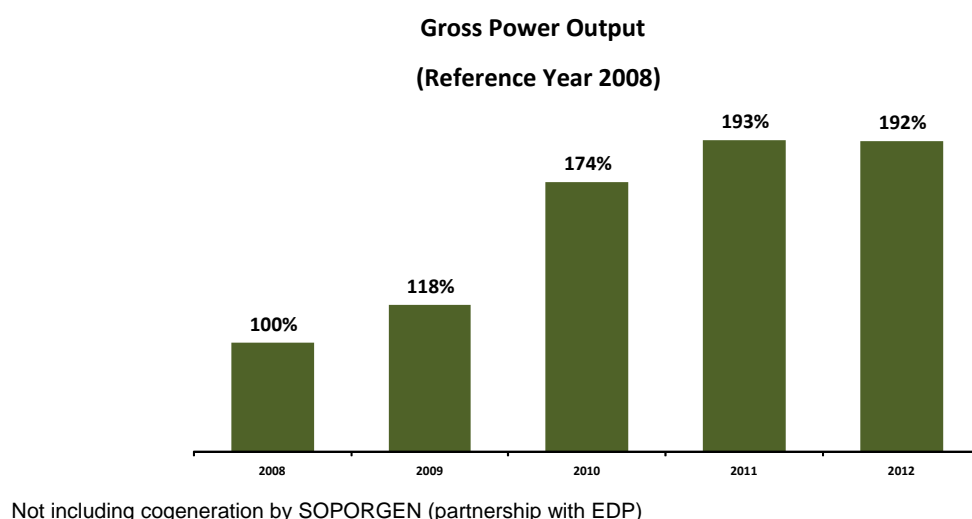
The supply base contracted slightly, at both national and European level. In line with the strategy of diversification adopted in the previous year, the Group gave priority to contracting suppliers from different regions of the world, and especially from Asia, assessing and approving a number of suppliers from this region for its supplies.

The aim of this policy is to balance the current supply, to reduce dependence on a small number of Portuguese and European sources and to improve access to other sources of innovation, moderating acquisition costs.

The work carried out in 2012 will continue into 2013 and 2014, and the Group has plans to keep up the search for potential in other supplier markets, such as Turkey, the Persian Gulf, South Africa, Asia and North America. This project will be supported by specific market research initiated in 2012 and which will be stepped up in 2013.

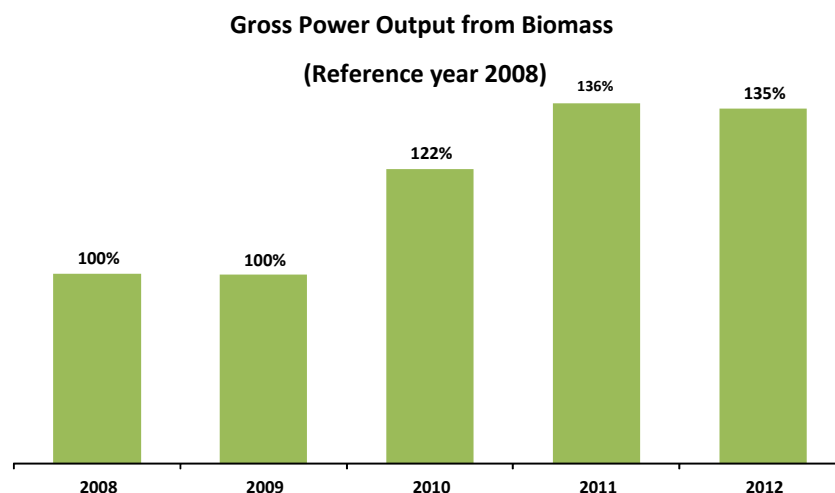
3.6.3. Energy

In 2012, the Portucel Group recorded gross power generation of 1,879 GWh, representing a modest reduction of 0.4% in relation to the previous year. Overall, the electricity generated by the Group corresponded to 4.4% of the country's entire power output.



This was a year in which the Group consolidated various investment projects in power generation.

Power generation from biomass plants (3 combined heat and power plants and 2 dedicated power stations) totalled 1,214 GWh, slightly down (0.6%) on the previous year. This reduction was due essentially to stoppages for work on boilers and biomass storage, transport and feeding systems.



The Portucel Group continues to enjoy the status of Portugal's leading producer of electricity from biomass, accounting in 2012 for an estimated 49% of the total power produced from this natural resource.

Despite the increase in power generation from natural gas, due to the energy needs of the new paper mill in Setúbal, 65% of the Group's energy production was derived from highly efficient co-generation plants and power stations fuelled by biomass, i.e. a renewable resource. It is important to note that co-generation combines the production of electrical power with much larger quantities of thermal energy, making it considerably more efficient than conventional processes which generate only power.

Co-generation in the Portucel Group is consistent with the stated objectives of Directive 2012/27/EU, which recommends Member States to exploit the potential of co-generation on the basis of the demand for useful heat, and these facilities are essential for achieving the target of a 20% increase in energy efficiency set by the European Union for 2020.

However, Ministerial Order 140/2012 established rules which significantly reduce the tariffs applicable to older co-generation plants, meaning it is no longer economically feasible for highly efficient co-generation facilities to continue operation.

Bioenergy and Fossil Fuels

The two biomass power stations in Cacia and Setúbal and the Group's three biomass co-generation plants have allowed it to consolidate its dominant position in the Portuguese renewable energy market. The great benefit in terms of reduced CO₂ emissions will have an impact on the national balance for these emissions and will reduce the country's dependence on imported fossil fuels, a national aspiration which the Group is accordingly helping to achieve. It is estimated that these power stations belonging to the Portucel Group will avoid CO₂ emissions in excess of 450 thousand tons on the national balance sheet.

3.6.4. Environment

In 2012, the Portucel Group renewed the contract defining the terms on which it uses the European Union Ecolabel on the paper it manufactures and markets, in the office stationery and printing segments; License PT/11/002 is now valid through to June 2015.

In line with IPPC (Integrated Pollution Prevention and Control) legislation, the Portucel Group pressed ahead with procedures, already under way, for renewal of the environmental licenses for its industrial complexes in Figueira da Foz and Setúbal.

The second period of application of the EETS (European Emissions Trading Scheme) ran from 2008 to 2012, and with the publication of directive 2009/29/EC, the new EETS directive included in the Energy and Climate Package, the rules on the available EU licenses and the allocation of free licenses have changed considerably. The preliminary allocation of free licenses was effected on the basis of benchmarks defined at community level, with the third EETS application period starting on 1 January 2013, and due to end in 2020.

In 2011 and 2012, a set of forms, subject to verification, were submitted in relation to the Portucel Group's facilities covered by EETS, allowing the competent authority (the Portuguese Environment Agency, or APA) to determine the preliminary allocation to each facility of free emission licenses for the period 2013-2020.

In connection with the monitoring and reporting of greenhouse gas emissions, the Group's various facilities also submitted to APA in 2012 the documentation for updating their Greenhouse Gas Emissions Permits (GGEP) for the EETS period running from 2013 to 2020.

In relation to the Seveso Directive (on the prevention of serious accidents), the Group has established a Serious Accidents Prevention Policy (SAPP) in order to communicate its principles for action and commitments accepted in this field. The text of the SAPP was opened to worker consultation, in a process due to be completed in early 2013, culminating in publication of the approved document.

Also in connection with this, the Group took part in an exercise simulating the External Emergency Plan at the Mitrena Peninsula, known as 'MITREX 2012', involving all the Seveso establishments in this industrial area.

Despite the increase output, achieved on a sustained basis by all the Group's plants, in particular in paper production, corresponding to around 45% over the last five years, the strategy for continuous improvement of processes, products and operational efficiency has made it possible to achieve continuous improvements in environmental performance indicators in all areas.

As a result of these efforts, the assessment of the environmental performance of production processes, through systematic records of eco-efficiency and environmental impact indicators, points to positive and sustained performance by all the Group's plants, in all fields: air, water, waste and natural resources.

The use of Best Available Techniques, combined with ongoing efforts to implement improvements, so as to increase the eco-efficiency of process, has permitted significant reductions in the water use and improvement in the sustained use of renewable energy sources.

In 2012, the Portucel Group assured the continued certification of the management systems implemented. To this end, a series of external audits were conducted over the year by accredited entities at the Group's various facilities, and the Group was successful in renewing the Safety Management system at the Cacia plant, the Quality Management system at the Figueira da Foz Industrial Complex and the Environmental Management system at the Setúbal Industrial Complex. Certifications were also maintained in respect of all other standards previously implemented and certified.

3.6.5. Innovation

The financial year of 2012 saw the launch of an innovative product aimed at the student population, Navigator Students, designed to respond to the needs of younger consumers looking for quality products at competitive prices.

Another important development in 2012 was the launch on the US market of Navigator Eco-Logical 18lb, a product whose special feature is that it assures a standard of performance superior to that of competing 20lb papers, despite a grammage below the market standard.

The Group's commitment to improving its product range leads it to search systematically to adapt to the real market, conducting exhaustive and constant analysis of client needs, and of technological developments in printing and the respective opportunities these offer. This process is backed up by the superb technology used in the manufacturing process and the superior quality of the raw materials. To this end, internal processes have been improved so as to consolidate the consistency of product quality and to optimize the associated production costs, with a positive overall impact on operational productivity and efficiency.

Special attention has also been paid to opportunities resulting from emerging printing technologies with great potential for growth, such as web inkjet technology which allows for high-speed inkjet printing.

The importance of the research and development (R&D) projects in which the Group is involved has been recognized by the relevant authorities, including the Innovation Agency, the Ministry of Science, Technology and Higher Education and the Foundation for Science and Technology. Under SIFIDE, the system of tax breaks for companies involved in R&D, these authorities have certified investment projects in this area as eligible. In 2008, 2009 and 2010, investment in this area totalled 4.1 million, 3.7 million and 3.8 million euros, respectively. In 2011, an application was made for a capex project worth 9 million euros, and an investment project was carried out in 2012 with a value of more than 4 million euros.

3.6.6. Research & Development

In 2012, the Portucel Group continued to invest in research in forestry, pulp and paper, through the work of its forestry and paper research institute, RAIZ. These aims were pursued in close cooperation with the Group's respective business sectors and a range of bodies in the science and technology sector.

In the area of industrial pulp and paper research, one of the many projects undertaken consisted of investigation of the application of enzymes with support from Biocant, a leading biotechnology laboratory. This involved an in-depth study of the characteristics, workings and optimization of conditions for the use of enzymes to improve the characteristics of white eucalyptus pulp, confirming the excellent potential of this technology for streamlining resources, in particular fibres and energy, in the manufacture of office paper.

The Valorcel research project, a joint undertaking between the Portucel Group, RAIZ and PIEP, has made it possible to produce a composite incorporating up to 30% fibre, with good mechanical properties, which has been tested in the production of parts of the automobile industry.

In 2012, the Portucel Group invested in the fields of bio-energy and bio-refining, working on the BIIPP research project (Integrated Biorefinery in the Pulp and Paper Industry), in partnership with the Universities of Aveiro, Coimbra and Porto; the role of RAIZ in this project is to align the research and its industrial application. The project involves studying the pre-extraction of hemicellulose from *Eucalyptus globulus* trimmings and processing primary sludge from the waste water treatment plant in order to produce sugar solutions and subsequent conversion into ethanol. The extraction of high value added organic products from eucalyptus bark, such as triterpenic and phenolic compounds, is another aspect of this project. These compounds are of recognized value to the pharmaceutical, cosmetics and nutrition industries.

Also in the biorefinery area, RAIZ has sought to complement its key expertise in new technologies for breaking down biomass and the kraft process, in partnership with organizations specializing in biotechnology and chemical processes, with a view to developing raw material for the biochemicals, bio-polymers and bio-compounds industry. The production of cellulose materials, including micro- and nano-cellulose, and the development of new applications are another area of research work.

In the field of forestry research, the environmental characterization of stands remains an important aspect of RAIZ' work, with the stratification of 23 thousand hectares of woodlands into homogeneous zones. The findings of this work were integrated into the Geographical Information System, so as to enhance its operability and support forestry management, by making it possible to provide grounds for investment plans, define forestry projects and the respective intervention required, and also reduce the risks of decision-making. This know-how has been internalized by Group staff, forestry producers and their associations, through training in zoning and good forest husbandry.

Another feature of 2012 was intense activity in providing technical support for projects designed to seek viable alternatives for optimizing forest yields in areas under Group management, so as reduce dependence on imported and third party wood, with a view to improving future supplies of woods to the Portucel Group's pulp and paper mills.

4. Cement and Derivatives Business Area – SECIL

As previously reported, the Secil Group has been included in the Semapa's accounts on a full consolidation basis since the end of March 2012.

The figures presented in this chapter correspond to 100% of Secil Group operations after adjustments for consolidation in Semapa's accounts, not including the operations of the Supremo Group, so as to provide a better understanding of the real evolution of the Secil Group's operations. Leading indicators for the Supremo Group are presented separately.

4.1. LEADING BUSINESS INDICATORS

IFRS - accrued amounts (million euros)	2012	2011	Var. (%)
Sales	450.2	506.9	-11.2%
Other income	40.8	61.1	-33.2%
Costs and losses	(419.4)	(465.8)	10.0%
EBITDA	71.6	102.2	-29.9%
Recurrent EBITDA	71.6	96.7	-25.9%
Depreciation and impairment losses	(71.7)	(45.0)	-59.5%
Provisions (increases and reversals)	0.4	(4.0)	110.7%
EBIT	0.3	53.2	-99.4%
Net financial profit	(12.7)	(4.9)	-158.0%
Pre-tax profit	(12.4)	48.2	-125.8%
Tax on profits	(7.8)	(14.6)	46.9%
Retained profits for the year	(20.2)	33.6	-160.1%
Attributable to Secil equity holders	(24.9)	27.0	-192.3%
Attributable to minority interests (IM)	4.7	6.6	-28.1%
Cash-flow	51.1	82.6	-38.1%
EBITDA Margin (%)	15.9%	20.2%	-21.1%
EBIT Margin (%)	0.1%	10.5%	-99.3%
	31-12-2012	31-12-2011	Dec12 vs. Dec11
Equity (before MI)	506.1	499.3	1.4%
Net debt	285.5	142.4	100.4%

4.2. LEADING OPERATING INDICATORS

The following table sets out the main operating indicators for the Secil Group in the financial year of 2012:

	Unit	2012	2011	12/11 (%)
Annual cement production capacity	1000 t	6,850	6,850	0.0%
Grey cement sales	1000 t	4,538	4,735	(4.2%)
White cement sales	1000 t	92	94	(2.5%)
Artificial lime sales	1000 t	66	41	60.5%
Clinker sales	1000 t	315	397	(20.5%)
Ready-mixed	1000 m3	1,266	1,724	(26.6%)
Aggregates	1000 t	2,059	3,123	(34.1%)
Precast concrete	1000 t	87	128	(31.6%)
Mortars	1000 t	141	226	(37.7%)
Hydraulic lime	1000 t	15	16	(5.2%)
Mortar fixative	1000 t	10	9	11.0%
Number of employees	no	2,247	2,589	-13.2%

4.3. SECIL GROUP – OVERVIEW OF OPERATIONS

The construction industry and cement consumption both continued on a downward course in Portugal, which is the Secil Group's principal market. In Portugal, during the period from January to December, output in the construction sector dropped by 16.6 % (production index in construction and public works – INE January 2013). This was accompanied by a slump of around 26.9% in cement consumption in relation to 2011 (figures from FEPICOP – Federação Portuguesa da Indústria da Construção e Obras Públicas), with total consumption standing at 3,329 thousand tons, the same level as recorded in 1973.

In this difficult setting, the Secil Group recorded consolidated turnover in the financial year of 2012 of 450.2 million euros. This performance represented a decline of 11.2% from the turnover recorded in 2011, reflecting weaker performance across all sales on the Portuguese market and by cement operations in Angola.

Cement operations in Portugal recorded an increase in turnover on export business of 25.9%, whilst business also grew in Lebanon and Tunisia, thereby offsetting the overall decline in activity.

EBITDA stood at 71.6 million euros, down by approximately 29.9% in relation to 2011.

Despite the improvement in operational performance in the 4th quarter of 2012, accrued figures for the year as a whole point to a negative trend due to poorer performance in business segments located in Portugal (as a direct consequence of the severe crisis affecting the construction sector) and also, to a lesser extent, in the cement business unit in Lebanon .

The EBITDA margin stood at 15.9% for 2012, 4.3 p.p. down from the margin recorded in the previous year.

The Secil Group achieved net operating income of 0.3 million euros, as compared with 53.2 million euros in the previous year. This indicator was brought down in 2012 by a set of losses on the recording of impairments with an overall value of 23.9 million euros.

In the financial year of 2012, the Secil Group recorded losses of 24.9 million euros, due fundamentally to the following factors: (i) reduction in the operating margin, (ii) the recording of a set of impairment losses as referred to above and, (iii) an increase in financial charges (as a result of the combined effect of higher average net debt over the period and

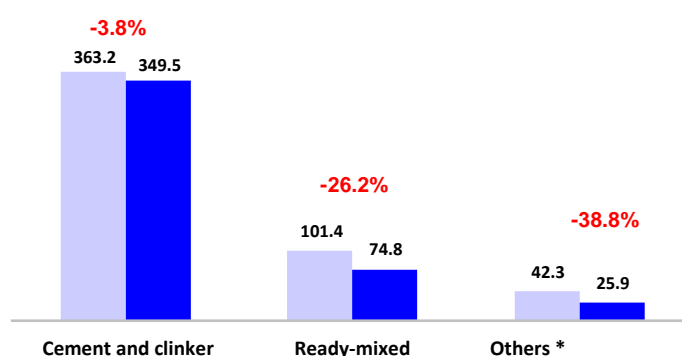
the Group's average interest rate).

Capital expenditure in the period totalled 56.6 million euros, of which 31.4 million euros related to operating investments, and 24.4 million euros to the acquisition of a 14.1% stake in Supremo Cimentos, located in Brazil.

At 31 December 2012, net debt stood at 285.5 million euros, up 143.1 million euros from 2011, an increase due essentially to investments made in the context of the Semapa Group.

Turnover by Segment and Geographical Region

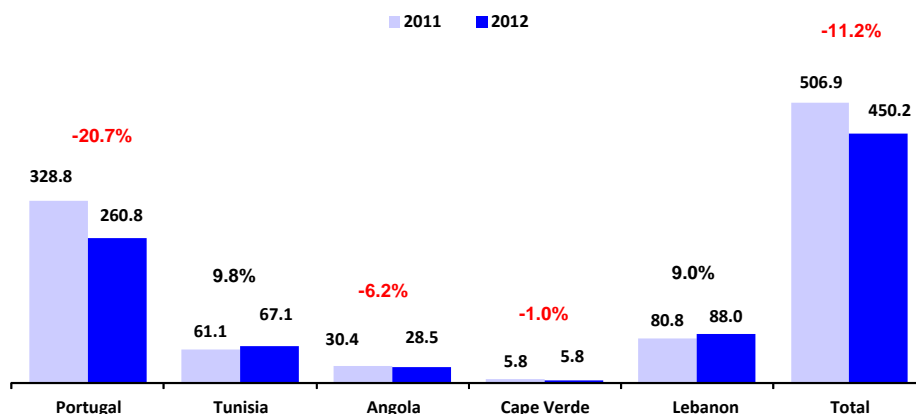
Segment (million euros)



* includes Aggregates, Mortars and Pre-cast

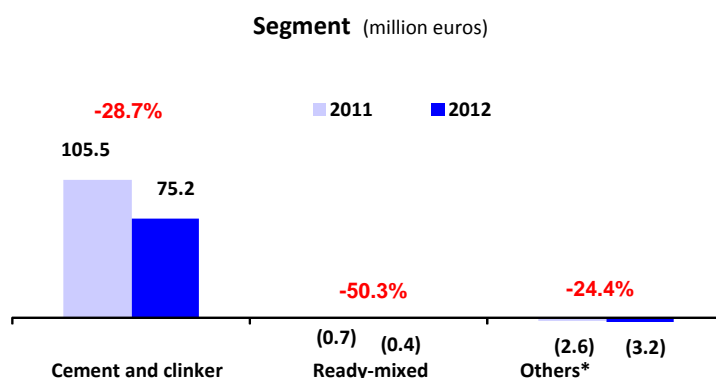
Turnover in the cement and clinker segment declined by 3.8% in relation to 2011, due to lower cement sales on the domestic market in Portugal and a reduction in cement operations in Angola. Business also contracted in all other segments in relation to 2011.

Region (million euros)



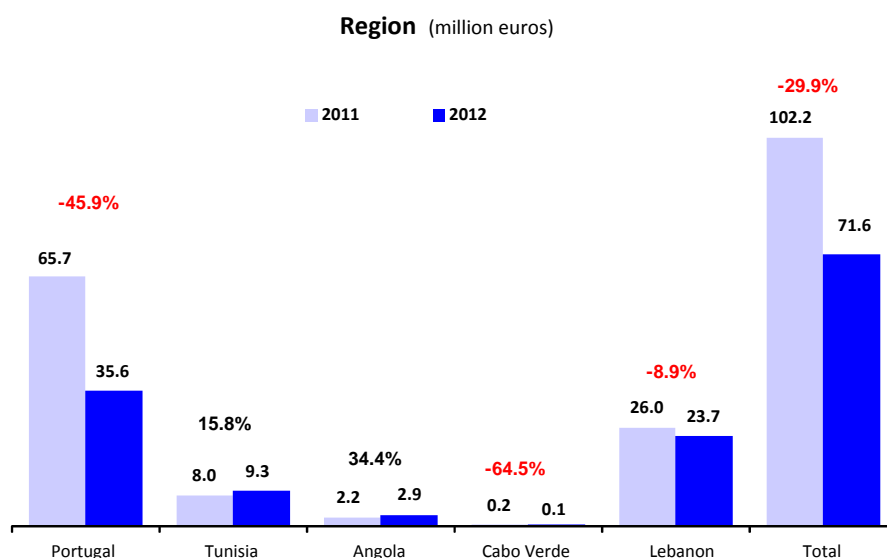
Turnover from total operations outside Portugal and from exports by Portugal-based operations represented a larger share of the total: 42.1%, as compared to the figure of 35.1% recorded 2011.

Breakdown of EBITDA by segment and geographical region



* includes Aggregates, Mortars and Pre-cast

The cement and clinker segment declined in absolute terms in relation to 2011. However, it represented a larger relative share of total Secil Group operations.



Note: The segment 'Portugal' includes the EBITDA of Silonor (France) and Secilpar (Spain)

In terms of geographical breakdown, EBITDA was more widely dispersed than in the previous year, with operations outside Portugal accounting for approximately 50.3% of the Secil Group's total EBITDA, as compared to the figure of 35.7% recorded in 2011.

4.4. BUSINESS REVIEW

4.4.1. Portugal

4.4.1.1. Market Background

According to the latest forecasts published by the Bank of Portugal in its winter Economic Bulletin, the Portuguese economy is thought to have shrunk by 3% in 2012. This reduction reflects essentially a significant drop in domestic demand, as exports recorded growth over the period.

According to the same source, the state of recession is expected to persist throughout 2013 (contraction of 1.9% in economic activity, according to the Bank of Portugal's January Economic Bulletin), as a result of the restrictive measures contained in the State budget, which will lead to a further reduction in domestic demand, with the respective negative effects on the economy in general, and on the construction sector in particular.

This gloomy economic environment, which can be observed in most sectors of the economy, will continue to weigh heavily on the construction sector, which has recorded no growth in the last 11 years. The industry which in the past accounted for 7.3% of Portuguese GDP, makes a contribution at present of only 5% (according to the Portuguese Construction and Public Works Industry Federation). According to figures published by INE, business in the construction and public works sector fell by approximately 16.6% in the period from January to November (production index for the construction and public works sector, INE – January 2013).

In this adverse environment, the Secil Group presented the following overall indicators for its operations in Portugal in 2012:

Portugal (million euros)	Turnover			EBITDA			Unit	Quantities Sold		
	Dec 12	Dec 11	12/11 (%)	Dec 12	Dec 11	12/11 (%)		Dec 12	Dec 11	12/11 (%)
Cement and clinker	177.1	202.0	-12.3%	40.7	70.6	-42.4%	1000 t	2,427.0	2,702.7	-10.2%
Ready-mixed	58.8	85.4	-31.2%	-1.7	-2.1	-21.0%	1000 m3	958.1	1,398.2	-31.5%
Aggregates	8.7	14.7	-40.6%	-1.6	-1.2	34.5%	1000 t	1,982.6	3,052.7	-35.1%
Mortars	9.1	12.5	-26.9%	0.3	1.4	-78.1%	1000 t	166.1	251.4	-33.9%
Precast	5.7	8.1	-30.2%	-0.4	-1.6	-75.3%	1000 t	82.1	120.2	-31.7%
Waste reclamation	1.5	6.1								
Total	260.8	328.8	-20.7%	37.3	67.1	-44.4%				

4.4.1.2. Cement and Clinker

Cement consumption fell by 26.9% in Portugal in 2012, standing at 3.3 million tons, accelerating the decline which started back in 2002.

Cement and clinker imports are estimated at approximately 200 000 tons, down from the previous year and representing a market share of roughly 6%.

Annual variation in cement and clinker consumption in Portugal

		2010	2011	2012
Portugal	Mt	5.8	4.9	3.4
Portugal	Var%	-5.8	-15.1	-29
European Union	Var%	-10.9	-3.0	

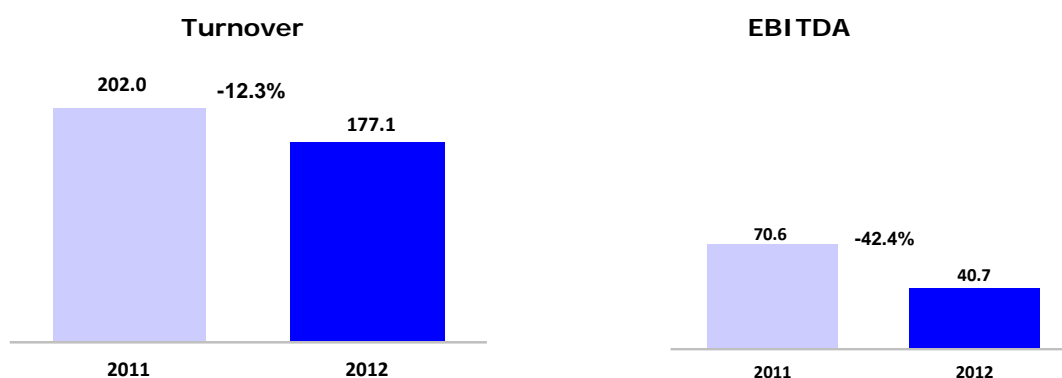
Source: Secil Group

The financial year of 2012 was marked by a fiercely competitive business environment, due to the stance taken by local competitors and to imports from the Spanish market, which is also contracting. Competition was also stoked by the existence of surplus production capacity in the country in relation to current levels of demand.

In this economic situation, with falling internal demand, the Secil Group maintained its relative share of the market, adapting its output to the size of the market and seeking alternative distribution channels in the export market, so as to minimize the reduction in the occupancy rates of its production units.

The Secil Group continued to operate a dynamic sales policy, seeking to maintain close relations with its customers, which allowed it to increase its average net sales price on the domestic market by approximately 0.4%. Also significant was the strategy adopted by the Secil Group of building a stronger position in dealings with specialized retail chains, which helped to increase the relative importance of retail in its overall sales structure.

Indicators (million euros)



Turnover stood at 177.1 million euros, down by 12.3% on 2011 due a significant reduction in sales on the domestic market (down by 25.9%). Attention should be drawn to the increase in export business (up by 25.8%), which helped offset declining sales on the home market.

Cement operations in Portugal presented poorer performance than in the previous year, with EBITDA standing at 40.7 million euros, 42.4% down on the previous year.

This decline was due essentially to the following factors: i) an appreciable reduction in the average sales margin, caused by decreased sales on the domestic market which offers higher prices and margins than the export market; ii) an increase in power costs; iii) occurrence of non-recurrent costs related to redundancies, due to the streamlining plan currently under way, partially offset by a reduction in liabilities for other benefits.

Tight controls were maintained on production costs, distribution costs and overheads in the internal market, making it possible to minimize the effects described above, and the Group has increased its use of alternative fuels.

The distribution system was able to meet market demands in full. In a year in which new tolls were introduced, alongside significant increases in fuel prices and strikes in the port and rails industries, transport costs constituted a priority which was managed with success, with distribution costs remaining close to those recorded in the previous year.

Secil's Board of Directors believes that policy for the power sector should seek to reduce the competitive bias against Portuguese manufacturing, and the cement industry in particular.

Lastly, we are pleased to report that Secil's cement was used in a number of major and high profile projects, some completed and others still under way, including the Fundação Nadir Afonso in Chaves (architect: Álvaro Siza Vieira)

and the Poente Building at Tagus Park, Oeiras (architect: Frederico Valsassina). Construction projects using the group's grey cement included the works to increase power capacity at two major hydroelectric stations, in Venda Nova and Salamonde, Vieira do Minho, the Data Center for Portugal Telecom, in Covilhã, the new Vila Franca de Xira Hospital, the new Criminal Police Headquarters in Lisbon and the Cruise Ship Terminal in Leixões.

Industrial Operations

Cement output from the Secil Group mills in Portugal stood at 2.3 million tons in 2012, representing a reduction of 13% in relation to 2011, due to lower demand.

Cement Production:

		2011	2012	Change
Grey Cement	1000 t	2,509	2,175	-13%
White Cement	1000 t	94	94	2%
Total	1000 t	2,603	2,271	-13%

The cement produced at the Secil Group's three plants in Portugal continues to present fairly uniform final characteristics and high quality standards, an aspect which is regarded as essential in order to ensure general market recognition of the high standards set by Secil.

Purchase prices for petcoke came down by an average figure for the year in the order of 20%.

The cement plants have made major efforts to cut their production costs. Streamlining measures were fundamental in order to mitigate the adverse effects of the low rate of use of production capacity. Important initiatives in this area included the programme for pooling resources in the field of industrial maintenance, in order to cut the costs of materials, services and stocks, and a project to increase energy efficiency, designed to cut thermal energy and power costs, factors of great importance to both the cost structure and also to the company's sustainability.

The Group has further increased the use of industrial waste as thermal fuel. Overall, the rate of use of alternative thermal fuels rose from 38% in 2011 to 41% in 2012.

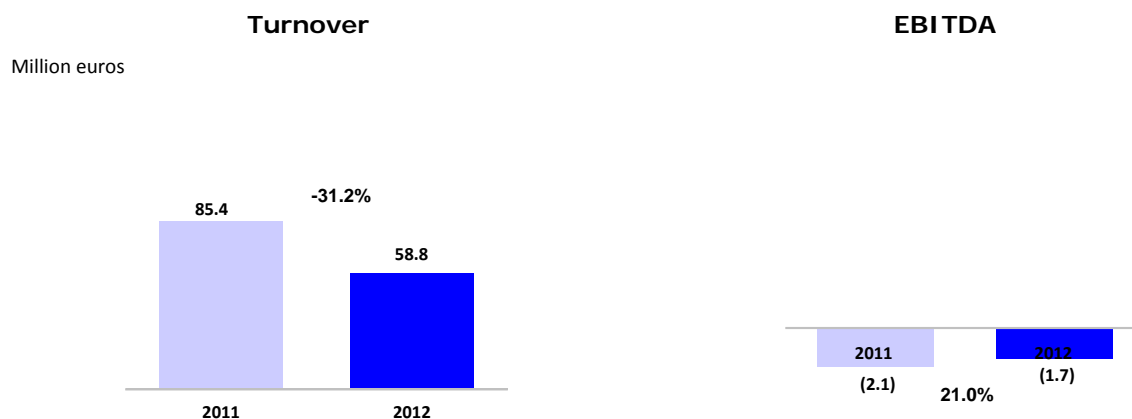
The reorganization of operations in Portugal had a very significant impact on the cement sector, and the plan to cut back the operational structure involved the 3 cement mills, as well as the organizational structure. The streamlining of human resources, in order to adapt to the new situation in the market, resulted in a reduction in the workforce of around 24% in relation to 2011.

Capital expenditure

Capital expenditure in 2012 totalled 12 million euros, down by 63% from 2011, when investment had totalled 32 million euros. This reduction is in line with the streamlining policy currently being pursued by the Secil Group.

Major projects included increasing storage capacity for alternative fuels, the start of work on installing a gas by-pass at the kilns at the Outão and Maceira mills, installation of a cement bagging and palletizing unit at the Outão Mill and completion of the project for using CO₂ to grow microalgae and developing commercial applications.

4.4.1.3. Ready-Mixed



Estimates point to the ready-mixed market standing at 3.5 million cubic metres, representing a reduction of approximately 43% in relation to 2011, due to the significant contraction of the residential construction sector and suspension of certain public works projects.

In addition to the reduced size of the ready-mixed market, the Group was faced with the worsening credit risk and financial situation of many clients, leading to insolvency in numerous cases and increasing recourse to special procedures for corporate reorganization, compromising the prompt and full receipt of amounts owed.

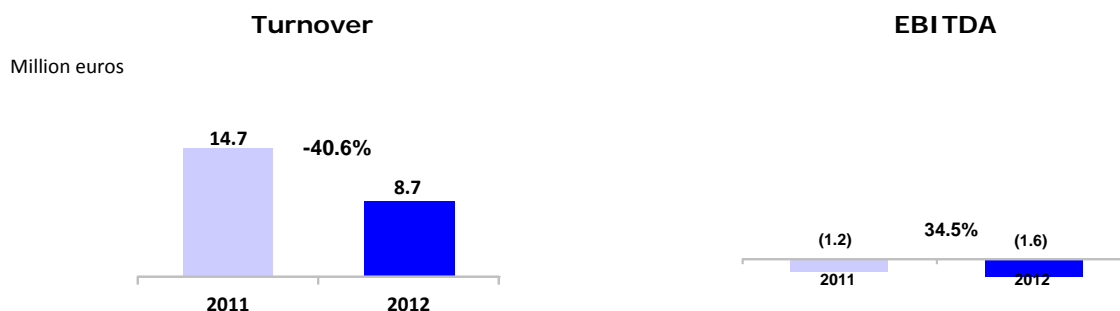
In this adverse environment, the Secil Group's turnover in this business segment stood at around 58.8 million euros, down by 31.5% in quantity and 31.2 in value in relation to 2011.

In terms of performance, EBITDA stood at -1.7 million euros, as compared to -2.1 million euros in the previous year. The performance of this business unit was adversely affected by the reduction in business, and by non-recurrent costs of approximately 2.5 million euros relating to redundancy payments and by a figure of around 825 thousand euros recorded for impairment of client receivables.

The sharp drop in business in the sector has led the Group to reorganize its operations, in a process that started in 2011, with a view to achieving substantial cost savings and streamlining operations, in order to adjust this business unit to the new business reality. This process involved laying off some 75 workers, and redundancy agreements were also reached at the end of 2012 with a further 17 workers, who will leave the Secil Group in early 2013.

A large number of concrete plants were closed down or mothballed, with 31 plants currently in operation.

4.4.1.4. Aggregates

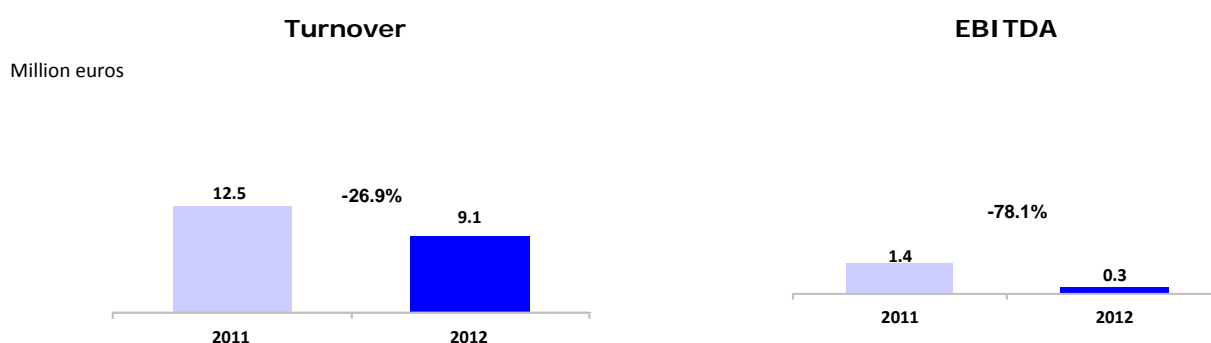


Sales of aggregates fell significantly, down by 40.6% in value and 35.1% in quantity, as a result of the crisis in the civil construction sector.

EBITDA stood at -1.6 million euros, down by 34.5% in relation to the previous year. This reduction was due to the appreciable decline in business and the recording of redundancy payments for 37 workers, with a value of 653 thousand euros, resulting from a process of reorganization that started at the end of 2011.

Sales prices came under considerable pressure, and the second half of 2012 was marked by fiercer competition. Production costs rose by around 6%, due in the main to rising power costs, despite careful selection of tariffs and adjustment of production hours, seeking to operate at cheaper times.

4.4.1.5. Mortars



The effects on the mortar market of the crisis in the civil construction sector, and in particular in the residential construction segment, were once again severe.

The hydraulic lime market recorded business at the same level as in 2011, despite the tendency for contraction observed in recent years.

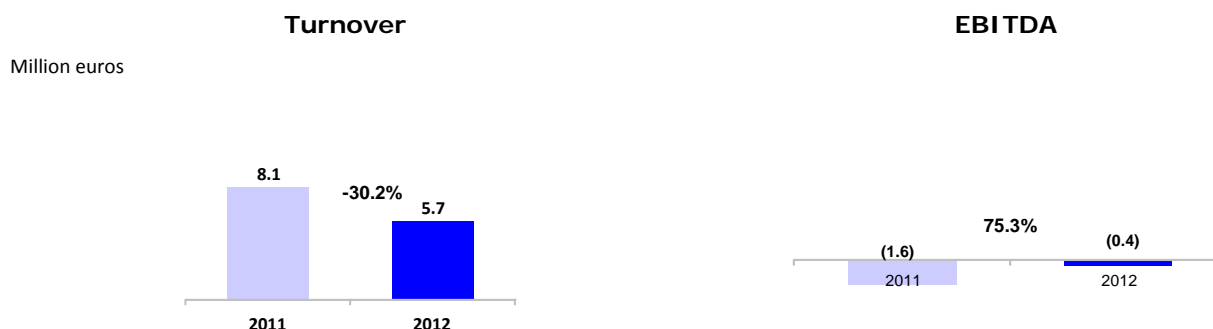
In this context, turnover in this business unit stood at 9.1 million euros, down 26.9% on 2011.

EBITDA totalled 0.3 million euros, representing a reduction of 78.1% due essentially to falling sales quantities on the domestic market. Ongoing efforts have been made to streamline costs, and personnel costs in particular, although these measures have not been sufficient to offset the slump in business.

Major developments included the start-up, in January 2012, of the new mortars plant in Montijo, with annual production capacity of 240,000 tons, which will significantly improve the process of supplying the market, especially in the Lisbon region.

Another important development was the launch of the *hidrostop* range of technical products for damp proofing, prevention and treatment of damp, and expansion of the renovation range using new mortars based on natural hydraulic lime.

4.4.1.6. Pre-cast Concrete



As in previous year, the pre-cast concrete market continued to decline in 2012. Estimates of the market in which Group companies operate point to a reduction of approximately 30%, in line with level of business experienced by Secil Prebetão and Argibetão.

Supply far outstrips demand, meaning that competition in the sector remains extremely fierce, with manufacturers offering very low prices, sometimes close to cost price.

In this environment, the pre-cast concrete business unit recorded turnover of 5.7 million euros, down by 30.2% on the figure recorded in the previous year. In terms of operational performance, this business unit presented EBITDA of -0.4 million euros, comparing favourably with the figure of -1.6 million euros recorded in 2011, when EBITDA had been pushed down by the cost of redundancy payments.

Significantly, Secil Prebetão is implementing a plan to restructure its operations, which will enable it to be more competitive and improve its performance in future.

4.4.2. Tunisia

4.4.2.1. Market Background

Tunisian society and the country's economy continued in 2012 to feel the effects of the revolution of January 2011 and its aftermath.

Despite continuous improvement in the general security situation, some unstable flashpoints still remain, and the outlook for the country in political, social and economic terms is consequently unclear.

The economic situation in Europe has had an impact on the Tunisian economy, causing a slowdown in export sectors and undermining an economy already reeling from the revolution and from political and social instability. This situation was further exacerbated by the fact that the period of transition, due to have ended in 2012, is still continuing, awaiting fresh elections which have yet to be held.

According to the IMF, the Tunisian economy is expected to grow by 2.7% in 2012, turning around the negative growth of -1.8% recorded in 2011 (Angola Economic Outlook, IMF October 2012). A slight recovery was observed in manufacturing, tourism and transport, while still falling short of the levels recorded in 2010.

As in 2011, the Tunisian dinar continued its downward trend against the euro, falling by an average of approximately 2.6% over the year.

The following table presents overall indicators for the Secil Group's business operations in Tunisia in 2011 and 2012:

Tunisia (million euros)	Turnover			EBITDA			Unit	Quantities Sold		
	Dec 12	Dec 11	12/11 (%)	Dec 12	Dec 11	12/11 (%)		Dec 12	Dec 11	12/11 (%)
Cement and clinker	59.1	52.6	12.5%	8.5	7.0	20.5%	1000 t	1,217.5	1,096.1	11.1%
Ready-mixed	7.9	8.4	-6.1%	0.8	1.0	-16.5%	1000 m3	175.9	189.8	-7.4%
Precast	0.1	0.2	-32.5%	0.0	0.0	-40.3%	1000 t	4.0	6.2	-34.6%
Total	67.1	61.1	9.8%	9.3	8.0	15.8%				

4.4.2.2. Cement and Clinker

The cement sector continued in 2012 to suffer the effects of the transitional period in the wake of the revolution, including sporadic closures of facilities, albeit on a smaller scale than in 2011.

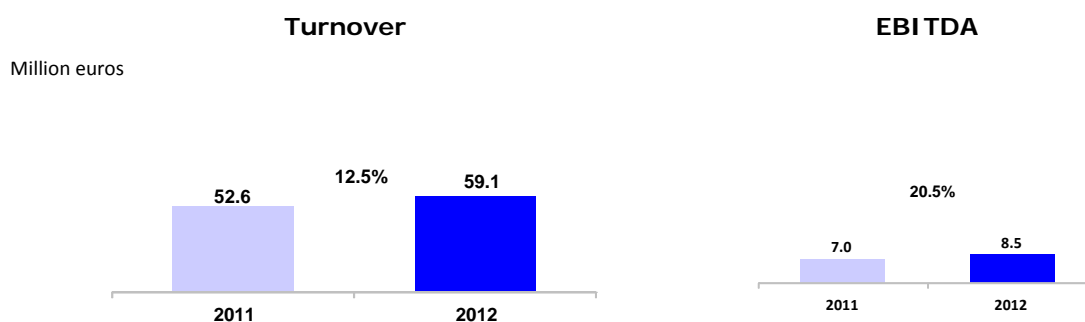
Consumption of cement and artificial lime in the Tunisian market stood at approximately 7.5 million tons, representing an increase of 12.3% in relation to the previous year. In the southern region, where the Secil Group's production facility is located, growth was slower, in the order of 11.7%.

Sales on the local market totalled 1.2 million tons, up by 8.2% on the figure recorded in the previous year. Sales on the external market also grew in relation to 2011, standing at a total of 36 thousand tons, as against 4 thousand in 2011.

This increase was explained largely by the abrupt reduction experienced in 2011 in the wake of the revolution and the events that followed.

Despite the growth in sales to foreign markets, administrative restrictions on exports were maintained in 2012, whilst the situation remained unstable in Libya, meaning that exports failed to fulfil their potential in terms of quantities.

Indicators



Turnover in cement and clinker business stood at approximately 59.1 million euros, representing an increase of 12.5% over the 12 months of the previous year, due essentially to an increase in quantities sold (up 11.1%), insofar as sales prices stagnated on the domestic market.

EBITDA in this business area totalled approximately 8.5 million euros, up by 20.5% on the previous year, when performance had been badly hit by the political developments in 2010.

Overall, performance was positive, considering the following factors which affected operations over the course of

2012: (i) temporary blockade of the mill due to strikes and sit-ins, (ii) delay in the start-up of the new cement mill, (iii) the shortfall in clinker output meant that substantial quantities had to be imported, at higher prices, in order to meet internal demand, resulting in a squeeze on the margin on local sales.

Once again, contrary to expectations and in breach of solemnly given commitments from the Tunisian government, cement prices were not deregulated. It should be recalled that on the occasion of the privatisation of the cement industry, price deregulation was expressly provided for in the relevant tender documents.

Accordingly, under the existing price regulation system, there was no price rise for cement sales during 2012.

It should be noted that the prices prevailing in the Tunisian market are substantially lower than those in neighbouring countries. For this reason, the Government imposed strict restrictions on exports, which generally offer much better margins than the domestic market.

Industrial Operations

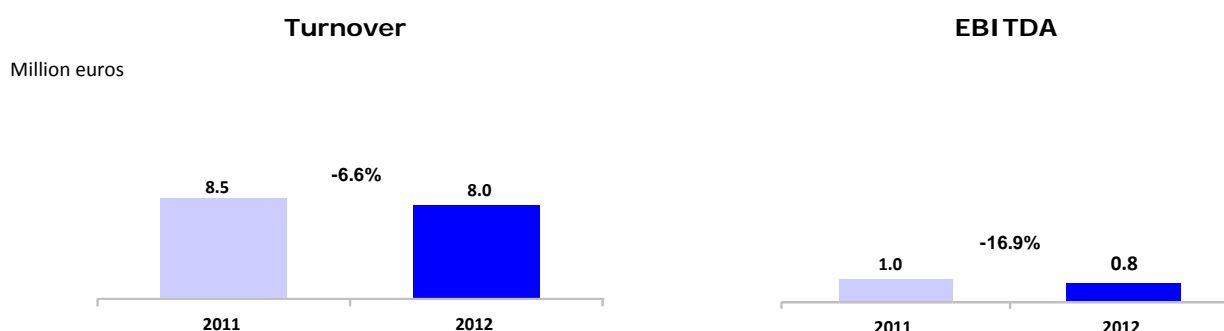
Output of cement and artificial lime stood at 1.3 million tons, representing growth of 8.3% over the previous year. The financial year of 2011 was marked by a series of stoppages, which had a severe effect on output. The mill was again subject to stoppages in 2012, due to strikes and sit-ins, although the impact was less significant than previously.

Fuel costs fell over the period, and most significantly petcoke prices were down by an average of approximately 17.3%.

Capital expenditure

In the wake of the crisis situation, the start-up of the new cement mill, originally planned for 2011, was postponed to 2012. However, as reported above, there was a considerable delay in the commissioning of this facility.

4.4.2.3. Ready-mixed and Precast Concrete



The ready-mixed market contracted in 2012 and the pre-cast market also continued the trend of recent years by declining further.

Concrete sales were down by 7.4% on the previous year and pre-cast sales tumbled by around 34.6%.

The situation in the country has affected both segments, with the public works sector in recession due to the lack of contracts and the private construction sector experiencing positive but uneven growth.

The decline in major public and private works projects had an impact on the concrete sector, where sales recorded a decline across the board.

Overall, turnover in this business unit contracted in the order of 6.6%, standing at 8.0 million euros. Despite the drop in sales by quantity, turnover was not so significantly hit, thanks to rising prices in both segments. Margins on concrete and pre-cast sales increased in 2012, due in part to the increase in prices and also to a slight reduction in production costs.

EBITDA totalled 0.8 million euros, down by approximately 16.9% on 2011. This reduction was due fundamentally to decreasing business and to the recording of impairments on receivables, in the order of 300 thousand euros.

4.4.3. Lebanon

4.4.3.1. Market Background

According to figures published by the IMF, the Lebanese economy is thought to have grown by 2% in 2012, up from the rate of 1.5% recorded in the previous year (World Economic Outlook, IMF October 2012).

The political situation in Lebanon was relatively stable in 2012, despite the troubles experienced in the north of the country. The Middle Eastern region has been going through a period of significant change, involving political transition in several countries. This holds out the promise of growth, but these changes have also created uncertainties, which have undermined investment, tourism and the economy in general. Lebanon has also felt the impact of both the global slowdown and stability at home.

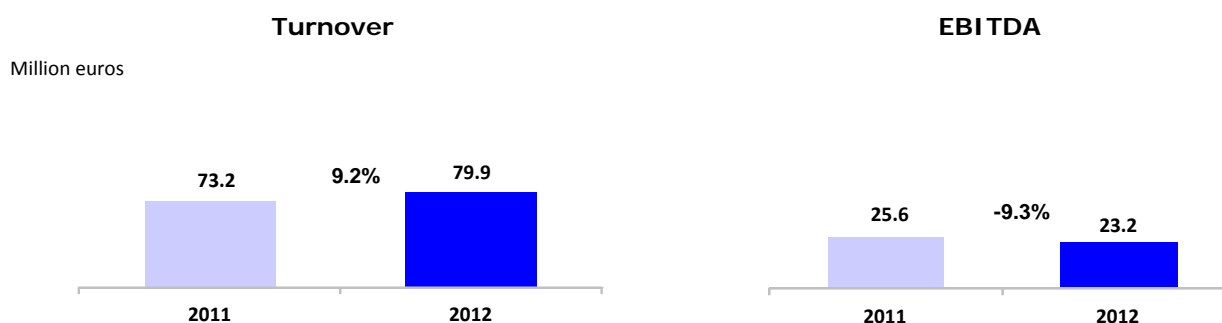
The following table presents overall indicators for the Secil Group's business operations in Lebanon in 2011 and 2012:

Lebanon (million euros)	Turnover			EBITDA			Unit	Quantities Sold		
	Dec 12	Dec 11	12/11 (%)	Dec 12	Dec 11	12/11 (%)		Dec 12	Dec 11	12/11 (%)
Cement and clinker	79.9	73.2	9.2%	23.2	25.6	-9.3%	1000 t	1,138.3	1,185.8	-4.0%
Ready-mixed	8.2	7.6	7.5%	0.5	0.4	18.0%	1000 m3	131.6	135.9	-3.2%
Total	88.0	80.8	9.0%	23.7	26.0	-8.9%				

4.4.3.2. Cement and Clinker

Despite the modest growth forecast for the economy, cement consumption edged downwards overall in relation to the previous year, with the market contracting for the first time since 2002. Estimates point to a total value for the cement market of 5.4 million tons of cement, some 4.6% smaller than in the previous year.

Indicators



In this context, Sibline recorded a slight reduction in sales in relation to 2011, with all its sales being made on the domestic market.

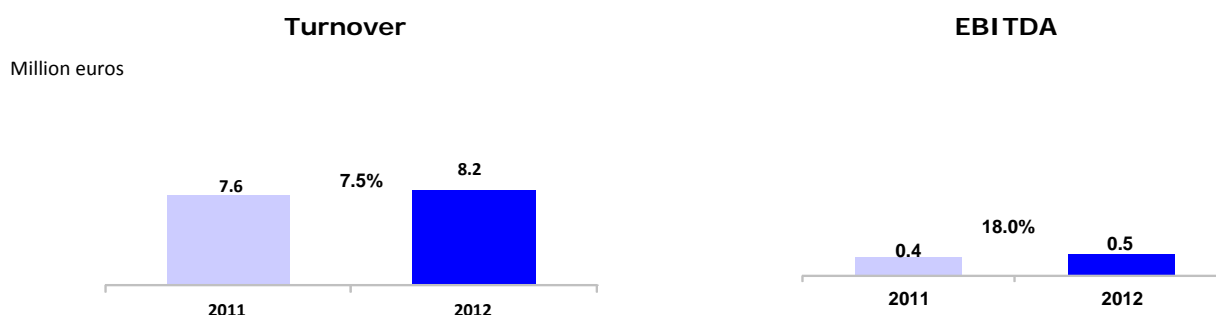
Turnover from cement operations in **Lebanon** stood at approximately 79.9 million euros, representing an increase of 9.2% over the previous year, due fundamentally to the rising average sale prices in euros, insofar as sales by quantity were slightly lower.

EBITDA stood at approximately 23.2 million euros, down by 9.3% on the previous year. The reduction in EBITDA was caused largely by the slump in performance in the 1st half, as a result of power cuts and a number of technical problems. In order to respond to market demands, the company was obliged to buy in sizeable quantities of clinker and cement from other manufacturers, with a consequent loss of margin. At the same time, successive stoppages led to increased maintenance costs and added thermal fuel consumption due to kiln start-ups.

Industrial Operations

Cement output stood at approximately 1.1 million tons, down by 2.3% on the figure recorded in 2011. The decline in performance was caused largely by the slump in performance in the 1st half, as a result of lengthy stoppages of production lines, due to frequent power cuts and the occurrence of technical problems

4.4.3.3. Ready-Mixed



The ready-mixed business area declined slightly in comparison to the previous year, with sales of 131,570 cubic metres, 3.2% down on 2011, and turnover of 8.2 million euros.

Despite an increase in average sale prices, the growth in turnover was due essentially to movements in the EUR/USD exchange rate. Had it not been for these, turnover would have been similar to that recorded in 2011.

EBITDA stood at 0.5 million euros in 2012, representing an improvement of 18.0%, thanks to the start-up of the new concrete plant located in Dorsa (in northern Beirut).

4.4.4. Angola

4.4.4.1. Market Background

Growth in the Angolan economy was robust in 2012, estimated at 6.8% (World Economic Outlook, IMF October 2012), and is still gathering momentum. The country also established a stronger fiscal position and larger international reserves, enjoying a stable exchange rate. In this context, the Angolan authorities pressed ahead with reforms, to bolster key areas, such as the fiscal, monetary and financial sectors.

Growth in the economy was sustained by a recovery in the oil sector and continued growth in the non-oil sector.

The following table presents overall indicators for the Secil Group's business operations in Angola in 2011 and 2012:

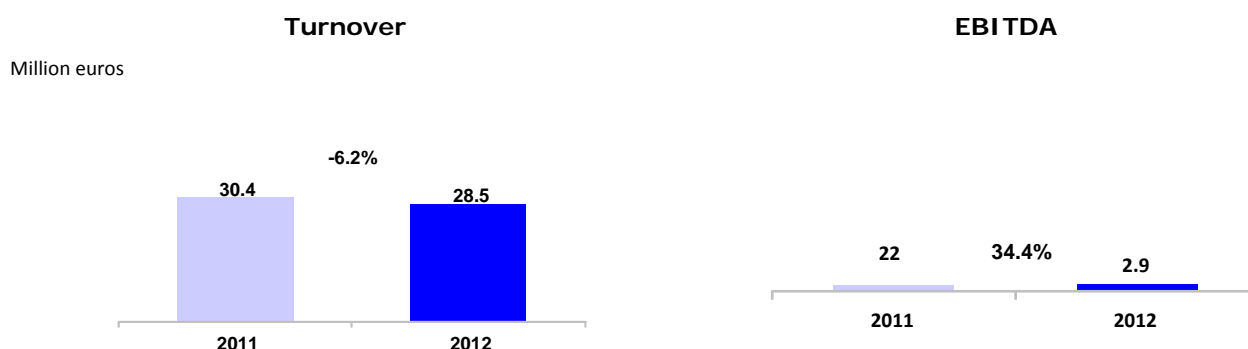
Angola (million euros)	Turnover			EBITDA			Unit	Quantities Sold		
	Dec 12	Dec 11	12/11 (%)	Dec 12	Dec 11	12/11 (%)		Dec 12	Dec 11	12/11 (%)
Cement and clinker	28.5	30.4	-6.2%	2.9	2.2	34.4%	1000 t	177.2	229.1	-22.6%

4.4.4.2. Cement and Clinker

Growth in the Angolan economy also resulted in continued expansion of the construction industry, causing cement consumption to rise to 5 million tons, representing an increase of approximately 39% on the previous year. Of the total cement market, around 2 million tons is represented by imported cement.

In terms of domestic manufacturing capacity, a significant development was the commissioning of a cement mill in the Benguela region, with annual capacity of 600 000 tons. In view of the location of this unit, the start-up will have an impact on the Secil Group's operations.

Indicators



Secil Lobito recorded sales of 177.2 thousand tons, corresponding to turnover of 28.5 million euros; these figures are down by respectively 22.6% and 6.2% on the previous year.

This negative evolution in turnover was the result of a reduction in the volume of cement sales, insofar as the average sales price increased over the period. The start-up of the new cement mill in the Benguela region also contributed to shrinking business.

The performance of cement operations in Angola improved significantly, with EBITDA standing at 2.9 million euros, up by 34.4% on the previous year, thanks essentially to rising average sales prices and streamlining of costs.

4.5. RESOURCES AND SUPPORTING FUNCTIONS

4.5.1. Sustainability

As a fundamental aspect of sustainability-related practices, priority has been given to the concepts of streamlining and respect for the expectations of different stakeholders. This means making more rational use of natural resources

(replacing natural raw materials and fossil fuels with alternative materials), improving energy efficiency, support for and participation in the work of local bodies and a policy of welfare protection for our workers, their families and the local communities.

Significant strides have been made in this area particularly in the Portugal-Cement business area, including the following:

- The alternative fuel substitution rate rose to 41%, allowing further substitution of fossil fuels;
- The total rate of clinker incorporation remained unchanged from 2011, at 74.4%;
- A significant reduction in specific CO₂ emissions from 654 kg to 615 kg of CO₂ per ton of cement products, thanks to reduction in specific CO₂ emissions per ton of cement;
- CO₂ emissions from all 3 plants stayed within the limits set in the licenses issued by the Portuguese Government under the National CO₂ Emissions Plan (PNALE II).

4.5.2. Environment

In an important development for Secil in particular, 2012 saw the launch of a project for "Electrical Energy Optimization at Cement Mills in Portugal", designed to improve energy efficiency (electrical and thermal energy) at its facilities. This project started by identifying a set of measures to cut energy consumption, including the optimization and replacement of equipment and utility networks, and measures for increasing the alternative fuels substitution rate.

Another major development was the publication of the National Low Carbon Roadmap (NLCR), which set out to study the technical and economic feasibility of routes to reducing greenhouse gas emissions in Portugal by 2050, leading to a competitive low-carbon economy. The analysis in this Roadmap leads to the conclusion that the possibility exists of reducing Portugal's greenhouse gas emissions to between 50 and 60% of 1990 levels by 2050. The vision underlying the NLCR is in line with the European Union's target of cutting greenhouse gas emissions by 2050 to 80-95% of 1990 levels. Emissions by manufacturing industry (which includes the cement sector) can be brought down to 33-53% of 1990 levels by 2050, and in the case of cement, part of this reduction will be achieved by using carbon capture and sequestration technologies, whose technical and economic feasibility still needs to be investigated.

At European level, the conclusions on the Best Available Techniques for the cement industry have been approved, which could have implications for emissions limits applicable to SECIL's facilities, in particular with regard to Nitrogen Oxide, requiring the adoption of secondary reduction measures (SBCR - Selective Non-Catalytic Reduction)

4.6. ORGANIZATION

In 2012, Secil significantly restructured its operations in Portugal, in particular in the cement, ready-mixed and aggregates segments, with a view to achieving significant savings by streamlining operations and resizing supporting departments in order to bring the company's structure into line with the new situation created by the substantial reduction in domestic demand.

The aim of all the measures adopted is to protect Secil's long term viability, preserving the important role it has played in Portugal's economy, over a period of unprecedented hardship and uncertainty.

As a result of the restructuring measures adopted in Portugal, the Secil Group's workforce was cut to 2247, 13% down on the figure for 2011.

The operational streamlining plan has involved the 3 cement mills in Portugal, the Group's concrete plants and its quarries. Streamlining of operations has also involved the closure of concrete plants.

The Group's central support structures have also been reorganized, involving the migration of back-office activities for ready-mixed and aggregates to the Group's central offices. A new central services structure has been created, which will serve all the Group's units in Portugal.

The migration was effected in early November 2012, leading to redundancies in this area, and the new organizational structure is currently stabilizing. A further process of optimizing supporting functions will commence in 2013, involving a large number of projects in the field of information technologies, in order to improve organizational processes.

A series of initiatives is currently under way to streamline costs and maximize efficiency, both in operations and in the central departments.

5. Supremo Group

During the 1st quarter of 2012, the Semapa Group went ahead with acquisition of a 50% stake in Supremo Cimentos S.A., a cement manufacturer located in southern Brazil, in the state of Santa Catarina. The company operates an integrated clinker and cement mill in Pomerode, as well as aggregates and concrete operations. Supremo is currently constructing a new mill which is set to increase its cement production capacity to close to one million seven hundred thousand tons.

This holding has now been included in Semapa's consolidated accounts on a proportional basis.

In the financial year of 2012, the Supremo Group recorded turnover of 46.1 million euros and EBITDA of 3.1 million euros, of which Semapa appropriated 50%.

6. Environment Business Area – ETSA

6.1. LEADING BUSINESS INDICATORS

IFRS - accrued amounts (million euros)	2012	2011	Var. (%)
Sales	35.6	33.2	7.2%
Other income	1.5	0.2	656.0%
Costs and losses	(28.2)	(25.3)	-11.3%
EBITDA	9.0	8.1	10.5%
Recurrent EBITDA	9.0	8.1	10.5%
Depreciation and impairment losses	(2.8)	(2.4)	-18.8%
Provisions (increases and reversals)	(1.0)	(1.1)	15.0%
EBIT	5.2	4.6	12.4%
Net financial profit	(1.6)	(1.0)	-57.0%
Pre-tax profit	3.6	3.6	-0.2%
Tax on profits	(0.5)	(0.7)	28.3%
Retained profits for the year	3.1	2.9	6.3%
Attributable to ETSA equity holders *	3.0	2.9	3.7%
Attributable to minority interests (MI)	0.1	(0.0)	756.4%
Cash-Flow	6.9	6.4	7.2%
EBITDA margin (%)	25.2%	24.5%	3.1%
EBIT margin (%)	14.6%	13.9%	4.9%
	31-12-2012	31-12-2011	Dec12 vs. Dec11
Equity (before MI)	55.7	52.6	5.8%
Net debt	20.4	22.7	-10.2%

* of which 96% is attributable to Semapa

Note: The above figures may differ from those presented individually by the ETSA Group, as a result of consolidation adjustments made by the holding company, Semapa.

6.2. LEADING OPERATING INDICATORS

The following table sets out the main operating indicators for the ETSA Group in the financial year of 2012:

	Unit	2012	2011	12/11
Collection of raw materials – Animal waste (categories 1 and 2)	1000 t	47.5	51.6	-7.9%
Collection of raw materials – Animal waste (category 3)	1000 t	71.7	67.8	5.8%
Collection of used food oil	1000 t	2.2	2.9	-24.1%
Sales – animal fats	1000 t	18.1	15.0	20.7%
Sales – meal	1000 t	18.7	16.0	16.9%
Sales - used food oil	1000 t	2.1	2.9	-27.6%
Sales – Frozen products for pet food	1000 t	0.0	2.2	-100.0%

6.3. ETSA GROUP - BUSINESS OVERVIEW

The economic recession currently affecting Portugal and Spain has had a constraining effect on the ETSA Group's turnover, which in 2012 totalled 35.6 million euros, up by approximately 7.2% on the figure recorded in the financial year of 2011. This growth was due essentially to the extension of services to new abattoirs with the acquisition in April 2011 of the assets of another operator, to the stepping up of commercial operations in Spain, resulting in the contracting of a number of new suppliers, including a number of former suppliers, and to rising average sales prices for fats and meals.

The change in stocks for the same period stood at approximately 1.5 million euros, as compared to a figure of 0.3 million euros in the previous year, thanks to dynamic programming of sales and stocks.

As a result, at 31 December 2012, consolidated EBITDA totalled 9.0 million euros, representing growth of 10.5% over the financial year of 2011, thanks essentially to (i) increased turnover and change in stocks and (ii) the pressure exerted throughout operations by cost control systems, despite the penalizing effect of rising unit costs for the main energy needs.

The increase in depreciation was caused fundamentally by the volume of investment in April 2011, relating to acquisition of assets from another operator in the market.

At the same time, as a result of the uncertainty surrounding an abattoir with which SEBOL established a commercial contract in late 2010, additional provisions have been recorded in the consolidated accounts with a value of 900 thousand euros, bolstering the provisions already made in 2011.

Financial charges increased significantly over the period, due to an increase in gross borrowing, as a result of the investments made in 2011 and the repricing of the respective main conditions.

The combination of the effects described above resulted in an increase in net income, which for 2012 stood at approximately 3.0 million euros, up by 3.7% from that recorded in 2011.

At 31 December 2012, the ETSA Group recorded net debt of 20.4 million euros, representing a reduction of approximately 10.2%, or 2.3 million euros in relation to the net debt recorded at 31 December 2011.

7. Semapa Group Human Resources

The Semapa Group's human resources policy is geared to continuous improvement in productivity through developing employee skills and expertise, in conjunction with streamlining and rationalization.

A commitment to a highly skilled workforce, with specialized professional careers, continues to be one of the key features of the Group's human resources policy, reflected in professional development and training activities and programmes.

The workforce of the Semapa Group rose from 5,133 at the end of December 2011 to 5,208 at the end of December 2012, as shown in the following table:

	31-12-2012	31-12-2011	Var
Paper and Pulp	2,275	2,290	-15
Cements	2,659	2,589	70
Environment	254	235	19
Holdings	20	19	1
Total	5,208	5,133	75

The net increase of 70 employees in the workforce in the cement area was due fundamentally to the acquisition of the Supremo Group in 2012, with 412 employees, and 342 redundancies in the Secil Group.

8. Social Responsibility in the Semapa Group

Helping to develop its local communities is one of the guiding strategic principles of the Semapa Group. The Group is accordingly involved in a wide array of projects designed in the last instance to improve the quality of life of the communities around its plants and facilities, and to conserve the environment.

The Semapa Group has supported a number of institutions including Associação Salvador, which defends the interests and rights of people with reduced mobility, and especially of people with mobility handicaps, and the Fundação Nossa Senhora do Bom Sucesso, a charity working to provide health care centred on families, with a special focus on women and children.

In 2012, the Portucel Group developed closer links with the community through projects designed to promote the improvement of woodlands and conservation of biodiversity, to create a culture of openness and provide information about its industrial units, as well as running active programmes of welfare support for people facing hardship.

In keeping with its policy of social responsibility, the Group has established partnerships with various institutions working in the regions around its plants and forest holdings.

Paper was also donated in 2012 to schools and welfare organizations in the area of influence of the Group's mills. A total of 146 donations were made to social, educational and cultural projects, corresponding to approximately 43 tons of paper.

The Secil Group has been aware at all times that sustainable growth depends on the well-being of its workforce, and on the support and ties it builds with the communities in which it locates its production units and commercial premises.

Secil's workforce has benefited from complementary retirement pension plans and other benefits designed to combat absenteeism and to help retain employees.

At the same time, Secil has signed cooperation agreements with institutions working in the fields of social inclusion, sport and the arts, with programmes in the local communities around the Group's facilities.

The ETSA Group has established partnerships with charities and welfare organizations, designed to support work to improve the living conditions and inclusion of the underprivileged. This has included supporting the work of AMI – Assistência Médica Internacional and also the Ronald McDonald Foundation, by means of cash donations.

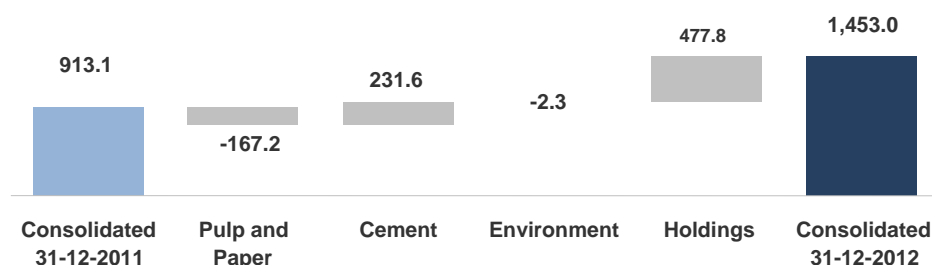
9. Semapa Group – Financial Area

9.1. INDEBTEDNESS

At 31 December 2012, consolidated net debt stood at 1,453.0 million euros, representing an increase of 539.9 million euros over the figure recorded at year-end 2011. The following table shows the evolution and a breakdown of consolidated net debt:

	Million Euros		
	31-12-2012	31-12-2011	Var
Pulp and Paper	255.6	422.8	-167.2
Cement	304.3	72.6	231.6
Environment	20.4	22.7	-2.3
Holdings	872.8	395.0	477.8
Total	1,453.0	913.1	539.9

Consolidated Net Debt Evolution



The increase recorded in indebtedness is due essentially to the combined effect of:

- Very significant cash flow generation in the paper and pulp segment: although Portucel paid out a total dividend of 164.7 million euros in April and acquired own shares for an outlay of 46.0 million euros, its indebtedness was reduced by 167.2 million euros. It should also be noted that cash generation over the year was also held in check by efforts to step up support to raw material suppliers, by disbursement of the final payments on capital projects from previous periods and the adoption of supplier payment practices which take into account the current difficulties they face in obtaining bank credit;
- An increase of 231.6 million euros in the cement segment, due to incorporation of 49% of the net debt of the Secil Group and consolidation in the Semapa Group's accounts of 50% of Supremo's debt;
- A reduction of 2.3 million euros in the Environment segment (ETSA Group);
- An increase of 477.8 million euros at holding company level, due to the combined effect of the acquisition of Supremo, acquisition of 49% of Secil, receipt of dividends from Portucel and payment of dividends to Semapa's shareholders.

9.2. RISK MANAGEMENT

Details of risk management may be consulted in the relevant section of the Notes to the Financial Statements (Semapa Group).

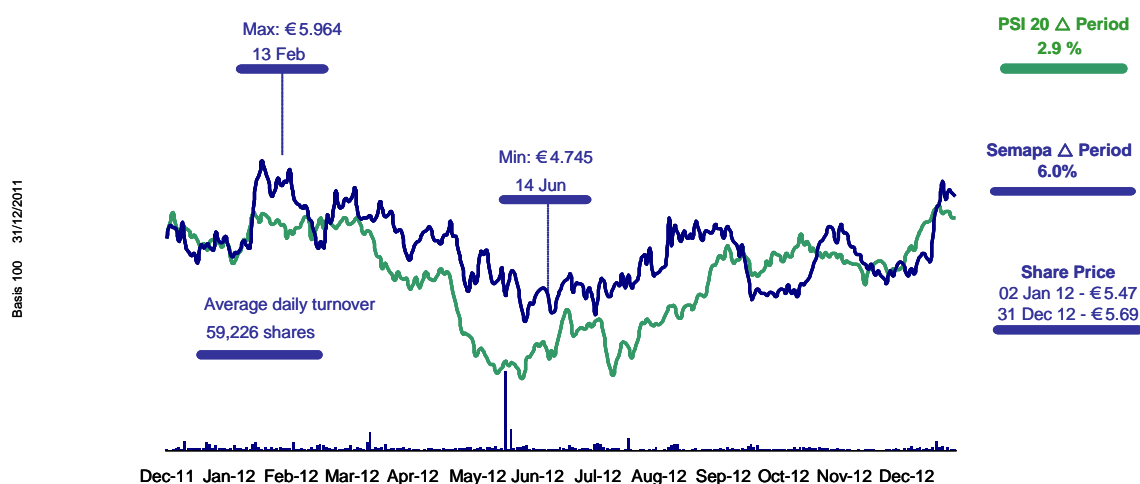
9.3. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Total liabilities for pensions, in consolidated terms, at 31 December 2012, stood at 150 million euros, of which 145.7 million euros were covered by independent pension funds. Accordingly, uncovered pension liabilities at this date, totalling 4.3 million euros, comprise i) 2.1 million euros for the Portucel Group, ii) 0.8 million euros for the Secil Group and iii) 1.4 million euros for Semapa.

In addition, the Semapa Group also calculated liabilities for other post-employment benefits totalling 5.2 million euros (3.2 million euros for the Portucel Group and 2 million euros for the Secil Group).

9.4. LISTED SHARE PRICE

After the financial year of 2011, which was particularly difficult for most markets, 2012 proved to be a year of recovery, with investors returning to the equity markets. The main European markets recorded significant gains, in particular towards the end of the year, most notably in Frankfurt (up 29.1%), but also in London (up by 18.7%) and Paris (up by 15.2%). Performance in the Portuguese index fell short of the level recorded by other European markets, although it managed to outshine the Madrid market index, which ended the year down by 4.7%. After losing almost 15% over the first half of the year, the PSI20 rallied significantly in the second half, and ended the year up by 2.9%.



Note: Closing prices

In this context, shares in Semapa ended the financial year of 2012 with an overall gain of approximately 6.0%, around double the increase recorded by the PSI20 over the period (up 2.9%).

9.5. DIVIDENDS

In relation to the payment of dividends, the company has pursued a policy of distributing an amount which allows it not to take out significant additional borrowing and without undermining its sound financial position. The aim has been to maintain a financial structure compatible with the Group's sustained growth and different business areas, whilst maintaining sound solvency indicators. Accordingly:

- Semapa's General Meeting resolved to distribute a total dividend of 28,785,539.85 euros, paying out 25.5 cents per share on 11 June.
- Portucel's General Meeting resolved to distribute a total dividend of 164,730,887 euros, paying out 22.1 cents per share on 20 April.

9.6. NET PROFITS FOR 2012

Also in connection with the process of acquisition of 49% of Secil from CRH, and due to differences between the IFRS and SNC rules, as well as to reassessment of the recoverable value of this subsidiary, in the separate financial statements, drawn up under the SNC rules, the difference determined between the acquisition value and the respective recoverable value was partially recorded in the individual results for the period (221 million euros), as duly disclosed to the market. As a result of this, the net income stated in the separate financial statements, drawn up under the SNC rules, stood at a negative figure of 110 million euros for the period ended 31 December 2012

Semapa has recorded Consolidated Net Profit for 2012, before minority interests, of 170.6 million euros, of which a positive figure of 126.5 million euros is attributable to Semapa equity holders.

10. Principal Developments in 2012

- During the 1st quarter of 2012, the Semapa Group went ahead with acquisition of a 50% stake in Supremo Cimentos S.A., a cement manufacturer located in southern Brazil, in the state of Santa Catarina. The company operates an integrated clinker and cement mill in Pomerode, as well as aggregates and concrete operations. Supremo is currently implementing an expansion plan after which its cement production capacity will be close to one million seven hundred thousand tons. This holding has now been included in Semapa's consolidated accounts using the proportional method, with 13.8% held by Secil and 36.2% held indirectly by Semapa SGPS.
- In March, Semapa SGPS launched a bond issue, with financial settlement on 30 March 2012, providing it with gross funding of 300 million euros. The SEMAPA 2012-2015 issue has a maturity of 3 years and a flat rate of 6.85%.
- As from the same month, the holding in Secil has been included in Semapa's consolidated accounts on the full consolidation basis, as a result of the ending of the shareholders' agreement between Semapa and CRH and with the Semapa Group taking over control of the Secil Group.
- In April, the Semapa Group effected a bond issue in Brazil, through its wholly owned subsidiary NSOSPE. This is a 5-year floating rate issue with a total value of 128.1 million reais.
- In the same month, Portucel paid out dividends totalling 164.7 million euros.
- In May, the Semapa Group acquired the 49% holding in Secil owned by CRH, for a price of 574 million euros.
- June, Semapa paid out dividends of 28.8 million euros.
- In the course of June, Portucel acquired a bloc of 24.85 million own shares, representing 3.2% of its capital. As a result of this transaction, Portucel now owns 47.36 million shares, representing 6.17% of its capital.
- On 27 December 2012, an Extraordinary General Meeting of Semapa abolished the directors' pension scheme in force since 2005, delegating powers, on the terms and for the purposes of Article 397.2 of the Companies Code, for the conclusion of agreements to redeem the rights existing under this system between the Company and its directors (see the Corporate Governance Report).

11. Outlook

Most indicators point to modest global economic growth in 2013, although with significant differences between regions and countries. A number of structural issues persist with the potential to restrict growth, including the uncertainty surrounding the debt crisis in the Euro Zone, the management of the fiscal cliff in the US and the need for deleveraging of the public and private sectors in a number of economies.

In the Euro Zone, signs of an economic slowdown can still be seen, and are expected to continue throughout the year. Despite the recent boost to confidence in financial markets, economic growth is expected to remain constrained by severe measures to consolidate state spending in most European countries, by the high level of national, corporate and household debt and by the continued fragility of the financial system.

Despite a number of positive signs in the US, in particular the recovery of the real estate sector and improved competitiveness in energy costs, uncertainties remain as to the severity and pace of policies to be implemented over coming years to consolidate the budget, with a possible impact on economic growth.

Some emerging markets, and China in particular, have also begun to cool, and growth in these economies is expected to decrease in the next few years as a result of slacker demand from the developed economies and the transition from a model of growth sustained almost entirely by exports and public spending to one based on internal demand. In any case, the Chinese market is expected to remain one of the main driving forces in global demand, especially in some of the main markets in which the Group operates.

The way forward for the Portuguese economy remains wholly dependent on the process of economic and financial adjustment being undertaken under the aid programme agreed between the Portuguese State, the European Union and the International Monetary Fund.

Forecasts recently published by the Bank of Portugal confirm a reduction in GDP over 2012 in the order of 1.9%, as detailed in the Winter Economic Bulletin, issued in January this year.

Paper and Pulp

The expected persistence of the economic downturn, with its inevitable impact on employment levels, will continue to drive down consumption of uncoated woodfree paper in the more developed economies, in particular in Europe and the United States, the Group's main markets. It should be noted that apparent consumption in Europe, the Group's main market, fell by almost 4% in 2012, and that this trend is set to continue.

Accordingly, despite the resilience shown by the cut-size paper market, where consumption fell by only 1.5%, and the positive impact of capacity closures in 2011, as well as the positive evolution in the USD/Euro exchange rate, factors which together helped to provide some support for the market over the past year, the outlook for the near future remains extremely uncertain.

In addition, insofar as the rally in pulp prices in 2012 was one of the factors that helped sustain paper prices, by maintaining strong pressure on non-integrated producers, the evolution of this market will also be an important element in the Group's future performance.

Expectations accordingly point to the BEKP **pulp** market continuing to be sustained by strong demand from Asian markets, and particularly from China, thanks to investment in the manufacture of tissue papers and the policy pursued by the Chinese government of closing down obsolete plant. Demand will be further bolstered by the foreseeable growth in internal demand, with a sharp impact on consumption of tissue papers, despite the fact that estimates point in the short term to a temporary dip in the pace of paper production, due to the high levels of existing stocks.

This positive performance in the Chinese market has offset the more recessionary environment in Europe and the US. The recent closure of a plant in Brazil with annual production capacity of more than 400 thousand tons, the cost inflation experienced in the main BEKP pulp producer countries, combined with the high level of indebtedness of certain producers and the strong pressure on them to maximize yields from sizeable capital projects currently under way are all conditions which could help sustain prices in the near future.

However, the 4th quarter of 2012 saw the start of production in the Eldorado project, in Mato Grosso do Sul, in Brazil, with rated annual capacity of 1.5 million tons. The impact of this will be felt by the market in 2013, at the same time as a further new unit in Uruguay and another in Brazil are set to come online, with combined capacity of 2.8 million tons/year. The start-up of these new pulp mills will test the capacity of the market to absorb an appreciable increase in the supply of BEKP pulp, and could have a negative impact on the market in the second half of 2013.

In this difficult environment, the Group has striven consistently to expand its markets and to reposition its product mix on its traditional markets, capitalizing on the excellent penetration and awareness levels enjoyed by its own brands and wide perception of the quality of its value proposition. As a result, the Group has expanded its share in its traditional markets and significantly increased its presence in new markets, in particular in Eastern Europe, North Africa and the Middle East.

This has permitted the Group to keep its order books at very comfortable levels and to operate continuously at 100% capacity, placing nearly all its output on foreign markets.

Cement

The current economic climate remains unfavourable to Secil's main business activities, considering the geographical location of its main operations.

In **Portugal**, which is the Group's main market, the outlook remains particularly gloomy in the light of the measures set out in the 2013 State Budget, which will help drive down internal demand yet further, with the consequent negative effects for the economy in general, and for the construction sector in particular. The prospects are therefore not positive for the various segments operated by the Secil Group.

Accordingly, as already mentioned, Secil is implementing a broad array of measures to cut costs, in order to bring its operations in Portugal and the respective structure into line with the new reality created by the drastic reduction in demand. Some of the effects of these measures were already felt in 2012.

In **Tunisia**, the economy is expected to grow by 3.3%, up from the estimated level of 2.7% in 2012, accordingly to the IMF's latest estimates, despite the uncertainty deriving from the continued possibility of political and social instability.

Expectations of improved stability and a slight upturn are constrained by the continuing uncertainty and a degree of indecision as to the country's future, delaying the drafting of a new constitution and the setting of a date for elections which should have been held in 2012. If this situation drags on, it may undermine the normal functioning of a wide variety of sectors.

In line with expectations for the economy as a whole, the construction and cement sector is also expected to record stronger growth than in 2012.

Expectations point to an improvement in exports as the Libyan market stabilizes, although this is subject to factors which are unpredictable.

In **Lebanon**, economic performance is expected to be similar to that in 2012, with growth in the order of 2.5%, up from the estimate of 2.0% for 2012, according to the latest estimates from the IMF. Recent changes in the Middle East region have not made it easy to maintain economic stability, and the 2.5% growth forecast for Lebanon is below the country's potential. The cement market is expected to stabilize in 2013, after the boom from 2003 to 2011.

Prospects for Angola in 2013 are favourable, despite the uncertainties existing in the world economy. According to the IMF, the Angolan economy can be expected to grow by 5.5% in 2013, well up on the figure of 6.8% estimated for 2012. The oil sector is expected to grow by 4% whilst growth in the non-oil sector is forecast to exceed 7% on the strength of growing public sector spending plans, geared to resolving the shortage of infrastructures in the country.

This holds out the promise of strong growth for the Angolan cement market in 2013. However, the start-up of a new cement mill in the Sumbe region, with annual capacity of 2 million tons, will have a strong impact on the Secil Group's market, in view of its geographical location.

The Group's investment in the acquisition of **Supremo Cimentos** and the construction of a new cement mill in **Brazil** will mean an increase in indebtedness. This will penalize financial results and consequently the Group's net income until the start-up of the new plant.

Environment

In the current economic environment, in which a clear tendency towards a downturn in the European economy, especially visible in Portugal, is expected to lead to a sharp drop in internal consumption, no significant improvement is anticipated in the short term in the sector in which the ETSA Group operates, insofar as decreased consumption means a reduction in the level of animal slaughter, and consequently a reduction in the quantity of by-products generated and increased competition between operators.

The Group's prime objectives in the short term include: (i) concentrating on horizontal expansion of its markets, with estimates suggesting that exports will account for more than one third of total turnover in 2013; and (ii) identifying fresh opportunities for vertical growth, paying particular attention to investment in improving operational efficiency, extracting maximum value from the channels operated and locking in the main conventional and alternative collection centres.

The Ministry of Agriculture, the Sea, the Environment and Territorial Planning launched a new Open Tendering procedure, to run for a period of three years, establishing the new procedural system for providing integrated services in the collection and transport of animal carcasses for destruction (SIRCA).

ITS (a subsidiary of the ETSA Group) was notified on 18 January 2013, in its capacity as representative of a consortium which had tendered a bid, of the decision by the Directorate-General of Food and Veterinary Services to award the contract in question, and services are therefore expected to start up on the terms established by the new tendering procedure during the first quarter of 2013.

12. Acknowledgments

2012 was a year in which the Group continued to focus on export operations, building on the heavy capital expenditure projects implemented in previous years. This is a Portuguese Group rooted in manufacturing industry whose successful strategic decisions have led it to play a growing role in the country's economy.

We wish to express our thanks to the following, for their important contribution to our success:

- our employees, whose efforts and dedication have made possible the company's dynamism and development;
- for the support and understanding of our customers and suppliers, who have acted as partners in our endeavours;
- for the cooperation of the Financial Institutions, and the Regulatory and Supervisory Authorities;
- for the cooperation of the Audit Board and the officers of the General Meeting; and
- our Shareholders, who have accompanied our progress and whose trust we believe we continue to deserve.

13. Proposed Allocation of Net Income

1. Proposed Allocation of Net Income

Considering that the company's net income as determined by its separate accounts drawn up under the SNC rules corresponds to a negative figure of 109,655,322.20 euros (one hundred and nine million, six hundred and fifty five thousand, three hundred and twenty two euros and twenty cents), it is proposed that this amount be allocated in full to retained earnings.

2. Proposal for Distribution of Free Reserves

Whereas:

- a) The Company has followed a consistent policy of distributing dividends to shareholders;
- b) Despite the negative net income recorded in the separate accounts, the Company recorded positive consolidated net income under the IFRS rules of 126.5 million euros;
- c) The Company has total free reserves of 931,505,690 euros (nine hundred and thirty one million, five hundred and five thousand, six hundred and ninety euros);
- d) It is admissible for part of these reserves to be distributed, without the Company's equity, as stated in the annual balance sheet, falling below the sum of the share capital and reserves whose distribution to shareholders is not permitted under the law or the articles of association;
- e) Partial distribution of the free reserves as proposed by the Company is compatible with its financial structure;

It is proposed that free reserves be distributed in the amount of 28,785,539.85 euros (twenty eight million, seven hundred and eighty five thousand, five hundred and thirty nine euros and eighty five cents), corresponding to 25.5 cents per share.

Lisbon, 28 February 2013

The Board of Directors

Pedro Mendonça de Queiroz Pereira

Chairman

Maria Maude Mendonça de Queiroz Pereira Lagos

Director

José Alfredo de Almeida Honório

Director

Francisco José Melo e Castro Guedes

Director

José Miguel Pereira Gens Paredes

Director

Paulo Miguel Garcês Ventura

Director

Rita Maria Lagos do Amaral Cabral

Director

António da Nóbrega de Sousa da Câmara

Director

Joaquim Martins Ferreira do Amaral

Director

António Pedro de Carvalho Viana-Baptista

Director

Vitor Manuel Galvão Rocha Novais Gonçalves

Director

PART 2

CORPORATE GOVERNANCE REPORT

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Report on the corporate governance structure and practices, drawn up in accordance with Securities Market Commission Regulation no. 1/2010;

Introduction

The new Corporate Governance Code, approved by the Securities Market Commission in January 2010, and Securities Market Commission Regulations no. 1/2010 remain in force and apply to the financial year of 2012. The content and scope of the recommendations contained in the code are therefore not new and underwent analysis and critical assessment in the last two financial years.

In 2012, Semapa received feedback from two sources on its corporate governance reporting for the financial year of 2011. It was informed of the Securities Market Commission's assessment of the degree of Semapa's compliance with its recommendations, released in keeping with a new timeframe, and also of the assessment conducted by AEM (Association of Portuguese Issuers of Listed Securities), on the basis of an index designed in conjunction with the Catholic University, which gave Semapa a rating of AA. This feedback was taken into consideration in the company's own assessments.

We feel we should draw attention here to the nature of the recommendations and the significance which Semapa's decision to adopt or otherwise may have. Each company, in its respective sector, country and context, corresponds to a particular case where the application of a given recommendation may be beneficial or else have a negative effect. Aware of this risk, we are obliged to weigh up the various options with care, and to recognize that a properly justified decision not to adopt is just as valid as a decision, in another instance, to follow the recommendations. Movement towards wider adoption has therefore inevitably been limited to cases where clear benefits result from a decision to comply or such compliance did not cause any damage.

The structure of this report was altered in relation to those issued in previous years, and the company has decided to maintain all the information relating to corporate governance in the report referred to in Securities Market Commission Regulations 1/2010. Information not contained in the structure of this model has been included in annexes to the Report - this is the case of the remuneration policy statement, the disclosures required by Articles 447 and 448 of the Companies Code and paragraphs 6 and 7 of Article 14 of Regulations 5/2008 of the Securities Market Commission, the assessment of the governance model adopted, the activities of non-executive directors and the declaration referred to in paragraph 1 c) of Article 245 of the Securities Code.

Chapter 0. Declaration of compliance

0.1. CODES ADOPTED

Semapa has not voluntarily opted to submit to any other corporate governance code and is accordingly subject to the “Corporate Governance Code” approved by the Securities Market Commission in January 2010.

These texts are available online at the website of the Securities Market Commission at www.cmv.pt.

0.2., 0.3. AND 0.4. RECOMMENDATIONS ADOPTED, NOT ADOPTED AND REASONS FOR DIVERGENCE

The company and its shareholders have made the following options with regard to compliance with the recommendations in the text approved by the Securities Market Commission:

I. General Meeting

I.1 Officers of the General Meeting

Recommendation I.1.1

The Chairman of the General Meeting shall have at his disposal the necessary and adequate human resources and logistic support, taking the financial position of the company into consideration.

Adopted

This recommendation is adopted by the company and, as in previous years, the Chairman of the General Meeting appointed at the company's last Annual General Meeting has confirmed the provision of adequate resources.

Recommendation I.1.2

The remuneration of the Chairman of the General Meeting shall be disclosed in the annual report on corporate governance.

Adopted

This recommendation is adopted, since the Chairman of the General Meeting received no remuneration in 2012 as better explained in chapter I.3 of this report.

I.2 Participation at the Meeting

Recommendation I.2.1

The deadline for submitting proof of the deposit or blocking of shares for the purposes of attending general meetings shall be no more than five business days prior to the date of the meeting.

Not applicable

In the light of the introduction, by Decree-Law 49/2010, of 19 May, of Article 23-C to the Securities Code (establishing rules that listed companies are required to comply with and exempting the blocking of shares), the company considers that this recommendation is not longer applicable. It should be noted that, when it was applicable, this recommendation was adopted by the company. This issue is dealt with further in chapter I.4 of this Report.

Recommendation I.2.2

In the event of the General Meeting being adjourned, the company shall not require shares to be blocked until the meeting is resumed, when the normal requirement for the first session shall again apply.

Not applicable

The reasoning set out with regard to the preceding recommendation applies also to the present recommendation, and the company considers that the change in the law referred to means this recommendation is no longer applicable. It should be noted that, when it was applicable, this recommendation was also adopted by the company. This issue is further pursued in chapter I.5 of this Report.

I.3 Voting and Exercise of Voting Rights

Recommendation I.3.1

The articles of association shall not impose any restriction on postal voting or, whenever adopted and admissible, on electronic voting.

Adopted

The company has adopted this recommendation insofar as its articles of association impose no restriction on exercise of the right to cast postal votes and also permit the Board of Directors to issue rules on the exercise of voting rights using media other than paper. This question is referred to in further detail in chapters I.9 to I.12 of this Report.

Recommendation I.3.2

The deadline established in the articles of association for receiving postal ballots shall be no more than three business days prior to the date of the meeting.

Adopted

This recommendation is adopted insofar as the company accepts all postal ballots received up to the day prior to the General Meeting. This issue is further referred to in chapter I.11 of this Report.

Recommendation I.3.3

Companies shall ensure that voting rights are proportional to shareholder's holdings, preferably by enshrining the one-share-one-vote principle in the articles of association. Companies are deemed not to comply with the requirement of proportionality when: i) they have non-voting shares; ii) have shares for which the respective voting rights are not counted if in excess of a given number, when cast by a single shareholder or related shareholders.

Adopted

The company has adopted this recommendation whose purpose is to assure that voting rights are proportional to holdings. As we have argued in the past, and as follows from the concerns reflected in the Companies Code, which in

Article 384.2 a) allows for the possibility of one vote being assigned for each 1,000 euros of share capital, the right to attend and take part in discussions at General Meetings of persons with negligible holdings in the capital is often prejudicial to the interests of the company and of the shareholders in general. This does not stand in the way of the proportionality principle being respected by the right of shareholders to group together and by the absence of any upper limit on the number of votes which can be cast by each shareholder, either individually or in conjunction. As regards the right to form groups, if all shareholders are present or represented, with the groupings necessary, the number of votes which can be cast is equal to the total number of shares in the company divided by 385, the number of shares corresponding to one vote. There are therefore no non-voting shares. This question is also referred to in chapters I.6 and I.7 of this report.

I.4 Quorum

Recommendation I.4

Companies shall not set a quorum for adopting resolutions greater than that established in law.

Adopted

The company has adopted this recommendation insofar as the articles of association of association establish no quorum greater than that required by law. This question is also referred to in chapter I.8 of this report.

I.5 Minutes and information on resolutions adopted

Recommendation I.5

An extract from the minutes of the General Meetings shall be posted or their contents otherwise made available to shareholders through the company's website, within five days of the holding of the general meeting, irrespective of whether constituting privileged information. The information disclosed shall include the resolutions adopted, the share capital represented and the results of votes. This information shall be kept on the company's website for no less than three years.

Adopted

This recommendation has been adopted, and in 2012 the company published on its website extracts from the minutes of the general meetings held during the period, containing the resolutions adopted, the share capital represented and the results of votes. The company also keeps the same information available in relation to the past three financial years.

I.6 Measures on Corporate Control

Recommendation I.6.1

Measures aimed at preventing successful takeover bids, shall respect both the company's and the shareholders' interests. When, in keeping with this principle, the articles of association of a company set a limit on the number of votes which may be held or exercised by a single shareholder, individually or in conjunction with other shareholders, they shall also provide that, no less than every five years, a motion for maintaining or altering this provision shall be put before the general meeting (without requiring a quorum greater than that provided for in law) and that all votes cast in relation to such

resolution shall be counted, without operation of the restriction in question.

Adopted

No measure has been adopted to prevent the success of takeover bids, namely a provision in the articles of association limiting the number of votes which can be exercised by each shareholder. This recommendation is therefore adopted. This issue is also referred to in chapters I.19 and I.21 of this report.

Recommendation I.6.2

In cases such as change of control or changes to the composition of the Board of Directors, defensive measures shall not be adopted that instigate immediate and serious erosion of the company's assets, thereby disrupting the free transferability of shares and free assessment of the performance of the Board of Directors by the shareholders.

Adopted

No defensive measures have been adopted in the company with the effect of causing erosion of its assets in the event of transfer of control or a change in the composition of the board of directors; the recommendation is therefore adopted. This issue is also referred to in chapter I.20 of this report

II. Management and Supervisory Bodies

II.1. General terms

II.1.1. Structure and Duties

Recommendation II.1.1.1

The Board of Directors shall assess the model adopted in its annual corporate governance report and identify any constraints on its functioning and shall propose measures that it considers appropriate for overcoming such constraints.

Adopted

This recommendation is adopted by the company, and the assessment in question, carried out by the Board of Directors, is set out in the document constituting Annex III to this Report.

Recommendation II.1.1.2

Companies shall set up internal risk control and management systems in order to safeguard their value and for the sake of transparency in their corporate governance, allowing it to identify and manage risk. These systems shall include at least the following components: i) setting of strategic company objectives with regard to risk acceptance; ii) identification of the main risks associated with the specific business carried on and of the events which may give rise to risks; iii) analysis and measurement of the impact and probability of the occurrence of each of the potential risks; iv) risk management with a view to aligning the risks effectively incurred with the company's strategic options regarding risk assessment; v) procedures for monitoring execution of risk management measures adopted and their

effectiveness; vi) adoption of internal reporting and information procedures relating to the different components of the system and risk alerts; vii) periodic assessment of the system implemented and adoption of changes as required.

Adopted

In addition to the bodies and procedures in place in the company's subsidiaries, the company has its own Internal Control Committee with specific powers in the field of risk control and management, which take in the content of this recommendation, on the terms described in chapter II.6 of this Report. The recommendation has therefore been adopted by the company.

Recommendation II.1.1.3 The Board of Directors shall ensure that internal control and risk management systems are set up and function. The Supervisory Board shall be responsible for assessing the functioning of these systems and proposing any changes required to adjust them to the company's needs.

Adopted

In addition to its own direct powers in this area, the Board of Directors resolved in 2006 to set up an Internal Control Committee which, in keeping with its responsibilities as defined by the directors, which have been reviewed and adapted to the company's changing needs, has taken charge of internal control and risk management. At the same time, the Audit Board is responsible for monitoring the effectiveness of the risk management and internal control system, proposing adjustments to the existing system, whenever appropriate, which the Internal Control Committee is required to adopt. The recommendation is therefore complied with by the company.

Recommendation II.1.1.4 In their annual corporate governance reports, companies shall: i) identify the main economic, financial and legal risks to which the company is exposed in carrying on its business; ii) describe the activities and effectiveness of the risk management system.

Adopted

The main risks to which the company is exposed have always been described in its Annual Report and are now also detailed in chapter II.9 of this Report. A description of the entire risk management system is contained in chapter II.5 of this Report. This recommendation has accordingly been adopted by the company.

Recommendation II.1.1.5 II.1.1.5 The Management and Audit Boards shall establish internal regulations which shall be disclosed on the company's website.

Adopted

The company complies in full with this recommendation, and the rules of procedure in question are disclosed on its website. This issue is further discussed in chapter II.7 of this Report.

II.1.2 Incompatibility and Independence

Recommendation II.1.2.1 The Board of Directors shall include a number of non-executive members that assures effective capacity to oversee, audit and assess the activities of the executive members.

Adopted

As the company's Board of Directors comprises eleven members, only five of which sit on the Executive Board, it has a number of non-executive directors which assures they are effectively able to oversee, assess and monitor the work of the other directors. This recommendation is therefore adopted.

Recommendation II.1.2.2 Non-executive members shall include an adequate number of independent members. The size of the company and its shareholder structure shall be taken into account when setting this number, which shall never be less than a quarter of the total number of directors.

Adopted

This recommendation is adopted on numerical grounds, insofar as four of the eleven directors sitting on the company's board qualify, under the applicable legal and regulatory criteria, as independent. This classification is detailed further in respect of each director in chapter II.14 of this Report.

Without prejudice to compliance with the recommendation and recognition that diversity and the inclusion of a number of directors who are removed from the life of the company can contribute to the successful exercise of their office and the overall performance of the board of directors, the company continues to understand that the grounds for formal classification as independent and the quantitative assessment adopted may not be effective in assessing the characteristics which best serve the company's interests. This assessment should instead be conducted in the light of the specific team, its personal and professional characteristics, namely its independence of character and judgement, and its overall relationship with the company.

Recommendation II.1.2.3 The assessment by the board of directors of the independence of its members shall take into account the legal and regulatory rules in force concerning independence requirements and the rules on incompatibility applicable to members of other company bodies, so that independence criteria are applied systematically and coherently across the entire company, including over time. A director shall not be deemed independent if, on any other corporate board of body, he or she would not qualify as independent under the applicable rules.

Adopted

The independence of non-executive directors is assessed in accordance with the recommendations, as described in greater detail in chapter II.15.

II.1.3 Eligibility and appointment

Recommendation II.1.3.1 Depending on the applicable model, the Chairman of the Audit Board, the Audit Committee or the Financial Affairs Committees shall be independent and be adequately capable of performing his duties.

Adopted

This recommendation has been adopted, insofar as the Chairman of the Audit Board complies with the legal criteria for independence and possesses the appropriate expertise. This issue is further referred to in chapter II.21 of this Report.

Recommendation II.1.3.2 The selection process for applicants for non-executive directorships shall be designed so as to prevent interference from executive directors.

Not Applicable

This recommendation does not apply to the company as no organized or formal process exists for the choosing non-executive directors. As no such process exists, it is not possible to adapt the process to prevent interference by executive directors.

The Securities Market Commission's assessment classifies this recommendation as not complied with, considering, amongst other things, the fact that the executive directors of the company coincide partially with some of the directors of the companies to which a majority of votes in Semapa is imputed, as follows from the list of qualifying holdings and the lists of corporate office held by Semapa's directors, contained in this report. We need therefore to look more closely at this specific practice within Semapa.

Powers to appoint directors, executive or otherwise, lie originally with shareholders. Given that, in practice, the executive directors of Semapa coincide, partially, with the decision-makers within the majority interest in the share capital, to remove from the decision-making process persons who are executive directors would necessarily mean removing the majority interest from the decision-making process. This would be nonsensical and inconsistent with preservation of the powers and oversight exercised by shareholders.

We need therefore to distinguish between the positions and capacities in which the same people can act. The executive directors, in this capacity, do not interfere in the process of selecting the non-executive directors. Not only is there no specific process for this purpose, as we have seen, but also any intervention which might in any case exist in this process would by its very nature be extremely limited: powers to choose directors lie with the shareholders and even in the exceptional case of co-option, shareholders have powers to ratify the decision or otherwise.

We should note that, even considering Semapa's specific circumstances in this regard, the ultimate principle which this recommendation seeks to preserve is safeguarded: it is not possible for the executive directors to exercise their own influence on the choice of non-executive directors in such a way as to remove shareholder interests from the oversight of executive management. On the contrary, the actual composition of the executive board provides special assurances that shareholder interests and scrutiny are safeguarded.

II.1.4 Policy on Whistleblowing

Recommendation II.1.4.1 The company shall adopt a policy whereby alleged irregularities occurring within the company are reported, specifying: i) the means through which

such irregularities may be reported internally, including the persons that are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should it be required by the reporter.

Adopted

The company complies with this recommendation and has adopted internal rules on the reporting of irregularities allegedly occurring within the company, setting down the channels, the persons to whom such reports are to be addressed and the rules on treatment, as described in further detail in chapter II.35 of this report.

Recommendation II.1.4.2 The general guidelines on this policy shall be disclosed in the corporate governance report.

Adopted

This recommendation has been fully adopted by the company, and the policy in question is outlined in chapter II.35 of this Report.

II.1.5 Remuneration

Recommendation II.1.5.1 The remuneration of the members of the Board of Directors shall be structured so as to align their interests with the long term interests of the company, shall be based on performance assessments and discourage excessive risk taking. To this end, remuneration shall be structured, namely, as follows: (i) the remuneration of directors with executive duties shall include a variable component, set in accordance with the performance assessment, conducted by the competent company bodies, in accordance with measurable and pre-set criteria, which consider the real growth of the company and the wealth effectively created for shareholders, its long term sustainability and the risks accepted, and also compliance with the rules applicable to the company's business operations. (ii) The variable component of remuneration shall be reasonable overall in relation to the fixed remuneration component, and upper limits shall be set for all components. (iii) A significant part of the variable remuneration shall be deferred for a period of no less than three years, and payment of such part shall depend on the continued positive performance of the company over this period. (iv) Members of the board of directors shall not enter into contracts either with the company or with third parties which have the effect of mitigating the risk inherent in the variability of their remuneration as fixed by the company. (v) Until the end of their term of office, executive directors shall maintain the shares in the company which they may have received under variable pay schemes, up to a limit of twice the value of their total annual remuneration, save those which have to be disposed of in order to pay taxes resulting from the earnings of these shares. (vi) When the variable remuneration includes the allocation of options, the start of the period for exercise shall be deferred for a period of no less than three years. (vii) Appropriate legal instruments shall be instituted so that the severance pay established for any form of dismissal without due cause or termination of directorship is not paid if the dismissal or termination by agreement is due to failings in the director's performance. (viii) The remuneration of non-executive directors shall not

include any component dependent on their performance or the value of the company.

Adopted

The company reiterates that, in its view, the form of structuring remuneration set out in sub-paragraphs (i) to (viii) above can only be regarded as an example. In the first place, the term “namely” suggests precisely this and, at the same time, to limit the different company options which could pursue the same ends and be better suited to the structure of the company in question would undoubtedly go against the spirit of the recommendation.

It is clear that the company has a remuneration policy which makes it possible to align the directors’ interests with the long term interests of the company, and which is based on performance assessments, as follows with sufficient clarity from the remuneration policy approved by the shareholders and from the contents of item II.33 below referring to the remuneration system.

In relation to the recommendation that the remuneration policy should discourage excessive risk-taking, we should note that this follows in the first place from the fact that remuneration does not vary in direct proportion to results, but is instead determined by conjugating a range of factors which inevitably includes the level of risk, despite the difficulty involved in making this assessment.

However, in the case of Semapa, where shareholder control is stable, and which has therefore also enjoyed great stability in terms of management, this principle is efficiently assured by the fact its senior officers serve the company on a long term basis, meaning that their future remuneration is dependent on long term policies and the level of risks accepted.

As for the examples of how remuneration is to be structured:

- (i) The remuneration of executive directors includes a variable component which meets the criteria set out in this sub-paragraph. However, we should note that the reference to measurable and pre-set criteria is not understood as a methodology which can be directly and arithmetically applied to the entire variable component, as certain aspects, such as the actual consideration of the risks accepted, are not inherently compatible with this form of operation. There are therefore pre-set percentages of the remuneration which are determined by means of value judgements,
- (ii) Despite the difficulty in determining whether the value of the variable component is reasonable in relation to the fixed component, we believe that the proportion currently prevailing in this respect is reasonable. Upper limits exist on variable remuneration, established in the articles of association as detailed below, but not for fixed remuneration, and this limit is set by resolution of the Remuneration Committee.
- (iii) There is no deferral of remuneration components, as explained in detail in chapter III of the remuneration policy approved by the shareholders.
- (iv) The company does not enter into any contracts with directors with the effect of mitigating the risk inherent in the variability of the remuneration set by the company. With regard to the conclusion of contracts of this type by directors with third parties, the company does not encourage this, nor is there any director who has done so.
- (v) This specific measure does not apply to Semapa as the company runs no share-based variable remuneration scheme.
- (vi) The company likewise has no option-based payment plans, meaning that this measure is not applicable.
- (vii) This measure is also not applicable, as the company has no contractual relationships which establish special sets of rules for instances of departure/removal from office, meaning that the supplementary rules established in law apply.

(viii) This measure has not been adopted for reasons explained in the final paragraph of sub-paragraph a) of chapter V of the Remuneration policy statement and in item 2 of chapter VII of the same document.

Recommendation II.1.5.2 A statement on the remuneration policy of the Board of Directors and Supervisory Board referred to in Article 2 of Law No. 28/2009 of 19 June, shall contain, in addition to the content therein stated, adequate information on: i) which groups of companies the remuneration policy and practices of which were taken as a baseline for setting the remuneration ii) the payments for the dismissal or termination by agreement of the Directors' duties.

Adopted

The approved remuneration policy statement, set out in Annex 1 to this Report, contains the mandatory content referred to in Law 28/2009, of 19 June, and describes the comparative data considered by the Remuneration Committee in setting remuneration. As regards severance pay paid by Semapa to departing directors, the statement indicates that no agreements exist or have ever been set by the remuneration committee. The company accordingly complies with the recommendation.

Recommendation II.1.5.3. The remuneration policy statement referred to in Article 2 of Law No. 28/2009 shall also include the managers' remunerations which contain an important variable component, within the meaning of Article 248-B/3 of the Securities Code. The statement shall be detailed and the policy presented shall particularly take the long-term performance of the company, compliance with the rules applicable to its business and restraint in taking risks into account.

Not Adopted

The directors consider that employee pay policy, specifically for managerial staff, is a management act for which they have sole responsibility, as follows clearly from a combined interpretation of Articles 373.3 and 405 of the Companies Code. Contrary to the situation in a company by quota shares, in public limited companies shareholder involvement in management is highly exceptional, and should only occur on the initiative of the management body. No grounds are here deemed to exist for an exception, and it is considered that the existence of restraints on the management and setting of the pay policy for the company's senior management could even undermine the directors' accountability to the shareholders. The remuneration policy statement limits itself to acknowledging the position of the Board of Directors, of which it is well aware. The company continues therefore not to comply with this recommendation.

Recommendation II.1.5.4 A proposal shall be submitted at the General Meeting on the approval of plans for the allotment of shares and/or share options or options based on variations in share prices, to members of the Management and Audit Boards and other management personnel as defined in paragraph 3 of Article 248-B of the Securities Code. The proposal shall mention all the necessary information for a correct assessment of any such plan. The proposal shall contain the plan regulations or, if these have not yet been drawn up, the general conditions to which the plan is subject. The main features of the retirement benefit plans for members of the Management and Audit Boards and other management personnel, as defined in paragraph 3 of Article 248-B

of the Securities Code, shall also be approved at the General Meeting.

Adopted

The company has no share allocation schemes. The pension scheme which previously existed for directors of the company was approved and subsequently terminated by the shareholders, who approved the respective rules, as described in greater detail in item o) of chapter II.33 of this Report. The recommendation has therefore been adopted.

Recommendation II.1.5.6 No less than one representative of the Remuneration Committee shall be present at the Annual Shareholders' General Meeting

Adopted

This recommendation has been adopted. It should nonetheless be noted that the decision to adopt this recommendation has not been imposed by the company, but has instead flown from a decision taken freely by the Remuneration Committee itself.

Recommendation II.1.5.7 The annual report on Corporate Governance shall disclose the remuneration received, on an aggregate and individual basis, in other Group companies and the pension rights acquired in the period in question.

Not applicable

Note 1 to this recommendation in the 2010 Corporate Governance Code that "This recommendation shall remain in place until the reporting duties provided for in Article 3 c) and d) of Securities Market Commission Regulations no. 1/2010 come into effect." Given that these sub-paragraphs, and the reporting duties they provide for, came into effect on 1 January 2011, under Article 7.2 of Securities Market Commission Regulations no. 1/2010, Semapa considers that this recommendation has lapsed and as such is not applicable.

II.2. Board of Directors

Recommendation II.2.1 Within the limits established by Law for each Management and Supervisory structure, and except on the grounds of the small size of the company, the Board of Directors shall delegate the day-to-day running of the company and the delegated responsibilities shall be identified in the Annual Report on Corporate Governance.

Adopted

In the company, day-to-day management responsibilities are delegated to an Executive Board and the respective powers are identified in this report. This question is considered at further length in Chapters II.2 and II.3.

Recommendation II.2.2 The Board of Directors shall ensure that the company acts in accordance with its objects, and shall not delegate its responsibilities with regard to: i) definition of the company's strategy and general policies; ii) definition of the corporate structure of the group; iii) decisions that should be considered as

strategic due to the amounts, risk and particular characteristics involved.

Not Adopted

Formally, this recommendation is not adopted in full because the powers delegated to the Executive Board include some of the powers contemplated here. However, in practice, this recommendation has been complied with, as the powers in question have so far been exercised by the Board of Directors, and it is the intention of both the Board of Directors and of the Executive Board that this procedure should be maintained in future. The directors' grounds for continuing, formally, to delegate wider powers are that this mitigates the risk of action not being taken in due time to pursue the company's business, due to the Executive Board having insufficient powers, in situations where the less flexible rules for convening the Board of Directors might prevent a meeting being held in time.

Recommendation II.2.3

If Chairman of the Board of Directors exercises executive duties, the Board of Directors shall set up efficient procedures for coordinating non-executive members that assure that these may reach decisions in an independent and informed manner, and furthermore shall provide shareholders with details of these procedures in the corporate governance report.

Adopted

The Chairman of the Board of Directors is also Chairman of the Executive Board, but the necessary procedures are in place in the company to assure efficient coordination of the work of non-executive directors; this recommendation is therefore adopted in full. This issue is further referred to in chapter II.8 of this Report.

Recommendation II.2.4

The annual management report shall include a description of the work of non-executive Board Members and shall mention any constraints encountered.

Adopted

This recommendation has been fully adopted, and a description of the activities of the non-executive directors is included in Annex III to this report.

Recommendation II.2.5

The company shall specify its policy on rotating areas of responsibility within the board of directors, and in particular responsibility for financial matters, providing information on this in its annual corporate governance report.

Adopted

This recommendation has been adopted insofar as there is a policy whereby the advantages of rotation are periodically considered and assessed, but not in the sense of there being any requirement for rotation, or maximum periods of time without rotation. As regards responsibility for financial matters, it is important to point out that this responsibility is shared in the company by two directors, Dr. José Alfredo de Almeida Honório and Dr. José Miguel Pereira Gens Paredes. This matter is further considered in chapters II.3 and II.11.

II.3. Chief Executive Officer (CEO), Executive Committee and Executive Board of Directors

Recommendation I.3.1

Directors who exercise executive duties, when requested by other Board Members to supply information, shall do so in good time and the information supplied shall adequately respond to the enquiry.

Adopted

The recommendation is adopted by the company insofar as the executive directors provide the information requested by other company officers in a timely and appropriate manner, as detailed in chapter II.3 of this report.

Recommendation I.3.2

The Chairman of the Executive Committee shall send notices and minutes of meetings to the Chairman of the Board of the Directors and, when applicable, to the Chairman of the Audit Board or the Auditing Committee.

Adopted

This recommendation has been adopted, and the notices of meetings and minutes of the Executive Board are forwarded to the Chairman of the Audit Board.

Recommendation II.3.3

The Chairman of the Executive Board of Directors shall send the notices and minutes of meetings to the Chairman of the General and Audit Board and to the Chairman of the Financial Affairs Committee.

Not applicable

This recommendation does not apply to the company, as it is structured differently.

II.4. General and Audit Board, Financial Affairs Committee, Audit Committee and Audit Board

Recommendation II.4.1

In addition to its supervisory duties, the General and Audit Board shall advise, monitor and assess, on an ongoing basis, the management of the company by the Executive Board of Directors. In addition to other matters, the General and Audit Board shall pronounce on: i) definition of the strategy and general policies of the company; ii) the corporate structure of the group; and iii) decisions which should be considered strategic due to the amounts, risk and particular characteristics involved.

Not applicable

This recommendation does not apply to the company, as it is structured differently.

Recommendation II.4.2

The annual reports and financial information on the work of the General and Supervisory Committee, the Financial Affairs Committee, the Audit Committee and the Audit Board shall be disclosed on the company's website

together with the financial statements.

Adopted

This recommendation is adopted, insofar as the report of the Audit Board, covering its activities in the period in question, has always been disclosed on the company's website, together with the other reports and financial statements.

Recommendation II.4.3

The annual reports on the work of the General and Audit Board, the Financial Affairs Committee, the Audit Committee and the Audit Board shall include a description of their supervisory activity and shall mention any constraints encountered

Adopted

The report in question includes a description of the supervisory activities of the Audit Board, indicating any constraints encountered. This recommendation is therefore adopted.

Recommendation II.4.4

The Financial Affairs Committee, the Audit Committee and the Audit Board (depending on the applicable model) shall represent the company for all purposes in dealings with the external auditor, and shall propose the provider of these services and the respective remuneration, ensure that adequate conditions for the supply of these services are in place within the company, as well as providing the point of contact at the company and receiving the respective reports

Adopted

The Audit Board represents the company in dealings with the External Auditor, not in the sense of being granted formal powers of representation but rather as the prime point of contact, with access and direct knowledge of the work carried out by the External Auditor. The company believes that this direct supervision by the Audit Board is possible, without interference from the Board of Directors, in relation to the work carried on by the External Auditor, provided that this does not undermine the provision of prompt and adequate information on this work to the management body, which has ultimate responsibility for the company's affairs and financial statements. In keeping with this principle, the External Auditor's reports are addressed to the Audit Board and discussed at joint meetings of this board with a member of the Board of Directors, and the Audit Board takes steps to assure that the necessary conditions are in place in the company for the provision of audit services. With regard to the contracting of the External Auditor, the Audit Board proposes its candidate, under the terms of Article 420.2 b) of the Companies Code, and the respective remuneration. The recommendation has therefore been adopted by the company.

Recommendation II.4.5

Depending on the applicable model, the Audit Committee and the Audit Board shall assess the external auditor annually and propose his dismissal to the General Meeting whenever there is due cause.

Adopted

The External Auditor is assessed by the Audit Board on a continuous basis, and especially at the close of each half and full year. No proposal has ever been made for dismissal, but such powers are in fact recognized as existing. This

recommendation has been adopted by the company.

Recommendation II.4.6

The internal audit departments and those that ensure compliance with the rules applicable to the company (compliance services) shall report to the Audit Committee, the General and Supervisory Board or in the case of companies adopting the Latin model, an independent director or Supervisory Board, regardless of the hierarchical relationship that these services have with the executive management of the company.

Not applicable

The company does not have internal departments solely dedicated to audit or compliance and these functions are assigned essentially to the Audit Board and to Semapa's Legal Department. It would not be relevant, and would in fact be harmful to the sound organization of the company, for the Legal Department to report to the Audit Board. The decision not to have a special department in this area is due to Semapa's simplified administrative structure as a holding company, without prejudice to the existence of departments of this type in its subsidiaries. As the independent departments referred to in this recommendation do not exist in Semapa, it does not apply to the company. It should be noted that the Securities Market Commission considers that Semapa had not adopted this recommendation.

II.5. Special Committees

Recommendation II.5.1

Except in small companies and depending on the model adopted, the Board of Directors and the General and Supervisory Committees shall set up the necessary Committees in order to: i) assure competent and independent assessment of the performance of the Executive Directors, as well as of their own overall performance and also that of all existing Committees; ii) reflect on the governance system in place and monitor its effectiveness and propose to the relevant bodies the measures required to improve it; III) identify promptly potential candidates with the high profile needed to hold the office of director.

Not Adopted

At Semapa, it is not always necessary or appropriate for the Board of Directors to set up committees with specific powers in given areas, in view of the size of the company, and the fact that it is a holding company with no direct operations and a simplified administrative structure. The company accordingly sees no need for a specific committee to assess the performance of the executive directors, as this function is fully and perfectly assured by the Chairman of the Board of Directors, the Audit Board, the Remuneration Committee and the shareholders. As regards reflection on corporate governance, the company has indeed set up a committee for this purpose, as described in chapter II.3 of this Report. Finally, on the question of the identifying of potential candidates for directorships, such a function does not exist for the reasons set out above in relation to recommendation II.1.3.2, meaning that in this particular the recommendation is not applicable. We therefore consider that Semapa has not adopted this recommendation.

Recommendation II.5.2

Members of the Remuneration Committee or the equivalent shall be independent of the Members of the Board of Directors and include no less than one member with knowledge and experience in the field of

remuneration policy.

Adopted

As explained more fully below, the company considers that all the members of the Remuneration Committee qualify as independent.

Eng. Frederico da Cunha's connection with Semapa results from the fact that he was a non-executive director of the company until 2005 and currently draws a retirement pension on the strength of his former duties. . However, Semapa considers that, because he was a non-executive director, and because of the time that has elapsed and the fact that his pension entitlement is an acquired right over which Semapa has no control, the impartiality of his analysis and decisions is not constrained, meaning that he exercises his duties with independence.

In the case of Dr. José Maury, there are instances in the previous financial year of services rendered by Egon Zehnder, the company he represents, to subsidiaries of Semapa. . However the scale of these services is not such as could undermine the independence of this member of the committee: including services commencing in the previous year and others which only started in 2012, there is a total of 4 situations of services and a fifth, less relevant, situation of a different nature. Dr. José Maury has extensive knowledge and experience in the field of remuneration policies.

Finally, Dr. Sofia Frère is also independent, there existing no circumstance which could undermine the impartiality of her analysis or decisions. We would clarify however that, although she holds office in a number of companies in the Santander group, Semapa's commercial dealings with Santander do not fall within the scope of her responsibilities.

We may therefore see that the membership is extremely favourable to a correct and independent assessment. In effect, the committee consists one person who is familiar with the internal workings of the company from the time when he was a director, another who is a specialist in matters of remuneration and a third member who has pursued her professional career in the context of major business groups but with no connection to the company.

The company therefore considers that this recommendation has been adopted. Nonetheless, we note that the Securities Market Commission has taken a different view, considering that Eng. Frederico da Cunha cannot be classified as independent given that he was formerly a director of the company .

This issue is further referred to in items II.36 and II.38 of this Report.

Recommendation II.5.3

No natural or legal person who provides, or has provided in the last three years, services to any body or organization reporting to the board of directors or to the company's board of directors itself, or who has any current relationship with the company's consultants, shall be contracted to support the Remuneration Committee in the performance of its duties. This recommendation also applies to any natural or legal person connected with such persons by employment or service contract.

Adopted

The Remuneration Committee has never contracted any person or organization to assist it in its duties. The recommendation has therefore been adopted.

Recommendation II.5.4

All Committees shall draw up minutes of the meetings held.

Adopted

This recommendation has been adopted by the company given that all the committees identified in Chapter II.3 of this Report draw up minutes of their meetings.

III. Information and Auditing

III.1 General Reporting Duties

Recommendation III.1.1 Companies shall maintain permanent contact with the market, thereby upholding the principle of equality for shareholders and preventing any inequality in access to information for investors. To this end, the company shall have an investor support office.

Adopted

This recommendation is adopted, as explained in further detail in chapter III.16 of this Report.

Recommendation III.1.2 The following information published on the company's website shall be disclosed in the English language: a) The company name, public company status, registered office and other data required by Article 171 of the Companies Code; b) Article of Association; c) Identity of company officers and market relations officer; d) Investor support office, respective services and contact details; e) Financial statements and reports; f) Six-monthly schedule of company events; g) Motions tabled for discussion and vote at the General Meeting; h) Notices of general meetings.

Adopted

All the above information is disclosed in English on the company's website, and this recommendation is therefore adopted by the company.

Recommendation III.1.3 Companies shall change to a new auditor after two or three terms of office, depending on whether such terms are respectively of three or four years. Reappointment after such period has elapsed shall be on the basis of grounds set out in a specific report from the supervisory board, expressly assessing the auditor's independence and the advantages and costs of substitution.

Adopted

At the annual general meeting in 2010, the Audit Board submitted to shareholders a proposal for retaining the External Auditor, issuing its opinion in a report in which it argued that the quality of the work performed by PricewaterhouseCoopers and the firm's accrued experience in the sectors in which Semapa invests outweighed the drawbacks of retaining it. It concluded that the External Auditor is independent, a position which is reinforced by the proposal for rotating the partner representing the firm, in line with best international practice. The proposal was approved by the shareholders as it stood, and the External Auditor, now represented by a different partner, was elected for a further four-year period ending on 31 December 2013. This recommendation is therefore complied with.

Recommendation III.1.4

In the exercise of its duties, the external auditor shall check the application of remuneration policies and systems, the effectiveness and workings of internal control procedures and report any shortcomings to the company's supervisory board.

Adopted

The company's External Auditor, PricewaterhouseCoopers, checks the application of remuneration policies and systems, and the effectiveness and workings of procedures through the information and documents provided by the company, and in particular by the Remuneration Committee and the Internal Control Committee. The respective findings are reported by the External Auditor to the Audit Board which then reports the shortcomings detected, if any. This recommendation is therefore adopted.

Recommendation III.1.5

The company shall not contract from the external auditor, or from any entities belonging to the same corporate group or network, any services other than audit services. If there are reasons for contracting such services, which shall be approved by the supervisory board and detailed in its annual corporate governance report, they shall not account for more than 30% of the total value of the services supplied to the company.

Adopted

In the course of 2012, services other than audit services contracted by the company from the External Auditor, including from entities belonging to the same corporate group or service network, represented 21,5% of the total services provided to the company, which percentage is below the recommended upper limit of 30%. These services consist essentially of support services to safeguard compliance with fiscal obligations, in Portugal and abroad, and are approved by the Audit Board. The Board of Directors and the Audit Board consider that the contracting of these services is justified by the External Auditor's store of experience in the sectors in which the company operates and by the quality of its work, in addition to the fact that there are sufficient procedures in place to safeguard the independence of the auditors, through careful definition of the services required at the contracting stage. This recommendation has accordingly been adopted by the company.

IV. Conflicts of interests

IV.1 Dealings with shareholders

Recommendation IV.1.1

Transactions between the company and the owners of qualifying holding, or with entities in any way related to such shareholders, as defined in Article 20 of the Securities Code, shall be carried out on an arm's length basis.

Adopted

This recommendation is adopted insofar as, in 2012, the company's transactions with the owners of qualifying holdings or with entities in any way related to such shareholders, as defined in Article 20 of the Securities Code, were carried out on an arm's length basis.

Recommendation IV.1.2

Significant transactions with the owners of qualifying holdings, or with entities in any way related to such shareholders, as defined in Article 20 of the Securities Code, shall be submitted for prior clearance by the supervisory board. This body shall determine the procedures and criteria needed for assessing whether such transactions are significant and for deciding on any steps to be taken.

Adopted

On the basis of a proposal from the Board of Directors, the Audit Board has defined the procedures and criteria for identifying significant transactions which, as such, should be submitted for prior clearance. These criteria are those set out in chapter III.13 of this Report. Application of these criteria shows that in 2012 none of the company's transactions with the owners of qualifying holdings or entities in any way related to such shareholders, as defined in Article 20 of the Securities Code, can be regarded as significant, and consequently none were submitted for clearance by the Audit Board. The recommendation has therefore been adopted.

Chapter I. General Meeting

I.1. Identification of the officers of the General Meeting.

The officers of the General Meeting are:

Chairman:	Dr. Francisco Xavier Zea Mantero
Secretary:	Dr. Rita Maria Pinheiro Ferreira Soares de Oliveira

I.2. Terms of office of General Meeting officers

The Secretary of the General Meeting, Dr. Rita Maria Pinheiro Ferreira Soares de Oliveira, was elected for the first time on 21 March 2007, and was re-elected at the annual general meeting with elections of 22 April 2010, to hold office until the end of the term of office which ends on 31 December 2013. Dr. Francisco Xavier Zea Mantero was appointed as Chairman at the last annual general meeting, held on 18 May 2012, filling the vacancy left in June 2011 by Dr. José Pedro Correia de Aguiar-Branco .

I.3. Remuneration of the Chairman of the General Meeting

During the year of 2012 the Chairman of the General Meeting did not receive any remuneration. Although were held two general meetings during the year 2012, the referred circumstance was due to the fact that in the first meeting the position of Chairman of the General Meeting was vacant and those functions were exercised by the Chairman of the Audit Board, and regarding the second meeting the payment of the correspondent remuneration took place only in 2013.

I.4. Advance blocking of shares for attendance of GM

Following on from the change to the law made by Decree-Law 49/2010, of 19 May, which, under Article 23-C of the Securities Code, exempted shares from blocking, requiring only that they be held on the 5th trading day prior to the date of the meeting, and setting different rules and time limits for participation in the general meeting, the shareholders approved at the 2011 general meeting a change to the articles of association (a new paragraph ten in Article Nine), incorporating these rules as far as they are applicable to the company due to its nature,

However, the previous rules are maintained, but will not apply as long as mandatory rules exist which take precedence over them. These rules require that shareholders present documentary evidence of ownership of shares and that they have been blocked no less than five days prior to the date of the general meeting. These five days are counted continuously and whenever a time limit ends on a weekend or bank holiday, the end of the period is transferred to the next business day. The company considers as the date of receipt the date on which the document is first received by fax or email, provided the original is presented by the starting date of the general meeting.

I.5. Blocking of Shares in the event of the GM being adjourned

Although shares no longer have to be blocked unless shareholders expressly so request, the chairman of the general meeting maintains the understanding held by his predecessor that this is not necessary for the entire adjournment period until resumption of the meeting, it being sufficient for the rules applying to the first session to apply to the second in this respect.

I.6. Number of shares that correspond to one vote.

As established in the articles of association, one vote corresponds to each 385 shares.

I.7. Non-voting shares and limit on the number of votes per shareholder

There are no rules in the articles of association providing for non-voting shares or establishing that votes in excess of a given number are not included, when cast by a single shareholders or related shareholders.

I.8. Existence of rules in the articles of association on exercise of voting rights

The company has no rules on quorums for holding meetings or adopting resolutions different from the supplementary legal rules or systems for equity rights. There is nothing to report in relation to company rules on voting rights except that there are time limits for presentation of the documentation needed for participation in the general meeting and postal votes. Except for the time limit established in the articles of association – the day before the general meeting – for the exercise of postal votes, the time limits for attendance of general meeting are not applicable, as stated above and as provided in the articles of association, as long as mandatory legal rules exist which prevail over them as is the case of Article 23-C of the Securities Code.

I.9. Rules on postal votes

Postal votes are permitted on the terms established in the articles of association, the following procedures being

observed:

- a) An envelope containing the voting declarations shall be addressed to the Chairman of the General Meeting, and received at the registered offices by the day before the meeting;
- b) This envelope shall contain (1) letter addressed to the Chairman of the General Meeting, with notarized signature, expressing the intention to vote, and (2) the voting declarations, one for each item on the order of business, in a separate sealed envelope indicating on the outside the item on the order of business to which it refers;
- c) Postal votes are counted as votes against any motions submitted subsequent to their casting, and
- d) The Board of Directors may issue rules on alternative forms of exercising voting rights, not using paper, provided they also assure the authenticity and confidentiality of votes until the moment of casting.

I.10. Postal voting forms

The company provides postal voting forms. These forms are available on the company's website and may be requested from the investor support office.

I.11. Time limit for postal voting

As stated, the envelope containing postal votes may be received up to the day prior to the general meeting.

I.12. Exercise of voting rights by electronic means

Exercise of voting rights by electronic means is still not possible, although the articles of association authorize the Board of Directors to issue regulations on alternative non-paper forms of exercise of voting rights, provided they also assure the authenticity and confidentiality of votes up to the moment of voting.

We wish to note that the company has yet to receive any enquiry or expression of interest from shareholders or investors in relation to such a facility.

I.13. Access to extracts to GM minutes

The company posts extracts from the minutes of its general meetings on its web site within five days of the holding of meetings.

I.14 Historical archives of extracts from minutes

Extracts from the minutes of general meetings, with the resolutions, share capital represented, and the results of votes, for the last 3 years, are available for consultation at the company's website.

I.15. Representatives of the Remuneration Committee at the GM

The member of the Remuneration Committee present at the last general meeting was Eng. Frederico José da Cunha

Mendonça e Meneses, who is the member of the Committee usually present at the company's general meetings.

I.16. Intervention by the GM in remuneration policy and appraisal of the directors

In 2012, the Remuneration Committee submitted for the approval of the shareholders at the general meeting a remuneration policy statement relating to the the members of the Board of Directors and the Audit Board for which it is responsible; this document is reproduced in Annex I to this Report, and was duly discussed and approved.

In view of the legal requirement, the Remuneration Committee will submit a remuneration policy statement to the general meeting each year, notwithstanding the view, set out in the first declaration, issued prior to the introduction of this requirement, that it would be more appropriate for the policy to remain in force for the duration of the respective term of office.

This remuneration policy statement does not encompass other management personnel, in the light of the company's view that the setting of employee pay policy is a management act for which the Board of Directors has sole powers, which understanding is explained more fully in connection with recommendation II.1.5.3.

The annual general meeting plays no part in assessing the performance of members of the board of the directors for the purpose of remuneration, notwithstanding the annual approval of the remuneration policy statement concerning company officers.

I.17. Intervention by the GM in share and option plans

In the case of Semapa, where there are no plans for the allotment of shares and/or share options or options based on variations in share prices, to members of the Management and Audit Boards and other management personnel as defined in paragraph 3 of Article 248-B of the Securities Code, the general meeting has never intervened in this matter.

I.18. Intervention by the GM in retirement benefit schemes

At the general meeting of 30 March 2005, the shareholders unanimously approved a pension scheme and the respective rules, applicable exclusively to members of the board of directors. The current economic, social and corporate climate led the Board of Directors to consider the impact of this system and to propose its abolition, safeguarding the rights and expectations of the beneficiaries, which proposal was unanimously approved at the extraordinary general meeting of 27 December last year.

I.19. Resolution required for limitation of voting rights by articles of association

Given that Semapa's articles of association establish no limit on the number of votes which shareholders may cast individually or in conjunction with others, there is likewise no provision in the Articles of Association requiring the general meeting to resolve, no less than every five years, on whether to maintain or eliminate a rule in the articles limiting the number of votes which can be held or cast by a single shareholder individually or in conjunction with other shareholders.

I.20. Defensive measures against change of control

The company has no defensive measures which automatically cause serious erosion in the company's assets in the event of a change of control or alterations to membership of the management body.

I.21. Agreements with effects associated with change of control

There are no significant agreements to which the company is party and which take effect, are amended or terminate in the event of a change in the control of the company

I.22. Compensation agreements in the event of removal from office as a result of change of control

There are also no agreements between the company and the company officers or employees providing for compensation in the event of resignation, unfair dismissal or redundancy as the result of a takeover.

Chapter II Management and Supervisory Bodies

SECTION I – GENERAL MATTERS

II.1. Company bodies and respective membership

The following company officers were elected for the term running from 2010 to 2013, and remain in office until a fresh election is held:

Officers of the General Meeting

Chairman:	Dr. Francisco Xavier Zea Mantero
Secretary:	Dr. Rita Maria Pinheiro Ferreira Soares de Oliveira

Audit Board

Chairman:	Dr. Miguel Camargo de Sousa Eiró
Full members:	Dr. Duarte Nuno d'Orey da Cunha Dr. Gonçalo Nuno Palha Gaio Picão Caldeira
Alternate member:	Dr. Marta Isabel Guardalino da Silva Penetra

Official Auditor

Full: PricewaterhouseCoopers & Associados – SROC, Lda represented by Dr. António Alberto Henriques Assis (ROC) or by Dr. César Abel Rodrigues Gonçalves (ROC)
Alternate: Dr. Jorge Manuel Santos Costa (ROC)

Board of Directors

Chairman: Pedro Mendonça de Queiroz Pereira
Directors: Maria Maude Mendonça de Queiroz Pereira Lagos
Dr. José Alfredo de Almeida Honório
Dr. Francisco José Melo e Castro Guedes
Dr. José Miguel Pereira Gens Paredes
Dr. Paulo Miguel Garcês Ventura
Dr. Rita Maria Lagos do Amaral Cabral
Eng. António da Nóbrega de Sousa da Câmara
Eng. Joaquim Martins Ferreira do Amaral
Dr. António Pedro de Carvalho Viana-Baptista
Dr. Vitor Manuel Galvão Rocha Novais Gonçalves

Company Secretary

Dr. Rui Tiago Trindade Ramos Gouveia

II.2. Specialist Committees with management and supervisory powers

The company has the following committees with management and supervisory responsibilities:

Executive Board

Pedro Mendonça de Queiroz Pereira, who chairs the committee
Dr. José Alfredo de Almeida Honório
Dr. Francisco José Melo e Castro Guedes
Dr. José Miguel Pereira Gens Paredes
Dr. Paulo Miguel Garcês Ventura

Internal Control Committee

Eng. Joaquim Martins Ferreira do Amaral
Eng. Jaime Alberto Marques Sennfelt Fernandes Falcão
Dr. Margarida Isabel Feijão Antunes Rebocho

Corporate Governance Committee

Dr. Rita Maria Lagos do Amaral Cabral

Eng. Gonalo Allen Serras Pereira
Eng. Jorge Manuel de Mira Amaral

The following committees have also been set up without powers of corporate management or supervision:

Strategy Committee

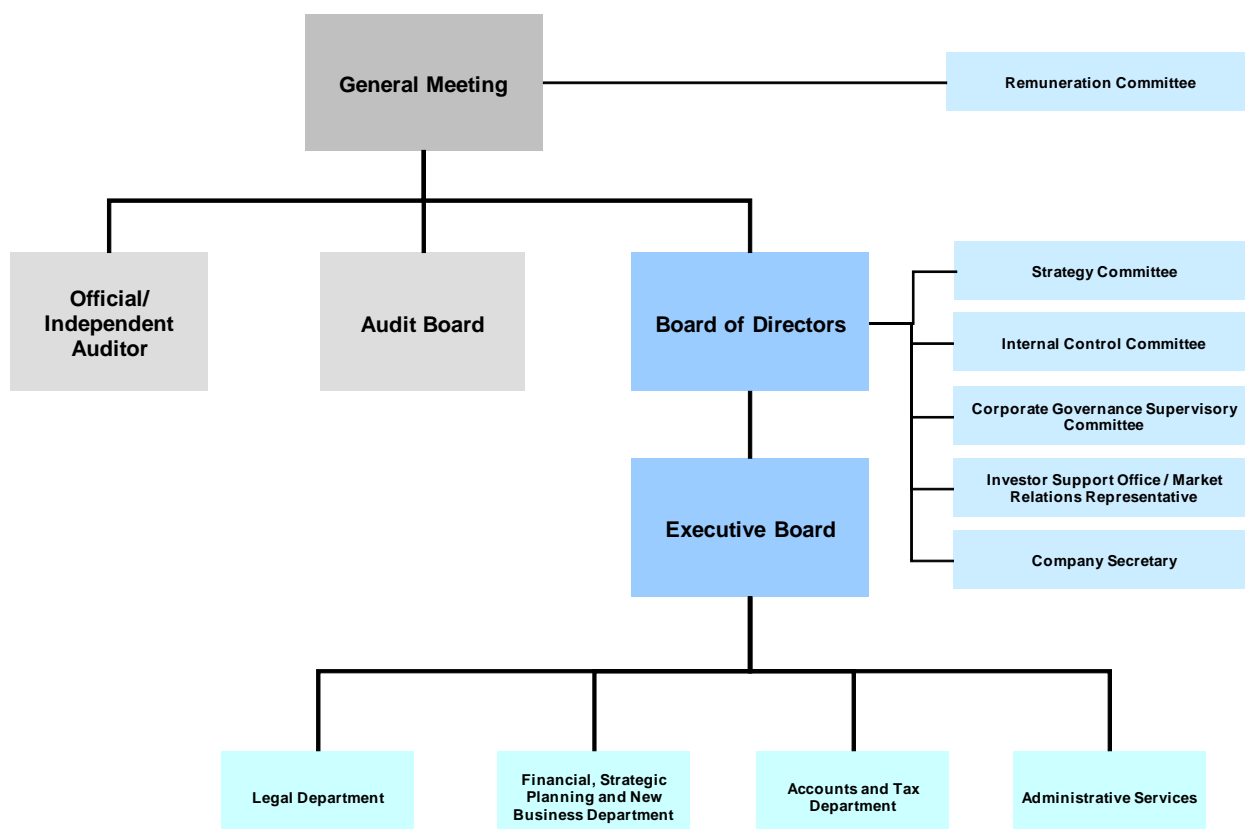
Pedro Mendona de Queiroz Pereira
Maria Maude Mendona de Queiroz Pereira Lagos
Dr. Jos  Alfredo de Almeida Hon rio
Eng. Joaquim Martins Ferreira do Amaral
Dr. Ant nio Pedro de Carvalho Viana-Baptista

Remuneration Committee

Dr. Jos  Gonalo Maury
Eng. Frederico Jos  da Cunha Mendona e Meneses
Dr. Sofia Lu sa Corr a Henriques Cardoso de Menezes Fr re

II.3. Organizational chart, special and delegated powers and responsibilities

The following simplified chart shows the organization of Semapa’s different bodies, committees and departments:



The management of the company is centred on the relationship between the Board of Directors and the Executive Board.

The two bodies are co-ordinated and kept in contact by the fact that they have a common chairman, and through regular transmission of all relevant information on the day-to-day management of the company to the non-executive directors, in order to keep them abreast of the company's life at all times. In addition, meetings of the Board of Directors are called for all decisions regarded as especially important, even if they fall within the scope of the powers delegated to the Executive Board.

It is relevant to note in this regard that the members of the Executive Board are available at all times to provide the information requested by the other members of the Board of Directors. It is standard practice for this information to be transmitted immediately when the importance or urgency of the matter so requires.

Although duties and responsibilities are not rigidly compartmentalized within the Board of Directors, four main areas may be distinguished in the way responsibilities are shared:

1. Strategic planning and investment policy, which are the responsibility of the Chairman of the Board of Directors, Pedro Mendonça de Queiroz Pereira.
2. Financial policy and risk management, which is the responsibility of the directors Dr. José Alfredo de Almeida Honório and Dr. José Miguel Pereira Gens Paredes
3. Human resources policy and administrative control, which is the responsibility of the director Dr. Francisco José de Melo e Castro Guedes.
4. Legal and IT issues, which are the responsibility of Dr. Paulo Miguel Garcês Ventura.

The Executive Board has been granted wide management powers, largely detailed in the respective act of delegation, and only limited with regard to the matters indicated in article 407, para. 4 of the Companies Code. Powers are specifically delegated for the following:

- a) To negotiate and resolve to enter into any commercial or civil contract, by public or private act, on the terms and conditions it deems most appropriate, and to take all decisions it sees fit in the performance of these contracts;
- b) To resolve to issue, sign, draw, accept, endorse, guarantee, protest or carry out any other act in connection with the use of bills or credit instruments;
- c) To resolve on all routine banking operations, with Portuguese or foreign financial institutions, namely opening, consulting and establishing the form of effecting movements in bank accounts, in all the legally admissible forms;
- d) To negotiate and resolve to contract and amend loan agreements, with financial institutions or other entities, including the provision of the respective guarantees in cases where the law permits such delegation, all on the terms it sees fit;
- e) To resolve to acquire, dispose of and encumber assets of all kinds, on the terms and conditions it sees fit, negotiating and resolving on the conclusion for such purposes, by public or private document, of any contractual instrument, and carrying out any accessory or complementary acts which may be necessary for the performance of these contracts;
- f) To take all decisions and carry out all acts in connection with the exercise by the company of its position as shareholder, namely by appointing its representatives at the general meetings of companies in which it has holdings and adopting unanimous resolutions in writing;

- g) To draft the company reports, balance sheets, financial statements and proposals for allocation of profits;
- h) To take all steps necessary or appropriate in connection with the company's industrial relations with its employees, namely contracting, dismissing, transferring, defining terms of employment and pay, and revising and amending the same;
- i) To resolve on representation of the company before any court or mediation or arbitration body, taking all decisions as may be necessary or appropriate in connection with any proceedings pending before the same or to bring the same, and namely to desist, confess or settle;
- j) To appoint attorneys for the company within the powers delegated to it;
- k) To take all steps necessary or appropriate in connection with existing or planned issues of bonds and commercial paper, including the actual decision to issue, and
- l) In general, to carry out all acts of day-to-day management in the company, save those which cannot be delegated under Article 407.4 of the Companies Code.

The Executive Board is barred from resolving on the following:

- i) Selection of the Chairman of the Board of Directors;
- ii) Co-opting of directors;
- iii) Requests for the call of a general meeting;
- iv) Annual reports and financial statements;
- v) Provision of bonds and personal or real guarantees by the company;
- vi) Change in registered offices and increases in share capital; and
- vii) Plans for merger, break-up or transformation of the company.

In the case of the Audit Board, which has the powers established in law, there are no delegated powers or special areas of responsibility for individual members.

Item II.5 in this chapter outlines the workings of the Audit Board and the Internal Control Committee, together with the powers of the latter.

The Strategy Committee has the central mission of following through and assessing the main strategic options of the Executive Board and the Board of Directors, with the following specific responsibilities:

- a) To cooperate in long term strategic planning, including identification and setting of strategic aims for business development and implementation of initiatives for growth;
- b) To advise, by drawing up recommendations, and to discuss the company's strategic options;
- c) To oversee the company's strategic options, proposing, if necessary, the approval of specific measures and procedures for developing, adopting and modifying the strategies adopted;
- d) To analyze and assess the evolution of the impact of external factors, such as changes in the economy, competition and technology, on the group's overall strategy.

The Corporate Governance Supervisory Committee (CGSC) monitors on a continuous basis the company's compliance with the provisions of the law, regulations and articles of association applicable to corporate governance, and is responsible for critical analysis of the company's practices and procedures in the field of corporate governance and for proposing for debate, altering and introducing new procedures designed to improve the structure and governance of

the company. The CGSC is required to submit a full annual report to the Board of Directors on corporate governance, together with any proposals for changes, as it sees fit.

The functions of the Investor Support Office are detailed in chapter III.16 of this report.

The Company Secretary is appointed by the Board of Directors and has the powers defined in law.

The Remuneration Committee draws up an annual statement on remuneration policy for members of the board of directors and audit board, and sets the remuneration of directors.

The Legal Department provides the company with legal advice in order to assure compliance of processes and procedures with the relevant legislation.

The Financial, Strategic Planning and New Business Department main functions are management and financial planning and the identification and study of new business opportunities with a view to achieving them.

Finally, the Accounts and Tax Department is principally responsible for rendering the company's accounts and complying with its fiscal obligations, avoiding the abusive tax planning.

II.4. Annual reports on the work of the Audit Board

The annual report on the activities of the Audit Board, including the respective opinion on the company's accounts, is part of the financial statements and is published in full on Semapa's website. This report refers to any constraints encountered in the course of the Audit Board's supervisory activities.

II.5. Description of internal control and risk management systems

The company's risks are controlled by the Board of Directors, by the Audit Board, by the External Auditor and through an organizational unit with special responsibilities in this area, the Internal Control Committee (ICC).

The Audit Board plays a particularly important role in this field, with all the powers and responsibilities assigned to it directly by law.

The main purpose of the ICC is to detect and control all relevant risks in the company's affairs, in particular financial risks, and the Committee enjoys full powers to pursue this aim, namely:

- a) To assure compliance by the company with the entire regulatory framework applicable to it, deriving both from law and regulations;
- b) To monitor the company's business affairs, with integrated and permanent analysis of the risks associated with these affairs;
- c) To propose and follow through the implementation of specific measures and procedures relating to the control and reduction of the company's business risks, with a view to perfecting the internal risk control and management system, involving at least the following components:
 - Setting strategic aims for the company in terms of risk-taking;
 - Identifying the main risks associated with the specific business carried on and the events which may give rise to risks;
 - Analysis and measurement of the impact and likelihood of the occurrence of each of the potential risks;
 - Risk management with a view to aligning the risks effectively run with the company's strategic options

on risk-taking;

- Procedures for monitoring the execution of risk management measures adopted and their effectiveness;
 - Adoption of internal reporting and notification procedures on the various system components and for risk alerts.
- d) To check implementation of the adjustments to the internal control and risk management system proposed by the Audit Board;
- e) To monitor the quality of financial and accounting information, taking steps to ensure that it is reliable; and
- f) To issue its opinion on the choice of external auditors and to monitor their independence.

The committee comprises three to five members appointed by the Board of Directors, which members cannot be executive directors. Its current members are those indicated above.

In addition to the important role played by the Audit Board in this field, internal procedures for risk control are also particularly important in each of the company's main subsidiaries. The nature of the risks and the degree of exposure vary from company to company, and each subsidiary therefore has its own independent system for controlling the risks to which it is subject.

Independent audits of Semapa and the companies it controls are carried out by PriceWaterhouseCoopers.

The internal control and risk management systems implemented have been shown to be effective, and no situations have so far arisen which have not been anticipated, duly guarded against or expressly accepted in advance as controlled risks.

II.6. Responsibility of the directors and auditors for the internal control and risk management systems

As follows from the previous item, in addition to its own powers in this field, the Board of Directors created the ICC which, in accordance with the responsibilities defined by the Board of Directors, is responsible for assuring internal control and risk management. The Audit Board is responsible for overseeing the effectiveness of the risk management system and the internal control system, proposing adjustments to the existing system whenever necessary, and the ICC is responsible for implementing these adjustments. Finally, it should be noted that these systems are monitored and overseen at all times by the Board of Directors, which has ultimate responsibility for the company's internal activities.

II.7. Regulations on the functioning of the company boards and other rules relating to incompatibility

The board of directors and the audit board have rules of procedure which are published on the company website (www.semapa.pt), where they may be consulted.

There are no internal rules on incompatibility or the maximum number of positions that directors may hold on the management bodies of other companies.

SECTION II – BOARD OF DIRECTORS

II.8. Procedures for coordinating the work of non-executive directors

The work of non-executive directors is coordinated and the effectiveness of this work is assured by regularly transmitting all the relevant information on the day-to-day management of the company to members of the Board of Directors who are not members of the Executive Board in order to keep them permanently abreast of the company life, and by calling meetings of the Board of Directors for all decisions regarded as especially important, even when they fall within the scope of the general powers delegated.

In addition, the independent and informed nature of the decisions of non-executive directors is assured by the fact that their work is not organized by either the Chairman of the Board of Directors or by the executive directors. It should be noted that non-executive directors are not dependent on the Chairman for accessing information, and have direct access to the Audit Board and other executives, who respond to all requests without any restriction.

The specific position of the Chairman therefore has no impact on the independent and informed character of the decisions of non-executive directors.

II.9. Economic, financial and legal risks

Chapter 2 of the notes to the consolidated financial statements provides a detailed analysis of all financial and operational risks, including foreign exchange risk, interest rate risk, credit risk, liquidity risk, price risk, raw material supplies risk, sales price risk, the risk of product demand, the risk of competition, risk of environmental legislation, human resources risk, energy cost risk and economic and market risks in general.

With regard to legal risks, which are not detailed in the same way in the notes to the financial statements, it is important to point out that they derive essentially from fiscal and regulatory risks which are covered by the analysis of operational risks, specific general liability risks or risks relating to the negotiation and conclusion of contracts. These risks are controlled by legal offices both in Semapa as the holding company and in its subsidiaries, and through recourse to external lawyers whenever warranted by their particular expertise, the amount at stake or other factors in specific cases.

II.10. Powers of the board of directors

The board of directors has the general powers deriving from law, although it should be noted that the articles of association do not authorize the board of directors to resolve on increases to the share capital. It is recognized that permitting the board of directors to resolve on this would offer practical advantages and greater rapidity. However, the need has not yet been felt to propose this to the shareholders.

II.11. Rotation of areas of individual responsibility within the Board of Directors and Audit Board

The rotation of areas of individual responsibility within the Board of Directors, including responsibility for financial matters, is considered by the Executive Board whenever it organizes itself in view of the delegation of powers, normally subsequent to the general meetings at which elections are held. Rotation was considered in 2010, but it was

decided to retain the existing distribution of areas of responsibility. The company believes it is necessary to balance on the one hand the need to provide directors with fresh challenges with, on the other hand, the real contribution made by the experience and expertise of directors in specific areas. This is the only way to assure that different areas of responsibility are distributed and exercised by the most suitable persons at any given moment.

It is also relevant to note the existence of various institutions and procedures for supervising the company's activities, starting with the Audit Board, which assures effective oversight in this and other areas of company activities, as described in greater detail in chapter II.5.

There are no special rules in Semapa on the appointment and replacement of members of the board of directors and the audit board, and the general supplementary rules contained in the Companies Code therefore apply here. As this provides a balanced framework, and given that there are no special circumstances in Semapa requiring another solution, the Board of Directors has seen fit to maintain the situation as it stands.

II.12. Meetings of Management and Supervisory Bodies

In the course of 2012 there were 9 meetings of the Board of Directors and 12 meetings of the Audit Board. Minutes were drawn up of all meetings of the Board of Directors and Audit Board.

II.13. Meetings of the Executive Board

The Executive Board met 33 times in 2012, with minutes being taken on each occasion. The board's minutes, together with the respective notices of meetings, were sent to all members, who include the Chairman of the Board of Directors, who also chairs the Executive Board, and to the Chairman of the Audit Board.

II.14. Executive and non-executive directors and application to the latter of the rules on incompatibility and independence

Executive Directors

The executive members of the Board of Directors are those indicated above as members of the Executive Board.

In the case of Semapa, a clear line should not however be drawn between directors who are members of the executive board and directors who serve as mere "advisers" to the Board of Directors. Directors who are not members of the Executive Board are sometimes called on to perform duties in the company which go beyond providing advice at board meetings. However, these duties cannot be described in a standardized format, as they vary from person to person, and over time, depending also on the issues involved.

Despite this collaboration, none of the directors who are not members of the executive board can be classified as "executive" directors. Not even in cases where these members sit on committees, in particular the Strategy Committee, whose work brings it closer to management, is their involvement so broad and permanent as to justify such a classification.

Due to the actual nature of their duties, the executive directors cannot and should not be regarded as "independent" or not "incompatible" in the light of the criteria of Articles 414-A and 414 of the Companies Code.

Non-executive Directors

Maria Maude Mendonça de Queiroz Pereira Lagos, as director of companies with significant holdings in Semapa, is not independent. She also fails to meet the criteria for incompatibility, insofar as she is related to the Chairman of the Board of Directors, who holds directorships in companies related to Semapa.

Dr. Rita Maria Lagos do Amaral Cabral is also a director of companies with significant holdings in Semapa and a company controlled by Semapa, and cannot therefore be classified as independent. However, in her case there are no circumstances which qualify as a factor of “incompatibility”.

With regard to Eng. António da Nóbrega de Sousa da Câmara, Eng. Joaquim Martins Ferreira do Amaral, Dr. António Pedro de Carvalho Viana-Baptista and Dr. Vitor Manuel Galvão Rocha Novais, no factor of incompatibility exists as defined in Article 414-A.1 of the Companies Code, meaning that they may be classified as independent as defined in Article 414.5 of the Companies Code.

II.15. Criteria for assessing the independence of directors

The legal criteria followed by Semapa are the incompatibility rules provided for in article 414-A.1, except for item b), and the independence criteria referred to in article 414.5, both of the Companies Code. In addition, Semapa makes only a general assessment as to the existence or otherwise of any circumstances which might constraint the independence of judgement of the members of its management body. In making this assessment, the Board of Directors believes that the personal and professional qualities of each person are generally much more crucial in determining his or her independence of conduct than objective circumstances representing greater or lesser proximity to the company and its interests.

II.16. Selection process for candidates for non-executive directorships

The company has established no rules on selecting candidates for non-executive directorships, as it considers that authority to appoint company officers lies with the general meeting, as explained more fully in connection with recommendation II.1.3.2..

II.17. Description of the work of non-executive directors

The Board of Directors includes this description in annex III to this report on the governance model adopted and on the work of the non-executive members of the Board of Directors.

II.18. and II.19 Qualifications, terms of office, activities and office held by directors

Below we detail, for each of the members, their professional qualifications, the number of shares held, the date when first appointed and term of office, office held in other companies, distinguishing between office held in other companies in the same group as Semapa and in other companies in which Semapa has a direct or indirect holdings, and also other professional activities carried on in the last 5 years.

Pedro Mendonça de Queiroz Pereira

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: General High School Certificate (Lisbon), studied at the Instituto Superior de Administração.
3. Date of first appointment and term of office: 1991 - 2013
4. Office held in other companies belonging to same group as Semapa:

ABOUTBALANCE SGPS S.A.	Chairman of the Board of Directors
CELCIMO, S.L.	Chairman of the Board of Directors
CIMENTOSPAR - Participações Sociais, SGPS, S.A.	Director
INSPIREDPLACE, S.A.	Chairman of the Board of Directors
SEINPART - Participações, SGPS, S.A.	Chairman of the Board of Directors
SEMINV - Investimentos, SGPS, S.A.	Chairman of the Board of Directors

5. Office held in other companies in which Semapa has a direct or indirect holding::

ABOUT THE FUTURE – Empresa Produtora de Papel, S.A.	Chairman of the Board of Directors
CIMINPART - Investimentos e Participações, SGPS, S.A.	Chairman of the Board of Directors
CMP - Cimentos Maceira e Pataias, S.A.	Chairman of the Board of Directors
PORTUCEL, S.A.	Chairman of the Board of Directors
SECIL - Companhia Geral de Cal e Cimento, S.A.	Chairman of the Board of Directors
SECILPAR, S.L.	Chairman of the Board of Directors
SOPORCEL - Sociedade Portuguesa de Papel, S.A.	Chairman of the Board of Directors

6. Office held in other companies:

CIMIGEST, SGPS, S.A.	Chairman of the Board of Directors
COSTA DAS PALMEIRAS – Turismo e Imobiliário, S.A.	Chairman of the Board of Directors
ECOVALUE – Investimentos Imobiliários, L.da	Manager
O E M - Organização de Empresas, SGPS, S.A.	Chairman of the Board of Directors
SODIM, SGPS, SA	Chairman of the Board of Directors
TEMA PRINCIPAL – SGPS, S.A.	Director
TERRAÇOS D'AREIA – SGPS, S.A.	Chairman of the Board of Directors
VÉRTICE - Gestão de Participações, SGPS, S.A.	Chairman of the Board of Directors

7. Other office held in the last five years:

CIMO - Gestão de Participações, SGPS, S.A.	Chairman of the Board of Directors
ECOLUA - Actividades Desportivas, L.da	Manager
LONGAPAR, SGPS, SA	Chairman of the Board of Directors
SEMAPA Inversiones, S.L.	Chairman of the Board of Directors
SOPORCEL – Gestão de Participações Sociais, SGPS, S.A.	Director

Maria Maude Mendonça de Queiroz Pereira Lagos

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: General High School Certificate

3. Date of first appointment and term of office: 1994 - 2013
4. Office held in other companies belonging to same group as Semapa:
 - CELCIMO, S.L..... Director
5. Office held in other companies in which Semapa has a direct or indirect holding:: Holds no office in other companies in which Semapa has a direct or indirect holding
6. Office held in other companies:
 - CIMIGEST, SGPS, S.A. Director
 - HOTEL VILLA MAGNA, S.L. Chairman of the Board of Directors
 - HOTEL RITZ, SA Chairman of the Board of Directors
 - YDREAMS - Informática S.A. Director
 - O E M - Organização de Empresas, SGPS, S.A..... Director
 - SODIM, SGPS, S.A..... Director
 - VIEZNADA, SL Director
7. Other office held in the last five years:
 - SONAGI, SGPS, S.A. Director

José Alfredo de Almeida Honório

1. Number of shares held in the company: Holds 20.000 shares in the company
2. Professional qualifications: Degree in Economics from the Faculty of Economics, University of Coimbra (1980)
3. Date of first appointment and term of office: 1994 - 2013
4. Office held in other companies belonging to same group as Semapa:
 - ABOUTBALANCE SGPS S.A. Director
 - CELCIMO, S.L..... Director
 - CIMENTOSPAR - Participações Sociais, SGPS, S.A,..... Director
 - INSPIREDPLACE, S.A. Director
 - SEINPART - Participações, SGPS, S.A..... Director
 - SEMINV - Investimentos, SGPS, S.A. Director
5. Office held in other companies in which Semapa has a direct or indirect holding:
 - ABOUT THE FUTURE – Empresa Produtora de Papel, S.A.. Director and Chairman of the Executive Board
 - CIMINPART - Investimentos e Participações, SGPS, S.A. Director
 - CMP - Cimentos Maceira e Pataias, S.A. Director
 - COUNTRYTARGET, SGPS, S.A. Chairman of the Board of Directors
 - EUCALIPTUSLAND, S.A. Chairman of the Board of Directors
 - PORTUCEL, S.A. Director and Chairman of the Executive Board
 - PORTUCELPAPEL SETÚBAL S.A..... Chairman of the Board of Directors
 - PORTUCEL FLORESTAL – Empresa de Desenv. Agro-Florestal, S.A. Chairman of the Board of Directors
 - PORTUCELSOPORCEL Energia, SGPS, S.A..... Chairman of the Board of Directors
 - PORTUCELSOPORCEL FINE PAPER, S.A. Chairman of the Board of Directors
 - PORTUCELSOPORCEL Floresta, SGPS, S.A. Chairman of the Board of Directors

PORTUCELSOPORCEL FLORESTAL, S.A.	Chairman of the Board of Directors
PORTUCELSOPORCEL Internacional, SGPS, S.A.	Chairman of the Board of Directors
PORTUCELSOPORCEL Papel – SGPS, S.A.	Chairman of the Board of Directors
PORTUCELSOPORCEL Participações, SGPS, S.A.	Chairman of the Board of Directors
PORTUCELSOPORCEL Pulp, SGPS, S.A.	Chairman of the Board of Directors
PORTUCEL SOPORCEL SALES & MARKETING S.A.	Director
PORTUCELSOPORCEL Switzerland Ltd	Chairman of the Board of Directors
PORTUCEL FINANCE spółka z ograniczoną odpowiedzialnością .	Chairman of the Board of Directors
SECIL - Companhia Geral de Cal e Cimento, S.A.	Director
SOPORCEL – Sociedade Portuguesa de Papel, S.A.	Director and Chairman of the Executive Board
SOPORCEL PULP, SA.	Chairman of the Board of Directors

6. Office held in other companies:

CELPA – Associação da Indústria Papeleira	Chairman of the General Board and member of Executive Board
CEPI – Confederation of European Paper Industries	Director and Member of Executive Board

7. Other office held in the last five years:

ALIANÇA FLORESTAL – Soc. para o Des. Agro-Florestal, S.A.	Chairman of the Board of Directors
BETOPAL, S.L.	Director
CIMO - Gestão de Participações, SGPS, S.A.	Director
FLORIMAR – Gestão e Participações, SGPS, Soc. Unip., L.da	Manager
HEWBOL – SGPS, L.da	Manager
IBET – Instituto de Biologia Experimental e Tecnológica.	Chairman of Governors
LONGAPAR, SGPS, S.A.	Director
TECNIPAPEL – Soc. de Transformação e Distrib. de Papel, L.da .	Chairman of the Management Board
RAIZ – Instituto de Investigação da Floresta e Papel.	Member of Management Board
SEMAPA Inversiones, S.L.	Director

Francisco José Melo e Castro Guedes

- Number of shares held in the company: Holds no shares in the company
- Professional qualifications: Degree in Finance from the Instituto Superior de Ciências Económicas e Financeiras; MBA Insead
- Date of first appointment and term of office: 2001 – 2013
- Office held in other companies belonging to same group as Semapa:

ABOUTBALANCE SGPS S.A.	Director
CELCIMO, S.L.	Director
CIMENTOSPAR - Participações Sociais, SGPS, S.A.,	Director
INSPIREDPLACE, S.A.	Director
SEINPART Participações, SGPS, S.A.	Director
SEMINV – Investimentos, SGPS, S.A.	Director
SEMAPA Inversiones, S.L.	Chairman of the Board of Directors

- Office held in other companies in which Semapa has a direct or indirect holding:

ABOUT THE FUTURE – Empresa Produtora de Papel, S.A..	Director
CMP- Cimentos Maceira e Pataias, S.A.	Director
CIMENT DE SIBLINE S.A.L.	Director
CIMINPART - Investimentos e Participações, SGPS, S.A.	Director
FLORIMAR – Gestão e Participações, SGPS, Soc. Unip., L.da	Manager
HEWBOL – SGPS, L.da	Manager
MARGEM – Companhia de Mineração	Chairman of the Board of Directors
PARCIM Investments BV	Director
PORTUCEL, S.A.	Director
SECIL – Betões e Inertes, SGPS, S.A.	Director
SECIL – Companhia Geral de Cal e Cimento, S.A.	Director
SECIL Martingança – Aglom. e Novos Mat. para a Const., S.A.	Director
SECIL Prebetão – Prefabricados de Betão, S.A.	Chairman of the Board of Directors
SECIL UNICON, SGPS, Lda.	Manager
SECILPAR S.L.	Director
SCG – Société des Ciments de Gabès, S.A.	Director
SERIFE – Soc. Estudos e Realiz. Indust. Fornec. Equip., L.da	Gerente
SILONOR, S.A.	Director
So.I.Me Liban S.A.L.	Director
SUPREMO CIMENTOS, S.A.	Chairman of the Board of Directors
SOPORCEL – Sociedade Portuguesa de Papel, S.A.	Director
UNICONCRETO – Betão Pronto, S.A.	Director

6. Office held in other companies: No office held in other companies.

7. Other office held in the last five years:

ETSA Investimentos, SGPS, S.A.	Chairman of the Board of Directors
VIROC PORTUGAL – Indústrias de Madeira e Cimento, S.A.	Chairman of the Board of Directors

José Miguel Pereira Gens Paredes

1. Number of shares held in the company: Holds no shares in the company

2. Professional qualifications: Degree in Economics

3. Date of first appointment and term of office: 2006 – 2013

4. Office held in other companies belonging to same group as Semapa:

ABAPOR - Comércio e Indústria de Carnes, S.A.	Chairman of the Board of Directors
ABOUTBALANCE SGPS S.A.	Director
Aprovechamiento Integral de Subproductos Ibéricos, S.A.	Director
BIOLOGICAL - Gestão de Resíduos Industriais, L.da	Manager
CELCIMO, S.L.	Director
CIMENTOSPAR - Participações Sociais, SGPS, S.A.	Director
ETSA Investimentos, SGPS, S.A.	Chairman of the Board of Directors
ETSA LOG, S.A.	Chairman of the Board of Directors
GREAT EARTH - Projectos, S.A.	Director
INSPIREDPLACE, S.A.	Director

I.T.S. - Indústria Transformadora de Subprodutos, S.A. Chairman of the Board of Directors
 SEBOL - Comércio e Indústria de Sebo, S.A. Chairman of the Board of Directors
 SEINPART - Participações, SGPS, S.A. Director
 SEMINV - Investimentos, SGPS, S.A. Director

5. Office held in other companies in which Semapa has a direct or indirect holding:

ABOUT THE FUTURE – Empresa Produtora de Papel, S.A. Director
 CIMINPART - Investimentos e Participações, SGPS, S.A. Director
 MARGEM – Companhia de Mineração Director
 PORTUCEL, S.A. Director
 SECIL - Companhia Geral de Cal e Cimento, S.A. Director
 SOPORCEL – Sociedade Portuguesa de Papel, S.A. Director
 SUPREMO CIMENTOS, S.A. Director

6. Office held in other companies:

CIMIPAR – Sociedade Gestora de Participações Sociais, S.A. Director
 CIMO – Gestão de Participações, SGPS, S.A. Director
 HOTEL RITZ, SA Director
 LONGAPAR, SGPS, S.A. Director
 MOR ON-LINE – Gestão de Plataformas de Negociação
 de Resíduos On-Line, S.A. Director
 O E M – Organização de Empresas, SGPS, S.A. Director
 SODIM, SGPS, S.A. Director

7. Other office held in the last five years:

ABAPOR - Comércio e Indústria de Carnes, S.A. Director
 ETSA - Empresa de Transf. de Subprodutos Animais S.A. Chairman of the Board of Directors
 ETSA, SGPS, S.A. Director
 GOLIATUR – Sociedade de Investimentos Imobiliários, S.A. Director
 I.T.S. - Indústria Transformadora de Subprodutos, S.A. Director
 SEBOL - Comércio e Indústria de Sebo, S.A. Director
 SECILPAR Inversiones, S.L. Director
 SONACA, SGPS, S.A. Director
 TERCIM – Terminais de Cimento, S.A. Director
 VERDEOCULTO - Investimentos, SGPS, S.A. Director

Paulo Miguel Garcês Ventura

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: Degree in Law from Faculty of Law, University of Lisbon. Registered with the Portuguese Bar Association. IEP Insead.
3. Date of first appointment and term of office: 2006 – 2013
4. Office held in other companies belonging to same group as Semapa:

ABAPOR - Comércio e Indústria de Carnes, S.A. Director
 ABOUTBALANCE SGPS S.A. Director

Aprovechamiento Integral de Subproductos Ibéricos, S.A.....	Director
BIOLOGICAL - Gestão de Resíduos Industriais, L.da	Manager
CELCIMO, S.L.....	Director
CIMENTOSPAR - Participações Sociais, SGPS, S.A.,.....	Director
ETSA Investimentos, SGPS, S.A.	Director
ETSA LOG, S.A.	Director
GREAT EARTH - Projectos, S.A.	Director
INSPIREDPLACE, S.A.	Director
I.T.S. - Indústria Transformadora de Subprodutos, S.A.	Director
SEBOL - Comércio e Indústria de Sebo, S.A.	Director
SEINPART - Participações, SGPS, S.A.....	Director
SEMAPA Inversiones, S.L.	Director
SEMINV - Investimentos, SGPS, S.A	Director

5. Office held in other companies in which Semapa has a direct or indirect holding:

ABOUT THE FUTURE – Empresa Produtora de Papel, S.A..	Director
CIMINPART - Investimentos e Participações, SGPS, S.A.	Director
PORTUCEL, S.A.	Director
SECIL - Companhia Geral de Cal e Cimento, S.A.	Director
SOPORCEL – Sociedade Portuguesa de Papel, S.A.....	Director

6. Office held in other companies:

ANTASOBRAI - Sociedade Agro-Pecuária, SA	Chairman of General Meeting
BEIRA-RIO – Sociedade Construtora de Armazéns, S.A.	Chairman of General Meeting
CIMILONGA – Imobiliária, S.A.	Chairman of General Meeting
CIMIPAR – Sociedade Gestora de Participações Sociais, S.A.....	Director
CIMO - Gestão de Participações, SGPS, S.A.	Director
ESTRADAS DE PORTUGAL, S.A.	Vice-Chairman of General Meeting
GALERIAS RITZ – Imobiliária, S.A.	Chairman of General Meeting
HOTEL RITZ, S.A.	Chairman of General Meeting
LONGAPAR, SGPS, S.A.....	Director
LONGAVIA – Imobiliária, S.A.....	Chairman of General Meeting
O E M - Organização de Empresas, SGPS, S.A.....	Director
PARQUE RITZ – Imobiliária, S.A.	Chairman of General Meeting
REFUNDOS – Soc. Gest. de Fundos de Invest. Imobiliário, S.A...	Chairman of the General Meeting
SODIM, SGPS, S.A.....	Director
SONAGI – Imobiliária, S.A.	Chairman of General Meeting
VÉRTICE – Gestão de Participações, SGPS, S.A.	Chairman of General Meeting
Sociedade Agrícola da Quinta da Vialonga, S.A.	Chairman of General Meeting

7. Other office held in the last five years:

CIMIGEST, SGPS, S.A.	Company Secretary
CIMINPART - Investimentos e Participações, SGPS, S.A.	Chairman of General Meeting
CIMIPAR – Sociedade Gestora de Participações Sociais, S.A.....	Chairman of the General Meeting
CIMO - Gestão de Participações, SGPS, S.A.	Chairman of General Meeting
ETSA – Emp. de Transformação de Subprodutos Animais S.A....	Director
IMOCIPAR – Imobiliária, S.A.	Chairman of General Meeting

GOLIATUR – Sociedade de Investimentos Imobiliários, S.A. Chairman of General Meeting
 GOLIATUR – Sociedade de Investimentos Imobiliários, S.A. Director
 LONGAPAR, SGPS, S.A. Chairman of General Meeting
 REN – Redes Eléctricas Nacionais, SGPS, S.A. Vice-Chairman of General Meeting
 SEINPART - Participações, SGPS, S.A. Chairman of General Meeting
 SEMINV - Investimentos, SGPS, S.A. Chairman of the General Meeting
 VERDEOCULTO – Investimentos, SGPS, S.A. Chairman of General Meeting
 Legal practice.

Rita Maria Lagos do Amaral Cabral

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: Degree in Law from Faculty of Law, University of Lisbon; Registered with the Portuguese Bar Association
3. Date of first appointment and term of office: 2006 – 2013
4. Office held in other companies belonging to same group as Semapa:

CELCIMO, S.L. Director
5. Office held in other companies in which Semapa has a direct or indirect holding: Holds no office in other companies in which Semapa has a direct or indirect holding
6. Office held in other companies:

CIMIGEST, SGPS, S.A. Director
 Companhia Agrícola da Quinta do Duque, S.A. Chairman of General Meeting
 Sociedade Amaral Cabral & Ass. – Soc. de Advogados, RL. Director
 Sociedade Agrícola do Margarido, S.A. Chairman of General Meeting
 SODIM, SGPS, S.A. Director
 Banco Espírito Santo, S.A. Director
7. Other office held in the last five years:

Casa Agrícola Amaral Cabral, L.da. Manager
 Banco Espírito Santo, S.A. Member of Remuneration Committee
 Guest lecturer, Faculty of Law, Portuguese Catholic University.
 Member of the National Ethics Council for Life Sciences
 Vice-President of the Institute of Bioethics, Portuguese Catholic University

António da Nóbrega de Sousa da Câmara

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: Degree Civil Engineering (1977), IST; MSc (1979) and PhD (1982) in Environmental Engineering Systems; Professor of the Faculty of Science and Technology, Universidade Nova de Lisboa.
3. Date of first appointment and term of office: 2006-2013
4. Office held in other companies belonging to same group as Semapa: No office held in other companies belonging

to the same group as Semapa

5. Office held in other companies in which Semapa has a direct or indirect holding: Holds no office in other companies in which Semapa has a direct or indirect holding
6. Office held in other companies:
 - YDREAMS - Informática S.A. Chairman of the Board of Directors
 - YD YNVISIBLE, S.A. Director
7. Other office held in the last five years:
 - Professor of the Faculty of Science and Technology, Universidade Nova de Lisboa.

Joaquim Martins Ferreira do Amaral

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: Degree in Mechanical Engineering - IST
3. Date of first appointment and term of office: 2006-2013
4. Office held in other companies belonging to same group as Semapa: No office held in other companies belonging to the same group as Semapa
5. Office held in other companies in which Semapa has a direct or indirect holding: Holds no office in other companies in which Semapa has a direct or indirect holding
6. Office held in other companies:
 - AEM – Assoc Emp. Emitentes de Valores Cotados em Mercado Chairman of General Board
 - CIMIGEST, SGPS, S.A. Director
 - LVT - Lisboa Vista do Tejo Chairman of the Board of Directors
 - LUSOPONTE – Concessionária para a Travessia do Tejo S.A. Chairman of the Board of Directors
 - Transdev – Transportes Consultant
7. Other office held in the last five years:
 - GREAT EARTH - Projectos, S.A. Chairman of the Board of Directors
 - CIMIANTO - Sociedade Técnica de Hidráulica, S.A.. Director
 - GALP ENERGIA, SGPS, S.A. Chairman of the Board of Directors

António Pedro de Carvalho Viana-Baptista

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: Degree in economics from the Portuguese Catholic University (1980); post-graduate studies in European economics from the Portuguese Catholic University (1981); MBA from INSEAD, Fontainebleau, France (1983).
3. Date of first appointment and term of office: 2010-2013
4. Office held in other companies belonging to same group as Semapa: No office held in other companies belonging to the same group as Semapa

5. Office held in other companies in which Semapa has a direct or indirect holding: Holds no office in other companies in which Semapa has a direct or indirect holding

6. Office held in other companies:

Credit Suisse AG (for Spain and Portugal) CEO
JERÓNIMO MARTINS SGPS, S.A. Manager and Member of Audit Board

7. Other office held in the last five years:

O2 Europe (United Kingdom, Ireland, Germany, Czech Republic) Director
RIM – Research In Motion (BlackBerry) (Canada) Director
TELESP (São Paulo, Brazil) Director
Telefonica Moviles Mexico (Mexico) Director
NH Hoteles (Madrid, Spain) Director
Telefonica S.A. Director
Telefonica Moviles, S.A. Chairman of the Board of Directors and of
Executive Board
Telefonica España Chairman of the Board of Directors and of the
Executive Board
Portugal Telecom Director

Vítor Manuel Galvão Rocha Novais Gonçalves

1. Number of shares held in the company: Holds no shares in the company

2. Professional qualifications: Degree in Business Management ISC-HEC- Brussels – 1984.

3. Date of first appointment and term of office: 2010-2013

4. Office held in other companies belonging to same group as Semapa: No office held in other companies belonging to the same group as Semapa

5. Office held in other companies in which Semapa has a direct or indirect holding: Holds no office in other companies in which Semapa has a direct or indirect holding

6. Office held in other companies:

ZOOM INVESTMENT, SGPS, S.A. Director
TCARE - Conhecimento e Saúde, S.A. Director
MAGALHÃES e GONÇALVES - Consultoria e Gestão, Lda Manager

7. Other office held in the last five years:

WINENERGY – Engenharia e Desenvolvimento, S.A. Director
WINPOWER – Engenharia e Desenvolvimento, S.A. Director
SGC COMUNICAÇÕES, SGPS, S.A. Director
SGC TELECOM, SGPS, S.A. Member of Executive Board
AR Telecom, Acessos e Redes de Telecomunicações, S.A. Member of Executive Board

SECTION III – GENERAL AND SUPERVISORY BOARD, COMMITTEE FOR FINANCIAL AFFAIRS AND AUDIT BOARD

II.21. Members of the audit board and application of the rules on incompatibility and independence

The composition of the Audit Board is indicated above; there are three full members and one alternate member.

The self-assessment carried out by the Audit Board for the financial year of 2012 shows that:

All the members of the Audit Board comply with the incompatibility requirements in Article 414-A of the Companies Code.

As regards the assessment of independence in accordance with the criteria established in Article 414.5 of the same Code, and taking into account the Opinion of the Securities Market Commission of 12 November 2011, which concluded that only the third "re-election" of members of the audit board, for a fourth term of office, results in the independence criterion not being met, the Audit Board considers that all its members are independent.

II.22. and II.23. Qualifications, terms of office, activities and office held by members of the Audit Board

Miguel Camargo de Sousa Eiró

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: Degree in law, University of Lisbon (1971)
3. Date of first appointment and term of office: 2006-2013
4. Office held in other companies belonging to same group as Semapa: No office held in other companies belonging to the same group as Semapa
5. Office held in other companies in which Semapa has a direct or indirect holding:
PORTUCEL, S.A. Chairman of Audit Board
6. Office held in other companies: No office held in other companies.
7. Other office held in the last five years:
Legal practice
PORTUCEL – Empresa Produtora de Pasta e Papel, S.A. Member of Audit Board
SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A Member of Audit Board

Duarte Nuno D'Orey da Cunha

1. Number of shares held in the company: Holds 2.907 shares in the company
2. Professional qualifications: Degree in finance, ISCEF

3. Date of first appointment and term of office: 2004-2013
4. Office held in other companies belonging to same group as Semapa: No office held in other companies belonging to the same group as Semapa
5. Office held in other companies in which Semapa has a direct or indirect holding:
PORTUCEL, S.A. Member of Audit Board
6. Office held in other companies:
CIMIPAR – Sociedade Gestora de Participações Sociais, S.A. Chairman of the General Meeting
VÉRTICE – Gestão de Participações, SGPS, S.A. Director
7. Other office held in the last five years:
BEIRA-RIO – Sociedade Construtora de Armazéns, S.A. Director
CIMILONGA – Imobiliária, S.A. Adviser to the Directors
LONGAVIA – Imobiliária, S.A. Director
PORTUCEL – Empresa Produtora de Pasta e Papel, S.A. Chairman of Audit Board
SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A. Chairman of Audit Board
Sociedade Agrícola da Quinta da Vialonga, S.A. Director
SONACA, SGPS, S.A. Chairman of General Meeting
SONAGI, SGPS, S.A. Director

Gonçalo Nuno Palha Gaio Picão Caldeira

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: Degree in law, Portuguese Catholic University, Lisbon (1990); Master of Business Administration (MBA), Universidade Nova de Lisboa (1996); Attended postgraduate course in real estate management and valuation, ISEG (2004)
3. Date of first appointment and term of office: 2006-2013
4. Office held in other companies belonging to same group as Semapa: No office held in other companies belonging to the same group as Semapa
5. Office held in other companies in which Semapa has a direct or indirect holding:
PORTUCEL, S.A. Member of Audit Board
6. Office held in other companies:
LOFTMANIA – Gestão Imobiliária, L.da. Manager
LINHA DO HORIZONTE – Investimentos Imobiliários, Lda. Manager
7. Other office held in the last five years: In addition to the positions indicated above, no other office held in the last five years.

II.24. Assessment and possibility of proposing dismissal of external auditor

As part of its supervisory work and auditing of the company's accounts, the Audit Board assesses the external auditor each year, and the result of this assessment is included in its Report and Opinion on the annual accounts.

Although the powers of the Audit Board do not expressly include the possibility of proposing dismissal of the auditor to the general meeting, it is fully accepted that these powers derive from its general duties and responsibilities – oversight and notification of irregularities detected to the first general meeting held after such discovery. If the irregularities constitute due cause for dismissal, the Audit Board must inevitably submit a proposal to the shareholders to this effect.

SECTION IV – REMUNERATION

II.30. Remuneration policy for management and supervisory bodies

We refer in this regard to the statement issued by the Remuneration Committee, included below as an annex to this report, which describes in full the remuneration policy for the management and supervisory bodies.

II.31. Individual remuneration of members of the management and supervisory bodies

We indicate below the remuneration earned in 2013 by the members of the management and supervisory bodies at Semapa itself and in the companies belonging to the same Group. The table breaks down remuneration into fixed and variable components, but not into the component parts of the variable remuneration, or into the portions deferred and already paid. Variable remuneration is stated as a whole because this is how it is set, taking into consideration the factors described in the Remuneration Policy Statement from the Remuneration Committee, without specifically identifying components, and the portions deferred/paid are not indicated because no portion is deferred.

Bodies and members	Fixed Remuneration	Variable Remuneration
Board of Directors		
António da Nóbrega de Sousa da Câmara	8,168.85	0
António Pedro de Carvalho Viana-Baptista	128,305.13	0
Carlos Maria Cunha Horta e Costa	228,788.33	0
Francisco José Melo e Castro Guedes	61,781.31	62,081.00
Joaquim Martins Ferreira do Amaral	226,772.85	0
José Alfredo de Almeida Honório	266,153.86	884,553.00
José Miguel Pereira Gens Paredes	269,708.06	434,566.00
Maria Maude Mendonça de Queiroz Pereira Lagos	430,308.43	869,133.00
Paulo Miguel Garcês Ventura	270,469.75	434,566.00
Pedro Mendonça de Queiroz Pereira Lagos	430,308.43	1,026,322.00
Rita Maria Lagos do Amaral Cabral	9,802.62	124,162.00
Vitor Manuel Galvão Rocha Novais Gonçalves	128,305.13	0
TOTAL	2,458,872.75	3,835,383.00
Audit Board		
Miguel Camargo de Sousa Eiró	19,958.57	0

Bodies and members	Fixed Remuneration	Variable Remuneration
Duarte Nuno d'Orey da Cunha	14,256.13	0
Gonalo Nuno Palha Gaio Picao Caldeira	14,256.13	0
TOTAL	48,470.83	0

NOTE: Figures in Euros. The fixed remuneration was paid directly by Semapa and variable remuneration was paid by companies in a group with Semapa.

II.32. How remuneration is structured

The way in which remuneration is structured and how it is based on the directors' performance follows with sufficient clarity from the Remuneration Policy Statement of the Remuneration Committee, specifically from item 1 of chapter VI, to which we refer, and from the references to performance assessment included in item II.33 below.

As regards the discouragement of excessive risk-taking, we should clarify that there is no separate mechanism in place with this specific aim. Risk is an intrinsic characteristic of any act of management and, as such, it unavoidably and continuously considered in all management decisions. A quantitative or qualitative assessment of risk as good or bad cannot be made in isolation, but only in the light of its results in company performance over time. Nonetheless, the factors considered by the Remuneration Committee also include any excessive risk-taking.

II.33. Remuneration of executive directors

a) Variable remuneration and performance assessment

The remuneration of executive directors effectively includes a variable component which depends on a performance assessment, as described in the Remuneration Policy Statement, in particular in item 2 of chapter VI.

b) Bodies empowered to conduct performance assessments

The body empowered to conduct the performance assessment of executive directors is the Remuneration Committee, which uses for this purpose the information at its disposal and other information and documents requested from the Chairman of the Directors, as the main person responsible for the team, and from non-executive directors and members of the Audit Board who are best placed to observe the performance of the executive members of the Board of Directors and have direct access to these members.

However, in view of the actual nature of the situation, this is not a technical/functional assessment in which the assessor is responsible for setting objectives, monitoring progress and discussing performance with the person assessed. Instead, this is a general assessment of performance on the basis of the information and documents referred to.

c) Pre-set criteria for performance assessments

There are no mandatory pre-set criteria for assessing the performance of executive directors, notwithstanding the criteria defined in item 2 of chapter VI of the Remuneration Policy Statement for setting the variable remuneration component.

As a basic tool for setting variable remuneration, the members of the Remuneration Committee work with a system of KPIs which have evolved and are not publicly disclosed, although remuneration has not been set merely by appraising and applying quantitative elements in direct arithmetic fashion. Certain defined percentages are set in accordance with value judgements.

d) Variable and fixed components of remuneration

As stated above, there are no upper limits on remuneration, notwithstanding the limit set by the articles of association on directors' profit sharing.

The relative weight of the fixed and variable components of remuneration has fluctuated, as is inevitable given the variable nature of one of these components. The following table provides a comparison of fixed and variable remuneration earned by executive directors over recent years, considering both the Semapa and the companies belonging to the same Group:

Year	Fixed	Variable	Total
2012	39%	61%	100%
2011	38%	62%	100%
2010	56%	44%	100%

e) Deferral of variable remuneration

As also explained above, payment of the variable component of remuneration is not deferred.

f) Relationship between payment of variable remuneration and continued positive performance

As follows from the preceding paragraph, Semapa has no procedure for making payment of variable remuneration dependent on the continued positive performance of the company.

g) Allocation of variable remuneration in shares

At Semapa, the variable remuneration has no component consisting of shares.

h) Allocation of variable remuneration in options

At Semapa, the variable remuneration has no component consisting of options.

i) Annual bonuses and other non-cash benefits

The criteria for setting annual bonuses are those relating to the variable remuneration as described in item 2 of chapter VI of the Remuneration Policy Statement, and no other non-cash benefits are allocated.

j) Remuneration paid in the form of profit sharing and/or payment of bonuses

The value of the remuneration paid by Semapa Group in the form of profit-sharing and/or payment of bonuses corresponds to the variable remuneration indicated in item II.31 of this report, which amounts were set on the basis of application by the Remuneration Committee (as explained more fully in its report) of the criteria described in item 2 of chapter VI of the Remuneration Policy Statement.

l) Compensation paid for termination of directorships

In the course of 2011, Dr. Carlos Horta e Costa, who had been a member of the company's Executive Board, ceased to hold office as director. This director received compensation of 480,292.16€, corresponding to part of the remuneration to which he would have been entitled for exercise of his duties through to the end of his term of office. No other compensation was paid or is owing to former directors in respect of termination of their directorships.

m) Contractual limitation on compensation for unfair dismissal

Semapa has no contract with directors limiting or otherwise altering the supplementary legal rules on fair or unfair termination.

n) Sums paid on any grounds by related or group companies

In the financial year of 2012, the directors of Semapa earned remuneration from companies belonging to the same group the total remuneration stated above in item II.31, whilst the remuneration earned from related companies amounted in aggregate to 5,111,350.90 Euros.

o) Complementary pension or early retirement schemes

As stated in item I.18 of this Report, the extraordinary general meeting of 27 December last year approved the termination of pension scheme for directors in force up to such date, which had been unanimously approved by the shareholders at the general meeting of 30 March 2005; the scheme was wound up whilst safeguarding the legitimate and existing rights and expectations.

The resolution approved provided for extinguishing the rights and expectations already constitute, with regard to the individuals covered by the scheme who so agree, by means of redemption with a discount of no less than 17.5% of the current actuarial liability. These terms have been accepted by all those involved except, so far, Eng. Frederico José da Cunha Mendonça e Meneses.

Accordingly, in relation to Pedro Mendonça de Queiroz Pereira, Maria Maude Mendonça de Queiroz Pereira Lagos, Carlos Eduardo Coelho Alves, José Alfredo de Almeida Honório, Gonçalo Allen Serras Pereira, Francisco José Melo e Castro Guedes, José Miguel Pereira Gens Paredes and Paulo Miguel Garcês Ventura, the shareholders' decision has been put into effect, with a final discount of 20% and an immediate payment of 40% of the value, the remainder to be paid on dates to be agreed between Semapa and the persons involved, within three years of the date of redemption.

p) Non-cash benefits not covered by the previous items

There are no other relevant non-cash benefits considered as remuneration and not included in the above items.

q) Arrangements which prevent the conclusion of contracts which undermine the rationale of variable remuneration

The company has no arrangements of this kind. However, as explained above, Semapa does not enter into with its directors any agreement of this kind, and is not aware that any director has entered into such a contract with a third party; the company has not encouraged such contracts.

II.34. Remuneration of non-executive directors and variable components

There is no impediment in the company to variable remuneration being assigned to non-executive directors where justified, as follows from the 2nd option described in chapter VII of the Remuneration Policy Statement.

II.35. Policy on Whistleblowing

The company has a set of “Regulations on Notification of Irregularities”, which govern the procedure whereby company employees give notice of irregularities allegedly taking place within the company.

These regulations enshrine the general duty to give notice of alleged irregularities, indicating the Audit Board as the body to be informed, and also providing for an alternative solution in the event of there being a conflict of interests on the part of the Audit Board as regards the irregularity to be reported.

The Audit Board may request the assistance of the Internal Control Committee, and is required to conduct a preliminary investigation of all the facts necessary for assessing the alleged irregularity. This process ends with filing or with a submission to the Board of Directors or the Executive Board, depending on whether a company officer is involved, of a proposal for appropriate measures in the light of the irregularity in question.

The regulations also contain other provisions designed to safeguard the confidentiality of disclosure and non-prejudicial treatment of the employee reporting the irregularity, as well as rules on providing information on the regulations throughout the company.

Access to the “Regulations on Notification of Irregularities” is reserved.

The Company also has a set of “Principles of Professional Conduct”, approved by the Board of Directors. This document establishes ethical principles and rules applicable to company staff and officers.

In particular, this document establishes the duty of diligence, requiring professionalism, zeal and responsibility, the duty of loyalty, which in relation to the principles of honesty and integrity is especially geared to guard against conflict of interest situations, and the duty of confidentiality, in relation to the treatment of relevant information.

The document also establishes duties of corporate social responsibility, namely of environmental conservation and protection of all shareholders, namely minority shareholders, ensuring that information is fairly disclosed, and all shareholders treated equally and fairly.

Section V – Specialist Committees

II.36. Committees for assessing the performance of executive directors, considerations on the governance system adopted and identification of potential candidates for directorships

The performance of executive directors is assessed by the Remuneration Committee as described in item II.33 b) and as detailed in recommendation II.5.1; this committee has the composition described in item II.2 of this Report.

The CGSC has specific responsibility for assessing the governance system adopted; this committee's membership and mission is detailed above in item II.2 of this report.

No committee has responsibility for identifying candidates, as explained in connection with recommendations II.1.3.2 and II.5.1 and item II.16 of this Report.

II.37. Meetings of committees with management and supervisory powers

During the financial year of 2012, the Internal Control Committee met twice and the Corporate Governance Supervisory Committee met 3 times, with minutes being taken of all meetings held.

II.38. Knowledge and experience in the field of remuneration policy

One of the members of the Remuneration Committee, Dr. José Maury, as stated above, has vast knowledge and experience in the field of remuneration.

II.39. Independence of consultants contracted by the remuneration committee

As stated above in connection with recommendation II.5.3, the Remuneration Committee has never contracted any person or body to assist it. The actual members of this committee are independent, on the terms detailed above in connection with recommendation II.5.2.

Chapter III. Information and Auditing

III.1. Capital structure

Semapa's share capital comprises solely ordinary shares, with a nominal value of one euro each, with no differences in the rights and duties pertaining to each share.

The share capital is represented by 118,332,445 shares, corresponding to share capital of the same amount in euros; all shares are admitted for trading.

III.2. Qualifying holdings (at 31 December)

Entity	No. shares	% capital and voting rights	% non-suspended voting rights
A - Cimigest, SGPS, SA	3,185,019	2.69%	2.82%
Cimo - Gestão de Participações, SGPS, S.A.	16,199,031	13.69%	14.35%
LONGAPAR, SGPS, S.A.	21,505,400	18.17%	19.05%
OEM - Organização de Empresas, SGPS, S.A.	535,000	0.45%	0.47%
Sociedade Agrícola da Quinta da Vialonga, S.A.	625,199	0.53%	0.55%
Directors of Soc. Agrícola da Q.ta da Vialonga :			
Maude da Conceição Santos M. de Queiroz Pereira	145,685	0.12%	0.13%
Sodim, SGPS, S.A.	15,657,505	13.23%	13.87%
Total:	57,852,839	48.89%	51.25%
B - Banco BPI, S.A.	-	-	-
Banco Português de Investimento, S.A. - own portfolio	3,294	0.00%	0.00%
BPI Vida - Companhia de Seguros de Vida, S.A.	405,804	0.34%	0.36%
Pension funds managed by BPI Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	10,362,388	8.76%	9.18%
Investment Funds managed by BPI Fundos – Gestão de Fundos de Investimento Mobiliário, S.A.	1,237,518	1.05%	1.10%
Total:	12,009,004	10.15%	10.64%
C - Bestinver Gestión, SA, SGIIC	-	-	-
Bestinver Bolsa, F.I.	3,820,550	3.23%	3.38%
Bestinfond, F.I.	3,432,923	2.90%	3.04%
Bestinver Global, FP	907,128	0.77%	0.80%
Bestinver Hedge Value Fund, FIL	855,353	0.72%	0.76%
Bestinver Mixto, F.I.	639,125	0.54%	0.57%
Soixa, SICAV	603,626	0.51%	0.53%
Bestinver Bestvalue, SICAV	550,645	0.47%	0.49%
Bestinver Ahorro, F.P.	540,058	0.46%	0.48%
Texrenta Inversiones, SICAV	162,753	0.14%	0.14%
Bestinver Value Investor, SICAV	146,200	0.12%	0.13%
Bestinver Renta, F.I.	94,353	0.08%	0.08%
Bestinver Prevision, F.P.	33,828	0.03%	0.03%
Divalsa de Inversiones, SICAV, SA	26,132	0.02%	0.02%
Bestinver Empleo, F.P.	23,517	0.02%	0.02%
Linker Inversiones, SICAV, SA	15,964	0.01%	0.01%
Sumeque Capital, SICAV	10,719	0.01%	0.01%
Bestinver Empleo II, F.P.	1,415	0.00%	0.00%
Bestvalue, F.I.	921	0.00%	0.00%
Total:	11,865,210	10.03%	10.51%

Entity	No. shares	% capital and voting rights	% non-suspended voting rights
D - Norges Bank (the Central Bank of Norway)	5,649,215	4.77%	5.00%

Semapa - Sociedade de Investimento e Gestão, SGPS, S.A. holds 5,447,975 own shares, corresponding to 4.6% of its share capital

III.3. Shareholders with special rights

No shareholders or categories of shareholders in Semapa have special rights.

III.4. Restrictions on transferability of shares

Semapa has no restrictions of any kind on the transferability or ownership of its shares.

III.5. Shareholders' Agreements

The company is unaware of any shareholders' agreement on shares in its capital, notwithstanding the open coordination of voting rights by Cimigest, SGPS, S.A. and other entities, on terms which follow from the list of qualifying holdings.

III.6. Amendment of articles of association

Semapa has no special rules on the amendment of its articles of association. The general rules deriving from the Companies Code therefore apply to these issues.

III.7. Control procedures for employee ownership

There is also no employee ownership scheme in Semapa.

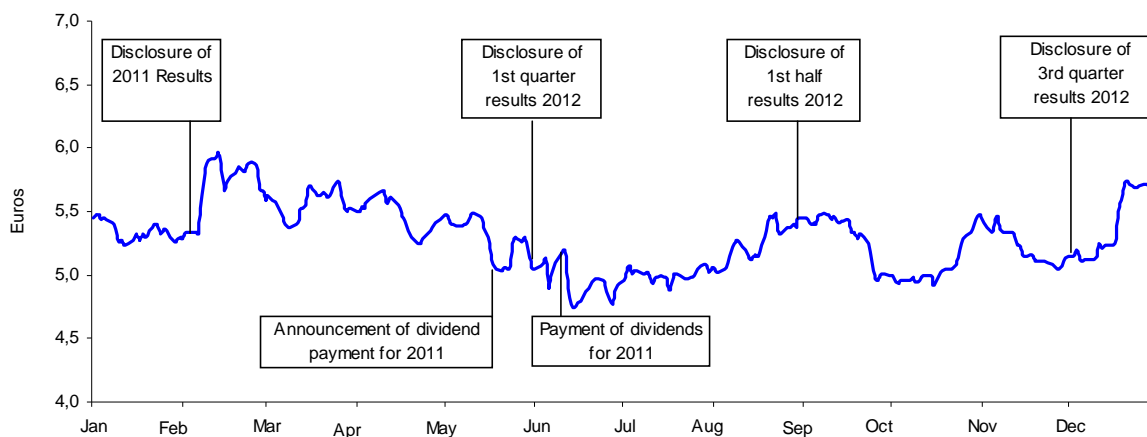
III.8. Listed share price

After the financial year of 2011, which was particularly difficult for most markets, 2012 proved to be a year of recovery, with investors returning to the equity markets. The main European markets recorded significant gains, in particular towards the end of the year, most notably in Frankfurt (up by 29.1%), but also in London (up by 18.7%) and Paris (up by 15.2%).

Performance in the Portuguese index fell short of the level recorded by other European markets, although it managed to outshine the Madrid market index, which ended the year down by 4.7%. After losing almost 15% over the first half of the year, the PSI20 rallied significantly in the second half, and ended the year up by 2.9%.

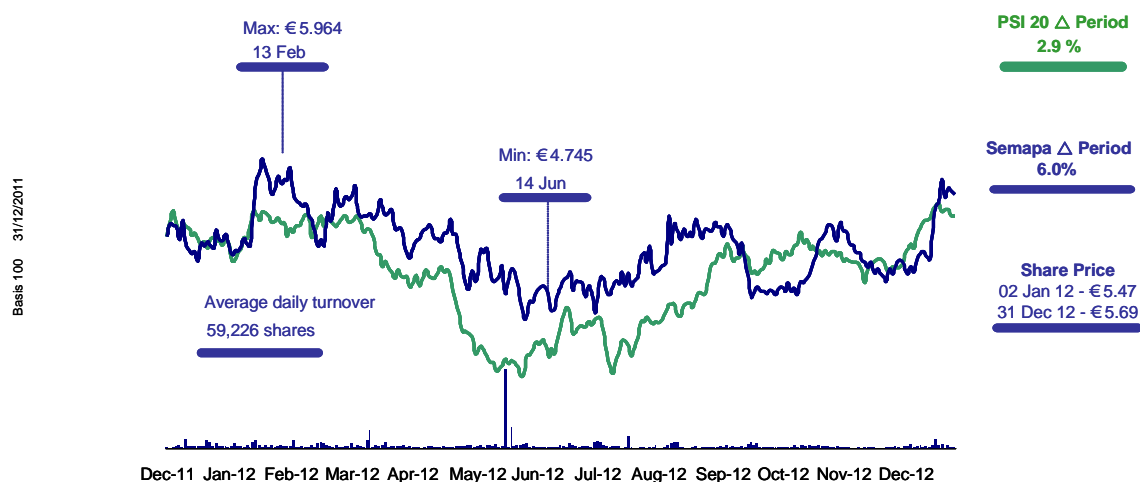
The following graph shows the average listed price of the company over the period, together with the main disclosures made to the market:

Average listed price for Semapa shares during 2012



In the period immediately following the disclosure of the 2011 results, on 7 February 2012, shares in Semapa accrued gains through to the end of the month of February; the subsequent period of adjustment was followed by an upward trend, observed from August onwards.

In this context, shares in Semapa ended the financial year of 2012 with an overall gain of approximately 6.0%, around double the increase recorded by the PSI20 over the period (up 2.9%).



Note: Closing prices

The listed price for Semapa shares ranged between a minimum of 4.745 euros and a maximum of 5.964 euros. Average daily trading over the period stood at 59,226 shares.

III.9. Policy on distribution of dividends

The Company has followed a dividend policy of distributing a large amount without resorting to additional borrowing for this purpose and without jeopardising its sound financial position. The aim is to maintain a financial structure compatible with the sustained growth of the company and the different business areas, whilst also maintaining sound solvency indicators.

The pay-out ratio (dividends/net profit) in recent years has been high, reaching a high point of 94% in 1995, and standing at its lowest in 2004, at 7.1%.

Over the last three years, the dividend per share in circulation has been as follows:

2009 (in relation to 2008) 0.255€ per share

2010 (in relation to 2009) 0.255€ per share

2010 (in relation to 2010*) 0.255€ per share

2012 (in relation to 2011) 0.255€ per share

* paid on 10 December as an advance on 2010 profits

III.10. Share or option plans

As stated above, the company has no share or share option plans.

III.11. Transactions between the company and members of the management and supervisory bodies or controlled or controlling companies or group companies

There are no transactions to record which were not carried out on an arm's length basis or which are not part of the company's normal business activities, other than the implementation of the shareholders' resolution to redeem rights and expectations under the pension scheme, in respect of the person and on the terms set out in item II.33 o) above.

III.12. Transactions between the company and owners of qualifying holdings

There were no transactions between the company and owners of qualifying holdings not on an arm's length basis.

III.13. Intervention by the supervisory body in prior assessment of planned transactions between the company and owners of qualifying holdings

The Board of Directors is required to obtain the Audit Board's clearance for transactions between the company and the owners of qualifying holdings or entities in any way related to these shareholders, as defined in Article 20 of the Securities Code, whenever one of the following criteria is met with regard to each period:

- a) When such transactions have a value greater than or equal to 1% of the company's consolidated turnover in the previous year;
- b) When the accrued value, with regard to the same owner of a qualifying holding, or entity related to the same in any way, as defined in Article 20 of the Securities Code, is greater than or equal to double the amount resulting from application of the criterion referred to in the preceding sub-paragraph.

III.14. Statistical data on transaction subject to prior intervention by the supervisory body

No transactions were subject in 2012 to prior intervention by the Audit Board other than the implementation, as referred to above, of the shareholders' resolution to redeem rights and expectations under the pension scheme, which was subject to prior assessment by the Audit Board.

III.15. Availability, on the company's website, of the annual reports on the audit board's activities

The Audit Board's report, covering its activities over the period in question, is published on the company's website in conjunction with the other reports and financial statements.

III.16. Investor support office

The investor support service is provided from an office headed by the director, Dr. José Miguel Gens Paredes, who is also the company's market relations representative. The office is adequately staffed and enjoys swift access to all sectors of the company, in order to ensure an effective response to requests, and also to transmit relevant information to shareholders and investors in good time and without any inequality.

Dr. José Miguel Gens Paredes can be contacted at the email address (imparedes@semapa.pt) or on the company's general telephone numbers. All public information on the company can be accessed by these means. It should be noted, in any case, that the information most frequently requested by investors is available at the company's website at www.semapa.pt.

III.17. Annual remuneration paid to the auditor

The following costs were incurred in relation to auditors in 2012 by the company and other related companies:

Services	Amounts	Percentage
Account audit services	1,160,108 €	78.48 %
Other reliability assurance services	120,266 €	8.14 %
Total audit services	1,280,374 €	86.62 %
Fiscal consultancy services	197,855 €	13.38 %
Total other services	197,855 €	13.38 %
TOTAL	1,478,229 €	100 %

In relation to fiscal consultancy services and services other than auditing, our auditors have set strict internal rules to guarantee their independence, and these rules have been adopted in the provision of these services and monitored by the company, in particular by the Audit Board and the Internal Control Committee.

III.18. Rotation of external auditor

The company does not require rotation of its external auditor, but if it is decided to retain the auditor for more than two terms of office, the Audit Board is required to issue a report recommending such continuation. This was the course adopted at the last elections, in 2010, when the audit firm was retained, but not the person in charge of the audit team.

Annex I

To the Corporate Governance Report

REMUNERATION POLICY STATEMENT

Law 28/2009, of 19 June, requires the Remuneration Committee to submit each year for the approval of the general meeting of shareholders a statement on the remuneration policy for members of the management supervisory bodies. A draft document was accordingly submitted to shareholders in 2012, resulting in approval of a remuneration policy statement as transcribed below:

“Remuneration Policy Statement - Semapa Directors and Auditors

I. Introduction

Semapa’s Remuneration Committee drew up a remuneration policy statement for the first time in early 2007, successfully submitting it for approval by the company’s general meeting that year. This statement was drafted in line with a recommendation issued on this matter by the Securities Market Commission (Comissão de Mercado de Valores Mobiliários).

The Remunerations Committee declared at this time that it felt that the options set out in the statement should be maintained until the end of the term of office of the company’s officers then underway. This term ran from 2006 to 2009.

The statement was due for review in 2010, not only because a fresh term of office had started, but also because of the entry into force of Law 28/2009, of 19 June, requiring remuneration committees to submit a remuneration policy statement annually for the approval of the general meeting.

This Committee continues to believe that a remuneration policy statement, due to its nature as a set of principles, should be stable during an entire term of office, unless exceptional or unforeseen circumstances require it to be altered.

We have therefore decided to propose for approval a statement with the same content as that currently in force.

There is a significant divide between the two most common systems for setting the remuneration of company officers. The first is for such remuneration to be set by the general meeting; this solution is rarely adopted, being rather impractical for a variety of reasons. The second is for remuneration to be set by a Remuneration Committee, which decides in keeping with criteria on which the shareholders have had not always had the opportunity to pronounce.

The solution now before us amounts to an intermediate system whereby the shareholders can appraise a remuneration policy to be followed by the Committee. This seeks to draw on the best features of both theoretical systems, as we propose to do in this document, reasserting the position we have previously defended whilst also including the contribution from the additional experience and expertise acquired by the company, and complying with the new legal requirements in this field.

II. Legal requirements and recommendations

This statement is issued in the legal framework formed by Law 28/2009, of 19 June (as referred to above), and the recommendations of the Securities Market Commission for 2010.

In addition to requiring annual statements, approved by the general meeting and duly disclosed, the new law requires the statement on remuneration policy to include information on:

- a) Procedures to permit directors' interests to be aligned with those of the company;*
- b) The criteria for setting the variable component of remuneration;*
- c) The existence of share bonus and share option plans for directors and auditors;*
- d) The possibility of the variable remuneration component, if any, being paid, in full or in part, after the accounts for the periods corresponding to the entire term of office having been drawn up;*
- e) Procedures for capping variable remuneration, in the event of the results showing a significant deterioration in the company's performance in the last period for which accounts have been reported or when such a deterioration may be expected in the period underway.*

The recommendations from the Securities Market Commission currently in force state that:

II.1.5.2. A statement on the remuneration policy of the Board of Directors and Supervisory Board referred to in Article 2 of Law No. 28/2009 of 19 June, shall contain, in addition to the content therein stated, adequate information on: i) which groups of companies the remuneration policy and practices of which were taken as a baseline for setting the remuneration ii) the payments for the dismissal or termination by agreement of the Directors' duties.

II.1.5.3. The remuneration policy statement referred to in Article 2 of Law No. 28/2009 shall also include the managers' remunerations which contain an important variable component, within the meaning of Article 248-B/3 of the Securities Code. The statement shall be detailed and the policy presented shall particularly take the long-term performance of the company, compliance with the rules applicable to its business and restraint in taking risks into account.

III. Legal requirements and the Articles of Association

Any system for setting remuneration will inevitably have to consider the legal rules, as well as any private rules which may be established in the articles of association.

The legal rules for the board of directors are essentially established in Article 399 of the Companies Code, and may in

practice be summarised as follows:

- Remuneration is to be set by the general meeting of shareholders or by a committee appointed at such meeting.
- The remuneration fixed shall take into account the duties performed and the state of the company's affairs.
- The remuneration may be fixed or else consist in part of a percentage of the profits of the period, but the maximum percentage for distribution to directors must be authorized by a clause in the articles of association, and shall not apply to the amounts allocated to reserves or to any portion of the profits not legally available for distribution to the shareholders.

For the members of the Audit Board and the officers of the General Meeting, the law lays down that the remuneration shall consist of a fixed sum, which shall be determined in the same way by the general meeting of shareholders or by a committee appointed by the same, taking into account the duties performed and the state of the company's affairs.

Semapa's articles of association contain a specific clause, number seventeen, dealing only with the directors and governing also retirement provision. We transcribe the relevant passages:

"2 – The remuneration of the directors [...] is fixed by a Remuneration Committee comprising an uneven number of members, elected by the General Meeting.

3 – The remuneration may consist of a fixed part and a variable part, which shall include a share in profits, which share in profits shall not exceed five per cent of the net profits of the previous period, for the directors as a whole."

This is the formal framework to be observed in defining remuneration policy.

IV. Historical background

Since the incorporation of Semapa and up to 2002, all directors of Semapa received remuneration comprising a fixed component, paid fourteen times a year, and fixed by the Remuneration Committee, then called the Comissão de Fixação de Vencimentos.

In 2003, the resolution on the distribution of profits from 2002 included, for the first time, a part of the profits to be directly paid as remuneration to the directors, divided between the directors as decided by the Remuneration Committee.

This procedure was repeated through to 2005, with regard to the profits from 2004.

In 2006, the allocation of profits from 2005 did not provide for any amount for directors' remuneration, which was understandable, given that the profits already reflected a provision for the variable remuneration of the directors, under the new accounting standards applicable. The variable component of the remuneration was fixed in 2006 by the Remuneration Committee, also with reference to the profits, in accordance with the articles of association.

This is the procedure which has stayed in place through to the present, although since 2007 this has taken place within the terms of a remuneration policy statement approved by the company's General Meeting.

It should be noted that the allocation of a percentage of profits is not applied directly, but rather as an indicator, and also as a limit, in line with the articles of association, on amounts which are determined in a more involved process, taking into account the factors set out in the remuneration policy statement in force.

The percentage for the directors' variable remuneration has ranged between a maximum of 5% and a minimum of

2.23% of the net profits. In recent years, the percentage has been lower than initially, due essentially to the consideration given to other earnings received by the same directors in companies controlled by Semapa.

There has therefore been a constant procedure since 2003, with the directors' remuneration comprising a fixed component and a variable component.

Since the incorporation of the company, the members of the audit board have received fixed monthly remuneration. Since the officers of the general meeting started to receive remuneration, this has been set in accordance with the number of meetings actually held.

V. General Principles

The general principles to be observed when setting the remuneration of the company officers are essentially those which in very general terms derive from the law: on the one hand, the duties performed and on the other the state of the company's affairs. If we add to these the general market terms for similar situations, we find that these appear to be the three main general principles:

a) Duties performed.

It is necessary to consider the duties performed by each company officer not only in the formal sense, but also in the broader sense of the work carried out and the associated responsibilities. Not all the executive directors are in the same position, and the same is also true, for example, of the members of the audit board. Duties have to be assessed in the broadest sense, taking into account criteria as varied as, for example, responsibility, time dedicated, or the added value to the company resulting from a given type of intervention or representation of a given institution.

The fact that time is spent by the officer on duties in other controlled companies also cannot be taken out of the equation, due, on the one hand, to the added responsibility this represents, and, on the other hand, to the existence of another source of income.

It should be noted that Semapa's experience has shown that the directors of this company, contrary to what is often observed in other companies of the same time, cannot be neatly split into executive and non-executive. There are a number of directors with delegated powers and who are generally referred to as executive directors, but some of directors without delegated powers are closely involved in the life of the company in a variety of ways, sometimes on a daily basis. These are essential aspects which must inevitably be considered when setting remuneration.

b) The state of the company's affairs.

This criterion must also be understood and interpreted with care. The size of the company and the inevitable complexity of the associated management responsibilities, is clearly one of the relevant aspects of the state of affairs, understood in the broadest sense. There are implications here for the need to remunerate a responsibility which is greater in larger companies with complex business models and for the capacity to remunerate management duties appropriately.

c) Market criteria.

It is unavoidably necessary to match supply to demand when setting any level of pay, and the officers of a corporation are no exception. Only respect for market practices makes it possible to keep professionals of a calibre required for

the complexity of the duties performed and the responsibilities shouldered, thereby assuring not only their own interests but essentially those of the company, and the generation of value of all its shareholders. In the case of Semapa, in view of its characteristics and size, the market criteria to be considered are those prevailing internationally, as well as those to be observed in Portugal.

VI. Compliance with legal requirements and recommendations

Having described the historical background and the general principles adopted, we shall now consider the issue of compliance by these principles with the relevant legal requirements.

1. Article 2 a) of Law 28/2009. Alignment of interests

The first requirement that Law 28/2009 regards as essential in terms of the information in this statement is for a description of the procedures which assure that the directors' interests are aligned with those of the company.

We believe that the remuneration system adopted in Semapa is successful in assuring such alignment. Firstly, because the remuneration sets out to be fair and equitable in the light of the principles set out, and secondly because it links the directors to results by means of a variable remuneration component which is set primarily in the light of these results.

2. Article 2 b) of Law 28/2009. Criteria for the variable component

The second requirement established by the law is for information on the criteria used to determine the variable component.

The company's results are the most important factor in setting the variable remuneration: not the results seen as an absolute value, but as viewed from a critical perspective in the light of what may be expected of a company of this size and characteristics, and in view of the actual market conditions. The importance of the results in setting the variable component derives from the actual articles of association, which expressly provide for the possibility of "profit sharing" and limit this to a percentage of profits.

In setting the variable component, other factors are also considered, resulting in the main from the general principles - market, specific duties, the state of the company's affairs. These factors are often more individual, relating to the specific position and performance of each director.

Another important factor which is taken into overall account when setting the variable component is Semapa's option not to provide any share or option plans..

3. Article 2 c) of Law 28/2009. Share or option plans

The decision whether or not to provide share or option plans is structural in nature. The existence of such a plan is not a simple add-on to an existing remuneration system, but rather an underlying to change to the existing system, at least in terms of the variable remuneration.

Although a remuneration system of this type is not incompatible with the company's articles of association, we feel that the wording of the relevant provisions in the articles and the historical background to the existing system argue in favour of maintaining a remuneration system without any share or option component.

This is not to say that we see no merits in including a share or option component in directors' remuneration, nor that we would not be receptive to restructuring directors' remuneration to incorporate such a plan. However, such a component is not essential in order to promote the principles we defend and, as we have said, we do not believe that this was the fundamental intention of the company's shareholders.

4. Article 2 d) of Law 28/2009. Date of payment of variable remuneration

Specialists in this field have drawn attention to significant advantages in deferring payment of the variable component of remuneration to a date when the entire period corresponding to the term of office can in some way be appraised.

We accept this principle as theoretically sound, but it appears to us to offer few advantages in the specific case of Semapa and other similar companies.

One of the main arguments supporting this system is that directors should be committed to achieving sustainable medium-term results, and that the remuneration system should support this, avoiding a situation where remuneration is pegged simply to one financial year, which may not be representative, and which may present higher profits at the cost of worse results in subsequent years.

However, whilst this danger is real and is worth safeguarding against by means of systems such as this in companies where the capital is completely dispersed and the directors may be tempted to take a short term view, maximizing quick results by sacrificing long term potential, this does not correspond to the situation in a company such as Semapa, with a stable shareholder structure and management, where these concerns are inherently less of an issue.

5. Article 2 e) of Law 28/2009. Procedure limiting variable remuneration

Procedures of this kind are designed to limit variable remuneration in the event of the results showing a significant deterioration in the company's performance in the last reporting period or when such a deterioration may be expected in the period underway.

This type of provision also reflects a concern that good performance in the short term, which may boost directors' remuneration, could be achieved at the cost of future performance.

For obvious reasons, the arguments presented above also apply here. It should also be noted that a system of this kind would have little practical effect if not combined with significant deferral of remuneration, which is not proposed for Semapa.

6. First part of Recommendation II.1.5.2.. Comparative information.

In relation to groups of companies whose remuneration policies and practices have been taken as the baseline for setting remuneration, this Committee took into consideration, to the extent of the information accessible, all Portuguese companies of equivalent size, namely PSI-20 companies, and also companies in international markets with characteristics similar to those of Semapa.

7. Second part of Recommendation II.1.5.2.. Termination agreements.

There are no agreements, and no such provisions have been defined by this Committee, on payments by Semapa relating to dismissal or termination by agreement of Directors' duties.

This fact is the natural result of the particular situations existing in the company, and not a position of principle taken by this Committee against the existence of agreements of this nature.

8. Recommendation II.1.5.3. Inclusion of managers in this statement

The Remuneration Committee has no proposal or statement to make on this issue, as it is the express understanding of the Board of Directors that it has sole powers over this matter and that it is not in the company's interest to comply with this recommendation.

VII. Specific Options

The specific options for the remuneration policy we propose may therefore be summarized as follows:

1. The remuneration of executive directors shall comprise a fixed component and a variable component.
2. The remuneration of non-executive directors shall comprise only a fixed component, or else a fixed component and a variable component, as for executive directors, whenever justified by the nature of the duties actually exercised and their degree of responsibility and involvement in the day to day running of the company.
3. The remuneration of the members of the Audit Board and the officers of the General Meeting shall comprise a fixed component only.
4. The fixed component of the remuneration of directors shall consist of a monthly amount payable fourteen times a year or of a pre-set amount for each meeting of the Board of Directors attended.
5. A monthly rate shall be set for the fixed component of the remuneration of directors for all those who are members of the Executive Board and those who, although not members of such Board, perform duties or carry out specific work of a repeated or ongoing nature.
6. The pre-set amount for participation in meetings of the Board of Directors shall be fixed for those who have duties which are essentially advisory and supervisory.
7. The fixed remuneration of the members of the Audit Board shall consist in all cases of a pre-set amount paid fourteen times a year.
8. The fixed remuneration of the officers of the General Meeting shall consist in all cases of a pre-set amount for each meeting, the remuneration for second and subsequent meetings being lower than that for the first general meeting of the year.
9. The procedure for assigning variable remuneration to the executive members of the Board of Directors shall comply with the criteria proposed by the Remuneration Committee, and the total such remuneration shall not exceed five per cent of the consolidated net profits (IFRS format).
10. In setting all remuneration, including in particular the distribution of the total amount allocated to the variable remuneration of the Board of Directors, the general principles established above shall be observed: the duties performed, the state of the company's affairs and market criteria.

Lisbon, 16 April 2012

The Remuneration Committee

José Gonçalo Maury

Frederico José da Cunha Mendonça e Meneses

Sofia Luísa Corrêa Henriques Cardoso de Menezes Frère"

Annex II:

To the Corporate Governance Report

DISCLOSURES REQUIRED BY ARTICLES 447 AND 448 OF THE COMPANIES CODE
AND PARAGRAPHS 6 AND 7 OF ARTICLE 14 OF SECURITIES MARKET
COMMISSION REGULATION 5/2008

(with regard to the financial year of 2012)

1. Securities issued by the company and held by company officers, in the sense defined in paragraphs 1 and 2 of Article 447 of the Companies Code (*):

- José Alfredo de Almeida Honório - 20,000 shares in the company and 500 company bonds
- José Miguel Pereira Gens Paredes – 180 company bonds
- Paulo Miguel Garcês Ventura – 125 company bonds
- Vítor Manuel Galvão Rocha Novais Gonçalves – 50 company bonds
- Miguel Camargo de Sousa Eiró – 50 company bonds
- Duarte Nuno d'Orey da Cunha - 2.,907 shares in the company and 25 company bonds
- Maria Rita Carvalhosa Mendes de Almeida Queiroz Pereira - 16,464 shares in the company and 50 company bonds

(*) The company bonds referred to in this item correspond to bonds with a flat rate of 6.85 per cent per annum, maturing in 2015, issued by Semapa with the name "Obrigações SEMAPA 2012/2015"

2. Securities issued by companies controlled by or belonging to the same group as Semapa held by company officers, in the sense defined in paragraphs 1 and 2 of Article 447 of the Companies Code:

- Duarte Nuno d'Orey da Cunha – 16,000 shares in Portucel, S.A.

3. Securities issued by the company and controlled companies held by companies in which directors and auditors hold corporate office:

- Cimigest, SGPS, S.A. - 3,185,019 shares in the company
- Cimo - Gestão de Participações, SGPS, S.A. - 16,199,031 shares in the company
- Longapar, SGPS, S.A. – 21,505,400 shares in the company and 1,000 shares in Secil – Companhia Geral de Cal e Cimento, S.A.
- Sodim, SGPS, SA – 15,657,505 shares in the company
- OEM - Organização de Empresas, SGPS, SA – 535,000 shares in the company.
- ZOOM Investment, SGPS, S.A. – 630,000 shares in the company and 1,996,453 shares in Portucel, S.A.

4. Acquisition, disposal, encumbrance or pledge of securities issued by the company, controlled companies or companies in the same group by company officers and the companies referred to in 3 (*):

- José Alfredo de Almeida Honório acquired, on 30 March, 500 company bonds, for a price of 1,000.00 euros, per bond;
- José Miguel Pereira Gens Paredes acquired, on 30 March, 180 company bonds, for a price of 1,000.00 euros, per bond;
- Paulo Miguel Garcês Ventura acquired, on 30 March, 125 company bonds, for a price of 1,000.00 euros, per bond;
- Vítor Manuel Galvão Rocha Novais Gonçalves acquired, on 30 March, 50 company bonds, for a price of 1,000.00 euros, per bond;
- Miguel Camargo de Sousa Eiró acquired 5 company bonds, on 30 March, and 21 company bonds, on 11 April, for a price of 1,000.00 euros, per bond, and 24 company bonds, on 12 April, for a price of 996 euros, per bond;
- Duarte Nuno d'Orey da Cunha acquired 5 company bonds, on 30 March, and 20 company bonds, on 3 April, for a price of 1,000.00 euros, per bond;
- Gonçalo Nuno Palha Picão Caldeira acquired 5 company bonds, on 30 March, for a price of 1,000.00 euros, per bond, having sold the referred bonds on 11 October for a price of 1,020.00 euros per bond and, on 16 April, acquired 20,000 shares in Portucel, S.A., for a price of 2.16 euros, per share, having sold these shares on 24 September for a price of 2.087 per share;
- Maria Rita Carvalhosa Mendes de Almeida Queiroz Pereira acquired 50 company bonds, on 30 March, for a price of 1,000.00 euros, per bond.
- Longapar, SGPS, S.A. acquired, on 11 May, 1,000 shares in Secil – Companhia Geral de Cal e Cimento, S.A., for a price of 18.51 euros, per share
- Cimigest SGPS, S.A. acquired, on 23 January, 3,184,919 shares in the company, for a price of 5.424 euros per share.

- SODIM SGPS, S.A. sold, on 23 January, 3,184,919 shares in the company, for a price of 5.424 euros per share.
- ZOOM Investment SGPS, S.A sold, on 18 April, 804.761 shares in the company, for a price of 5.432 euros per share and, on 18 April, sold 10.298.855 shares in Portucel, S.A., for a price of 1.93 euros per share.

() The company bonds referred to in this item correspond to bonds with a flat rate of 6.85 per cent per annum, maturing in 2015, issued by Semapa with the name "Obrigações SEMAPA 2012/2015"*

5. Transactions in own shares:

In 2012 Semapa neither acquired nor disposed of any shares in its own capital.

Annex III

To the Corporate Governance Report

ASSESSMENT OF THE GOVERNANCE MODEL ADOPTED AND ACTIVITIES OF THE NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors has this year again assessed the governance model adopted, with special assistance to this end from the Corporate Governance Supervisory Committee, and continues to believe that this model is that which best suits Semapa, as may be concluded from the positions as previously expressed, to a large extent reproduced below.

The assessment of a corporate governance model is a process of reflection which should involve not only the various aspects of the issues considered throughout the Corporate Governance Report, but most importantly the manner in which governance is structured, in terms of boards and committees. The first part of this reflection has been conducted in the report, dealing in particular with the recommendations adopted and not adopted, and explanation of the associated reasons. The second part is carried out here, by looking at a range of issues, from the structure adopted under the terms of Article 278 of the Companies Code, the committees operating in the company and the supervisory framework chosen through to the activities of non-executive directors and, in the last instance, the characteristics of the persons suitable or not suitable for appointment to particular office in the company.

This assessment involves a perspective which is halfway between the shareholder view and the management view, because whilst it is the directors who experience the system implemented most directly on a daily basis, it is broadly up to the shareholders to decide on the model they wish to apply and the persons they wish to elect to corporate office, in line with the model chosen.

So in addition to describing the activities of the non-executive members of the board of directors, we shall provide merely a brief outline of the sensibilities of the members of the Board of Directors in this regard, considering also that this is a matter where sensibilities are always highly varied.

Starting with the basic framework, it is generally agreed that the structure adopted under Article 278 of the Companies Code is the most appropriate. This conclusion is reached not merely through resistance to change; instead, it is essentially based on a perception that the other two possible structures are less appropriate.

The possible structure consisting of a board of directors with its own audit committee is generally rejected intuitively by directors, as it goes against the general feeling as to what constitutes a “normal” organizational structure in a company. To have the persons responsible for supervision as members of the Board of Directors, even if this were essentially just a legal fiction, would generate confusion as to roles and positions which would be experienced

negatively by most of the directors. This might be the easiest option for companies who look on their non-executive directors as essentially “supervisors”, but this is not the case at Semapa and is consequently the reason for this feeling.

The other possible structure, consisting of an Executive Board of Directors and a General and Supervisory Board, also appears less appropriate than the model currently in place. A General and Supervisory Board would appear to function, in comparison with the model currently in place in Semapa, as a hybrid between the non-executive directors and the Audit Board: on the one hand it has powers of supervision, on the other hand it can act as a second instance for management matters. Here too, the blurring of the line between management duties and supervisory duties is not very attractive, and the option of a General and Supervisory Board without the need to authorize certain management acts would not bring any great advantage in comparison with the structure of a Board of Directors and an Audit Board.

Another factor in favour of the existing system is always the familiarity of the persons involved with the existing structure, allowing them to take better advantage of its potential, and also the inevitable costs of a radical change.

No advantage is therefore seen in proposing to the shareholders any structural change in the company’s management model.

As regard the auditing structure, the legislation in these cases leaves no option to listed companies – Article 413.2 of the Companies Code – other than to have an Audit Board and an official Auditor or else an Official Audit Firm, which is not a member of the Audit Board, as in Semapa’s case.

The decision to set up the committees currently existing in the company, except for the Remuneration Committee, was taken in the exercise of the Board of Directors’ own powers.

Special reference should be made to the Executive Board. Although Semapa is a holding company, and therefore has a very simple administrative structure, the delegation of powers to this board is considered to be fully justified. There are many matters which require immediate collegiate attention, and the intervention of the other directors is reserved for matters of greater moment or specific issues. The directors without delegated powers are not only not regarded as mere “supervisors” of the company but are also in some cases more deeply engaged than simply as advisers at board meetings.

The Internal Control Committee, the Corporate Governance Supervisory Committee and the Strategy Committee are justified by the nature of their responsibilities as explored in other parts of this Corporate Governance Report.

The actual activities of the non-executive members of the Board of Directors constitute an important part of the general assessment of the governance model in force in the company. As we have already seen elsewhere in this Report, the activity of the non-executive directors of Semapa does not consist merely of attending and providing advice at meetings of the Board of Directors.

The position, participation and engagement of the non-executive directors is not the same in all cases. Some directors are further removed from daily activities, as is the case of Eng. António Câmara and Dr. Vítor Novais Gonçalves, who have collaborated as advisers at the formal meetings of the Board of Directors and have been heard and asked to contribute to specific discussions on particular issues .

Other directors, such as Dr. Rita Amaral Cabral and Eng. Joaquim Ferreira do Amaral, in addition to taking part in the way described, are also more directly involved in the company’s activities, not least by sitting on the committees set up by the Board of Directors. . The former sits on the Corporate Governance Supervisory Committee whilst the latter is a member of the Internal Control Committee.

We should also point to the fact that the non-executive directors Ms. Maria Maude Queiroz Pereira Lagos, Eng. Joaquim Ferreira do Amaral and Dr. António Pedro Carvalho Viana-Baptista all sit on the Strategy Committee .

In addition to this involvement, there are other specific tasks carried out by non-executive directors which are not related to the company's committees, such as the participation by the director Ms. Maude Queiroz Pereira Lagos in the corporate representation of the company.

As already explained elsewhere in this report, the non-executive directors have access to all information on company affairs, are supported at all times by the executive directors and have reported no constraints experienced in the course of their work.

The essential feature of the activities of non-executive directors is the diversity of their participation and contribution, which is believed to be healthy and positive for the company's interests.

The most important decision to be taken by shareholders with regard to corporate governance and the composition of the company bodies is whether or not to appoint independent directors, insofar as the independence restrictions relating to the other company bodies are mandatory legal requirements. There are no great reasons for wishing independent non-executive directors in the case of Semapa and, as stated above in relation to the clear distinction between those with responsibility for management (with more or less direct or hands-on involvement) and those with responsibility for supervision, this option fits in with the directors' understanding of the role of the different company officers. Nonetheless, the company currently has four independent directors.

It is sincerely believed that the manner in which the company organizes and conducts itself within a given form which it has adopted has greater implications in terms of corporate governance than the manner in which the company may have formally decided to structure itself.

The organization of corporate governance in this company has functioned effectively, without constraints, with respect for the interests of shareholders, employees and officers, and we therefore believe that different arrangements are not currently of interest.

Annex IV

To the Corporate Governance Report

DECLARATION REQUIRED UNDER ARTICLE 245.1 c) OF THE SECURITIES CODE

Article 245.1 c) of the Securities Code requires that each of the persons responsible for issuers make a number of declarations, as described in this article. In the case of Semapa, a uniform declaration has been adopted, worded as follows:

I hereby declare, under the terms and for the purposes of Article 245.1 c) of the Securities Code that, to the best of my knowledge, the management report, annual accounts, legal accounts certificate and other financial statements of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., for the financial year of 2012, were drawn up in accordance with the relevant accounting rules, and provide a true and fair view of the assets and liabilities, financial affairs and profit or loss of the said company and other companies included in the consolidated accounts, and that the management report contains a faithful account of the business, performance and position of the said company and other companies included in the consolidated accounts, describing the main risks and uncertainties which they face.

Considering that the members of the Audit Board and the Official Auditor sign an equivalent declaration in relation to the documents for which they are responsible, a separate declaration with the above text was signed by the directors only, as it was deemed that only the company officers fall within the concept of “persons responsible for the issuer”. As required by this rule, we provide below a list of the persons signing the declaration and their office in the company:

Name:	Office
Pedro Mendonça de Queiroz Pereira	Director
Maria Maude Mendonça de Queiroz Pereira Lagos	Director
José Alfredo de Almeida Honório	Director
Francisco José Melo e Castro Guedes	Director
José Miguel Pereira Gens Paredes	Director

Name:	Office
Paulo Miguel Garcês Ventura	Director
Rita Maria Lagos do Amaral Cabral	Director
António da Nóbrega de Sousa da Câmara	Director
Joaquim Martins Ferreira do Amaral	Director
António Pedro de Carvalho Viana-Baptista	Director
Vitor Manuel Galvão Rocha Novais Gonçalves	Director

PART 3

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED SEPARATE INCOME STATEMENT AS OF 31 DECEMBER 2012 AND 2011

Amounts in Euro	Note	2012	2011	4th Q 2012 (Unaudited)	4th Q 2011 (Unaudited)
Revenues					
Sales	4	1,907,469,953	1,745,533,739	496,380,237	449,222,808
Services rendered	4	45,117,965	34,210,792	12,539,347	9,462,180
Other income					
Gains on disposal of non-current assets	5	25,059,542	2,899,293	1,710,352	2,633,006
Other operating income	5	71,426,751	50,371,728	23,222,283	15,859,555
Change in fair value of biological assets	18	(1,713,381)	266,689	(149,274)	1,001,268
Costs, expenses and losses					
Cost of inventories sold and consumed	6	(759,614,259)	(669,537,514)	(208,318,017)	(180,129,013)
Variation in production	6	(2,513,330)	(37,258,418)	3,840,120	(5,113,812)
Cost of materials and services consumed	6	(555,502,068)	(465,136,602)	(143,433,461)	(123,969,126)
Payroll costs	6	(192,737,391)	(195,087,873)	(29,923,667)	(48,958,038)
Other costs and losses	6	(42,207,337)	(38,987,290)	(9,468,427)	(12,813,566)
Provisions	6	9,508,549	1,317,896	5,061,591	7,767,055
Depreciation, amortisation and impairment losses	8	(199,812,720)	(165,454,459)	(76,685,842)	(43,005,125)
Operational results		304,482,274	263,137,981	74,775,242	71,957,192
Group share of (loss) / gains of associated companies	9	1,002,692	1,088,356	540,284	(142,595)
Net financial results	10	(64,025,464)	(38,448,290)	(20,727,750)	(5,220,602)
Profit before tax		241,459,502	225,778,047	54,587,776	66,593,995
Income tax expense	11	(70,899,615)	(56,632,701)	(30,215,500)	(20,678,577)
Profit for the year		170,559,887	169,145,346	24,372,276	45,915,418
Profit for the year					
Attributable to Semapa's shareholders		126,516,088	124,161,800	16,001,029	34,196,509
Attributable to non-controlling interests	13	44,043,799	44,983,546	8,371,247	11,718,909
Earnings per share					
Basic earnings per share, EUR	12	1.121	1.100	0.142	0.303
Diluted earnings per share, EUR	12	1.121	1.100	0.142	0.303

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2012 AND 2011

Amounts in Euro	Note	31-12-2012	31-12-2011
ASSETS			
Non-current assets			
Goodwill	15	335,700,924	332,849,940
Other intangible assets	16	295,255,939	162,158,991
Property, plant and equipment	17	2,301,163,727	2,045,745,274
Investment properties		1,615,016	830,412
Biological assets	18	109,055,925	110,769,306
Investment in associates	19	5,498,397	3,924,419
Financial assets at fair value through profit or loss	20	9,026,930	9,657,695
Available-for-sale financial assets	21	226,921	553,764
Deferred tax assets	28	60,858,404	61,643,040
Other non-current assets		3,113,802	1,606,107
		3,121,515,985	2,729,738,948
Current assets			
Inventories	23	317,329,632	242,814,299
Receivables and other current assets	24	290,925,902	316,625,454
State and other public entities	25	80,511,929	65,364,536
Assets held for sale	33	4,000,614	15,315,760
Cash and cash equivalents	31	413,676,080	415,697,575
		1,106,444,157	1,055,817,624
Total Assets		4,227,960,142	3,785,556,572
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	26	118,332,445	118,332,445
Treasury shares	26	(47,164,986)	(47,164,986)
Share premiums		3,923,459	3,923,459
Translation reserves	27	(25,322,950)	(15,071,293)
Fair value reserves	27	(20,213,050)	(11,409,673)
Other reserves	27	953,599,979	858,223,719
Retained earnings	27	(313,759,714)	17,807,527
Retained earnings from the year	27	126,516,088	124,161,800
Consolidated shareholders' equity		795,911,271	1,048,802,998
Non-controlling interests	13	335,228,645	333,216,889
Total Equity		1,131,139,916	1,382,019,887
Non-current liabilities			
Deferred tax liabilities	28	455,206,346	339,427,148
Pensions and other post-employment benefits	29	9,503,059	127,002,406
Provisions	30	34,518,241	35,905,280
Interest-bearing liabilities	31	1,681,677,079	1,156,533,619
Other non-current liabilities		15,616,661	18,175,624
		2,196,521,386	1,677,044,077
Current liabilities			
Interest-bearing liabilities	31	333,104,559	251,991,062
Payables and other current liabilities	32	415,397,720	371,566,104
State and other public entities	25	150,562,422	100,024,555
Liabilities held for sale	33	1,234,139	2,910,887
		900,298,840	726,492,608
Total Liabilities		3,096,820,226	2,403,536,685
Total Equity and Liabilities		4,227,960,142	3,785,556,572

STATEMENT OF COMPREHENSIVE CONSOLIDATED INCOME

AS OF 31 DECEMBER 2012 AND 2011

Amounts in Euro	2012	2011	4th Q 2012 (Unaudited)	4th Q 2011 (Unaudited)
Retained earnings for the year without non-controlling interests	170,559,887	169,145,346	24,372,276	45,915,418
Fair value in financial derivative instruments				
Fair value changes	(9,728,499)	(6,420,152)	(2,643,478)	(5,784,118)
Tax on items above when applicable	1,026,242	526,080	553,954	1,087,298
Actuarial gains / (losses)				
Actuarial gains / (losses)	11,654,475	1,060,676	4,495,074	(1,605,028)
Tax on items above when applicable	(974,955)	(262,177)	(778,361)	(295,329)
Currency translation differences	(10,399,261)	834,257	(3,123,724)	4,152,287
Share of other comprehensive income of associates	(3,382,270)	-	(3,382,270)	-
Other comprehensive income for the year	(11,804,268)	(4,261,316)	(4,878,805)	(2,444,890)
Total comprehensive income for the year	158,755,619	164,884,030	19,493,471	43,470,528
Attributable to:				
Semapa's shareholders	113,901,898	120,111,181	11,839,780	31,371,568
Non-controlling interests	44,853,721	44,772,849	7,653,691	12,098,960
	158,755,619	164,884,030	19,493,471	43,470,528

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM 1 JANUARY 2011 TO 31 DECEMBER 2012

Amounts in Euro	Share Capital	Treasury shares	Share premiums	Fair value reserves	Other reserves	Translation reserves	Retained earnings	Net profit for the year	Total	Non-controlling interests	Total
Equity as of 1 January 2012	118,332,445	(47,164,986)	3,923,459	(11,409,673)	858,223,718	(15,071,293)	17,807,528	124,161,800	1,048,802,998	333,216,889	1,382,019,887
Application of 2011 profit of the year											
- Transfer to reserves	-	-	-	-	95,376,260	-	-	(95,376,260)	-	-	-
- Dividends paid	-	-	-	-	-	-	-	(28,785,540)	(28,785,540)	-	(28,785,540)
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(40,199,383)	(40,199,383)
Other comprehensive income for the year	-	-	-	(8,803,377)	-	(10,251,657)	6,835,982	-	(12,219,052)	414,784	(11,804,268)
Differences in non-controlling interests acquisitions	-	-	-	-	-	-	(338,365,640)	-	(338,365,640)	(44,095,664)	(382,461,304)
Consolidation method changes	-	-	-	-	-	-	-	-	-	31,381,063	31,381,063
Fair value changes attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	10,503,035	10,503,035
Other movements	-	-	-	-	-	-	(37,583)	-	(37,583)	(35,878)	(73,461)
Net profit for the year	-	-	-	-	-	-	-	126,516,088	126,516,088	44,043,799	170,559,887
Net profit for the year	118,332,445	(47,164,986)	3,923,459	(20,213,050)	953,599,978	(25,322,950)	(313,759,713)	126,516,088	795,911,271	335,228,645	1,131,139,916

Amounts in Euro	Share Capital	Treasury shares	Share premiums	Fair value reserves	Other reserves	Translation reserves	Retained earnings	Net profit for the year	Total	Non-controlling interests	Total
Equity as of 1 January 2011	118,332,445	(47,164,986)	3,923,459	(5,621,595)	760,984,662	(15,078,437)	20,806,145	97,239,056	933,420,749	310,520,846	1,243,941,595
Application of 2010 profit of the year											
- Transfer to reserves	-	-	-	-	97,239,056	-	-	(97,239,056)	-	-	-
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(4,184,064)	(4,184,064)
Other comprehensive income for the year	-	-	-	(5,788,078)	-	7,144	1,730,316	-	(4,050,618)	(210,698)	(4,261,316)
Differences in non-controlling interests acquisitions	-	-	-	-	-	-	(4,725,856)	-	(4,725,856)	(17,881,312)	(22,607,168)
Other movements	-	-	-	-	-	-	(3,077)	-	(3,077)	(11,429)	(14,506)
Net profit for the year	-	-	-	-	-	-	-	124,161,800	124,161,800	44,983,546	169,145,346
Equity as of 31 December 2011	118,332,445	(47,164,986)	3,923,459	(11,409,673)	858,223,718	(15,071,293)	17,807,528	124,161,800	1,048,802,998	333,216,889	1,382,019,887

CONSOLIDATED CASH FLOW STATEMENT

AS OF 31 DECEMBER 2012 AND 2011

Amounts in Euro	Note	2012	2011	4th Q 2012 (Unaudited)	4th Q 2011 (Unaudited)
OPERATING ACTIVITIES					
Payments from customers		2,163,019,309	1,881,714,693	551,773,591	473,369,081
Payments to suppliers		(1,600,814,104)	(1,413,944,427)	(360,889,698)	(308,834,972)
Payments to personnel		(211,611,354)	(142,656,951)	(85,641,970)	(56,460,528)
Cash flow from operations		350,593,851	325,113,315	105,241,923	108,073,581
Income tax received / (paid)		(57,175,810)	(33,132,631)	(25,330,766)	508,920
Other receipts / (payments) relating to operating activities		79,772,157	32,285,017	44,994,701	11,735,950
Cash flow from operating activities (1)		373,190,198	324,265,701	124,905,858	120,318,451
INVESTING ACTIVITIES					
Inflows					
Financial investments		316,350	4,944,470	(9)	2,574,195
Property, plant and equipment		950,292	196,863	80,704	94,643
Government Grants		32,536,179	5,474,411	9,508	(23,784)
Interest and similar income		10,353,505	11,776,035	(907,293)	4,674,989
Dividends		1,566,291	926,127	14,286	-
Other assets		126,463	-	191	-
		45,849,080	23,317,906	(802,613)	7,320,043
Outflows					
Financial investments		(699,375,212)	(117,174,030)	(775,163)	(64,508,597)
Cash and cash equivalents - changes in consolidation perimeter		39,414,089			
Property, plant and equipment		(87,356,071)	(31,257,590)	(28,742,534)	12,879,516
Intangible assets		(25,765)	-	(25,765)	-
Other assets		(254,054)	-	9,218	-
		(747,597,013)	(148,431,620)	(29,534,244)	(51,629,081)
Cash flow from investing activities (2)		(701,747,933)	(125,113,714)	(30,336,857)	(44,309,038)
FINANCING ACTIVITIES					
Inflows					
Proceeds from borrowings		2,128,517,374	1,582,107,457	(656,952,132)	468,356,115
		2,128,517,374	1,582,107,457	(656,952,132)	468,356,115
Outflows					
Repayments of borrowings		(1,638,084,654)	(1,577,378,314)	692,880,357	(440,063,793)
Repayment of financial leases		(979,614)	(1,201,430)	(161,708)	(532,221)
Interest and similar expenses		(93,154,681)	(47,575,523)	(38,830,240)	(18,486,877)
Dividends paid		(69,767,974)	(3,832,914)	(1,273,482)	(421,487)
		(1,801,986,923)	(1,629,988,181)	652,614,927	(459,504,378)
Cash flow from financing activities (3)		326,530,451	(47,880,724)	(4,337,205)	8,851,737
CHANGE IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		(2,027,284)	151,271,263	90,231,796	84,861,150
EXCHANGE GAINS/(LOSSES) ON CASH AND CASH EQUIVALENTS		(1,430,342)	671,865	(1,131,109)	976,419
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		415,697,575	265,091,311	324,464,136	331,196,870
EFFECT OF NON-CURRENT ASSETS HELD FOR SALE		1,436,131	(1,336,864)	111,257	(1,336,864)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		413,676,080	415,697,575	413,676,080	415,697,575

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2012

(Translation of a report originally issued in Portuguese)

(In these notes, unless indicated otherwise, all amounts are expressed in euro)

The SEMAPA Group (“Group”) comprises Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. (“Semapa”) and its subsidiaries. Semapa was incorporated on 21 June 1991 and has as its main object the management of financial investments in other companies as an indirect form of carrying out economic activity.

Head Office: Av. Fontes Pereira de Melo, 14, Lisbon

Share Capital: Euro 118,332,445

Corporate body no.: 502 593 130

Semapa leads an Enterprise Group with activities in three distinct business segments: pulp and paper, cements and derivatives, and environment, developed respectively through its subsidiaries Portucel, S.A, Secil - Companhia Geral de Cal e Cimento, S.A. and ETSA – Investimentos, SGPS, S.A..

These consolidated financial statements were approved by the Board of Directors on 28 February 2012.

The Group’s senior management, that is the members of the Board of Directors who sign this report, declare that, to the best of their knowledge, the information contained herein was prepared in conformity with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial position and results of the companies included in the Group’s consolidation scope.

1. Summary of the principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are described below.

1.1 Basis of preparation

The Group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS – formerly referred to as the International Accounting Standards - IAS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC) in force on the date of preparation of the mentioned financial statements.

The accompanying consolidated financial statements were prepared on the going concern basis from the accounting books and records of the companies included in the consolidation (Note 45), and under the historic cost convention, except for: biological assets, financial assets available for sale, derivative financial instruments and financial instruments which are recorded at fair value (Notes 18, 20, 21 and 34). Tangible assets acquired until 1 January 2004 have been recorded at revaluated cost.

The preparation of the financial statements requires the use of important estimates and judgments in the application of the Group’s accounting policies. The principal statements which involve a greater degree of judgment or complexity, or the most significant assumptions and estimates used in the preparation of the aforesaid financial statements are disclosed in Note 3.

1.2 Additional disclosures

Comparability

As duly communicated to the market, Semapa and CRH held differences on understanding the arbitration's decision held under the process in which were appreciated and recognised failures of the shareholder's agreement between the two companies related to Secil.

By the end of March, due to a series of acts and facts of legal, operational and financial nature, particularly concerning to investment projects and dividends, among others, Semapa believes that the existing shareholder agreement lapsed on that date, therefore started to fully consolidate the subsidiary Secil from March 22, based on the percentage of voting rights held by that subsidiary (51%), restating the accounts presented for the first quarter of 2012.

In accordance with the revised IFRS 3, Semapa measured its equity interest held in Secil (51%) by its fair value at the date in which control was obtained, which resulted in a gain of Euro 16.8 million (Note 5). Additionally, the Group has attributed to Secil's 49% non-controlling interest the fair value of identifiable assets and liabilities calculated by reference to the date in which control was obtained.

Therefore, the consolidated financial statements comprise the consolidation of Secil by the proportional method between January and March 2012 and by the full consolidation method between April and December 2012 (2011: consolidated by the proportional method).

Furthermore, during the year 2012, the Group acquired 50% of Supremo Cimentos, S.A. (Brazil), consolidated in the consolidated financial statements by the proportional method.

1.3 Basis of consolidation

1.3.1 Subsidiaries

Subsidiaries are all the entities over which the Group has the right to determine their financial and operating policies, generally where the Group's interest is represented by more than half of the voting rights. The existence and the effect of the potential voting rights which are currently exercisable or convertible are taken into account when the Group assesses whether it has control over another entity.

These company's shareholders equity and net income/loss, corresponding to the third-party investment in such companies, are presented under the caption "non-controlling interests" respectively in the Consolidated Balance Sheet, in a separate component of shareholders' equity, and in the Consolidated Income Statement. Companies included in the consolidated financial statements are detailed in Note 45.

The purchase method is used in recording the acquisition of subsidiaries. The cost of an acquisition is measured by the fair value of the assets transferred, the equity instruments issued and liabilities incurred or assumed on acquisition date.

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are initially measured at fair value on the acquisition date, irrespective of the existence of non-controlling interests. The excess of the acquisition cost relative to the fair value of the Group's share of the identifiable assets and liabilities acquired is recorded as goodwill, as described in note 15.

The subsidiaries are consolidated using the full consolidation method with effect from the date that control is transferred to the Group, while they are excluded as from the date control ceases. In the acquisition of additional share capital of controlled entities, the excess between the proportion of acquired net assets and respective acquisition cost is directly recognised in Equity under the caption "Retained earnings" (Note 27).

If the acquisition cost is less than the fair value of the net assets of the subsidiary acquired (negative goodwill), the difference is recognised directly in the income statement under the caption “Other operating income”. Transaction costs directly attributable are immediately expensed.

Intercompany transactions, balances, unrealised gains on transactions and dividends distributed between group companies are eliminated. Unrealised losses are also eliminated, except where the transaction displays evidence of impairment of a transferred asset.

Subsidiaries’ accounting policies have been changed whenever necessary so as to ensure consistency with the policies adopted by the Group.

1.3.2 Associates

Associates are all the entities in which the group has significant influence but does not have control, generally applied in the case of investments representing between 20% and 50% of the voting rights. Investments in associates are equity accounted.

In conformity with the equity accounting method, financial investments are recorded at their acquisition cost, adjusted by the amount corresponding to the Group’s share of changes in the associates’ shareholders’ equity (including net income/loss) with a corresponding gain or loss recognised for the period, and by dividends received.

The difference between the acquisition cost and the fair value of the associate’s identifiable assets, liabilities and contingent liabilities on the acquisition date, if positive, are recognised as goodwill and recorded under the caption “Investments in associates”. If these differences are negative, they are recorded as income for the period under the caption “Group share of (loss)/gains of associated companies”. Transaction costs directly attributable are immediately expensed.

An evaluation of investments in associates occurs when there are signs that the asset could be impaired, while impairment losses are recorded as costs also under the same caption. When impairment losses recognized in previous periods cease to exist, they are reversed, with the exception of goodwill.

When the Group’s share in the associate’s losses is equal to or exceeds its investment in the associate, the Group ceases to recognise additional losses, except where it has assumed liability or made payments in the associate’s name. Unrealised gains on transactions with associates are eliminated to the extent of the Group’s share in the associate. Unrealised losses are also eliminated, except if the transaction reveals evidence of impairment of a transferred asset.

Associate’s accounting policies have been changed whenever necessary so as to ensure consistency with the policies adopted by the Group. Investments in associated companies are disclosed in Note 19.

1.3.3 Joint Ventures

A jointly-controlled entity is a joint venture which involves the establishment of a company, a partnership or another entity in which the Group has an interest.

Jointly-controlled entities are included in the consolidated financial statements under the proportional consolidation method, with the assets, liabilities and income and expenses of the jointly-controlled entities recognised on a line-by-line basis in the consolidated financial statements such as sub-group Supremo.

1.4 Segmental reporting

An operating segment is a component of an entity:

- a) that engages in business activities that may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

- b) whose operating results are regularly reviewed by the chief operating decision maker of the entity for the purposes of making decisions about allocating resources to the segment and assessing its performance;
- c) for which separate financial information is available.

Operating segments are consistently disclosed with the internal model of management information provided to the operational management of the Group. Those are responsible for allocating resources to the segment and assess its performance, as well as for the strategic decision making.

Three business segments have been identified: pulp and paper, cement and derivatives and environment.

Pulp and Paper

Portucel, S.A. is the subsidiary, acquired in 2004, that leads the Enterprise Group dedicated to the production and sales in Portugal, Germany, Spain, France, Italy, United Kingdom, Netherlands, Austria, Belgium, Switzerland, Morocco, Poland and United States, among others less relevant, of cellulose pulp and paper and its related products purchase of wood, forest and agricultural production, cutting timber and sale of pulp and paper, activities developed in Portugal mainly by itself and its subsidiaries About the Future, S.A., Soporcel – Sociedade Portuguesa de papel, S.A. and Portucel Florestal, S.A., among others.

Cement and derivatives

Secil - Companhia Geral de Cal e Cimento, S.A. leads the Enterprise Group of cements and related products which operates in Portugal, Tunisia, Spain, Angola, Netherlands, France, Lebanon and Cape Verde with cement production, taking place at the Outão (Portugal), Maceira (Portugal), Pataias (Portugal), Gabés (Tunisia), Lobito (Angola) and Beirut (Lebanon) plants and the production and sale of premixed concrete and clay and the operations of quarries facilities via its subsidiaries, of the sub-holding Secil Betões e Inertes, SGPS S.A..

Supremo Cimentos, S.A. is a cement company with activity in the south of Brazil (state of Santa Catarina), which operates with a factory of clinquer and cement in Pomerode, and also with aggregations and concrete.

Environment

ETSA – Investimentos, SGPS, S.A. leads the Enterprise Group of environment which operates in Portugal.

Geographical segment is an individual area committed to supplying products or services in a particular economic environment and which is subject to different risks and benefits than those arising from segments which operate in other economic environments. The geographical segment is based on the destination country of the goods and services sold by the Group.

The segment reporting accounting policies are those consistently used in the Group. All the inter-segment sales and services are performed at market prices and eliminated on consolidation. The segment reporting is presented in Note 4.

1.5 Foreign currency translation

1.5.1 Functional and Reporting currency

The items included in the financial statements of each one of the Group's entities are measured using the currency of the economic environment in which the entity operates (functional currency).

The consolidated financial statements are presented in Euro, which is the Group's functional and reporting currency.

1.5.2 Balances and transactions expressed in foreign currencies

All the Group's assets and liabilities denominated in foreign currencies were converted into euro using the exchange rates ruling at the balance sheet date.

The currency differences, favourable and unfavourable, arising from the differences between the exchange rates ruling at the transaction date and those ruling on collection, payment or balance sheet dates, were recorded as income and costs in the consolidated income statement for the year.

1.5.3 Group Companies

The results and the financial position of the Group's entities which have a different functional currency from the Group's reporting currency are converted into the reporting currency as follows:

- (i) The assets and liabilities of each balance sheet are translated at the exchange rates ruling at the date of the financial statements;

The resulting exchange rate differences are recognised as a separate component of Shareholders' Equity, under the caption "Translation reserve";

- (ii) The income and costs of each income statement are translated using the average exchange rate of the reporting period, except where the average exchange rate is not a reasonable approximation of the cumulative effect of the rates ruling on the transaction dates, in which case the income and costs are converted at the exchange rate ruling on the transaction dates.

1.6 Intangible assets

Intangible assets are stated at cost of acquisition deducted of accumulated amortisation and impairment losses. Depreciation is calculated using the straight-line method, over a period between 3 to 5 years and annually for CO2 emission rights.

1.6.1 CO2 emission rights

The CO2 emission rights attributed to the Group at no cost within the PNALE II (national plan for the assignment of CO2 emission rights), are recognised at fair value under the caption "Intangible assets" on the award date, with a corresponding liability being recorded under "Deferred income – grants", for the same amount.

The Group records as an operating cost with a corresponding liability and an operating income as a result of the recognition of the proportion of the corresponding subsidy relating to the Group's CO2 emissions.

Sales of emission rights give rise to a gain or loss, being the difference between the amount realised and the respective initial recognition cost, net of the corresponding State subsidy.

At the date of the consolidated balance sheet, CO2 emission rights' portfolio is valued at the lower of the acquisition or their market value. On the other hand, liabilities due for those emissions are valued at market value at the same date.

1.6.2 Brands

Whenever brands are identified in a business combination, the Group records them separately in the consolidated financial statements as an asset at historical cost, which represents their fair value on the acquisition date.

On subsequent valuation, brands are measured in the Group's consolidated financial statements at cost less accumulated amortisation and impairment losses.

1.7 Goodwill

Goodwill represents the excess of the consideration paid over the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries and associates at the acquisition date.

Goodwill is not amortised and is subject to impairment tests at least once a year. Impairment losses relating to Goodwill cannot be reversed. Gains or losses arising from the sale of an entity include the amount of the corresponding Goodwill.

1.8 Property, plant and equipment

Property, plant and equipment acquired up to 1 January 2004 (date of transition to IFRS) are recorded at acquisition cost, or acquisition cost revaluated in accordance with accounting principles generally accepted in Portugal up to that date, less depreciation and accumulated impairment losses.

Regarding the subsidiaries CMP, Société des Ciments de Gabés (SCG), Portucel, Soporcel and ETSA, the cost of the tangible fixed assets on the date these subsidiaries were acquired was calculated based on valuations made by independent entities.

Property, plant and equipment acquired after transition date are recorded at acquisition cost, less depreciation and impairment losses. Acquisition cost includes all the expenses directly attributable to the acquisition of the assets.

Subsequent costs are included in acquisition cost of the asset or recognised as separate assets, as appropriate, only when it is probable that future economic benefits will flow to the company and the respective cost can be reliably measured. Other repairs and maintenance costs are recognised as a cost in the period they are incurred.

Depreciation is calculated on the acquisition cost, using the straight-line method, using the rates that best reflect their estimated useful life, as follows:

	Average Useful life
Land	14
Buildings and other constructions	12 – 30
Equipment:	
Machinery and equipment	6 – 25
Transportation equipment	4 - 9
Tools and utensils	2 - 8
Administrative equipment	4 - 8
Returnable containers	6
Other property, plant and equipment	4 - 10

The residual values of the assets and respective useful lives are reviewed and adjusted when necessary at the balance sheet date. When the carrying amount of the asset exceeds its realisable value, the asset is written down to the estimated recoverable amount, and an impairment charge is booked (Note 1.10).

Gains or losses arising on the write off or disposal represent the difference between the proceeds received on disposal and the asset's carrying amount, and are recognised in the income statement as other operating income or expenses (operational).

1.9 Investment properties

Investment properties are valued at acquisition cost, less depreciation and impairment losses, being the cost of those acquired up to 1 January 2004 (date of transition to IFRS) the historical acquisition cost, or the revalued cost in accordance with generally accepted accounting principles in Portugal up to that date.

1.10 Impairment of non-current assets

Non-current assets which do not have a defined useful life are not subject to depreciation, but are subject to annual impairment tests. Assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the amount at which they are shown in the accounts may not be recoverable.

An impairment loss is recognised as the amount of the excess of the asset's book value over its recoverable amount. The recoverable amount is the higher of the net sale price and its value in use.

For the purpose of conducting impairment tests, the assets are grouped at the lowest level for which cash flows can be identified separately (cash generating units which belong to the asset), when it is not possible to do so individually for each asset.

The reversal of impairment losses recognised in previous periods is recorded when it can be concluded that the recognised impairment losses no longer exist or have decreased (with the exception of impairment losses relating to Goodwill – see Note 1.7).

The reversal of impairment losses is recognised in the income statement as “Other operating income”, unless the asset has been valued in which case the reversal corresponds to an additional revaluation. However, the reversal of the impairment loss is reversed only up to the limit of the amount that would have been recognised (net of amortisation or depreciation) had the impairment loss not been recorded in previous years.

1.11 Biological assets

Biological assets are measured at fair value, less estimated selling costs at the time of harvesting. The Group's biological assets comprise the forests held for the production of timber.

When calculating the fair value of the forests, the Group used the discounted cash flows method, based on a model developed in house that is subject to periodical reviews by external and independent experts, which considers assumptions about the nature of the assets being valued, namely, the expected yield of the forests, the timber selling price deducted by costs relating to harvest and transportation, and also considered plantation costs, maintenance costs and a discount rate.

The discount rate was determined on the basis of the Group's expected rate of return on its forests and its risks.

Fair value adjustments resulting from changes in estimates of growth, growth period, price, cost and other assumptions are recognised as “Changes in fair value of biological assets” on the income statement. At the time of harvest, wood is recognised at fair value less estimated costs at point of sale, in this case, the pulp mills.

1.12 Financial investments

The Group classifies its financial investments in the following categories: loans and receivables, financial assets at fair value through profit and loss, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the intention motivating the investment's acquisition. Management determines the classification at the moment of initial recognition of the instruments and reappraises this classification on each reporting date.

All acquisitions and disposals of these investments are recognised at the date of the relevant purchase and sale contracts, irrespective of the financial settlement date.

Financial investments are initially recorded at the acquisition cost, while fair value is equal to the price paid, including transaction expenses. The subsequent measurement depends on the category the investment falls under, as follows:

Loans and granted receivables

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments and which are not quoted in an active market. They originate when the Group advances money, goods or services directly to a debtor without any intention of negotiating the debt. These are included in current assets, except for the amount with a maturity of more than 12 months at balance sheet date, in which case they are classified as non-current assets. Loans and accounts receivable are reported as part of receivables and other current assets (Note 24).

Financial assets at fair value through profit and loss

A financial asset is classified under this category if primarily acquired with the object of being sold in the short-term or if so designated by management. Assets in this category are classified as current if held for dealing or if they are realisable in a period of up to 12 months of the balance sheet date. These investments are measured at fair value through the income statement (Note 20).

Investments held to maturity

Investments held to maturity are non-derivative financial assets, with fixed or determinable payments and fixed maturities which the Group has the intention and ability to hold to maturity. Investments in this category are recorded at amortised cost using the effective interest rate method.

Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not meet the conditions to be classified in the above categories. These assets are included in non-current assets unless management expects to sell them over the 12 months following the balance sheet date (Note 21). These financial instruments are recognised at market value, as quoted on the balance sheet date.

If there is no active market of a financial asset, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash-flows analysis and option pricing models refined to reflect the issuer's specific circumstances.

Potential gains and losses arising from these investments are recorded directly in the fair value reserve until the financial investment is sold, received, or disposed of in any way, at which time the accumulated gain or loss formerly reflected in fair value reserve is taken to the income statement (Note 27).

If there is no market value or if it is not possible to determine one, the investments in question are recognised at their acquisition cost. An impairment loss is recognised whenever a reduction of value is identified and it is justifiable.

At each reporting date the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. If a prolonged decline in fair value of the available-for-sale financial assets takes place, then the cumulative loss – measured as the difference between acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

An impairment loss recognised on available-for-sale financial assets is reversed if the loss was caused by specific external events of an exceptional nature that are not expected to recur but which subsequent external events have reversed; under these circumstances, the reversal does not affect the income statement and the assets subsequent increase in value is thus taken to the fair value reserve.

1.13 Derivative financial instruments and hedge accounting

Derivative financial instruments

The Group uses derivative financial instruments to manage the financial risks to which it is exposed.

Although the derivative financial instruments contracted represent effective economic hedging instruments, not all of them qualify as hedging instruments. Derivative financial instruments are stated at fair value and changes in fair value are recognised in equity or in the income statement (gains and losses in financial instruments), as the hedging is or is not effective.

Whenever possible, the fair value of derivatives is estimated based on quoted instruments. In the absence of market prices, the fair value of derivatives is estimated based on the discounted cash flow method and option valuation models, in accordance with the assumptions generally used in the market. The fair value of derivative financial instruments is mainly included in the captions receivables and other-current assets and payables and other-current liabilities.

Additionally, the Group contracted derivative financial instruments relating to the portfolio of greenhouse-gas emission rights.

The derivative financial instruments used for hedge purposes may be classified as hedge instruments whether they fulfil the following conditions: i) The beginning date of the transaction and hedge relationship is identified and formally documented, including the identification of the hedged item, the hedge instrument and the evaluation of the hedge's effectiveness; ii) There is an expectation that the hedge relationship is extremely effective, at transaction date as throughout the operation; iii) The hedge effectiveness can be clearly measured at transaction date and throughout the operation; iv) As for cash flow hedge operations, it should be extremely probable that they will occur.

Whenever expectations of changes in interest or exchange rates justify it, the Group seeks to hedge against adverse movements through derivative instruments, such as interest rate swaps (IRS), caps and floors, forwards, calls, collars, etc.

In the selection of derivative financial instruments, it is their economic aspects that are the main focus of assessment. The management also evaluates the impact of each additional derivative financial instruments to its portfolio, namely in earnings' volatility.

Coverage of cash flows (interest rate risk and exchange risk)

In order to manage the risk of interest and exchange rates, the Group hires cash flow hedgings.

Those transactions are recorded in consolidated statement of financial position at their fair value and, to the extent that they are considered effective hedgings, changes in fair value are initially recorded in shareholder's equity. They are then recycled to financial results at the date of the settlement.

If the hedging ineffective, that inefficiency is immediately recognised in profit and loss. As so, net expenses associated to the hedged interest-bearing liabilities are deferred in accordance with the hired hedging instrument inherent rate.

When a derivative financial instrument expires, is settled or the conditions to be measured as a hedging instrument no longer apply, the changes in fair value formerly accounted in share equity are recognised in the income statement, as long as the hedged transaction also impacts profit and loss.

Net investment hedging (exchange rate risk)

In order to manage the exposure of its investments in foreign subsidiaries to fluctuations in the exchange rate (net investment), the group hires exchange rate forwards.

Those exchange rate forwards, hired as hedging derivative financial instruments over foreign subsidiaries, are recorded at their fair value in the consolidated statement of financial position. As long as they meet the conditions to be considered effective, changes in fair value are recorded directly on share equity, as translation reserves. Gains and losses accumulated in those reserves are recycled to profit and loss when Group sells the foreign subsidiary.

1.14 Corporate income tax

Corporate income tax includes current and deferred tax. Current income tax is calculated based on net income, adjusted in conformity with tax legislation in force at the balance sheet date.

Deferred tax is calculated using the liability method, based on the temporary differences between the book values of the assets and liabilities and their respective tax base. The income tax rate expected to be in force in the period in which the temporary differences will reverse is used in calculating deferred tax.

Deferred tax assets are recognised whenever there is a reasonable likelihood that future taxable profits will be generated against which they can be offset. Deferred tax assets are revised periodically and decreased whenever it is likely that tax losses will not be utilised.

Deferred taxes are recorded as a cost or income for the year, except where they result from amounts recorded directly under shareholders' equity, situation in which deferred tax is also recorded under the same caption. Tax benefits attributed to the Group regarding its investment projects are recognised through the income statement as there is sufficient taxable income to allow its use.

1.15 Inventory

Inventories are valued in accordance with the following criteria:

i) Goods and raw materials

Goods and raw, subsidiary and consumable materials are valued at the lower of their purchase cost or their net realisable value. The purchase cost includes ancillary costs, and it is determined using the weighted average cost as the valuation method.

ii) Finish products and work in progress

Finished and intermediate products and work in progress are valued at the lower of their production cost (which includes incorporated raw materials, labour and general manufacturing costs, based on a normal production capacity level) or their net realisable value.

The net realisable value corresponds to the estimated selling price after deducting estimated completion and selling costs. Differences between costs and net realisable value, if lower, are recorded under the caption "Inventories consumed and sold".

1.16 Receivables and other current assets

Debtors' balances and other current assets are recorded at fair value and are subsequently recognised at their amortised cost, net of impairment losses, so as to state them at their expected net realisable value (Note 24).

Impairment losses are recorded when there is objective evidence that the Group will not receive the full amount outstanding in accordance with the original conditions of the accounts receivable.

1.17 Cash and cash equivalents

Cash and cash equivalents includes cash, bank accounts and other short-term investments with an initial maturity of up to 3 months which can be mobilised immediately without any significant risk in value fluctuations. For cash flow statement purposes, this caption also includes bank overdrafts, which are presented in the balance sheet as a current liability, under the caption “Interest-bearing liabilities”.

1.18 Share capital and treasury shares

Ordinary shares are classified in shareholders’ equity (Note 26).

Costs directly attributable to the issue of new shares or other equity instruments are reported as a deduction, net of taxes, from the proceeds of the issue.

Costs directly attributable to the issue of new shares or options towards the acquisition of a new business are included in the acquisition cost as part of the purchase consideration.

Treasury shares are recorded at their acquisition amount as a decrease in shareholders’ equity, in the caption “Treasury shares, while the gains or losses inherent in their disposal are recorded under “Other reserves”. Pursuant to applicable corporate legislation, as long as treasury shares remain in the company’s possession, it is mandatory to set aside a reserve equal to their acquisition cost.

When any Group company acquires shares of the parent company (treasury shares), the payment, which includes directly-attributable incremental costs, is deducted from the shareholders’ equity attributable to the holders of the parent company’s capital until such time the shares are cancelled, redeemed or sold.

When such shares are subsequently sold or repurchased, any proceeds, net of the directly attributable transaction costs and taxes, is reflected in the shareholders’ equity of the company’s shareholders, under other reserves.

1.19 Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value, net of the transaction costs incurred, and are subsequently stated at their amortised cost. Any difference between the amounts received (net of transaction costs) and the repayment amount is recognised in the income statement over the term of the debt, using the effective interest rate method.

Interest-bearing debt is classified as a current liability, except where the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date (Note 31).

1.20 Borrowing costs

Borrowing costs relating to loans are generally recognised as financial costs, in accordance with the accrual accounting principle (Note 10).

Borrowing costs directly related to the acquisition, construction or production of fixed assets are capitalised when their construction period exceeds one year, and form part of the asset’s cost.

Capitalization of these charges commences after the start of the asset’s preparation or development activities and ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed or when the relevant project is suspended or substantially concluded.

Any financial income directly related to a specific investment is deducted from the borrowing costs of the referred asset.

1.21 Provisions

Provisions are recognised whenever the Group has a legal or constructive obligation, as a result of past events, in which it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions for future operating losses are not recognised. Provisions are reviewed on balance sheet date and are adjusted so as to reflect the best estimate at that date (Note 30).

The Group incurs expenditure and assumes liabilities of an environmental nature. Accordingly, expenditures on equipment and operating techniques that ensure compliance with applicable legislation and regulations (as well as on the reduction of environmental impacts to levels that do not exceed those representing a viable application of the best available technologies, on those related to minimizing energy consumption, atmospheric emissions, the production of residues and noise), are capitalised when they are intended to serve the Group's business in a durable way, as well as those associated with future economic benefits and which serve to prolong life expectancy, increase capacity or improve the safety or efficiency of other assets owned by the Group (Notes 30 and 37).

In addition, quarries have to be subject to environmental remediation and improvements. It is the Group's practice to continuously and progressively reconstitute the land freed up by the quarries, recognising in the income statement of the period the expenditure incurred.

Quarries whose reconstitution is only possible at the close of operations, the Group has requested independent and specialised entities to quantify those obligations, having for this purpose recognised a provision under the caption "Provisions" (Note 30).

1.22 Pensions and other employee benefits

1.22.1 Pensions obligations – defined benefit plans

Some of the Group's subsidiaries have assumed the commitment to make payments to their employees in the form of complementary retirement pensions, disability, early retirement and survivors' pensions, having constituted defined-benefit plans.

As referred to in Note 29, the Group constituted autonomous Pension Funds as a means of funding a part of the commitments for such payments. According to IAS 19, companies with pension plans recognise the costs with the granting of these benefits as and when the services are rendered by the beneficiary employees. In this manner, the Group's total liability is estimated at least every six months at the date of the interim and annual accounts for each plan separately by an independent and specialised entity in conformity with the projected unit credit method.

The costs relating to past liabilities, which result from the implementation of a new plan or additional benefits granted, are recognised immediately in situations in which the benefits are being paid or are overdue. The calculated liability is presented in the Consolidated Balance sheet after deducting the market value of the funds constituted, under the caption "Pensions and other post-employment benefits" included in non-current liabilities. Actuarial gains and losses resulting from differences between the assumptions used for purposes of calculating the liabilities and what effectively occurred (as well as from changes made thereto and from the difference between the expected amount of the return on the funds' assets and the actual return) are recognised when incurred directly in the statement of comprehensive income (Note 27).

The gains and losses generated by a curtailment or settlement of a defined-benefit plan are recognised in the income statement when the curtailment or settlement occurs. A curtailment occurs when there is a material

reduction in the number of employees or the plan is altered in such a way that the benefits awarded are reduced with a material impact.

1.22.2 Holiday pay and allowances and bonuses

Under the terms of the prevailing legislation, employees are entitled annually to 22 working days leave, as well as to a month's holiday allowance, entitlement to which is acquired in the year preceding its payment.

According to the current Performance Management System ("Sistema de Gestão de Desempenho"), employees have the right to a bonus based on annually-defined objectives.

Accordingly, these liabilities are recorded in the period in which the employees acquire the respective right, irrespective of the date of payment, whilst the balance payable at the date of the balance sheet is shown under the caption "Payables and other current liabilities".

1.23 Payables and other current liabilities

Trade creditors and current accounts payable are initially recorded at their fair value and subsequently at amortised cost (Note 32).

1.24 Non-current assets held for sale and discontinued operations

Non-current assets (or discontinued operations) are classified as held for sale if its value is realizable through a sale transaction rather than through its continuing use.

It is considered that this situation exists only when: (i) the sale is highly probable and the asset is available for immediate sale in its present condition, (ii) the Group has assumed a commitment to sell, and (iii) it is expected that the sale will take place within a period of 12 months. In this case, non-current assets are valued at lower between book value and fair value less costs to sell.

From the moment that certain tangible assets shall be considered as "held for sale", depreciation ceases, and are the assets are classified as non-current assets held for sale.

Gains or losses on disposals of tangible assets, determined as the difference between the sale price and its net book value, are recorded in as gains and losses on disposals of assets.

1.25 Government grants

Government grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the group will comply with all required conditions. Government grants related to costs are deferred and recognised in the income statement over the period that matches the costs with the compensating grants.

Grants related to biological assets carried at fair value, in accordance with IAS 41, are recognised in the income statement when the terms and conditions of the grant are met.

Government grants that the Group receives to compensate its capital expenditures are reported under the caption "Payables and other current liabilities" and are recognised in the income statement during the estimated useful life of the granted asset, by deducting the value of its amortisation.

1.26 Leases

Fixed assets acquired under leasing contracts, as well as the corresponding liabilities, are recorded using the financial method. According to this method, the asset's cost is recorded in property, plant and equipment and the corresponding liability is recorded under liabilities as loans, while the interest included in the instalments and

the asset's depreciation, calculated as described in Note 1.8, are recorded as costs in the income statement of the period to which they relate.

Leases, under which a significant part of the risks and benefits of the property is assumed by the lessor, with the Group being the lessee, are classified as operating leases. Payments made under operating leases, net of any incentives received by the lessee, are recorded in the income statement during the period of the lease (Note 40).

Leases included in contracts according to IFRIC 4

The Group recognises an operating or financial lease whenever it enters into an agreement, encompassing a transaction or a series of related transactions which even if not in the legal form of a lease, transfers a right to use an asset in return for a payment or a series of payments (Note 17).

1.27 Dividends distribution

The distribution of dividends to shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the shareholders and up until the time of their payment.

1.28 Revenue recognition and accrual basis

Income derived from sales is recognised in the consolidated income statement when risks and benefits inherent in the ownership of the respective assets are transferred to the purchaser and the amount of the income can be reasonably quantified.

Sales are recognised net of taxes, discounts and other costs associated with their realisation, at the fair value of the amount received or receivable.

The income derived from the services rendered is recognised in the consolidated income statement with reference to the stage of completion of the services rendered at the balance sheet date.

Interest received is recognised in accordance with the principle of accrual accounting, taking into consideration the amount of debt and the effective rate of interest during the period to maturity.

The Group companies record as their costs and income in accordance with the accrual accounting principle, in terms of which costs and income are recognised as and when generated, irrespective of the moment in which they are received or paid. The differences between the amounts received and paid and the respective costs and income are recognised in the "Receivables and other current assets" and "Payables and other current liabilities" headings (Notes 24 and 32, respectively).

1.29 Contingent assets and liabilities

Contingent liabilities in which there is probability of an outflow of funds affecting future economic benefits is only probable, are not recognised in the consolidated financial statements, and are disclosed in the notes, unless the probability of the outflow of funds affecting future economic benefits is remote, in which case they are not the object of disclosure. Provisions are recognised for liabilities which meet the conditions described in note 1.21.

Contingent assets are not recognised in the consolidated financial statements but are disclosed in the notes when it is probable that a future economic benefit will arise from them (Note 42).

1.30 Subsequent events

Events after the date of the balance sheet which provide additional information about the conditions prevailing at the date of the balance sheet are reflected in the consolidated financial statements. Subsequent events which

provide information about conditions which occur after the date of the balance sheet are disclosed in the notes to the consolidated financial statements, if material (Note 44).

1.31 New standards, changes and interpretations of existing standards

The application of the interpretations and amendments to the standards mentioned below, are mandatory by the IASB for the financial years that begin on or after 1 January 2012:

New Standards 2012	Effective date*
IFRS 7 – Financial Instruments: Disclosures - transfers of financial assets	1 January 2012
<i>* Periods beginning on or after</i>	

The adoption of this new interpretation did not have any relevant impact in the Group's consolidated financial statements.

New standards and interpretations not mandatory as at 31 December 2012:

There are new standards, interpretations and amendments of existing standards, despite having already been published, they are only mandatory for the periods starting after 1 July 2012, which the Group decided not to early adopt in the current period, as follows:

Effective Standards Introduced by EU after July 1, 2012	Effective date*
IAS 12 - Deferred tax	1 January 2013
IAS 19 – Employee benefits - Defined Benefits	1 January 2013
IFRS 1 – First-time adoption of IFRS - Hyperinflationary and remove fixed dates	1 January 2013
IFRS 7 – Disclosure - Compensation of financial instruments	1 January 2013
IFRS 13 – Fair value: measurement and disclosure - New standard	1 January 2013
IFRS 10 – Consolidated financial statements - New standard	until 1 January 2014
IFRS 11 – Joint agreements - New standard	until 1 January 2014
IFRS 12 – Disclosure of interests in other entities - New standard	until 1 January 2014
IAS 27 – Separate financial statements - Consolidated removed from scope	until 1 January 2014
IAS 28 – Investment in associates and joint ventures - changes on application for joint ventures	until 1 January 2014
IAS 32 – Financial Instruments - Compensation of assets and liabilities	1 January 2014
<i>* Periods beginning on or after</i>	

Effective standards by EU after July 1, 2012	Effective date*
IFRS 1 - First-time Adoption of IFRS - Government loans	1 January 2013
Improvement to standards from 2009 to 2011	1 January 2013
Improvements to IFRS 10, 11 and 12 changes - Transition guidance	1 January 2013
Improvements to IFRS 10, 11 and 12 changes - Holdings exemption	1 January 2014
IFRS 9 - Financial Instruments - Classification and measurement (Fase 1)	1 January 2015
<i>* Periods beginning on or after</i>	

Effective interpretations by EU after July 1, 2012	Effective date*
IFRIC 20 – Stripping Costs - New interpretation	1 January 2013
<i>* Periods beginning on or after</i>	

The adoption of these new interpretations and the amendments to the above-mentioned standards did not have any relevant impact in the Group's consolidated financial statements.

Up to the date of issuing this report, the Group had not yet concluded the estimate of the effects of the changes arising from the adoption of these standards, for which it decide not to early-adopt them. However, no material effect is expected in the financial statements as a result of their adoption.

2. Risk management

2.1 Financial risk factors

Semapa, as a holding company develops direct and indirect managing activities over its subsidiaries. Therefore the fulfilment of the assumed obligations depends on the cash flow generated by its subsidiaries. Thus, the company depends on the eventual dividends distribution by subsidiaries, interests' payment, loans reimbursement and other cash-flows generated by those companies.

The ability of Semapa's subsidiaries to make funds available will depend, partly, of their ability to generate positive cash flows and, on the other hand, of the respective earnings, available reserves and financial structure.

The Semapa group has a risk-management programme which focuses its analysis on the financial markets with a view to mitigate the potential adverse effects on the Semapa Group's financial performance. Risk management is undertaken by Financial Management of the holding and main subsidiaries, in accordance with the policies approved by the Board of Directors. An Internal Control Commission with specific functions over the operations risk control is established at Semapa level.

By the nature of the business, Semapa Group is exposed to the volatility risk of international prices of paper pulp. The constant price fluctuation of this commodity generates uncertainty regarding the future price of sales. In order to control and manage this risk, the company hired option derivatives over the price of paper pulp to obtain a fixed price fluctuation margin protecting itself from adverse movements in the market.

2.1.1 Currency risk

Variations in the euro's exchange rate against other currencies can affect the Group's revenue in a number of ways.

Regarding the segment of the Pulp and Paper, on one hand, a significant portion of its sales are denominated in currencies other than Euro. Thus, its development could have a significant impact on future sales of the Company, while USD becomes the currency with higher impact on the USD. Also sales in GBP and CHF have some expression, as sales in other currencies are less significant.

Purchases of certain raw materials are made in USD, particularly the share of imports of wood pulp and softwood, therefore variations in this coin may have an impact on acquisition values.

Furthermore, once a sale is made in a currency other than the Euro, the Group takes on an exchange risk up to the time it receives the proceeds of that sale, if no hedging instruments are in place, as it's been usual for the BEKP sales. Therefore, Portucel's assets present receivables exposed to currency risk permanently.

Portucel holds a commercial subsidiary in the United States of America, Portucel Soporcel North America, whose share capital amounts to USD 25,000,000 and is exposed to currency risk. In addition to this transaction, this segment no longer holds investments in foreign operations which are materially relevant and whose net assets are exposed to currency risk.

Occasionally, when considered appropriate, the Group manages foreign exchange risks through the use of derivative financial instruments, in accordance with a policy that is subject to periodic review, the prime purpose of which is to limit the exchange risk associated with future sales and accounts receivable priced in currencies other than the Euro.

The currency risk inherent to the segment of Cement and derivatives is mainly caused by the purchases of fuel and freight ships, both paid in USD. This segment continued its policy of maximizing the potential of covering their foreign exchange exposure, through compensating the exchange flows internally. Secil has assets located in Tunisia, Angola, Lebanon and Brazil, therefore any change in these countries' exchange rates could have an impact on Semapa's balance sheet.

For the flows that are not compensated naturally, the risk has been assessed and covered by contracting structures of exchange options, which set the limit for the amount to pay, while it allows benefits from a favourable evolution in the exchange rate.

The Group's exposure to foreign exchange rate risk as of 31 December 2012, based on the financial assets and liabilities that amounted to a net asset of Euro 48,331,861 converted at the exchange rate as of that date (31 December 2011: Euro 78,178,679) as follows:

Amounts in Foreign Currency	United States Dollar	British Pound	Polish Zloty	Swedish Krona	Czech Koruna	Swiss Franc	Danish Krone	Brazilian Real	Australian Dollar	Norwegian krone	Mozambican Metical	MAD	000 Lebanese Pounds	Tunisian Dinar
As of 31 December 2012														
Assets														
Cash and cash equivalents	57,461,599	95,335	314,014	11	-	64,926	-	15,758,622	-	1,310	5,888,551	103,545	318,023	4,065,590
Receivables	82,882,281	12,244,200	11,073,380	486,496	-	3,638,049	884,586	5,547,734	(12,176)	1,579,993	-	-	19,477,478	22,340,169
Other assets	563,404	-	-	-	-	-	-	2,356,799	-	-	-	-	-	2,631,806
Total Financial Assets	140,907,284	12,339,535	11,387,394	486,507	-	3,702,974	884,586	23,663,154	(12,176)	1,581,304	5,888,551	103,545	19,795,501	29,037,565
Liabilities														
Bearing liabilities	(16,062,025)	-	-	-	-	-	-	(121,114,086)	-	-	-	-	(2,213,613)	(60,934,397)
Payables	(9,176,615)	(112,164)	-	-	-	(155,358)	(5)	15,908,055	-	-	(708,784)	-	(19,386,428)	(30,340,225)
Total Financial Liabilities	(25,238,640)	(112,164)	-	-	-	(155,358)	(5)	(105,206,032)	-	-	(708,784)	-	(21,600,041)	(91,274,622)
Derivative financial instruments	(163,182,000)	(18,020,000)	-	-	-	-	-	(64,025,000)	-	-	-	-	-	-
Net financial position	(47,513,355)	(5,792,629)	11,387,394	486,507	-	3,547,616	884,581	(145,567,877)	(12,176)	1,581,304	5,179,767	103,545	(1,804,540)	(62,237,057)
As of 31 December 2011														
Total Financial Assets	107,395,578	18,551,822	9,426,224	232,152	-	3,844,332	543,599	-	73,670	935,893	7,991,465	935,893	11,681,274	12,121,797
Total Financial Liabilities	(11,984,178)	(1,679,107)	(338,227)	(499,742)	(152)	(7,833,648)	(686,990)	-	(2,279)	(491,414)	-	(530,416)	(18,623,520)	(40,857,334)
Derivative financial instruments	(113,876,000)	(413,813)	-	-	-	-	-	-	-	-	-	-	-	-
Net financial position	(18,464,600)	16,458,902	9,087,997	(267,589)	(152)	(3,989,317)	(143,391)	-	71,391	444,479	7,991,465	405,477	(6,942,246)	(28,735,537)

Derivative financial instruments over exchange rates were hired to hedge the currency risk of future transactions in foreign currency.

As of 31 December 2012, a variation (positive or negative) of 10% of all currency rates to euro would have a impact on results amounting to Euro 1,288,209/ (1,574,476), (as of 31 December 2011: Euro 32,321/1,914,862) and on equity of Euro 1,776,290/ (1,453,328) (31 December 2011: Euro (2,899.389)/4,422,344), considering the effect of currency hedging transactions.

2.1.2 Interest rate risk

The cost of the Group's financial debt is indexed to short-term reference interest rates, which are reviewed more than once a year (generally every six months for medium and long-term debt).

Hence, changes in interest rates can have an impact on the Company's earnings. Where the Board considers appropriate, the Group relies on the use of derivative financial instruments, including interest rate swaps and collars to manage the interest rate risk, and these tools aim to fix the interest rate on loans it obtains, within certain parameters.

Towards the end of 2005, the sub-group Secil opted to partially hedge interest rate risk by means of derivative instruments which fixed a maximum figure for the finance charges relating to long-term debt with phased repayment terms.

During 2009 Semapa SGPS contracted three interest rate collar structures in order to reduce the exposure to interest rate fluctuations risk of the two bond loans. The sub-group ETSA and holding's kept all its debt allocated to a variable tax rate.

On 31 December 2012 and 2011, the detail of the financial assets and liabilities with interest rate exposure, taking in consideration the maturity or the next settlement date was as follows:

Amounts in Euro	Until 1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As of 31 December, 2012						
Assets						
Current						
Cash and cash equivalents	413,676,080	-	-	-	-	413,676,080
Total Financial Assets	413,676,080	-	-	-	-	413,676,080
Liabilities						
Non-current						
Interest bearing liabilities	293,050,000	114,400,000	598,259,873	659,334,508	16,632,698	1,681,677,079
Currents						
Interest bearing liabilities	26,515,966	18,799,695	287,788,898	-	-	333,104,559
Total Financial Liabilities	319,565,966	133,199,695	886,048,771	659,334,508	16,632,698	2,014,781,638
Difference	94,110,115	(133,199,695)	(886,048,771)	(659,334,508)	(16,632,698)	(1,601,105,557)
As of 31 December, 2011						
Assets						
Currents						
Cash and cash equivalents	394,740,798	20,794,347	-	-	-	415,535,145
Total Financial Assets	394,740,798	20,794,347	-	-	-	415,535,145
Liabilities						
Non-current						
Interest bearing liabilities	117,349,998	125,500,000	825,097,568	78,479,722	12,340,917	1,158,768,205
Currents						
Interest bearing liabilities	13,678,531	17,088,716	221,223,815	-	-	251,991,062
Total Financial Liabilities	131,028,529	142,588,716	1,046,321,383	78,479,722	12,340,917	1,410,759,267
Difference	263,712,269	(121,794,369)	(1,046,321,383)	(78,479,722)	(12,340,917)	(995,224,122)

Semapa uses the sensibility analysis technique to measure impacts on earnings and equity of increase or decrease on interest rates maintaining the other variables constant. This analysis is only for theoretical reasons since interest rate rarely changes alone in the market.

The sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect income or interest expense of financial instruments;
- Changes in market interest rates only affect income or interest expense relating to the financial instruments with fixed interest rates, if these are recognised at fair value;
- Changes in market interest rates affect the fair value of derivatives and other financial assets and liabilities;
- Changes on derivative financial instruments' fair value and other financial assets and liabilities are estimated by discounting cash flows using market rates at the end of the year.

Under these assumptions, an increase of 0.5% on the interest rates for all currencies where the Group has loans as of 31 December 2012 would have a negative impact in the profit before tax of approximately Euro 5,279,018 (2011: Euro 6,595,659) and would have a positive impact in equity of approximately Euro 4,102,355 (2011: Euro 5,289,656).

2.1.3 Credit risk

The deterioration in global economic conditions or adverse situations which only affect economies at the local level could give rise to situations in which customers are unable to meet their commitments stemming from the sales of products.

Credit insurance has been one of the instruments adopted by the Semapa Group to mitigate the negative impact of this type of risk.

Sales that are not covered by credit insurance are subject to rules which ensure that sales are made to customers with a satisfactory credit history and are within reasonable exposure limits and approved for each customer.

The Group renegotiates periodically the receivables in accordance with its own management risk policy.

As of 31 December 2012 and 31 December 2011, accounts receivable from customers showed the following ageing structure, considering the due dates for the open balances:

Amounts in Euro	Pulp and paper	Cement and derivatives	Environment	31-12-2012	Total 31-12-2011
Not overdue	159,295,244	26,420,223	3,513,951	189,229,417	203,917,471
1 to 90 days	22,384,791	16,404,053	4,351,812	43,140,656	42,005,227
91 to 180 days	79,522	5,100,074	4,724,136	9,903,732	4,256,861
181 to 360 days	239,145	2,956,883	312,216	3,508,245	2,078,742
361 to 540 days	182,355	2,157,495	268,304	2,608,153	837,896
541 to 720 days	322,391	1,296,737	130,414	1,749,542	771,380
more than 721 days	213,617	9,826,447	482,600	10,522,663	6,142,633
	182,717,065	64,161,911	13,783,433	260,662,408	260,010,210
Litigation - doubtful debts	1,566,293	8,891,210	-	10,457,503	6,174,601
Impairments (Note 22)	(805,367)	(22,204,196)	(482,600)	(23,492,162)	(14,941,676)
Net receivables balance (Note 24)	183,477,991	50,848,926	13,300,833	247,627,749	251,243,135

The presented amounts correspond to the open items by the contracted due dates. Despite some delays in the liquidation of those amounts, that does not result, in accordance with the available information, in the identification of impairments further than the ones considered through the respective losses.

These are identified using the information periodically collected about the financial behaviour of the Group customers, which allow, in conjunction with the experience obtained in the client portfolio analysis and with the history of credit defaults, in the share not attributable to the insurance company, to define the amount of losses to recognise in the period. The existing guarantees for a significant part of the open and old balances, justify the fact that no impairment has been recorded related to those amounts.

The table below represents the quality of the Group's credit risk, as of 31 December 2012 and 31 December 2011, for financial assets (Cash and cash equivalents and Derivative financial instruments), whose counterparts are financial institutions:

Amounts in Euro	31-12-2012	31-12-2011
AA-	80,116	-
A+	1,268,856	1,001,139
A	2,383,080	76,812,011
A-	59,177	95,616
BBB+	19,893	60,029,703
BBB	434,383	-
BBB-	527,905	58,834,855
BB+	92,668	55,107,112
BB	238,043,720	141,395,115
BB-	98,596,017	55,818
B+	15,475,625	-
Others	57,434,872	22,203,778
	414,416,312	415,535,146

The caption "Others" relates mainly to transactions with Angola's financial institutions, relatively to which it was not possible to obtain the ratings with reference to the presented dates.

The ageing analysis of receivables already in delay is as follows:

Amounts in Euro	31-12-2012		31-12-2011	
	Gross value	Credit insurance	Gross value	Credit insurance
Accounts receivable overdue but not impaired				
Overdue - less than 3 months	43,068,504	19,728,163	41,640,212	18,466,379
Overdue - more than 3 months	14,635,081	1,002,266	5,874,359	274,373
	57,703,585	20,730,429	47,514,571	18,740,752
Accounts receivable overdue and impaired				
Overdue - less than 3 months	152,443	-	365,015	-
Overdue - more than 3 months	23,149,989	482,600	14,331,808	-
	23,302,432	482,600	14,696,823	-

In accordance with the above-mentioned, it should be noted that the Group adopted a policy of credit insurance for all accounts receivable from costumers and has the procedure of selecting the financial entities for counterparts in its transactions that show solid financial ratings.

Thus, it is considered that the effective Group's exposure to the credit risk has been mitigated and is within acceptable levels.

The maximum exposure to the credit risk as at 31 December 2012 and 2011 is detailed in the following schedule:

Amounts in Euro	31-12-2012	31-12-2011
Current		
Receivables and other current assets	276,048,188	299,210,475
Derivative financial instruments (Note 34)	1,096,619	802,997
Cash and cash equivalents	413,319,694	415,535,146
	690,464,501	715,548,618
Credit risk exposures relating to off-balance sheet itens		
Warranties (Note 40)	54,995,347	52,168,377
	54,995,347	52,168,377

2.1.4 Liquidity Risk

The Group manages liquidity risk in two ways: ensuring that its interest-bearing debt has a large medium and long-term component with maturities in harmony with the characteristics of the industry in which it operates, and having access to credit facilities available at any moment.

The liquidity of the agreed financial liabilities will generate the following not discounted cash flows, including interests till maturity at balance sheet date:

Amounts in Euro	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
As of 31 December 2012						
Liabilities						
Interest-bearing liabilities						
Bond loans	539,220	11,722,467	218,469,782	872,187,714	-	1,102,919,183
Commercial paper	294,593	546,693	128,812,856	261,531,748	-	391,185,890
Bank loans	9,622,433	14,179,062	131,205,425	405,699,147	88,916,681	649,622,748
Financial leases payables	85,189	171,097	1,059,191	4,028,987	150,712	5,495,176
Other Loans	-	-	16,085,288	8,741,551	-	24,826,839
Derivative financial instruments	-	-	753,210	26,273,989	-	27,027,199
Accounts payable and other liabilities	134,948,218	13,018,943	139,986,072	13,863,060	-	301,816,293
Total Liabilities	145,489,653	39,638,262	636,371,823	1,592,326,195	89,067,393	2,502,893,327
As of 31 December 2011						
Liabilities						
Interest-bearing liabilities						
Bond loans	887,289	2,036,267	171,109,628	689,322,381	-	863,355,565
Commercial paper	183,612	432,711	5,489,441	140,572,336	6,630,000	153,308,100
Bank loans	11,564,690	13,332,830	76,488,267	298,538,849	101,595,183	501,519,819
Financial leases payables	68,863	101,535	616,775	1,603,920	657,236	3,048,329
Other Loans	-	125,000	10,375,000	-	-	10,500,000
Derivative financial instruments	2,549,919	-	2,575,219	11,454,239	207,017	16,786,394
Accounts payable and other liabilities	174,866,520	68,971,396	53,745,725	19,111,746	-	316,695,387
Total Liabilities	190,120,893	84,999,739	320,400,055	1,160,603,471	109,089,436	1,865,213,594

As of 31 December 2012 and 2011, bank loans granted and not withdrawn amount to Euro 318,903,646 and Euro 332,924,686 respectively.

2.1.5 Price risk

The Group, as a result of its investment in Banco Espírito Santo and EDP – Energias de Portugal, has been exposed to fluctuations in the price of these shares.

2.2 Operational risk factors

2.2.1 Risks relating to the “Pulp and Paper” segments

Risks relating to the forestry sector

Portucel Group carries out the management of woodlands covering an area of some 120 thousand hectares of land, from north to south of the country, according to the principles laid down in its Forestry Policy. Eucalyptus trees occupy 72% of this area, namely the Eucalyptus globulus, the species that is universally acknowledged as the tree with the ideal fibre for producing high quality paper.

The main risk factor threatening the eucalyptus forests lies in the low productivity of Portuguese forests and in the worldwide demand for certified products, considering that only a small proportion of the forests is certified. It is expected that this competitive pressure will remain in the future. As an example, the forestry area managed by the Group represents near 3% of Portugal’s total forested area, 55% of all certified Portuguese forests according with PEFC standards and 43% of all certified Portuguese forests according with FSC standards.

The main risks associated with the sector are the risk attached to the productive capacity of the plantations and the risk of wildfires. In order to maximise the productive capacity of the areas it manages, the Group has developed and employs Forestry Management models which contribute to the maintenance and ongoing improvement of the economic, ecological and social functions of the forestry areas, not only regarding the population but also from the forestry landscape perspective, namely:

- i. Increase the productivity of its woodlands through the use of the best agro-forestry practices adapted to local conditions and compatible with the environment in order to ensure biodiversity levels.
- ii. Establish and improve the network of forestry infrastructures to enable the required accessibility for management, whilst making them compatible with the forestry protection measures against wildfires.
- iii. Ensure compliance with the water-cycle functions, promoting, whenever possible, the rehabilitation and qualitative protection of water resources.

The Group also has a research institute, Raiz, whose activity is focused in 3 main areas: Applied Research, Consulting and Training. In the forestry research area, Raiz seeks:

- i. To improve the productivity of the eucalyptus forests
- ii. To enhance the quality of the fibre produced
- iii. To implement a sustained forestry management program from an economic, environmental and social perspectives
- iv. To lower the cost of wood

Regarding the risk of wild fires, the manner in which the Group manages its woodlands constitutes the front line for mitigating this risk. Most of the Group’s forestry resources are certified by the FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification Schemes), a certification programmes which guarantee that the Company’s forests are managed in a responsible manner from an environmental, economic and social standpoint, complying with stringent and internationally-recognised criteria.

Amongst the various management measures to which the Group has committed under this program, the strict compliance for the biodiversity rules and the construction and maintenance of access roads and routes to each of the operational areas assume particular importance in mitigating the risk of wild fires.

Moreover, the Group has a stake in the Afocelca grouping – a complementary corporate grouping (CCG) between the Portucel Group and the ALTRI Group, whose mission is to provide assistance to the fight against forest fires at the grouped companies' land holdings, in close coordination and collaboration with the National Civil Protection Authority (Autoridade Nacional de Protecção Civil – ANPC). This grouping manages an annual budget of some 2,3 million euro, and has created an efficient and flexible structure which implements practices aimed at reducing protection costs and minimizing the losses by forest fires for the members of the grouping, which own and manage more than 225 thousand hectares of forests in Portugal.

Risks relating to the production and trading of BEKP (Bleached Eucalyptus Kraft Pulp) and UWF paper (Uncoated fine papers for printing and writing)

Supply of raw materials

The supply of wood, namely eucalyptus, is subject to price fluctuations and difficulties encountered in the supply of raw materials that could have a significant impact on the production costs of companies producing BEKP (Bleached Eucalyptus Kraft Pulp).

The planting of new areas of eucalyptus and pine is subject to the authorization of the relevant entities, so that increases in forested areas, or the substitution of some of the currently used areas depend on forest owners which are estimated in some 400,000, on the applicable legislation and the speed of the responsible authorities in approving the new projects. If domestic production proved to be insufficient, in volume and in quality, namely of certified wood, the Group could have to place greater reliance on the importation of wood.

Regarding the importation of wood, there is a risk related to its shipment from the place of origin to the harbours and to the Group's mills. This transportation risk is reduced by the agreed purchasing conditions, where the ownership of raw materials is transferred at the port of arrival, and complemented by insurance coverage of potential supplying losses caused by any transportation accident that may affect the supplying of wood.

The Group seeks to maximise the added value of their products, particularly through increased integration of certified wood in these products.

The low expression of this wood outside the forests directly managed by the Group, has meant a shortage of supply to which the Group has responded with an increase in the price offered when comparing to wood originating from forests that are not certified.

Furthermore, and considering the unsurpassable National Value Added in the Portuguese Economy, direct and indirect, of the eucalyptus industry, as well as the significance of such industries for exports, the level of employment they provide and the increasing demand for eucalyptus, not easily satisfied by national forests, the Group has been making the Government and the public opinion aware that it is necessary to guarantee that, whilst the internal production of this type of wood does not increase significantly on an economically viable basis, its use as bio fuels for energy production should not be put ahead of its use as a raw material, to be used to produce tradable goods.

In the year ended 31 December 2012, an increase of Euro 5 on the cost of a cubic meter of the eucalyptus wood consumed in the production of BEKP would have had an impact in Group's earnings of some Euro 20,000,000.

The production process depends on the constant supply of steam and electric energy. For this, the Group owns several cogeneration units that ensure this constant supply. A contingent plan with redundancies between the different power generation units is in place in order to reduce the risk of failure of the power supply to the pulp and paper mills.

Market price for UWF paper and BEKP

The increase of competition, caused by imbalance of supply or demand, on BEKP or UWF markets may have a significant impact on prices and, as consequence, in Group's performance.

The market prices of BEKP and UWF paper are defined in the world global market in perfect competition and have a significant impact on the Group's revenues and on its profitability. Cyclical fluctuations in BEKP and in UWF Paper prices mainly arise from changes in the world supply and demand, the financial situation of each of the international market players (producers, traders, distributors, clients, etc.), creating imbalances in supply, in the face of market demand raising market volatility.

The BEKP and UWF paper markets are highly competitive. Significant variations in existing production capacities could have a strong influence on world market prices. These factors have encouraged the Group to follow a defined marketing and branding strategy and to invest in relevant capital expenditure to increase productivity and the quality of the products it sells.

In the year ended 31 December 2012, a 10% drop in the price per ton of BEKP and of 5% in the price per ton of UWF paper sold by the Group in the period, would have represented an impact on its earnings of Euro 12,000,000 and Euro 60,000,000, respectively.

Demand for Group products

Notwithstanding what refers to the concentration of the portfolios of the Group's customers, any reduction in demand for BEKP and UWF in the markets of the European Union and the United States could have a significant impact on the Group's sales. The demand for BEKP produced by Group also depends on the evolution of the capacity for paper production in the world, since the major Group customers are BEKP paper producers.

The demand for printing and writing has been historically related with macroeconomic factors and the increasing use of copy and print material. A breakdown of the economy, worldwide, can cause a slowdown or decline in demand for printing paper and writing in this way affect the performance of the Group.

Consumer preferences may have an impact on global demand and the role of certain particular types, such as the demand for recycled products or products with certified virgin fiber.

Regarding this matter, and in the case of the UWF, the Group believes that the marketing strategy and branding that has been following, combined with the significant investments made to improve productivity and produce high quality products, allow you to put your products in market segments less sensitive to variations in demand, allowing a lower exposure to this risk.

Competition

Increasing competition in paper and pulp markets may have a significant impact in price and as a consequence in Group's profitability.

As paper and pulp markets are highly competitive, new capacities may have a relevant impact in prices worldwide.

Producers from southern hemisphere (namely from Brazil, Chile, Uruguay and Indonesia), with significantly lower production costs, have been gaining weight in the market, undermining the competitive position of European pulp producers.

These factors have forced the Group to make significant investments in order to keep production costs competitive and produce high quality products as it is likely that competitive pressure will remain strong in the future.

The Portucel Group sells most of its paper production in Europe, holding significant market shares in Southern European countries and relevant market shares in the other major European markets, as well as an important presence in the USA.

The increase in the Group's paper production capacity in 2010 of almost 500 thousand tons per year, induced by the new paper mill in Setubal industrial complex, as well as potential investments the Group might start in this

area, may influence the distribution capacity as well as selling prices, as a consequence of entering in new markets.

Concentration of customer portfolio

At 31 December 2012, the Group's 10 main BEKP group of customers accounted for 14% of the period's production of BEKP and 79% of external sales of BEKP. This ratio is a result of the strategy pursued by the Group, consisting of a growing integration of the BEKP produced into the UWF paper produced and commercialised. As such, the Group considers that there is little exposure to the risks of customer concentration regarding the sale of BEKP.

At 31 December 2012, the Group's 10 main groups of customers for UWF paper represented 60% of this product's sales during the period. Also regarding UWF paper, the Group follows a strategy of mitigating the risk of customer concentration. The Group sells UWF paper to more than 110 countries, thereby allowing a dispersion of the risk of sales concentration amongst a reduced number of markets and/or customers.

Risks associated with the production of energy

Energy is considered to be an activity of growing importance in the Group but, nonetheless, it is an activity that allows the use of the biomass generated in the BEKP production, but also ensuring the supply - under the co-generation regime - of thermal and electric power at the BEKP and UWF paper industrial complexes.

Considering the increasing integration of the Group's mills dedicated to the production of BEKP and UWF paper and as a means of increasing the use of the biomass gathered in the woodlands, the Group built new natural-gas and biomass power-generating units. These units serve to complement those already in use, thus creating a number of redundant units which allow the Group to mitigate the risk of an interruption in the power supply to its industrial sites.

In this sector, the main risk is linked to the supply of raw material, namely, biomass. The group has played a pioneering role and has been developing a market for the sale of biomass for supplying the power plants it owns. The fostering of this market in a phase prior to the start-up of the new power-generating units enabled it to secure a sustained raw-material supply network which it may utilise in the future. As previously mentioned, the Group has been making the Government and public opinion aware of the need to guarantee that biomass is viewed in a sustainable manner, avoiding the use of eucalyptus wood for biomass, as an alternative of its use in the production of tradable goods. At the moment, the available incentives in Portugal only contemplate the use of residual forest biomass (BFR) and not the use of wood to produce electricity.

In addition, and despite the legal provisions that allow the Group to predict the stability of tariffs in the near future, there is a risk that the change in the sales tariff of the energy produced from renewable resources will penalise those products. The constant search for the optimization of production costs and efficiency of the generating units is the way the Group seeks to mitigate this risk.

Other risks associated with the segment of pulp and paper

Portucel Group exports over 94% of its production. As a consequence, transportation and logistic costs are materially relevant. A continuous rise in transport costs may have a significant impact in Group's earnings.

The Group's activity is exposed to risks related to forest fires, including:

- i) destruction of actual and future wood inventory, belonging to the Group as well as to third parties;
- ii) increasing forestry costs and subsequent land preparation for plantation.

2.2.2 Risks relating the segment of Cement and derivatives

Supply of raw materials

Regarding group Secil, the main raw materials in the manufacturing process of cement are limestone and clay or marl, which extraction is carried out in its own quarries, located within the factory, with the reservation that ensure Secil sustained operation in the coming years.

Sale Price

Group Secil's turnover is dependent on the level of activity in the building sector in each one of the geographic markets in which it operates.

Unlike the specifications exposed in the privatization process of the Tunisian market, the price of cement was not yet liberalised being currently regulated by government entities.

Demand for Group's products

Secil's turnover is dependent on the level of activity in the building sector in each one of the geographic markets in which it operates. The construction sector tends to be cyclical, in particular in mature economies, and depends on the level of residential and commercial building, as well as on the level of investments in infrastructures.

The construction sector is sensitive to factors such as interest rates, while a downturn in economic activity in any specific economy may lead to a recession in the building industry.

Despite the company considering that its geographical diversification is the best means to stabilise earnings, its business, financial situation and operating profit can be negatively affected by a downswing in the construction sector in any of the significant markets in which it operates.

In mature markets, the demand for cement and other building materials tends to be highly constant throughout the year, although situations where snow or heavy rain occurs have a negative impact on the business. The demand for Secil products is in general aligned with this behavioural pattern.

Competition

Sub-group Secil develops its activity in a strong competitive environment. In the Portuguese market, and in the current context, any excess capacity of national operators together with imports from the Spanish market, which is in sharp decline, may affect the performance of the Sub-group in this segment.

2.2.3 Risks relating the Environment segment

Supply of raw materials

The supply of raw material for the segment of Environment, developed by the subgroup ETSA, is conditioned by the availability of animal carcasses and waste from the food industry, particularly in slaughterhouses. This market is relatively vulnerable to the deterioration of the economic situation, as well as changes in consumption habits and ease of substitution between food products, which could limit the activity of this subgroup.

Sale Price

ETSA's business is exposed to volatility in prices of soft commodities on international markets (cereals and cereal products), since these are substitute products to those transacted by ETSA. The correlation between ETSA's selling prices and movements in prices of soft commodities on international markets is an additional risk factor for the activity.

Demand for Group's products

A decrease in demand or diminished level of activity in animal feed industry, agriculture exploitations, pet food and biodiesel may have a significant impact on group ETSA's turnover.

Competition

Sub-group ETSA develops its activity in a market where it competes with other companies operating in the collection and recovery of animal by-products and other companies that produce substitutes for these products such as industries related to the production of cereals and edible oils. In this framework, any increase or decrease in competition will be reflected in the levels of profitability of the Group.

2.2.4 Risks relating to the Group in general

Environmental legislation

In recent years, community and national environmental legislation has been more demanding with regards to waste control. Semapa Group complies with the legislation currently in force, having for this reason made very substantial investments in the past few years. Although no significant changes to current legislation are envisaged in the near future, the possibility exist that the Group may need to realise additional investments in this area, in such manner as to comply with any new limits that may eventually be approved.

Currently, any known changes in law are related to the predictable end of the CO2 emission rights' free attribution regime, after the conclusion of the current stage of the National Plan for the Allocation of CO2 Emission Licenses, PNALE II.

This change will increase the costs for the transformation industry in general and in particular for the paper and pulp and cement industries, without any compensation for the CO2 that, annually, is absorbed by the forests.

In order to reduce the impact of this change, the Group has been following a strategy of carrying out a series of environmental related investments that, among other advantages, have resulted in a continued reduction of the CO2 emissions, whilst the production volume has continuously increased within the last years.

On the other hand, under the terms set in Decree-Law 147/2008, dated 29 June that transposed directive 2004/35/CE to the national law, the Group ensured the environmental insurances demanded by the referred law, guaranteeing regulatory compliance and reducing exposure to environmental risks.

Human Resources

The Group's ability to successfully implement outlined strategies depends on its capacity to recruit and retain key talents for each role. Although the Group's human resources policy seeks to achieve these goals, there might be some limitations to achieve them in the future.

Other risks

The Group's manufacturing facilities are subject to risks inherent to any business industry, such as accidents, breakdowns or natural disasters that may cause losses in the Group's assets or temporary interruptions in the production process.

Likewise, these risks may also affect the Group's main customers and suppliers, which would have a significant impact on the levels of the Group's profitability, should it not be possible to find new customers to ensure sales levels and new suppliers enabling the Group to maintain its current cost structure.

2.2.5 Context risks

The lack of efficiency in the Portuguese economy may have a negative effect on the Group's ability to compete. This is more so, but not exclusively, in the following areas:

- (i) Ports and railroads;
- (ii) Roads particularly those providing access to the Group's producing units;
- (iii) Rules regarding territory management and forest fires;
- (iv) Low productivity of the country's forests;
- (v) The majority of the Portuguese forest is not certified.

3. Important accounting estimates and judgments

The preparation of consolidated financial statements requires that Group's management make judgments and estimates that affect the amount of revenue, costs, assets, liabilities and disclosures at balance sheet date.

These estimates are influenced by Group's management's judgments, based on: (i) the best information and knowledge of present events and in certain cases on the reports of independent experts; and (ii) the actions which the Group considers it may have to take in the future. However, on the date on which the operations are realised, the outcome could be quite different from those estimates.

The estimates and assumptions which present a significant risk of engendering a material adjustment to the book value of assets and liabilities in the following financial year are presented below:

3.1 Impairment of Goodwill

The Group tests annually whether has been any impairment in goodwill, in accordance with the accounting policy described in Note 1.10. The recoverable amounts of the cash generating units are ascertained based on the calculation of their value-in-use. These calculations require the use of estimates (Note 15).

3.2 Income Tax

The Group recognises additional tax assessments resulting from inspections undertaken by tax authorities. When the final outcome of the above reviews is different from the amounts initially recorded, the differences will have an impact on corporate income tax and deferred taxes in the periods where such differences are identified.

In Portugal, the annual tax returns are subject to review and potential adjustment by tax authorities for a period of up to 4 years. However, if tax losses are utilised, these may be subject to review by the tax authorities for a period of up to 6 years. In other countries where the Group operates, these periods are different and, in most cases, higher.

The Board of Directors believes that any reviews/ inspections by tax authorities will not have a material impact on the consolidated financial statements as of 31 December 2012. The individual income tax returns up to 2010 have already been reviewed, being the group form currently in review (Note 11).

3.3 Actuarial assumptions

Liabilities relating to defined-benefit plans are calculated based on certain actuarial assumptions (Note 29). Changes to those assumptions can have a material impact on the aforesaid liabilities.

3.4 Fair value of biological assets

In determining the fair value of biological assets the Group used the discounted cash flows method considering assumptions related to the nature of the assets being valued (Note 1.11). Changes in these assumptions may have an impact in the value of those assets.

As of 31 December 2012, an increase of 0.5% in the discount rate (7%) used to value those assets, would decrease their value by Euro 3,800,000.

3.5 Recognition of provisions and adjustments

The Group is part in several lawsuits underway, for which, based in the opinion of its lawyers, a judgment is made to determine the booking of a provision for these contingencies. Impairment in accounts receivable are calculated essentially based on accounts receivable's ageing, customers' risk profile and customers' financial situation.

4. Segment reporting

Segmental information is presented in relation to the business segments identified, namely Pulp and Paper, Cement and Derivatives, Environment and Holdings. The earnings, assets and liabilities for each segment correspond to those which are directly attributed to them, as well as those which can be imputed to them on a reasonable basis.

Segmental report

Financial information by business segment for the year ended 31 December 2012 is shown as follows:

Amounts in Euro	Pulp and paper	Cement and derivatives	Environment	Holdings	Consolidated
RESULTS					
Revenues	1.501.615.139	415.342.689	35.630.090	-	1.952.587.918
Operational results	270.922.749	(181.810)	5.191.749	28.549.586	304.482.274
Net financial results	(16.298.360)	(12.802.951)	(1.602.969)	(33.321.184)	(64.025.464)
Group share of (loss) / gains of associated companies	605.926	396.766	-	-	1.002.692
Income tax expense	(63.371.778)	(7.220.960)	(486.513)	179.636	(70.899.615)
Ordinary activities results	191.858.537	(19.808.955)	3.102.267	(4.591.962)	170.559.887
Non-controlling interest	(39.103.910)	(4.752.782)	(187.107)	-	(44.043.799)
Profit for the year	152.754.627	(24.561.737)	2.915.160	(4.591.962)	126.516.088
OTHER INFORMATION					
Segment assets	2.688.368.444	1.321.339.890	97.652.792	120.599.016	4.227.960.142
Investments in associates	1.790.832	3.707.565	-	-	5.498.397
Total segmental liabilities	1.351.832.626	686.362.597	41.985.910	1.016.639.093	3.096.820.226
Depreciation, amortisation and impairment losses	129.445.461	67.241.117	2.828.075	298.067	199.812.720
Provisions	(14.950.106)	(481.961)	963.518	4.960.000	(9.508.549)
Capital expenditures	36.651.846	53.128.883	5.048.983	107.793	94.937.505

Financial information by business segment for the year ended 31 December 2011 is shown as follows:

Amounts in Euro	Pulp and paper	Cement and derivatives	Environment	Holdings	Consolidated
RESULTS					
Revenues	1.487.884.293	258.520.769	33.238.017	101.452	1.779.744.531
Operational results	250.884.913	27.117.013	4.618.693	(19.482.638)	263.137.981
Net financial results	(16.346.454)	(3.012.032)	(1.020.536)	(18.069.268)	(38.448.290)
Group share of (loss) / gains of associated companies	593.751	494.605	-	-	1.088.356
Income tax expense	(49.629.154)	(7.464.807)	(678.634)	1.139.894	(56.632.701)
Ordinary activities results	185.503.056	17.134.779	2.919.523	(36.412.012)	169.145.346
Non-controlling interest	(41.515.245)	(3.361.217)	(107.084)	-	(44.983.546)
Profit for the year	143.987.811	13.773.562	2.812.439	(36.412.012)	124.161.800
OTHER INFORMATION					
Segment assets	2.799.117.934	539.496.924	92.154.046	354.787.668	3.785.556.572
Investments in associates	1.778.657	2.145.762	-	-	3.924.419
Total segmental liabilities	1.445.936.948	250.184.383	39.589.432	667.825.922	2.403.536.685
Depreciation, amortisation and impairment losses	139.798.954	22.945.070	2.379.642	330.793	165.454.459
Provisions	(5.610.786)	2.059.682	1.133.208	1.100.000	(1.317.896)
Capital expenditures	53.796.552	31.727.273	7.815.136	749.696	94.088.657

Geographical segment

2012	Pulp and paper	Cement and derivatives	Environment	Total
Sales and services rendered:				
Portugal	228.541.231	166.523.281	25.355.619	420.420.131
Rest of Europe	935.383.128	1.634.034	9.947.050	946.964.212
America	171.427.592	23.061.145	-	194.488.737
Africa	-	87.088.373	327.421	87.415.794
Asia	-	76.698.079	-	76.698.079
Overseas	166.263.187	60.337.778	-	226.600.965
	1.501.615.138	415.342.690	35.630.090	1.952.587.918

2011	Pulp and paper	Cement and derivatives	Environment	Total
Sales and services rendered:				
Portugal	237.138.473	139.842.644	26.455.689	403.436.806
Rest of Europe	789.882.533	1.204.184	6.488.820	797.575.537
America	128.102.141	-	-	128.102.141
Africa	-	50.130.576	293.508	50.424.084
Asia	-	41.136.208	-	41.136.208
Overseas	332.761.146	26.207.156	-	358.968.302
	1.487.884.293	258.520.768	33.238.017	1.779.643.078

During 2012, the segment of Cement and Derivatives is consolidated by the proportional method (51%) from January to March, and is fully consolidated from April to December (2011: consolidated by the proportional method – 51%) (Note 1.2).

Additionally, revenues from holdings were entirely made in Portugal.

5. Other income

As of 31 December 2012 and 2011, the caption “Other income” comprises:

Amounts in Euro	2012	2011
Grants - CO2 Emission allowances	21,927,146	28,633,212
Impairment reversal (Note 22)	5,737,059	1,276,312
Gains on disposals of CO2 emission allowances	8,989,412	7,281,457
Supplementary income	6,269,027	604,754
Gains on disposals of non-current assets	25,059,542	2,899,293
Gains on inventories	1,074,610	732,069
Gains on current assets	168,927	101,124
Operating government grants	607,175	1,266,467
Own work capitalised	4,435,109	672,092
Revenues from waste management	703,598	831,425
Other operating income	21,514,689	8,972,816
	96,486,293	53,271,021

The caption “Grants – CO2 emissions allowances” regards to the recognition of the grant, due to the allocation of free allowances (Note 1.6.1).

The caption “Gains on disposals of non-current assets” comprises:

- i) Euro 16,759,370 related to the measurement at fair value in accordance with IFRS 3 revised, of the interest held by Semapa in Secil’s equity (51%) at fair value on the date in which the control was obtained (22 March 2012) (Note 1.2); and
- ii) Euro 6,000,000 regarding positive adjustments to the sale price of 49% of Secil’s share capital to Beton Catalan (CRH Group) in 2004 and only now paid by this entity to Semapa.

The caption “Supplementary income” includes an amount of Euro 3,565,578 corresponding to the payment made by CRH to Semapa, in compliance with the arbitration award, which condemned the first to the reimbursement of certain expenses incurred by the second with arbitral proceedings.

6. Costs, expenses and losses

As of 31 December 2012 and 2011, Costs, expenses and losses were detailed as follows:

Amounts in Euro	2012	2011
Cost of sales and service rendered		
Cost of inventories sold and consumed	(759,614,259)	(669,537,514)
Cost of materials and services consumed	(555,502,068)	(465,136,602)
Variation in production	(2,513,330)	(37,258,418)
Payroll costs		
Statutory bodies (Note 7)	(14,818,040)	(17,380,209)
Other remunerations	(136,856,315)	(124,559,211)
Pension costs (Note 29)	18,197,931	(10,696,585)
Other payroll costs	(59,260,967)	(42,451,868)
	(192,737,391)	(195,087,873)
Other costs and losses		
Membership fees	(1,193,631)	(828,144)
Donations	(1,035,460)	(718,249)
Cost with emission allowances	(18,223,984)	(20,042,853)
Inventories and other receivables impairment (Note 22)	(3,286,490)	(3,893,660)
Losses on inventories	(5,697,697)	(533,709)
Indirect taxes	(7,983,004)	(6,939,446)
Losses on disposal of non-current assets	(1,286,917)	(1,771,876)
Other operating costs	(3,500,154)	(4,259,353)
	(42,207,337)	(38,987,290)
Provisions	9,508,549	1,317,896
Total of Costs, Expenses and Losses	(1,543,065,836)	(1,404,689,801)

At the Shareholders’ General Meeting, held on 27 December 2012, the Company deliberated to revoke Semapa’s Board of Directors pension plan which had previously been approved on the Shareholders’ General Meeting held on 30 March 2005. Thus, the caption “Pension costs” comprises a gain of Euro 19,053,485 relating to this situation as described in note 29.

7. Remuneration of statutory bodies

As of 31 December 2012 and 2011, the caption “Statutory bodies” was detailed as follows:

Amounts in Euro	2012	2011
Board of directors		
Members of Semapa board in other companies	7,373,393	10,982,471
Corporate bodies from other group companies	7,444,647	6,397,738
	14,818,040	17,380,209

Additionally, and until 27 December 2012 Semapa’s Board of Directors, benefit from a pension plan revoked in 2012 as described in Note 29.

8. Depreciation, amortisation and impairment losses

As of 31 December 2012 and 2011, “Depreciation, amortisation and impairment losses” were detailed as follows:

Amounts in Euro	2012	2011
Depreciation of property, plant and equipment		
Land	(4,307,137)	(1,577,932)
Buildings	(20,791,866)	(15,646,126)
Other tangible assets	(148,376,677)	(145,189,753)
	(173,475,679)	(162,413,811)
Amortisation of intangible assets		
Industrial property and other rights	(2,401,266)	(2,947,356)
Other capitalized costs	-	(5,444)
	(2,401,266)	(2,952,800)
Impairment losses in tangible assets		
Land	(5,682,490)	-
Buildings	(4,896,146)	(9,445)
Other tangible assets	(4,603,039)	-
	(15,181,675)	(9,445)
Impairment losses in assets held for sale	(8,735,308)	-
Impairment losses in investment properties		
Buildings	(18,792)	-
	(18,792)	-
Impairment losses in intangible assets		
Goodwill (Note 15 and 22)	-	(78,403)
	-	(78,403)
	(199,812,720)	(165,454,459)

9. Group share of associates' net profits

In the years ended 31 December 2012 and 2011, the Group recorded its share of the net income/ (loss) of associated companies as follows:

Amounts in Euro	2012	2011
Sub-Group Portucel		
Soporgen, S.A.	605,926	593,751
Sub-Group Secil		
Chryso - Aditivos de Portugal, S.A.	6,423	(4,829)
Setefrete, SGPS, S.A.	170,897	489,860
J.M. Henriques, Lda.	(3,969)	3,161
Ave, S.A.	223,415	6,413
	1,002,692	1,088,356

The company does not recognise deferred taxes on these amounts as it considers that the provisions of article 51 of the corporate income tax code (Portuguese initials IRC) apply.

10. Net Financial Results

As of 31 December 2012 and 2011, "Net financial results" comprise:

Amounts in Euro	Note	2012	2011
Interest paid on loans from shareholders		(307.318)	(705.958)
Interest paid on borrowings		(70.416.819)	(43.129.538)
Interest paid on loans from associates companies		59.068	78.373
Other interest earned		9.647.699	13.638.825
Compensatory interest		478.429	880.343
Fair value in available-for-sale financial assets	21	(326.433)	(189.304)
Gains / (losses) on fair value financial assets valuation	20	(382.388)	(1.614.823)
Gains / (losses) on financial instruments - hedging	34	(4.960.714)	(7.034.076)
Gains / (losses) on financial instruments - trading	34	4.233.706	(2.947.895)
Foreign exchange gains / (losses)		7.687.571	6.424.717
Other financial expenses		(10.691.461)	(4.801.520)
Other financial income		953.196	952.566
		(64.025.464)	(38.448.290)

The amount stated in "Gains / (losses) on fair value financial assets valuation" refers to the devaluation in the listed securities held by the Group and classified as "Financial assets at fair value through profit or loss", as described in note 20.

Gains / (losses) on trading and hedging financial instruments comprise the results from the instruments detailed in note 34.

11. Income tax expense

Group Semapa is subject to the special tax regime governing business groups comprising companies in which the shareholding is equal to or more than 90% and which meet the conditions laid down in articles 69 and following of the IRC Code.

Companies included within the consolidation scope of the group of companies subject to this regime calculate and recognise income tax (IRC) as though they were taxed on an individual basis.

Gains arising from the application of this regime are recorded as a deduction for the parent corporate income tax.

Pursuant to prevailing legislation, the gains and losses relating to group and associated companies resulting from the application of the equity method are deducted from or added to, respectively, to the net income of the year for the purpose of calculating taxable income.

Dividends are considered when determining the taxable income in the year in which they are received, if the assets are held for less than one year or if investments represent less than 10% of the share capital.

As of 31 December 2012 and 2011, “Income tax expense” comprises:

Amounts in Euro	2012	2011
Current tax	52,915,320	50,382,752
Provision for current tax	3,513,366	5,693,009
Deferred tax	14,470,929	556,940
	70,899,615	56,632,701

The reconciliation of the effective tax rate in the years ended 31 December 2012 and 2011 is as follows:

Amounts in Euro	2012	2011
Profit before tax	241.459.502	225.778.047
Expected income tax	63.986.768	59.831.182
State Surcharge	11.457.805	4.506.548
Differences (a)	(31.868.067)	(18.368.171)
Prior year tax adjustments	426.695	(341.314)
Recoverable tax losses carried forward	(1.261.102)	-
Non recoverable tax losses	35.738.456	5.608.333
Impact of the change in the income tax rate	1.046.145	12.667.952
Provision for current tax	3.513.366	5.693.009
Tax benefits	(12.132.741)	(13.468.525)
Other	(7.710)	503.687
	70.899.615	56.632.701
Effective tax rate	29,36%	25,08%

(a) This amount is made up essentially of :

Losses on assets-held-for-sale and goodwill (Note 15)	8.735.308	78.403
Impairment losses on tangible fixed assets	6.697.036	-
Effects arising from the application of the equity method	(396.766)	(494.605)
Capital gains / (losses) for tax purposes	6.409.092	(37.986.284)
Capital gains / (losses) for accounting purposes	(6.895.634)	(21.516.363)
Provisions not allowed for tax purposes	14.672.077	15.075.909
Tax benefits	(2.853.876)	(2.680.568)
Dividends received from non EU companies	3.138.244	4.289.063
Decrease in taxed provisions	(124.742.304)	(2.098.168)
Effect of pension funds	(4.020.885)	(333.250)
Others	(20.999.147)	(23.647.990)
	(120.256.855)	(69.313.853)
Tax effect (26,50%)	(31.868.067)	(18.368.171)

12. Earnings per share

There are no convertible financial instruments over Semapa's shares, so there is no dilution of earnings.

Amounts in Euro	2012	2011
Profit attributable to Semapa's shareholders	126,516,088	124,161,800
Weighted average number of ordinary shares in issue	112,884,470	112,884,470
Basic earnings per share	1.121	1.100
Diluted earnings per share	1.121	1.100

The weighted average number of shares is shown after deducting 5,447,975 treasury shares owned by Semapa, SGPS, S.A..

13. Non-controlling interests

As of 31 December 2012 and 2011, non-controlling interests shown in the Income statement comprise:

Amounts in Euro	Income	
	2012	2011
Portucel, S.A.	39,087,931	41,500,778
Raiz - Instituto de Investigação da Floresta e Papel	15,979	14,467
Secil Betões e Inertes Group	(6,993)	10,842
Société des Ciments de Gabés	5,567	9,670
Secil Martingança	4,073	(2,438)
Secil - Companhia de Cimento do Lobito, S.A.	37,086	(302,861)
Ciments de Sibline, S.A.L.	5,344,582	3,938,076
Cimentos Madeira Group	(125,827)	(129,642)
Others	(505,706)	(162,431)
ETSA - Investimentos, SGPS, S.A.	187,107	107,085
	44,043,799	44,983,546

As of 31 December 2012 and 2011, non-controlling interests in the Consolidated Balance sheet comprise:

Amounts in Euro	Equity	
	2012	2011
Portucel, S.A.	256,013,282	296,300,209
Raiz - Instituto de Investigação da Floresta e Papel	238,825	220,660
Secil Betões e Inertes Group	84,345	72,603
Société des Ciments de Gabés	1,419,066	662,521
Secil Martingança	462,155	164,823
Secil - Companhia de Cimento do Lobito, S.A.	8,106,185	4,177,661
Ciments de Sibline, S.A.L.	61,033,030	26,579,296
Cimentos Madeira Group	5,460,657	2,817,209
Others	184,426	182,339
ETSA - Investimentos, SGPS, S.A.	2,226,674	2,039,568
	335,228,645	333,216,889

The movement in the non-controlling interests' in the years ended 31 December 2012 and 2011 is as follows:

Amounts in Euro	Pulp and paper	Cement and derivatives	Environment	Total
Balance as of 1 January 2011	274,129,893	34,458,472	1,932,481	310,520,846
Acquisitions / (Disposals)	(17,724,400)	(156,912)	-	(17,881,312)
Dividends	-	(4,184,064)	-	(4,184,064)
Currency translation reserve	(322,649)	1,149,764	-	827,115
Financial instruments	(105,994)	-	-	(105,994)
Actuarial gains and losses	(959,793)	27,976	-	(931,817)
Other movements in equity	(11,433)	-	2	(11,431)
Profit for the year	41,515,245	3,361,216	107,085	44,983,546
Balance as of 31 January 2011	296,520,869	34,656,452	2,039,568	333,216,889
Acquisitions / (Disposals)	(44,095,664)	-	-	(44,095,664)
Change in consolidation perimeter	-	41,884,098	-	41,884,098
Dividends	(36,074,319)	(4,125,064)	-	(40,199,383)
Currency translation reserve	255,820	(403,423)	-	(147,603)
Financial instruments	101,118	-	-	101,118
Actuarial gains and losses	440,370	20,899	-	461,269
Other movements in equity	2	(35,880)	-	(35,878)
Profit for the year	39,103,910	4,752,782	187,107	44,043,799
Balance as of 31 December 2012	256,252,106	76,749,864	2,226,675	335,228,645

The reduction of Euro 44,095,664 in non-controlling interests in the Pulp and paper segment, was driven by the acquisition of 25,280.113 treasury shares by subsidiary Portucel, S.A.. This amount regards the portion of company's equity attributable to these shares previously held by non-controlling interests.

Changes in perimeter in the Cement and derivatives segment occurs following the full consolidation of Secil as of March 2012, also including the allocation, to the 49% non-controlling interests in Secil, of the identified assets and liabilities fair values.

As mentioned, on 15 May 2012, the Semapa Group acquired a 49% interest in Secil, representing the share capital previously held by CRH. Thus, Semapa now controls 99.99% of the voting rights of the previously mentioned subsidiary.

14. Appropriation of previous year's profit

Amounts in Euro	Application of year's net profit	
	2011	2010
Dividends distribution	28.785.540	29.481.174
Other reserves	95.376.260	97.239.056
Profit for the year	124.161.800	126.720.230
Dividends per share	0,254	0,255

Legal reserves are recorded by the maximum amount, to which is added the share premium reserve.

15. Goodwill

The following movements were registered in the caption “Goodwill” in the years ended 31 December 2012 and 2011:

Amounts in Euro	2012	2011
Net amount at the beginning of the year	332,849,940	320,204,947
Disposals	(160,861,947)	-
Control acquired	124,692,243	-
Impairment losses (note 8)	-	(78,403)
Acquisitions	39,351,024	12,643,506
Foreign Exchange differences	(330,336)	79,890
Net amount at the end of the year	335,700,924	332,849,940

Note: Net of impairment losses (Note 22)

In accordance with IAS 36, Goodwill is subject to impairment tests performed on an annual basis, in accordance to the accounting policy described in note 1.7.

As of 31 December 2012 and 2011 Goodwill is made up as follows:

Entity	Acquisition Date	2012	2011
Secil - Companhia Geral de Cal e Cimento, S.A.	1997/2003	-	160,861,947
Secil - Companhia Geral de Cal e Cimento, S.A.	2012	124,692,243	-
Portucel, S.A.	2004	135,565,059	135,565,059
ETSA - Investimentos SGPS, S.A.	2008	36,422,934	36,422,934
Supremo Cimentos, S.A.	2012	39,020,688	-
		335,700,924	332,849,940

Goodwill is attributed to the Group’s cash generating units (CGU’s) identified according to the country of the operation and the business segment, as follows:

Amounts in Euro	2012	2011
Cement and derivatives	163,712,931	160,861,947
Pulp and paper	135,565,059	135,565,059
Environment	36,422,934	36,422,934
	335,700,924	332,849,940

At the end of March 2012, Semapa understood that the shareholder agreement which regulated the shareholder relationship with CRH in Secil ceased. This was the reason that led to the fully consolidation of the subsidiary.

Resulting from this fact, and in accordance with the revised IFRS 3, Semapa measured the interest held in the capital of Secil, 51%, by its fair value at the date in which control was obtained, which resulted in a new goodwill of Euro 124,692,243 as follows:

Amounts in Euro	March 2012
51% Secil	354,507,911
Non current assets	
Other intangible assets	66,264,567
Property, plant and equipment	326,418,062
Investment properties	674,661
Investment in associates	2,096,331
Deferred tax assets	9,813,669
Other non current assets	1,651,933
Current assets	
Inventories	48,547,172
Current receivables	44,371,897
State and other public entities	6,996,595
Assets held for sale	11,457,424
Cash and cash equivalents	32,966,350
Non current liabilities	
Deferred tax liabilities	(68,733,148)
Obligations with pensions	(10,182,818)
Provisions	(11,432,086)
Interest bearing liabilities	(80,526,831)
Other liabilities	(109,650)
Current liabilities	
Interest bearing liabilities	(24,550,626)
Current payables	(63,004,722)
State and other public entities	(19,761,719)
Non-current liabilities held for sale	(982,751)
Total identifiable assets and liabilities revalued	271,974,310
Non-controlling interests	(42,158,643)
Goodwill (Note 15)	124,692,243
Total	354,507,910

During the first half of 2012, Semapa completed the acquisition of 50% of Supremo Cimentos, SA, a Brazilian company that operates in the cement and derivatives segment. From this acquisition, incorporated in these consolidated financial statements using the proportionate method, the goodwill of Euro 39,020,688 was calculated as follows:

Amounts in Euro	Supremo Cimentos
Non current assets	
Other intangible assets	20,341,663
Property, plant and equipment	64,804,891
Deferred tax assets	16,515
Other non-current assets	27,207
Current Assets	
Inventories	1,578,396
State and other public entities	314,756
Receivable and other current assets	1,775,914
Non-current liabilities	
Provisions	(105,897)
Deferred tax liabilities	(22,419,028)
Interest-bearing liabilities	(5,630,840)
Other non-current liabilities	(753,131)
Current Liabilities	
State and other public entities	(335,898)
Interest-bearing liabilities	(5,735,668)
Other non-current liabilities	(2,835,807)
Total acquired	51,043,073
Goodwill	39,020,688
Acquisition Cost	90,063,761
Cash and cash equivalents	7,740,537
Net assets acquired/integrated	97,804,298

For purposes of impairment testing, the recoverable amount of the CGU's is determined based on the value-in-use, in accordance with the discounted cash flow method.

Impairment testing was based on the following assumptions:

	WACC	Growth rate
Cement and derivatives		
Portugal		
Explicit planning period	9.15%	2.25%
Perpetuity	8.64%	2.25%
Madeira		
Explicit planning period	9.22%	2.25%
Perpetuity	8.70%	2.25%
Lebanon		
Explicit planning period	10.14%	2.25%
Perpetuity	9.42%	2.25%
Angola		
Explicit planning period	9.67%	2.25%
Perpetuity	9.08%	2.25%
Brazil		
Explicit planning period	10.56%	2.25%
Perpetuity	10.56%	2.25%
Pulp and paper		
Explicit planning period	10.36%	2.25%
Perpetuity	9.27%	0.00%
Environment		
Explicit planning period	9.52%	0.00%
Perpetuity	8.64%	0.00%

As a result of the calculations no impairment losses have been identified.

16. Other intangible assets

During 2012 and 2011, changes under the “Other intangible assets” heading were as follows:

Amounts in Euro	Brands	Expenditures on research and development	Industrial properties and other rights	CO2 emission allowances	Assets under construction	Total
Acquisition cost						
Amount as of 1 January 2011	151,488,000	-	1,898,102	19,666,719	-	173,052,821
Acquisition	-	-	139,119	33,017,062	4,016	33,160,197
Disposals	-	-	-	(6,931,025)	9,220	(6,921,805)
Exchange rate adjustment	-	-	(36,439)	(30,664,123)	-	(30,700,562)
Amount as of 31 December 2011	151,488,000	-	2,000,782	15,088,633	13,236	168,590,651
Change in consolidation perimeter	126,400,000	5,751	119,461	16,635,720	41,548	143,202,480
Acquisition	-	-	-	18,129,071	23,518	18,152,589
Adjustments, transfers and write-off's	-	-	(1,843,780)	(18,385,118)	(38,837)	(20,267,735)
Exchange rate adjustment	-	-	72,376	-	-	72,376
Amount as of 31 December 2012	277,888,000	5,751	346,388	22,014,153	39,465	300,293,757
Accumulated amortisation and impairment losses						
Amount as of 1 January 2011	-	-	(1,878,931)	(1,543,516)	-	(3,422,447)
Amortisation and impairment losses	-	-	(91,559)	(2,917,654)	-	(3,009,213)
Amount as of 31 December 2011	-	-	(1,970,490)	(4,461,170)	-	(6,431,660)
Change in consolidation perimeter	-	(3,693)	(52,790)	-	(28,831)	(85,313)
Amortisation and impairment losses	-	(1,729)	(28,113)	(339,558)	-	(369,400)
Adjustments, transfers and write-off's	-	-	1,847,370	-	-	1,847,370
Exchange rate adjustments	-	-	1,186	-	-	1,186
Amount as of 31 December 2012	-	(5,422)	(202,837)	(4,800,728)	(28,831)	(5,037,817)
Net book value as of 1 January de 2011	151,488,000	-	19,171	18,123,203	-	169,630,374
Net book value as of 31 December de 2011	151,488,000	-	30,292	10,627,463	13,236	162,158,991
Net book value as of 31 December de 2012	277,888,000	329	143,552	17,213,425	10,634	295,255,939

The amount shown under the caption Brands comprises:

- Euro 151,488,000, regarding the initial valuation of Soporset and Navigator brands, determined by an external evaluation conducted by a specialised and independent entity, using the updated cash flow projections with an appropriate discount rate, following the allocation of fair value to the assets and liabilities of Portucel Group.
- Euro 106,100,000, regarding the initial valuation of the brands Secil Portugal, Sibline (Lebanon) and Gabes (Tunisia), determined by an external evaluation conducted by a specialised and independent entity, using the cash flow projections with an appropriate discount rate, following the allocation of fair value to assets and liabilities due to control acquisition of this subsidiary, obtained in 2012.
- Euro 20,300,000, corresponding to the initial valuation of Supremo brand (Brazil), determined by an external evaluation conducted by a specialised and independent entity, using its cash flow projections with an appropriate discount rate, following the allocation of fair values to assets and liabilities due to the acquisition of 50% of the Supremo Cimentos, S.A. in the first half of 2012.

The reported values are not subject to amortisation as their useful life are undefined (Note 1.6).

The main assumptions used in the valuation of brands Navigator and Soporset were as follows:

Brand	Markets	Risk-free Interest Rate	Discount Rate*	Inflation Rate	Tax Rate
Navigator	Europe	6.24%	9.39%	2.0%	31.5%
Soporset	Europe	6.24%	9.39%	2.0%	31.5%
	EUA	6.24%	9.39%	2.0%	31.5%

* The discount rates presented include the level of robustness of each brand

The main assumptions used in the valuation of Secil Portugal, Sibline (Lebanon), Gabes (Tunisia) and Supremo (Brazil) were detailed as follows:

Brand	Markets	Risk-free Interest Rate	Discount Rate*	Tax Rate
Secil Cement	Portugal	1.58%	5.30%	26.5%
Ciments de Sibline Cement	Lebanon	3.02%	7.80%	15.0%
Société des Ciments de Gabès Cement	Tunisia	3.02%	8.00%	30.0%
Supremo Cement	Brazil	3.02%	8.50%	34.0%

* The discount rates presented include the level of robustness of each brand

17. Property, plant and equipment

The following movements were registered in the years ended 31 December 2012 and 2011 under the caption “Property, plant and equipment”, as well as on the respective depreciation and impairment losses accounts:

Amounts in Euro	Land	Buildings and other constructions	Equipments and other tangibles	Assets under construction	Total
Acquisition Cost					
Amount as of 1 January 2011	193,905,202	774,924,897	4,203,351,606	44,555,584	5,216,737,289
Change of consolidation perimeter	6,845,798	1,637,084	6,043,446	(12,209)	14,514,119
Acquisition	5,314,668	903,300	34,722,110	53,148,579	94,088,657
Disposals	(63,983)	(1,360,535)	(102,916,397)	(35,000)	(104,375,915)
Adjustments, transfers and write-off's	479,982	6,826,838	42,097,371	(49,802,450)	(398,259)
Exchange rate adjustment	87,934	621,739	1,742,847	244,734	2,697,254
Amount as of 31 December 2011	206,569,601	783,553,323	4,185,040,983	48,099,238	5,223,263,145
Change of consolidation perimeter	189,217,573	193,864,753	631,079,995	25,412,856	1,039,575,177
Acquisition	1,053,534	6,446,435	9,748,240	77,689,296	94,937,505
Disposals	(35,308)	(77,509)	(9,485,597)	(60,126)	(9,658,540)
Adjustments, transfers and write-off's	18,208,552	7,985,124	(14,799,613)	(83,542,754)	(72,148,692)
Exchange rate adjustment	(9,590,214)	(2,406,931)	(8,854,735)	(2,185,472)	(23,037,352)
Amount as of 31 December 2012	405,423,738	989,365,196	4,792,729,273	65,413,037	6,252,931,243
Accumulated depreciations and impairment losses					
Amount as of 1 January 2011	(17,214,485)	(423,721,456)	(2,662,492,521)	(102,292)	(3,103,530,754)
Change of consolidation perimeter	(981,021)	(737,301)	(4,438,710)	-	(6,157,032)
Depreciation and impairment losses	(1,501,650)	(15,798,541)	(145,113,620)	-	(162,413,811)
Disposals	18,361	844,387	95,275,120	-	96,137,868
Adjustments, transfers and write-off's	-	4,151	(131,720)	-	(127,569)
Exchange rate adjustment	15,779	(332,688)	(1,109,664)	-	(1,426,573)
Amount as of 31 December 2011	(19,663,016)	(439,741,448)	(2,718,011,115)	(102,292)	(3,177,517,871)
Change of consolidation perimeter	(18,299,215)	(143,286,863)	(478,181,894)	-	(639,767,971)
Depreciation and impairment losses	(9,699,266)	(25,956,044)	(147,060,450)	-	(182,715,760)
Disposals	10,340	80,401	9,512,631	-	9,603,372
Adjustments, transfers and write-off's	24,919	(4,483,206)	32,195,571	-	27,737,284
Exchange rate adjustment	561,574	749,040	3,679,545	-	4,990,160
Assets held for sale	2,277,432	1,960,372	1,665,465	-	5,903,269
Amount as of 31 December 2012	(47,064,664)	(612,638,119)	(3,297,865,711)	(102,292)	(3,951,767,517)
Net book value as of 1 January 2011	176,690,717	351,203,441	1,540,859,085	44,453,292	2,113,206,535
Net book value as of 31 December 2011	186,906,585	343,811,875	1,467,029,868	47,996,946	2,045,745,274
Net book value as of 31 December 2012	358,359,074	376,727,077	1,494,863,562	65,310,745	2,301,163,727

The group holds a stake of 18% in Soporgen – Sociedade Portuguesa de Geração de Electricidade e Calor, S.A. (Soporgen), a company whose main activity is the production of electricity and steam sold mainly to the subsidiary Soporcel.

In 2009, with the start of operations in the new paper mill, the Group recognised as a finance lease contract the cost of the Precipitated Calcium Carbonate production unit, installed by Omya, S.A. at the industry site in Setubal for the exclusive use of the new factory. This contract foresees the transfer of the ownership of the assets upon the end of the contract.

Following the above-mentioned agreements, the Group applies “IFRIC 4 – Determining whether an arrangement contains a lease”. By following the caption Property, plant and equipment – equipment and other tangibles was increased by Euro 58,003,950, from which the respective accumulated depreciation of Euro 42,288,502 (31

December 2011: Euro 37,999,683), was deducted as of 31 December 2012. As of 31 December 2012, the net book value of these equipments was Euro 15,715,448 (31 December 2011: Euro 20,004,267).

18. Biological assets

As of 31 December 2012 and 2011, changes in biological assets were as follows:

Amounts in Euro	2012	2011
Amount as of 1 January	110,769,306	110,502,616
Changes in fair value		
Logging in the period	(8,844,085)	(20,328,041)
Growth	7,172,023	9,217,207
New plantations	5,122,059	3,839,591
Other changes in fair value	(5,163,378)	7,537,933
Total changes in fair value	(1,713,381)	266,690
	109,055,925	110,769,306

The amounts shown as “Other changes in fair value” correspond to changes (positive or negative) in the estimated volume of future wood harvests due to: new plantations, increase or decrease in the forest management efficiency and write-downs as result of fires.

Biological assets as of 31 December 2012 and 2011 is as follows:

Amounts in Euro	31-12-2012	31-12-2011
Eucalyptus	101,252,393	102,948,128
Pine	5,899,662	6,016,998
Cork	1,661,760	1,542,042
Other species	242,110	262,138
	109,055,925	110,769,306

19. Investment in associates

The following movements were registered in this caption during the years ended 31 December 2012 and 2011:

Amounts in Euro	31-12-2012	31-12-2011
Opening balance	3,924,419	2,039,513
Change in consolidation perimeter	2,014,122	-
Acquisition	-	755,378
Group share of (loss) / gains of associated companies	1,002,692	1,088,356
Dividends received	(826,575)	-
Exchange rate adjustments	(69)	-
Other movements	(616,192)	41,172
Closing balance	5,498,397	3,924,419

The “Investment in associates” includes goodwill amounting to Euro 2,227,750 of Setefrete, SGPS, SA..

As of 31 December 2012 and 2011 “Investments in associates”, including goodwill, comprises:

Associated companies	% Held	Book Value	
		31-12-2012	31-12-2011
Chryso - Aditivos de Portugal, S.A.	40.00%	-	11,431
Setefrete, SGPS, S.A.	25.00%	3,063,979	1,815,259
MC - Materiaux de Construction	49.36%	2,443	1,315
J.M.J. - Henriques, Lda.	100.00%	385,082	198,578
Be-Power, Lda	3.06%	-	119,179
Ave, S.A.	35.00%	256,061	-
Soporgen, S.A.	18.00%	1,790,832	1,778,657
		5,498,397	3,924,419

Soporgen – Sociedade Portuguesa de Geração de Electricidade e Calor, S.A., holds a gas power plant at the Figueira da Foz site that the Group, as mentioned in note 17, considers to be a finance lease and recognises as such in the consolidated financial statements.

Although the share represents only 18% of the company’s equity and respective voting rights, the Group recognises this as an associated company as it can influence Soporgen’s management decisions:

- Two of the five directors of the company are nominated in the representation of the Group;
- A significant part of Soporgen’s sales is made to the Group (at least 18% of the associate’s revenues), and the rest, corresponding to electric energy, is sold to the EDP Group.

On 22 January 2013, Soporcel acquired the remaining shares of Soporgen S.A., corresponding to 82% of Soporgen’s share equity, to EDP, S.A (Note 44).

At 31 December 2012, the financial information relating to associated companies was as follows:

31 December 2012						
Amounts in Euros		Total Assets	Total Liabilities	Equity	Net Income	Revenue
Ave-Gestão Ambiental e Valorização						
Energética, S.A.	b)	2,723,523	1,991,905	731,618	670,649	8,862,010
Chryso - Aditivos de Portugal, S.A.	d)	1,212,556	1,357,654	(145,098)	(201,130)	1,983,158
MC- Materiaux de Construction	c)	673,045	575,446	97,599	38,593	10,434,070
Inertogrande Central de Betão, Lda.	c)	1,916,082	1,983,828	(67,746)	(9,060)	-
Viroc Portugal - Indústrias de						
Madeira e Cimento, S.A.	e)	6,450,884	22,869,191	(16,418,307)	(993,294)	3,211,870
J.M.J. - Henriques, Lda.	c)	1,072,906	302,742	770,164	(8,575)	-
Setefrete, SGPS, S.A.	a)	6,027,305	2,682,391	3,344,914	683,582	99,336

a) Amounts as of 31-12-2011, adjusted from dividend distribution at the year end as of 31-12-2012.

b) Amounts as of 30-11-2012

c) Amounts as of 31-12-2012

d) Amounts as of 31-10-2012, date of sale of the associated company

e) Amounts as of 31-07-2012, date of sale of the associated company

20. Financial assets at fair value through profit or loss

The following movements were registered in this caption during the years ended 31 December 2012 and 2011:

Amounts in Euro	31-12-2012	31-12-2011
Fair value at the beginning of the year	9,657,695	13,128,488
Acquisitions	18,293	575,985
Disposals	(266,670)	(2,431,955)
Changes in fair value	(382,388)	(1,614,823)
Fair value at year end	9,026,930	9,657,695

As of 31 December 2012 and 2011, “Financial assets at fair value through profit or loss” comprised:

Amounts in Euro	Fair Value	
	31-12-2012	31-12-2011
Banco Comercial Português, S.A.	-	253,012
EDP - Energias de Portugal, S.A.	8,979,672	9,375,718
Others	47,258	28,965
	9,026,930	9,657,695

21. Available-for-sale financial assets

The following movements were registered in this caption during the years ended 31 December 2012 and 2011:

Amounts in Euro	2012	2011
Fair value at the beginning of the year	553,764	677,180
Acquisitions	-	275,000
Disposals	(410)	(209,070)
Changes in fair value	(326,433)	(189,346)
Fair value at year end	226,921	553,764

As of 31 December 2012 and 2011 the fair value of available-for-sale financial assets comprises:

Amounts in Euro	Fair Value	
	2012	2011
Banco Espírito Santo, S.A.	100,889	152,179
Liaison Technologie	126,032	126,032
Others	-	275,553
	226,921	553,764

22. Impairment in non-current and current assets

In the years ended 31 December 2012 and 2011, the following movements were registered on impairments in non-current assets:

Amounts in Euro	Goodwill*	Other non-current assets	Tangible assets	Investments assoc. comp.	Total
As of 1 January 2011	10,642,605	1,048,839	4,838,615	8,301	16,538,360
Exchange rate differences	(197,787)	-	-	-	(197,787)
Reversals	-	-	(5,945)	-	(5,945)
Direct utilisations	(757,110)	-	(4,747,338)	(7,243)	(5,511,691)
As of 31 December 2011	9,687,708	1,048,839	85,332	1,058	10,822,937
Change of consolidation perimeter	9,308,714	909,428	-	1,018	10,219,160
Exchange rate differences	(217,259)	-	-	-	(217,259)
Direct utilisations	-	-	(85,332)	-	(85,332)
As of 31 December 2012	18,779,163	1,958,267	-	2,076	20,739,505

* Goodwill impairment due to affiliates and associated companies

In the years ended 31 December 2012 and 2011, the following movements were registered on impairments in current assets:

Amounts in Euro	Inventories	Accounts receivable	Receivables assoc. comp.	Other receivables	Total
As of 1 January 2011	3,473,896	13,689,539	1,855,335	4,828,719	23,847,489
Change in consolidation perimeter	21,580	104,249	-	-	125,829
Exchange rate differences	37,459	20,528	-	(6,078)	51,909
Increases (Note 6)	1,559,697	1,963,030	250,140	120,793	3,893,660
Reversals (Note 5)	(27,177)	(464,488)	(12,588)	(766,063)	(1,270,316)
Direct utilisations	-	(546,381)	-	(204,837)	(751,218)
As of 31 December 2011	5,065,455	14,766,477	2,092,887	3,972,534	25,897,353
Change in consolidation perimeter	3,070,971	12,027,509	2,031,969	3,235,001	20,365,450
Exchange rate differences	(159,921)	(70,557)	-	(1,454)	(231,932)
Increases (Note 6)	562,170	2,702,789	(21,155)	42,687	3,286,490
Reversals (Note 5)	(105,319)	(5,070,073)	-	(561,667)	(5,737,059)
Direct utilisations	(1,535,522)	(948,527)	(4,103,702)	(359,727)	(6,947,478)
Transfers	-	84,545	-	-	84,545
As of 31 December 2012	6,897,833	23,492,162	(1)	6,327,374	36,717,368

23. Inventories

As of 31 December 2012 and 2011 the caption "Inventories" comprised:

Amounts in Euro	31-12-2012	31-12-2011
Raw materials	203,851,631	143,818,825
Work in progress	10,103,543	7,342,109
Byproducts and waste	1,487,801	1,330,460
Finished and intermediate products	95,505,583	86,227,295
Goods for resale	4,843,015	2,576,051
Advances to inventories' suppliers	1,538,059	1,519,559
	317,329,632	242,814,299

Note: Values are presented net of impairment losses (Note 22)

24. Receivables and other current assets

As of 31 December 2012 and 2011 the caption “Receivables and other current assets” comprised:

Amounts in Euro	31-12-2012	31-12-2011
Accounts receivable	247,596,655	250,887,700
Accounts receivable - related parties (Note 35)	31,094	355,435
Derivative financial instruments (Note 34)	1,096,619	802,997
Other receivables	28,420,439	47,967,340
Accrued income	2,527,891	2,160,514
Deferred costs	11,253,204	14,451,468
	290,925,902	316,625,454

Note: Values are presented net of impairment losses (Note 22)

At 31 December 2012 and 2011, “Other receivables” comprised:

Amounts in Euro	31-12-2012	31-12-2011
Other receivables		
Advance payments to suppliers	2,783,945	619,009
AICEP - Financial incentives to receive	620,062	32,877,046
IMT	-	78,626
Others	25,016,433	14,392,659
	28,420,439	47,967,340

During the first semester of 2012, the Group received from AICEP the remaining portion related to financial incentives. The remaining balance regards to other incentives managed by this Agency.

As of 31 December 2012 and 2011, captions “Accrued income” and “Deferred costs” comprised:

Amounts in Euro	31-12-2012	31-12-2011
Accrued income		
Interest receivable	712,667	1,201,756
Discounts in acquisitions	-	223
Other	1,815,224	958,535
	2,527,891	2,160,514
Deferred costs		
Maintenance and Repair	-	52,576
Insurance	246,408	833,805
Rents and leases	330,553	109,763
Other	10,676,243	13,455,324
	11,253,204	14,451,468
	13,781,095	16,611,982

25. State and other public entities

At 31 December 2012 and 2011, there were no arrears debts to the State and other public entities.

The balances relating to these entities were as follows:

Current assets

Amounts in Euro	31-12-2012	31-12-2011
State and other public entities		
Corporate Income Tax - IRC	10,350,933	5,569,100
Individual Income Tax - IRS	116,753	56,683
Value added tax	22,211,480	7,422,270
Value added tax - refunds requested	47,079,100	52,136,813
Other	753,663	179,670
	80,511,929	65,364,536

Current liabilities

Amounts in Euro	31-12-2012	31-12-2011
State and other public entities		
Corporate Income Tax - IRC	3,610,306	19,715,984
Individual Income Tax - IRS	22,494,138	2,449,546
Value added tax	46,731,291	27,641,204
Social Security	3,381,730	2,923,737
Additional tax payment	73,598,135	47,030,250
Other	746,822	263,834
	150,562,422	100,024,555

The caption "Individual Income Tax - IRS" comprises Euro 12,239,735 due to the withholding made on the amounts paid to Board members regarding the revocation and discharge of the pension plan (Note 29).

As of 31 December 2012 and 2011, the caption "Corporate Income tax - IRC" comprised:

Amounts in Euro	31-12-2012	31-12-2011
Year income tax	63,199,183	57,947,182
Exchange rate differences	(56,960)	92,762
Payments on account	(47,296,108)	(31,835,667)
Withholding tax	(9,437,865)	(4,417,505)
Prior years income tax	(2,797,944)	(2,070,788)
	3,610,306	19,715,984

26. Share capital and treasury share

At 31 December 2012, Semapa's share capital was fully subscribed and paid up, being represented by 118,332,445 shares with a unit nominal value of 1 Euro.

At 31 December 2012 and 2011 the following entities had substantial holdings in the company's capital:

Name	Number of shares	%	
		31-12-2012	31-12-2011
Longapar, SGPS, S.A.	21,505,400	18.17	18.17
Sodim, SGPS, S.A.	15,657,505	13.23	15.92
Cimo - Gestão de Participações, SGPS, S.A.	16,199,031	13.69	13.69
Banco BPI, S.A.	12,009,004	10.15	10.15
Bestinver Gestión, SGIIC, S.A.	11,865,210	10.03	10.03
Norges Bank (the Central Bank of Norway)	5,649,215	4.77	5.01
Cimigest, SGPS, S.A.	3,185,019	2.69	0.00
Sociedade Agrícola da Quinta da Vialonga, S.A.	625,199	0.53	0.53
OEM - Organização de Empresas, SGPS, S.A.	535,000	0.45	0.45
Treasury shares	5,447,975	4.60	4.60
Other shareholders with less than 2% participation	25,653,887	21.68	21.44
	118,332,445	100.00	100.00

On 4 July 2007, Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., acquired in the stock market, 2,720,000 treasury shares.

During the year ended at 31 December 2011, Semapa acquired to its subsidiary Seminiv Investimentos, SGPS, S.A., 2,727,975 of its own shares, shown as treasury shares.

27. Reserves and retained earnings

At 31 December 2012 and 2011 the captions “Fair value reserves”, “Translation reserves” and “Other reserves” comprised:

Amounts in Euro	31-12-2012	31-12-2011
Fair value of available-for-sale financial assets	(18.931.308)	(10.127.931)
Control acquisition revaluation	(1.281.742)	(1.281.742)
Total of fair value reserves	(20.213.050)	(11.409.673)
Translation reserve	(25.322.950)	(15.071.293)
Legal Reserves	23.666.489	23.666.489
Others Reserves	929.933.490	834.557.229
Total of other reserves	953.599.979	858.223.718
Total reserves	908.063.979	831.742.752

Fair value of financial instruments

The negative amount of Euro 18,931,308, net of deferred tax, shown under the caption “Fair value of available-for-sale financial assets”, relates to the appropriation of financial instruments classified as hedging, described in Note 34, and accounted in accordance with the policy described in Note 1.13.

Currency translation reserve

The negative figure refers to the exchange differences appropriated by the Group, resulting from the financial statements translation of the companies operating outside the Euro zone, essentially Tunisia, Lebanon, Angola, USA (including net investment), United Kingdom, and Brazil.

Legal Reserve

Commercial Company law prescribes that at least 5% of annual net income must be transferred to the legal reserve until this is equal to at least 20% of the issued capital, which is verified as of 31 December 2012.

This reserve cannot be distributed unless in the event of the company's winding up; however, it may be used to absorb losses after the other reserves have been exhausted or it can be incorporated into the issued capital.

Other reserves

Correspond to free reserves for distribution to shareholders, constituted through the appropriation of prior years' earnings.

Following the purchase of 2,720,000 treasury shares during 2007 and the acquisition on 2011 of 2,727,975 shares of the subsidiary Seminv Investimentos, SGPS, S.A., a reserve with the same amount has been made unavailable, in accordance with the applicable trade law. This reserve should be kept until the disposal of the shares.

Retained earnings

Additional stake acquisition on controlled entities

The Group records in this caption the excess over the group share of net assets in result of additional stake acquisition of already controlled entities.

As of 31 December 2012, the accumulated negative amount of these differences, regarding additional stake acquisitions in subsidiary Portucel, S.A., amounts to Euro 70,723,918.

In the first half of 2012, the Group recorded under this caption a negative amount of Euro 335,355,964, corresponding to the difference between the consideration paid of the additional 49% stake acquired (on 15 May) and the fair value of the identifiable assets acquired and assumed liabilities.

This amount was determined as the difference between 49% of Secil share capital, with reference to the period immediately prior to the acquisition (April 30) amounting to Euro 238,728,036, and the acquisition value of Euro 574,084,000.

Actuarial gains or losses

The differences between the assumptions used for the purpose of determining liabilities related to post-employment benefits and what effectively occurred are equally recorded under this caption (as well as changes made to those assumptions and the difference between the expected return on the assets of the funds and their actual yield) as described in Note 1.22.1. In 2012, the group recorded actuarial earnings amounting to Euro 10,679,520.

28. Deferred taxes

The following movement took place in the caption Deferred tax assets and liabilities during the year ended 31 December 2012:

Amounts in Euro	As of 1 January 2012	Exchange adjustment	Income Statement		Retained earnings	Transfers	Assets held for sale	Changes in perimeter	As of 31 December 2012
			Increases	Decreases					
Temporary differences originating deferred tax assets									
Tax losses carried forward	25.672.642	(24.929)	4.752.322	(6.830.820)	-	(12.235)	2.584.680	4.170.198	30.311.858
Taxed provisions	22.047.015	(177.501)	7.687.499	(5.643.040)	-	-	1.386.958	9.734.540	-
Fixed assets adjustments	103.087.110	-	763.860	(24.889.261)	-	-	-	-	78.961.709
Underfunding of pension funds liabilities	3.290.146	(3.304)	-	(100.013)	53.174	19.901	-	36.836	3.296.740
Derivative Financial Instruments	2.869.071	-	(35.835)	106.309	416.692	-	-	-	3.356.237
Deferred accounting gains on inter-group transactions	19.740.576	-	2.380.166	(6.015.808)	-	-	-	801.464	16.906.398
Valuation of biological assets	(6.757.352)	-	5.828.712	(3.876.253)	-	-	-	-	(4.804.893)
Depreciation of assets recognised under IFRIC 4	139.499	-	724.350	(724.350)	-	-	-	-	139.499
Liabilities with retirement benefits	238.738	(6.027)	62.280	-	(34.669)	-	-	224.245	484.567
Liabilities with long service award	472.538	-	(591)	(375.340)	-	-	-	454.598	551.205
Retirement benefits not covered by an autonomous fund	4.093.269	-	-	(655.743)	(475.427)	(95.037)	-	3.872.659	6.739.721
Derecognition of government grants	2.484.317	-	-	(499.228)	-	-	-	2.144.001	4.129.090
Liabilities for healthcare benefits	6.222.648	-	13.305	(10.702.952)	(888.444)	-	-	6.159.335	803.892
Other temporary differences	4.344.490	(2.997)	4.985.192	(544.607)	-	-	3.715	4.078.898	12.864.691
	204.547.096	(214.758)	27.161.260	(62.209.994)	(928.674)	(87.371)	3.975.353	31.676.774	203.919.686
Temporary differences originating deferred tax liabilities									
Revaluation of fixed assets	(8.556.186)	7.277.123	-	6.431.477	-	-	(10.444)	(48.473.119)	(43.331.149)
Underfunding of pension funds liabilities	(905.515)	-	(12.270)	-	(593.663)	-	-	-	(1.511.448)
Derivative Financial Instruments	(802.996)	-	(106.309)	-	1.578.313	-	-	(775.316)	(106.308)
Fair Value of fixed assets	(407.376.897)	-	-	15.271.550	-	-	-	-	(392.105.347)
Tax Benefits	(97.102.975)	-	(37.305.883)	33.189.725	-	-	-	-	(101.219.133)
Extension of the useful life of the tangible fixed assets	(46.650.817)	148.302	(24.253.336)	-	-	-	-	(1.867.841)	(72.623.692)
Deferred accounting losses on inter-group transactions	(221.190.211)	42.723	(49.360.562)	54.684.752	-	-	-	(5.034.647)	(220.857.945)
Deferred tax gains	(502.626)	-	-	72.083	-	-	(2.128)	(471.809)	(904.480)
Harmonisation of depreciation criteria	(89.374.110)	706.656	(5.396.448)	-	-	-	-	(72.865.767)	(166.929.669)
Fair Value of intangible assets	(151.488.000)	-	-	-	-	-	-	-	(151.488.000)
Subsidiaries fair value	(74.538.809)	2.707.307	-	8.798.023	-	-	(2.801.413)	(59.231.473)	(125.066.365)
Other temporary differences	(22.581.438)	(1)	-	19.537.901	-	(40.660)	-	(241.846)	(3.326.044)
	(1.121.070.579)	10.882.110	(116.434.808)	137.985.511	984.650	(40.660)	(2.813.985)	(188.961.818)	(1.279.469.579)
Deferred tax assets	61.643.040	(64.794)	1.385.516	(12.200.771)	(344.390)	(18.784)	1.013.253	9.445.334	60.858.404
Deferred tax liabilities	(339.427.148)	2.269.414	(35.700.684)	32.045.010	395.677	8.061	(655.099)	(114.141.577)	(455.206.346)

The following movement took place in the caption Deferred income tax assets and liabilities during the year ended 31 December 2011:

Amounts in Euro	As of 1 January 2011	Exchange adjustment	Income Statement		Retained earnings	Tranfers	Changes in perimeter	As of 31 December 2011
			Increases	Decreases				
Temporary differences originating deferred tax assets								
Tax losses carried forward	24.548.901	-	1.123.741	-	-	-	-	25.672.642
Taxed provisions	18.894.079	57.687	2.226.629	-	-	868.619	-	22.047.014
Fixed assets adjustments	52.279.176	-	50.807.934	-	-	-	-	103.087.110
Underfunding of pension funds liabilities	3.545.766	(974)	78.941	(8.219)	(31.103)	(294.265)	-	3.290.146
Derivative Financial Instruments	1.229.620	-	37.300	-	1.602.151	-	-	2.869.071
Deferred accounting gains on inter-group transactions	10.150.996	-	9.652.389	-	(62.809)	-	-	19.740.576
Valuation of biological assets	1.017.572	-	-	(7.774.924)	-	-	-	(6.757.352)
Depreciation of assets recognised under IFRIC 4	3.771.050	-	-	(3.631.551)	-	-	-	139.499
Liabilities with retirement benefits	608.837	5.782	-	(353.620)	(22.261)	-	-	238.738
Liabilities with long service award	709.385	-	-	(236.847)	-	-	-	472.538
Retirement benefits not covered by an autonomus fund	4.928.036	-	-	(387.060)	(263.306)	(184.401)	-	4.093.269
Derecognition of government grants	2.677.172	-	-	(192.854)	-	-	-	2.484.318
Liabilities for healthcare benefits	6.370.842	-	-	(73.930)	(74.264)	-	-	6.222.648
Other temporary differences	3.083.210	(14.049)	1.337.811	(73.277)	10.938	(868.619)	868.476	4.344.490
	133.814.642	48.446	81.867.134	(12.732.282)	1.159.345	(478.666)	868.476	204.547.095
Temporary differences originating deferred tax liabilities								
Revaluation of fixed assets	(12.193.318)	-	-	1.903.607	1.738.456	-	(4.930)	(8.556.185)
Underfunding of pension funds liabilities	(993.803)	-	(71.070)	-	159.358	-	-	(905.515)
Derivative Financial Instruments	(1.076.338)	-	-	-	273.342	-	-	(802.996)
Fair Value of fixed assets	(419.469.009)	-	(3.179.438)	15.271.550	-	-	-	(407.376.897)
Tax Benefits	(82.938.221)	-	(13.859.014)	-	(305.739)	-	-	(97.102.975)
Extension of the useful life of the tangible fixed assets	(121.524.198)	13.843	(153.667)	75.013.205	-	-	-	(46.650.817)
Deferred accounting losses on inter-group transactions	(110.051.533)	(171.233)	(110.967.445)	-	-	-	-	(221.190.211)
Deferred tax gains	(541.150)	-	-	205.465	-	-	(166.941)	(502.626)
Harmonisation of depreciation criteria	(85.191.788)	51.983	(4.234.305)	-	-	-	-	(89.374.110)
Fair Value of intangible assets	(151.488.000)	-	-	-	-	-	-	(151.488.000)
Subsidiaries fair value	(71.061.523)	(108.241)	-	1.783.666	55.391	-	(5.208.102)	(74.538.809)
Other temporary differences	(33.462.200)	-	-	10.891.122	-	-	(10.359)	(22.581.437)
	(1.089.991.081)	(213.648)	(132.464.939)	105.068.615	1.920.807	-	(5.390.332)	(1.121.070.578)
Deferred tax assets	37.157.841	4.708	27.517.580	(3.325.280)	326.448	(175.774)	137.517	61.643.040
Deferred tax liabilities	(313.340.341)	3.346	(55.278.482)	30.529.242	(62.545)	175.774	(1.454.142)	(339.427.148)

In the measurement of deferred taxes at 31 December 2012, the company used an income tax rate of 31.50%. This tax rate comprises the estimated impact of the state surcharge, introduced by the temporary measures of Stability Plan and Growth (PEC) and legislated by Law nº 12-A/2010, subsequently amended by Law 64-B/2011.

Nevertheless it is the Company understanding that the reversal of deferred taxes will occur on a later period than then one covered by the PEC, therefore after 2013.

Deferred tax assets on tax losses carried forward

Deferred income tax assets resulting from tax losses are recognised to the extent that the realisation of the relevant tax benefit is probable by means of the existence of future taxable profits.

Deferred income tax assets recognised by the Group refer to tax losses which can be offset against future taxable profits, as follows:

Amounts in Euro	12/31/2012	12/31/2011	Expiry date
Interholding Investment BV	24,332,428	24,332,428	2013
Raiz - Instituto de Investigação da Floresta e Papel	-	510,584	0
LUSOINERTES, Unipessoal, Lda.	-	829,630	0
Secil - Companhia Geral de Cal e Cimento, S.A.	5,112,968	-	2017
Cimentos Madeira, Lda.	228,917	-	2017
Margem - Companhia de Mineração	442,428	-	Undefined
ABAPOR	161,488	-	2015
AISIB	33,629	-	2026
	30,311,858	25,672,642	

Tax losses carried forward without a deferred income tax asset

Tax losses which the Group considers, at this date, cannot be offset against future taxable profits, and as such do not warrant recognition as a deferred income tax asset, are shown by year in which they expire as follows:

Amounts in Euro	31-12-2012	31-12-2011	Expiry date
Semapa and Holdings			
Semapa SGPS S.A.	130,865,409	99,241,405	2015
Seinpart SGPS S.A.	4,178,603	8,423,900	2015
Cements and Derivatives			
Betomadeira, S.A.	1,660,069	869,135	2015
Cimentos Costa Verde	-	166,034	-
Florimar, SGPS, Lda	98,497	43,725	2017
I3 Participações e Serviços, Lda.	81,706	36,303	Not Defined
LUSOINERTES, Unipessoal, Lda.	3,201,251	-	2017
Madebritas, Lda.	45,339	50,747	2017
Parcim, B.V.	178,126	52,535	Not Defined
Pedra Regional, S.A.	768,489	344,546	2017
Promadeira, Lda.	-	416,009	-
Probicomb - Produção de Compostos e Biomassa, S.A.	-	885	-
Reficomb- Refinação e Comercialização de Combustíveis, S.A.	4,431	1,579	2015
Secil - Comp. ^a Geral de Cal e Cimento, S.A.	11,947,981	-	2017
Secil Angola, SARL	-	164,244	-
Secil Cabo Verde Comércio e Serviços, Lda.	106,901	-	2015
Secil Pré-betão, S.A.	4,953,172	2,520,608	2017
Secil Unicon - S.G.P.S., Lda.	42,945	13,804	2017
Serife, Lda.	-	118,949	-
Silonor, S.A.	11,100,206	5,271,352	Not Defined
Soime, S.A.L.	532,705	112,452	2015
Solenreco-Produção e Comercialização de Combustíveis, Lda.	351,823	76,671	2017
Uniconcreto - Betão Pronto, S.A.	4,617,583	-	2017
Valcem, Lda.	-	249,247	-
Zarzis Béton	99,507	53,551	2020
	174,834,743	118,227,681	

29. Pensions and other post-employment benefits

As referred to in Note 1.22, the Group grants various post-employment benefits to its employees and their families.

The following is a breakdown of the obligations assumed and reflected in the Consolidated Balance sheet at 31 December 2012 and 2011:

2012	Pulp and paper	Cement and derivatives	Holdings	Total
Group liability for past services	119,168,773	29,469,859	1,374,716	150,013,348
Market value of the pension funds	(117,050,324)	(27,663,712)	-	(144,714,036)
Reserve account (overfunding due to the change to a defined contribution plan)	-	(1,012,191)	-	(1,012,191)
Under / (overfunding) of pension funds liabilities	2,118,449	793,956	1,374,716	4,287,121
Other unfunded liabilities				
Healthcare assistance	-	983,936	-	983,936
Retirement and death liabilities	3,196,228	484,567	-	3,680,795
Long-service award liabilities	-	551,207	-	551,207
Total unfunded liabilities	5,314,677	2,813,666	1,374,716	9,503,059

2011	Pulp and paper	Cement and derivatives	Holdings	Total
Group liability for past services	118,152,978	18,109,711	100,101,270	236,363,959
Market value of the pension funds	(104,716,904)	(14,380,563)	-	(119,097,467)
Covered capital	-	820,423	-	820,423
Insurance policies	-	(1,179,025)	-	(1,179,025)
Reserve account (overfunding due to the change to a defined contribution plan)	-	(266,165)	-	(266,165)
Under / (overfunding) of pension funds liabilities	13,436,074	3,104,381	100,101,270	116,641,725
Other unfunded liabilities				
Healthcare assistance	-	6,402,693	-	6,402,693
Retirement and death liabilities	3,246,711	238,738	-	3,485,449
Long-service award liabilities	-	472,539	-	472,539
Total unfunded liabilities	16,682,785	10,218,351	100,101,270	127,002,406

Semapa

In a shareholders' General Meeting, held in 27 December 2012, the retirement board of directors' pension plan, approved on shareholders' General Meeting, held in 30 March 2005 was unanimously revoked.

Following this determination, it was placed to consideration of each beneficiary the possibility of early redemption, with and additional discount between 20% and 25%, of all individual pension liabilities. This proposal was accepted for almost all beneficiaries, which received 40% of the accrued liabilities deducted from the referred discount. The disbursement of the remaining 60% will be deferred for a period not exceeding three years. This discount resulted in a gain of Euro 19,053,485 recorded in the caption "Payroll expenses" (Note 6). Thus, on 31 December 2012, the amount of liabilities presented on the balance sheet under the caption "Pension and other post-employment benefits" (Euro 1,374,716), comprises the liability of Semapa to one beneficiary who choose not join the deliberation held in 27 December 2012.

Sub-group Portucel

There are currently several retirement and survival pension supplement plans, and retirement bonus, in place in the companies included in the consolidation. For some categories of employees there are plans in addition to the ones described below, for which independent funds were also created to cover these additional liabilities.

Under the prevailing Social Benefits Regulation, permanent employees of Portucel and its main subsidiaries with more than five years' service (ten years for Soporcel, Aliança Florestal and Raiz) are entitled to a monthly retirement pension or disability supplement after retirement or disability.

This is calculated according to a formula, which considers the beneficiary's gross monthly remuneration updated to the work category at the date of retirement and the number of years of service, up to a limit of 30 (limit of 25 to Soporcel, Aliança Florestal and Raiz), including a survivor pensions to the spouse and direct descendants.

To cover this liability, externally managed pension funds were set up, and the funds' assets are apportioned between each of the companies.

Additionally, some of the Portucel Group companies assumed the liability of a retirement bonus, which is equal to 6 months of salary, if the employee retires on the regular retirement age (65 years).

As of 31 December 2012, the liability related with post employment benefit plans for members of Portucel's Board of Directors was Euro 2,439,412 (2011: Euro 4,629,594). During 2012, the subsidiary Soporcel agreed with a group of directors and former directors, the redemption of their responsibilities through payment of these values with a net benefit to the company amounting to Euros 742,888.

Sub-group Secil

The Secil Pension Fund is the financial support for the payment of the benefits predicted in each associate Pension Fund (now jointly managed).

Defined contribution plan

Defined contribution plans existing in the Group are detailed as follows:

Portucel Sub-group

Some of the Group's subsidiaries have assumed commitments, regarding contributing to a defined contribution plan with a percentage of the beneficiaries' salary, in order to provide retirement, disability, early retirement and survivors' pensions.

Secil sub-group

In September 2010, the constitutive contract of Secil's Pension Fund was amended, which is now designated by Pension Fund Group Secil, fully replacing the previous contract and in force as at 1 January 2010.

The Pension Fund Group Secil comprises Secil and the subsidiaries:

- (i) CMP – Cimentos Maceira e Pataias, S.A. and Unibetão – Industrias de Betão Preparado, S.A. whose funds were incorporated (and simultaneously extinguished) into Secil Pension Fund;
- (ii) Cimentos Madeira, Lda, which integrated (and extinguished simultaneously) their insurance policy in the pension fund Secil;
- (iii) Britobetão – Central de Betão, Lda., Secil Britas, S.A., Quimipetra – Secil Britas, Calcários e Derivados, Lda., Beto Madeira, S.A., Brimade, S.A. e Eurobetão – Betão Pronto, S.A..

The subsidiaries Cimentos Madeira and Brimade, joined the Pension Fund Group Secil during the current period.

Additionally, Cimentos Madeira amended with effect to 1 January 2012 the defined contribution post-employment benefits, namely the supplement to retirement, early retirement and survivor pensions, to a defined contributions plan.

The defined contribution pension plan include all employees who in 1 January 2012 had a permanent contract (and who are covered by the defined benefit pension scheme in force at the company) and all new permanent employees since that date. This is also applicable to members of the board of directors.

In the constitution for the defined-contribution plan an allocation was made for the respective fund net assets with funds in place. A surplus was computed after the allocation of obligations for past services covered by the

defined benefit pension schemes and defined contribution schemes and transferred to a reserve account allocated to the pension fund.

Regarding Brimade, all permanent employees as at 1 July 2012 and all future hired employees will be entitled to the plan.

Defined-benefit plans

(i) Defined-benefit plans with funds managed by independent entities

LIABILITIES FOR COMPLEMENTARY RETIREMENT AND SURVIVOR'S PENSIONS

Secil and its subsidiaries CMP - Cimentos Maceira e Pataias, S.A., Unibetão- Industrias de Betão Preparado, S.A., Cimentos Madeira, Lda., Betomadeira, S.A. and Société des Ciments de Gabes have assumed the commitment to pay their employees amounts by way of complementary old age, disability, early retirement and survivors' pensions and a retirement subsidy.

The liabilities arising from these plans are guaranteed by independent funds, administered by third parties, or covered by insurance policies.

These plans are valued every six months, at the dates of closing of the interim and annual financial statements, by specialised and independent entities, using the projected unit credit method.

ii) Defined-benefit plans managed by the Group

LIABILITIES FOR COMPLEMENTARY RETIREMENT AND SURVIVOR'S PENSIONS

The responsibilities of Secil's retirees in 31 December 1987 (date of incorporation of Pension Fund) are guaranteed directly by Secil. However, since 26 June 2012 the responsibilities of Cimentos Madeira, Lda, Betomadeira - Betões and Britas da Madeira, S.A. related to all retirees and pensioners that were receiving a pension in 1 July 2012, were transferred to Cimentos Madeira defined benefit pension plan incorporated in Secil's Pension fund.

These plans are also valued every six months by specialised and independent entities using the method for calculating capital coverage corresponding to single premiums of the immediate life annuities in the valuation of the liabilities to current pensioners and the projected unit credit method for valuing liabilities relating to current employees.

LIABILITIES FOR HEALTHCARE

Secil and its subsidiaries, CMP – Cimentos Maceira e Pataias, S.A. and Cimentos Madeira, Lda. provided their employees with a healthcare scheme which supplements the official health services and which is available to their families, pre-retired and retired staff and widows.

LIABILITIES FOR RETIREMENT AND DEATH BENEFITS

Secil and its subsidiaries, hereafter identified, assumed the commitment to its employees to pay an old-age retirement and disability subsidy and a death subsidy, with the following attribution criteria:

- (i) at Secil and CMP a subsidy on death of current employee, equal to one month's last salary earned;
- (ii) at Secil Angola, S.A.R.L. and Secil Lobito, S.A., (Angola) on retirement date and in terms of the General Labour Law no. 2/2000, a retirement subsidy equivalent to one quarter of the last salary multiplied by the number of years service within the company;

- (iii) at Société des Ciments de Gabes (Tunisia), on retirement date and in terms of the General Labour Agreement, article no. 52, a retirement subsidy representing: (i) 2 months of the last salary if the worker has less than 30 years service to the company, and (ii) 3 months of the last salary, if the worker has 30 years or more service to the company.

In the current period, Cimentos Madeira, Lda, extinguished the benefit granted to their employees on retirement date, which comprises a retirement allowance equal to three pensionable salaries.

Secil and its subsidiary CMP – Cimentos Maceira e Pataias, S.A., assumed the commitment to its current employees to pay a death subsidy equal to one month's last salary earned.

LIABILITIES FOR LONG-SERVICE AWARDS

Secil and the subsidiary CMP – Cimentos Maceira e Pataias, S.A. have assumed the commitment to pay their employees bonuses to those who attain 25 years of service, which are paid in the year the employee reaches the number of years of service within the company.

ASSUMPTIONS USED IN THE VALUATION OF LIABILITIES

The actuarial studies conducted by independent entities with reference to 31 December 2012 and 2011 for the purpose of calculating the liabilities for past services on those dates, were based on the following assumptions:

	31-12-2012	31-12-2011
Social Benefits formula	Decree-Law n ^o 187/2007	Decree-Law n ^o 187/2007
	of May 10 t ^h	of May 10 t ^h
Disability table	EKV 80	EKV 80
Mortality table	TV 88/90	TV 88/90
Wage growth rate - Group Secil	1,50%	2,50%
Wage growth rate - other companies	2,00%	2,00%
Technical interest rate	5,00%	5,00%
Pensions growth rate - Group Secil	0,90%	1,58%
Pensions growth rate - other companies	1,75%	1,75%
Semapa pensions reversability rate	50,00%	50,00%
Number of of Semapa complement annual payments	12	12
Healthcare costs growth rate	4,60%	4,60%
Cost to the health insurance	300,00	531,76

Healthcare costs growth rate of 4.60% was calculated based on the following assumptions:

- Inflation rate: 2%
- Historical difference between general consumers' price index (initials in Portuguese IPC) and the index for health: 0.10%
- Cost to health insurance (related to actual cost to health insurance increase, showing insurance companies' margin): 2.50%

The rate of the expected return on assets was determined based on the historical monthly returns over the last 20 years for the different types of assets integrating the strategic allocation of the pension's fund.

The following table presents five-year historical information on the present value of liabilities, funds' market value, non-financed liabilities and net actuarial gains/ (losses).

Information related to the last five years were as follows:

Amounts in Euro	2008	2009	2010	2011	2012
Present value of liabilities	265,662,626	272,313,818	246,197,433	247,545,062	155,229,286
Fair value of plan assets	140,519,777	151,828,873	119,815,373	120,542,657	145,726,227
Surplus / (deficit)	(125,142,849)	(120,484,945)	(126,382,060)	(127,002,405)	(9,503,059)
Net actuarial gains / (losses)	(312,926)	10,244,403	(4,990,550)	1,060,676	11,654,475

FUNDS LINKED TO BENEFIT PLANS' PENSIONS

During 2012 and 2011, fund's assets/insurance policies registered the following movements:

Amounts in Euro	31-12-2012		31-12-2011	
	Autonomous fund	Covered Capital	Autonomous fund	Covered Capital
Opening balance	119,097,467	1,179,025	118,286,476	1,094,663
Change in consolidation perimeter	13,816,620	1,132,788	-	-
Curtailment and/or Settlement	(3,943,060)	-	-	(486)
Exchange rate	90,669	(10,421)	-	42,026
Endowments made in the year	10,868,537	50,011	6,314,655	48,893
Real vs Expected Income	4,987,311	-	(7,012,913)	-
Expected Income	4,325,557	-	5,089,484	(6,072)
Pensions paid	(6,796,103)	-	(3,580,235)	-
Retirement charged	-	(79,320)	-	-
Transfer of liabilities to fund	2,095,284	(2,095,284)	-	-
Closing balance	144,542,282	176,799	119,097,467	1,179,024

The contributions made in the period considered the information received from the actuaries with whom the Group manages the funding needs of its several plans. A deficit recovery plan of the funding levels to the mandatory minimum defined by the applicable regulations is being carried out, when applicable.

As at 31 December 2012 and 2011, fund's assets were made up as follows:

Amounts in Euro	31-12-2012	%	31-12-2011	%
Shares	28,264,660	19.6%	20,988,862	17.6%
Bonds	69,639,065	48.2%	56,087,065	47.1%
Government bonds	7,422,829	5.1%	9,533,727	8.0%
Real estate	217,020	0.2%	91,625	0.1%
Liquidity	38,498,894	26.6%	31,877,294	26.8%
Others	499,814	0.3%	518,895	0.4%
	144,542,282	100.0%	119,097,467	100.0%

Obligations for pension plans and other post-employment benefits

Movements occurred in net liabilities assumed by the Group, shown in the balance sheet as of 31 December 2012, are as follows:

Amounts in Euro	Opening balance	Change in consolidation perimeter	Increase/ (decrease) liabilities	Increase/ (decrease) funds assets	Closing balance
Post-employment benefits					
Assumed by the group	104,194,538	3,932,748	(100,012,852)	-	8,114,434
Autonomous fund	12,392,500	(1,002,649)	9,130,558	(24,442,590)	(3,922,181)
Insurance policy	54,688	52,544	(12,364)	-	94,868
Retirement and death	3,485,449	229,376	(34,030)	-	3,680,795
Healthcare assistance	6,402,692	6,151,606	(11,570,362)	-	983,936
Long service award	472,538	454,008	(375,339)	-	551,207
	127,002,406	9,817,632	(102,874,389)	(24,442,590)	9,503,059

Costs incurred in pensions and other post-employment benefits

For costs incurred in pensions and other post-employment benefits, the detail was as follows:

Amounts in Euro	31-12-2012				
	Current services	Interest cost	Expected return on the plan assets	Curtailments and settlements	Impact in the profit for the year
Post-employment benefits					
Assumed by the Group	867,625	5,216,622	-	(19,097,434)	(13,013,187)
Autonomous Fund	2,602,348	7,890,403	(9,374,355)	2,778,139	3,896,535
Retirement and Death	30,834	44,653	-	(9,351)	66,136
Healthcare assistance	165,367	517,417	-	(10,796,311)	(10,113,527)
Long-service award	26,672	31,195	-	(108,091)	(50,224)
Contributions to defined contribution plans	1,016,336	-	-	-	1,016,336
	4,709,182	13,700,290	(9,374,355)	(27,233,048)	(18,197,931)

Amounts in Euro	31-12-2011						
	Current services	Interest cost	Expected return on the plan assets	Curtailments and settlements	Others	Defined contribution plans	Impact in the profit for the year
Post-employment benefits							
Assumed by the Group	840,185	5,128,946	-	(28,970)	-	-	5,940,161
Autonomous Fund	2,707,016	6,377,121	(5,887,114)	-	198,683	1,428,147	4,823,853
Insurance policy	-	-	-	-	-	-	-
Retirement and Death	27,858	38,776	-	-	(378,975)	-	(312,341)
Healthcare assistance	131,118	325,168	-	-	(115,184)	-	341,102
Long-service award	44,926	52,013	-	-	(193,129)	-	(96,190)
	3,751,103	11,922,024	(5,887,114)	(28,970)	(488,605)	1,428,147	10,696,585

30. Provisions

During the course of the years ended 31 December 2012 and 2011, the following movements took place in the caption “Provisions”:

Amounts in Euro	Legal claims	Environmental restauration	Others	Total
As of 1 January 2011	1,431,707	3,013,449	31,818,707	36,263,863
Change in consolidation perimeter	-	319,789	646,952	966,741
Increases (Note 6)	383,361	-	20,826,465	21,209,826
Reversals (Note 6)	(460,842)	(74,983)	(21,991,897)	(22,527,722)
Direct utilisations	-	(21,002)	(210,586)	(231,588)
Exchange differences	-	-	22,512	22,512
Financial discounts	-	201,648	-	201,648
As of 31 December 2011	1,354,226	3,438,901	31,112,153	35,905,280
Change in consolidation perimeter	-	3,324,421	7,765,245	11,089,666
Increases (Note 6)	18,533	15,327	13,261,509	13,295,369
Reversals (Note 6)	(109,635)	(103,220)	(22,591,063)	(22,803,918)
Direct utilisations	-	(13,087)	(3,180,473)	(3,193,560)
Exchange differences	-	(289)	(51,053)	(51,341)
Financial discounts	-	295,234	(18,490)	276,744
As of 31 December 2012	1,263,124	6,957,288	26,297,829	34,518,241

The amount shown as “Others” relates to a provision for risks with other public entities which may originate a cash outflow in the future.

31. Interest-bearing liabilities

As of 31 December 2012 and 2011, Group’s net debt was as follows:

Amounts in Euro	31-12-2012	31-12-2011
Interest-bearing liabilities		
Non-current	1,681,677,079	1,156,533,619
Current	333,104,559	251,991,062
	2,014,781,638	1,408,524,681
Cash and cash equivalents		
Cash	356,386	162,429
Short term bank deposits	30,389,153	13,178,828
Other	382,930,541	402,356,318
	413,676,080	415,697,575
Market Value	148,106,042	79,678,863
Interest bearing net debt	1,452,999,516	913,148,243

Non-current interest-bearing liabilities

As of 31 December 2012 and 2011, non-current interest-bearing liabilities were as follows:

Amounts in Euro	31-12-2012	31-12-2011
Non-current		
Bond loans	873,695,261	645,400,000
Commercial paper	199,450,000	130,850,000
Bank loans	606,622,825	377,135,697
Expenses with bond loans issuing	(10,651,043)	(4,263,641)
Interest-bearing bank debt	1,669,117,043	1,149,122,056
Financial leases	3,818,485	2,254,664
Other loans - QREN	8,741,551	5,156,899
Other interest-bearing debts	12,560,036	7,411,563
Non current interest-bearing liabilities	1,681,677,079	1,156,533,619

Bond loans

As of 31 December 2012 and 2011, current and non-current bond loans were as follows:

Amounts in Euro	31-12-2012	31-12-2011	Maturity	Reference rate
Portucel 2005 / 2012	-	150,000,000	October 2012	Euribor 6m
Portucel 2005 / 2013	200,000,000	200,000,000	May 2013	Euribor 6m
Portucel 2010 / 2015	100,000,000	100,000,000	February 2015	Euribor 6m
Portucel 2010 / 2015 - 2nd emission	100,000,000	100,000,000	January 2015	Euribor 6m
Semapa 2006 / 2016	175,000,000	175,000,000	April 2016	Euribor 6m
Semapa 2006 / 2016	50,000,000	50,000,000	May 2016	Euribor 6m
SBI 2007 / 2017	40,000,000	20,400,000	December 2017	Euribor 6m
Semapa 2012 / 2015	300,000,000	-	March 2015	Fixed rate
Secil 2012 / 2017	60,000,000	-	December 2017	Euribor 6m
NSOSPE	48,695,261	-	March 2017	CDI
	1,073,695,261	795,400,000		

Semapa SGPS, S.A. have restructured its debt, issuing two bond loans amounting Euro 50,000,000 and Euro 175,000,000 with 10 years maturity. This last is listed in Euronext Lisbon under the designation “Obrigações Semapa 2006/2016”, whose unit value, on 31 December 2012, is Euro 88.25 (31 December 2011: Euro 95.25).

In 2012, Semapa issued a bond loan amounting to Euro 300,000,000 with a maturity of three years (2015), listed on Euronext Lisbon under the heading “Obrigações Semapa 2012/2015”, whose unit value, on 31 December 2012, is Euro 103.66.

Also, during the current financial year the subsidiary NSOSPE (Brazil) issued debenture loans amounting to Brazilian Real 128,100,000 with a maturity of 5 years (2017).

In December 2009, Portucel contracted a bond loan designated “Obrigações Portucel 2010/2015” that was used only on February 2010, amounting to Euro 100,000,000. The loan is indexed to the 6-month Euribor, with a designed 40% repayment at the end of the fourth year, and the remaining 60% at its maturity date.

In February 2010, Portucel contracted an additional bond loan designated “Obrigações Portucel - 2010 /2015 - 2ª Emissão” with an amount of Euro 100,000,000 indexed to the 6-month Euribor with a single reimbursement upon maturity, February 2015.

Commercial paper

In 2006, Semapa SGPS, S.A. contracted a commercial paper amounting Euro 175,000,000 with 10 years maturity which amounts Euro 174,450,000 as at 31 December 2012.

During the year ended 31 December 2008, Semapa and ETSA – Investimentos SGPS S.A. (former designated by VerdeOculto) contracted a commercial paper program amounting Euro 70,000,000, for a period of 5 years, which amounts Euro 25,000,000 as at 31 December 2012.

Maturity of bond loans and other loans

The reimbursement terms relating to the balance recorded as bonds, bank loans and other medium and long-term loans is shown as follows:

Amounts in Euro	31-12-2012	31-12-2011
1 to 2 years	184,464,261	424,199,727
2 to 3 years	719,786,602	83,308,218
3 to 4 years	494,181,811	193,331,836
4 to 5 years	175,709,873	432,770,904
More than 5 years	114,367,090	24,931,911
	1,688,509,637	1,158,542,596

Current interest-bearing liabilities

As of 31 December 2012 and 2011, current interest-bearing liabilities were as follows:

Amounts in Euro	31-12-2012	31-12-2011
Current		
Bank loans	200,000,000	150,000,000
Loans from financial institutions	110,881,672	91,124,219
Interest-bearing bank debt	310,881,672	241,124,219
Shareholders short term loans	5,074,358	10,065,242
Financial leases	1,063,241	772,932
Other loans -POE	-	28,669
Other loans - QREN	1,143,146	-
Other debts	14,942,142	-
Other interest-bearing debts	22,222,887	10,866,843
Current interest-bearing liabilities	333,104,559	251,991,062

As of 31 December 2012 and 2011, current and non-current bank loans were as follows:

Amount in Euro	31-12-2012	31-12-2011	Reference rate
Non-current			
Holdings			
Caixa Galícia	8,000,000	12,000,000	Euribor 3m
Caixa Geral de Depósitos	100,000,000	133,079,000	Euribor 6m
Other	-	-	several
Cement and derivatives			
Amen Bank	5,525,117	2,789,896	TMM
Banco Espírito Santo	31,428,572	6,630,000	Euribor
Banco Santander Totta	65,133,739	6,120,000	Euribor 3M
Banco Caixa de Crédito Agrícola	25,000,000	-	several
Banque Mediterranee	4,907,924	983,868	several
UBCI Credit	6,561,462	3,510,079	TMM
Banco BRDE	196,774	-	-
Banco Volkswagen	81,626	-	-
Other	77,212,282	35,132,482	several
Paper and pulp			
BEI	274,345,238	169,047,619	Euribor 6m
Environment			
Banco BBVA	-	148,335	Euribor 3m
Banco BPI	3,250,000	5,250,000	Euribor 3m
Banco Espírito Santo	1,800,000	-	Euribor 3m
Banco Santander Totta	750,000	1,750,000	Euribor 3m
Montepio	375,000	625,000	Euribor 6m
Other	2,055,091	69,418	Euribor 6m
	606,622,825	377,135,697	
Current			
Holdings			
Banco BPI	600,000	2,500,000	Euribor 1m
Caixa Galícia	4,000,000	4,000,000	Euribor 12m
Caixa Geral de Depósitos	333,469	516,634	Euribor 3m
Montepio	5,000,000	5,000,000	Euribor 3m
Fortis Bank	15,000,000	25,000,000	Euribor 3m
Cement and derivatives			
Banco Espírito Santo	714,286	323,506	Euribor 3m
Banco Santander Totta	516,194	-	Euribor 1s
Banco Itaú	2,353,158	-	-
Banco Bradesco	11,301,453	-	-
Banco Safra	2,282,967	-	-
Other	33,351,221	23,909,958	several
Paper and pulp			
Caja Duero	19,744,522	14,085,292	Euribor 6m
Environment			
Banco BBVA	147,315	289,760	Euribor 3m
Banco BPI	3,750,000	3,500,000	Euribor 3m
Banco Espírito Santo	6,450,000	8,250,000	Euribor 3m
Banco Santander Totta	2,000,000	2,000,000	Euribor 3m
Caixa Geral de Depósitos	1,547,420	959,402	Euribor 3m
Montepio	750,000	750,000	Euribor 3m
Other	1,039,668	39,667	Euribor 3m
	110,881,672	91,124,219	
	717,504,497	468,259,916	

Market values of shares held by the Group

As of 31 December 2012 and 2011, the market value of shares held by the Group used in the above calculation of interest bearing net debt, was detailed as follows:

Amounts in Euro	31-12-2012	31-12-2011
Treasury shares held by Semapa	30,998,978	29,255,626
Treasury shares held by Portucel	108,026,503	40,641,775
BES shares	100,889	152,179
BCP shares	-	253,565
EDP shares	8,979,672	9,375,718
	148,106,042	79,678,863

Liabilities related to financial leasing

As of 31 December 2012 and 2011, the Group's debt-repayment terms relating to finance leases, except for liabilities resulting from the application of IFRIC 4 (Note 17), are shown as follows:

Amounts in Euro	31-12-2012	31-12-2011
Less than 1 year	1,241,136	778,161
1 to 2 years	1,081,794	566,537
2 to 3 years	838,169	447,567
3 to 4 years	776,877	289,995
4 to 5 years	702,887	300,209
More than 5 years	834,659	657,236
	5,475,522	3,039,705
Future interest	(593,795)	(12,109)
Liabilities present value	4,881,726	3,027,596

As at 31 December 2012 the Group showed the following equipment under finance lease plan:

Amounts in Euro	31-12-2012		
	Acquisition Value	Accumulated Depreciation	Net Book Value
Machinery and equipment	4.641.114	(1.299.133)	3.341.981
Machinery and equipment - IFRIC 4 (Note 17)	58.003.950	(42.288.502)	15.715.448
Transport equipment	1.680.575	(1.056.351)	624.224
	64.325.639	(44.643.986)	19.681.653

The group holds a 18% stake on Soporgen – Sociedade Portuguesa de Geração de Electricidade e Calor, S.A, a company whose main activity is the production of electricity and steam, sold mainly to the subsidiary Soporcel.

Soporcel has a purchase option for the share capital that does not hold in Soporgen, until the contract of steam electricity supply between Soporgen and Soporcel expires. This option is exercisable for pre-assigned values during 2010 at 2015, on the 1st of January of each year. This option was already used in January 2013, as described on Note 44.

In 2010, with the launch of the new paper mill, the Group recognised as a finance lease contract the cost of the precipitated calcium carbonate production unit, installed by Omya, S.A. at the industry site in Setúbal for the exclusive use of the new mill. This contract foresees the transfer of the assets' ownership to About The Future, S.A., upon its termination.

Bank credit facilities granted and not drawn

At 31 December 2012 and 2011, bank credit facilities granted and not drawn amounted to Euro 318,903,646 and Euro 332,924,686 respectively.

Financial Covenants

For certain types of financing operations, there are commitments to maintain certain financial ratios within previously negotiated limits.

The existing covenants are clauses of Cross default, *Pari Passu*, Negative pledge, Ownership-clause, clauses related to group's activities maintenance, financial ratios and fulfilment of regular financial contracts' obligations (operational, legal and tax obligations).

32. Payables and other current liabilities

As of 31 December 2012 and 2011, the caption "Payables and other current liabilities" comprised:

Amounts in Euro	31-12-2012	31-12-2011
Accounts payable to suppliers	180,026,986	172,515,118
Accounts payable to suppliers of fixed assets	11,801,711	39,001,432
Accounts payable to suppliers of fixed assets - Soporgen	3,827,166	4,584,418
Instituto do Ambiente - CO2 Emission allowances	14,957,880	11,848,325
Derivative financial instruments (Note 34)	27,027,199	17,632,640
Other creditors	64,654,986	11,249,849
Related parties (Note 35)	2,642,398	2,351,402
Accrued costs	59,057,141	56,969,220
Deferred income	51,402,254	55,413,700
	415,397,720	371,566,104

The caption "Other creditors" includes an amount of Euro 48,796,256 corresponding to 60% of the liability established by the revocation of the pension plan of Semapa SGPS, S.A. board of directors which payment was deferred as described in Note 29.

At 31 December 2012 and 2011, the captions "Accrued costs" and "Deferred income" comprised:

Amounts in Euro	31-12-2012	31-12-2011
Accrued costs		
Insurance costs	105,299	132,122
Payroll expenses	32,645,933	41,897,400
Interests payable	10,933,003	7,567,001
Accrued - energy costs	6,231,426	2,248,689
Transport services	1,259,434	-
Bank services	1,115,049	3,144,231
Audit fees	225,023	-
IT Services	140,057	-
Other	6,401,917	1,979,777
	59,057,141	56,969,220
Deferred Income		
Government grants	49,338,748	54,170,529
Grants - CO2 emission allowances	1,531,321	433,746
Others	532,185	809,425
	51,402,254	55,413,700

33. Assets and liabilities held for sale

Assets and liabilities held for sale are related with the acquisition of Uniconcreto – Betão Pronto, S.A.. The decision to dispose these assets and liabilities follows the imposition placed by the competition authority as well as the subsequent internal assessment carried out by the Group.

34. Financial assets and liabilities

Since its activities are exposed to a variety of financial and operational risk factors, the Group adopts a proactive approach to risk management, endeavouring to mitigate the potential adverse effects associated there with, namely the risk stemming from the price of pulp, foreign exchange risk and interest rate risk.

In order to minimise the effects of exchange rate variations on Group's sales of pulp and paper's exports to non-European countries, financial instruments were contracted to hedge almost all items denominated in foreign currency in the consolidated balance sheet, as well as for a part of projected sales subject to currency risk.

In addition and in order to hedge interest rate risk, interest rate swaps and collars associated with bond loans have been contracted.

As of 31 December of 2012 and 2011, the reconciliation of the consolidated balance sheet with the various categories of financial assets and liabilities included therein is detailed as follows:

31 December 2012	Financial Instruments - trading	Financial instruments- hedging	Loans and other accounts receivable	Financial assets at fair value through profit or loss	Financial assets held-for-sale	Other interest- bearing liabilities	Non financial Assets/Liabilities
Amounts in Euro	Note 24	Note 24	Note 24	Note 20	Note 21	Note 32	
Assets							
Financial assets at fair value through profit or loss	-	-	-	9,026,930	-	-	-
Financial assets held-for-sale	-	-	-	-	226,921	-	-
Other non - current assets	-	-	3,113,802	-	-	-	-
Current assets	662,236	434,383	300,412,231	-	-	-	15,410,226
Cash and cash equivalents	-	-	413,676,080	-	-	-	-
Total assets	662,236	434,383	717,202,113	9,026,930	226,921	-	15,410,226
Liabilities							
Non-current interest-bearing liabilities	-	-	-	-	-	1,681,677,079	-
Other liabilities	-	-	-	-	-	-	15,616,661
Current interest-bearing liabilities	-	-	-	-	-	333,104,559	-
Current liabilities	-	27,027,199	-	-	-	285,431,989	102,938,532
Total liabilities	-	27,027,199	-	-	-	2,300,213,627	118,555,193

31 December 2011	Financial Instruments - trading	Financial instruments- hedging	Loans and other accounts receivable	Financial assets at fair value through profit or loss	Financial assets held-for-sale	Other interest- bearing liabilities	Non financial Assets/Liabilities
Amounts in Euro	Note 32	Note 32	Note 24	Note 20	Note 21	Note 32	
Assets							
Financial assets at fair value through profit or loss	-	-	-	9,657,695	-	-	-
Financial assets held-for-sale	-	-	-	-	553,764	-	-
Other non - current assets	-	-	1,606,107	-	-	-	-
Current assets	-	802,997	-	-	-	-	-
Cash and cash equivalents	-	-	415,697,575	-	-	-	-
Total assets	-	802,997	417,303,682	9,657,695	553,764	-	-
Liabilities							
Non-current interest-bearing liabilities	-	-	-	-	-	1,156,533,619	-
Other liabilities	-	-	-	-	-	-	18,175,624
Current interest-bearing liabilities	-	-	-	-	-	251,991,062	-
Current liabilities	2,549,919	15,082,721	-	-	-	240,057,499	113,875,965
Total liabilities	2,549,919	15,082,721	-	-	-	1,648,582,180	132,051,589

As of 31 December 2012 and 2011 the fair value of these assets and liabilities is similar to its book value.

The following table presents the assets and liabilities at fair value as of 31 December 2012 and 2011 in accordance with hierarchic levels of IFRS 7:

- Level 1: Fair value of financial instruments is based on prices ruling on active, liquid markets at the date of the statement of financial position;
- Level 2: Fair value of financial instruments is not determined on the basis of active market prices, but rather resorting to valuation models. The main inputs of the models used are observable in the market, and
- Level 3: Fair value of financial instruments is not determined on the basis of active market prices, but rather resorting to valuation models, the main inputs of which are not observable in the market

Assets measured at fair value

Amounts in Euro	31-12-2012	Level 1	Level 2
Financial assets at fair value recognised in earnings			
Hedging (Note 24)	434,383	-	434,383
Financial assets at fair value through profit or loss			
Trading (Note 24)	662,236	-	662,236
Financial assets at fair value through profit or loss			
Shares (Note 20)	9,026,930	9,026,930	-
Financial assets held-for-sale			
Shares (Note 21)	226,921	226,921	-

Liabilities measured at fair value

Amounts in Euro	31-12-2012	Level 1	Level 2
Financial assets at fair value recognised in earnings			
Hedging (Note 32)	(27,027,199)	-	(27,027,199)
Financial assets at fair value through profit or loss			
Trading	-	-	-

Derivative financial instruments

As of 31 December 2012, details of the fair value of derivative financial instruments were as follows:

Amounts in Euro	Changes in fair value (Trading)	Changes in fair value (Hedging)	Total
As of 1 January 2012	(2,532,360)	(14,279,724)	(16,812,084)
Maturity/settlement	(1,031,849)	2,298,845	1,266,996
Changes in fair value through profit and loss	4,233,705	(4,960,713)	(727,008)
Changes in fair value recognised in shareholders equity	-	(9,728,499)	(9,728,499)
Changes in consolidation perimeter	(7,260)	77,275	70,015
As of 31 December 2012	662,236	(26,592,816)	(25,930,580)

Movement occurred in Derivative Financial Instruments caption

The fair value of derivative financial instruments is included under the caption “Current payables” (Note 32), if negative, and in the caption “Current receivables” (Note 24), if positive.

The movement in the balances presented in the years ended 31 December 2012 and 2011, relating to financial instruments were as follows:

Amounts in Euro	Amount	Maturity	31-12-2012			31-12-2011
			Positive	Negative	Net	Net
Hedging						
Collar interest rate (SWAP's)	225,000,000	2015	-	(15,981,137)	(15,981,137)	(10,933,729)
Coverage of net investment	18,985,903	2013	434,383	-	434,383	(614,563)
Currency forwards (future sales)	12,733,060	2014	-	(456,221)	(456,221)	(1,365,667)
Interest rate swaps (SWAP'S)	165,000,000	2017	-	(6,122,614)	(6,122,614)	(2,168,762)
Interest and exchange rate swaps (BRL)	64,025,000	2017	-	(4,467,227)	(4,467,227)	-
Operations on CO2 emission allowances	2,176,000	2012	-	-	-	802,997
			434,383	(27,027,199)	(26,592,816)	(14,279,724)
Trading						
Currency forwards (EUR)	52,650,933	2013	662,236	-	662,236	(2,502,663)
Currency forwards (USD)	1,820,700	2012	-	-	-	(47,256)
			662,236	-	662,236	(2,549,919)
			1,096,619	(27,027,199)	(25,930,580)	(16,829,643)

Coverage of exchange rate

The Group has a currency exposure on sales invoiced in foreign currencies, namely US dollars (USD) and sterling pounds (GBP). Since the Group's financial statements are translated into Euro, it runs an economic risk on the conversion of these currency flows to the Euro.

The Group is also obliged, albeit to a lesser degree, to make certain payments in those same currencies which, for currency exposure purposes, act as a natural hedge. Thus, the hedge is aimed at safeguarding the net value of the balance sheet items denominated in foreign currencies against the respective currency fluctuations.

The hedging instruments used in this operation are foreign exchange forward contracts covering the net exposure to the USD and to the GBP at the time the invoices are issued, for the same maturity dates and the same amounts of these documents in such a way as to fix the exchange rate associated with the sales.

The nature of the risk hedged is the book exchange rate variation recorded on sales and purchases expressed in USD and GBP. At the end of each month customer and suppliers' balances expressed in foreign currency are updated, with the gain or loss offset against the fair value of the forwards negotiated.

As of 31 December 2012 the Company has in place foreign exchange instruments classified as trading with a notional amount of Euro 52,650,933 (2011: Euro 80,558,418). The fair value of these instruments as of 31 December 2012 was Euro 662,236 (2011: 2,549,919 negative).

Coverage of Investment in foreign operations

The Group hedges the economic risk associated with the USD exchange rate exposure in its investment held on Portucel North America. For that matter, the Group entered into a forward foreign exchange contract maturing in May 2013, with an outstanding notional of USD 25,050,000.

This instrument is designated as a hedge of the net investment in the Group's US subsidiary, with Fair Value changes being recognised in other comprehensive income. As at 31 December 2012, the amount reflected in the Revaluation Reserve amounts to Euro 939,000.

Interest Rate – Coverage of Cash Flows

The Group hedges a portion of future interest payments on commercial paper loans, by engaging in an interest rate swap, in which Portucel pays a fixed rate and receives a variable rate. The instrument is designated as a cash flow hedge of the interest rate risk associated with the commercial paper program. Credit risk is not part of the hedging relationship.

The hedged risk is the variable rate index with which debt interest is associated. As at 31 December 2012, the total amount of loans with associated interest rate hedges were Euro 390 million (2011: Euro 205, 000,000).

Pulp Price – Coverage of Cash Flows

The Group hedges the price risk associated with future sales of pulp, through the hiring of collars on the price of pulp, which limits the sale price to a predetermined range. The instruments are designated as cash flow hedges of the price risk associated with future sales.

As at 31 December 2012, the total amount of future sales with price risk hedge is Euro 12.7 million. This hedge is designated until the maturity of the hedging instruments.

Currency Interest Rate Swaps

On 12 April 2012, Semapa Group, through its Brazilian subsidiary NSOSPE Empreendimentos e Participações S.A., issued a non-convertible bond issue a variable interest rate amounting to Brazilian Real 128,1 million with maturity on 26 March 2017 (see note 31 – Interest Bearing liabilities).

In order to manage currency interest rate risk inherent to the bond issued. The Group engaged in two currency interest rate swaps with a notional amount of 64 million dollars, where Semapa pays a fixed flow in Euros and receives a variable flow in Brazilian Real. The instrument is designated as hedge accounting of cash flows of foreign exchange and interest rate risks associated with the non-convertible bond issued. The credit risk is not hedge.

The amount recognised in the year in the hedging reserve related with these hedges was Euro 1,625,683. Additionally, it was recognised in the income statement an amount of Euro 2,925,290 which offset directly the exchange rate of the loan in Brazilian Real.

Operations over CO2 licenses

Additionally, on 5th September 2008 and 19 November 2008, the Group entered into swap agreements of “Emission EU Allowances “EUA” and Certified Emission Reductions ”(CER) with a financial institution.

The Group will deliver in future periods CER allowances to the licensing coordination entity, as part of its obligations to the stated entity.

The Group views this transaction as a swap of similar goods with similar value in use, not exposed to future volatility in market prices of the allowances and consequently not regarded as a transaction which generates revenue in the current period. Revenue arising from this transaction is recognised in the income statement on its maturity date.

Available-for-sale financial assets

These amounts are recognised at fair value which corresponds to their market value, deducted from impairment losses, if any (Note 21).

Loans and receivables

These amounts are recognised at fair value which corresponds to their nominal value, after deducting any impairment losses identified during the course of the credit risk analysis of the credit portfolios held (Notes 2.1.3, 22 and 24).

Other financial liabilities

These items are recognised at their amortised cost, corresponding to the value of the respective cash flows discounted at the effective interest rate associated with each one of the liabilities concerned (Note 31).

35. Balances and transactions with related parties

As of 31 December 2012 and 2011, related parties receivables and payables comprised:

Valores em Euros Amounts in Euro	31-12-2012			31-12-2011		
	Other receivables (Note 24)	Other payables (Note 32)	Interest-bearing liabilities (Note 31)	Other receivables (Note 24)	Other payables (Note 32)	Interest-bearing liabilities (Note 31)
Shareholders						
Cimo SGPS, S.A.	-	-	203.445	-	-	3.815.891
Longapar, SGPS, S.A.	-	-	4.870.913	-	-	6.249.351
Other related entities						
Ave-Gestão Ambiental, S.A.	7.160	471.104	-	17.434	261.466	-
Chryso Portugal, S.A.	-	-	-	38.683	204.362	-
Cotif Sicar	-	21.612	-	-	11.538	-
Inertogrande	-	-	-	102.146	-	-
J.M. Henriques, Lda.	-	-	-	55.254	-	-
Pedro Soveral	-	-	-	-	32.061	-
Ricardo Soveral	-	-	-	-	32.061	-
Secil Prebetão, S.A.	23.934	13.482	-	25.246	6.881	-
Secil Unicon - S.G.P.S., Lda	-	-	-	108.819	-	-
Seribo, S.A.	-	229.275	-	-	116.930	-
Setefrete - Soc. Tráfego Cargas, S.A.	-	12.638	-	-	337.208	-
Other related entities	-	14.528	-	7.853	-	-
Shareholders (Dividends allocated to non-controlling interests)	-	1.879.759	-	-	1.348.895	-
Total	31.094	2.642.398	5.074.358	355.435	2.351.402	10.065.242

As of 31 December 2012 and 2011, transactions between related parties comprised:

Amounts in Euro	31-12-2012		31-12-2011	
	Service purchase	Financial losses (Note 10)	Service purchase	Financial losses (Note 10)
Shareholders				
Cimigest SGPS, S.A.	107.740	-	107.740	-
Cimo SGPS, S.A.	-	64.352	-	226.524
Longapar, SGPS, S.A.	-	242.965	-	456.910
Sonaca SGPS, S.A.	-	-	-	22.524
	107.740	307.317	107.740	705.958

Amounts in Euro	12/31/2012			
	Service purchase	Services rendered	Operating income	Financial losses/(gains)
Other related entities				
Ave-Gestão Ambiental, S.A.	2,929,015	18,489	155,237	-
Chryso Portugal, S.A.	-	-	-	-
J.M.J. Henriques, Lda.	-	-	1,800	-
Secil Prebetão, S.A.	52,789	497,699	1,773	-
Setefrete, S.A.	3,178,984	-	15,692	-
Viroc Portugal, S.A.	-	-	-	-
Others	-	-	1,888	(23,880)
	6,160,788	516,188	176,390	(23,880)

Amounts in Euro	12/31/2011			
	Service purchase	Services rendered	Operating income	Financial losses/(gains)
Other related entities				
Viroc Portugal, S.A.	63	526,764	54,917	72,026
Chryso Portugal, S.A.	752,919	-	31,449	-
Setefrete, S.A.	1,322,857	-	5,346	-
Secil Prebetão, S.A.	27,225	346,051	1,745	-
J.M.J. Henriques, Lda.	-	-	918	-
Inertogrande	-	-	918	-
Secil Unicon - SGPS, Lda.	-	-	765	4,149
Ave - Gestão Ambiental, S.A.	94,663	765	14,778	-
	2,197,727	873,580	110,836	76,175

36. Changes in the consolidation perimeter

Changes in the consolidation perimeter through new acquisitions

As already mentioned (Note 1.2) at the end of March 2012, the shareholder's agreement between CRH and Semapa, that regulate shareholdings in Secil ceased. Therefore Semapa started to fully consolidate, based on the percentage of voting rights held in that subsidiary (51%).

Furthermore, during the year 2012, the Group acquired 50% of Supremo Cimentos, S.A. (Brazil), which was incorporated in the consolidated financial statements using the proportional method.

The impacts of these integrations are as follows:

Amount in Euro	51% Secil's FV*	49% Secil's FV*	50% Supremo	Total
Non-current assets				
Other intangible assets (Note 16)	54,111,000	68,664,504	20,341,663	143,117,167
Property, plant and equipment (Note 17)	21,384,961	313,617,353	64,804,891	399,807,206
Investment properties	-	648,203	-	648,203
Investments in associates (Note 19)	-	2,014,122	-	2,014,122
Deferred tax assets	-	9,428,819	16,515	9,445,334
Other non current assets	-	1,587,152	27,207	1,614,358
Current assets				
Inventories	-	46,643,362	1,578,396	48,221,757
Receivable and other current assets	-	42,642,744	1,775,914	44,418,658
State and other public entities	-	6,722,219	314,756	7,036,975
Assets held for sale	-	11,008,114	-	11,008,114
Cash and cash equivalents	-	31,673,551	-	31,673,551
Non-current liabilities				
Deferred tax liabilities (Note 28)	(25,684,819)	(66,037,731)	(22,419,028)	(114,141,577)
Pensions and other post-employment benefits	-	(9,783,491)	-	(9,783,491)
Provisions (Note 30)	-	(10,983,769)	(105,897)	(11,089,666)
Interest-bearing liabilities	-	(77,368,916)	(5,630,840)	(82,999,756)
Other non current assets	-	(105,350)	(753,131)	(858,481)
Current Liabilities				
Interest bearing liabilities	-	(23,587,857)	(5,735,668)	(29,323,525)
Payables and other current liabilities	-	(60,533,949)	(2,835,807)	(63,369,756)
State and other public entities	-	(18,986,749)	(335,898)	(19,322,647)
Liabilities held for sale	-	(944,212)	-	(944,212)
Net identifiable assets and liabilities	49,811,143	266,318,118	51,043,073	367,172,334

* FV - fair value

37. Environmental related expenditures

As part of its business operations, the Group incurs in several environmental expenditure which, depending on their nature, are capitalised or recognised as costs in the operating results for the year.

Environmental expenses incurred by the Group in order to preserve resources or to avoid or reduce future damage, are capitalised when they are expected to extend the useful life or to increase the capacity, safety or efficiency of other assets held by the Group.

Expenditures capitalised and recognised as costs in the year ended 31 December 2012 and 2011, comprise:

Amount in Euro	2012			2011		
	Expenses of the period	Capitalisation of the period	Total	Expenses of the period	Capitalisation of the period	Total
Atmospheric emissions	906,449	3,994,031	4,900,480	796,083	3,110,710	3,906,793
Management of residual waters	38,157	-	38,157	18,069	49,065	67,134
Residual managements	1,521,267	1,905,358	3,426,625	1,158,380	2,988,932	4,147,312
Protection of soils and underground waters	1,420,818	40,592	1,461,410	2,018,511	23,379	2,041,890
Protection of Nature	786,641	156,582	943,223	389,968	47,498	437,466
Generator of the oil boiler	-	11,106	11,106	-	57,884	57,884
Liquid effluent treatment	4,560,405	93,312	4,653,717	8,173,029	109,182	8,282,211
Recovery boiler	-	-	-	-	80,187	80,187
Materials recycling	3,240,014	-	3,240,014	1,457,788	-	1,457,788
Expenses with electrofilters	256,828	-	256,828	558,917	-	558,917
Sewerage	22,068	-	22,068	41,515	-	41,515
Solid waste landfill	192,158	-	192,158	360,903	-	360,903
Other environmental protection activities	548,070	304,176	852,246	316,508	124,543	441,051
	13,492,875	6,505,157	19,998,032	15,289,671	6,591,380	21,881,051

CO2 emission allowances

Within the scope of the Kyoto Protocol, the European Union has undertaken to reduce the emission of greenhouse gases. In this context, a Community Directive was published which makes provision for the trading in the so-called CO2 emission licences. In the meantime, this directive was transposed into Portuguese legislation and is applicable with effect from 1 January 2005, amongst others, to the cement and pulp and paper industries.

As result of negotiations of the 2008-2012 National Plan for the allocation of CO2 emission licences (PNALE) licences were granted to the Group in sufficient amount to satisfy its needs.

38. Audit fees

In the years ended 31 December 2012 and 2011, expenses pertaining to statutory audit and audit services, comprised:

Amounts in Euro	31-12-2012	31-12-2011
Statutory auditors services	742,282	545,577
Auditor services in foreign subsidiaries	417,826	282,789
Tax consultancy services and others	197,855	266,236
Other reliability assurance services	120,266	158,878
Total	1,478,229	1,253,480

The services described as tax consultancy, mainly comprise the support in complying with tax obligations, in Portugal and abroad, as well as in services, surveys of operational business processes which did not result in any advice for redesign of existing practices, procedures or controls.

The Board of Directors believes there are adequate procedures safeguarding the independence of auditors through the audit committee process analysis of the work proposed and careful definition of the work to be performed by the auditors.

39. Number of employees

At 31 December 2012 and 2011, the number of employees in service of the Group's various companies, was as follows:

Segment	31-12-2012	31-12-2011	Var. 12/11
Pulp and paper	2,275	2,290	(15)
Cement and derivatives	2,659	2,589	70
Environment	254	235	19
Holdings and others	20	19	1
	5,208	5,133	75

40. Commitments

As of 31 December 2012 and 2011, the guarantees and other financial commitments provided by the Group were as follows:

Amounts in Euro	31-12-2012	31-12-2011
Warranties		
IAPMEI (in the perimeter of POE)	-	15,060
IAPMEI (in the perimeter of QREN)	4,274,321	1,782,295
VAT - refunds request	3,389,609	3,593,131
Portuguese Tax Authorities (DGCI)	38,163,306	38,177,530
Câmara Municipal de Setúbal	-	492,102
APSS - Admi. dos Portos de Setúbal e Sesimbra	2,547,495	1,197,421
Direcção Geral de Alfândegas	800,000	435,751
APDL - Administração do Porto de Leixões	680,529	324,404
Simria	327,775	327,775
Instituto de Conservação da Natureza - Arrábida	280,639	202,450
IFAP	-	1,225,036
Secretaria Regional do Ambiente e Recursos Naturais	199,055	-
IAPMEI (in the perimeter of PEDIP)	99,760	50,878
Comissão de Coordenação e Desenv. Regional Norte	236,403	-
Comissão de Coordenação e Desenv. Regional Centro	845,173	792,059
Comissão de Coordenação e Desenv. Regional LVT	994,338	124,646
Comissão de Coordenação e Desenv. Regional Algarve	480,804	-
Others	1,676,140	3,427,840
	54,995,347	52,168,377
Other commitments		
Purchase commitments with suppliers	119,851,875	12,736,492
Forestry land rents	48,581,527	41,107,560
Mortgage loan guarantee	1,820,391	2,022,209
	170,253,793	55,866,261
	225,249,140	108,034,638

Semapa SGPS concluded a promise of a credits granting contract with a financial institution, in order to finance the acquisition of listed shares on the Euronext Lisbon and that integrate PSI 20 and / or acquisition of Portucel shares.

With funds availability under that contract, Semapa and/or guarantor undertake to provide security in the corresponding shares acquired and/or holding in portfolio Portucel shares, or alternately the establishment of a long term deposit, sufficient to maintain a coverage ratio amounting never less than 1.35.

This credit line was used up, on 31 December 2012 by the amount of Euro 100,000,000, having been given as security 60,117,005 Portucel shares.

Liabilities assumed due to operating leases

As of 31 December 2012 and 2011 debt's reimbursement plans for operating leases are as follows:

Amounts in Euro	31-12-2012	31-12-2011
No more than one year	2,265,081	2,088,495
More than one year, less than five years	2,706,581	2,469,602
	4,971,662	4,558,096
Expenses of the period	2,584,663	2,117,395

41. Other commitments of the Group

Promissory liens

In 2010 Secil Martingança contracted an additional bank loan amounting to Euro 2,500,000 for the construction of the new plant located in Montijo having mortgaged, as of the same date, the plant land. As of 31 December 2012 the bank loan outstanding amounted to Euro 2,142,859.

In January 2011, the subsidiary Ciments de Sibline, S.A.L. paid up the entire medium and long term bank loan negotiated with a Lebanese bank that amounted to USD 15,000,000, of which USD 11,050,596 had been used, and renegotiated an increase in the contracted overdraft from USD 10,000,000 to USD 20,000,000. The amount recognised in the consolidated balance sheet was USD 6,952,657 (Eur 5,269,548).

The subsidiary Ciments de Sibline, S.A.L. kept the two mortgages over property, plant and equipment owned by it in favour of the bank in the amounts of USD 57,500,000 and USD 12,270,000.

Investment in a new plant in Angola

In terms of the Memorandum of Understanding signed between the Angolan Government and the subsidiary Secil in April 2004, Secil – Companhia de Cimentos do Lobito, S.A. – approximately 51% held by the SECIL Group and, indirectly, 49% by the Angolan State - was incorporated on 29 November 2005 and commenced operations on 1 January 2006. Accordingly, the contract for the operation of the Encime do Lobito plant, between the Angolan State and Tecnosecil (now called Secil Angola) and which has been in force since September 2000, has now terminated.

Secil Lobito's share capital of USD 21,274,285 was paid up through the transfer of the tangible and intangible assets of Secil Angola and Encime U.E.E. respectively by the SECIL Group and by the Angolan Government at the amount resulting from the valuation carried out in October 2003 by an independent international audit firm. In this Memorandum of Agreement, it was estimated that within a time horizon of 36 months commencing from the date the respective share capital was paid up, Secil Lobito would erect cement and clinker factory in Lobito.

On 26 October 2007, the Angolan Cabinet approved the Private Investment Project called the "Lobito New Cement Factory" involving an amount of USD 91,539,000, contracted on 14 December 2007, by Secil Lobito and by "ANIP – Agência Nacional para o Investimento Privado", the latter representing the Angolan state.

Furthermore, in 2008, an electric-power generating plant costing USD 18,000,000 was added to the investment. However, at this time it has not yet been possible to commence the construction of the new plant by Secil Lobito.

Pledge

In 2011, Secil contracted a loan for the acquisition of Uniconcreto, S.A., and the company's shares were pledge as collateral to the contracted loan.

In 2012, with the sale of Lusoinertes, S.A. and Eurobetão – Betão Pronto, S.A., by Uniconcreto, S.A. to Secil Britas and Unibetão, respectively, the shares of Lusoinertes, S.A. and Eurobetão – Betão Pronto, S.A. were pledge as collateral. In the period ended 31 December 2012, the outstanding amount was Euro 60,226,590.

Deposit Bail

The subsidiary Ciminpart sold, in 2012, his participation in VIROC to a Recovery Fund. In this process, Secil constituted a pledge over a bank deposit amounting to of Euro 1,250,000.

Issuance of Debentures (Brazil)

NSOSPE (Brazilian subsidiary owned by Semapa) issued a bond loan (in the form of debentures), amounting to Brazilian real 128,100,000, having Semapa assumed as commitments and guarantees related to that issue, as a pledge of shares representing the total share capital of NSOSPE, equity support agreement and a promissory note. Within the scope of this emission, NSOSPSE celebrated a derivative contract in order to hedge the currency risk and interest rate. Regarding this contract, Semapa committed to an Equity support agreement and a promissory note.

Fiduciary alienation

In 2012, Margem, a subsidiary of the Brazilian group Supremo, contracted two loans denominated "Cédulas de Crédito Bancário" amounting to Brazilian Real 50 million each. Margem is a subsidiary fully owned by Supremo Cimentos, S.A., which is 50% owned by the group Semapa. As guarantee, a fiduciary alienation of Supremo shares was performed.

42. Contingent assets

Non-tax matters

CMP Pension Plan

The Group recorded in its financial statements for the year ended 31 December 1995, EUR 5,598,358 (which is fully adjusted) due by the Portuguese Government as a result of an actuarial valuation of retirement obligations as at 31 December 1993, valued by a specialised and independent entity in the reprivatisation of the subsidiary CMP.

As a result of the aforesaid valuation, errors were detected, with the Portuguese Government being requested in 1996 to settle the abovementioned amount. Secil filed a legal action against the Portuguese State, claiming settlement of the aforesaid amount and respective interest. The Supremo Administrative Court (STA) judged the lawsuit as having no legal grounds, ruling in the Government's favour.

Secil is studying alternative means at its disposal, namely through the Public debt settlement fund, in order to obtain a settlement of the referred amount.

Infrastructure enhancement and maintenance rate

Under the licensing process nº 408/04 related to the new paper mill project, the Setubal city Council issued a settlement note to Portucel regarding an infrastructure increase and maintenance fee ("TMUE ") amounting to Euro 1,199,560, with which the company disagrees.

This situation regards the amount collected under this concept in the licensing process mentioned above, for the construction of a new paper mill in the industrial site of Mitrena, Setubal. Portucel disagrees with the amount charged and filled an administrative claim against it on 25 February 2008 (request 2485/08), followed by an appeal in Court against the rejection of the claim on 28 October 2008, which deserved rejection on October 3, 2012, and was appealed to the STA.

In the appeal, Portucel claims the cancelation of the settlement act, on the following grounds: (i) disproportionally of the fee applied; (ii) it as the nature of a tax, that cannot be imposed by the City Council and (iii) the absence of any consideration paid on their behalf by the Setubal City Council since it was Portucel that supported all costs regarding the urban infrastructure and maintenance, thus proving that the TMUE configures a true tax.

Public Debt Settlement Fund

According to the Decree-Law no. 36/93 of 13 February, tax debts of privatised companies relating to periods prior to the privatisation date (25 November 2006) are the responsibility of the Public Debt Settlement Fund.

In addition to the tax matters described below, a second request to the Public Debt Settlement Fund was submitted on 2 June 2010, which called for the reimbursement of various amounts, totaling Euro 136,243,939. These amounts related to adjustments in the financial statements of the group after its privatisation, that had not been considered in formulating the price of such privatisation as they were not included in the documentation made available for consultation by the bidders.

Tax matters

Public Debt Settlement Fund

Portucel submitted an application to the Public Debt Settlement Fund on 16 April 2008 requesting the payment by the State of the tax debts raised by the tax authorities for periods before that date. In this context, the aforementioned Fund is liable for Euro 33,861,034, detailed as follows:

Amounts in Euro	Period	Amounts requested	1st refund	Outstanding
Portucel				
Value added tax - Germany	1998-2004	5,850,000	(5,850,000)	-
Corporate Income Tax	2001	314,340	-	314,340
Corporate Income Tax	2002	625,033	(625,033)	-
Value added tax	2002	2,697	(2,697)	-
Corporate Income Tax	2003	1,573,165	(1,573,165)	-
Corporate Income Tax	2003	197,394	(157,915)	39,479
Corporate Income Tax (RF)	2004	3,324	-	3,324
Corporate Income Tax	2004	766,395	-	766,395
Corporate Income Tax (RF)	2005	1,736	(1,736)	-
Corporate Income Tax	2005	11,754,680	-	11,754,680
Corporate Income Tax	2006	11,890,071	-	11,890,071
Expenses	2006	190,984	-	190,984
		33,169,819	(8,210,546)	24,959,273
Soporcel				
Corporate Income Tax	2002	169,219	-	169,219
Corporate Income Tax (Replacement)	2003	5,725,771	-	5,725,771
Value added tax	2003	2,509,101	-	2,509,101
Stamp Tax	2004	497,669	-	497,669
		8,901,760	-	8,901,760
		42,071,579	(8,210,546)	33,861,033

These amounts may yet be reduced, due to judicial claims presented by the Group amounting to Euro 15,531,423, from which Portucel already had favourable decisions amounting to Euro 3,016,975, having the

Portuguese tax authorities applied for the amount of Euro 2,533,416. As so, Portucel is waiting the refund of Euro 483,559.

State surcharge 2011/2011 – Euro 1,147,617 and Euro 1,117,677

In the 2010 income tax form presented by Portucel, a state surcharge of Euro 1,147,617 was determined regarding About The Future – Empresa Produtora de Papel, S.A., which is considered undue by the Group as it should have been deducted to tax benefits granted by AICEP to the company. AICEP seconds the company's views on this matter.

Due to this, Portucel presented a tax claim in order to collect the refund of this excess income tax amount paid in 2010 and 2011. Following the rejection of that claim, Portucel presented the corresponding hierarchical appeal, on 11 November 2011 (regarding 2010) and 25 October 2012 (regarding 2011).

As no response was received, Portucel appealed to the courts in 17 May 2012 (regarding 2010) and 9 November 2012 (regarding 2011).

Investment contract – AICEP

Regarding the contracts signed with AICEP and up to 31 December 2012, a total amount of Euro 7.621.204 of tax incentives is yet to be recognised.

43. Exchange Rates

The assets and liabilities of the foreign subsidiaries and associated companies were translated to Euro at the exchange rate prevailing on 31 December 2012.

The income statement transactions were translated at the average rate for the year. The differences arising from the application of these rates as compared with the balance prior to the conversion were reflected under the Currency translation reserve heading in shareholders' equity.

The rates used as of 31 December 2012 and 2011, against the Euro, were as follows:

	31-12-2012	31-12-2011	Valuation/ (depreciation)		31-12-2012	31-12-2011	Valuation/ (depreciation)
TND (tunisian dinar)				DKK (danish krone)			
Average exchange rate for the year	2.0065	1.9553	(2.62%)	Average exchange rate for the year	7.4442	7.4507	0.09%
Exchange rate at the end of the year	2.0468	1.9397	(5.52%)	Exchange rate at the end of the year	7.4610	7.4342	(0.36%)
LBN (libanese pound)				HUF (hungarian florim)			
Average exchange rate for the year	1,936.80	2,098.40	7.70%	Average exchange rate for the year	289.2687	279.3789	(3.54%)
Exchange rate at the end of the year	1,989.00	1,950.60	(1.97%)	Exchange rate at the end of the year	292.3000	314.5800	7.08%
USD (american dollar)				AUD (australian dollar)			
Average exchange rate for the year	1.2848	1.3920	7.70%	Average exchange rate for the year	1.2408	1.3485	7.98%
Exchange rate at the end of the year	1.3194	1.2939	(1.97%)	Exchange rate at the end of the year	1.2712	1.2723	0.09%
GBP (sterling pound)				MZM (mozambique metical)			
Average exchange rate for the year	0.8108	0.8679	6.59%	Average exchange rate for the year	36.2033	40.9907	11.68%
Exchange rate at the end of the year	0.8161	0.8353	2.30%	Exchange rate at the end of the year	39.3700	35.9200	(9.60%)
PLN (polish zloty)				BRL (brazilian real)			
Average exchange rate for the year	4.1852	4.1205	(1.57%)	Average exchange rate for the year	2.5077	2.3265	(7.79%)
Exchange rate at the end of the year	4.0740	4.4580	8.61%	Exchange rate at the end of the year	2.7036	2.4159	(11.91%)
SEK (swedish krona)				CVE (cape verde escudo)			
Average exchange rate for the year	8.7056	9.0308	3.60%	Average exchange rate for the year	11.1015	11.2829	1.61%
Exchange rate at the end of the year	8.5820	8.9120	3.70%	Exchange rate at the end of the year	11.1113	11.1734	0.56%
CZK (czech koruna)				NOK (norwegian krone)			
Average exchange rate for the year	25.1460	24.5906	(2.26%)	Average exchange rate for the year	7.3821	7.7939	5.28%
Exchange rate at the end of the year	25.1510	25.7870	2.47%	Exchange rate at the end of the year	7.4350	7.7540	4.11%
CHF (swiss franc)							
Average exchange rate for the year	1.2053	1.2324	2.21%				
Exchange rate at the end of the year	1.2072	1.2156	0.69%				

44. Subsequent events

On 22 January 2013, Soporcel acquired the remaining shares of Soporgen S.A. for Euro 5,060,493, corresponding to 82% of Soporgen's share equity, to EDP, S.A. This acquisition is a result of exercise of the call option.

45. Companies included and excluded from the consolidation

Instrumental companies included in consolidation

		Direct and indirect % of equity held by Semapa			
		Direct	Indirect	Total	
Name		Head Office			
Parent - company:					
Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.		Lisbon	-	-	-
Subsidiaries					
Seminv, SGPS, S.A.		Lisbon	100.00	-	100.00
Cimentospar - Participações Sociais, SGPS, Lda.		Lisbon	45.56	54.44	100.00
Seinpart, SGPS, S.A.		Lisbon	49.00	51.00	100.00
Seinpar Investments, B.V.		Amsterdam	100.00	-	100.00
Interholding Investments B.V.		Amsterdam	100.00	-	100.00
Semapa Inversiones S.L.		Madrid	100.00	-	100.00
Celcimo Inversiones S.L.		Madrid	100.00	-	100.00
Great Earth, S.A.		Lisbon	100.00	-	100.00
NSOSPE - Empreendimentos e Participações, S.A.		Rio de Janeiro	100.00	-	100.00

Subsidiary companies of sub-group ETSA – under full consolidation

Name	Head Office	% of equity held by ETSA			Equity % actually held by Semapa
		Direct	Indirect	Total	
Parent - company:					
ETSA - Investimentos, SGPS, S.A.	Stº Antão do Tojal	96.00	-	96.00	96.00
Subsidiaries					
ETSA, SGPS,S.A.	Loures	100.00	-	100.00	96.00
ABAPOR – Comércio e Industria de Carnes, S.A	Stº Antão do Tojal	100.00	-	100.00	96.00
SEBOL – Comércio e Industria de Sebo, S.A.	Stº Antão do Tojal	100.00	-	100.00	96.00
ITS – Indústria Transformadora de Subprodutos Animais, S.A.	Coruche	100.00	-	100.00	96.00
BIOLOGICAL - Gestão de Resíduos Industriais, Lda.	Stº Antão do Tojal	95.00	5.00	100.00	96.00
AISIB – Aprovechamiento Integral de Subprodutos Ibéricos, S.A.	Mérida	100.00	-	100.00	96.00
Transportes Carvajal, S.L.	Huelva	-	80.00	80.00	76.80

Subsidiary companies of sub-group Portucel – under full consolidation

Name	Head Office	% direct and indirect equity held by Portucel			Equity % actually held by Semapa
		Direct	Indirect	Total	
Parent company:					
Portucel, S.A.	Setubal	47.29	33.55	80.84	80.84
Subsidiaries:					
Soporcel - Sociedade Portuguesa de Papel, S.A.	Figueira da Foz	100.00	-	100.00	80.84
Soporcel Pulp - Sociedade Portuguesa de Celulose, S.A.	Figueira da Foz	100.00	-	100.00	80.84
Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, S.A.	Setubal	100.00	-	100.00	80.84
CountryTarget SGPS S.A.	Setubal	100.00	-	100.00	80.84
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, S.A.	Setubal	-	100.00	100.00	80.84
PortucelSoporcel Florestal - Sociedade para o Desenvolvimento Agro-Florestal, S.A.	Setubal	-	100.00	100.00	80.84
Afocelca - Agrupamento Complementar de Empresas para Proteção Contra Incêndios, ACE	Portugal	-	64.80	64.80	52.39
Enerforest - Empresa de Biomassa para Energia, S.A.	Setubal	-	100.00	100.00	80.84
Atlantic Forests, S.A.	Setubal	-	100.00	100.00	80.84
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	Palmela	-	100.00	100.00	80.84
Aflomec - Empresa de Exploração Florestal, S.A.	Setubal	-	100.00	100.00	80.84
Cofotrans - Empresa de Exploração Florestal, S.A.	Figueira da Foz	-	100.00	100.00	80.84
Raiz - Instituto de Investigação da Floresta e Papel	Aveiro	-	94.00	94.00	75.99
Bosques do Atlantico, SL	Espanha	-	100.00	100.00	80.84
PortucelSoporcel Pulp SGPS, S.A.	Setubal	100.00	-	100.00	80.84
Soporcel Pulp - Sociedade Portuguesa de Celulose, S.A.	Figueira da Foz	-	100.00	100.00	80.84
CELSET - Celulose de Setúbal, S.A.	Setubal	-	100.00	100.00	80.84
CELCACIA - Celulose de Cacia, S.A.	Aveiro	-	100.00	100.00	80.84
Portucel International GmbH	Germany	-	100.00	100.00	80.84
PortucelSoporcel Papel, SGPS S.A.	Setubal	100.00	-	100.00	80.84
Portucel Soporcel North America Inc.	USA	-	100.00	100.00	80.84
About the Future - Empresa Produtora de Papel, S.A.	Setubal	-	100.00	100.00	80.84
Portucel Papel Setúbal, S.A.	Setubal	-	100.00	100.00	80.84
PortucelSoporcel Sales & Marketing NV	Belgium	25.00	75.00	100.00	80.84
PortucelSoporcel Fine Paper , S.A.	Setubal	-	100.00	100.00	80.84
PortucelSoporcel España, S.A.	Spain	-	100.00	100.00	80.84
PortucelSoporcel International, B.V.	Holland	-	100.00	100.00	80.84
PortucelSoporcel France, EURL	France	-	100.00	100.00	80.84
PortucelSoporcel United Kingdom, Ltd	UK	-	100.00	100.00	80.84
PortucelSoporcel Italia, SRL	Italy	-	100.00	100.00	80.84
PortucelSoporcel Lusa, Lda	Figueira da Foz	-	100.00	100.00	80.84
PortucelSoporcel Deutschland, GmbH	Germany	-	100.00	100.00	80.84
PortucelSoporcel Handels, GmbH	Austria	-	100.00	100.00	80.84
PortucelSoporcel Afrique du Nord	Marroco	-	100.00	100.00	80.84
PortucelSoporcel Poland SP Z O	Poland	-	100.00	100.00	80.84
PortucelSoporcel Switzerland, Ltd	Switzerland	-	100.00	100.00	80.84
PortucelSoporcel Energia, SGPS S.A.	Setubal	100.00	-	100.00	80.84
SPCG – Sociedade Portuguesa de Co-Geração Eléctrica, SA	Setubal	-	100.00	100.00	80.84
Enerpulp – Cogeração Energética de Pasta, S.A.	Setubal	-	100.00	100.00	80.84
PortucelSoporcel Cogeração de Energia, S.A.	Setubal	-	100.00	100.00	80.84
PortucelSoporcel Participações, SGPS S.A.	Setubal	100.00	-	100.00	80.84
Arboser – Serviços Agro-Industriais, S.A.	Setubal	-	100.00	100.00	80.84
Empremédia - Corretores de Seguros, Lda	Lisbon	-	100.00	100.00	80.84
Socortel - Sociedade de Corte de Papel, S.A.	Figueira da Foz	-	100.00	100.00	80.84
Cutpaper - Transformação, Corte e Embalagem de Papel, ACE	Figueira da Foz	-	50.00	50.00	40.42
Headbox - Operação e Contolo Industrial, S.A.	Setubal	-	100.00	100.00	80.84
EMA21 - Engenharia e Manutenção Industrial Século XXI, S.A.	Setubal	-	100.00	100.00	80.84
Ema Cacia - Engenharia e Manutenção Industrial, ACE	Aveiro	-	91.15	91.15	73.69
Ema Setúbal - Engenharia e Manutenção Industrial, ACE	Setubal	-	92.56	92.56	74.83
Ema Figueira da Foz- Engenharia e Manutenção Industrial, ACE	Figueira da Foz	-	91.47	91.47	73.95
EucaliptusLand, S.A.	Setubal	-	100.00	100.00	80.84
PortucelSoporcel Serviços Partilhados, S.A.	Figueira da Foz	-	100.00	100.00	80.84
PortucelSoporcel Internacional SGPS S.A.	Setubal	100.00	-	100.00	80.84
Portucel Moçambique , Lda	Moçambique	25.00	75.00	100.00	80.84
Portucel Florestal Brasil - Gestão de Participações, Ltda	Brazil	25.00	75.00	100.00	80.84
PortucelSoporcel Abastecimento de Madeira, ACE	Figueira da Foz	60.00	40.00	100.00	80.84

Subsidiary companies of sub-group Secil – under proportional consolidation

Name	Head Office	% direct and indirect equity held by Secil			Equity % actually held by Semapa
		Direct	Indirect	Total	
Parent-company:					
Secil - Companhia Geral de Cal e Cimento, S.A.	Setubal	10,86	89,14	99,998	99,998
Subsidiaries:					
Parcim Investments, B.V.	Amesterdam	100,00	-	100,00	99,998
Secilpar, SL	Madrid	100,00	-	100,00	99,998
Somera Trading Inc.	Panama	-	100,00	100,00	99,998
Hewbol, S.G.P.S., Lda.	Funchal	-	100,00	100,00	99,998
Secil Cabo Verde Comércio e Serviços, Lda.	Praia	-	100,00	100,00	99,998
ICV - Inertes de Cabo Verde, Lda.	Praia	37,50	25,00	62,50	62,499
Florimar- Gestão e Participações, S.G.P.S., Lda.	Funchal	100,00	-	100,00	99,998
Seciment Investments, B.V.	Amesterdam	100,00	-	100,00	99,998
I3 Participações e Serviços, Ltda.	Rio de Janeiro	-	99,97	99,97	99,968
Serife - Soc. de Estudos e Realizações Industriais e de Fornecimento de Equip., Lda.	Lisbon	100,00	-	100,00	99,998
Silonor, S.A.	Dunkerque	100,00	-	100,00	99,998
Société des Ciments de Gabés	Tunis	98,72	-	98,72	98,716
Sud- Béton- Société de Fabrication de Béton du Sud	Tunis	-	98,72	98,72	98,716
Zarzis Béton	Tunis	-	98,72	98,72	98,716
Secil Angola, SARL	Luanda	100,00	-	100,00	99,998
Secil - Companhia de Cimento do Lobito, S.A.	Lobito	-	51,00	51,00	50,999
Secil, Betões e Inertes, S.G.P.S., S.A.	Setubal	100,00	-	100,00	99,998
Unibetão - Indústrias de Betão Preparado, S.A.	Lisbon	-	100,00	100,00	99,998
Britobetão - Central de Betão, Lda.	Evora	-	91,00	91,00	90,998
Eurobetão - Betão Pronto, S.A.	Lisbon	-	100,00	100,00	99,998
Sicobetão - Fabricação de Betão, S.A.	Lisbon	-	100,00	100,00	99,998
Secil Britas, S.A.	Lisbon	-	100,00	100,00	99,998
Quimipiedra - Secil Britas, Calcários e Derivados, Lda.	Lisbon	-	100,00	100,00	99,998
Colegra - Exploração de Pedreiras, S.A.	Lisbon	-	100,00	100,00	99,998
Lusoinertes, S.A.	Lisbon	-	100,00	100,00	99,998
Secil Martingança - Aglomerantes e Novos Materiais para a Construção, S.A.	Leiria	51,19	48,81	100,00	99,998
IRP - Industria de Rebocos de Portugal, S.A.	Santarem	-	75,00	75,00	74,998
Ciminpart - Investimentos e Participações, S.G.P.S., S.A.	Lisbon	100,00	0,00	100,00	99,998
Argibetão - Sociedade de Novos Produtos de Argila e Betão, S.A.	Lisbon	-	90,87	90,87	90,868
Cimentos Costa Verde - Comércio de Cimentos, S.A.	Lisbon	-	100,00	100,00	99,998
Solenreco-Produção e Comercialização de Combustíveis, Lda.	Porto	-	98,00	98,00	97,998
Valcem - Produtos Cimentícios, Lda.	Setubal	50,00	50,00	100,00	99,998
Prescor Produção de Escórias Moídas, Lda.	Lisbon	-	100,00	100,00	99,998
CMP - Cimentos Maceira e Pataias, S.A.	Leiria	100,00	-	100,00	99,998
Ciments de Sibline, S.A.L.	Beirut	28,64	22,41	51,05	51,049
Soime, S.A.L.	Beirut	-	51,05	51,05	51,049
Cimentos Madeira, Lda.	Funchal	57,14	-	57,14	57,142
Beto Madeira - Betões e Britas da Madeira, S.A.	Funchal	-	57,14	57,14	57,142
Promadeira - Sociedade Técnica de Construção da Ilha da Madeira, Lda.	Funchal	-	57,14	57,14	57,142
Brimade - Sociedade de Britas da Madeira, S.A.	Funchal	-	57,14	57,14	57,142
Madebritas - Sociedade de Britas da Madeira, Lda. (a)	Funchal	-	29,14	29,14	29,142
Pedra Regional - Industria Transformadora de Rochas Ornamentais, S.A. (a)	Funchal	-	29,14	29,14	29,142
Reficomb- Refinação e Comercialização de Combustíveis Derivados de Resíduos, S.A.	Setubal	100,00	-	100,00	99,998
Uniconcreto - Betão Pronto, S.A.	Lisbon	100,00	-	100,00	99,998
(a) Companies owned by 51% by Brimade, S.A. and therefore controlled by the Group					

(a) Companies owned by 51% by Brimade, S.A. and therefore controlled by the Group

Companies included under proportional method

Name	Head Office	% direct and indirect equity held by Supremo			Equity % actually held by Semapa
		Direct	Indirect	Total	
Parent-company:					
Supremo Cimentos, S.A.	Santa Catarina	-	50.00	50.00	50.00
Subsidiaries:					
Margem - Companhia de Mineração	Parana	100.00	-	100.00	50.00
OP Beton Concreto e Engenharia, Lda	Santa Catarina	100.00	-	100.00	50.00

46. Individual Financial Statement

The individual financial statements of Semapa, SGPS, S.A. are prepared in compliance with all standards that comprised in the Portuguese GAAP (SNC).

As stated in note 27, in the first half of 2012, the Group recorded in its consolidated financial statements, under the heading “Retained earnings”, a negative amount of Euro 335,355,970, corresponding to the difference calculated on the acquisition (15 May 2012) between the equity attributable to the additional percentage of 49% not yet held by Secil, and its acquisition value, in accordance with the revised IFRS 3. This acquisition was performed by Cimentospar, SGPS, S.A., a company wholly owned by Semapa SGPS, S.A..

Despite of having the IFRS as a conceptual starting point, differences between the two sets of standards (current Portuguese GAAP and IFRS) exist. Thus, in Semapa’s individual financial statements, prepared in accordance to Portuguese GAAP (SNC), and due to the assessment the subsidiary recoverable amounts, the referred figure was partially recorded in the income statement (Euro 220,892,829).

The difference between the stake’s book value in Secil after the acquisition of the 49% and its recoverable negative amount of Euro 220,892,829, impacts the individual accounts of Semapa through the application of the equity method to Cimentospar subsidiary, shown in the caption “Gains/ (Losses)from subsidiaries”.

This difference, determined based in the period immediately prior to the acquisition, occurred in 15 May, corresponds to the difference between the post-acquisition book value of the 99.99% stake in the subsidiary (Euros 915,992,117) on a Portuguese GAAP basis, and its recoverable amount (Euros 695,099,287).

The reconciliation between the consolidated net profit for the year and individual net profit is presented as follows:

Amounts in Euro	31-12-2012
Profit for the year - SNC	(109,655,322)
Secil's fair value difference on individual net profit	220,892,829
Secil's fair value difference on consolidated net profit	16,759,370
Differential treatment on heading instruments	(1,462,074)
Difference in clearance of accounting gains	(18,715)
Profit for the year - IFRS	126,516,088

The reconciliation between the consolidated and individual shareholders’ equity as at 31 December 2012 presents itself as follows:

Amounts in Euro	31-12-2012
Total equity - SNC	923.837.160
Government grants recognised in shareholders equity	(27.889.354)
Differences in non-controlling interest acquisitions	(337.688.734)
Secil's fair value difference on individual net profit	220.892.829
Secil's fair value difference on consolidated net profit	16.759.370
Total equity - IFRS	795.911.271

47. Note added for translation

The accompanying financial statements are a translation of financial statements originally issued in Portuguese. In the event of any discrepancies the Portuguese version prevails.

BOARD OF DIRECTORS**Chairman:**

Pedro Mendonça de Queiroz Pereira

Members:

Maria Maude Mendonça de Queiroz Pereira Lagos

José Alfredo de Almeida Honório

Francisco José Melo e Castro Guedes

José Miguel Pereira Gens Paredes

Paulo Miguel Garcês Ventura

Rita Maria Lagos do Amaral Cabral

António da Nóbrega de Sousa da Câmara

Joaquim Martins Ferreira do Amaral

António Pedro de Carvalho Viana Baptista

Vitor Manuel Galvão Rocha Novais Gonçalves

PART 4

STATUTORY AUDITOR CERTIFICATE AND REPORT OF THE AUDIT BOARD ON THE CONSOLIDATED ACCOUNTS



Audit Report for Statutory and Stock Exchange Regulatory Purposes on the Consolidated Financial Information

(Free translation from the original in Portuguese)

Introduction

1 As required by law, we present the Audit Report for Statutory and Stock Exchange Regulatory Purposes on the financial information included in the Directors' Report and in the attached consolidated financial statements of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., comprising the consolidated statement of financial position as at 31 December 2012 (which shows total assets of Euro 4,227,960,142 and total shareholder's equity of Euro 1,131,139,916 including non-controlling interests of Euro 335,228,645 and a net profit of Euro 126,516,088), the consolidated statement of income by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the corresponding notes to the accounts.

Responsibilities

2 It is the responsibility of the Company's Board of Directors (i) to prepare the Directors' Report and the consolidated financial statements which present fairly, in all material respects, the financial position of the Company and its subsidiaries, the consolidated results and the consolidated comprehensive income of their operations, the changes in consolidated equity and the consolidated cash flows; (ii) to prepare historic financial information in accordance with International Financial Reporting Standards as adopted by the European Union and which is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain appropriate systems of internal control; and (v) to disclose any significant matters which have influenced the activity, financial position or results of the Company and its subsidiaries.

3 Our responsibility is to verify the financial information included in the financial statements referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code, for the purpose of issuing an independent and professional report based on our audit.

Scope

4 We conducted our audit in accordance with the Standards and Technical Recommendations issued by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Accordingly, our audit included: (i) verification that the Company and its subsidiaries' financial statements have been appropriately examined and, for the cases where such an audit was not carried out, verification, on a sample basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the reasonableness of the estimates, based on the judgements and criteria of the Board of Directors used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations and the utilization of the equity method; (iii) assessing the appropriateness of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v) assessing the overall presentation of the consolidated financial statements; and (vi) assessing the

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.

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Matriculada na Conservatória do Registo Comercial sob o NUPC 506 628 752, Capital Social Euros 314.000

Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na Comissão do Mercado de Valores Mobiliários sob o nº 9077

completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the consolidated financial information.

5 Our audit also covered the verification that the information included in the Directors' Report is consistent with the financial statements as well as the verification set forth in paragraphs 4 and 5 of Article 451º of the Companies Code.

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the consolidated financial statements referred to above, present fairly in all material respects, the consolidated financial position of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. as at 31 December 2012, the consolidated results and the consolidated comprehensive income of its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and the information included is complete, true, up-to-date, clear, objective and lawful.

Report on other legal requirements

8 It is also our opinion that the information included in the Directors' Report is consistent with the consolidated financial statements for the year and that the Corporate Governance Report includes the information required under Article 245º-A of the Portuguese Securities Market Code.

20 March 2013

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda
Registered in the Comissão do Mercado de Valores Mobiliários with no. 9077
represented by:

António Alberto Henriques Assis, R.O.C.

(This is a translation, not to be signed)

SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A

Report and Opinion of the Audit Board Consolidated Accounts

Financial year of 2012

Shareholders,

1. In accordance with the law, the articles of association and the terms of our mandate, we are pleased to submit the report on our supervisory activities in 2012 and to issue our opinion on the Management Report and Consolidated Financial Statements presented by the Board of Directors of Semapa - Sociedade de Investimento e Gestão, SGPS, SA, for the financial year ended 31 December 2012.
2. Over the course of the year we monitored the affairs of the company and its most significant affiliates and associates, with the regularity and to the extent we deemed appropriate, through periodic meetings with the company's directors and senior management. We checked that the accounts were kept correctly and duly documented, and verified the effectiveness of the risk management, internal control and internal audit systems. We also monitored compliance with the law and the articles of association. We encountered no constraints in the course of our supervisory activities.
3. We met several times with the official auditor and external auditor, PricewaterhouseCoopers & Associados, SROC, Lda, monitoring its auditing activities and checking its independence. We assessed the Legal Accounts Certificate and the Audit Report, and are in agreement with the Legal Accounts Certificate presented.
4. In the course of our work we found that:
 - a) the Consolidated Income Statement, the Consolidated Statement of Financial Position, the Consolidated Statement of Recognized Income and Expense, the Statement of Changes in Consolidated Equity and the Consolidated Statement of Cash Flows and the corresponding Notes provide an adequate picture of the state of the company's affairs and its profits;
 - b) the accounting policies and valuation criteria adopted comply with the International Financial Reporting Standards (IFRS) as adopted in the European Union and suitably assure that such criteria lead to a correct valuation of the company's assets and profits, taking due account of the analyses and recommendations of the external auditor;
 - c) the Management Report provides a sufficient description of the business affairs of the company and its affiliates included in the consolidated accounts, offering a clear account of the most significant developments during the year.
 - d) the Corporate Governance Report includes the information required by Article 245-A of the Securities Code.

5. Accordingly, taking into consideration the information received from the Board of Directors and the company departments, and also the conclusions of the Legal Accounts Certificate and the Audit Report, we recommend that:

- a) the Management Report be approved;
- b) the Consolidated Financial Statements be approved;

6. Finally, the members of the Audit Board wish to acknowledge and express their thanks for the assistance received from the Board of Directors, the senior managers of the company and other staff.

Lisbon, 21 March 2013

The Chairman of the Audit Board

Miguel Camargo de Sousa Eiró

Member

Duarte Nuno d'Orey da Cunha

Member

Gonçalo Nuno Palha Gaio Picão Caldeira

PART 5

SEPARATE FINANCIAL STATEMENTS

INCOME STATEMENT BY NATURE

AS OF 31 DECEMBER 2012 AND 2011

Amounts in Euros	Note	2012	2011
REVENUES AND COSTS			
Sales and services rendered	4	5,493,750	2,784,168
Gains / (losses) of subsidiaries, associates and joint ventures	5	56,377,910	156,826,138
Consumed materials and services	6	(573,297)	(5,403,112)
Payroll costs	7	11,647,002	(13,737,578)
Provisions [increase / (decrease)]	8	(78,626,521)	(1,100,000)
Impairment of non-depreciable/amortisable investments (losses/reversals)	11	(81,296,931)	-
Fair Value [increase / (decrease)]	9	1,945,053	(1,382,615)
Other operating income	10	32,373	2,061,311
Other costs and losses	10	(916,761)	(995,586)
Profit before depreciation, net finance costs and taxes		(85,917,422)	139,052,726
<u>(Expenses) / reversals of depreciation and amortization</u>	<u>11</u>	<u>(298,068)</u>	<u>(330,792)</u>
Operating profit (before net finance costs and taxes)		(86,215,490)	138,721,934
Interest and similar income	12	20,447,346	6,826,885
Interest and similar expense	12	(44,413,269)	(20,753,513)
Profit before income tax		(110,181,413)	124,795,306
Income tax expense	13	526,091	(633,506)
Profit for the year		(109,655,322)	124,161,800
Earnings per share			
Basic earnings per share, EUR	14	(0.97)	1.10
Diluted earnings per share, EUR	14	(0.97)	1.10

BALANCE SHEET

AS OF 31 DECEMBER 2012 AND 2011

Amounts in Euros	Note	31-12-2012	31-12-2011
ASSETS			
Non-current assets			
Property, plan and equipment	15	1,297,230	1,487,506
Goodwill	16	55,935,308	137,906,572
Financial investments - equity method	5	1,535,924,975	1,744,935,841
Other financial assets	21	380,865,011	-
		1,974,022,524	1,884,329,919
Current Assets			
State and other public entities	17	1,166,717	397,083
Receivables and other current assets	18	25,393,709	5,094,135
Deferred Assets	19	167,547	228,412
Available-for-sale financial assets	20	100,889	427,363
Other financial assets	21	8,387,959	4,134,928
Cash and cash equivalents	24	53,461	111,868,809
		35,270,282	122,150,730
Total Assets		2,009,292,806	2,006,480,649
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	118,332,445	118,332,445
Treasury shares	22	(47,164,986)	(47,164,986)
Share premiums	23	3,923,459	3,923,459
Legal Reserves	23	23,666,489	23,666,489
Other Reserves	23	931,505,690	836,129,430
Retained earnings	23	31,723,936	28,993,596
Adjustments on financial assets	23	(5,482,780)	5,535,173
Other changes in equity	23	(23,011,771)	(9,371,378)
		1,033,492,482	960,044,228
Profit for the year		(109,655,322)	124,161,800
Total Equity		923,837,160	1,084,206,028
Liabilities			
Non-current liabilities			
Provisions	8	82,266,521	3,640,000
Interest-bearing liabilities	24	822,884,321	498,899,947
Pensions and other post-employment benefits	25	1,374,716	100,101,271
		906,525,558	602,641,218
Current liabilities			
Payables and other current liabilities		109,924	88,595
State and other public entities	17	12,291,189	1,043,208
Interest-bearing liabilities	24	81,596,676	293,429,928
Other current liabilities	26	84,926,127	25,065,716
Deferred liabilities	19	6,172	5,956
		178,930,088	319,633,403
Total liabilities		1,085,455,646	922,274,621
Total equity and liabilities		2,009,292,806	2,006,480,649

STATEMENT OF CHANGES IN EQUITY

FROM 1 JANUARY 2011 TO 31 DECEMBER 2012

Amounts in Euro	Note	Share Capital	Treasury shares	Share premiums	Legal reserves	Other reserves	Retained earnings	Financial adjustments assets	Other changes in Equity	Profit for the year	Dividends paid in advance	Total
Equity as of 1 January 2011	6	118,332,445	(36,765,574)	3,923,459	23,666,489	738,890,375	25,061,217	6,317,024	(4,827,952)	126,720,229	(29,481,173)	971,836,539
Changes in period												
Currency translation effects		-	-	-	-	-	-	-	(3,164)	-	-	(3,164)
Income and expenses recognised directly in equity												
Adjustments of investments on subsidiaries		-	-	-	-	(1)	-	(781,851)	-	-	-	(781,852)
Fair value on derivatives financial instruments		-	-	-	-	-	-	-	(4,540,262)	-	-	(4,540,262)
Actuarial gains / (losses)		-	-	-	-	-	3,932,379	-	-	-	-	3,932,379
Transfer to reserves and retained earnings		-	-	-	-	97,239,056	-	-	-	(126,720,229)	29,481,173	-
Profit for the year	7	-	-	-	-	97,239,055	3,932,379	(781,851)	(4,543,426)	126,720,229	29,481,173	(1,392,899)
Comprehensive income	8									124,161,800	-	124,161,800
	9=7+8									(2,558,430)	29,481,173	122,768,901
Operations with Shareholders in the period												
Acquisition of treasury stock		-	(10,399,412)	-	-	-	-	-	-	-	-	(10,399,412)
	10	-	(10,399,412)	-	-	-	-	-	-	-	-	(10,399,412)
Equity as of 31 December 2011	6+7+8+10	118,332,445	(47,164,986)	3,923,459	23,666,489	836,129,430	28,993,596	5,535,173	(9,371,378)	124,161,800	-	1,084,206,028
Equity as of 1 January 2012	6	118,332,445	(47,164,986)	3,923,459	23,666,489	836,129,430	28,993,596	5,535,173	(9,371,378)	124,161,800	-	1,084,206,028
Changes in period												
Currency translation effects		-	-	-	-	-	-	-	(5,530,150)	-	-	(5,530,150)
Income and expenses recognised directly in equity												
Adjustments of investments on subsidiaries		-	-	-	-	-	-	(10,770,897)	-	-	-	(10,770,897)
Fair value on derivatives financial instruments		-	-	-	-	-	-	-	(8,110,243)	-	-	(8,110,243)
Actuarial gains / (losses)		-	-	-	-	-	2,483,284	-	-	-	-	2,483,284
Transfer to reserves and retained earnings	23	-	-	-	-	95,376,260	-	-	-	(95,376,260)	-	-
Other movements		-	-	-	-	-	247,056	(247,056)	-	-	-	-
Profit for the year	7	-	-	-	-	95,376,260	2,730,340	(11,017,953)	(13,640,393)	(95,376,260)	-	(21,928,006)
Comprehensive income	8									(109,655,322)	-	(109,655,322)
	9=7+8									(205,031,582)	-	(131,583,328)
Operations with Shareholders in the period												
Distributions	23	-	-	-	-	-	-	-	-	(28,785,540)	-	(28,785,540)
	10	-	-	-	-	-	-	-	-	(28,785,540)	-	(28,785,540)
Equity as of 31 December 2012	6+7+8+10	118,332,445	(47,164,986)	3,923,459	23,666,489	931,505,690	31,723,936	(5,482,780)	(23,011,771)	(109,655,322)	-	923,837,160

CASH FLOW STATEMENT

AS OF 31 DECEMBER 2012 AND 2011

Amounts in Euro	Note	2012	2011
OPERATING ACTIVITIES - Direct Method			
Payments to suppliers		(4,437,549)	(8,445,131)
Payments to personnel		(27,400,711)	(9,741,709)
Cash flow from operations		(31,838,260)	(18,186,840)
Cash flow from operating activities		(2,244,972)	(876,747)
Other receipts / (payments) relating to operating activities		3,375,252	1,518,965
Cash flow from operating activities (1)		(30,707,980)	(17,544,622)
INVESTING ACTIVITIES			
Outflows			
Property, plant and equipment		(43,767)	(260,251)
Financial investments		(228,115,292)	(823,245,380)
Inflows			
Financial investments		86,690,248	344,856,188
Interest and similar income		5,392,306	3,870,429
Dividends	5	309,738,277	261,806,096
Cash flow from investing activities (2)		173,661,772	(212,972,918)
FINANCING ACTIVITIES			
Inflows			
Borrowings		591,546,167	1,111,133,935
Loans raised		-	2,280,875
Other financing transactions		81,628	-
Outflows			
Borrowings		(392,132,681)	(818,734,116)
Loans raised		-	(2,644,900)
Interest and similar expense		(44,524,464)	(20,412,558)
Dividends	23	(28,785,540)	-
Capital reductions and other equity instruments		-	(24,248,970)
Other financing transactions		(380,954,250)	-
Cash flow from financing activities (3)		(254,769,140)	247,374,266
CHANGE IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		(111,815,348)	16,856,726
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	24	111,868,809	95,012,083
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	24	53,461	111,868,809

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF 31 DECEMBER 2012

(Translation of a report originally issued in Portuguese)

(In these notes, unless indicated otherwise, all amounts are expressed in euro)

1. Company Identification

Entity: Semapa — Sociedade de Investimento e Gestão, SGPS, SA
Head Office: Av. Fontes Pereira de Melo, 14, Lisboa
Share Capital: Euros 118.332.445
Corporate body no.: 502 593 130

Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. ("The Company") was incorporated on 21 June 1991 and has as its main object the management of financial investments in other companies as an indirect form of carrying out economic activity, namely in the production of cement and derivatives, pulp and paper and environment through its subsidiaries, Secil – Companhia Geral de Cal e Cimento, S.A., Portucel – Empresa Produtora de Pasta e Papel, S.A. and ETSA Investimentos, SGPS, S.A..

2. Applicable accounting standards in the preparation of the financial statements

The accompanying financial statements have been prepared in accordance to all standards present in the Accounting Normalisation System (SNC). These standards include the Basis for the Presentation of the Financial Statements, the Financial Statements' Template, the Code of Accounts, the Accounting and Financial Reporting Standards (NCRF) and the Interpretational Standards (NI).

Whenever SNC does not address to particular transactions or situations, the Company applies the following standards by the presented order, International Accounting Standards, as adopted under regulation (EU) n.1606/2002 from the European Parliament and Counsel at July 19, the International Accounting Standards (IAS) and the International Financing Reporting Standards (IFRS) issued by IASB and the corresponding interpretations SIC-IFRIC.

The accounting policies and measurement criteria adopted at 31 December 2012 are comparable to those used on the financial statements as of 31 December 2011.

These financial statements reflect only the Company's individual accounts. Nevertheless, the Company has also prepared a set of consolidated financial statements in accordance with International Financial Reporting Standards.

As at 31 December 2012 and 2011, the differences between these two sets of accounts were as follows:

Amounts in Euro	31-12-2012	31-12-2011
Total Assets	2,218,667,336	1,779,075,923
Total liabilities	2,011,364,580	1,481,262,064
Total Equity (before non-controlling interests)	(127,925,889)	(35,403,030)
Total Revenues	1,947,094,168	1,665,872,095

3. Summary of the principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are described below.

3.1 Property, plant and equipment

Property, plant and equipment are stated at cost of acquisition deducted of accumulated amortisation and impairment losses (Note 15).

Depreciation is calculated on the acquisition cost, using the straight-line method, as from the date the asset is available for use, using the rates that best reflect their estimated useful life, as follows:

	Average Useful life
Buildings and other constructions	7 – 10
Equipment:	
Transportation equipment	4
Tools and utensils	4
Administrative equipment	3 - 8
Other property, plant and equipment	4 - 10

The residual values of the assets and respective useful lives are reviewed and adjusted where necessary, at the balance sheet date. When the carrying amount of the asset exceed the realisable value the assets are written down to their estimated recoverable amount, and an impairment charged is booked (Note 3.5).

Gains or losses arising on the write off or disposal represent the difference between the proceeds received on disposal and the asset's carrying amount, and are recognised in the income statement as other operating income or expenses (operational).

3.2 Goodwill

Goodwill represents the excess of the consideration paid over the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date (Note 16).

Goodwill is not amortised and is subject to impairment tests at least once a year. Impairment losses relating to Goodwill cannot be reversed. Gains or losses arising from the sale of an entity include the amount of the corresponding Goodwill.

3.3 Financial investments – equity method

The caption “Financial Investments – equity method” comprises investments in other entities where the Company has control (this happens when the Company has direct or indirectly more than 50% of the voting rights on Board meetings or has the power to govern the operational and financial policies) or has significant influence (this would happen if the company participated on the financial or operational decisions, which generally happens in investments representing from 20% to 50% of the share capital of the acquired company).

Financial investments are accounted for using the equity method less accumulated impairment loss (Note 5).

3.3.1 Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern their financial and operating policies, generally where Company's interest is represented by more than half of the voting rights. The existence and potential voting rights' effect, which are currently exercisable or convertible, are taken into account when the Company assesses whether it has control over another entity. Investments in subsidiaries are accounted for using the equity accounting method.

In conformity with the equity accounting method, financial investments are recorded at their acquisition cost, adjusted by the amount corresponding to the Company's share of changes in the subsidiaries' shareholders' equity (including net income/loss) and by dividends received.

The difference between the acquisition cost and the fair value of the assets, liabilities and contingent liabilities attributable to the subsidiary on the acquisition date is, if positive, recognised as Goodwill. If negative, badwill is

recorded as income for the period under the caption “Gains / (losses) of subsidiaries, associates and joint ventures”.

An assessment of investments in subsidiaries is done when there are signs that the asset could be impaired. Impairment losses are recorded as costs under the same caption. When impairment losses recognised in previous periods cease to exist, they are reversed, with the exception of goodwill.

When the Company’s share in the subsidiaries’ losses is equal to or exceeds its investment in the subsidiary, the Company ceases to recognise additional losses, unless it has incurred in liabilities or had made payments on behalf of that subsidiary. Unrealised gains on transactions with subsidiaries are eliminated to the extent of the Company’s investment in the subsidiary. Unrealised losses are also eliminated, except where the transaction reveals evidence of impairment of a transferred asset.

Subsidiaries accounting policies were amended whenever necessary so as to ensure consistency with the policies adopted by the Company. Investments in subsidiaries are detailed in Note 5.

3.3.2 Joint Ventures

A jointly-controlled entity is a joint venture which involves the establishment of a company, a partnership or another entity in which the Company has an interest.

Jointly-controlled entities are accounted for in the financial statements under the equity accounting method, previously detailed.

3.4 Foreign currency translation

3.4.1 Functional and Reporting currency

The items included in the financial statements of each one of the Company’s entities are measured using the currency of the economic environment in which the entity operates (functional currency). The individual financial statements are presented in Euro, which is the Company’s functional and reporting currency.

3.4.2 Balances and transactions expressed in foreign currencies

All the Company’s assets and liabilities denominated in foreign currencies were converted into euro using the exchange rates ruling at the balance sheet date.

The currency differences, favorable and unfavorable, arising from the differences between the exchange rates ruling at the transaction date and those ruling on collection, payment or balance sheet dates, were recorded as income and costs in the income statement for the year.

3.4.3 Subsidiaries

The results and the financial position of the Company’s entities which have a different functional currency from the Company’s reporting currency are converted into the reporting currency as follows:

- i) The assets and liabilities of each balance sheet are translated at the exchange rates ruling at the date of the financial statements;

The resulting exchange rate differences are recognised as a separate component of Shareholders’ Equity, under the caption “Other changes in Equity”; and
- (ii) The income and costs of each income statement are translated using the average exchange rate of the period, except where the average exchange rate is not a reasonable approximation of the cumulative effect of the rates ruling on the transaction dates, in which case the income and costs are converted at the exchange rate ruling on the transaction dates.

3.5 Impairment of non-current assets

Non-current assets which do not have a defined useful life are not subject to depreciation, but are subject to annual impairment tests. Assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the amount at which they are shown in the accounts may not be recoverable.

An impairment loss is recognised as the amount of the excess of the asset's book value over its recoverable amount. The recoverable amount is the higher of the net sales price and its value in use.

For the purpose of conducting impairment tests, the assets are grouped at the lowest level for which cash flows can be identified separately (cash generating units which belong to the asset), when it is not possible to do so individually for each asset.

The reversal of impairment losses recognised in previous periods is recorded when it can be concluded that the recognised impairment losses no longer exist or have decreased (with the exception of impairment losses relating to Goodwill – see Note 3.2).

The reversal of impairment losses is recognised in the income statement as “Other operating income”. However, the reversal of the impairment loss is reversed only up to the limit of the amount that would have been recognised (net of amortisation or depreciation) had the impairment loss not been recorded in previous years.

3.6 Financial assets

The Company classifies its financial assets according to the following categories: financial assets at amortised cost and at fair value through profit and loss. The classification depends on the intention motivating the investment's acquisition. Management determines the classification at the moment of initial recognition of the investments and reappraises this classification on each reporting date.

All acquisitions and disposals of these investments are recognised at the date of the relevant purchase and sale contracts, irrespective of the financial settlement date.

These investments are initially recorded at the acquisition cost, while fair value is equal to the price paid, including transaction expenses. The subsequent measurement depends on the category the investment falls under, as follows:

Financial assets at amortised cost

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments and which are not quoted in an active market. They are originated when the Company advances money, goods or services directly to a debtor without any intention of negotiating the debt.

These are included in current assets, except for the amount with a maturity of more than 12 months at balance sheet date, in which case they are classified as non-current assets.

Loans and accounts receivable are included in the balance sheet and reported as part of receivables and other current assets.

Financial assets held for trading

A financial asset is classified under this category if primarily acquired with the purpose of being sold in the short term or if so designated by management and fair value can be reliably measured. These investments are measured at fair value through the income statement.

At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or Company of financial assets is impaired. If a prolonged decline in fair value of the financial assets held for trading takes place, then loss is measured as the difference between acquisition cost and current fair value recognised in profit or loss.

3.7 Derivative financial instruments

The Company uses derivative financial instruments to manage the financial risks to which it is exposed.

Although the derivative financial instruments contracted represent effective economic hedging instruments, not all of them qualify as hedging instruments. Derivative financial instruments are stated at fair value and changes in fair value are recognised in equity or in the income statement (gains and losses in financial instruments), as the hedging is or is not effective.

Whenever possible, the fair value of derivatives is estimated based on quoted instruments. In the absence of market prices, the fair value of derivatives is estimated based on the discounted cash flow method and option valuation models, in accordance with the assumptions generally used in the market. The fair value of derivative financial instruments is mainly included in the captions receivables and other-current assets and payables and other-current liabilities.

The derivative financial instruments used for hedge purposes may be classified as hedge instruments whenever they fulfill the following conditions:

- i) The beginning date of the transaction and hedge relationship is identified and formally documented, including the identification of the hedged item, the hedge instrument and the evaluation of the hedge's effectiveness;
- ii) There is an expectation that the hedge relationship is extremely effective, at transaction date as throughout the operation;
- iii) The hedge effectiveness can be clearly measured at transaction date and throughout the operation;
- iv) As for cash flow hedge operations, it should be extremely probable that they will occur.

3.8 Corporate income tax

The Company is taxed under the special tax regime through “Regime Especial de Tributação de Grupos de Sociedades” (RETGS) since 1 January 2006. The taxation group includes the companies in which minimum investments of 90% are held and which fulfill the conditions set out in article 69º and following articles of the Corporate Income Tax Code.

In terms of the prevailing legislation, tax losses generated until 2009 and after 2010 can be carried forward a period of six and four years, respectively, after their occurrence and where they can be deducted to tax gains over that period.

Pursuant to prevailing legislation, the gains and losses relating to group and associated companies resulting from the application of the equity method are deducted from or added to, respectively, to the net income of the year for the purpose of calculating taxable income.

Corporate income tax includes current and deferred tax. Current income tax is calculated based on net income, adjusted in conformity with tax legislation in force at the balance sheet date (Note 13).

Deferred tax is calculated using the liability method, based on the temporary differences between the book values of the assets and liabilities and their respective tax base. The income tax rate expected to be in force in the period in which the temporary differences will reverse is used in calculating deferred tax.

Deferred tax assets are recognised whenever there is a reasonable likelihood that future taxable profits will be generated against which they can be offset. Deferred tax assets are revised periodically and decreased whenever it is likely that tax losses will not be utilised.

Deferred taxes are recorded as a cost or income for the year, except where they result from amounts recorded directly under shareholders' equity, situation in which deferred tax is also recorded under the same caption.

3.9 Receivables and other current assets

Receivables balances and other current assets are recorded at fair value and are subsequently recognised at their amortised cost, net of impairment losses, so as to state them at their expected net realisable value (Note 18).

Impairment losses are recorded when there is objective evidence that the Company will not receive the full amount outstanding in accordance with the original conditions of the accounts receivable.

3.10 Cash and cash equivalents

Cash and cash equivalents includes cash, bank accounts and other short-term investments with an initial maturity of up to 3 months which can be mobilized immediately without any significant risk of changes in value fluctuations (Note 24).

3.11 Share capital and treasury shares

Ordinary shares are classified in shareholders' equity (Note 22).

Costs directly attributable to the issue of new shares or other equity instruments are reported as a deduction, net of taxes, the issue proceeds.

Costs directly attributable to the issue of new shares or options for the acquisition of a new business are included in the acquisition cost as part of the purchase consideration.

Treasury shares are recorded at their acquisition amount, as a decrease in shareholders' equity, in the caption Treasury shares, while the gains or losses inherent in their disposal are recorded under other reserves. Pursuant to applicable corporate legislation, as long as treasury shares remain in the company's possession, it is mandatory to set aside a reserve equal to their acquisition cost.

When any subsidiary company acquires shares of the parent company (treasury shares), the payment, which includes directly-attributable incremental costs, is deducted from the shareholders' equity attributable to the holders of the parent company's capital until such time the shares are cancelled, redeemed or sold.

When such shares are subsequently sold or repurchased, any proceeds, net of the directly attributable transaction costs and taxes, is reflected in the shareholders' equity of the company's shareholders, under other reserves.

3.12 Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value, net of the transaction costs incurred, and are subsequently stated at their amortised cost. Any difference between the amounts received (net of transaction costs) and the repayment amount is recognised in the income statement over the term of the debt, using the effective interest rate method.

Interest-bearing debt is classified as a current liability, except where the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date (Note 24).

3.13 Borrowing costs

Borrowing costs relating to loans are generally recognised as financial costs, in accordance with the accrual accounting principle (Note 12).

Borrowing costs directly related to the acquisition, construction or production of fixed assets are capitalised when their construction period exceeds one year, and form part of the asset's cost.

Capitalisation of these charges commences after the start of the asset's preparation or development activities and ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed or when the relevant project is suspended or substantially concluded.

Any financial income directly related to a specific investment is deducted from the borrowing costs of the referred asset.

3.14 Provisions

Provisions are recognised when the Company has a legal or constructive obligation resulting from past events that will probably entail an outflow of funds and/or resources in order to discharge an obligation and that a reliable estimate can be made of the amount of the obligation.

Provisions for future operating losses are not recognised. Provisions are reviewed on balance sheet date and are adjusted to reflect the best estimate at that date (Note 8).

3.15 Pensions and other employee benefits

3.15.1 Pensions obligations – defined benefit plans

The responsibilities for the payment of retirement benefits are recorded in accordance with NCRF 28.

In accordance with NCRF 28, companies with pension plans recognise the costs with the granting of these benefits as and when the services are rendered by the beneficiary employees. In this manner, the Company's total liability is estimated at least every six months at the date of the interim and annual accounts for each plan separately by an independent and specialized entity in conformity with the projected unit credit method.

The liability thus determined is recognised in the balance sheet and pension costs are recognised in the caption Payroll cost. Actuarial gains and losses resulting from differences between the assumptions used for purposes of calculating the liabilities and what effectively occurred (as well as from changes made thereto and from the difference between the expected amount of the return on the funds' assets and the actual return) are recognised when incurred directly in shareholders' equity, in the caption "Retained Earnings" (Note 23).

The costs relating to past liabilities, which result from the implementation of a new plan or additional benefits granted, are recognised immediately in situations in which the benefits are being paid or are vested.

The liability thus calculated is presented in the Balance sheet under the caption "Pensions and post employment benefits" in non-current liabilities.

Actuarial gains and losses resulting from differences between the assumptions used for purposes of calculating the liabilities and what effectively occurred (as well as from changes made thereto and from the difference between the expected amount of the return on the funds' assets and the actual return) are recognised when incurred directly in shareholders' equity (Note 25).

The gains and losses generated by a curtailment or a settlement of a defined-benefit plan are recognised in the income statement of the financial year when the curtailment or settlement occurs. A curtailment occurs when there is a material reduction in the number of employees or the plan is altered in such a way that the benefits awarded are reduced with a material impact.

3.15.2 Holiday pay and allowance and bonuses

In terms of prevailing legislation, employees are entitled annually to 25 working days leave, as well as to a month's holiday allowance, entitlement to which is acquired in the year preceding its payment.

According to the current Performance Management System ("Sistema de Gestão de Desempenho"), employees have the right to a bonus based on annually-defined objectives, entitlement to which is normally acquired in the year preceding its payment.

These liabilities are recorded in the period in which the employees acquire the respective right, irrespective of the date of payment, whilst the balance payable at balance sheet is shown under the caption "Payables and other current liabilities".

3.16 Payables and other current liabilities

Payables and other current liabilities are registered at its nominal value, namely its cost.

3.17 Leases

Leases, under which a significant part of the risks and benefits of the property is assumed by the lessor and where the Company is the lessee, are classified as operating leases. Payments made under operating leases, net of any incentives received by the lessee, are recorded in the income statement during the period of the lease.

3.18 Dividends distribution

The distribution of dividends to shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholders and up until the time of their payment.

3.19 Revenue recognition and accrual basis

The income derived from the services rendered is recognised in the income statement with reference to the stage of completion of the services rendered at the balance sheet date.

Interest received is recognised in accordance with accrual basis principle, taking into consideration the amount of debt and the effective rate of interest during the period to maturity.

The Company record as their costs and income in accordance with the principle of accrual accounting, so that costs and income are recognised as they are generated, irrespective of the moment in which they are received or paid.

The differences between the amounts received and paid and the corresponding costs and income are recorded under the captions Current accounts receivable and Current accounts payable (Notes 18 and 26, respectively).

3.20 Contingent assets and liabilities

Contingent assets are possible assets resulting from past events and which occurrence is dependent on future uncertain events not totally subject to the company's control.

Contingent assets are not recognised in the consolidated financial statements but are disclosed in the notes when it is probable that a future economic benefit will arise from them.

Contingent liabilities are defined as: (i) possible liabilities resulting from past events and which occurrence is dependent on future uncertain events not totally subject to the company's control; or (ii) current liabilities from past events where the future outflow that influences future benefits is not likely to take place or the amount cannot be reliably calculated.

Contingent liabilities are not recognised in the financial statements but are disclosed, unless outflows from those liabilities are remote where disclosure does not take place.

3.21 Subsequent events

Events after the balance sheet date which provide additional information about the conditions prevailing at the balance sheet date are reflected in the financial statements.

Post-balance sheet events which provide information about conditions which occur after the balance sheet date are disclosed in the notes to the financial statements, if material.

3.22 Risk Management

3.22.1 Financial Risk Factors

Semapa, as a holding company develops direct and indirect managing activities over its subsidiaries. Therefore the fulfilment of the assumed obligations depends on the cash flow generated by its subsidiaries. Thus, the

company depends on the eventual dividends distribution by subsidiaries, interests' payment, loans reimbursement and other cash flows generated by those companies.

The ability of Semapa's subsidiaries to make funds available will depend, partly, of their ability to generate positive cash flows and, on the other hand, of the respective earnings, available reserves and financial structure.

Semapa has a risk-management programme which focuses its analysis on the financial markets with a view to mitigate the potential adverse effects on the financial performance. Risk management is undertaken by Financial Management in accordance with the policies approved by the Board of Directors. An Internal Control Commission with specific functions over the operations risk control is established at Semapa level.

Currency risk

Variations in the euro's exchange rate against other currencies can affect the Company's revenue, mainly through its subsidiaries.

Interest rate risk

Whenever the interest rates forecasts justify, the Company hedges adverse risks through derivative financial instruments, such as interest rate swaps (IRS), interest rate collars, forwards, etc. In selecting derivative financial instruments, the Company focuses on the economic efficiency underlying such instruments. The inclusion of any additional instrument is also measured regarding the impact on the current portfolio of derivative instruments, namely in terms of results volatility.

In its management of exposure to interest rate the company, only hedges for cash flows. These operations are recorded in the balance sheet by its fair value, when its coverage is considered effective, and changes on fair value are initially recorded on equity and reclassified to the caption Gains/Losses in financial derivative instruments when they cease.

Whenever hedge operations are not effective they are recorded directly in results. Therefore, associated costs to covered debt are matched to the rate related to the contracted hedge operation.

When an instrument expires or is sold, or when hedge no longer fulfils the requirements for accounting standards, the accumulated variations presented in reserves are recognised in results when the hedge operation also is.

The cost of the Company's financial debt is indexed to short-term reference interest rates, which are reviewed more than once a year (generally every six months for medium and long-term debt) added of negotiated opportunity risk premiums. Hence, changes in interest rates can have an impact on the Company's earnings. Where the Board considers appropriate, the Company relies on the use of derivative financial instruments, including interest rate swaps and collars to manage the interest rate risk, and these tools aim to fix the interest rate on loans it obtains, within certain parameters.

During 2009 Semapa SGPS contracted three interest rate collar structures in order to reduce the exposure to interest rate fluctuations risk of the two bond loans.

Semapa uses the sensibility analysis technique to measure impacts on earnings and equity of an increase or decrease on interest rates maintaining all other variables constant. This analysis is only for theoretical reasons since interest rate rarely changes alone in the market. The sensibility analysis is based on the following assumptions:

- 1 Changes on market interest rates have impact on revenues or on variable financial instruments' interest costs;
- 2 Changes on market interest rates only have impact on revenues or on fixed financial instruments' interest costs when these are recognised at fair value;
- 3 Changes on market interest rates have impact on derivative financial instruments' fair value and other financial assets and liabilities;
- 4 Changes on derivative financial instruments' fair value and other financial assets and liabilities are estimated by discounting cash flows using year end's market rates.

Credit risk

The deterioration in global economic conditions or adverse situations which only affect economies at the local level could give rise to situations in which customers are unable to meet their commitments stemming from the sales of products.

Credit insurance has been one of the instruments adopted by the Company to mitigate the negative impact of this type of risk.

Sales that are not covered by credit insurance are subject to rules which ensure that sales are made to customers with a satisfactory credit history and are within reasonable exposure limits and approved for each customer.

Liquidity risk

The Company manages liquidity risk in two ways: (i) ensuring that its interest-bearing debt has a large medium and long-term component with maturities in harmony with the characteristics of the industry in which it operates, and (ii) having access to credit facilities available at any moment.

3.22.2 Operational risk factors

Operational risk factors mainly exist at subsidiaries and jointly controlled entities' level and are as follows:

- Supply of raw materials
- Market price
- Demand for Company's products
- Competition
- Environmental legislation
- Energy costs
- Context costs

3.23 Important accounting estimates and judgments

The preparation of financial statements requires Company's management to make judgments and estimates that affect the amount of revenue, costs, assets, liabilities and disclosures at balance sheet date. All estimates and assumptions made by management were based on the best information and knowledge as of the date of the financial statements' approval, of events and transactions in progress.

The most relevant accounting estimates used on the financial statements include: i) estimated useful life of tangible and intangible assets; ii) impairment analysis, namely Goodwill and receivables; and iii) provisions.

Estimates were determined on the best available information at the financial statements' date based on the best knowledge and experience of past and current events. However, events may take place in subsequent periods which are not predictable at this time and therefore not included in the current estimates. Changes to current estimates on subsequent periods will be corrected on the income statement.

The estimates and assumptions which present a significant risk of generating a material adjustment to the book value of assets and liabilities in the following financial period are presented below:

3.23.1 Impairment of Goodwill

The Company tests annually whether has been any impairment in goodwill, in accordance with the accounting policy described in Note 3.2. The recoverable amounts of the cash generating units are ascertained based on the calculation of their value-in-use. These calculations require the use of estimates.

3.23.2 Actuarial assumptions

Liabilities relating to defined-benefit plans are calculated based on certain actuarial assumptions. Changes to those assumptions can have a material impact on the aforesaid liabilities.

4. Sales and services rendered

The amount of Euro 5,493,750 and Euro 2,784,168 recognised in Services rendered for the periods ended 31 December 2012 and 2011 respectively, refer to management services provided by Semapa to its subsidiaries in financial, accounting, tax and IT areas, among others, that were provided in the domestic market (Note 28).

5. Financial investments – equity method

As of 31 December 2012 and 2011, investments in subsidiaries and joint ventures were as follows:

Amounts in Euro	% held	31-12-2012			% held	31-12-2011		
		Investments	Additional paid in capital	Total		Investments	Additional paid in capital	Total
Cimentopar - Participações Sociais, SGPS, Lda.	100%	267,713,894	-	267,713,894	100%	208,393,211	-	208,393,211
ETSA Investimentos, SGPS, S.A.	96%	53,455,286	-	53,455,286	96%	50,589,505	-	50,589,505
Great Earth - Projectos, S.A.	100%	-	-	-	100%	6,949	-	6,949
Interholding Investments, B.V.	100%	5,937,808	-	5,937,808	100%	5,996,938	-	5,996,938
N.S.O.S.P.E. - Empreendimentos e Participações, S.A.	100%	11,100,673	-	11,100,673	100%	45,777	-	45,777
Portucel, S.A.	47%	647,963,113	-	647,963,113	46%	635,715,113	-	635,715,113
Seinpar Investments, B.V.	100%	89,606,009	452,233,500	541,839,509	100%	27,561,763	505,539,500	533,101,263
Seinpart - Participações, SGPS, S.A.	49%	29,175	-	29,175	49%	30,025	-	30,025
Semapa Inversiones, S.L.	100%	5,748,633	-	5,748,633	100%	84,943,316	-	84,943,316
Seminv - Investimentos, SGPS, S.A.	100%	2,036,154	-	2,036,154	100%	171,313,694	-	171,313,694
Aboutbalance, SGPS, S.A.	100%	50,366	-	50,366	0%	-	-	-
Inspiredplace, S.A.	100%	50,364	-	50,364	0%	-	-	-
Secil - Companhia Geral de Cal e Cimento, S.A.	0%	-	-	-	11%	54,800,050	-	54,800,050
		1,083,691,475	452,233,500	1,535,924,975		1,239,396,341	505,539,500	1,744,935,841

Changes on investments in subsidiaries, accounted for using the equity method, for the periods ended 31 December 2012 and 2011 were as follows:

Amounts in Euro	31-12-2012	31-12-2011
Opening Balance	1,744,935,841	1,492,953,934
Creation	203,701,941	40,000
Capital Reductions	(8,940,000)	(88,164,591)
Acquisitions	24,413,353	836,779,939
Goodwill (Note 16)	-	(134,455,461)
Currency translation differences	(5,530,150)	(3,164)
Disposals	(79,810,247)	-
Net income	30,969,411	156,826,138
Dividends distribution	(309,738,277)	(261,776,593)
Reimbursement of:		
Additional paid in capital	(53,306,000)	(139,217,510)
Participating lender branch	-	(117,265,000)
Adjustments on investments	(10,770,897)	(781,851)
Closing Balance	1,535,924,975	1,744,935,841

The caption “Acquisitions” regards to the purchase of 15% share capital of Supremo Cimentos, S.A., in January 2012. This transaction occurred in the context of the acquisition of 50% of this brazilian cement group together with it’s the brazilian subsidiary, NSOSPE, S.A. which acquired the remaining 35%.

Afterwards, the 15% share held by Semapa was sold to Secil, S.A..

Additionally the Company sold its 10.86% share held directly in Secil to Cimentopar, concentrating in this company the whole share held in Secil.

Gains or losses related to subsidiaries and associates in the years ended 31 December 2012 and 2011 were as follows:

Amounts in Euro	2012	2011
Appropriate results in subsidiaries		
Cimentospar - Participações Sociais, SGPS, Lda.	(83,546,849)	10,238,039
ETSA Investimentos, SGPS, S.A.	2,915,160	2,812,439
Great Earth - Projectos, S.A.	(39,213,538)	(150,367)
Interholding Investments, B.V.	(59,130)	(47,309)
N.S.O.S.P.E. - Empreendimentos e Participações, S.A.	3,500,272	(5,937)
Portucel, S.A.	89,364,053	32,456,814
Seinpar Investments, B.V.	63,359,772	59,779,395
Seinpart - Participações, SGPS, S.A.	(849)	25,305,070
Semapa Inversiones, S.L.	(6,794,684)	24,692,342
Seminv - Investimentos, SGPS, S.A.	1,734,464	(1,186,933)
Aboutbalance, SGPS, S.A.	366	-
Inspiredplace, S.A.	364	-
Secil - Companhia Geral de Cal e Cimento, S.A.	(289,990)	2,932,585
	30,969,411	156,826,138
Gains / (losses) on disposal of shareholdings		
Secil - Companhia Geral de Cal e Cimento, S.A.	25,408,499	-
	25,408,499	-
	56,377,910	156,826,138

On May 15, 2012, Cimentospar SGPS, S.A. a company wholly owned by Semapa SGPS, S.A., acquired the 49% holding in Secil held by CRH, for a total amount of Euro 574,080,000 in compliance with the arbitration award made by the court of Paris, thus, holding 99.99% of the share capital of this subsidiary (89.99% via Cimentospar and 10% directly held by Semapa).

As a result of this acquisition and taking into account Secil's recoverable value estimated in Euro 695,099, 287, an overall impairment was booked amounting to Euros 220,892,829, calculated by reference to the period immediately prior to the acquisition, which occurred in May 15, 2012. The impairment represents the difference between the post-acquisition book value of the 99.99% stake in the subsidiary (Euros 915,992,117), based on SNC, and its recoverable amount mentioned above.

The impairment is recorded in Semapa's individual financial statements, through the impairment of goodwill recorded in the subsidiary Cimentospar SGPS, S.A. (Note 16) and the application of the equity method in the subsidiaries Cimentospar, SGPS, S.A. and Great Earth, S.A..

In August 2012, Semapa sold its 10.86% share held directly in Secil to Cimentospar, concentrating in this company the whole share held in Secil.

As of 31 December 2012, subsidiaries' financial information, after adjustments related to the harmonization of accounting principles, was as follows:

Amounts in Euro	31 December de 2012				
	Total Assets	Total Liabilities	Equity	Net Profit	Revenue
Cimentospar - Participações Sociais, SGPS, Lda.	611,078,260	23,446,260	587,632,000	(183,385,333)	60,290
ETSA Investimentos, SGPS, S.A.	97,652,792	41,970,201	55,682,591	3,102,267	35,630,090
Great Earth - Projectos, S.A.	320,322,407	397,888,929	(77,566,521)	(116,780,059)	400,559
Interholding Investments, B.V.	6,088,756	150,948	5,937,808	(59,130)	-
N.S.O.S.P.E. - Empreendimentos e Participações, S.A.	76,849,430	65,748,757	11,100,673	3,500,272	-
Portucel, S.A.	2,688,368,444	1,318,285,170	1,370,083,274	191,858,537	1,501,615,139
Seinpar Investments, B.V.	541,865,855	26,345	541,839,509	63,359,772	63,390,049
Seinpart - Participações, SGPS, S.A.	61,764	2,222	59,542	(1,732)	-
Semapa Inversiones, S.L.	5,748,631	(2)	5,748,633	(6,794,683)	-
Seminv - Investimentos, SGPS, S.A.	2,038,503	2,350	2,036,153	1,734,464	262
Aboutbalance, SGPS, S.A.	50,364	-	50,366	366	-
Inspiredplace, S.A.	50,364	-	50,364	364	-
Secil - Companhia Geral de Cal e Cimento, S.A.	1,237,567,890	823,858,109	413,709,781	(3,437,592)	450,232,612

As of 31 December 2011, subsidiaries' financial information, after adjustments related to the harmonization of accounting principles, was as follows:

Amounts in Euro	31 December de 2011				
	Total Assets	Total Liabilities	Equity	Net Profit	Revenue
Cimentospar - Participações Sociais, SGPS, Lda.	208,754,138	360,926	208,393,212	10,238,039	11,067,523
ETSA Investimentos, SGPS, S.A.	92,154,045	39,522,286	52,697,402	2,919,523	33,612,828
Great Earth - Projectos, S.A.	61,052	54,103	6,949	(150,367)	35,777
Interholding Investments, B.V.	6,088,724	91,787	5,996,937	(47,309)	-
N.S.O.S.P.E. - Empreendimentos e Participações, S.A.	45,777	-	45,777	(5,937)	433
Portucel, S.A.	2,799,117,935	1,407,523,543	1,391,373,731	185,488,589	1,515,838,202
Seinpar Investments, B.V.	533,175,464	74,202	533,101,262	59,779,395	59,841,996
Seinpart - Participações, SGPS, S.A.	61,964	690	61,274	51,643,000	51,650,011
Semapa Inversiones, S.L.	86,745,120	1,801,804	84,943,316	24,692,342	26,623,527
Seminv - Investimentos, SGPS, S.A.	171,314,209	515	171,313,694	(1,186,933)	835,851
Secil - Companhia Geral de Cal e Cimento, S.A.	1,057,837,083	485,214,495	504,668,762	27,006,983	572,879,281

6. Consumed materials and services

The caption "Consumed materials and services" is detailed as follows for the years ended 31 December 2012 and 2011:

Amounts in Euro	2012	2011
Specialised services	2,745,025	4,447,409
Materials	35,494	62,114
Energy and fluids	51,019	46,590
Travel, lodging and transportation	352,650	116,115
Other services	1,094,153	1,037,633
External services re-charge	(3,705,044)	(306,749)
	573,297	5,403,112

The caption "External services re-charge" includes Euro 3,565,578 due to the amount paid by CRH to Semapa in fulfillment of the award made by the court of Paris, which require CRH to reimburse a percentage of the costs incurred by Semapa with the arbitration process.

7. Payroll expenses

As of 31 December 2012 and 2011 payroll expenses, were made up as follows:

Amounts in Euro	2012	2011
Board of directors (Note 28)	2,459,512	6,500,332
Excess estimated bonuses (Note 28)	(3,840,056)	(102,578)
Other remunerations	1,977,131	1,113,428
Post-employment benefits (Note 25)		
Expenses recognised in the year	5,782,818	5,748,206
Curtailments	(19,053,485)	-
Other payroll costs	1,027,078	478,190
Payroll total costs / (gains)	(11,647,002)	13,737,578

In 2012 the amount booked under the caption “Excess estimated bonuses” refers to the prior year accrual for performance bonuses which the actual payment didn’t occurred (Note 28).

In Shareholders’ General Meeting, held in December 27, 2012, the Company revoked Semapa’s Board of Directors pension plan which had been approved on shareholders’ General Meeting, held in March 30, 2005 (Note 25).

The number of employees working for the Company on 31 December 2012 and 2010 was 19.

8. Provisions

As of 31 December 2012 and 2011, the provisions for negative equity and other risks amounted to Euro 82,266,521 and Euro 3,640,000, respectively.

During the course of the year ended 31 December 2012 and 2011, the following movements took place in the caption “Provisions increase / (decrease)”:

Amounts in Euro	Negative Equity	Others	Total
Balance as of 1 January 2011	-	2,540,000	2,540,000
Increases	-	1,100,000	1,100,000
Balance as of 31 December 2011	-	3,640,000	3,640,000
Increases	77,566,521	1,060,000	78,626,521
Balance as of 31 December 2012	77,566,521	4,700,000	82,266,521

The company booked a provision of Euro 77,566,521 due to the negative equity of subsidiary Great Earth - Projectos, S.A., that is wholly owned by Semapa (Note 5).

9. Changes in fair value

In the years ended 31 December 2012 and 2011, changes in fair value were as follows:

Amounts in Euro	2012	2011
Available-for-sale financial assets		
- Gains / (losses) (Note 20)	(326,337)	(188,161)
Trading financial instruments		
- Gains / (losses) (Note 27)	2,271,390	(1,194,454)
	1,945,053	(1,382,615)

Fair values’ changes on financial instruments held for trade are gains and losses in the period due to changes in market prices of shares held by Semapa, as described in Note 20.

The caption “Derivative financial instruments – Gains / (losses)” incorporates fair value changes in the period on instruments described in Note 27.

10. Other operating income and other operating expenses

“Other operating income” is detailed as follows for the years ended 31 December 2012 and 2011:

Amounts in Euro	2012	2011
Gains on disposals of tangible fixed assets	-	10,041
Foreign exchange gains	-	9
Excess estimated tax for subsidiaries	-	-
Recovery of VAT from previous years	-	158,063
Others	32,373	1,893,198
	32,373	2,061,311

“Other operating expenses” is detailed as follows for the years ended 31 December 2012 and 2011:

Amounts in Euro	2012	2011
Taxes	(820,459)	(849,543)
Others	(96,302)	(146,043)
	(916,761)	(995,586)

11. Depreciation, amortisation and impairment losses

As of 31 December 2012 and 2011 changes in depreciation, amortisation and impairment losses were as following:

Amounts in Euro	2012	2011
Depreciation of property, plant and equipment		
Buldings	(174,930)	(174,929)
Equipment and other tangible assets	(123,138)	(155,863)
(Expenses) / reversals of depreciation and amortisation	(298,068)	(330,792)
Impairment Losses on intangible assets		
Goodwill (Note 5 and 16)	(81,296,931)	-
Impairment of non-depreciable/amortisable investments (expenses/reversals)	(81,296,931)	-

12. Net financial results

As of 31 December 2012 and 2011 Net financial results were detailed as follows:

Amounts in Euro	2012	2011
Interest and similar income:		
Interest income from bank deposits	2,948,321	4,871,364
Interest income on loans to associated companies (Note 28)	17,239,670	1,926,018
Gains on derivative financial instruments (Note 27)	249,980	-
Earned dividends	-	29,503
Other financial income	9,375	-
	20,447,346	6,826,885
Interest and similar expenses:		
Interest paid on loans from credit institutions	(9,606,857)	(8,672,873)
Interest paid on loans from shareholders (Note 28)	(307,317)	(705,958)
Interest paid on loans to associated companies (Note 28)	(4,877,209)	(85,873)
Losses on derivative financial instruments (Note 27)	(3,256,453)	(2,386,131)
Interest from other loans	(23,447,286)	(6,560,025)
Other financial expenses	(2,918,147)	(2,342,653)
	(44,413,269)	(20,753,513)

The amount stated in “Gains / (losses) on financial instruments” refers to the changes in the financial instruments described in note 27.

13. Income tax

As of 31 December 2012 and 2011, income tax comprises:

Amounts in Euro	2012	2011
Current tax	(526,091)	633,506
	(526,091)	633,506

The reconciliation of the effective tax rate in the years ended 31 December 2012 and 2011 is as follows:

Amounts in Euro	2012	2011
Profit before tax	(110,181,413)	124,795,306
Expected income tax	(29,198,074)	33,070,756
Differences (a)	6,822,178	(38,825,464)
Recoverable tax losses carried forward	382,161	-
Gains on RETGS	(1,018,257)	-
Non recoverable tax losses	22,375,896	4,570,271
Other tax adjustments	12,688	-
Autonomous taxation	97,317	1,817,943
	(526,091)	633,506
Effective Tax rate	0.48%	0.51%
Effective tax rate without the equity method	7.23%	30.15%

Amounts in Euro	2012	2011
Effects arising from the application of the equity method		
- Equity Method (Note 5)	(56,377,910)	(156,826,138)
Not tax deductible impairment losses (Note 11)	81,296,931	-
Adjustments and provisions taxed (Note 8)	78,626,521	1,100,000
Post-employment benefits (Note 25)	5,782,818	5,748,206
Paid Pensions (Note 25)	(1,645,511)	(1,645,817)
Reversal of taxed provisions (Note 25)	(100,380,578)	-
Tax gains/(losses)	-	5,021
Capital gains / (losses) for accounting purposes (Note 10)	-	(10,041)
Others	18,441,797	5,117,585
	25,744,068	(146,511,184)
Tax Effect (26,50%)	6,822,178	(38,825,464)

As of 31 December 2012, tax losses which the Company considers, at this date, cannot be offset against future taxable profits and therefore no deferred tax assets were recognised amount to Euro 130,865,409.

The annual tax returns in Portugal are subject to review and possible adjustment on the part of the tax authorities during a period of 4 years. However, where there are tax losses, these may be subject to review and additional assessment by the tax authorities for a higher period.

The Board of Directors is of the opinion that any corrections to those tax returns as a result of assessments by the tax authorities will not have a material impact on the financial statements at 31 December 2012. Additionally, the periods until 2010 have already been reviewed.

14. Earnings per share

There are no convertible financial instruments over Semapa's shares, so there is no dilution of earnings.

Amounts in Euro	2012	2011
Profit attributable to Semapa's shareholders	(109,655,322)	124,161,800
Weighted average number of ordinary shares in issue	113,339,133	113,339,133
Basic earnings per share	(0.97)	1.10
Diluted earnings per share	(0.97)	1.10

The weighted average number of shares is shown after deducting 5,447,975 treasury shares held by Semapa, SGPS, S.A..

15. Property, plant and equipment

The following movements were registered in the years ended 31 December 2012 and 2011 under the caption "Property, plant and equipment", as well as on the respective amortisation and impairment losses accounts:

Amounts in Euro	Buildings and other constructions	Equipments and others tangibles	Work in progress	Total
Acquisition Cost				
Amount as of 1 January 2011	812,631	574,920	703,615	2,091,166
Acquisitions	-	249,850	499,846	749,696
Disposals	-	(26,259)	-	(26,259)
Transfers	908,871	192,298	(1,101,169)	-
Amount as of 31 December 2011	1,721,502	990,809	102,292	2,814,603
Acquisitions	-	33,919	73,873	107,792
Disposals and regularisations	-	(14,204)	-	(14,204)
Amount as of 31 December 2012	1,721,502	1,010,524	176,165	2,908,191
Accumulated depreciation and impairment losses				
Amount as of 1 January 2011	(454,104)	(466,168)	(102,292)	(1,022,564)
Acquisitions	(174,929)	(155,863)	-	(330,792)
Disposals	-	26,259	-	26,259
Amount as of 31 December 2011	(629,033)	(595,772)	(102,292)	(1,327,097)
Acquisitions	(174,930)	(123,138)	-	(298,068)
Deductions and adjustments	-	14,204	-	14,204
Amount as of 31 December 2012	(803,963)	(704,706)	(102,292)	(1,610,961)
Net book value as of 1 January 2011	358,527	108,752	601,323	1,068,602
Net book value as of 31 December 2011	1,092,469	395,037	-	1,487,506
Net book value as of 31 December 2012	917,539	305,818	73,873	1,297,230

16. Goodwill

As of 31 December 2012 and 2011 Goodwill is made up as follows:

Entity	Acquisition Date	31-12-2012	31-12-2011
Cimentospar, SGPS, S.A.	2011	-	81,296,931
Portucel - Empresa Produtora de Pasta e Papel, S.A.	2010	55,935,308	55,935,308
Secil - Companhia Geral de Cal e Cimento, S.A.	2011	-	674,333
		55,935,308	137,906,572

The changes occurred in Goodwill during the years 2012 and 2011 were as follows:

Amounts in Euro	31-12-2012	31-12-2011
Opening balance	137,906,572	3,451,111
Impairments (Note 5 and 11)	(81,296,931)	-
Acquisitions	-	134,455,461
Disposals	(674,333)	-
Closing Balance	55,935,308	137,906,572

In accordance with NCRF 14, Goodwill is subject to impairment tests performed on an annual basis, in accordance to the accounting policy described in note 3.2.

Goodwill is attributed to the Company's cash generating units (CGU's) based on value in use, according to the method of discounted cash flows.

Impairment testing was based on the following assumptions:

	WACC* projection	WACC* perpetuity	Growth rate in perpetuity
Paper and Pulp			
Paper	10.36%	9.27%	2.25%
* After tax rate			

The calculations are based on historical performance and on expectations of business expansion with the current production structure, using for this purpose the Company's 4-year medium-term plan.

17. State and other public entities

As at 31 December 2012 and 2011, there were no arrear debts to the State and other public entities.

The balances relating to these entities were as follows:

Current assets

Amounts in Euro	31-12-2012	31-12-2011
Corporate Income Tax - IRC	868,607	-
Value Added Tax - VAT	298,110	397,083
	1,166,717	397,083

Current liabilities

Amounts in Euro	31-12-2012	31-12-2011
Corporate Income Tax - IRC	-	850,753
Individual Income Tax - IRS	12,239,735	152,149
Social Security	51,454	40,306
	12,291,189	1,043,208

The amount of Euro 12,239,735 recorded under the caption "Individual Income Tax - IRS" is due to the withholding made on the amounts paid to Board members regarding the revocation and discharge of the pension plan (Note 25).

As of 31 December 2012 and 2011, the caption "Corporate Income tax - IRC" comprised:

Amounts in Euro	31-12-2012	31-12-2011
Autonomous taxation	(97,317)	(1,817,943)
RETGS subsidiaries savings	(187,421)	(12,000)
Additional tax payment	119,767	51,365
Withholding tax to recover	1,033,578	927,825
	868,607	(850,753)

18. Receivables and other current assets

At 31 December 2012 and 2011, "Other receivables and other current assets" comprised:

Amounts in Euro	31-12-2012	31-12-2011
Accrued Income		
Interest receivable	-	1,085,309
Others	-	1,345
	-	1,086,654
Other debtors		
Advances to suppliers	-	24
Derivative financial instruments (Note 27)	-	17,560
Other debtors - subsidiaries (Note 28)	25,051,426	3,977,880
Other debtors - joint ventures (Note 28)	342,283	12,017
	25,393,709	4,007,481
	25,393,709	5,094,135

19. Deferrals

As of 31 December 2012 and 2011, this caption comprised:

Amounts in Euro	31-12-2012	31-12-2011
Deferred costs		
Consumed materials and services	60,704	62,111
Prepaid interest	106,843	166,301
	167,547	228,412
Deferred revenues		
Others	(6,172)	(5,956)
	(6,172)	(5,956)
	161,375	222,456

20. Available-for-sale financial assets

The following movements were registered in this caption during the years ended 31 December 2012 and 2011:

Amounts in Euro	31-12-2012	31-12-2011
Fair value at the beginning of the year	427,363	549,594
Acquisitions	-	275,000
Disposals	(137)	(209,070)
Changes in fair value	(326,337)	(188,161)
Fair value at end of the year	100,889	427,363

As of 31 December 2012 and 2011 the fair value of available-for-sale financial assets comprises:

Amounts in Euro	Fair Value	
	31-12-2012	31-12-2011
Banco Comercial Português, S.A.	-	184
Banco Espírito Santo, S.A.	100,889	152,179
Others	-	275,000
	100,889	427,363

21. Other financial assets

As of 31 December 2012 other financial assets, current and non-current, were related to receivables from group companies and amounted to Euro 8,387,959 (2011: Euros 4,134,928) and Euro 380,865,011, respectively. Current receivables are related with short term cash operations, with market interest rates, which are collected every three months. Non-current receivables are related with loans granted to subsidiary Great Earth – Projectos, S.A. (Note 28).

22. Share capital and treasury shares

At 31 December 2012, Semapa's share capital was fully subscribed and paid up, being represented by 118,332,445 shares with a unit nominal value of 1 Euro each.

At 31 December 2012 and 2011 the following entities had substantial holdings in the company's capital:

Name	31-12-2012		31-12-2011	
	Nº of Shares	%	Nº of Shares	%
Longapar, SGPS, S.A.	21,505,400	18.17	21,505,400	18.17
Cimo - Gestão de Participações, SGPS, S.A.	16,199,031	13.69	16,199,031	13.69
Sodim, SGPS, S.A.	15,657,505	13.23	18,842,424	15.92
Banco BPI, SA	12,009,004	10.15	12,009,004	10.15
Bestinver Gestión, SGIIC, S.A.	11,865,210	10.03	11,865,210	10.03
Norges Bank (the Central Bank of Norway)	5,649,215	4.77	5,933,463	5.01
Cimigest, SGPS, SA	3,185,019	2.69	100	0.00
Sociedade Agrícola da Quinta da Vialonga, S.A.	625,199	0.53	625,199	0.53
OEM - Organização de Empresas, SGPS, S.A.	535,000	0.45	535,000	0.45
Banco Espírito Santo, SA	-	-	3,871,957	3.27
Treasury shares	5,447,975	4.60	5,447,975	4.60
Other shareholders with less than 2% participation	25,653,887	21.68	21,497,682	18.17
	118,332,445	100.00	118,332,445	100.00

23. Reserves and retained earnings

Emission's Premium

This value cannot be distributed unless in the event of the company's winding up, however, it may be used to absorb losses after the other reserves have been exhausted or it can be incorporated into the issued capital.

Legal Reserve

Commercial Company law prescribes that at least 5% of annual net income must be transferred to the legal reserve until this is equal to at least 20% of the issued capital, which is verified as of 31 December 2012.

This reserve cannot be distributed unless in the event of the company's winding up, however, it may be used to absorb losses after the other reserves have been exhausted or it can be incorporated into the issued capital.

Other Reserves

The amounts booked in this caption correspond to free reserves for distribution to shareholders, constituted through the appropriation of prior years' earnings.

Following the purchase of 2,720,000 treasury shares on 2007 and of 2,727,975 shares on 2011, a reserve with the same amount has been made unavailable, in accordance with the applicable trade law. This reserve should be kept until the disposal of the shares.

Retained earnings

Actuarial gains or losses

The differences between the assumptions used for the purpose of determining liabilities related to postemployment benefits and what effectively occurred, as well as changes made to those assumptions are equally recorded under this caption as described in Note 3.15.1.

Previous year's net income was distributed as follows:

Amounts in Euro	Application of year's net profit	
	2011	2010
Dividends paid	28,785,540	29,481,173
Others Reserves	95,376,260	97,239,056
Net profit for the year (2011: SNC / 2010: SNC)	124,161,800	126,720,229
Dividend per share	0.254	0.255

Adjustments on financial assets

This caption shows the adjustments made due to the equity method's application on subsidiaries.

Adjustments on financial assets were as follows in the years ended 31 December 2012 and 2011:

Amounts in Euro	31-12-2012	31-12-2011
Cimentospar - Participações Sociais, SGPS, Lda.	142,105,317	(762,215)
ETSA Investimentos, SGPS, S.A.	(732,508)	(683,129)
Great Earth - Projectos, S.A.	(150,793,409)	2
Portucel - Empresa Produtora de Pasta e Papel, S.A.	(1,252,135)	597,640
Seinpar Investments, B.V.	(2,803,002)	(1,487,476)
Seinpart - Participações, SGPS, S.A.	35,857,480	35,857,480
Semapa Inversiones, S.L.	(36,764,961)	(36,764,961)
Seminv - Investimentos, SGPS, S.A.	9,417,603	9,417,608
N.S.O.S.P.E. - Empreendimentos e Participações, S.A.	(517,165)	-
Secil - Companhia Geral de Cal e Cimento, S.A.	-	(639,776)
	(5,482,780)	5,535,173

Changes in "Adjustments on Financial Assets", were as follows for the years ended 31 December 2012 and 2011:

Amounts in Euro	31-12-2012	31-12-2011
Opening balance	5,535,173	6,317,024
Investment grants recognition on equity in subsidiaries	(5,388,106)	(5,077,136)
Actuarial gains / (losses)	4,352,698	1,730,316
Treasury shares acquired by subsidiary companies	-	8,348,980
Fair value of derivative financial instruments	(1,427,784)	(5,788,078)
Translation reserve	(5,258,632)	7,144
Treasury shares acquired by subsidiary companies	(2,683,340)	-
Intragroup differences in acquisition of share capital	(326,330)	-
Transfer to retained earnings	(247,056)	-
Other movements	(39,403)	(3,077)
Closing Balance	(5,482,780)	5,535,173

Other changes in equity

As of 31 December 2011 and 2010 this caption comprised:

Amounts in Euro	31-12-2012	31-12-2011
Fair value of derivative financial instruments	(17,478,265)	(9,368,022)
Differences arising on translation of financial statements	(5,533,506)	(3,356)
	(23,011,771)	(9,371,378)

The negative amounts of Euro 17,478,265 and Euro 9,368,022 presented under “Fair value of derivative financial instruments” correspond to changes on hedging financial instruments’ fair value, where Mark to Market as at 31 December 2012 and 2011 was negative totalizing Euro 18,341,470 and Euro 10,933,729 (Note 26) and intrinsic value of Euro 15,065,232 and Euro 9,368,022, respectively. All of these amounts are recorded according to the policy described on note 3.7.

On 31 December 2012, the negative amount of Euro 5,533,506 (2011: Euros 3,356) represents the company’s appropriation of exchange differences due to the financial statements’ conversion of companies acting outside the Euro zone, namely the conversion of the subsidiary N.S.O.S.PE. - Empreendimentos e Participações, S.A., with head office in Rio de Janeiro, Brazil.

24. Interest-bearing liabilities

As of 31 December 2012 and 2011, Company’s net debt was as follows:

Amounts in Euro	31-12-2012	31-12-2011
Interest-bearing liabilities		
Non Current	822,884,321	498,899,947
Current	81,596,676	293,429,928
	904,480,997	792,329,875
Cash and cash equivalents		
Cash	4,494	5,263
Short term bank deposits	48,967	81,546
Others	-	111,782,000
	53,461	111,868,809
Held securities market value	30,998,978	29,255,626
Interest-bearing net debt	873,428,558	651,205,440

Non-current interest-bearing liabilities

As of 31 December 2012 and 2011, non-current interest-bearing liabilities were as follows:

Amounts in Euro	31-12-2012	31-12-2011
Non Current		
Bonds loans	525,000,000	225,000,000
Commercial paper	199,450,000	130,850,000
Loans from financial institutions	108,000,000	145,079,000
Expenses with bond loans issuing	(9,565,679)	(2,029,053)
Non-current interest-bearing liabilities	822,884,321	498,899,947

Bond Loans

As of 31 December 2012 and 2011, non-current bond loans were as follows:

Amounts in Euro	31-12-2012	31-12-2011
Bond loans		
Semapa 2006 / 2016	175,000,000	175,000,000
Semapa 2006 / 2016	50,000,000	50,000,000
Semapa 2012 / 2015	300,000,000	-
	525,000,000	225,000,000

Semapa SGPS, S.A. have restructured its debt, issuing two bond loans amounting Euro 50,000,000 and Euro 175,000,000 with 10 years maturity. This last is listed in Euronext Lisbon under the designation “Obrigações Semapa 2006/2016”, whose unit value is, as of 31 December 2012, Euro 88.25 (31 December 2011: Euro 95.25).

During the first half of 2012, Semapa issued a bond loan amounting to Euro 300 million with a maturity of 3 years (2015), listed on Euronext Lisbon as "Semapa Bonds 2012/2015." On 31 December 2012 the value per unit was 103.66 Euros.

Commercial paper

In 2006, Semapa SGPS, S.A. contracted a commercial paper amounting Euro 175,000,000 with 10 years maturity which amounts Euro 174,450,000 as at 31 December 2012.

During the year ended 31 December 2008, Semapa and ETSA – Investimentos SGPS S.A. (former designated by VerdeOculto) contracted a commercial paper program amounting Euro 70,000,000, for a period of 5 years, which amounts Euro 25,000,000 as at 31 December 2012.

Maturity of bond loans and other loans

The reimbursement terms relating to the balance recorded on bond, bank and other medium and long term loans is shown as follows:

Amounts in Euro	31-12-2012	31-12-2011
1 to 2 years	108,000,000	137,079,000
2 to 3 years	300,000,000	8,000,000
3 to 4 years	225,000,000	-
4 to 5 years	-	225,000,000
	633,000,000	370,079,000

Current interest-bearing liabilities

As of 31 December 2012 and 2011, current interest bearing liabilities were as follows:

Amounts in Euro	31-12-2012	31-12-2011
Current		
Loans from financial institutions	24,934,172	37,016,634
Interest-bearing bank debt	24,934,172	37,016,634
Shareholders short term loans	5,074,358	10,065,241
Subsidiaries short term loans	51,588,146	246,348,053
Other interest-bearing debts	56,662,504	256,413,294
Current interest-bearing liabilities	81,596,676	293,429,928

Liabilities assumed due to Operating Leases

As of 31 December 2012 and 2011 debt's reimbursement plans for operating leases are as follows:

Amounts in Euro	31-12-2012	31-12-2011
Less than 1 year	97,913	90,675
1 a 2 years	53,350	65,636
2 a 3 years	27,860	40,414
3 a 4 years	12,948	12,870
4 a 5 years	5,934	-
Total liabilities	198,005	209,595
Costs for the year	106,242	102,791

Bank credit facilities granted and not drawn

On 31 December 2012 and 2011, bank credit facilities granted and not drawn against amounted to Euro 49,639,830 and Euro 115,883,366, respectively.

25. Pensions and other post-employment benefits

In a shareholders' General Meeting, held in 27 December 2012, the retirement board of directors' pension plan, approved on shareholders' General Meeting, held in 30 March 2005 was unanimously revoked.

Following this determination, it was placed to consideration of each beneficiary the possibility of early redemption, with and additional discount between 20% and 25%, of all individual pension liabilities.

This proposal was accepted for almost all beneficiaries, which received 40% of the accrued liabilities deducted from the referred discount. The disbursement of the remaining 60% will be deferred for a period not exceeding three years (Note 28). This discount resulted in a gain of Euro 19,053,485 recorded in the caption "Payroll expenses" (Note 7).

Thus, on 31 December 2012, the amount of liabilities presented on the balance sheet under the caption "Pension and other post-employment benefits" (Euro 1,374,716), corresponds to the liability of Semapa to one beneficiary who choose not join the deliberation held in 27 December 2012.

During the periods ended 31 December 2012 and 2011, changes in Company's liabilities were as follows:

Amounts in Euro	31-12-2012	31-12-2011
Opening Balance	100,101,271	99,931,261
Movements in the year:		
Expenses recognised in income statement (Note 7)	5,782,818	5,748,206
Actuarial losses / (gains)	(2,483,284)	(3,932,379)
Pensions paid in the year	(1,645,511)	(1,645,817)
Redemption of defined benefit plan	(81,327,093)	-
Gain recognized in the results - Cutting liability (Note 7)	(19,053,485)	-
Liabilities at year end	1,374,716	100,101,271

The actuarial studies were based on the following assumptions:

	31-12-2012	31-12-2011
Mortality table	TV 88/90	TV 88/90
Disability table	EKV 80	EKV 80
Pensions growth rate	2.25%	2.25%
Technical interest rate	5.00%	5.00%
Income rate	4.50%	4.50%
Wage growth rate	2.00%	2.00%
Pensions reversability rate	50%	50%
Number of annual payments of Semapa complement	12	12
Social Benefits formula	Decret-Law nº 187/2007 of May 10th	Decret-Law nº 187/2007 of May 10th

26. Payables and other current liabilities

As of 31 December 2012 and 2011 the caption "Payables and other current liabilities" comprises:

Amounts in Euro	31-12-2012	31-12-2011
Subsidiaries (Note 28)	2.548.791	275.135
Accounts payable - fixed assets suppliers	25.893	28.722
Consultants and advisers	148.505	75.913
Derivative financial instruments	18.341.470	10.933.729
Other payables	55.396.255	6.600.044
Accrued expenses	8.465.213	7.152.173
	84.926.127	25.065.716

The caption “Other payables” comprises an amount of Euro 48,796,256 corresponding to 60% of the liability established by the revocation of the Board of Directors pension plan, which payment was deferred as described in note 25.

At 31 December 2012 and 2011, the caption “Accrued expenses” comprised:

Amounts in Euro	31-12-2012	31-12-2011
Accrued expenses		
Payroll costs	781,274	4,571,647
Interest payable	6,736,048	2,276,111
Others	947,891	304,415
	8,465,213	7,152,173

27. Derivative financial instruments

During the year ended 31 December 2009 and in order to cover the interest rate risk of its bond loans, Semapa contracted three interest rate collar structures: (i) Euro 175,000,000 with Caixa BI; (ii) Euro 25,000,000 with BPI and (iii) Euro 25,000,000 with BES. These instruments allow Semapa to establish a minimum and maximum rate to cash outflows related to the above mentioned loans.

According to NCRF 27, these instruments are recorded in the financial statement as mentioned on note 3.7.

Fair value of derivative financial instruments is included under the caption “Payables and other current liabilities” (Note 26), if negative, and in the caption “Receivable and other current assets” (Note 18), if positive.

Detail and maturity of the Derivative Financial Instruments

As of 31 December 2012 and 2011 details of the fair value of derivative financial instruments shown in the balance sheet were as follows:

Amounts in Euro	Currency	Notional	Maturity	Fair Value	
				31-12-2012	31-12-2011
Financial instruments - trading					
Currency Forwards	BRL	56,414,375	12-Jan-12	-	17,560
Ending balance				-	17,560

Amounts in Euro	Currency	Notional	Maturity	Fair Value	
				31-12-2012	31-12-2011
Financial instruments - hedging					
Interest rate collar	EUR	175,000,000	20-Apr-16	(12,778,581)	(8,668,033)
Interest rate collar	EUR	25,000,000	30-Nov-15	(1,599,750)	(1,137,775)
Interest rate collar	EUR	25,000,000	30-Nov-15	(1,602,805)	(1,127,921)
Currency Interest Rate Swap	BRL	32,000,000	27-Mar-17	(2,360,334)	-
Ending balance				(18,341,470)	(10,933,729)
Total financial instruments				(18,341,470)	(10,916,169)

Changes in fair value of derivative financial instruments for the years 2012 and 2011 were as follows:

Valores em Euros	Fair Value Variation (Trading)	Fair Value Variation (Hedging)	Total
As of 1 January 2011	-	(5,395,648)	(5,395,648)
Maturity/Liquidations	-	2,600,326	2,600,326
Change in fair value booked in the income statement (Note 9)	17,560	(1,212,014)	(1,194,454)
Reclassification to the income statement (Note 12)	-	(2,386,131)	(2,386,131)
Change in fair value booked in equity	-	(4,540,262)	(4,540,262)
As of 31 December 2011	17,560	(10,933,729)	(10,916,169)
Maturity/Liquidations	(1,120,877)	2,540,902	1,420,025
Change in fair value booked in the income statement (Note 9)	1,103,317	1,168,073	2,271,390
Reclassification to the income statement (Note 12)	-	(3,006,473)	(3,006,473)
Change in fair value booked in equity	-	(8,110,243)	(8,110,243)
As of 31 December 2012	-	(18,341,470)	(18,341,470)

28. Balances and transactions with related parties

As at 31 December 2012, balances with related parties were as follows:

Amounts in Euro	31-12-2012			
	Other Receivables (Note 18)	Other financial assets (Note 21)	Interest-bearing Loans (Note 24)	Other Payables (Note 26)
Shareholders				
Cimo SGPS, SA	-	-	203,445	-
Longapar, SGPS, SA	-	-	4,870,913	-
	-	-	5,074,358	-
Subsidiaries				
Celcimo, S.L.	-	-	548,298	-
Cimentospar - Participações Sociais, Lda	12,561	4,205,317	-	5,206
ETSA Investimentos, SGPS, S.A.	3,250,587	4,037,585	-	3,670
Great Earth - Projectos, S.A.	16,944,105	380,865,011	-	-
Interholding Investments, BV	644	134,324	-	-
Portucel, S.A.	2,830,893	-	-	-
Sebol - Comércio e Indústria de Sebo, S.A.	15	-	-	-
Seinpar Investments, BV	-	10,733	-	-
Seinpart - Participações, SGPS, S.A.	-	-	56,510	-
Seminv - Investimentos, SGPS, S.A.	-	-	-	1,968,222
Soporcel - Soc. Portuguesa de Papel, S.A.	9,992	-	-	-
Aboutbalance, SGPS, S.A.	-	-	-	91
Inspiredplace, S.A.	-	-	-	92
Secil - Companhia Geral de Cal e Cimento, S.A.	2,002,629	-	50,983,338	571,510
	25,051,426	389,252,970	51,588,146	2,548,791
Total	25,051,426	389,252,970	56,662,504	2,548,791

As at 31 December 2011, balances with related parties were as follows:

	31-12-2011			
	Other Receivables (Note 18)	Other financial assets (Note 21)	Interest-bearing Loans (Note 24)	Other Payables (Note 26)
Amounts in Euro				
Shareholders				
Cimo SGPS, S.A.	-	-	3,815,891	-
Longapar, SGPS, S.A.	-	-	6,249,350	-
	-	-	10,065,241	-
Subsidiaries				
Celcimo, SL	-	-	3,840,922	-
Cimentospar - Participações Sociais, Lda.	366,507	-	-	-
ETSA Investimentos, SGPS, S.A.	2,102,404	3,994,488	-	3,669
Great Earth - Projectos, S.A.	7,939	-	-	24,000
Interholding Investments, BV	644	78,962	-	-
Portucel, S.A.	1,484,341	-	-	-
Sebol - Comércio e Indústria de Sebo, S.A.	15	-	-	-
Seinpar Investments, BV	394	61,478	-	-
Seinpart - Participações, SGPS, S.A.	-	-	56,712	-
Semapa Inversiones, SL	-	-	71,693,393	-
Seminv - Investimentos, SGPS, S.A.	283	-	170,757,026	244,901
Soporcel - Soc. Portuguesa de Papel, S.A.	600	-	-	-
Secil - Companhia Geral de Cal e Cimento, S.A.	14,750	-	-	2,565
Ciminpart - Investimentos e Participações, SGPS, S.A.	3	-	-	-
	3,977,880	4,134,928	246,348,053	275,135
Total	3,977,880	4,134,928	256,413,294	275,135

During the year ended 31 December 2012, transactions with related parties were as follows:

	Sales and Services Rendered (Note 5)	Supplementary income	Interest and other income (Note 12)	Financial costs (Note 12)	Acquisition of goods and services	Acquisition of investment goods
Amounts in Euro						
Shareholders						
Cimigest, SGPS, S.A.	-	-	-	-	(107,740)	-
Cimo SGPS, S.A.	-	-	-	(64,352)	-	-
Longapar, SGPS, S.A.	-	-	-	(242,965)	-	-
	-	-	-	(307,317)	(107,740)	-
Subsidiaries						
Celcimo, S.L.	-	-	-	(89,659)	-	-
Cimentospar - Participações, SGPS, Lda	372,960	-	98,109	-	-	75,479,723
ETSA Investimentos, SGPS, S.A.	108,937	269	188,757	-	-	-
Great Earth - Projectos, S.A.	-	-	16,947,911	-	-	-
N.S.O.S.P.E. - Empreendimentos e Participações, S.A.	-	-	-	-	-	-
Interholding Investments, BV	-	-	4,162	-	-	-
Portucel - Emp. Produtora de Pasta e Papel, S.A.	3,390,433	31,676	-	(3,539)	-	-
Seinpar Investments, BV	-	-	731	-	-	-
Seinpart - Participações, SGPS, S.A.	-	-	-	(2,207)	-	-
Semapa Inversiones, SL	-	-	-	(773,453)	-	-
Seminv - Investimentos, SGPS, S.A.	-	-	-	(1,843,987)	-	-
Soporcel - Soc. Portuguesa de Papel, SA	-	79,895	-	-	-	-
Aboutbalance, SGPS, S.A.	-	-	-	-	-	-
Inspiredplace, S.A.	-	-	-	-	-	-
Secil - Companhia Geral de Cal e Cimento, S.A.	1,621,420	18,620	-	(2,164,364)	-	24,412,353
	5,493,750	130,460	17,239,670	(4,877,209)	-	99,892,076
Total	5,493,750	130,460	17,239,670	(5,184,526)	(107,740)	99,892,076

During the year ended 31 December 2011, transactions with related parties were as follows:

Amounts in Euro	Sales and Services Rendered (Note 5)	Supplementary income	Interest and other income (Note 12)	Financial costs (Note 12)	Acquisition of goods and services	Acquisition of investment goods
Shareholders						
Cimigest, SGPS, S.A.	-	-	-	-	(107,740)	-
Cimo SGPS, SA	-	-	-	(226,524)	-	-
Longapar, SGPS, SA	-	-	-	(456,910)	-	-
Sonaca SGPS, SA	-	-	-	(22,524)	-	-
	-	-	-	(705,958)	(107,740)	-
Subsidiaries						
Celcimo, S.L.	-	-	-	(970)	-	-
Cimentospar - Participações, SGPS, Lda	806,304	-	-	-	-	-
ETSA Investimentos, SGPS, S.A.	261,744	882	57,173	-	-	-
Interholding Investments, BV	-	-	1,826	-	-	-
Portucel - Emp. Produtora de Pasta e Papel, SA	1,716,120	188,748	-	-	-	-
Seinpar Investments, BV	-	-	1,237	-	-	-
Seinpart - Participações, SGPS, SA	-	-	-	(14)	-	-
Semapa Inversiones, SL	-	19,767	1,865,782	(18,568)	-	(19,642,705)
Seminiv - Investimentos, SGPS, SA	-	-	-	(66,321)	-	-
Soporcel - Soc. Portuguesa de Papel, SA	-	76,495	-	-	-	-
Secil - Companhia Geral de Cal e Cimento, SA	-	19,173	-	-	-	-
	2,784,168	305,065	1,926,018	(85,873)	-	(19,642,705)
Total	2,784,168	305,065	1,926,018	(791,831)	(107,740)	(19,642,705)

Remunerations to member of the corporate bodies, including management bonuses accrual, for the years ended 31 December 2012 and 2011 were as follows:

Amounts in Euro	2012	2011
Board of directors - Remuneration	2,398,041	2,600,405
Board of directors - Bonus	-	3,840,056
Board of directors - Prior year bonus reversal	(3,840,056)	(102,578)
Fiscal Board and other corporate entities	61,471	59,871
Impact on Net profit (Note 7)	(1,380,544)	6,397,754

Additionally, Semapa's Board of Directors was entitled with a benefit pensions plan until 27 December 2012, which was revoked in the current year as described in Note 25.

29. Audit fees

In the years ended 31 December 2012 and 2011, expenses with statutory audits and other audit services, were as follows:

Amounts in Euro	2012	2011
Statutory auditors services	167,148	65,648
Other reliability assurance services	-	32,000
	174,648	97,648

The Board of Directors believes there are adequate procedures safeguarding the independence of auditors through the audit committee process analysis of the work proposed and careful definition of the work to be performed by the auditors.

30. Commitments

Semapa SGPS and Semapa Inversiones, SL, as guarantor, concluded a promise of a credits granting contract with a financial institution in order to finance the acquisition of listed shares on the Euronext Lisbon and that integrate PSI 20 and/or acquisition of Portucel shares.

With funds availability under that contract, Semapa and/or guarantor undertake to provide security in the corresponding shares acquired and/or holding in portfolio Portucel shares, or alternately the establishment of a long term deposit, sufficient to maintain a coverage ratio amounting never less than 1.35.

This credit line was used up, on 31 December 2012 by the amount of Euro 100,000,000, having been given as security 60,117,005 Portucel shares.

Additionally, during the year ended 31 December 2012 and 2011, Semapa presented a guarantee to Tax Authorities and Customs amounting to Euro 500,731 and Euro 222,979, intended to endorse the suspension of enforcement proceedings installed by the additional VAT settlement, for fiscal year 2009 e 2008 respectively.

NSOSPE (Brazilian subsidiary owned by Semapa) made a bond loan emission of Real 128,100,000. As commitments and guarantees Semapa assumed the pledge of shares that represent the entire share capital of NSOSPE, an equity support agreement and a promissory note.

31. Exchange rates

The assets and liabilities of the foreign subsidiaries were translated to Euro at the exchange rate prevailing on 31 December 2012.

The income statement transactions were translated at the average rate for the period.

The rates used in 2012 and 2011 against the euro, were as follows:

	2012	2011	Appreciation/ Depreciation
BRL (Brazilian real)			
Average exchange rate for the year	2.5077	2.3265	(7.79%)
Exchange rate at year end	2.7036	2.4159	(11.91%)

32. Reconciliation between equity and net income

The reconciliation between the consolidated and individual net profit were as follows:

Amounts in Euro	31-12-2012
Net profit for the year - SNC	(109.655.322)
Differences in fair value of Secil' individual net profit for the year	220.892.829
Differences in fair value of Secil consolidate net profit for the year	16.759.370
Differential treatment on hedging instruments	(1.462.074)
Differences in clearance accounting gains	(18.715)
Net profit for the year - IFRS	126.516.088

As of 31 December 2012 the reconciliation between the consolidated and individual equity were as follows:

Amounts in Euro	31-12-2012
Total Equity - SNC	923,837,160
Recognition of grants in capital	(27,889,354)
"Goodwill" recorded on acquisitions of non-controlling interest	(337,688,734)
Differences in fair value of Secil individual net profit for the year (Note 5)	220,892,829
Differences in fair value of Secil consolidate net profit for the year	16,759,370
Total Equity - IFRS	795,911,271

33. Note added for translation

The accompanying financial statements are a translation of financial statements originally issued in Portuguese. In the event of any discrepancies the Portuguese version prevails.

Paulo Jorge Morais Costa
The Accountant

BOARD OF DIRECTORS**Chairman:**

Pedro Mendonça de Queiroz Pereira

Members:

Maria Maude Mendonça de Queiroz Pereira Lagos

José Alfredo de Almeida Honório

Francisco José Melo e Castro Guedes

José Miguel Pereira Gens Paredes

Paulo Miguel Garcês Ventura

Rita Maria Lagos do Amaral Cabral

António da Nóbrega de Sousa da Câmara

Joaquim Martins Ferreira do Amaral

António Pedro de Carvalho Viana Baptista

Vitor Manuel Galvão Rocha Novais Gonçalves

PART 6

STATUTORY AUDITOR CERTIFICATE AND
REPORT OF THE AUDIT BOARD ON THE
SEPARATE ACCOUNTS



Audit Report for Statutory and Stock Exchange Regulatory Purposes on the Individual Financial Information

(Free translation from the original in Portuguese)

Introduction

1 As required by law, we present the Audit Report for Statutory and Stock Exchange Regulatory Purposes on the financial information included in the Directors' Report and in the attached financial statements of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., comprising the balance sheet as at 31 December 2012 (which shows total assets of Euro 2,009,292,806 and total shareholder's equity of Euro 923.837.160 including a net loss of Euro 109,655,322), the statement of income by nature, the statement of changes in equity and the statement of cash flows for the year then ended, and the corresponding notes to the accounts.

Responsibilities

2 It is the responsibility of the Company's Board of Directors (i) to prepare the Directors' Report and the financial statements which present fairly, in all material respects, the financial position of the Company, the results of its operations, the changes in equity and the cash flows; (ii) to prepare historic financial information in accordance with generally accepted accounting principles in Portugal and which is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain an appropriate system of internal control; and (v) to disclose any significant matters which have influenced the activity, financial position or results of the Company.

3 Our responsibility is to verify the financial information included in the financial statements referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code, for the purpose of issuing an independent and professional report based on our audit.

Scope

4 We conducted our audit in accordance with the Standards and Technical Recommendations issued by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Accordingly, our audit included: (i) verification, on a sample basis, of the evidence supporting the amounts and disclosures in the financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of the Board of Directors used in the preparation of the financial statements; (ii) assessing the appropriateness of the accounting principles used and their disclosure, as applicable; (iii) assessing the applicability of the going concern basis of accounting; (iv) assessing the overall presentation of the financial statements; and (v) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the financial information.

5 Our audit also covered the verification that the information included in the Directors' Report is consistent with the financial statements as well as the verification set forth in paragraphs 4 and 5 of Article 451º of the Companies Code.

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.

Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal

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Matriculada na Conservatória do Registo Comercial sob o NUPC 506 628 752, Capital Social Euros 314.000

Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na Comissão do Mercado de Valores Mobiliários sob o nº 9077

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the financial statements referred to above, present fairly in all material respects, the financial position of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. as at 31 December 2012, the results of its operations, the changes in equity and the cash flows for the year then ended, in accordance with generally accepted accounting principles in Portugal and the information included is complete, true, up-to-date, clear, objective and lawful.

Report on other legal requirements

8 It is also our opinion that the information included in the Directors' Report is consistent with the financial statements for the year and that the Corporate Governance Report includes the information required under Article 245º-A of the Portuguese Securities Market Code.

20 March 2013

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda
Registered in the Comissão do Mercado de Valores Mobiliários with no. 9077
represented by:

António Alberto Henriques Assis, R.O.C.

(This is a translation, not to be signed)

Semapa – Sociedade de Investimento e Gestão, SGPS, SA.
Report and Opinion of the Audit Board
Separate Accounts

Financial year of 2012

Shareholders,

1. In accordance with the law, the articles of association and the terms of our mandate, we are pleased to submit the report on our supervisory activities in 2012 and to issue our opinion on the Management Report and Separate Financial Statements presented by the Board of Directors of Semapa - Sociedade de Investimento e Gestão, SGPS, SA, for the financial year ended 31 December 2012.
2. Over the course of the year we monitored the affairs of the company , with the regularity and to the extent we deemed appropriate, through periodic meetings with the company's directors and senior management. We checked that the accounts were kept correctly and duly documented, and verified the effectiveness of the risk management, internal control and internal audit systems. We also monitored compliance with the law and the articles of association. We encountered no constraints in the course of our supervisory activities.
3. We met several times with the official auditor and external auditor, PricewaterhouseCoopers & Associados, SROC, Lda, monitoring its auditing activities and checking its independence. We assessed the Legal Accounts Certificate and the Audit Report, and are in agreement with the Legal Accounts Certificate presented.
4. In the course of our work we found that:
 - a) the Balance Sheet, the Income Statement, the Separate Statement of Changes in Equity, the Separate Statement of Cash Flows and the corresponding Notes provide an adequate picture of the state of the company's affairs and its profits;
 - b) the accounting policies and valuation criteria adopted comply with accounting principles generally accepted in Portugal and suitably assure that such criteria lead to a correct valuation of the company's assets and profits, taking due account of the analyses and recommendations of the external auditor;
 - c) the Management Report provides a sufficient description of the business affairs and situation of the company , offering a clear account of the most significant developments during the year.
 - d) the Corporate Governance Report includes the information required by Article 245-A of the Securities Code.
5. It is our opinion that the proposal for allocation of profits and distribution of free reserves presented by the Directors is appropriate and supported by due grounds.
6. Following the Extraordinary General Meeting of SEMAPA held on 27 December 2012, which resolved to abolish the retirement pension scheme for the Company's directors, the Audit Board was present at the meeting of the Board of Directors which authorized, by unanimous votes, without the participation of the directors directly involved, the

contracts to be concluded with the directors who have agreed to the extinguishment of their rights, and issued its opinion in favour of such authorizations.

7. Accordingly, taking into consideration the information received from the Board of Directors and the company departments, and also the conclusions of the Legal Accounts Certificate and the Audit Report, we recommend that:

- a) the Management Report be approved;
- b) the Separate Financial Statements be approved;
- c) the proposal for allocation of profits and distribution of free reserves presented by the company's Directors be approved.

7. Finally, the members of the Audit Board wish to acknowledge and express their thanks for the assistance received from the Board of Directors, the senior managers of the company and other staff.

Lisbon, 21 March 2013

The Chairman of the Audit Board

Miguel Camargo de Sousa Eiró

Member

Duarte Nuno d'Orey da Cunha

Member

Gonçalo Nuno Palha Gaio Picão Caldeira