REPORT AND ACCOUNTS

2017

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SHARE CAPITAL: € 81,270,000

PART 1

MANAGEMENT REPORT

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1 ECONOMIC BACKGROUND

The IMF estimates that in 2017 the world economy grew 3.7% vs. 3.2% in 2016, (World Economic Outlook, IMF, January 2018), one of the highest figures since 2010. Over the course of the year, growth forecasts were reviewed upwards systematically and across the regions.

The role of the central banks in the economic recovery was relevant, by injecting liquidity into the financial markets, assuming accommodative monetary policies through non-conventional monetary measures.

The European economy was estimated to grow 2.4% in 2017, well above the 1.8% recorded in 2016 (World Economic Outlook, January 2018). The United Kingdom was the great exception, as a result of the fears and uncertainty generated by the United Kingdom's decision to exit the European Union. Economic activity in the euro area reflected the results of some development policies adopted recently, as well as the improvement in the financial conditions and relatively low oil prices, and the labour market progressively picking up. Such dynamics was boosted by the improvement in the confidence of economic agents, which reflected the vision that the risks for economic growth are currently more stable.

In 2017, the pace of economic growth in North America picked up (2.3% in 2017 vs. 1.5% in 2016, World Economic Outlook, IMF, January 2018). The situation in the labour market is very close to full employment. Meanwhile, a new tax plan has been approved, which will be an important economic support tool, since it may provide an additional thrust to companies and domestic consumption.

After a 1.5% growth in GDP in 2016, the Portuguese economy is expected to grow 2.6% in 2017 (Bank of Portugal – Economic Bulletin, December 2017). The improvement in economic performance, and the signs given out that some imbalances have been corrected, namely the reduction in fiscal imbalance and the public debt ratio, enabled Portugal to return to investment grade (after S&P, in September, and Fitch, in December, reviewed Portugal's rating upwards). Such improvement also forced the risk premium of Portuguese public debt vs the German Bund to plummet. However, Portugal is still one of the countries with the highest public debt ratios (3rd highest in the euro area), which remains one of the most significant risk factors, possibly impacting the economy negatively in a less favorable global economic-financial outlook.

As for the exchange market, 2017 featured the appreciation of the euro *vis-à-vis* other currencies, in particular the strong appreciation of the Euro vs. the US dollar by approximately 14%. Furthermore, currencies such as the Brazilian real (BRL) and the Tunisian dinar (TND) depreciated by 14 and 22%, respectively.

As for crude oil prices in 2017, several factors pulled crude oil prices up in the second half of 2017, namely global improvement in the economic growth outlook, and the extension of the agreement between OPEP countries and Russia, aimed at reducing daily oil production. Therefore, after beginning the year at 55 USD, the price of Brent dropped to a minimum level of 44 USD in late June, while in the second half the price picked up and ended the year at 66 USD.

2 OVERVIEW OF SEMAPA GROUP OPERATIONS

LEADING BUSINESS INDICATORS

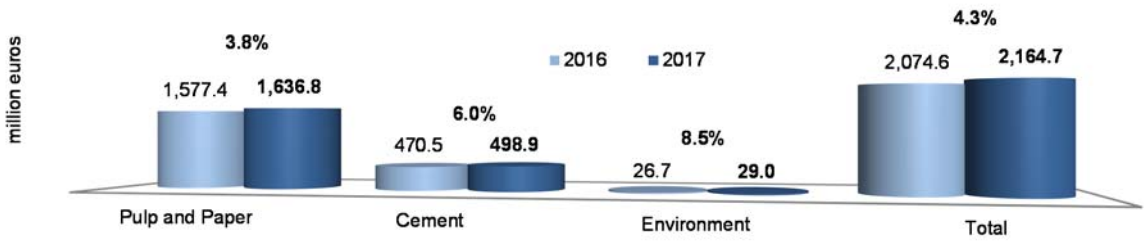
IFRS - accrued amounts (million euros)	2017	2016	Var.
Revenue	**2,164.7**	**2,074.6**	**4.3%**
EBITDA	**500.7**	**489.1**	**2.4%**
EBITDA margin (%)	23.1%	23.6%	-0.4 p.p.
Depreciation, amortisation and impairment losses	(224.2)	(247.0)	9.2%
Provisions	(4.2)	2.4	-277.6%
EBIT	**272.3**	**244.5**	**11.3%**
EBIT margin (%)	12.6%	11.8%	0.8 p.p.
Net financial results	(63.9)	(74.3)	14.1%
Profit before taxes	**208.4**	**170.2**	**22.4%**
Income taxes	(14.8)	19.1	-177.6%
Net profit for the period	193.6	189.3	2.3%
Attributable to Semapa shareholders	**124.1**	**114.9**	**8.0%**
Attributable to non-controlling interests (NCI)	69.5	74.4	-6.6%
Cash-flow	422.1	433.9	-2.7%
	31/12/2017	**31/12/2016**	**Dec17 vs. Dec16**
Equity (before NCI)	843.4	817.3	3.2%
Net debt	**1,673.7**	**1,779.7**	**-6.0%**

NOTES:

- EBITDA = EBIT + Depreciation, amortisation and impairment losses + Provisions
- Cash-flow = Net profit for the period + Depreciation, amortisation and impairment losses + 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

REVENUE

In 2017 the Semapa Group recorded a consolidated revenue of 2,164.7 million euros, an increase of 4.3% over the year 2016. It should be noted that all business segments grew. Exports and foreign sales amounted to 1,633.2 million euros, representing 75.5% of revenue.



PULP AND PAPER: 1,636.8 MILLION EUROS ↑ 3.8%

In 2017, the revenue of pulp and paper totalled 1,636.8 million euros, up by 3.8% over the same period in the previous year, sustained essentially by the strong operating performance in sales of pulp, power and tissue.

CEMENT: 498.9 MILLION EUROS ↑ 6.0%

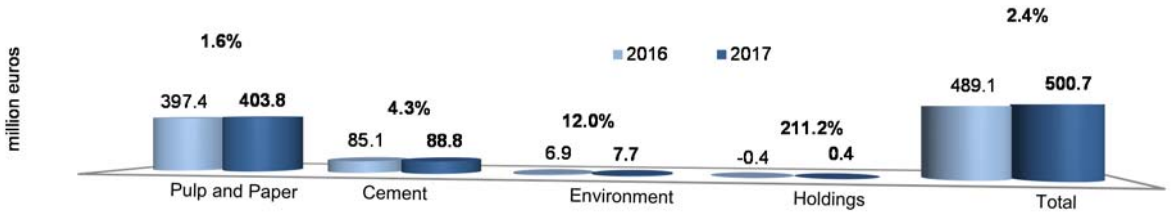
In 2017, revenue of the cement business area grew 6.0% versus 2016, having totalled 498.9 million euros. In geographical terms, growth in Portugal and Brazil offset the drop in other locations.

ENVIRONMENT: 29.0 MILLION EUROS ↑ 8.5%

The environmental area recorded revenue of approximately 29.0 million euros in 2017, up by 8.5% in 2016.

EBITDA

EBITDA for 2017 increased by approximately 2.4% in relation to the previous year, standing at 500.7 million euros, with the three business segments improving. The consolidated EBITDA margin stood at 23.1%, 0.4 p.p. lower than in 2016.



PULP AND PAPER: 403.8 MILLION EUROS ↑ 1.6%

In 2017, EBITDA of the pulp and paper area totalled 403.8 million euros, almost 1.6% up on the figure recorded in the previous year, reflecting an EBITDA/Sales margin of 24.7%.

CEMENT: 88.8 MILLION EUROS ↑ 4.3%

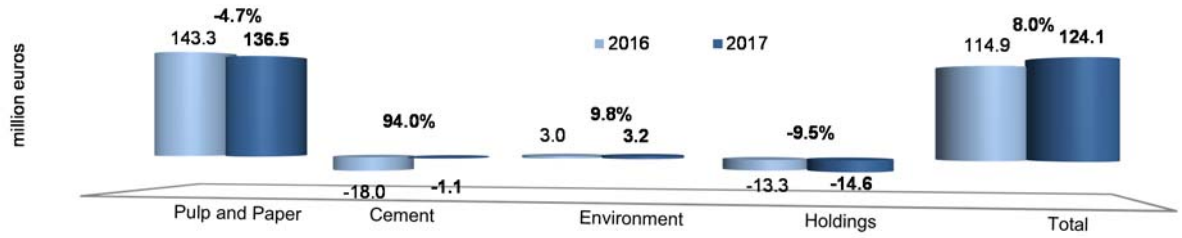
EBITDA of the cement area stood at 88.8 million euros in 2017, which translated into an increase of around 3.6 million euros in relation to the same period in 2016, particularly due to strong growth in Portugal and Lebanon.

ENVIRONMENT: 7.7 MILLION EUROS ↑ 12.0%

EBITDA for the environment area totalled approximately 7.7 million euros in 2017, representing an increase of about 12.0% in comparison with the previous year. The EBITDA margin stood at 26.6%, up by around 0.8 p.p. on the margin in 2016.

NET RESULTS ATTRIBUTABLE TO SEMAPA SHAREHOLDERS

Earnings before taxes increased 22.4% and net profit attributable to Semapa shareholders stood at 124.1 million euros, up by 8.0% in relation to the previous year.



PULP AND PAPER: 136.5 MILLION EUROS ↓ 4.7%

Net income attributable to shareholders of Semapa was 136.5 million euros, 4.7% less than the amount in the previous year, which was boosted by the reversal of tax provisions as well as from the effect of the extraordinary tax revaluation regime.

CEMENT: -1.1 MILLION EUROS ↑ 94.0%

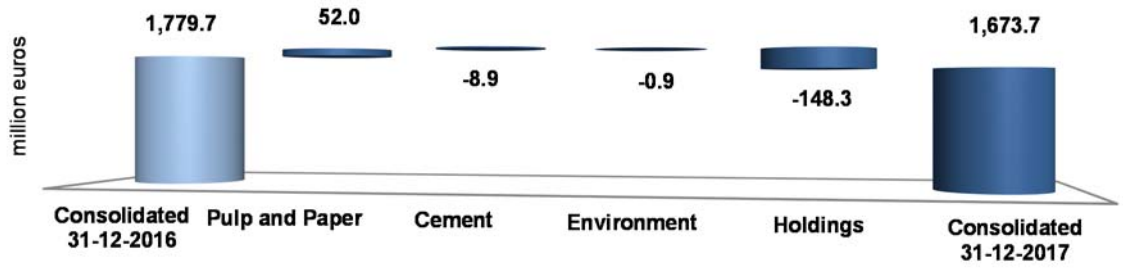
Net income attributable to shareholders of Semapa was -1.1 million euros, comparing favourably with -18.0 million euros in 2016.

ENVIRONMENT: 3.2 MILLION EUROS ↑ 9.8%

EBITDA for the environment area totalled approximately 3.2 million euros in 2017, representing an increase of about 9.8% in comparison with the previous year.

NET DEBT

On 31 December 2017, consolidated net debt stood at 1,673.7 million euros, representing a decrease of approximately 106.0 million euros over the figure recorded in the previous year. The Net Debt/EBITDA consolidated ratio is 3.3x, slightly up 0.30x from the figure at year-end 2016.



Due to the investments conducted at Navigator and the dividends paid, net debt in pulp and paper increased by 52.0 million euros, and the net debt/EBITDA ratio was 1.7x. In other segments, net debt decreased more significantly at the holdings level.

BREAKDOWN BY BUSINESS SEGMENTS

IFRS - accrued amounts (million euros)	Pulp and Paper		Cement		Environment		Holdings		Consolidated
	2017	17/16	2017	17/16	2017	17/16	2017	17/16	2017
Revenue	**1,636.8**	**3.8%**	**498.9**	**6.0%**	**29.0**	**8.5%**	**-**	**-**	**2,164.7**
EBITDA	**403.8**	**1.6%**	**88.8**	**4.3%**	**7.7**	**12.0%**	**0.4**	**211.2%**	**500.7**
EBITDA margin (%)	24.7%	-0.5 p.p.	17.8%	-0.3 p.p.	26.6%	0.8 p.p.			23.1%
Depreciation, amortisation and impairment losses	(160.0)	12.1%	(61.2)	1.1%	(2.8)	3.0%	(0.2)	-1.4%	(224.2)
Provisions	(4.1)	-870.7%	0.2	-93.8%	(0.3)	-	-	-	(4.2)
EBIT	**239.8**	**11.5%**	**27.7**	**6.5%**	**4.5**	**14.7%**	**0.2**	**136.3%**	**272.3**
EBIT margin (%)	14.6%	1.0 p.p.	5.6%	0.0 p.p.	15.7%	0.9 p.p.			12.6%
Net financial results	(7.7)	63.0%	(40.3)	-8.3%	(0.5)	19.1%	(15.4)	2.0%	(63.9)
Profit before taxes	**232.1**	**19.4%**	**(12.5)**	**-12.5%**	**4.0**	**21.0%**	**(15.2)**	**6.6%**	**208.4**
Income taxes	(35.4)	-408.6%	20.8	310.0%	(0.8)	-109.1%	0.6	-80.0%	(14.8)
Net profit for the period	196.7	-4.4%	8.2	235.5%	3.2	9.8%	(14.6)	-9.5%	193.6
Attributable to Semapa shareholders	**136.5**	**-4.7%**	**(1.1)**	**94.0%**	**3.2**	**9.8%**	**(14.6)**	**-9.5%**	**124.1**
Attributable to minority interests	60.2	-3.7%	9.3	-22.0%	0.0	9.8%	-	-	69.5
Cash-flow	360.8	-7.0%	69.3	30.7%	6.4	9.1%	(14.4)	-9.6%	422.1
Net debt	**692.7**	**8.1%**	**414.0**	**-2.1%**	**14.8**	**-5.7%**	**552.1**	**-21.2%**	**1,673.7**

NOTES:

- For the purpose of calculating the change in net debt the values of 31.12.2016 are used.
- Figures for business segment indicators may differ from those presented individually by each Group, as a result of consolidation adjustments.

SUMMARY TABLE OF OPERATING INDICATORS

	Unit	2017	2016	Var.
Pulp and Paper				
Pulp Sales	1 000 t	310.9	290.6	7.0%
Paper Sales	1 000 t	1,578.1	1,586.8	-0.5%
Total Tissue Sales	1 000 t	55.4	50.9	8.7%
Cement				
Sales of Grey cement	1 000 t	5,105	5,053	1.0%
Sales of Ready-mix	1 000 m3	1,435	1,214	18.2%
Environment				
Raw Material Processed	1 000 t	131.5	130.2	1.0%

3 PULP AND PAPER BUSINESS AREA

3.1 LEADING BUSINESS INDICATORS

IFRS - accrued amounts (million euros)	2017	2016	Var.
Revenue	**1,636.8**	**1,577.4**	**3.8%**
EBITDA	**403.8**	**397.4**	**1.6%**
EBITDA margin (%)	24.7%	25.2%	-0.5 p.p.
Depreciation, amortisation and impairment losses	(160.0)	(181.9)	12.1%
Provisions	(4.1)	(0.4)	-870.7%
EBIT	**239.8**	**215.1**	**11.5%**
EBIT margin (%)	14.6%	13.6%	1.0 p.p.
Net financial results	(7.7)	(20.8)	63.0%
Profit before taxes	**232.1**	**194.3**	**19.4%**
Income taxes	(35.4)	11.5	-408.6%
Net profit for the period	196.7	205.8	-4.4%
Attributable to Navigator shareholders	**196.7**	**206.4**	**-4.7%**
Attributable to non-controlling interests (NCI)	(0.0)	(0.7)	99.8%
Cash-Flow	**360.8**	**388.1**	**-7.0%**
	31/12/2017	**31/12/2016**	**Dec17 vs. Dec16**
Equity (before NCI)	998.4	1,056.0	-5.5%
Net debt	**692.7**	**640.7**	**8.1%**

NOTE:

- Figures for business segment indicators may differ from those presented individually by each Group, as a result of consolidation adjustments.

3.2 LEADING OPERATING INDICATORS

(000 tons)	2017	2016	Var.
Pulp and Paper			
BEKP Output (pulp)	1,489.1	1,470.5	1.3%
BEKP Sales	310.9	290.6	7.0%
UWF Output (paper)	1,592.6	1,586.9	0.4%
UWF Sales	1,578.1	1,586.8	-0.5%
FOEX – BHKP Euros/ton	725	628	15.4%
FOEX – A4- BCopy Euros/ton	815	824	-1.1%
Tissue			
Output of reels	56.2	46.9	19.7%
Output of finished product	48.9	41.8	17.0%
Sale of reels	7.3	9.0	-19.4%
Sale finished products	48.1	41.9	14.8%
Total tissue sales	55.4	50.9	8.7%

3.3 OVERVIEW OF THE PULP AND PAPER BUSINESS AREA

In 2017, the revenue of Navigator totalled 1,636.8 million euros, up by 3.8% over the same period in the previous year, sustained essentially by the strong operating performance in sales of pulp, power and tissue.

2017 was a very positive year for pulp; the sector benefited from a series of unexpected developments and several adjustments which kept supply down and, in combination with vigorous demand, caused prices to rally significantly, month after month, both in China and in Europe, with the industry experiencing successive price rises. In this context, Navigator's pulp sales grew by 7% to around 311 thousand tons. The benchmark PIX – BHKP index in euros recorded an average price of 725 €/ton, as compared to 628 €/ton in the previous year (up by 15%). Navigator's average price also followed an upward course of 12%, with pulp sales growing by 19% in value, to a total of 164 million euros.

Conditions in the UWF paper market also improved gradually over the year, with progressively stronger order books in Europe and in overseas markets. In Europe, apparent consumption held steady (up by 0.1%), with demand rising for Folio and Cutsize, and declining for reels. Navigator recorded strong performance in the volume of paper sales, which totalled 1,578 thousand tons, roughly equal to the previous year (-8.6 thousand tons; -0.5%), whilst improving its product mix, in terms of quality (premium sales up by 57 thousand tons) and its own brands (up by 45 thousand tons).

Although the price index for Europe – PIX A4 – evolved positively over the year, average prices in 2017 were still lower than in 2016 – 815 €/ton vs. 824 €/ton (down 1%). During the year, Navigator successfully implemented four price rises which allowed it to reverse some of the decline experienced in the final quarter of 2016. However, depreciation of the EURUSD and EURGBP exchange rates and the evolving market mix did not allow Navigator to completely reverse this trend, resulting that the Group's average sales prices ended the year practically unchanged in relation to the previous year.

In the tissue business, the market showed a recovery in demand, driven by economic growth, especially in the tourism sector. At the same time, competition has increased in the Iberian Peninsula and production costs have also risen, fuelled by higher pulp prices. In this environment, Navigator recorded an increase in its output of reels and finished products, benefiting from the expansion in production and converting capacity in 2015. The sales volume was up by 9% in relation to 2016, with an improvement in the mix of products sold and a reduction in the share of reels in total sales. This improvement, combined with progressive implementation of price rises starting in October (and continuing in January), enabled Navigator to record an increase in its average sales price of 1.4%, and sales in value totalling 74.4 million euros (up by 10.3%).

Electricity sales grew by 13% in value in 2017, reflecting successful operation of our power generation assets. It should be recalled that power sales in 2016 were adversely affected by the stoppage of turbo-generator 3 at the renewable cogeneration plant in the Setúbal pulp mill and the breakdown in turbo-generator 4 at the cogeneration plant in the Cacia pulp mill. Power sales from the operation of the natural gas combined-cycle power stations also benefited from the sharp hike in Brent prices (roughly 18% year-on-year), which directly influences the index to which prices are linked.

Navigator's total gross power output in 2017 was up by 5% in 2016. In another important development, 2017 was the first full year of operation for the solar power plant on the roof of the Setúbal paper mill (ATF), operating on a self-consumption basis.

In its first year of operation in the United States, Colombo Inc. recorded its first pellet sales, achieving a volume of 120.6 thousand tons, and a sales value of approximately 15 million euros. The mill started up in an adverse market environment and also experienced a number of teething problems in production and in marketing the pellets, which continued over several months, which led to a negative impact on EBITDA from this business unit of approximately 16 million euros. In December 2017, Navigator signed an agreement to sell its pellets business in the US for about 135 million dollars. The sale was closed on 16 February 2018.

In 2017 EBITDA totalled 403.8 million euros, almost 1.6% up on the figure recorded in the previous year, reflecting an EBITDA/Sales margin of 24.7%.

Navigator recorded a reduction in variable production costs, in particular for wood (due to the purchasing mix) and also in logistical and packaging costs. In fixed costs, it should be noted that personnel costs rose by around 11.5 million euros in 2017, due essentially to a growing workforce in the new businesses (Colombo and tissue), the increase in the pension fund expenses through a new defined contribution plan extended to all employees in Portugal, and also the values of the performance bonus payable the following year. Over the course of the year, Navigator has pressed ahead with its program of cost optimization and efficiency, M2, and results have continued to outperform targets, with an EBITDA impact of around 27 million euros.

In 2017, depreciations, amortisations and impairment losses of Navigator totalled 160.0 million euros, as compared with the figure of 181.9 million euros year-on-year. Despite the beginning of new investment depreciations, namely of Colombo Energy assets, this item was negatively impacted in 2016 by a record of an impairment in the tangible fixed assets of Mozambique.

Net financial results experienced a positive development, having decreased from a negative figure of 20.8 million euros in 2016 to -7.7 million euros in 2017. This reduction of roughly 13 million euros in financial costs was achieved essentially by bringing down borrowing costs, which have continued to evolve very positively: interest expense in 2017 was down by 4.9 million euros in relation to 2016 (including interest on the High Yield loan, whose payment premium amounted to 6.4 million euros), in a scenario in which average gross debt was higher than in the previous year. It derives further from results from currency hedge operations also improving, due to the weaker dollar, with gains up by 6 million euros in 2016, partially offsetting the negative effect on sales.

Therefore, net results attributable to Navigator shareholders in 2017 amounted to 196.7 million euros, which compares with a net value of 205.8 million euros in 2016. It is important to note that net income in 2016 was boosted by the reversal of tax provisions as well as from the effect of the extraordinary tax revaluation regime.

3.4 BUSINESS REVIEW

3.4.1 PULP

3.4.1.1 MARKET BACKGROUND

The year 2017 unfolded positively for the paper pulp business. The paper pulp market behaved dynamically during the year, consumption having grown approximately 4%, contrasting with the stability of the paper pulp business. This growth was once more largely driven by the Chinese market, which as in the previous years has been the engine of the growth of the industry, the paper tissue market having contributed significantly to this positive development. On the other hand, the paper pulp market profited from several unexpected events which hindered supply significantly, mitigating the effect of the entry into market of new capacity. Throughout the year, the price of paper pulp increased consecutively, with the benchmark indicator PIX BHKP in USD rising (on average) 19% in comparison with 2016.

3.4.1.2 OPERATIONAL PERFORMANCE

(000 tons)	2017	2016	Var.
BEKP Output	1,489	1,470	1.3%
Cacia	354	341	
Figueira da Foz	593	586	
Setúbal	542	543	
BEKP Sales	311	291	7.0%
Foex – BHKP Euros /ton	**725**	**628**	**15.4%**

In 2017, the paper pulp market represented for Navigator a 7% increase of sales volume (equivalent to 20 thousand tons). Unlike the UWF (Uncoated Woodfree) market, the paper pulp market has been impacted by the ongoing price fluctuations, which influenced business profitability. However, Navigator is betting on segments with higher added value (décor and specialty papers), and is focused on channelling the Group's product to new markets where there is still room to grow in volume and value.

The year also featured the start of the investment for expanding paper pulp production capacity at the Figueira da Foz mill, which will grow from the current 580 thousand tons to an annual 650 thousand tons. Such increase in paper pulp production will help to sustain the current exposure to the paper pulp market, since the Cacia unit will incorporate part of its paper pulp production in tissue production as from 2018.

3.4.2 PAPER

3.4.2.1 MARKET BACKGROUND

In 2017, the UWF business experienced ongoing improvement of market conditions, presenting stability in global consumption levels and an increasingly favourable environment for higher prices charged worldwide. Consumption in the Asian market, China in particular, grew significantly, the consumption of higher quality paper having increased 2%, which offset the drop in the American market (-6.2%). In Europe, apparent consumption of UWF remained stable, while the Cutsize and Folio segments were up and reels were down.

Europe is still Navigator's main market; 54% of sales to the continent in 2017 were in the premium segment. The Company's presence in this market stands out for its differentiated product, with added value and high quality, which helped it achieve higher profit margins in a highly competitive and demanding market in terms of product and service quality.

The challenges never stop and new business opportunities for Navigator are always popping up. The new products developed in 2017, such as Navigator Premium Inkjet, Navigator and Soporcet Digital and paper bags, provide significant growth opportunities.

3.4.2.2 OPERATIONAL PERFORMANCE

(000 tons)	2017	2016	Var.
UWF Output	1,593	1,587	0.4%
Figueira da Foz	771	767	
Setúbal	821	820	
UWF Sales	1,578	1,587	-0.5%
FOEX – A4- BCopy Euros/ton	**815**	**824**	**-1.1%**

Navigator's sales volume amounted to 1,578 thousand tons in 2017, practically in line with the previous year, although its product mix improved, in quality terms and concerning own brands. The sale of Navigator's own brands actually grew more than 7% vs. 2016, representing 62% of all sales. Ongoing improvement of market conditions allowed the reference price indicator for Europe (PIX A4) to evolve positively, having grown 4.1% since the beginning of the year. However, in spite of the growth, the average value of the price indicator in 2017 still fell short of 2016.

3.4.3 TISSUE

3.4.3.1 OPERATIONAL PERFORMANCE

(000 tons)	2017	2016	Var.
Output of reels	56	47	19.7%
Output of finished product	49	42	17.0%
Sale of reels	7	9	-19.4%
Sale finished products	48	42	14.8%
Total tissue sales	55	51	8.7%

Considering the increase in capacity achieved in 2015, raising the plant’s production capacity to 70 thousand tons of reels and 65 thousand tons of processed goods, Navigator presented accumulated growth of 8.7% in the volume of tissue sales (tons).

Another important strategic decision to expand this segment, which marked 2017, was the investment in the paper pulp Cacia mill, which will allow it to double production volume again and develop a tissue production unit fully integrated in this unit, from paper pulp production to reel production and conversion into end products. Navigator's competitive edge is hereby reinforced in the market; thanks to an increasingly integrated operation it can offer a high quality product made from exquisite raw material, with state-of-the-art machinery, and at low costs.

3.5 DEVELOPMENT

Navigator's capital expenditure in 2017 totalled around 115 million euros. Two major development projects - construction of a new tissue mill in Cacia (with reel production and converting capacity) and improvements to pulp production efficiency and environmental performance at the Figueira da Foz mill - accounted for more than two thirds of this figure. These capex projects got under way in 2017 and will continue into 2018, involving total investment of approximately 205 million euros (120 million euros in Cacia and 85 million euros in Figueira da Foz), of which 70 million euros has already been spent.

In 2017, the project to expand capacity in Figueira da Foz represented investment of 40 million euros and the new tissue mill in Cacia approximately 30 million euros. Recurrent investment in pulp and paper business totalled 41 million euros and the current tissue operation in Vila Velha de Ródão and others, about 4 million euros.

PELLETS

As a result of the ongoing search and discovery of new business opportunities, Navigator invested in the North-American market by building a pellet plant, which was completed at the end of 2016, with a total investment amounting to 120 million USD. This was a very attractive business with great growth potential, in an area related to its core business, energy, which made it possible to diversify its industrial asset base outside of Portugal.

As the operation went on and following the severe deterioration of the international pellet market conditions, it was quickly seen that there were no significant synergies with other businesses in the Company's portfolio. The decision to sell the asset prevailed when an attractive financial opportunity to disinvest came up. Consequently, in December 2017, a sales agreement was signed with a joint venture managed by an entity of Enviva Holdings, LP, for approximately 135 million USD.

In spite of the decision to end its involvement in this business, the Company acknowledges that there are great lessons to be learnt from the whole situation, and today it is more knowledgeable about the North-American market and investing in an industrial operation outside of Portugal.

MOZAMBIQUE

Mozambique is one of the markets on the Group's roadmap to international growth, which is founded on the development plan for its forestry base. On the other hand, its characteristics turn the project quite interesting from the perspective of the strategy's assumptions: high forest productivity, greater proximity to main target markets (China), and the competitive cost of land.

This project features a strong commitment to the local communities, where Navigator's value proposal is based on four fundamental areas: more jobs in production, support to own agriculture, health and education.

The partnership with the World Bank through the International Finance Corporation (IFC), which holds a share in Portucel Moçambique, provides fundamental support and bears witness to the social participation and the high standards of the Group's operations in the Country.

Whereas 2016 was a year strongly marked by a very unstable political and economic framework, 2017 featured stability in forestry operations and a reduction in the pace of investment in Mozambique, since the Group chose to adopt a more conservative approach and carry out its projects in stages. At this moment, Navigator is developing a project that is essentially a forestry venture, with the future option of industrial development involving construction of a large-scale pulp mill.

This approach led to the recording of several impairments in relation to investment in Mozambique, so that in December 2017 the balance sheet value represented less than 1% of total consolidated assets. During the year, the Group incurred in expenses of a net amount of 8.8 million euros with its operations in Mozambique, with 4.1 million euros registered as costs, impacting negatively the EBITDA.

If the conditions to proceed with the projects are met (such conditions being currently discussed with the Government of Mozambique), the first stage must include the development of a production and export operation for eucalyptus wood chip geared essentially to the Asian market. This is expected to continue until 2023, whereas the second stage – investing in a large-scale paper pulp mill – will be implemented by 2030.

3.6 RESOURCES AND SUPPORTING FUNCTIONS

3.6.1 SUSTAINABILITY

Despite the Sustainability Report that will be disclosed, note that across the Company, sustainability is one of the pillars most present in the day-to-day life of the Group's workers. The following are the six pillars of Sustainability: strategic action pillars help create value, efficiency, innovation, fair trade relations, development of high quality product, and talent promotion.

In 2017, Navigator consolidated, in a structured and lasting fashion, its Sustainable practices. In this regard, the Sustainability Forum is held every year. It is chaired by the CEO of Navigator and includes experts of recognized standing, aimed at fostering discussions and cooperation with the main stakeholders in the relevant Sustainability matters.

The Company's Sustainability Report highlights the commitments and goals underpinning its strategic development with regard to the sustainability performance. The report is published every two years using the increasingly demanding rules of the Global Reporting Initiative (GRI), and highlights a set of performance indicators considered to be most relevant. This sustainability document contributes to reinforcing the credibility and comparability of Navigator's sustainability reporting, helping to disseminate responsible practices to its stakeholders.

The Company's Sustainability Report for the two-year period 2016-2017 is aligned with the 2030 Agenda for Sustainable Development of the United Nations and with topical subjects, from climate change to circular economy, including the conservation of biodiversity and innovation.

3.6.2 FORESTRY AND TIMBER SUPPLY

SUSTAINABLE MANAGEMENT

The forest is one of Navigator's most precious assets, which is why it is the object of ongoing attention and concern. The sustainability of the forest industry is deemed crucial and part of the DNA of the Company. Consequently a set of initiatives that extend beyond its restricted business model are carried out in view of promoting best forestry exploitation practices, not only in their areas, but also at the level of the forest countrywide. As the biggest Portuguese owner of forest land, Navigator manages approximately 112 thousand hectares on mainland Portugal and Azores, spread across 1,400 Management Units in 173 municipalities. Approximately 3/4 of this area is covered in eucalyptus trees. In addition to the conservation areas that occupy 10% of the Company's estate, the Group also owns pine and cork-oak forests and is the largest private pine producer in the Country, and one of the Country's largest oak forest producers.

Viveiros Aliança, S.A. is in charge of producing forest and ornamental plants for Navigator. It is one of the Group's companies with over three decades of activity and is among Europe's largest forest nurseries. In 2017, the Company produced over 12 million plants of over 100 different species.

Navigator conducted in 2017 several public awareness campaigns aimed at informing about the importance of forests for social sustainability, and also highlighting that Eucalytpus globulus used in its products is an excellent and highly sustainable raw material.

It has managed to secure its certificates through two world-reference programs: FSC® (Forest Stewardship Council) and PEFC™ (Program for the Endorsement of Forest Certification schemes). Navigator holds 27% of all certified forest area in Portugal (29% FSC® and 44% PEFC™), given that the company's entire forest area is certified by these two programs.

The Group's attachment to the forest is also reflected in the way it regards its social responsibility policy. After the wild fires in 2017, the Company put forward a joint initiative with Altri and allocating to each company 500 thousand euros for supporting the victims. Part of this support was implemented under the protocol that the Company concluded with the Calouste Gulbenkian Foundation.

In the area of wild fire prevention and fighting, the important role of AFOCELCA must be highlighted. Founded in 2002, it joined Navigator and Altri and, through its professional structure, it is mandated to fight wild fires on the properties of the associated companies, in close cooperation with the National Civil Protection Authority. AFOCELCA is present throughout the Country and is equipped with human and material resources. Most of the times it represents primary intervention against wild fire. Teams' knowledge in sighting and fighting wild fires is crucial; 85% of intervention is carried out outside of Navigator's areas, since the protection of the national forest was paramount.

In 2017, Navigator invested 3.4 million euros in forest fire protection actions; 1.43 million euros for prevention (1.15 million euros for cleaning and vegetation control of 11,000 hectares and 270 thousand euros for preserving 3,400 km of road infrastructure).

TIMBER SUPPLY

The successful orchestration of purchase criteria, means, logistics, and the distance between the source and the industrial units, ensures the sound management of wood supply to Navigator. However, the raw material provided by the properties owned by the Company covers only 15% of the total needs of its mills. The rest of the timber is purchased from suppliers in the Iberian Peninsula (77%) and in Latin America (13%).

Navigator was a front-runner in raising the awareness of forest producers to the importance of certifying the forests. Since 2007, the purchase price of certified wood was raised. Such effort put in by the Group was a positive development in the purchase of certified wood, which resulted in a significant increase in its share in total supply of wood, which grew from 9% in 2015 to 27% in 2017.

It should be highlighted that all wood that is not certified is guaranteed to be of registered designation of origin and fulfills equivalent quality requirements. On the other hand, the relationship with the aforementioned economic operators is founded on a Suppliers Code of Ethics and Conduct, drawn up to guide business partners in these relations.

3.6.3 ENERGY

Besides being a pioneer, Navigator is still number one in power generation from biomass in the Country, representing approximately 52% of total production from this renewable source. The Company intends to reinforce this position, which is why it is looking into investing in new assets.

The year 2017 was very positive in terms of power generation from biomass, which increased 6% over 2016. Globally, power sales of the Company grew 3.6%, totalling 5.7 million euros. Thanks to the use of renewable energy sources, namely biomass and solar, it is estimated that Navigator is currently responsible for avoiding annual emissions of around 460 thousand tons of CO2.

On the other hand, the Company continues to consolidate the implementation of the Cooperative Program for Energy Efficiency under its strategic intervention axes.

Furthermore, 2017 was the first full year of operation for the solar power plant About The Future, operating on a self-consumption basis, having achieved annual savings of the electricity bill of approximately 270 thousand euros. The set-up of another photovoltaic system operating on a self-consumption basis was initiated in 2017 at the Herdade de Espirra, which is expected to reduce annual purchase of electrical power by approximately 100 thousand euros.

An initiative is underway to optimize the productive process across Navigator, seeking to create compatibility between reducing specific power consumption of paper pulp and reducing the consumption of chemicals and raw materials. In this regard, Navigator undertook clearly to reduce specific power consumption of paper and paper pulp by around 15% until 2025.

3.6.4 ENVIRONMENT

Navigator is proud of its advanced ongoing environmental improvement program, extending beyond legal requirements and anticipating the mandatory deadlines. One example is the Company's high level of investment in the industrial units to reduce significantly the smell, namely at the Cacia mill (7 million euros) and in Figueira da Foz (6 million euros). Studies conducted by external entities conclude that this project has helped to reduce the perception of the typical bad small of these production units.

In addition, Navigator has invested in new particle filters in the biomass boilers, making it possible to cut emissions well below the statutory limits. Several measures were also taken to reduce water usage in three dimensions: reducing during the process, reliability during supply, and reusing waste water.

Through this project underway at the Setúbal industrial unit, water withdrawal needs will decrease around 20% in the next five years.

3.6.5 INNOVATION, RESEARCH AND DEVELOPMENT

Since the end of 2017, Navigator has an area devoted solely to the analysis of the capacity to implement the ideas that come out of the internal innovation cycles and research projects conducted by RAIZ. Following closely the scientific inputs of the Institute for Forest Development, Navigator proposes to implement the most feasible measures, according to technical and financial feasibility criteria, not to forget future impact on the community.

In 2017, the 3rd cycle of the Operational Program for Innovation, aimed at developing innovative projects, had approximately 60 employees participating. The projects submitted came from different areas, and addressed very different topics such as Forest Management, Paper Pulp, Energy, Paper, Tissue Paper, Maintenance, Product, Procurement, Logistics and Supply Chain, and Organisation.

It is worth noting the high value proposal of the submissions that have fostered the innovation culture of The Navigator Company.

The research and development function is embedded in RAIZ, which focuses on developing know how in the industry of manufacturing paper and paper pulp from eucalyptus trees, carrying out consistent work that fosters the links between the industry and the academic community.

In 2017, the expectations of researchers and technicians were crowned by the reinforcement of this institution's ties with universities and other national and international scientific and technological entities, through the approval of a series of network research initiatives.

4 CEMENT AND OTHER BUILDING MATERIALS

4.1 LEADING BUSINESS INDICATORS

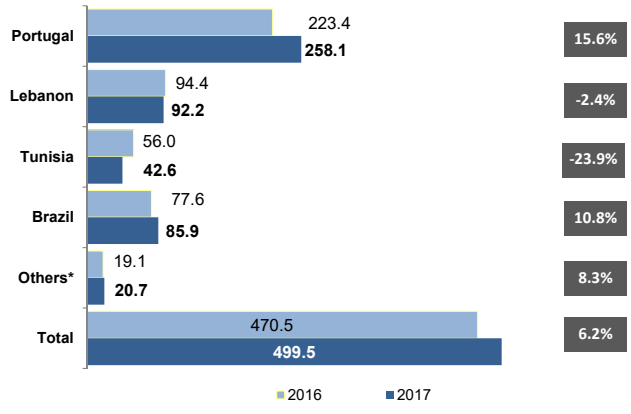
IFRS - accrued amounts (million euros)	2017	2016	Var.
Revenue	**499.5**	**470.5**	**6.2%**
EBITDA	**88.8**	**85.1**	**4.3%**
EBITDA Margin (%)	17.8%	**18.1%**	**-0.3 p.p.**
Depreciation, amortisation and impairment losses	(61.2)	(61.9)	1.1%
Provisions	0.2	2.8	-93.8%
EBIT	**27.7**	**26.1**	**6.5%**
EBIT Margin (%)	5.6%	5.5%	0.0 p.p.
Net financial results	(40.3)	(37.2)	-8.3%
Profit before taxes	**(12.5)**	**(11.2)**	**-12.5%**
Income taxes	20.8	5.1	310.0%
Net profit for the period	8.2	(6.1)	235.5%
Attributable to Secil shareholders	**(1.1)**	**(18.0)**	**94.0%**
Attributable to non-controlling interests (NCI)	9.3	11.9	-22.0%
Cash-flow	**69.3**	**53.0**	**30.7%**
	31/12/2017	**31/12/2016**	**Dec17 vs. Dec16**
Equity (before NCI)	385.2	444.9	-13.4%
Net debt	**414.0**	**422.9**	**-2.1%**

NOTES:

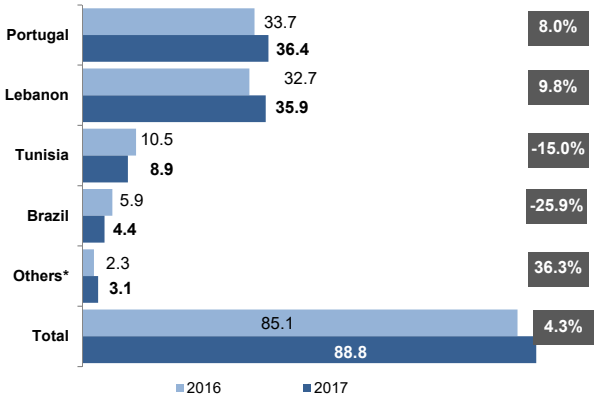
- Figures for business segment indicators may differ from those presented individually by each Group, as a result of consolidation adjustments. In 2017, revenue included 0.7 million euros resulting from intra-group sales.

(million euros)

REVENUE



EBITDA



* Includes Angola and Others. The figures for 2016 were restated following the same criteria as in 2017.

4.2 LEADING OPERATING INDICATORS

in 1 000 t	2017	2016	Var.
Annual cement production capacity	9,750	9,750	0.0%
Sales			
Grey cement	5,105	5,053	1.0%
White cement	86	84	2.6%
Clinker	659	418	57.4%
Aggregates	3,019	2,547	18.5%
Precast concrete	128	73	74.5%
Mortars	128	102	25.2%
Hydraulic lime	26	24	5.8%
Mortar fixative	18	16	10.2%
in 1 000 m3			
Ready-mix	1,435	1,214	18.2%

4.3 OVERVIEW OF OPERATIONS OF CEMENT AND OTHER CONSTRUCTION MATERIALS

In 2017, revenue grew by 6.2% in relation to the previous year, standing at 499.5 million euros. In geographical terms, growth in Portugal and Brazil offset the drop in other places.

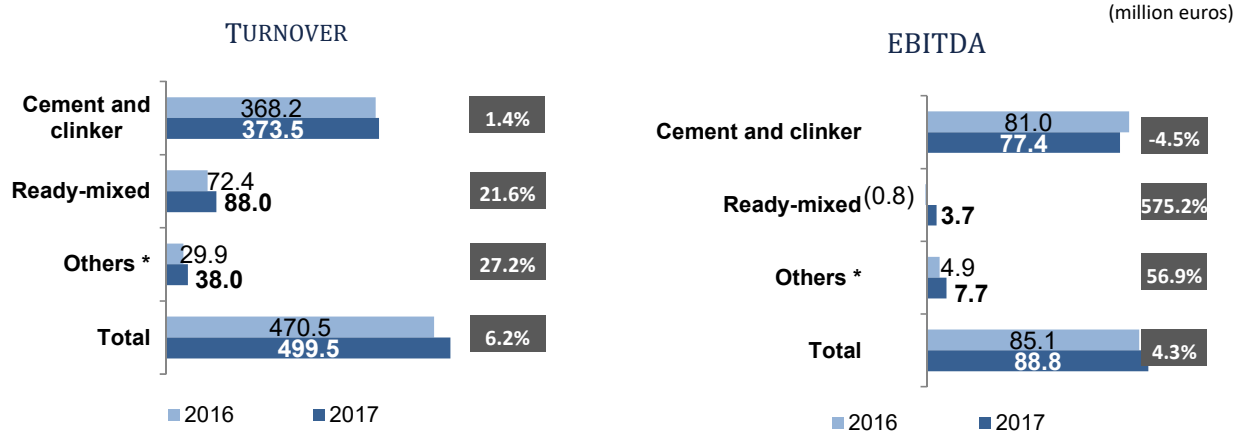
EBITDA stood at 88.8 million euros, which translated into an increase of around 3.6 million euros in relation to the same period in 2016, particularly due to strong growth in Portugal and Lebanon.

Net financial results amounted to -40.3 million euros, compared to -37.2 million euros in 2016. The deterioration was due to unfavourable exchange rate differences of around 8.9 million euros. This effect aside, the financial results would be -31.4 million euros, an improvement of 5.8 million euros when compared to the figure in the previous year.

Net results hinted at an improvement of 17 million euros compared to 2016.

Net debt year-end 2017 dropped around 8.9 million euros to 414.0 million euros.

(million euros)



* includes Aggregates, Mortars and Pre-cast

The revenue of all other segments increased, in particular Ready-mix concrete and Other Segments (Aggregates, Mortars and Pre-cast), at growth rates above 20%.

In 2017, EBITDA of the Cement and Clinker segment contracted around 4.5%. Other Segments, on the other hand, grew 56.9%, with a special focus on the Ready-mix concrete segment that achieved positive EBITDA after a less positive year of 2016.

4.4 BUSINESS REVIEW

4.4.1 PORTUGAL

4.4.1.1 MARKET BACKGROUND

In Portugal, the Bank of Portugal reviewed upwards (Economic Bulletin - December 2017) the economic growth projection for 2017 to 2.6% against 1.8% previously foreseen in the beginning of the year. This development is supported by rising exports, the domestic demand pick up and rise in investment.

The figures were impacted mostly by the public works sector with the housing sector showing very positive dynamics according to Secil's estimates. The building and public works production index maintained positive variations throughout the year, with the engineering works segment being more dynamic than the building segment.

In this environment, the Secil Group presented the following overall indicators for its operations in Portugal in 2016 and 2017.

Portugal	Turnover			EBITDA				Quantities Sold		
(million euros)	2017	2016	Var.	2017	2016	Var.	Unit	2017	2016	Var.
Cement and clinker	159.8	147.8	8.1%	26.3	29.3	-10.4%	1,000 t	2,210	2,191	0.9%
Ready-mixed	60.6	46.0	31.7%	3.7	-0.6	695.6%	1,000 m3	935	737	26.9%
Aggregates	16.6	13.8	20.7%	3.0	2.6	14.0%	1,000 t	3,019	2,547	18.5%
Mortars	13.5	11.6	16.4%	3.4	2.5	39.1%	1,000 t	172	143	20.2%
Precast	7.7	4.3	81.5%	0.0	-0.1	115.7%	1,000 t	119	62	91.8%
Total	**258.1**	**223.4**	**15.6%**	**36.4**	**33.7**	**8.0%**				

Consequently, revenue for overall operations in Portugal was up by 15.6% compared to 2016, totalling 258.1 million euros.

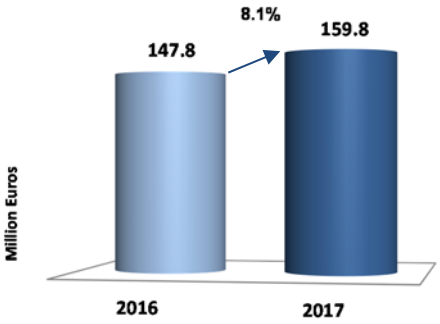
In 2017, EBITDA for total operations in Portugal was up by 8.0% year-on-year, at 36.4 million euros vs. 33.7 million euros in 2016.

4.4.1.2 CEMENT AND CLINKER

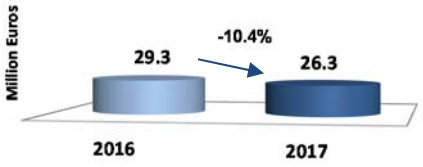
Cement consumption in Portugal in 2017 featured positive monthly variations year-on-year during the year. According to the latest figures available, cement consumption in mainland Portugal was up by 12.9% year-on-year. It is estimated that the market reached approximately 3 million tons.

INDICATORS

REVENUE



EBITDA



The Cement and Clinker unit in Portugal recorded revenue of 159.8 million euros in 2017, representing growth of 8.1%. In the domestic market, revenue grew 14.9% with volumes sold having risen 11.1%. Good weather conditions, as well as more local government and private projects (tourism and residential) and rehabilitation works, especially in Lisbon and Oporto, contributed to this progress.

In the foreign market, surplus supply in Europe, the Mediterranean and West Africa continued to drive competition, with a negative effect on volumes and sale prices. Export revenue dropped around 1.9% with volumes sold for export amounting to 1,115 thousand tons, down by approximately 7.5% year-on-year. This was mostly the result of approximately 44% less cement sales, largely due to the reduction in sales to Algeria, a main destination of cement exports in previous years. Clinker exports were up by 48%, which largely exceeded previous year's numbers.

The Cement unit EBITDA of 26.3 million euros was below 29.3 million euros recorded in the previous year. It should be noted that EBITDA in 2016 was influenced by the extraordinary current asset gains of around 3.3 million euros.

In addition to the rise in the volumes sold in the domestic market and of clinker in the foreign market, electric power improved slightly in spite of the increase in thermal energy, which was offset by the optimisation of the fuel mix, due to the reinforced use of alternative fuels. These elements helped in part to make up for the decrease in cement sales in the market, and subsequent negative effect on EBITDA.

INDUSTRIAL OPERATIONS

Cement output from the Secil Group mills in Portugal stood at 1,605 thousand tons in 2017, representing a reduction of 11% in relation to 2016 and lower demand in export markets. Clinker production grew 3.4% compared to the previous year to 1,962 thousand tons.

CEMENT AND CLINKER PRODUCTION

		2017	2016	Var.
Grey Cement	1.000 t	1,508	1,716	-12.1%
White Cement	1.000 t	97	88	10.2%
Total	**1.000 t**	**1,605**	**1,804**	**-11.0%**
Clínker	1.000 t	1,962	1,898	3.4%

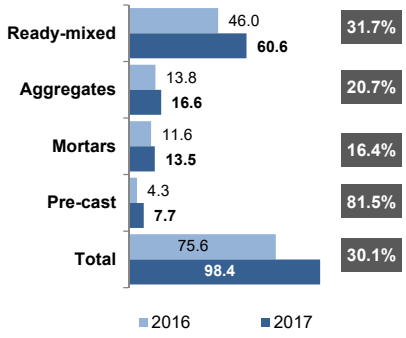
CAPITAL EXPENDITURE

Investment in fixed tangible assets in Portugal totalled 12.5 million euros. Most of the investments were made in the Cement business. This included the purchase of a chalk quarry for 1.6 million euros to ensure the continued availability of this raw material that is essential for producing grey cement.

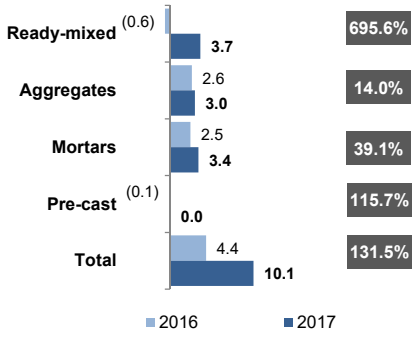
4.4.1.3 OTHER BUILDING MATERIALS

(million euros)

REVENUE



EBITDA



In the other units with operations based in Portugal (Ready-mix Concrete, Aggregates, Mortars and Pre-cast), revenue in 2017 amounted to 98.4 million euros, up by 30.1% in relation to the previous year. The revenue of the Concrete business unit in particular grew 31.7% and the Aggregates business unit increased 20.7%.

EBITDA of construction material business units stood at 10.1 million euros, which compares with 4.4 million euros in 2016. The most significant increase was in Concrete, arising from greater volumes sold (+26.9%), and also from the rise in average sales prices and lower staff and transport costs.

4.4.2 LEBANON

4.4.2.1 MARKET BACKGROUND

In Lebanon, according to the latest figures published by the IMF, the economy is expected to have grown by 1.5% in 2017 (World Economic Outlook, IMF October 2017), below potential.

Cement consumption in 2017 stood at 5.18 million tons, 1.6% less year-on-year. In spite of a better political environment in the country (the election of a president and the appointment of a new Prime Minister at the end of 2016), the year was marked by political instability, with the Prime Minister resigning by the end of 2017.

The following table presents overall indicators for the Secil Group's business operations in Lebanon in 2017 and 2016:

Lebanon	Turnover			EBITDA				Quantities Sold		
(million euros)	2017	2016	Var.	2017	2016	Var.	Unit	2017	2016	Var.
Cement and clinker	86.1	87.8	-2.0%	35.5	32.6	8.7%	1,000 t	1,150	1,116	3.1%
Ready-mixed	6.1	6.6	-7.8%	0.4	0.1	535.7%	1,000 m3	99	107	-7.6%
Total	**92.2**	**94.4**	**-2.4%**	**35.9**	**32.7**	**9.8%**				

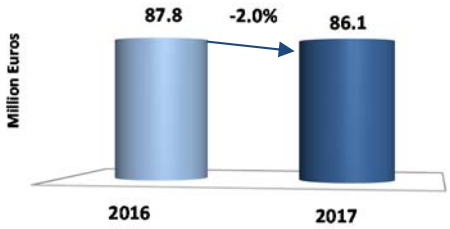
Revenue on combined operations in Lebanon decreased 2.4% compared to the previous year, amounting to 92.2 million euros. This amount was negatively affected by the depreciation of the USD against the Euro by about 1.9 million euros.

In 2017, total EBITDA from operations in Lebanon stood at 35.9 million euros, up by 9.8% in relation to the previous year. EBITDA in 2017 was impacted positively by approximately 2 million euros, received on insurance payment due to the breakdown of one of the mills in 2016.

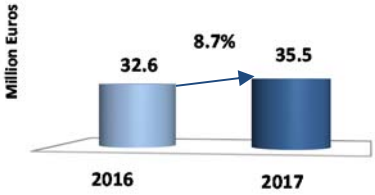
4.4.2.2 CEMENT AND CLINKER

INDICATORS

REVENUE



EBITDA



Cement sales totalled 1,150 thousand tons, up by 3.1% year-on-year. Sales prices in local currency stood at similar levels to that in 2016, slightly down by 0.6% due to changes in the sales mix. Revenue decreased against that of 2016 to 86.0 million euros, in spite of the increase in volumes sold, due to the currency depreciation.

The Cement unit recorded EBITDA of 35.5 million euros, 8.7% over the figure recorded in 2016. The growth was driven by increasing cement and clinker production and lower production costs. In 2016 clinker production was less due to the planned maintenance stop of one of the kilns to install the filter sleeves. This investment fostered the optimized use of raw materials and a drop in production costs. Less electric power consumption also provided a positive input. However, solid fuel price increased and in the fourth quarter of 2017 a new tax on cement production was enacted.

INDUSTRIAL OPERATIONS

Clinker production was above levels in 2016, with 950 thousand tons (vs. 871 thousand tons in 2016). Production in 2016 was low, due to the programmed shut down of line 2 in Q1 to fit in the bag filter.

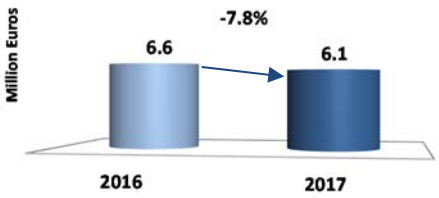
Cement production was above production in 2016, with 1,199 thousand tons (vs. 1,103 thousand tons in 2016). Production in 2016 was impacted by restrictions (shut downs of the main cement mill).

CAPITAL EXPENDITURE

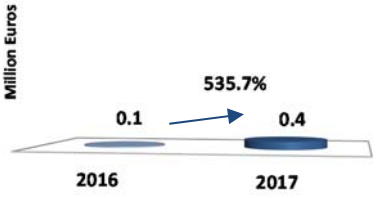
Investments in Lebanon in 2017 totalled 3.2 million euros, and included the repair of the mill that broke down in 2016 (around 1.7 million euros).

4.4.2.3 READY-MIXED CONCRETE

REVENUE



EBITDA



Concrete revenue dropped 7.8% compared with 2016 to 6.1 million euros, as a result of the decrease by 7.6% in volumes sold, due to a very competitive environment and sales price maintenance.

This unit's EBITDA amounted to 412 thousand euros, which compares favourably with 65 thousand euros in 2016.

4.4.3 TUNISIA

4.4.3.1 MARKET BACKGROUND

In Tunisia, the political and social environments improved somewhat in 2017, which had a positive impact on the economy. However, Tunisia's economy is still facing significant challenges, including high foreign and tax deficits, rising debt and insufficient growth for reducing unemployment. Some social unrest and pressure from union claims continue. According to the latest figures published by the IMF, the Tunisian economy is expected to grow by 2.3% in 2017, above the 1% figure recorded in 2016 (World Economic Outlook, IMF October 2017).

It is estimated that the domestic cement market decreased 0.5% year-on-year. The fall in the market produced a bigger impact in the southern region (the natural market of Secil's operations). The cement market continued to be characterized by intense competition and high pressure on sales prices, which dropped. Additionally, there was a shortage of steel for building in the country, which influenced cement sales, particularly in the 4th quarter and with a higher impact in the south of the country once more.

The cement export market decreased significantly, due to constraints on the Libyan border and in obtaining foreign currency in the Libyan financial market. In the Algerian market, the government did not issue any import licenses.

The following table presents overall indicators for the Secil Group's business operations in Tunisia in 2017 and 2016:

Tunisia	Turnover			EBITDA				Quantities Sold		
(million euros)	2017	2016	Var.	2017	2016	Var.	Unit	2017	2016	Var.
Cement and clinker	37.0	48.6	-23.8%	8.8	10.5	-16.1%	1,000 t	1,052	962	9.4%
Ready-mixed	5.3	7.1	-24.7%	0.1	0.0	375.3%	1,000 m3	132	154	-14.2%
Precast	0.2	0.3	-26.1%	0.0	0.0	367.0%	1,000 t	9	11	-20.9%
Total	**42.6**	**56.0**	**-23.9%**	**8.9**	**10.5**	**-15.0%**				

Revenue for combined operations in Tunisia in 2017 stood at approximately 42.6 million euros, down by 23.9% on a year-on-year basis.

EBITDA from business operations in Tunisia in 2017 stood at 8.9 million euros, down by 15.0% in comparison with the previous year. The decrease resulted from the reduction in revenue of the domestic market and change in the export product mix.

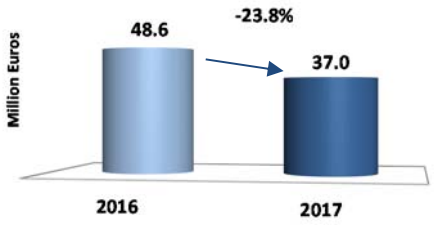
It should be noted that the variable unitary production costs of cement were lower than in the same period in the previous year, brought down mostly by less electrical power costs, due to the drop in prices (in June 2016 prices dropped significantly) and the decrease in specific consumption.

Staff costs were also down, as a result of the decrease in the number of employees. These improvements more than offset the effects of increase in thermal power costs, resulting from the rise in fuel prices.

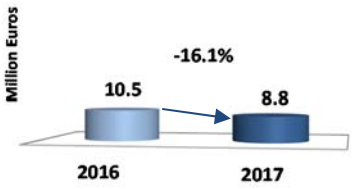
4.4.3.2 CEMENT AND CLINKER

INDICATORS

REVENUE



EBITDA



The revenue of the Cement and Clinker business unit dropped approximately 23.8%, and stood at 37.0 million euros, due to the decrease in revenue in the domestic market and an increase in the external market, albeit not enough to offset the drop. The aforementioned constraints in the case of exports and greater competition in the domestic market determined the pace of cement sales of this unit.

To counteract the drop in cement exports (-47%), clinker exports in 2017 totalled around 206 thousand tons, impacting positively total export sales. Sales price in the domestic market was lower than that in 2016 by approximately 1%. In the export market, prices remained below 2016 levels due to competition, the fact that there were no exports to Algeria (where price is higher) and the rise in clinker sales (at a lower price).

INDUSTRIAL OPERATIONS

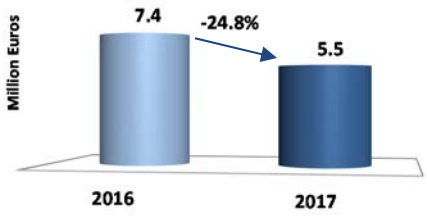
Clinker production was higher than in 2016 (955 thousand tons in 2017 vs. 858 thousand tons in 2016), due to the take-off of clinker export sales in 2017. Cement production was lower than 2016 levels (889 thousand tons in 2017 vs. 1.018 thousand tons in 2016), due to the decrease in cement sales in the internal and external markets.

CAPITAL EXPENDITURE

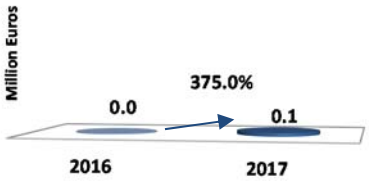
Investment amounted to 2.1 million euros, the equivalent to 2016, mainly intended for investments in replacement.

4.4.3.3 READY-MIXED AND PRE-CAST CONCRETE

REVENUE



EBITDA



Revenue of the Ready-mix Concrete and Pre-cast business unit dropped approximately 24.8%, standing at 5.5 million euros, with a negative impact of the depreciation of the Tunisian dinar against the euro of approximately 800 thousand euros.

4.4.4 BRAZIL

4.4.4.1 MARKET BACKGROUND

The IMF is forecasting a 1.1% growth in the Brazilian economy for 2017 (World Economic Outlook Update, IMF January 2018). Brazilian economy is still being affected by the lack of trust of economic agents, rising unemployment and scarce public investment. Despite the drop in inflation rates and interest rates, private investment has not increased, as a result of the unstable political situation.

In this context, the construction industry was naturally affected, with an impact on cement consumption that dropped 6.3% *vis-à-vis* 2016. However, the South/South-East region where Secil operates decreased 4.7%, less than the overall market decrease.

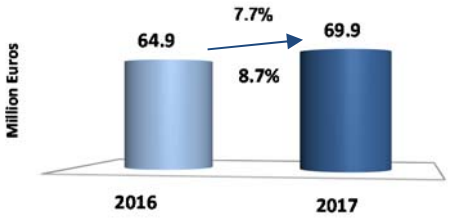
The following table presents overall indicators for the Secil Group's business operations in Lebanon in 2017 and 2016:

Brazil	Turnover			EBITDA				Quantities Sold		
(million euros)	2017	2016	Var.	2017	2016	Var.	Unit	2017	2016	Var.
Cement and clinker	69.9	64.9	7.7%	4.9	6.2	-21.2%	1,000 t	1,288	1,132	13.7%
Ready-mixed	16.0	12.7	26.2%	-0.5	-0.3	-84.8%	1,000 m3	269	216	24.3%
Total	**85.9**	**77.6**	**10.8%**	**4.4**	**5.9**	**-25.9%**				

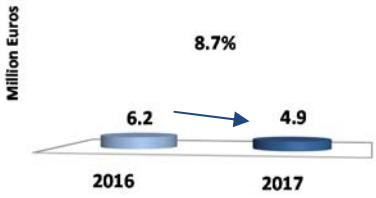
4.4.4.2 CEMENT AND CLINKER

INDICATORS

REVENUE



EBITDA



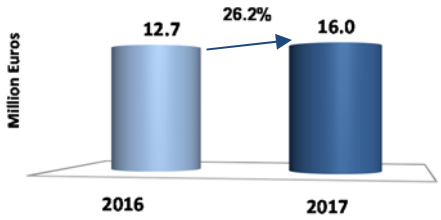
In 2017, the revenue of Cement and Clinker totalled 69.9 million euros (more than 7.7%), compared to the previous year. The growth was positively impacted by the rise in the volumes sold and the appreciation, on average, of the Brazilian real against the euro, the sales price of cement and concrete having dropped year-on-year. In the last quarter a slight rise in prices began.

EBITDA stood at 4.9 million euros, compared to 6.2 million euros in 2016. The increase in volumes sold and the improvement of variable production costs (less energy consumption and lower electric power prices) were not enough to mitigate the effect of the drop in sales price.

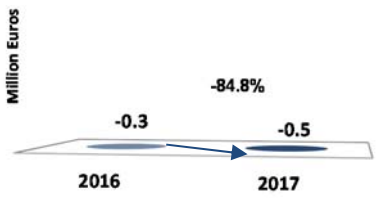
4.4.4.3 READY-MIX CONCRETE

INDICATORS

REVENUE



EBITDA



The volumes of ready-mix concrete sold, market which was also impacted negatively by the context, increased by around 26%, with sales of 269 thousand m^3 of ready-mix, a performance positively influenced by the start-up of two new Ready-mix concrete plants and the development of a commercial excellence project.

EBITDA was minus 0.5 million euros, comparing unfavourably with the amount in the previous year (-0.3 million euros). Namely, the increase in the amounts sold was insufficient to make up for the rise in fixed costs associated with the structural expansion, resulting from the opening up of the distribution centres and of the new concrete plants.

INDUSTRIAL OPERATIONS

Clinker and cement production in Brazil were above that of 2016, arising from more cement sales and better clinker operations. The Adrianópolis mill continued on the path of good industrial performance. Thermal and electric power consumption was below the previous year's levels, which helped to keep variable cost levels lower.

CAPITAL EXPENDITURE

Investments in Brazil totalled 8 million euros in 2017, as a result of some strategic projects, such as the beginning of the assembly of the new crusher and conveyor belt in Adrianópolis, the beginning of the alternative fuel project or the investments linked to the opening up of two new concrete mills.

4.4.5 ANGOLA

4.4.5.1 MARKET BACKGROUND

The IMF expects the Angolan economy to have grown in 2017 by 1.5% (World Economic Outlook, IMF October 2017). The negative effects of oil price developments since 2014 are still felt. Due to the stagnant economy, a fragile banking sector and shortage of foreign currency, many companies were forced to shut down, which brought unemployment figures up, with the arising social problems. To address the situation, the Government of Angola implemented tough cost reduction measures and launched several programs for the diversification of the economy which, however, did not produce immediate results, as there were not many foreign investors betting on the Angolan economy and the Government is faced with financial issues. These growth expectations did not materialize and in 2017 the Angolan cement market decreased by 34% year-on-year, standing at 2.57 million tons.

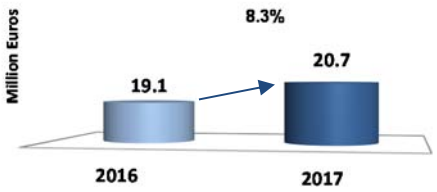
The following table presents overall indicators for the Secil Group's business operations in Angola in 2016 and 2017:

Angola	Turnover			EBITDA			Quantities Sold			
(million euros)	2017	2016	Var.	2017	2016	Var.	Unit	2017	2016	Var.
Cement and clinker	20.7	19.1	8.3%	3.0	2.4	25.3%	1,000 t	151	155	-2.5%

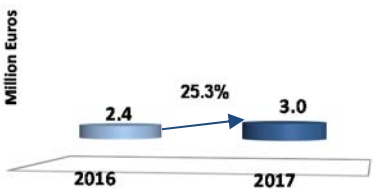
4.4.5.2 CEMENT AND CLINKER

INDICATORS

REVENUE



EBITDA



The amount of cement sold decreased in comparison to accumulated sales in 2016, amounting to 151 thousand tons of cement sold, 2.5% less than in the last year. Revenue stood at 20.7 million euros in total, above that in 2016, as a result of the appropriate and strict management of the sales price, which grew around 11%, in euros, compared to the previous year.

EBITDA reached 3.0 million euros, above the figure recorded in 2017. In addition to rising prices, the effort to reduce costs was maintained with a view to counteract the contracting market.

CAPITAL EXPENDITURE

Investments totalled 469 thousand euros in 2017, mainly as a result of investments in the area of security.

4.5 RESOURCES AND SUPPORTING FUNCTIONS

4.5.1 SUSTAINABILITY AND ENVIRONMENT

Despite the Sustainability Report that will be disclosed, note that Secil incorporates sustainability into all management levels, thus aligning its industrial activity with environmental protection and social responsibility.

Secil is part of the Cement Sustainable Initiative under the WBCSD, it chairs the Cembureau European Cement Association, and is a member of several organisations in Portugal, such as ATIC – Cement Industry Technical Association, GRACE – Action and Reflection Group for Entrepreneurial Citizenship and BCSD Portugal.

In this context, it has actively contributed to drawing up and reviewing reflection and position papers on sustainability, and participated in sector working groups.

The company is aware of the need to reduce carbon intensity of its activity and to integrate the circular economy in its business model, and has made investments in equipment and innovative technologies, and in research and development in innovative solutions in applying cement.

Efficient management of natural resources, better energy efficiency, replacing fossil fuels with alternative fuels, integrating secondary raw materials in the production process, and fostering biodiversity in the environmental recovery of the quarries in which it operates are some of the best practices the Company has been pursuing consistently for several years on the path towards sustainability.

Taking social responsibility for its actions is a priority in the communities surrounding its plant units. This is implemented through community development and institutional relations programs, which have received due recognition from the stakeholders for their soundness and perseverance.

Training and development of human capital and the adoption of a supply chain favouring local suppliers are other sides to sustainability, pursued in a systematic manner.

5 ENVIRONMENT BUSINESS AREA

5.1 LEADING BUSINESS INDICATORS

IFRS - accrued amounts (million euros)	2017	2016	Var.
Revenue	**29.0**	**26.7**	**8.5%**
EBITDA	**7.7**	**6.9**	**12.0%**
EBITDA margin (%)	26.6%	25.8%	0.8 p.p.
Depreciation, amortisation and impairment losses	(2.8)	(2.9)	3.0%
Provisions	(0.3)	-	-
EBIT	**4.5**	**4.0**	**14.7%**
EBIT margin (%)	15.7%	14.8%	0.9 p.p.
Net financial results	(0.5)	(0.6)	19.1%
Profit before taxes	**4.0**	**3.3**	**21.0%**
Income taxes	(0.8)	(0.4)	-109.1%
Net profit for the period	3.2	3.0	9.8%
Attributable to ETSA shareholders	**3.2**	**3.0**	**9.8%**
Attributable to non-controlling interests (NCI)	-	-	-
Cash-Flow	**6.4**	**5.9**	**9.1%**
	31/12/2017	**31/12/2016**	**Dec17 vs. Dec16**
Equity (before NCI)	68.7	65.5	5.0%
Net debt	**14.8**	**15.7**	**-5.7%**

NOTE:

- Figures for business segment indicators may differ from those presented individually by each Group, as a result of consolidation adjustments.

5.2 LEADING OPERATING INDICATORS

The following table sets out the main operating indicators for the ETSA Group in the financial years of 2017 and 2016:

	Unit	2017	2016	Var.
Collection of raw materials - Animal waste (categories 1 and 2)	1 000 t	45.4	42.6	6.5%
Collection of raw materials - Animal waste (category 3)	1 000 t	73.3	76.2	-3.7%
Collection of used food oil	1 000 t	1.4	1.6	-14.9%
Sales - animal fats	1 000 t	13.7	15.1	-9.4%
Sales - meal	1 000 t	21.9	21.6	1.3%
Sales - used food oil	1 000 t	1.1	1.4	-20.4%

5.3 OVERVIEW OF THE ENVIRONMENT BUSINESS AREA

The ETSA group recorded revenue of approximately 29.0 million euros in 2017, up by 8.5% in 2016.

This development was essentially cumulatively caused by (i) an increase in the average sales price of class 3 fats by around 16.7% and the same class meal by approximately 17.8% in comparison with 2016, a decrease in volumes sold by about 12.2% year-on-year, (ii) volumes sold of class 2 were very significant, representing a 148.2% growth, at a price around 5.8% higher, (iii) 13.5% more consolidated service provision, essentially resulting from the increased billing of animal carcass collection, but also from higher volumes billed by the subsidiary ABAPOR (which increased around 12.9% in comparison with the previous year).

EBITDA for the ETSA Group totalled approximately 7.7 million euros in 2017, representing an increase of about 12.0% in comparison with the previous year, explained essentially by: (i) increase in revenue, as described above, and (ii) control of main costs, namely supplies and external services.

The EBITDA margin stood at 26.6%, up by around 0.8 p.p. on the margin in 2016.

In 2017, depreciations, amortisations and impairment losses of ETSA totalled 2.8 million euros, in line with the figure in the previous year.

Financial results improved by around 19.1% on the previous year, amounting to minus 0.5 million euros as a result of the drop in total average debt and better contractual conditions.

Consequently, the net income for the year 2017 grew by 9.8% to 3.2 million euros.

5.4 RESOURCES AND SUPPORTING FUNCTIONS

5.4.1 SUSTAINABILITY AND ENVIRONMENT

Despite the Sustainability Report that will be disclosed, it should be noted that ETSA concluded cooperation protocols with QUERCUS – Nature Conservation National Association and ZERO – Association for Sustainable Earth System in the context of environmental protection and sustainability.

5.4.2 INNOVATION, RESEARCH AND DEVELOPMENT

In 2015, ETSA's focus on Research and Development materialized, and several projects for setting Innovation goals were initiated. Several internal research lines were created and developed jointly and in partnership with institutions of higher education connected to chemical, biotechnology and Agro-food technology.

Some of the numerous research lines developed and fostered by the Group's sustainability and profitability applied to Incentive Systems in view of obtaining co-financing for these work lines. The group obtained approval for a joint-venture under the program Portugal 2020 (ITS, SEBOL and UCP-Porto Catholic University), aimed at developing new products and new business opportunities for improving the group's competitiveness.

In 2017, the Mobilizador project was also approved under Portugal 2020, involving ITS, SEBOL and a large number of private and public entities of the Agro-food industry in Portugal, in view of creating networks and interactions between several of the industry's national players. Finally, and also in this financial year, aligned with a recycling operator in the Environmental area belonging to ETSA, a project was submitted and approved in the context of the Circular Economy Phase I of the Environmental Fund, sponsored by the Environmental Ministry. This very competitive application is now eligible for the Phase II, thus reinforcing the nature of circular industry of ETSA.

These R&D lines seek to reinforce the sustainability nature of ETSA, optimising the use of natural resources and minimising the negative impact on the environment.

6 SEMAPA GROUP HUMAN RESOURCES

Semapa believes that a human resource policy founded on professional and personal development and growth of employees is the basis for the development and growth of the Group as well. Therefore, human resources are a priority, and several talent management programs are underway in the Group, either in the holding Semapa and its subsidiaries, or across the board, with a strong focus on career training and management.

The Group's serious concern about the size and streamlining of its human resources largely depends on the suitability of qualifications, specialisation of some functions and the development of necessary skills. The sustainability report that will be disclosed for the first time this year will address this matter in depth.

The Workforce of the Semapa Group stabilised slightly above 6 thousand employees, standing at 6,047 at the end of December 2017, as shown in the following table:

	31/12/2017	31/12/2016	Var.
Pulp and Paper	3,197	3,111	86
Cement	2,552	2,615	-63
Environment	270	275	-5
Holdings	28	27	1
Holdings	**6,047**	**6,028**	**19**

The increase in the Paper and Paper Pulp area derives mainly from the increase in staff numbers in the new businesses (Pellets and Tissue).

7 SOCIAL RESPONSIBILITY IN THE SEMAPA GROUP

Helping to sustainably develop its local communities is one of the strategic principles guiding the Semapa Group. The 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 around its production units and commercial premises.

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 preserve the environment.

Taken together, donations by the Semapa Group to welfare charities totalled approximately 2.5 million euros in 2017.

The following were some of the numerous initiatives and projects supported by the Group:

- "Dá a Mão à Floresta" (*Give the forest a hand*): 7th edition of the initiative, which conveyed an educational and recreational message to children between 4 and 12 years, and raised the attention of the urban community to the need to protect the forest, and educating for sustainability;
- Cooperation agreements with institutions working in the fields of social inclusion, sports and the arts, with programs in the local communities around the Group's facilities.
- Paper donations: Schools were the beneficiaries of donations of 5,411 paper reams, amounting to more than 13 tons of paper;
- Aid to the Fundação Nossa Senhora do Bom Sucesso foundation: Founded in 1951, the Foundation has worked towards health and human development, in particular child and women's health, by delivering top quality services irrespective of the social and economic background of users;
- Support to the Salvador Association: An Association that works to defend the interests and rights of persons with reduced mobility, especially individuals with physical disability;
- Support to MDV Projecto Família: A pioneering project in Portugal, seeking to work with families with children at risk. The aim is to keep the family together through intensive, immediate and individualised support;
- Support to the Ronald McDonald Foundation in Lisbon and Oporto.

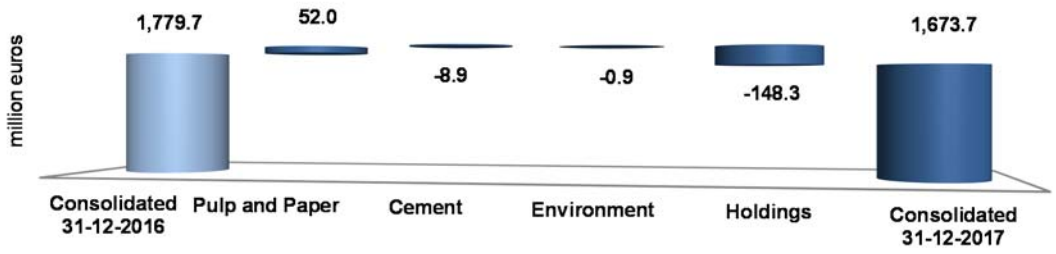
8 SEMAPA GROUP – FINANCIAL AREA

8.1 INDEBTEDNESS

CONSOLIDATED NET DEBT

(million euros)	31/12/2017	31/12/2016	Var.
Pulp and Paper	692.7	640.7	52.0
Cement	414.0	422.9	-8.9
Environment	14.8	15.7	-0.9
Holdings	552.1	700.4	-148.3
Total	**1,673.7**	**1,779.7**	**-106.0**

EVOLUTION



On 31 December 2017, consolidated net debt stood at 1,673.7 million euros, representing a decrease of 106.0 million euros over the figure recorded at year-end 2016, positively influenced by the creation of operating cash flow and:

- Pulp and paper: +52.0 million euros, including investments of about 115 million euros and the payment of dividends of 250 million euros;
- Cement: -8.9 million euros, resulting mainly from i) the exchange rate effect of foreign exchange denominated debt, that reduced debt in the year, and ii) investments of approximately 52 million euros;
- Environment: -0.9 million euros; and
- Holdings: -148.3 million euros, resulting namely from dividends received from Navigator (173.5 million euros), dividend payments (36.3 million euros) and Government reimbursement of previously made payments on account of corporate income tax (IRC).

8.2 FINANCIAL RESULTS

In 2017 financial results amounted to a negative figure of 63.9 million euros, improving 14.1% in relation to the figure recorded in the previous year. This favourable variation of 10.4 million euros is explained essentially by the net combined effect of the following factors:

- Positive effect arising from a decrease in interest rates, debt repayment and debt renegotiation in more favourable conditions;
- The positive results of Navigator's forex hedges, reflecting namely the depreciation of the USD, partially offsetting the negative effect in sales;
- Exchange rate depreciation in the Cement business (excluding this effect, the financial results in this business would have been better than the previous year's levels).

8.3 RISK MANAGEMENT

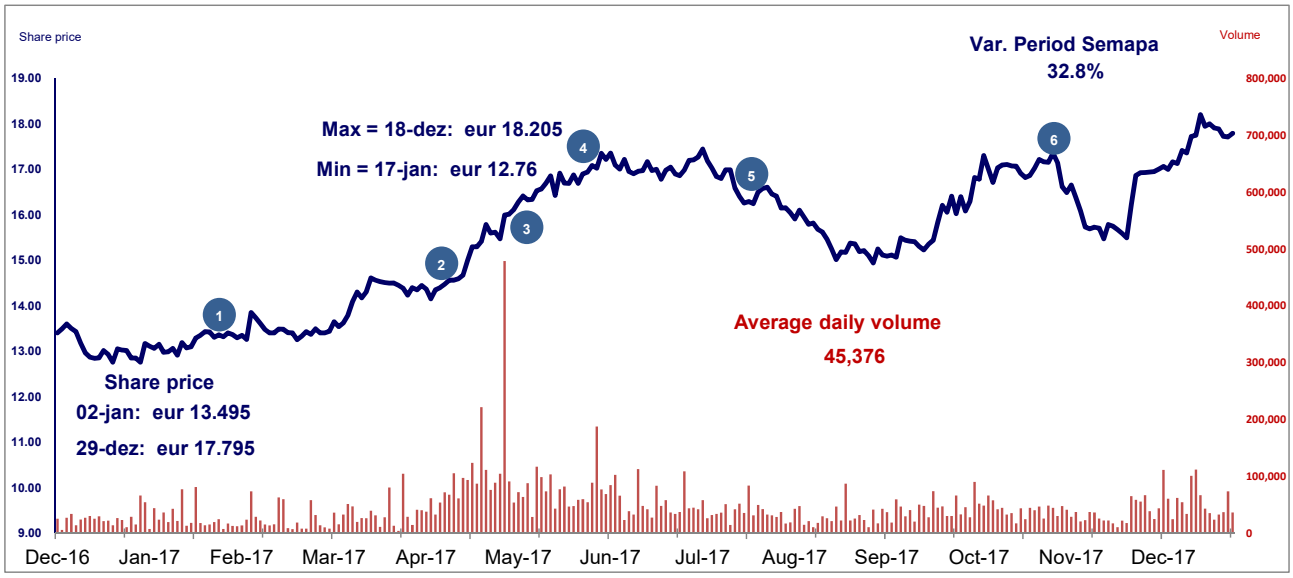
Details of risk management may be consulted in the relevant section of the Notes to the Consolidated Financial Statements (Semapa Group).

8.4 LISTED SHARE PRICE

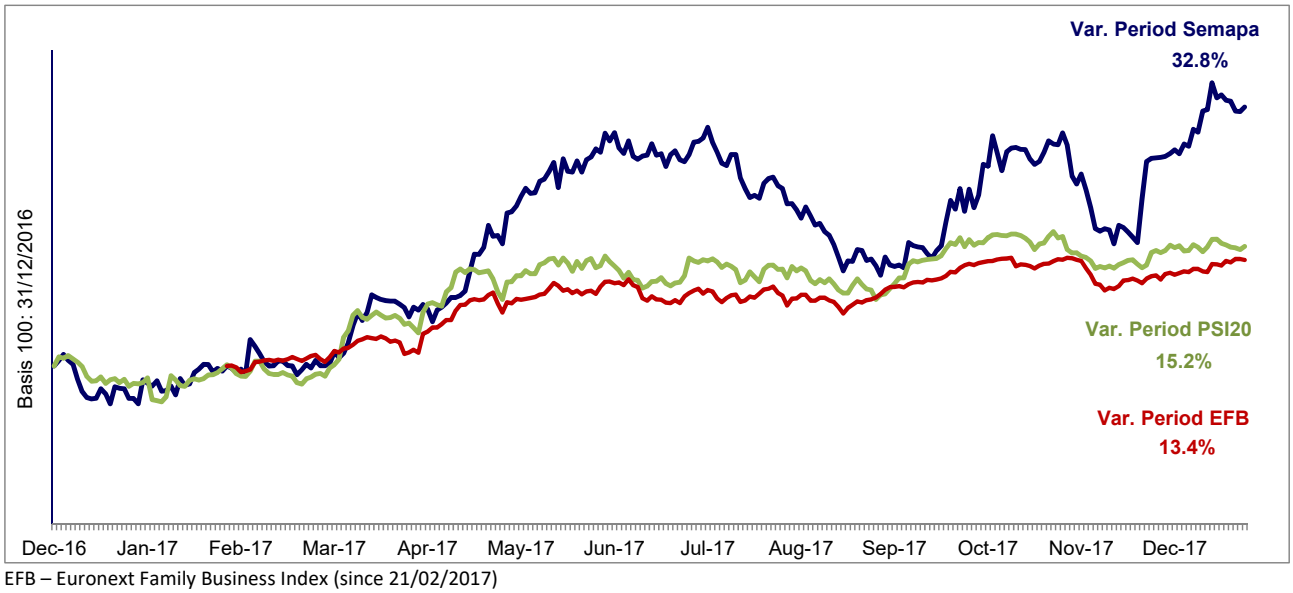
The financial year of 2017 proved to be fairly positive for global capital markets, with US stock exchanges reaching new record highs. At the European level, the main stock exchanges recorded gains, with DAX reaching record highs. Q4 ended up penalizing the equity markets in Spain and Italy, following political events, namely the Catalonia issue and the political crisis in Italy.

The main stock exchange in Portugal, PSI 20, was up by 15.2%, after the loss of 11.9% in the previous year, one of the indexes that grew the most among European markets (e.g. Eurostoxx 50 recorded 5.6% gains). The reversal of the trend resulted from the positive developments of the Portuguese economy, improvement in the credit conditions of the European Central Bank and improvement of the rating of the Portuguese Republic to investment grade.

In this context, the value of Semapa shares in the period increased 32.8%, above the PSI 20 (+15.2%) and EFB (13.4%) average. Semapa's stock price reached a maximum of 18.21 euros on 18 December and a minimum of 12.76 euros on 17 January.



1. Presentation of Results 2016
2. Presentation of Results: 1st quarter 2017
3. Announcement of 2016 Dividend Payment
4. Ex-dividend date
5. Presentation of Results: 1st Half 2017
6. Presentation of Results of the First 9 Months of 2017



EFB – Euronext Family Business Index (since 21/02/2017)
NOTE: Closing market prices

8.5 DIVIDENDS

In June 2017, Semapa distributed dividends with a total value of 36.3 million euros, corresponding to 0.45 euros per share.

In June 2017, Navigator paid dividends totalling 170.0 million euros, corresponding to 0.2371 euros/share. In July 2017, it distributed reserves with a total value of 80.0 million euros, corresponding to 0.1158 euros/share.

8.6 NET INCOME

Consolidated net income in 2017 attributable to shareholders of Semapa was 124.1 million euros, which represents an improvement of 8.0% compared to the same period in the previous year. Net income per outstanding share stood at 1.538 euros/share.

This development is explained essentially by the combined effect of the following factors:

- An increase in total EBITDA of approximately 11.6 million euros;
- A decrease in depreciation, impairment losses and provisions of 16.1 million euros;
- An improvement of net financial results by about 10.4 million euros, in relation to the previous year;
- An increase in corporate income tax by approximately 33.9 million euros, arising namely from the reduction of tax benefits applicable to the payable corporate income tax of the Navigator Group and from the fact that in 2016 tax provisions (gains) were reversed.

9 SUBSEQUENT EVENTS

The sale of the pellet business in the US was concluded on 16 February 2018.

10 OUTLOOK

Global economic growth outlook remains positive, sustained on Q4 indicators of 2017 highlighting the positive economic moment. Additionally, household and corporate confidence levels reached historically high levels, namely in developed economies, hinting at ongoing positive dynamics in 2018.

However, several geopolitical, commercial, political and strategic risk factors may still compromise economic growth developments, namely possible rise in tension in North Korea, trade tensions between China and the USA, or changes to NAFTA, developments in the Brexit negotiations, adverse developments in the Catalan affair, and elections in Italy.

Short term interest rates in the euro area will possibly remain at negative levels in 2018, the ECB and the main Central Banks playing a fundamental part, especially in managing the slowdown of monetary stimulus.

PULP AND PAPER

Year 2017 was extremely positive for the pulp sector: prices were increased several times and ended the year at an all-time high near 1,000 USD/ton. Most price forecasts for 2018 are also positive, without any substantial increase in the supply of pulp expected in the next two years. However, fears as to whether prices are sustainable at this level exist and may lead to a degree of adjustment over 2018.

In tissue, January saw phase two of the current round of price increases, which started in October. The continued high level of pulp prices, combined with new capacity coming on to the market, will undoubtedly keep tissue producers under strong pressure again, especially in the case of non-integrated manufacturers.

The development projects initiated in 2017, the construction of a new tissue mill in Cacia (with reel production and converting capacity) and improvements to pulp production efficiency and environmental performance at the Figueira da Foz mill, will continue into 2018, involving total investment of approximately 205 million euros (120 million euros in Cacia and 85 million euros in Figueira da Foz), of which 70 million euros has already been spent. The additional pulp capacity in Figueira da Foz is due to start up in April, and the new tissue line in Cacia is planned to produce its first reels in August.

In the UWF paper sector, Navigator took the lead in increasing prices on several occasions in 2017, and announced a new price rise for the North American market in early 2018. Order books remain at comfortable levels, and a positive year can be expected for the sector, whilst evolution of the exchange rate is likely to remain the main cause for concern.

As mentioned, Navigator has decided to proceed with its capital projects in Mozambique at a more moderate pace and to implement its plans in stages. Portucel Moçambique is however ready to proceed with its forestry plans, as soon as circumstances in the country permit – most of which are under discussion with the Mozambique authorities.

CEMENT AND OTHER BUILDING MATERIALS

GDP growth outlook for Portugal in 2018 is slightly inferior to 2017 estimates; according to the latest projections of the Bank of Portugal, the economy is expected to grow by 2.3%. Macroeconomic indicators point to growth, although investment levels, limited by deficit management, are a growth-restricting factor. Developments in the external environment may play a decisive part in growth; most international bodies looking at the global economy now share a more positive outlook. With indicators of engineering activity evolving favourably, the public works industry is expected to grow. Government budget deficit is still limiting, albeit less so, and a pick-up in public investment backed by community funds should follow. The housing segment is expected to grow, as a consequence of the increase in the number of new licensed dwellings in the second half of 2017, and the positive prospects in urban renewal. The dynamics of the rentals market and growth in the tourism industry are the drivers of this growth trend.

In Lebanon, cement demand in 2018 should decrease slightly against 2017, in spite of improvement in the political situation. New taxes implemented in the last quarter of 2017 are expected to have a negative impact on the profit of cement companies in the country. The parliamentary elections in 2018 will also influence the political context.

Possible developments in the Syrian conflict and the situation of Syrian refugees in Lebanon will probably produce a macroeconomic effect and on the market, which cannot be anticipated at this stage. A challenging competitive environment is expected to continue with slightly lower net prices.

A 3% growth in 2018 of the economy is the forecast for Tunisia (World Economic Outlook, IMF October 2017). Competition should continue to be intense and increased pressure on sales prices is expected (in the domestic and foreign markets), due to oversupply in the country. Overall rise in taxes and rates are to be expected, just as the current political/economic situation in Tunisia should continue with greater security issues.

Brazil is expected to grow by 1.9% in 2018 (World Economic Outlook, IMF January 2018), above expected growth of 1.1% in 2017, which hints at the improvement of conditions. However, economic activity should continue to face challenges, particularly activities in the building sector, due to the difficulty of materialising investments. The political crisis is still a strong constraint on growth, which shall depend greatly on developments in the political framework. Sales price developments will have an impact on the performance of operations, which is why efforts will continue to be put into improving production costs and controlling fixed costs.

The Angolan economic outlook is positive for 2018. The IMF is forecasting 1.6% economic growth in 2018 (World Economic Outlook, IMF October 2017). The programs to diversify the economy of the Angolan Government, the upward trend of oil prices on the international markets in the second half of 2017, average annual population growth by 2.7% and the general elections in 2017, which brought about a new President of the Republic and, consequently, a new Government, are expected to bring substantial changes to governance in the country, with outlooks of economic recovery for 2018 that will drive growth in cement consumption.

ENVIRONMENT

Considering the current macroeconomic, financial and sector context, current conditions are envisaged to remain unchanged in the medium term in the sector operated by the ETSA group, insofar as consumption of foodstuffs is maintained. However, the competition between operators in arranging raw material, which is scanty, will remain intense, because of the pronounced overcapacity of industrial processing.

The ETSA group's prime objectives in the short term include: (i) concentrating on the horizontal expansion of its production and destination markets (exports accounted for around 53.1% of total sales in 2017), (ii) identifying fresh opportunities for vertical growth, channelling its investments to improving operational efficiency, extracting maximum value from the channels operated and retaining the loyalty of the main conventional and alternative collection centres, (iii) the gradual and progressive recovery of balanced sales margins in the market, and (iv) focus on sustained innovation and research and development addressed at ensuring new profit thresholds for the business.

11 ACKNOWLEDGEMENTS

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

- our Shareholders, who have accompanied our progress and whose trust we believe we continue to deserve;
- 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, and;
- for the cooperation of the Audit Board and the officers of the General Meeting.

12 PROPOSED ALLOCATION OF PROFITS

Considering that the Company needs to maintain a financial structure compatible with the sustained growth of the Group it manages in the various Business Areas in which it operates,

Considering that the Company's independence from the financial sector involves preserving consolidated levels of short, medium and long-term debt which allow it to maintain sound solvency indicators, and

Considering that the Company's Remuneration Committee and the Executive Board have taken a stance on the amounts which, in their view, may be paid to the members of the Board of Directors and the Company's Employees, respectively, for the financial year 2017, the total approximate amount of which is known,

It is hereby proposed:

1. That the Net Profits for the individual period, determined under the IFRS rules, in the amount of EUR 124,093,467.26 (one hundred twenty-four million, ninety-three thousand, four hundred and sixty-seven euros and twenty-six cents) be allocated as follows:

Dividends on shares in circulation	EUR 41,310,039.55*
	(0,512 cents per share)
Free reserves	EUR 78,383,427.71
Share of the Employees and Directors in the profits of the financial year up to	EUR 4,400,000.00

   * excluding own shares held; 586,329 own shares were considered; on the payment date, if this amount is changed, the total dividends payable may be adjusted, while the amount payable per share will remain unchanged.

2. That the individual distribution of the share in profits be made by the Executive Board in that which relates to the Employees and by the Remuneration Committee in that which relates to the Directors and, since this amount was already reflected in the financial statements, it shall be transferred to item Free Reserves.
3. That the amount regarding the participation of Employees and Directors in the annual profits which in accordance with applicable accounting standards has been specialized in personnel costs, is reversed by the respective amount of credit in Free Reserves.

Lisbon, 7 March 2018

BOARD OF DIRECTORS

CHAIRMAN:

PEDRO MENDONÇA DE QUEIROZ PEREIRA

MEMBERS:

JOÃO NUNO DE SOTTOMAYOR PINTO DE CASTELLO BRANCO

JOSÉ MIGUEL PEREIRA GENS PAREDES

PAULO MIGUEL GARCÊS VENTURA

RICARDO MIGUEL DOS SANTOS PACHECO PIRES

ANTÓNIO PEDRO DE CARVALHO VIANA-BAPTISTA

CARLOS EDUARDO COELHO ALVES

FRANCISCO JOSÉ MELO E CASTRO GUEDES

MANUEL CUSTÓDIO DE OLIVEIRA

VÍTOR MANUEL GALVÃO ROCHA NOVAIS GONÇALVES

VÍTOR PAULO PARANHOS PEREIRA

PART 2

CORPORATE GOVERNANCE REPORT

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PART I - INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. CAPITAL STRUCTURE

I. CAPITAL STRUCTURE

1. CAPITAL STRUCTURE (SHARE CAPITAL, NUMBER OF SHARES, DISTRIBUTION OF CAPITAL BETWEEN SHAREHOLDERS, ETC.), INCLUDING INDICATION OF SHARES NOT ADMITTED TO TRADING, DIFFERENT CLASSES OF SHARES, THE RIGHTS AND OBLIGATIONS ATTACHING TO THESE AND THE PERCENTAGE OF SHARE CAPITAL THAT THEY REPRESENT (ARTICLE 245-A.1 AL. A)).

Semapa has a share capital of 81,270,000 Euros, represented by a total of 81,270,000 shares, with a nominal value of one euro each. All shares are ordinary shares and have the same rights and obligations attached to them, and are admitted for trading.

A breakdown of the capital structure, indicating shareholders with qualifying holdings, is provided in the table in item 7 below.

2. ANY RESTRICTIONS ON THE TRANSFER OF SHARES, SUCH AS CLAUSES ON CONSENT FOR DISPOSAL, OR LIMITS ON THE OWNERSHIP OF SHARES (ARTICLE 245-A.1 B)).

Semapa has no restrictions of any kind on the transferability or ownership of its shares.

3. NUMBER OF OWN SHARES, CORRESPONDING PERCENTAGE OF SHARE CAPITAL AND PERCENTAGE OF VOTING RIGHTS WHICH WOULD CORRESPOND TO OWN SHARES (ARTICLE 245-A.1 A)).

On 31 December 2017, Semapa held 586,329 own shares, corresponding to 0.721% of its share capital. If the voting rights were not suspended, the percentage of voting rights would be the same as the percentage of the total capital.

4. 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, AS A RESULT OF A TAKEOVER BID, TOGETHER WITH THE RESPECTIVE EFFECTS, UNLESS, DUE TO ITS NATURE, DISCLOSURE OF SUCH AGREEMENTS WOULD BE SERIOUSLY DETRIMENTAL TO THE COMPANY, EXCEPT IF THE COMPANY IS SPECIFICALLY REQUIRED TO DISCLOSE SUCH INFORMATION BY OTHER MANDATORY PROVISION OF LAW (ARTICLE 245-A.1 J)).

Semapa is not a party to any important loan agreement, debt instruments or other to which the company is a party and which take effect, alter or terminate upon a change of control of the company as a result of a takeover bid.

5. RULES APPLICABLE TO THE RENEWAL OR REVOCATION OF DEFENSIVE MEASURES, IN PARTICULAR THOSE PROVIDING FOR LIMITS ON THE NUMBER OF VOTES WHICH CAN BE HELD OR CAST BY A SINGLE SHAREHOLDER INDIVIDUALLY OR IN A CONCERTED MANNER WITH OTHER SHAREHOLDERS.

There are no defensive measures in place in the company, namely any limiting shareholders' exercisable voting rights.

6. SHAREHOLDERS' AGREEMENTS KNOWN TO THE COMPANY OR WHICH MIGHT LEAD TO RESTRICTIONS ON THE TRANSFER OF SECURITIES OR VOTING RIGHTS (ARTICLE 245-A.1 G)).

The Company is only aware of the ongoing and open coordination of the exercise of voting rights mentioned in item 7 below, resulting in the allocation to Sodim, SGPS, S.A. on 31 December 2017 of 71.935% of non suspended voting right, above the 71.138% arising from the direct and indirect holdings.

II. HOLDINGS OF SHARES AND BONDS

7. IDENTIFICATION OF PERSONS AND ORGANISATIONS WHO, DIRECTLY OR INDIRECTLY, OWN QUALIFYING HOLDINGS (ARTICLE 245-A.1 C) AND D) AND ARTICLE 16), DETAILING THE PERCENTAGE OF THE SHARE CAPITAL AND VOTES IMPUTABLE AND THE RESPECTIVE GROUNDS.

The owners of qualifying holdings in Semapa on 31 December 2017 are identified in the following table:

	Entity	No. shares	% capital and voting rights	% non-suspended voting rights
A -	Sodim, SGPS, S.A.	15,252,726	18.768%	18.904%
	Directors of Sodim			
	Filipa Mendes de Almeida de Queiroz Pereira Rocha Páris	5,488	0.007%	0.007%
	Mafalda Mendes de Almeida de Queiroz Pereira Sacadura Botte	5,888	0.007%	0.007%
	Lua Mendes de Almeida de Queiroz Pereira	5,888	0.007%	0.007%
	Cimigest, SGPS, S.A.	3,185,019	3.919%	3.948%
	Cimo Gestão de Participações, SGPS, S.A.	16,734,031	20.590%	20.740%
	Longapar, SGPS, S.A.	22,225,400	27.348%	27.546%
	Sociedade Agrícola da Quinta da Vialonga, S.A.	625,199	0.769%	0.775%
	Total:	58,039,639	71.416%	71.935%
B -	Bestinver Gestión, S.A., S.G.I.I.C.	-	-	-
	Bestinver Empleo, F.P.	13,930	0.017%	0.017%
	Bestinver Bolsa, F.I.M.	2,319,127	2.854%	2.874%
	Bestinver Ahorro Fondo de Pensiones	198,347	0.244%	0.246%
	Bestinver Empleo III Fondo de Pensiones	2,221	0.003%	0.003%
	Bestinver Hedge Value Fund, FIL	1,503,046	1.849%	1.863%
	Bestinver Global F.P.	405,052	0.498%	0.502%
	Bestinver Mixto, F.I.M.	195,019	0.240%	0.242%
	Bestvalue F.I.	519,214	0.639%	0.644%

Bestinver Prevision, F.P.		38,849	0.048%	0.048%
Divalsa de Inversiones SICAV		13,543	0.017%	0.017%
Bestinver SICAV – Bestinfund		79,928	0.098%	0.099%
Bestinver Empleo II, F.P.		3,571	0.004%	0.004%
Bestinver Futuro EPSV		6,607	0.008%	0.008%
Bestinver SICAV – Iberian		229,426	0.282%	0.284%
Bestinver Renta F.I.M.		177,186	0.218%	0.220%
Bestinver Consolidacion EPSV		1,975	0.002%	0.002%
Bestinfond, F.I.M.		1,459,715	1.796%	1.809%
	Total:	7,166,756	8.818%	8.883%
C - Santander Asset Management España, S.A., S.G.I.I.C.				
Santander Acciones Españolas, F.I.		1,610,028	1.981%	1.995%
Santander Small Caps España, F.I.		371,188	0.457%	0.460%
	Total:	1,981,216	2.438%	2.456%
D - Norges Bank (The Central Bank of Norway)		1,699,613	2.091%	2.107%

The voting rights relating to the companies in group A are allocated on the basis of (i) direct ownership of the shares; (ii) the open coordination of the exercise of voting rights, which means that the voting rights held by these companies taken together in Semapa, are allocated to each of them, as explained next, and (iii) the existence of, direct and indirect, controlling relationships of Sodim, SGPS, S.A. also described ahead.

The allocation to Sodim by virtue of the open coordination of the exercise of voting rights, under the terms in which they have been announced, according to Article 20.1 c) and h) of the Securities Code, matches the part identified by the letter A in the table above.

The allocation to Sodim by virtue of the controlling relationship, in accordance with Article 20.1 b) of the Securities Code, was on 31 December 2017 as follows:

Entity	Allocation	No. shares	% capital and voting rights	% non-suspended voting rights
Sodim, SGPS, S.A.		15,252,726	18.768%	18.904%
Cimigest, SGPS, S.A.	100% owned by Sodim	3,185,019	3.919%	3.948%
Cimo – Gestão de Participações, SGPS, S.A.	100% owned by Cimigest	16,734,031	20.590%	20.740%
Longapar, SGPS, S.A.	100% owned by Cimigest	22,225,400	27.348%	27.546%
	Total:	57,397,176	70.625%	71.138%

In relation to the companies in groups B, C and D, voting rights are allocated on the basis of direct and indirect ownership of shares, by virtue of domain relations.

8. INDICATION OF THE NUMBER OF SHARES AND BONDS HELD BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES.

This information is provided in Annex I to this Report.

9. SPECIAL POWERS OF THE MANAGEMENT BOARD, IN PARTICULAR CONCERNING RESOLUTIONS TO INCREASE CAPITAL (ARTICLE 245-A.1 I)), INDICATING, WITH REGARD TO THESE, THE DATE ON WHICH THEY WERE GRANTED, THE PERIOD DURING WHICH SUCH POWERS MAY BE EXERCISED, THE UPPER LIMIT FOR THE INCREASE IN SHARE CAPITAL, SHARES ALREADY ISSUED UNDER THE POWERS GRANTED AND THE FORM TAKEN BY THESE POWERS.

Under the Articles of Association, the Board of Directors has no powers to resolve on increases to the share capital.

10. INFORMATION ON THE EXISTENCE OF SIGNIFICANT DEALINGS OF A COMMERCIAL NATURE BETWEEN QUALIFYING SHAREHOLDERS AND THE COMPANY.

In 2017 there were no significant dealings of a commercial nature between qualifying shareholders and the Company, on the basis of the criteria set out in item 91 below.

B. CORPORATE BOARDS AND COMMITTEES

I. GENERAL MEETING

A) COMPOSITION OF THE GENERAL MEETING

11. OFFICERS OF THE GENERAL MEETING AND THEIR TERM OF OFFICE (STARTING AND ENDING DATES).

The officers of the General Meeting are:

CHAIRMAN	Francisco Xavier Zea Mantero (term of office from 23/05/2014 to 31/12/2017)
SECRETARY:	Rita Maria Pinheiro Ferreira Soares de Oliveira (term of office from 23/05/2014 to 31/12/2017)

B) EXERCISE OF VOTING RIGHTS

12. ANY RESTRICTIONS ON VOTING RIGHTS, SUCH AS LIMITATIONS ON THE EXERCISE OF VOTING RIGHTS BASED ON THE OWNERSHIP OF A GIVEN NUMBER OR PERCENTAGE OF SHARES, TIME LIMITS FOR EXERCISING VOTING RIGHTS, OR SYSTEMS FOR DETACHING VOTING RIGHTS FROM OWNERSHIP RIGHTS (ARTICLE 245-A.1 F));

Under Semapa's Articles of Association, each share in the Company carries one vote.

Despite the existence of time limits established in Semapa's Articles of Association for attendance of the General Meeting, the mandatory legal rules on this matter apply, such as Article 23-C of the Securities Code. The time limit established by the Articles of Association for exercise of postal voting rights is the day prior to the General Meeting.

The Articles of Association make no provision for electronic voting. Nevertheless, the Board of Directors might regulate on alternative ways to vote besides paper format, as long as authenticity and confidentiality of the votes are also guaranteed until the moment of the voting. Although the Board of Directors never used this capacity, the Chairman of the General Meeting accepts electronic votes which are received under comparable conditions as the vote by mail, in what regards the deadline, comprehensibility, the guarantee of authenticity, confidentiality, and other formal issues. Signature acknowledgement shall be replaced by the digital signature and closed and separate envelopes for each item in the agenda by separate annexes to the email.

There are no systems for detaching voting rights from ownership rights.

Lastly, Semapa has no procedures in place which result in mismatching between the right to receive dividends or to subscribe new securities and the voting right attached to each ordinary share.

13. INDICATION OF THE MAXIMUM PERCENTAGE OF THE VOTING RIGHTS WHICH CAN BE EXERCISED BY A SINGLE SHAREHOLDER OR BY SHAREHOLDERS CONNECTED IN ANY OF THE FORMS ENVISAGED IN ARTICLE 20.1 .

There are no rules in the Articles of Association which lay down that voting rights are not counted if in excess of a given number, when cast by a single shareholder or shareholders related to him.

14. IDENTIFICATION OF SHAREHOLDER RESOLUTIONS WHICH, UNDER THE ARTICLES OF ASSOCIATION, CAN ONLY BE ADOPTED WITH A QUALIFIED MAJORITY, IN ADDITION TO THOSE PROVIDED FOR IN LAW, AND DETAILS OF THE MAJORITIES REQUIRED.

The Company has established no quorums for constituting meetings or adopting resolutions different from those provided for on a supplementary basis in law.

II. MANAGEMENT AND SUPERVISION

A) COMPOSITION

15. IDENTIFICATION OF THE GOVERNANCE MODEL ADOPTED.

The Company has adopted the governance model provided for in article 278.1 a) of the Companies Code (Board of Directors and Audit Board) and in article 413.1 b) (Audit Board and Statutory Auditor), of the same code.

16. RULES IN THE ARTICLES OF ASSOCIATION ON PROCEDURAL AND MATERIAL REQUIREMENTS APPLICABLE TO THE APPOINTMENT AND SUBSTITUTION OF MEMBERS, AS THE CASE MAY BE, OF THE BOARD OF DIRECTORS, THE EXECUTIVE BOARD OF DIRECTORS AND THE GENERAL AND SUPERVISORY BOARD (ARTICLE 245-A.1 H). POLICY OF DIVERSIFICATION.

Semapa's Articles of Association set no special rules on the appointment and replacement of directors, and the general supplementary rules contained in the Companies Code therefore apply here, i.e. shareholders have the power to appoint the directors (and the supervisory body).

Consequently, within the existing legal framework and in the absence of specific rules – previously defined legal basis – forcing shareholders to commit to a policy of diversification, the Board of Directors cannot (legally) impose on the shareholders a policy of diversification resulting from the Company. Therefore, without the shareholders having previously participated in setting up such policy, the Company may not establish or implement it according to Article 245-A.1.r) of the Securities Code, as amended by Decree Law no. 89/2017, of 28 July.

The timeline for hearing the shareholders is not aligned with the late publication of the rule – on 28 July 2017, following the Annual General Meeting of the Company, and applying to the current year – which prevented shareholders from analysing and establishing, if they so wish, a policy of diversification applied in the future to the selection and appointment procedures of the corporate bodies.

Nevertheless, an elective General Meeting will be held this year (2018) and, as far as Semapa is aware, the election proposal of its main shareholder will take into account diversification criteria such as gender, age, skills and experience in the relevant sectors of activity and internationally, as far as the above are compatible with the characteristics and specificities of the Company.

17. COMPOSITION, AS THE CASE MAY BE, OF THE BOARD OF DIRECTORS, THE EXECUTIVE BOARD OF DIRECTORS AND THE GENERAL AND SUPERVISORY BOARD, DETAILING THE PROVISIONS OF THE ARTICLES OF ASSOCIATION CONCERNING THE MINIMUM AND MAXIMUM NUMBER OF DIRECTORS, DURATION OF TERM OF OFFICE, NUMBER OF FULL MEMBERS, DATE OF FIRST APPOINTMENT AND THE END OF THEIR TERMS OF OFFICE FOR EACH MEMBER.

The Company's Articles of Association (Article 11.1) stipulate that the Board of Directors comprises three to fifteen directors appointed each for a four-year term.

We indicate below the date of first appointment of each member, together with the date on which their term of office expires:

Members of the Board of Directors:	Date of first appointment and end date of term of office
Pedro Mendonça de Queiroz Pereira	1991-2017
João Nuno de Sottomayor Pinto de Castello Branco	2015-2017
José Miguel Pereira Gens Paredes	2006-2017
Paulo Miguel Garcês Ventura	2006-2017

Members of the Board of Directors:	Date of first appointment and end date of term of office
Ricardo Miguel dos Santos Pacheco Pires	2014-2017
António Pedro de Carvalho Viana-Baptista	2010-2017
Carlos Eduardo Coelho Alves[1]	2015-2017
Francisco José Melo e Castro Guedes	2001-2017
Manuel Custódio de Oliveira	2014-2017
Vítor Manuel Galvão Rocha Novais Gonçalves	2010-2017
Vítor Paulo Paranhos Pereira	2014-2017

18. DISTINCTION BETWEEN EXECUTIVE AND NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS AND, IN RELATION TO NON-EXECUTIVE DIRECTORS, IDENTIFICATION OF THOSE WHO CAN BE REGARDED AS INDEPENDENT OR, IF APPLICABLE, IDENTIFICATION OF THE INDEPENDENT MEMBERS OF THE GENERAL AND SUPERVISORY BOARD.

The executive members of the Board of Directors are those who belong to the Executive Board, as per paragraph 28 below, the others being non-executive.

However, Pedro Mendonça de Queiroz Pereira, Chairman of the Board of Directors, remains very close to the relevant decisions of daily corporate management.

Given that, on 31 December 2017, the Company's Board of Directors comprised eleven members, only four of which sat on the Executive Board, we consider that it had a sufficient number of non-executive directors, which assures they are effectively able to oversee, assess and monitor the work of the other directors.

On the basis of the criteria laid down by the Securities Market Commission, the following non-executive directors may be classified as independent: António Pedro de Carvalho Viana-Baptista, Carlos Eduardo Coelho Alves and Vítor Manuel Galvão Rocha Novais Gonçalves, as they are not associated with any specific group of interests in the Company, nor are under any circumstance likely to affect an exempt analysis or decision. On the other hand, the Directors Pedro Mendonça de Queiroz Pereira, Francisco José Melo e Castro Guedes, Manuel Custódio de Oliveira and Vítor Paulo Paranhos Pereira may not be classified as independent in the light of the criteria referred, since they are all members of the Board of Directors of companies owning qualified holdings in Semapa.

Consequently, 1/4 of the directors are independent, which the Company considers to be appropriate and in line with the independent work of the Board of Directors.

1 Held office from 1991 to 2009, and was appointed again in 2015.

19. PROFESSIONAL QUALIFICATIONS AND OTHER RELEVANT BIOGRAPHICAL DETAILS OF EACH OF THE MEMBERS, AS THE CASE MAY BE, OF THE BOARD OF DIRECTORS, THE GENERAL AND SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF DIRECTORS.

PEDRO MENDONÇA DE QUEIROZ PEREIRA

Pedro Queiroz Pereira attended the General High School Certificate in Lisbon and the Instituto Superior de Administração. He lived in Brazil from 1975 to 1987, where he held directorship positions in several companies in the industry, trade, tourism and agriculture areas. After returning to Portugal, he continued to work as director for several companies belonging to the Queiroz Pereira family. In 1995, when the scope of activities of the Queiroz Pereira family expanded to the concrete industry, he was elected Chairman of the Board of Directors of Secil and Semapa, and also CEO of the latter, having resigned as Chairman of the Executive Board of Semapa in July 2015. Since 2004, Pedro Queiroz Pereira has also held the office of Chairman of the Board of Directors of The Navigator Company.

JOÃO NUNO DE SOTTOMAYOR PINTO DE CASTELLO BRANCO

João Castello Branco is a graduate in mechanical engineering by the Instituto Superior Técnico and holds a master degree in management by INSEAD. He has served, since July 2015, as Chairman of the Executive Board of Semapa, and up to that date was Partner-Director of McKinsey & Company at the Iberian Office. He joined McKinsey in 1991, where he practised in several fields, at the service of some of the leading institutions in Portugal and Spain. He also worked in this sector in Europe, Latin America and the USA. He was a member of the McKinsey leadership team of Banking Practices in Europe, as leader of Corporate Finance Practices, in Banking and Insurance. He also led teams at McKinsey, working in competitiveness, productivity and innovation in Portugal and Spain. Before joining McKinsey, he worked at the engine development centre of Renault, in France. Since 2015, he has been Director of The Navigator Company and Secil. In 2017 he was elected member of the General Board of AEM – *Associação de Empresas Emitentes de Valores Cotados em Mercado*.

JOSÉ MIGUEL PEREIRA GENS PAREDES

José Miguel Paredes holds a degree in Economics from Universidade Católica Portuguesa and initiated his professional activity in 1985, at the Direcção Geral de Concorrência e Preços (Portuguese Competition Authority). In the following years, he worked at the Rodoviária Nacional (Portuguese state-owned bus transportation company), Trader Interbiz, Cosec (Credit Insurance Company) in the External Credit Department, Generale Bank in the Commercial Department and Treasury / Foreign Exchange Trading Room, and United Distillers in the Financial Department. In 1994, he became Financial Director of Semapa and some of the other companies in the Group. He was Executive Director of Enersis, a renewable energy company owned by Semapa. Since 2004 he is Semapa's investor relations officer and was elected Executive Director of Semapa in 2006. In 2008 José Miguel Paredes was appointed Director of ETSA and its subsidiaries and Chairman since 2010. He also became Director of The Navigator Company and Secil since 2011 and 2012, respectively.

PAULO MIGUEL GARCÊS VENTURA

Miguel Ventura has a degree in Law and graduated from INSEAD IEP '08Jul and COL '15Dec. He began practising Law in 1995. In 1997 he became an officer of the General Assemblies in several subsidiaries of Cimigest, Sodim and Semapa and was appointed Company Secretary of Semapa. From 2005 to 2007 he was a member of the Lisbon District Council of the Bar Association. He has held office as Executive Director of Semapa and other related companies since 2006. In 2007 Miguel Ventura was appointed Vice-President of the General Meeting of REN (until the end of 2014) and of Infraestruturas de Portugal. He also became Director of The Navigator Company and Secil in 2011 and 2012, respectively. In 2014 he was elected member of the General Board of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado, and remained in office until the end of 2016. In 2017 he was appointed member of the Board of that association.

RICARDO MIGUEL DOS SANTOS PACHECO PIRES

Ricardo Pires holds a degree in Business Administration and Management from the Universidade Católica Portuguesa, and is specialised in Corporate Finance from ISCTE. He also has an MBA in Corporate Management from the Universidade Nova de Lisboa. He began his career in the field of management consulting, from 1999 to 2002 for BDO Binder and later for GTE Consultores. From 2002 to 2008 he held several positions in the Corporate Finance Board at ES Investment, where he developed different M&A and capital market projects in the Energy, Paper and Pulp and Food & Beverages sectors. He has worked for Semapa since 2008, first as Director of Strategic Planning and New Business and afterwards, from 2011, as Chief of Staff of the Chairman of the Board of Directors. In 2014 he was appointed Executive Director of Semapa, and he also holds positions in other related companies. Since 2015, he has held positions in the board of The Navigator Company and Secil.

ANTÓNIO PEDRO DE CARVALHO VIANA-BAPTISTA

António Viana-Baptista has a degree in Economy, a post-graduate degree in European Economy and holds an MBA (INSEAD). From 1984 to 1991, he was Principal Partner of Mckinsey & Co. Between 1991 and 1998, he was Director of Banco Português de Investimento. Between 1998 and 2008, he held positions at Telefonica S.A., as Chairman of Telefonica Internacional from 1998 to 2002, Chairman of Telefonica Moviles S.A. from 2002 to 2006, and Chairman of Telefonica España from 2006 to 2008, and he was also Director of Telefonica S.A. and Portugal Telecom, representing Telefonica. From 2011 to 2016 he was CEO of Crédit Suisse AG for Spain and Portugal, and is currently consultant of this institution. He held office as non-Executive Director of Jasper Inc, California until 2016. At present, António Viana-Baptista is non-executive Director of Jerónimo Martins, S.A. (where he also acted as member of the Audit Committee from 2010 to 2015). He has been non-executive Director of Semapa since 2010 and Abertis, S.A. since 2017 (where he is also a member of the Audit Committee).

CARLOS EDUARDO COELHO ALVES

Carlos Alves has a degree in mechanical engineering by Instituto Superior Técnico and is an expert Industrial Manager by the Portuguese Association of Engineers. He began working as Lecturer of Machine Components I and II at the Instituto Superior Técnico and he was a Trainee Expert of the Works Monitoring Division at Laboratório Nacional de Engenharia Civil in Lisbon. He was engineer of the technical services of Cometna – Companhia Metalúrgica Nacional, SARL, and later director in charge of manufacturing and managing director of Cobrascom S.A. (Rio de Janeiro, Brazil). From 1989 to 2009 he was director of Semapa and Secil, where he held office as CEO from 1994 to 2008, of Portucel (currently The Navigator Company) and Enersis. He has been non-executive Director of Semapa since November 2015.

FRANCISCO JOSÉ MELO E CASTRO GUEDES

Francisco Guedes has a degree in Economic and Financial Sciences and holds an MBA from INSEAD. He initiated his professional career in 1971 at Companhia União Fabril. He performed military service from 1972 to 1975. In the following years, in 1976 he was Financial Director of Companhia Rio Moju and from 1977 to 1987 at the Anglo American Corporation (in Brazil), holding office as Executive Director, Holding's Financial Director, Director in charge of all (non-gold) mining and industrial companies in Brazil and Financial Director of Mineração Morro Velho. Between 1988 and 1989, Francisco Guedes was in charge of the Ricardo Schedel Brokerage. In 1990, he was manager of the Aroeira project at Formentur, and in the following years he was director and manager at Anglo American Corporation Portugal, Nacional – C.I.T.C., Nutrinveste and Sociedade Ponto Verde. Between 2009 and 2015 he was Director of The Navigator Company. He has occupied, since 2001, management positions at Secil, having carried out executive functions in Semapa and other group companies from 2006 to 2013.

MANUEL CUSTÓDIO DE OLIVEIRA

Manuel Oliveira has a degree in Economy. In 1977, he began working as Director of the Lagoalva Groups, and still holds this position today. In 1978, he worked for Thomson Maclinctock and in 1979, for Glaxo Farmacêutica. In 1980, he took office as Director of Sodim and became Financial Director of Cimianto. In the 90s still, he was Chairman of AIPA (Associação das Indústrias de Produtos de Amianto) and negotiator in Brussels for the Asbestos dossier. In the following years, he was Chairman of the Board of Directors of Antasobral S.A., Director of Sousa Campilho S.A. and manager of Zona de Caça e Pesca da Herdade Sobral e Mergulhoas, Lda. Since 2013, he has held office as Chairman of the Board of Directors of Cimilonga, Longavia, Refundos and Sonagi Imobiliária, and as Director of Cimigest, Sodim and Sonagi, and was appointed Chairman of the Board of Directors of the latter in 2014. On the same year, he was appointed non-executive Director of Semapa, company for which he had previously worked as a consultant.

VÍTOR MANUEL GALVÃO ROCHA NOVAIS GONÇALVES

Vítor Novais Gonçalves has a Business and Administration Degree by ISC-HEC, in Brussels, and more than 30 years of professional experience with senior positions in Consumer Products, Telecom and Financial sectors. He began his professional activity in 1984 at Unilever as Management Trainee and later as Product Manager and Market Manager. Between 1989 and 1992, he was Business Manager in the Venture Capital Area at Citibank Portugal and later he was Corporate Finance Head and member of the Management Committee. Between 1992 and 2000, in the financial area of Group José de Mello, he held board positions in several companies and, among others, was General Manager of Companhia de Seguros Império. Between 2001 and 2009, at SGC Group he was Director of SGC Comunicações, being responsible for International Business Development. He is presently Director of, amongst others, Zoom Investment, Semapa and The Navigator Company.

VÍTOR PAULO PARANHOS PEREIRA

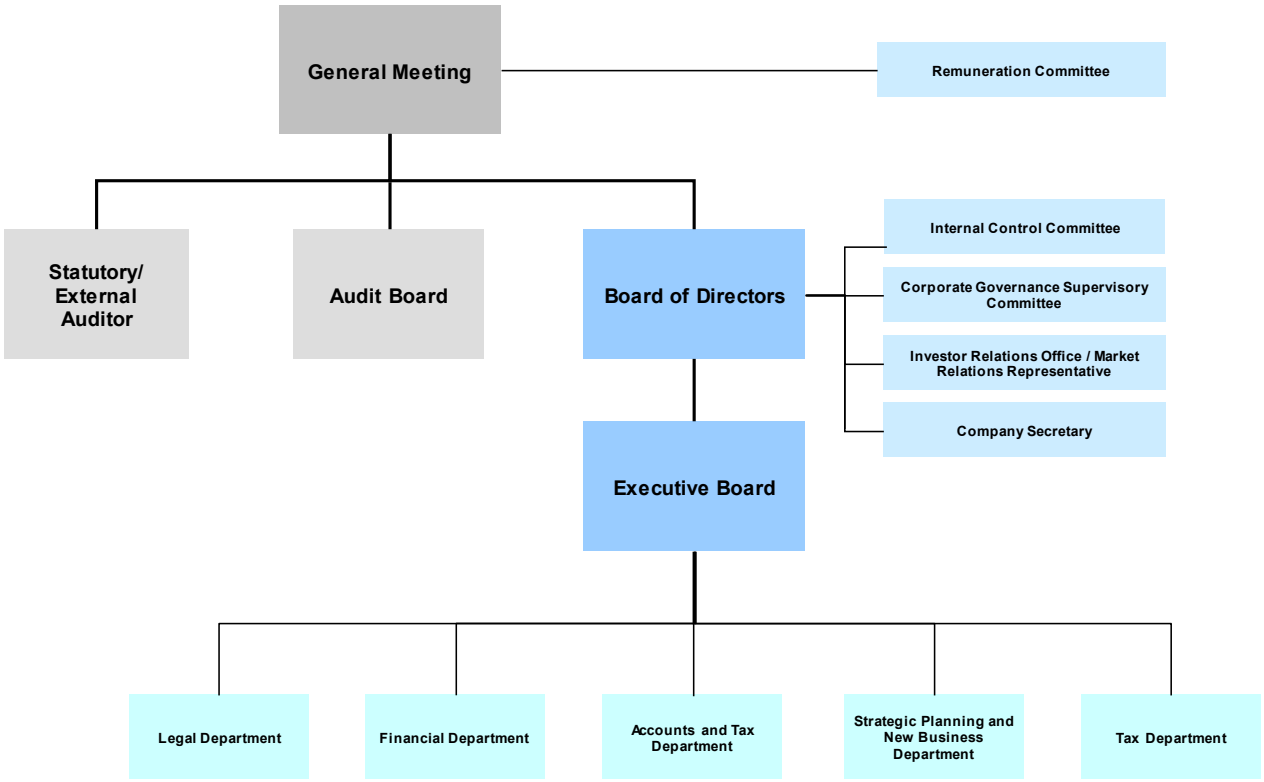
Vitor Paranhos Pereira has a degree in Economy by the Universidade Católica Portuguesa and attended AESE (Universidade de Navarra). He began working in 1982 at the company Gaspar Marques Campos Correia & Cª. Lda. as Financial Director until 1987. From 1987 to 1989 he was Deputy Financial Director of the Instituto do Comércio Externo de Portugal (ICEP). Vítor Pereira joined the group in 1989 as Financial Director of Sodim, and in 2009 he became member of the Board of Directors of that company. He also holds directorships in several companies related to Sodim, namely Hotel Ritz since 1998. From 2001 to 2016, he was Director of the Hotel Villa Magna. He has held office as Director of Sonagi since 1995. From 2006 to 2015 he was appointed Chairman of the Audit Board of the Associação da Hotelaria de Portugal (AHP). From 2007 to 2016 he has been Chairman of the General Meeting of the Associação Portuguesa de Fundos de Investimento, Pensões e Patrimónios (APPFIPP). He has served as member of the Audit Board of Eurovida – Companhia de Seguros, SA and Popular Seguros – Companhia de Seguros, SA since 2009. In 2014 he was appointed member of the Board of Directors of Semapa and Cimigest.

20. HABITUAL AND SIGNIFICANT FAMILY, PROFESSIONAL OR BUSINESS TIES BETWEEN MEMBERS, AS THE CASE MAY BE, OF THE BOARD OF DIRECTORS, THE GENERAL AND SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF DIRECTORS WITH SHAREHOLDERS TO WHOM A QUALIFYING HOLDING GREATER THAN 2% OF THE VOTING RIGHTS MAY BE ALLOCATED.

Besides the directorships held by several Directors in companies which own qualifying holdings in Semapa, namely Sodim and subsidiaries, as described in paragraph 26 below, and Pedro Mendonça Queiroz Pereira's shareholdings in Sodim, OEM (acquired by Cimo on 29 December 2017) and Vialonga, there are no habitual or significant family, professional or business ties between members of the Board of Directors and shareholders in Semapa which own qualifying holdings.

21. ORGANIZATIONAL OR FUNCTIONAL CHARTS SHOWING THE DIVISION OF POWERS BETWEEN THE DIFFERENT CORPORATE BOARDS, COMMITTEES AND/OR COMPANY DEPARTMENTS, INCLUDING INFORMATION ON DELEGATED POWERS, IN PARTICULAR WITH REGARD TO DELEGATION OF THE DAY-TO-DAY MANAGEMENT OF THE COMPANY.

The following simplified chart shows the organisation 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 coordinated and kept in contact through the close cooperation between the Chairman of the Board and the executive team and, in particular with the CEO, through the availability of the members of the Executive Board to convey all relevant or urgent or requested 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, and the Chairman of the Board attending the meetings of the Company's Executive Board.

Information requested by the other members of corporate boards is also provided in good time and in an appropriate form by the members of the Executive Board.

In order to assure that information is communicated on a regular basis, the Chief Executive Officer also sends the notices and minutes of meetings of the Executive Board to the Chairman of the Audit Board.

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

1st Strategic planning and investment policy, which are the responsibility of the CEO, João Nuno de Sottomayor Pinto de Castello Branco.
2nd Financial, accounting and audit, which are the responsibility of the director José Miguel Pereira Gens Paredes.
3rd Legal, corporate governance and IT issues, which are the responsibility of the director Paulo Miguel Garcês Ventura.
4th New Business Areas, which are the responsibility of the director Ricardo Miguel dos Santos Pacheco Pires.

Regarding strategic planning and Investments Policy, and without prejudice to the mentioned office, this is an area that naturally entails more intervention on behalf of the non-executive members and that counts on the substantial involvement of the Chairman of the Board.

The Executive Board has been granted broad management powers, largely detailed in the respective act of delegation, and only limited with regard to the matters indicated in article 407.4 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 as 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 withdraw, 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) Call 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 office and increases in share capital; and
vii) Plans to merge, break-up or change the company.

At the end of 2015 financial year, some of the Company's regular practices were standardised, in order to guarantee intervention by the Board of Directors in strategic decisions involving large amounts of money, high risk or special characteristics.

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.

The main purpose of the Internal Control Committee (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, as set out in item 29 of this Report.

The Corporate Governance Supervisory Committee (CGSC) exists to monitor, on a permanent basis, compliance by the company with corporate governance requirements established in law, regulation and the Articles of Association, and to exercise the other powers detailed in item 29 of this Report.

The functions of the Investor Support Office are detailed in item 56 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 conducts analyses and sets the remuneration of directors.

The Legal Department provides the company with legal advice and is in charge of legal compliance in order to assure that procedures and proceedings comply with the relevant legislation. The Financial Division is primarily engaged in financial management and planning. The Accounts and Tax Department is mainly responsible for rendering the Company's accounts and complying with its tax obligations. As for the New Business directorate, it is in charge of

identifying and researching new business opportunities towards their implementation. The Tax directorate, on the other hand, provides tax advice, ensuring compliance with the applicable legislation and preventing unlawful fiscal planning.

B) FUNCTIONING

22. EXISTENCE OF THE RULES OF PROCEDURE OF THE BOARD OF DIRECTORS, THE GENERAL AND SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF DIRECTORS, AS THE CASE MAY BE, AND PLACE WHERE THESE MAY BE LOOKED UP.

The Board of Directors has rules of procedure which are published on the Company website (http://www.semapa.pt/sites/default/files/pdf_pb/reg_cons_admin_en.pdf), where they may be looked up.

23. NUMBER OF MEETINGS HELD AND ATTENDANCE RECORD OF EACH MEMBER OF THE BOARD OF DIRECTORS, THE GENERAL AND SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF DIRECTORS, AS THE CASE MAY BE.

The Board of Directors met ten times in 2017, and attendance by each member was as follows:

Members of the Board of Directors:	Members present (%)	Members present and represented (%)
Pedro Mendonça de Queiroz Pereira	100	100
João Nuno de Sottomayor Pinto de Castello Branco	100	100
José Miguel Pereira Gens Paredes	100	100
Paulo Miguel Garcês Ventura	100	100
Ricardo Miguel dos Santos Pacheco Pires	100	100
António Pedro de Carvalho Viana-Baptista	100	100
Carlos Eduardo Coelho Alves	100	100
Francisco José Melo e Castro Guedes	100	100
Manuel Custódio de Oliveira	100	100
Vítor Manuel Galvão Rocha Novais Gonçalves	100	100
Vítor Paulo Paranhos Pereira	100	100

24. INDICATION OF THE COMPANY BODIES EMPOWERED TO ASSESS THE PERFORMANCE OF EXECUTIVE DIRECTORS.

The Remuneration Committee determines how the system will work and prepares the framework for the assessment of the executive directors. It is also responsible for the final check to the performance factors and their impact in terms of remuneration, as well as guaranteeing overall coherence. However, assessment in the strict sense, as the specific appraisal of individual performance, is the responsibility of the team supervisor, as is the case of the members of the Executive Board, and of the Chairman of the Board of Directors, as for the Chief Executive Officer, and in both cases with the participation of other non-executive directors whom the supervisor deems appropriate to involve.

25. PREDETERMINED CRITERIA FOR ASSESSING THE PERFORMANCE OF EXECUTIVE DIRECTORS.

Basic criteria for assessing the performance of executive directors are as defined in item 2 of chapter VI of the Remuneration Policy Statement for setting the variable remuneration component. Such criteria are met through a system of KPIs, which include quantitative and qualitative, individual and collective, components. EBITDA, earnings before tax and cash flow are the quantitative elements jointly considered.

26. AVAILABILITY OF EACH OF THE MEMBERS OF THE BOARD OF DIRECTORS, THE GENERAL AND SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF DIRECTORS, AS THE CASE MAY BE, INDICATING OFFICE HELD SIMULTANEOUSLY IN OTHER COMPANIES, INSIDE AND OUTSIDE THE GROUP, AND OTHER RELEVANT ACTIVITIES CARRIED ON BY THE MEMBERS OF THESE BODIES DURING THE PERIOD.

The members of the Board of Directors have the appropriate time available to perform the duties entrusted to them, and the other activities carried on by the executive members during the period, outside the business group to which Semapa belongs, are negligible when compared to performance of their duties in the companies and other companies in the same business group.

Besides the activities mentioned under item 19, the members of the Board of Directors occupy the positions detailed below:

PEDRO MENDONÇA DE QUEIROZ PEREIRA

OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

CELCIMO, S.L.	Chairman of the Board of Directors
SEINPART - Participações, SGPS, S.A.	Chairman of the Board of Directors
SEMAPA NEXT, S.A.	Chairman of the Board of Directors[2]
SEMINV - Investimentos, SGPS, S.A.	Chairman of the Board of Directors

OFFICE HELD IN OTHER COMPANIES:

CIMIGEST, SGPS, S.A.	Chairman of the Board of Directors
CIMINPART - Investimentos e Participações, SGPS, S.A.	Chairman of the Board of Directors
ECOVALUE – Investimentos Imobiliários, Lda.	Manager[3]
FUNDAÇÃO MANUEL VIOLANTE	Member of the Boards of Trustees
HOTEL RITZ, S.A.	Chairman of the Board of Directors
NavigatorSwitzerland Ltd.[4]	Chairman of the Board of Directors[5]
SECIL - Companhia Geral de Cal e Cimento, S.A.	Chairman of the Board of Directors
SODIM, SGPS, S.A.	Chairman of the Board of Directors
TERRAÇOS D'AREIA – SGPS, S.A.	Chairman of the Board of Directors[6]
THE NAVIGATOR COMPANY, S.A.	Chairman of the Board of Directors

2 Previously called Inspiredplace, S.A.

3 Dissolution of the undertaking on 01 June 2017.

4 Previously called Portucel Soporcel Switzerland Ltd.

5 In office until 17 July 2017.

6 In office until 13 February 2017

JOÃO NUNO DE SOTTOMAYOR PINTO DE CASTELLO BRANCO

OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

APHELION, S.A.	Chairman of the Board of Directors

OFFICE HELD IN OTHER COMPANIES:

AEM - Ass. de Emp. Emitentes de Valores Cotados em Mercado	Member of the General Board
CIMIGEST, SGPS, S.A.	Director
THE NAVIGATOR COMPANY, S.A.	Vice-Chairman of the Board of Directors
SECIL - Companhia Geral de Cal e Cimento, S.A.	Vice-Chairman of the Board of Directors
SODIM, SGPS, S.A.	Director

JOSÉ MIGUEL PEREIRA GENS PAREDES

OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

ABAPOR - Comércio e Indústria de Carnes, S.A.	Chairman of the Board of Directors
APHELION, S.A.	Director
Aprovechamiento Integral de Subprodutos Ibéricos, S.A.	Director
BIOLOGICAL - Gestão de Resíduos Industriais, Lda.	Manager
CELCIMO, S.L.	Director
ETSA - Investimentos, SGPS, S.A.	Chairman of the Board of Directors
ETSA LOG, S.A.	Chairman of the Board of Directors
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
SEMAPA NEXT, S.A.	Director[7]
SEMINV - Investimentos, SGPS, S.A.	Director

OFFICE HELD IN OTHER COMPANIES:

CIMIGEST, SGPS, S.A.	Director
CIMIPAR – Sociedade Gestora de Participações Sociais, S.A.	Director
CIMO – Gestão de Participações, SGPS S.A.	Chairman of the Board of Directors
HOTEL RITZ, S.A.	Director
LONGAPAR, SGPS, S.A.	Chairman of the Board of Directors
MOR ON-LINE – Gestão de Plataformas de Negociação de Resíduos On-Line, S.A.	Director
OEM - Organização de Empresas, SGPS, S.A.	Director[8]
SECIL - Companhia Geral de Cal e Cimento, S.A.	Director
SODIM, SGPS, S.A.	Director
THE NAVIGATOR COMPANY, S.A.	Director

7 Previously called Inspiredplace, S.A.

8 Company incorporated in Cimo – Gestão de Participações, SGPS, S.A. on 29 December 2017.

PAULO MIGUEL GARCÊS VENTURA

OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

ABAPOR - Comércio e Indústria de Carnes, S.A.	Director
APHELION, S.A.	Director
Aprovechamiento Integral de Subprodutos Ibéricos, S.A.	Director
BIOLOGICAL - Gestão de Resíduos Industriais, Lda.	Manager
CELCIMO, S.L.	Director
ETSA - Investimentos, SGPS, S.A.	Director
ETSA LOG, 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
SEMAPA NEXT, S.A.	Director[9]
SEMINV - Investimentos, SGPS, S.A.	Director

OFFICE HELD IN OTHER COMPANIES:

AEM - Ass. de Emp. Emitentes de Valores Cotados em Mercado	Member of the Board
CIMIGEST, SGPS, S.A.	Director
CIMIPAR – Sociedade Gestora de Participações Sociais, S.A	Chairman of the Board of Directors
CIMO – Gestão de Participações, SGPS, S.A.	Director[10]
FUNDAÇÃO NOSSA SENHORA DO BOM SUCESSO	Member of the General Committee
HOTEL RITZ, S.A.	Director
LONGAPAR, SGPS, S.A.	Director
OEM - Organização de Empresas, SGPS, S.A.	Chairman of the Board of Directors[11]
SECIL - Companhia Geral de Cal e Cimento, S.A.	Director
SODIM, SGPS, S.A.	Director
THE NAVIGATOR COMPANY, S.A.	Director
ANTASOBRAL - Sociedade Agropecuária, S.A.	Chairman of the General Meeting
BEIRA-RIO – Sociedade Construtora de Armazéns, S.A.	Chairman of the General Meeting
CIMILONGA – Imobiliária, S.A.	Chairman of the General Meeting
GALERIAS RITZ – Imobiliária, S.A.	Chairman of the General Meeting
INFRAESTRUTURAS DE PORTUGAL, S.A.	Vice-Chairman of the General Meeting
LONGAVIA – Imobiliária, S.A.	Chairman of the General Meeting
PARQUE RITZ – Imobiliária, S.A.	Chairman of the General Meeting
REFUNDOS – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Chairman of the General Meeting
SONAGI – Imobiliária, S.A.	Chairman of the General Meeting

9 Previously called Inspiredplace, S.A.

10 In office until 30 April 2017.

11 Company incorporated in Cimo – Gestão de Participações, SGPS, S.A. on 29 December 2017.

SONAGI, SGPS, S.A.	Chairman of the General Meeting
VÉRTICE – Gestão de Participações, SGPS, S.A.	Chairman of the General Meeting
Sociedade Agrícola da Quinta da Vialonga, S.A.	Chairman of the General Meeting

RICARDO MIGUEL DOS SANTOS PACHECO PIRES

OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

APHELION, S.A.	Director
SEINPART - Participações, SGPS, S.A.	Director
SEMAPA NEXT, S.A.	Director[12]
SEMINV - Investimentos, SGPS, S.A.	Director

OFFICE HELD IN OTHER COMPANIES:

CIMIGEST, SGPS, S.A.	Director
CIMIPAR – Sociedade Gestora de Participações Sociais, S.A.	Director
CIMO – Gestão de Participações, SGPS, S.A.	Director
HOTEL RITZ, S.A.	Director
LONGAPAR, SGPS, S.A.	Director
OEM - Organização de Empresas, SGPS, S.A.	Director[13]
PYRUS AGRICULTURAL LLC	Director
PYRUS INVESTMENTS LLC	Director
PYRUS REAL ESTATE LLC	Director
SECIL - Companhia Geral de Cal e Cimento, S.A.	Director
SODIM, SGPS, S.A.	Director
THE NAVIGATOR COMPANY, S.A.	Director
UPSIS S.A.	Director
WOM INTERNATIONAL, S.A.	Director[14]

ANTÓNIO PEDRO DE CARVALHO VIANA-BAPTISTA

OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

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

OFFICE HELD IN OTHER COMPANIES:

ABERTIS, S.A.	Director
CONSELHO DA DIÁSPORA PORTUGUESA	Member of the Board
JERÓNIMO MARTINS SGPS, S.A.	Director

12 Previously called Inspiredplace, S.A.

13 Company incorporated in Cimo – Gestão de Participações, SGPS, S.A. on 29 December 2017.

14 In office until 31 December 2017.

CARLOS EDUARDO COELHO ALVES

OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

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

OFFICE HELD IN OTHER COMPANIES:

No office held in other companies.

FRANCISCO JOSÉ MELO E CASTRO GUEDES

OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

CELCIMO, S.L.	Director
SEMAPA Inversiones, S.L.	Chairman of the Board of Directors

OFFICE HELD IN OTHER COMPANIES:

CIMENT DE SIBLINE S.A.L.	Director
CIMIGEST, SGPS, S.A.	Director
SECIL - Companhia Geral de Cal e Cimento, S.A.	Director
SODIM, SGPS, S.A.	Director

MANUEL CUSTÓDIO DE OLIVEIRA

OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

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

OFFICE HELD IN OTHER COMPANIES:

AGROCONTROL – Soc. Gest. de Participações Sociais, S.A.	Director
ANTASOBRAL - Sociedade Agropecuária, S.A.	Chairman of the Board of Directors
CIMIGEST, SGPS, S.A.	Director
CIMILONGA – Imobiliária, S.A.	Chairman of the Board of Directors
ESFORÇO - Investimentos Imobiliários, S.A.	Director
Fundação Nossa Senhora do Bom Sucesso	Member of the Audit Board
HOTEL RITZ, S.A.	Director
LAGOALVA – Investimentos Agrícolas, S.A.	Director
LONGAVIA – Imobiliária, S.A.	Chairman of the Board of Directors
REFUNDOS – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Chairman of the Board of Directors
SOCIEDADE AGRÍCOLA DA CASTA E RODEIA, S.A.	Director
SOCIEDADE AGRÍCOLA DA PERNA MOLHADA, S.A.	Director
SOCIEDADE AGRÍCOLA DA QUINTA DA LAGOALVA DE CIMA, S.A.	Director

SOCIEDADE AGRÍCOLA DO BARRACÃO DO DUQUE, S.A.	Director
SOCIEDADE AGRÍCOLA DO CASAL DAS POMBAS, S.A.	Director
SODIM, SGPS, S.A.	Director
SONAGI, SGPS, S.A.	Chairman of the Board of Directors
SONAGI – Imobiliária, S.A.	Chairman of the Board of Directors
SOUSA CAMPILHO - Investimentos, SGPS, S.A.	Director
Zona de Caça e Pesca da Herdade Sobral e Mergulhoas, Lda.	Manager

VÍTOR MANUEL GALVÃO ROCHA NOVAIS GONÇALVES

OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

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

OFFICE HELD IN OTHER COMPANIES:

BELDEVELOPMENT, S.A.	Director
EXTRASEARCH SGPS, S.A.	Director
MAGALHÃES e GONÇALVES - Consultoria e Gestão, Lda.	Manager
QUALQUER PRUMO – Sociedade Imobiliária, Lda.	Manager
THE NAVIGATOR COMPANY, S.A.	Director
VANGUARDINTEGRAL, Lda.	Manager
VRES – Vision Real Estate Solutions, S.A.	Director
ZOOM INVESTMENT, SGPS, S.A.	Director
ZOOM INVESTMENT TURISMO, S.A.	Director

VÍTOR PAULO PARANHOS PEREIRA

OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

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

OFFICE HELD IN OTHER COMPANIES:

ANTASOBRAL - Sociedade Agropecuária, S.A.	Director
CAPITAL HOTELS BV	Director
CIMIGEST, SGPS, S.A.	Director
CIMILONGA – Imobiliária, S.A.	Director
EUROVIDA – COMPANHIA DE SEGUROS DE VIDA, S.A.	Member of the Audit Board
GALERIAS RITZ, S.A.	Chairman of the Board of Directors
HOTEL RITZ, S.A.	Director
LONGAVIA – Imobiliária, S.A.	Director
PARQUE RITZ, S.A.	Chairman of the Board of Directors
POPULAR SEGUROS – COMPANHIA DE SEGUROS, S.A.	Member of the Audit Board
REFUNDOS – Sociedade Gestora de Fundos de	

Investimento Imobiliário, S.A.	Director
SOC. AGRÍCOLA da HERDADE dos FIDALGOS, Unip., Lda.	Manager
SODIM, SGPS, S.A.	Director
SODIMPARQUE – Parqueamento e Garagens, Lda.	Manager
SONAGI, SGPS, S.A.	Director
SONAGI – Imobiliária, S.A.	Director

C) COMMITTEES BELONGING TO THE MANAGEMENT OR SUPERVISORY BODIES AND MANAGING DIRECTORS

27. IDENTIFICATION OF COMMITTEES SET UP BY THE BOARD OF DIRECTORS, THE GENERAL AND SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF DIRECTORS, AS THE CASE MAY BE, AND PLACE WHERE THE RULES OF PROCEDURE MAY BE CONSULTED.

The following committees exist in the company within the Board of Directors: Executive Board, Internal Control Committee and Corporate Governance Supervisory Committee.

All committees have rules of procedure, which are published on the company website (http://www.semapa.pt/en/rules-corporate-members), where they may be looked up.

The following are the Executive Board's operating rules:

a) The Executive Board shall meet when convened by the Chairman or any other two members;
b) The members of the Executive Board may be represented by another member, and each person may not represent more than one member;
c) The Chairman of the Executive Board has a casting vote;
d) Absent members may cast written votes, and
e) The Chairman of the Executive Board is particularly responsible for reporting and communicating with the Board of Directors.

28. COMPOSITION, IF APPLICABLE, OF THE EXECUTIVE BOARD AND/OR IDENTIFICATION OF THE MANAGING DIRECTOR(S).

The following are the members of the Executive Board, who, excluding the CEO who assumed office on 1 July 2015, were appointed by resolution of the Board of Directors on 19 June 2014:

- João Nuno de Sottomayor Pinto de Castello Branco, who chairs the Board;
- José Miguel Pereira Gens Paredes;
- Paulo Miguel Garcês Ventura, and
- Ricardo Miguel dos Santos Pacheco Pires.

29. INDICATION OF THE POWERS OF EACH OF THE COMMITTEES CREATED AND SUMMARY OF THE ACTIVITIES CARRIED OUT ON THE EXERCISE OF THESE RESPONSIBILITIES.

The powers of the Executive Board are described in item 21 of this Report.

The Executive Board is the company's executive body, which has performed its duties in the scope of the powers entrusted to it by the Board of Directors. The Board meets on a regular basis and whenever necessary in the light of ongoing business and monitoring of the Company's activity. In 2017 it held eighty meetings. These meetings are attended by the members of the Executive Committee, as well as the Company Secretary, Rui Gouveia. When the matters to be discussed so require, the directors of the group's companies and some of the Company's managers may also take part in the meetings.

In view of implementing its purpose to detect and control all relevant risks in the Company's affairs, in particular financial risks, the ICC has the following responsibilities and powers:

a) To ensure compliance by the Company with the 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;
d) To check implementation of the adjustments to the internal control and risk management system proposed by the Audit Board; and
e) To monitor the quality control of financial and accounting information, taking steps to ensure that it is reliable.

The ICC met twice in the financial year 2017 and is composed by Joaquim Martins Ferreira do Amaral, Jaime Alberto Marques Sennfelt Fernandes Falcão and Margarida Isabel Feijão Antunes Rebocho. This committee conducted the activities, ensured the monitoring and implemented all checks which correspond to its duties, and held joint meetings with the Executive Director, José Miguel Paredes and the members of the Audit Board. The fact that Margarida Rebocho is the Director of Accounting and Taxes for Semapa has made reporting and access to the Company's everyday activities easier, without jeopardising the distancing required, which is guaranteed by a majority of members who do not take part in the daily activities.

The 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 also required to assess annually corporate governance and submit to the Board of Directors any proposals as it sees fit.

The CGSC met four times in the financial year of 2017 and is composed by Jorge Manuel de Mira Amaral, Gonçalo Allen Serras Pereira and Francisco José Melo e Castro Guedes, the latter being appointed member of this Committee after resigning from office as executive director. The CGSC conducted its oversight and corporate governance assessment activities throughout the financial year. It also participated actively in the drafting of the Annual Report on Corporate Governance, for which it obtained the necessary information, particularly by keeping in touch and attending the meetings with the Executive Director, Miguel Ventura, and a member of the Legal Department.

III. AUDITING

A) COMPOSITION

30. IDENTIFICATION OF THE SUPERVISORY BODY CORRESPONDING TO THE MODEL ADOPTED.

The Company's affairs are supervised by the Audit Board and the Statutory Auditor, in accordance with Article 413.1 b) of the Companies Code.

31. COMPOSITION, AS APPLICABLE, OF THE AUDIT BOARD, THE AUDIT COMMITTEE, THE GENERAL AND SUPERVISORY BOARD OR THE COMMITTEE FOR FINANCIAL AFFAIRS, INDICATING THE MINIMUM AND MAXIMUM NUMBERS OF MEMBERS AND DURATION OF THEIR TERM OF OFFICE, AS ESTABLISHED IN THE ARTICLES OF ASSOCIATION, NUMBER OF FULL MEMBERS, DATE OF FIRST APPOINTMENT AND END DATE OF THE TERM OF OFFICE OF EACH MEMBER; REFERENCE MAY BE MADE TO THE ITEM IN THE REPORT WHERE THIS INFORMATION IS CONTAINED IN ACCORDANCE WITH PARAGRAPH 17.

As established in the Articles of Association, the Audit Board consists of three to five full members, one of whom serves as Chairman with a casting vote, and of one or two alternate members, depending on whether there are three or more full members, all holding office for four year terms.

Members of the Audit Board	Date of first appointment and end date of term of office
Miguel Camargo de Sousa Eiró (Chairman)	2006-2017
Gonçalo Nuno Palha Gaio Picão Caldeira (Full member)	2006-2017
José Manuel Oliveira Vitorino (Full member)	2015-2017
Ana Isabel Moraes Nobre de Amaral Marques (Alternate member)	2016-2017

32. IDENTIFICATION, AS APPLICABLE, OF THE MEMBERS OF THE AUDIT BOARD, THE AUDIT COMMITTEE, THE GENERAL AND SUPERVISORY BOARD OR THE COMMITTEE FOR FINANCIAL AFFAIRS WHO ARE DEEMED INDEPENDENT, IN ACCORDANCE WITH ARTICLE 414.5 OF THE COMPANIES CODE; REFERENCE MAY BE MADE TO THE ITEM IN THE REPORT WHERE THIS INFORMATION IS CONTAINED IN ACCORDANCE WITH PARAGRAPH 18.

Semapa has always considered that all members of the Audit Board were independent, pursuant to Article 414.5 of the Companies Code.

The members of the Audit Board, Miguel Camargo de Sousa Eiró (Chairman), Gonçalo Nuno Palha Gaio Picão Caldeira and José Manuel Oliveira Vitorino are deemed independent by Semapa, in accordance with Article 414.5 of the Companies Code. The former two are currently in their third term and the latter in his first term in office.

The understanding that fulfilling a third term does not compromise the status of independence was reinforced by 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, causes them not to meet the independence criterion.

However, in the request for prior registration of the General and Voluntary Public Tender Offer in 2015, as an exchange offer proposed, the Portuguese SMC reported that it found that Gonçalo Picão Caldeira should not be regarded as an independent member of the Audit Board of Semapa. The SMC founded its qualification of non-independence of the aforementioned member on the fact that he took up office as advisor to the Board of Directors of Semapa, from April 2002 and February 2004. The SMC's views of non-independence of the member of the Audit Board are not shared by Semapa, or by the member himself.

33. PROFESSIONAL QUALIFICATIONS, AS APPLICABLE, OF EACH OF THE MEMBERS OF THE AUDIT BOARD, THE AUDIT COMMITTEE, THE GENERAL AND SUPERVISORY BOARD OR THE COMMITTEE FOR FINANCIAL AFFAIRS AND OTHER RELEVANT BIOGRAPHICAL DETAILS; REFERENCE MAY BE MADE TO THE ITEM IN THE REPORT WHERE THIS INFORMATION IS CONTAINED IN ACCORDANCE WITH PARAGRAPH 21.

MIGUEL CAMARGO DE SOUSA EIRÓ

Miguel Eiró graduated in Law by Universidade de Lisboa in 1971. He joined the Portuguese Bar Association on 28 June 1973, and was a member of its Lisbon District Committee between 1982/1984 and member of the General Committee between 1999/2002 and 2002/2004. He is an Intellectual Property Agent and attended a course in Mediation. He has been practising Law since his graduation in 1971, and is currently partner and director at Correia Moniz & Associados – Sociedade de Advogados, R.L. law firm. Between 1972 and 1975 Miguel Eiró performed military service in the Portuguese navy as a Law Expert. He was member of the Board of the Centre for Arbitrage of the Portuguese Bar Association between 1997/1999. In 2004 he was arbitrator at the Centre for Automobile Conflict Resolution and served as arbitrator in several more arbitration cases. Between 1975 and 1980 he was Director of Brisa – Auto Estradas de Portugal, S.A., and manager of other companies during his working life. He became member of the Audit Board of Semapa in 2006, of The Navigator Company in 2007, and of Secil in 2013, and is currently Chairman of these supervisory bodies.

GONÇALO NUNO PALHA GAIO PICÃO CALDEIRA

Gonçalo Picão Caldeira has a degree in Law and joined the Portuguese Bar Association in 1991, after completing a legal internship. He holds an MBA from Universidade Nova de Lisboa and attended a course in real estate management and evaluation from ISEG. Gonçalo Caldeira has performed management and property development functions in family-owned companies since 2004. He collaborated previously with BCP Group (1992-1998) and Sorel Group (October 1998 to March 2002). He also worked for Semapa from April 2002 to February 2004. He has been a member of the Audit Board of Semapa, The Navigator Company and Secil since 2006, 2007 and 2013, respectively.

JOSÉ MANUEL OLIVEIRA VITORINO

José Manuel Vitorino holds a degree in Corporate Organisation and Management by the Instituto Superior de Economia of Lisbon University. He is a qualified Statutory Auditor and by the executive training programme of the Universidade Nova de Lisboa. He was an Assistant Professor at the School of Economics of Coimbra University until 1980, after which he joined PricewaterhouseCoopers and performed functions in auditing and financial consultancy, in national and foreign companies and groups, and in projects by taking part in international teams. He had performed Partner duties for several years when he left PricewaterhouseCoopers in 2013, after reaching the default retirement age. He was the Chairman of the Audit Board of Novo Banco, S.A. until 2017 and currently is member of the Audit Boards of ANA – Aeroportos de Portugal, S.A., Semapa, The Navigator Company and Secil.

B) FUNCTIONING

34. EXISTENCE AND PLACE WHERE THE RULES OF PROCEDURE MAY BE CONSULTED FOR THE AUDIT BOARD, THE AUDIT COMMITTEE, THE GENERAL AND SUPERVISORY BOARD OR THE COMMITTEE FOR FINANCIAL AFFAIRS, AS THE CASE MAY BE; REFERENCE MAY BE MADE TO THE ITEM IN THE REPORT WHERE THIS INFORMATION IS CONTAINED IN ACCORDANCE WITH PARAGRAPH 22.

The audit board has rules of procedure which are published on the company website (http://www.semapa.pt/sites/default/files/pdf_pb/reg_cf_semapa_en.pdf), where they may be looked up.

35. NUMBER OF MEETINGS HELD AND RATE OF ATTENDANCE AT MEETINGS OF THE AUDIT BOARD, THE AUDIT COMMITTEE, THE GENERAL AND SUPERVISORY BOARD OR THE COMMITTEE FOR FINANCIAL AFFAIRS, AS THE CASE MAY BE; REFERENCE MAY BE MADE TO THE ITEM IN THE REPORT WHERE THIS INFORMATION IS CONTAINED IN ACCORDANCE WITH PARAGRAPH 23.

In the financial year 2017, the Audit Board met 20 times, all members having attended all of the meetings (physical presence).

36. AVAILABILITY OF EACH OF THE MEMBERS OF THE AUDIT BOARD, THE AUDIT COMMITTEE, THE GENERAL AND SUPERVISORY BOARD OR THE COMMITTEE FOR FINANCIAL AFFAIRS, AS THE CASE MAY BE, INDICATING OFFICE HELD SIMULTANEOUSLY IN OTHER COMPANIES, INSIDE AND OUTSIDE THE GROUP, AND OTHER RELEVANT ACTIVITIES CARRIED ON BY THE MEMBERS OF THESE BODIES DURING THE PERIOD; REFERENCE MAY BE MADE TO THE ITEM IN THE REPORT WHERE THIS INFORMATION IS CONTAINED IN ACCORDANCE WITH PARAGRAPH 26.

The members of the Audit Board have the appropriate time available to perform the duties entrusted to them.

Besides the activities mentioned under item 33, the members of the Audit Board perform the duties detailed below:

MIGUEL CAMARGO DE SOUSA EIRÓ

OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

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

OFFICE HELD IN OTHER COMPANIES:

SECIL - Companhia Geral de Cal e Cimento, S.A.	Chairman of the Audit Board
THE NAVIGATOR COMPANY, S.A.	Chairman of the Audit Board

GONÇALO NUNO PALHA GAIO PICÃO CALDEIRA

OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

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

OFFICE HELD IN OTHER COMPANIES:

LINHA DO HORIZONTE – Investimentos Imobiliários, Lda.	Manager
LOFTMANIA – Gestão Imobiliária, Lda.	Manager
SECIL - Companhia Geral de Cal e Cimento, S.A.	Member of the Audit Board
THE NAVIGATOR COMPANY, S.A.	Member of the Audit Board

JOSÉ MANUEL OLIVEIRA VITORINO

OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

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

OFFICE HELD IN OTHER COMPANIES:

ANA Aeroportos de Portugal, S.A.	Member of the Audit Board
NOVO BANCO, S.A.	Chairman of the Audit Board[15]
SECIL - Companhia Geral de Cal e Cimento, S.A.	Member of the Audit Board
THE NAVIGATOR COMPANY, S.A.	Member of the Audit Board

15 In office until 18 October 2017

C) POWERS AND RESPONSIBILITIES

37. DESCRIPTION OF THE PROCEDURES AND CRITERIA APPLICABLE TO THE WORK OF THE SUPERVISORY BODY FOR THE PURPOSES OF CONTRACTING ADDITIONAL SERVICES FROM THE EXTERNAL AUDITOR.

The Audit Board analyses the additional services and proposals submitted by the external auditor for provision of the same as transmitted to them by the directors, seeking to safeguard, essentially, that the independence and impartiality of the external auditor needed for the provision of audit services is not undermined and that the additional services are provided to a high standard of quality and independence.

Note that such analysis by the Audit Board is conducted following the rules laid down in the new Regulation of the Register of Auditors, as adopted by Law no. 140/2015 of 7 September, which entered into force on 1 January 2016, and the internal procedures established to guarantee that the new legal provisions are fulfilled.

38. OTHER DUTIES OF THE SUPERVISORY BODIES AND, IF APPLICABLE, OF THE COMMITTEE FOR FINANCIAL AFFAIRS.

As stated above, the Audit Board has the duties established in law, in particular those stated in Article 420 of the Companies Code, as well as those indicated in the Rules of Procedure of the Audit Board, which are:

- To oversee the management of the Company;
- To ensure compliance with the law and the articles of association;
- To check that books, accounting records and the respective supporting documents are in order;
- To check, as and when it sees fit, the state of cash and inventories of any type of goods or valuables belonging to the company or received by the same as security, deposit or on another basis;
- To check the accuracy of financial reporting;
- To check that the accounting policies and valuation criteria adopted by the Company lead to a correct valuation of the Company's assets and profits or losses;
- To draw up an annual report on its audit activities and to issue its opinion on the report, accounts and motions submitted by the directors;
- To call the General Meeting, when the respective Chairman fails to do so;
- To monitor the effectiveness of the risk management system, the internal quality control and internal audit systems, if applicable, with regard to the financial information preparation and disclosure procedure, without violating its independence;
- To receive reports of irregularities (whistle-blowing) submitted by shareholders, Company employees or others;
- To contract the provision of services by experts who assist one or more of its members in the exercise of their duties, which experts shall be contracted and remunerated in line with the importance of the matters entrusted to them and the economic situation of the Company;
- To perform any other duties established in law or the articles of association;
- To inform the Management Board of the statutory audit results and explain how this has contributed to the integrity of the process of financial information disclosure, as well as the role that the supervisory body played in this process;

- To audit and oversee the process of drafting and disclosure of financial information and make recommendations or proposals to ensure the soundness of the accounts;
- To choose the statutory auditor to be submitted to the approval and election by the General Meeting and to present the grounds for such choice;
- To oversee the legal auditing of the individual and consolidated annual accounts, namely the implementation thereof, based on possible remarks and conclusions of the Securities Market Commission;
- To oversee the auditing of the company's financial statements and reports;
- To check, monitor and oversee the Auditor's independence, namely with regard to the provision of additional services and, in particular, look into its appropriateness and approve the provision of other services, in addition to the audit services;

Nonetheless, although the powers of the Audit Board do not expressly include the possibility of proposing the 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.

The Audit Board is also the prime point of contact with the External Auditor, with direct access to and knowledge of his work. 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 out by the External Auditor, provided that it does not undermine prompt and adequate information of the management body, which has ultimate responsibility for the Company's affairs and financial statements. Complying 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, whom the Audit Board informs about the findings of the accounts audit, and the Audit Board ensures that the necessary conditions are in place in the Company for the provision of audit services. The Audit Board is further in charge of suggesting and monitoring, with the support of the Company's internal services, the External Auditor's pay.

IV. STATUTORY AUDITOR

39. IDENTIFICATION OF THE STATUTORY AUDIT FIRM AND THE PARTNER AND STATUTORY AUDITOR REPRESENTING THE SAME.

STATUTORY AUDITOR

FULL:	PricewaterhouseCoopers & Associados – SROC, Lda, represented by Jorge Manuel Santos Costa (ROC) or by António Alberto Henriques Assis (ROC)
ALTERNATE:	Carlos José Figueiredo Rodrigues (ROC)

40. INDICATION OF THE CONSECUTIVE NUMBER OF YEARS FOR WHICH THE STATUTORY AUDIT FIRM HAS HELD OFFICE IN THE COMPANY AND/OR GROUP.

PricewaterhouseCoopers has held office with the company for 15 consecutive years.

41. DESCRIPTION OF OTHER SERVICES PROVIDED BY THE STATUTORY AUDITOR (ROC) TO THE COMPANY.

In addition to legal auditing services, PricewaterhouseCoopers provides the Company with the authorised tax consultancy.

V. EXTERNAL AUDITOR

42. IDENTIFICATION OF THE EXTERNAL AUDITOR APPOINTED FOR THE PURPOSES OF ARTICLE 8 AND THE PARTNER AND STATUTORY AUDITOR REPRESENTING SUCH FIRM IN THE DISCHARGE OF THESE DUTIES, TOGETHER WITH THEIR RESPECTIVE REGISTRATION NUMBER WITH THE SECURITIES MARKET COMMISSION.

The Company's external auditor and its representative are indicated in item 39, and PricewaterhouseCoopers is registered with the Securities Market Commission under number 20161485.

43. INDICATION OF THE CONSECUTIVE NUMBER OF YEARS FOR WHICH THE EXTERNAL AUDITOR AND THE RESPECTIVE PARTNER AND STATUTORY AUDITOR REPRESENTING THE SAME IN THE DISCHARGE OF THESE DUTIES HAS HELD OFFICE IN THE COMPANY AND/OR GROUP.

The external auditor is the statutory auditor which has held office in the company for 15 years, as stated in item 40. The actual representative of the external auditor, Jorge Manuel Santos Costa (ROC), has held office in the company since 05 December 2016.

44. POLICY ON ROTATION OF THE EXTERNAL AUDITOR AND THE RESPECTIVE PARTNER AND STATUTORY AUDITOR REPRESENTING THE SAME IN THE CARRYING OUT OF THESE DUTIES.

The new Regulation of the Register of Auditors, as adopted by Law no. 140/2015 of 7 September, entered into force on 1 January 2016, and governs the new applicable laws that require the rotation of the auditors in companies of interest for society, like Semapa, while, previously, the company had no policy that required the rotation of the external auditor or its representative.

In compliance with the legal framework, and considering that PricewaterhouseCoopers & Associados – SROC, Lda. reached the maximum time limit of its functions as statutory auditors, in 2017 the Audit Board carried out, with the support of the administrations and services of the Semapa Group companies involved, the process of selection of the statutory auditors for the period of 2018-2021, which was open to several entities. The bids submitted were analysed and assessed by the Audit Board according to the criteria laid down in the selection process.

As a result of the selection process, the Audit Board recommended and put forward to the shareholders the selection of KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A. as external auditor, without prejudice to PricewaterhouseCoopers & Associados –SROC, Lda. maintaining its role as the statutory auditor until 31 December 2017 and its responsibility in relation to the 2017 accounts, which will preserve the usual terms until the audit closure. The proposal submitted by the Audit Board was adopted by the shareholders at the General Meeting of 22 September 2017.

45. INDICATION OF THE BODY RESPONSIBLE FOR ASSESSING THE EXTERNAL AUDITOR AND THE INTERVALS AT WHICH THIS ASSESSMENT IS CONDUCTED.

As part of its supervisory work and auditing of the Company's accounts, the Audit Board assesses the external auditor on an ongoing basis, particularly under the preparation of its Report and Opinion on the annual accounts.

46. IDENTIFICATION OF WORK, OTHER THAN AUDIT WORK, CARRIED OUT BY THE EXTERNAL AUDITOR FOR THE COMPANY AND/OR COMPANIES IN A CONTROLLING RELATIONSHIP WITH IT, AND INDICATION OF THE INTERNAL PROCEDURES FOR APPROVAL OF THE CONTRACTING OF THESE SERVICES AND INDICATION OF THE REASONS FOR CONTRACTING THEM.

The services delivered by the external auditor other than audit work have always been approved by the Audit Board, in compliance with the applicable laws and internal procedures set up for this purpose.

These services consist essentially of support services to safeguard compliance with tax obligations laid down in the new legal framework provided by the new Regulation of the Register of Auditors in force in Portugal and abroad, and are approved by the Audit Board. The Board of Directors and the Audit Board consider that the occasional contracting of these services is justified by the External Auditor's accrued experience in the sectors in which the company operates and by the quality of its work, in addition to the careful definition of the services required at the contracting stage.

In the framework of the provision of tax 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.

47. INDICATION OF THE ANNUAL REMUNERATION PAID BY THE COMPANY AND/OR CONTROLLED, CONTROLLING OR GROUP ENTITIES TO THE AUDITOR AND OTHER INDIVIDUALS OR ORGANISATIONS BELONGING TO THE SAME NETWORK, SPECIFYING THE PERCENTAGE RELATING TO THE FOLLOWING SERVICES:

Services	Company		Group entities (including the company itself)	
	Amount	Percentage	Amount	Percentage
Value of auditing services	34,765.00	100%	720,815.00	89%
Value of reliability assurance services	-	-	42,580.00	5%
Value of tax consultancy services	-	-	49,913.00	6%
Value of other services other than auditing services	-	-	-	-
Total:	**34,765.00**	**100.00%**	**813,308.00**	**100.00%**

NOTE: Figures in Euros

In 2017, services other than audit services contracted by the Company or controlling entities from the External Auditor, including by entities belonging to the same corporate group or service network, represented 11% of the total services provided, i.e. below the recommended 30%.

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. RULES APPLICABLE TO AMENDMENT OF THE ARTICLES OF ASSOCIATION (ARTICLE 245-A.1 H)).

There are no specific rules at Semapa on the amendment of the Articles of Association, and the general supplementary rules contained in the Companies Code therefore apply here.

II. NOTIFICATION OF IRREGULARITIES (WHISTLE-BLOWING)

49. WHISTLE-BLOWING – PROCEDURES AND POLICY

The company has a set of Regulations on Notification of Irregularities, which govern the Company's procedures that employees can use to report irregularities allegedly taking place within the Company.

These regulations lay down the general duty to report alleged irregularities, requiring that such reports are made to the Audit Board, and also provide for an alternative solution in the event of conflicts of interests on the part of the Audit Board regarding to the report in question.

The Audit Board, which may be assisted for these purposes by the Internal Control Committee, shall investigate all facts necessary for assessment of the alleged irregularity. We further note that, in the event of conflict of interest regarding an irregularity committed by a member of the Audit Board, a copy of the Report must also be sent to the Chairman of the Board of Directors.

This process ends with the report being filed or submitted to the Board of Directors or the Executive Board, depending on whether a Company officer is implicated or not, a proposal for application of the measures most appropriate in light of the irregularity in question.

The regulations also contain other provisions designed to safeguard the confidentiality of the 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 on 30 December 2002. 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 safeguard 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, ensuring that information is fairly disclosed, and all shareholders treated equally and fairly.

With the entry into force of Law no. 73/2017, of 16 August, amending Article 127 of the Labour Code, which set forth the employer's duty to adopt Good Behaviour Codes to prevent and combat sexual harassment at work in companies with seven or more employees, on 1 October 2017 Semapa adopted a Good Behaviour Code that contains specific rules aimed at reinforcing the prevention and combat against any type of harassment at work, without prejudice to any other regulations applicable.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. PEOPLE, BODIES OR COMMITTEES RESPONSIBLE FOR INTERNAL AUDITS AND/OR IMPLEMENTATION OF INTERNAL CONTROL SYSTEMS.

Although the Company has no specific independent structure for internal audits, internal control and risk management are conducted by the Board of Directors and through an organisational unit with special responsibilities in this area - the ICC, the Audit Board and the External Auditor being responsible for oversight and monitoring.

It should be clearly noted that in consolidated terms the company has 6,047 employees in total and the holding, individually, only has 28. The corporate universe represented by most of the group's workers, and which concerns the holdings main subsidiaries, The Navigator Company and Secil, is covered by separate auditing systems with organisational units with special auditing responsibilities.

51. DESCRIPTION OF THE LINES OF COMMAND IN THIS AREA IN RELATION TO OTHER BODIES OR COMMITTEES; AN ORGANISATIONAL CHART MAY BE USED TO PROVIDE THIS INFORMATION.

The lines of command are shown in the organisational chart in item 21 of this Report, and the responsibilities of the bodies and committees involved are better described in item 54.

52. EXISTENCE OF OTHER DEPARTMENTS WITH RESPONSIBILITIES IN THE FIELD OF RISK CONTROL.

Non existence of other departments with responsibilities in the field of risk control.

53. IDENTIFICATION OF THE MAIN RISKS (ECONOMIC, FINANCIAL AND LEGAL) TO WHICH THE COMPANY IS EXPOSED IN THE COURSE OF ITS BUSINESS.

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, risk of product demand, risk of competition, risk of environmental legislation, human resources risk, energy cost risk and economic and market risks in general.

54. DESCRIPTION OF THE PROCESS OF IDENTIFICATION, ASSESSMENT, MONITORING, CONTROL AND RISK MANAGEMENT.

The main purpose of the Internal Control Committee (ICC) is to detect and control all relevant risks in the Company's affairs, in particular financial and legal risks, and the Committee is vested with the powers set out in item 21 of this Report.

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 which it is subject to.

The external audit to Semapa and the companies controlled by it was conducted by PricewaterhouseCoopers until year end 2017. The Company's External Auditor checks, in particular, the application of remuneration policies and systems, and the effectiveness and workings of internal control procedures through the information and documents provided by the Company, and in particular by the Remuneration Committee and the Internal Control Committee. The respective conclusions are reported by the External Auditor to the Audit Board, which then reports the shortcomings detected, if any.

The implemented internal control and risk management systems have proven 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.

As stated above, in addition to its own powers in this field and in order to safeguard against the acceptance of excessive risks by the Company, 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, being the ICC 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.

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

55. MAIN ELEMENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IMPLEMENTED IN THE COMPANY WITH REGARD TO THE PROCESS OF DISCLOSURE OF FINANCIAL INFORMATION (ARTICLE 245-A.1 M)).

The disclosure of financial information is the responsibility of the market relations officer and, where applicable, it falls to the Audit Board, the Internal Control Committee and the External Auditor to assess the quality, reliability and completeness of the financial information approved by the Company's Board of Directors and drawn up by the Financial and Accounts and Tax departments.

The process of preparing financial information is subject to an internal control system and to rules, which are designed to assure that the accounting policies adopted by the company are properly and consistently applied and that the estimates and judgements used in preparing this information are reasonable.

With regard to internal control procedures for the process of disclosing financial information, the Company has implemented rules, which are intended to assure that disclosures are made in good time and to mitigate the risk of unevenness in the information provided to the market.

IV. INVESTOR SUPPORT

56. OFFICE RESPONSIBLE FOR INVESTOR SUPPORT, COMPOSITION, FUNCTIONS, INFORMATION PROVIDED AND CONTACT DETAILS.

The investor support service is provided by an office reporting to the Director José Miguel Paredes. This 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 due time and without any inequality.

The director can be contacted through his email address (jmparedes@semapa.pt) or on the Company's general telephone numbers (+351 21 318 47 00). All public information regarding 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, and it generally concerns information about the Semapa group, the Company's business, corporate governance and financial information.

57. MARKET RELATIONS OFFICER.

The market relations officer is José Miguel Paredes.

58. INFORMATION ON THE NUMBER OF ENQUIRIES RECEIVED IN THE PERIOD OR PENDING FROM PREVIOUS PERIODS, AND ENQUIRY RESPONSE TIMES.

Semapa receives various types of enquiries, which are normally answered within 24 hours of receipt, although some enquiries, because of their breadth, scope or complexity, necessarily take longer to process. There are also specific times of the year when Semapa receives more enquiries, in particular in the run-up to general meetings and the payment of dividends, when response times may sometimes be longer. There are no enquiries pending from previous years.

V. WEBSITE (59 TO 65)

Description	Internet address
59. SEMAPA WEBSITE	http://www.semapa.pt/en/home
60. ADDRESS WHERE INFORMATION IS PROVIDED ON THE COMPANY'S NAME, PUBLIC COMPANY STATUS, REGISTERED OFFICE AND OTHER DATA REQUIRED BY ARTICLE 171 OF THE COMPANIES CODE.	http://www.semapa.pt/en/location
61. ADDRESS WHERE THE ARTICLES OF ASSOCIATION AND RULES OF PROCEDURES OF COMPANY BOARDS AND/OR COMMITTEES CAN BE LOOKED UP.	http://www.semapa.pt/sites/default/files/pdf_pb/articles_of_association.pdf http://www.semapa.pt/en/rules-corporate-members
62. ADDRESS WHERE INFORMATION IS PROVIDED ON THE IDENTITY OF COMPANY OFFICERS, MARKET RELATIONS OFFICER, THE INVESTOR SUPPORT OFFICE OR EQUIVALENT STRUCTURE, RESPECTIVE POWERS AND RESPONSIBILITIES AND CONTACT DETAILS.	http://www.semapa.pt/en/company-officers http://www.semapa.pt/en/investor-support-office
63. ADDRESS FOR CONSULTATION OF FINANCIAL STATEMENTS AND REPORTS, WHICH MUST BE ACCESSIBLE FOR NO LESS THAN FIVE YEARS, TOGETHER WITH THE SIX-MONTHLY CORPORATE DIARY, DISCLOSED AT THE START OF EACH SEMESTER, INCLUDING, AMONGST OTHER THINGS, GENERAL MEETINGS, DISCLOSURE OF ANNUAL, HALF-YEARLY AND, IF APPLICABLE, QUARTERLY ACCOUNTS.	http://www.semapa.pt/en/demonstracoes-financeiras
64. ADDRESS WHERE NOTICE OF GENERAL MEETINGS IS POSTED, TOGETHER WITH ALL PREPARATORY INFORMATION AND SUBSEQUENT INFORMATION RELATED TO MEETINGS.	http://www.semapa.pt/en/extraordinary-general-meeting-september-22-2017-0
65. ADDRESS FOR CONSULTATION OF HISTORICAL ARCHIVES, WITH RESOLUTIONS ADOPTED AT THE COMPANY'S GENERAL MEETINGS, THE SHARE CAPITAL REPRESENTED AND THE RESULTS OF VOTES, FOR THE PAST THREE YEARS.	http://www.semapa.pt/en/ag-arquivo

D. REMUNERATION

I. POWERS TO DETERMINE REMUNERATION

66. INDICATION OF POWERS TO SET THE REMUNERATION OF COMPANY OFFICERS, MEMBERS OF THE EXECUTIVE BOARD OR MANAGING DIRECTOR AND THE COMPANY MANAGERS.

Powers to determine the remuneration of the Board of Directors and the Audit Board lie with the Remuneration Committee.

Powers to determine the remuneration of Company managers lie with the Board of Directors.

II. THE REMUNERATION COMMITTEE

67. COMPOSITION OF THE REMUNERATION COMMITTEE, INCLUDING IDENTIFICATION OF INDIVIDUALS OR ORGANIZATIONS CONTRACTED TO PROVIDE SUPPORT, AND DECLARATION REGARDING THE INDEPENDENCE OF EACH MEMBER AND ADVISER.

The Remuneration Committee comprises José Gonçalo Ferreira Maury, Frederico José da Cunha Mendonça e Meneses and João Rodrigo Appleton Moreira Rato and does not subcontract auxiliary staff.

The company considers the Committee's members to be independent, although the Portuguese Securities Market Commission has a different understanding in relation to Frederico da Cunha. With regards to this member, the following needs to be said:

First, he is linked to Semapa due to the fact that until 2005 he was non-executive Director for the Company and currently earns a retirement pension as a result of the duties performed. However, Semapa considers that, since non-executive duties were performed, by virtue of the elapsed time and the right to a pension being an acquired right, independent from the will of Semapa's directors, the impartiality of analysis and decision is not impaired. Secondly, he exercised administrative duties from June 2013 to May 2014 in Sodim, a company to which approximately 72% of the non-suspended voting rights of Semapa are now allocated, according to item 7 above. The Company considers that this does not affect his unbiased analysis and decision. In effect, and considering that what is at stake here is the independence from the executive members of the Board of Directors, Semapa considers that this committee member exercises his duties in the Remuneration Committee independently.

José Maury resigned in 2014 from office at Egon Zehnder, an HR services company which over the years supported Semapa and other related companies in procurement procedures. The aforementioned resignation in our view has not undermined the independence of this member of the Committee.

68. EXPERTISE AND EXPERIENCE OF THE MEMBERS OF THE REMUNERATION COMMITTEE IN THE FIELD OF REMUNERATION POLICY.

One of the members of the Remuneration Committee, José Maury has vast knowledge and experience in matters of remuneration policy and he was a partner of the company Egon Zehnder for a number of years, which is a leading recruitment company, involving thorough knowledge of assessment procedures and criteria and related remuneration packages.

III. REMUNERATION STRUCTURE

69. DESCRIPTION OF THE REMUNERATION POLICY FOR MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES AS REFERRED TO IN ARTICLE 2 OF LAW NO. 28/2009, OF 19 JUNE.

The remuneration policy for members of the management and supervisory bodies is set out in the Remuneration Policy Statement issued by the Remuneration Committee and contained in Annex II to this Report.

70. INFORMATION ON HOW REMUNERATION IS STRUCTURED IN ORDER TO ALIGN THE INTERESTS OF MEMBERS OF THE MANAGEMENT BODY WITH THE LONG TERM INTERESTS OF THE COMPANY, AND ON HOW IT IS BASED ON PERFORMANCE ASSESSMENT AND DISCOURAGES EXCESSIVE RISK-TAKING.

The way in which remuneration is structured and how it is based on the directors' performance follows with clarity the Remuneration Policy Statement of the Remuneration Committee, specifically items 1 and 6 of chapter VI, to which we make reference.

Following such principles, to determine precisely the variable remuneration component, a set of KPIs are applied, for which EBITDA, earnings before tax and the TSR are the quantitative elements considered, as mentioned in item 25 above.

The effect of the alignment of the interests in the long-term results, to some extent, from the fact that one of the KPIs of EBITDA is linked to the medium term plan, albeit in a form that is more limited than that arising from Semapa's *de facto* situation in relation to the significant stability of the Executive Board's members. Such stability is naturally linked to longer time lines, including in the wage component, as future results influence future remunerations for which expectations exist.

The same is true for excessive risk-taking. The Company has no separate remuneration mechanism aimed specifically at that. Risk is an intrinsic characteristic of any act of management and, as such, it is unavoidably and continuously considered in all management decisions. A quantitative or qualitative assessment of risk as good or bad cannot be made autonomously, but only in the light of its impact on Company's performance over the time. It is thus confused with long-term interests, and consequently benefits from the aforementioned incentives to overall alignment over time.

71. REFERENCE, IF APPLICABLE TO THE EXISTENCE OF A VARIABLE REMUNERATION COMPONENT AND INFORMATION ON ANY IMPACT ON THIS FROM PERFORMANCE ASSESSMENTS.

The remuneration of executive directors 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.

The performance assessment under the variable remuneration, in its individual and qualitative component, accounts for approximately 50% of that remuneration component. In the case of non-executive directors, without prejudice to the exceptional status of the Chairman of the Board of Directors, who remains very close to the relevant decisions of daily corporate management, a variable remuneration is sometimes awarded, albeit more exceptionally, in line not with the performance or value of the company, but rather with the outcome of the performance of management tasks closer in nature to executive duties.

There are no upper limits to remuneration, notwithstanding the limit set by the articles of association on directors' profit sharing.

The remuneration of the members of the Audit Board includes no variable component.

72. DEFERRED PAYMENT OF THE VARIABLE COMPONENT OF REMUNERATION, INDICATING THE DEFERRAL PERIOD.

Payment of the variable component of remuneration is not deferred at Semapa.

73. CRITERIA APPLIED IN ALLOCATING VARIABLE REMUNERATION IN SHARES AND ON THE CONTINUED HOLDING BY EXECUTIVE DIRECTORS OF THESE SHARES, ON ANY CONTRACTS CONCLUDED WITH REGARD TO THESE SHARES, SPECIFICALLY HEDGING OR TRANSFERRING RISK, THE RESPECTIVE LIMITS AND THE RESPECTIVE PROPORTION REPRESENTED OF TOTAL ANNUAL REMUNERATION.

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

74. CRITERIA APPLIED IN ALLOCATING VARIABLE REMUNERATION ON OPTIONS AND INDICATION OF THE DEFERRAL PERIOD AND THE PRICE FOR EXERCISING OPTIONS.

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

75. MAIN PARAMETERS AND GROUNDS FOR ANY ANNUAL BONUS SYSTEM AND ANY OTHER NON-CASH BENEFITS.

The criteria for setting annual bonuses are those related to the variable remuneration, as described in item 2 of chapter VI of the Remuneration Policy Statement, and in item 25 above, and no other non-cash benefits are allocated.

76. MAIN FEATURES OF COMPLEMENTARY OR EARLY RETIREMENT SCHEMES FOR DIRECTORS AND THE DATE OF APPROVAL BY THE GENERAL MEETING, ON AN INDIVIDUAL BASIS.

There are no complementary or early retirement schemes for directors currently in place in the company. Nevertheless, Frederico José da Cunha Mendonça e Meneses receives a monthly pension, because he exercised an option under the expiry of a past pension scheme for directors.

At present, this is the only pension which Semapa pays. It is a lifetime monthly pension paid 12 months per year, for which the following is provided: (i) the transferability of half of its value to the surviving spouse or minor or disabled children and (ii) mandatory deduction from this pension either the value of remunerated services later delivered to Semapa or controlled companies, or the value of pensions that the beneficiary is entitled to receive from the national Social Insurance scheme related to the same period of service. Semapa's liability with this pension is as mentioned in Note 29 to the Consolidated Financial Statements and Note 26 to the Individual Financial Statements.

IV. DISCLOSURE OF REMUNERATION

77. INDICATION OF THE ANNUAL REMUNERATION EARNED FROM THE COMPANY, ON AN AGGREGATE AND INDIVIDUAL BASIS, BY THE MEMBERS OF THE COMPANY'S MANAGEMENT BODY, INCLUDING FIXED AND VARIABLE REMUNERATION AND, IN RELATION TO THE LATTER, REFERENCE TO THE DIFFERENT COMPONENTS.

Below we indicate the remuneration earned in 2017, paid by Semapa to the members of the Company's management body, distinguishing between fixed and variable remuneration, but without a breakdown of the different components of the latter, insofar as it is set as a whole, taking into account the factors described in the Remuneration Policy Statement issued by the Remuneration Committee, without identifying components.

Board of Directors	Fixed Remuneration	Fixed Variable
António Pedro de Carvalho Viana-Baptista	128,305.13	–
Carlos Eduardo Coelho Alves	77,825.00	–
Francisco José de Melo e Castro Guedes	77,825.00	–
João Nuno de Sottomayor Pinto de Castello Branco	749,950.00	718,595.00
José Miguel Pereira Gens Paredes	311,300.00	540,442.00
Manuel Custódio de Oliveira	128,305.13	–
Paulo Miguel Garcês Ventura	311,300.00	504,644.00
Pedro Mendonça de Queiroz Pereira	430,308.43	894,198.00
Ricardo Miguel dos Santos Pacheco Pires	279,462.50	499,937.00
Vítor Manuel Galvão Rocha Novais Gonçalves	77,825.00	–
Vítor Paulo Paranhos Pereira	128,305.13	–
TOTAL	2,700,711.32	3,157,816.00

NOTE: Figures in Euros

78. AMOUNTS PAID ON ANY BASIS BY OTHER CONTROLLED, CONTROLLING OR GROUP COMPANIES OR COMPANIES UNDER COMMON CONTROL.

It should be clarified that the amounts referred to in this item do not relate only to companies controlled by Semapa. They also include amounts over which Semapa and its officers have no control, as they are the concern of its shareholders, the shareholders of shareholders and other companies controlled by shareholders, where a controlling relationship is involved.

The following directors earned remunerations in other controlling or group companies or companies under common control: Pedro Mendonça de Queiroz Pereira, Francisco José de Melo e Castro Guedes, Vítor Manuel Galvão Rocha Novais Gonçalves and Vítor Paulo Paranhos Pereira, amounting to 3,422,072.93 Euros, 80,756.59 Euros, 98,000.00 Euros and 264,900.00 Euros, respectively.

79. REMUNERATION PAID IN THE FORM OF PROFIT SHARING AND/OR PAYMENT OF BONUSES, AND THE GROUNDS ON WHICH THESE BONUSES AND/OR PROFIT SHARING WERE GRANTED.

The amount of the remuneration paid by Semapa in the form of profit-sharing and/or payment of bonuses corresponds to the variable remuneration referred to in item 77 of this report, which amounts were determined by the Remuneration Committee based on the actual application of the criteria described in item 2 of chapter VI of the Remuneration Policy Statement.

80. COMPENSATION PAID OR OWING TO FORMER EXECUTIVE DIRECTORS IN RELATION TO TERMINATION OF THEIR DIRECTORSHIPS DURING THE PERIOD.

No compensation was paid or is due to former executive directors for termination of their directorships.

81. INDICATION OF THE ANNUAL REMUNERATION EARNED, ON AN AGGREGATE AND INDIVIDUAL BASIS, BY THE MEMBERS OF THE COMPANY'S SUPERVISORY BODY, FOR THE PURPOSES OF LAW 28/2009, OF 19 JUNE.

Audit Board	Fixed Remuneration	Variable Remuneration
Miguel Camargo de Sousa Eiró	22,000.00	–
Gonçalo Nuno Palha Gaio Picão Caldeira	15,999.97	–
José Manuel Oliveira Vitorino	15,999.97	–
TOTAL	53,999.94	–

NOTE: Figures in Euros

82. INDICATION OF REMUNERATION EARNED IN THE REPORTING PERIOD BY THE CHAIRMAN OF THE GENERAL MEETING.

During the financial year of 2017, the Chairman of the General Meeting earned 5,000.00 Euros.

V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

83. CONTRACTUAL LIMITS FOR COMPENSATION PAYABLE FOR THE UNFAIR DISMISSAL OF DIRECTORS AND THE RESPECTIVE RELATIONSHIP WITH THE VARIABLE REMUNERATION COMPONENT.

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

84. REFERENCE TO THE EXISTENCE AND DESCRIPTION OF AGREEMENTS BETWEEN THE COMPANY AND DIRECTORS OR MANAGERS, AS DEFINED BY ARTICLE 248-B.3 OF THE SECURITIES CODE, WHICH PROVIDE FOR COMPENSATION IN THE EVENT OF RESIGNATION, DISMISSAL WITHOUT DUE CAUSE OR TERMINATION OF EMPLOYMENT CONTRACT AS A RESULT OF A CHANGE OF CONTROL OF THE COMPANY, INDICATING THE AMOUNTS INVOLVED (ARTICLE 245.-A.1 L)).

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

The Company does not enter into any contracts with directors with the effect of mitigating the risk inherent to 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.

VI. STOCK OR STOCK OPTION PLANS

85. IDENTIFICATION OF PLAN AND BENEFICIARIES.

The Company has no stock or stock option plans.

86. DESCRIPTION OF PLAN (TERMS OF ALLOCATION, NON-TRANSFER OF SHARE CLAUSES, CRITERIA ON THE PRICE OF SHARES AND THE PRICE OF EXERCISING OPTIONS, THE PERIOD DURING WHICH THE OPTIONS MAY BE EXERCISED, THE CHARACTERISTICS OF THE SHARES TO BE DISTRIBUTED, THE EXISTENCE OF INCENTIVES TO PURCHASE SHARES AND/OR EXERCISE OPTIONS)

Not applicable.

87. STOCK OPTION RIGHTS ALLOCATED TO COMPANY EMPLOYEES AND STAFF.

Not applicable.

88. CONTROL MECHANISMS IN AN EMPLOYEE OWNERSHIP SCHEME INSOFAR AS VOTING RIGHTS ARE NOT DIRECTLY EXERCISED BY EMPLOYEES (ARTICLE 245-A.1 E)).

There is no employee ownership scheme in Semapa.

E. RELATED PARTY TRANSACTIONS

I. CONTROL MECHANISMS AND PROCEDURES

89. PROCEDURES IMPLEMENTED BY THE COMPANY FOR CONTROLLING RELATED PARTY TRANSACTIONS (REFERENCE IS MADE FOR THIS PURPOSE TO THE CONCEPT DERIVING FROM IAS 24).

The Company has established the procedures and criteria referred to in item 91 for transactions with holders of qualifying holdings.

90. INDICATION OF TRANSACTIONS SUBJECT TO CONTROL DURING REPORTING PERIOD.

In 2017, no transactions were subject to control given that, through application of the criteria referred to in item 91 below, none of the Company's transactions with the qualifying shareholders, or with entities in any way related to such shareholders, as defined in Article 20 of the Securities Code, were subject to prior clearance from the Audit Board. There were no transactions between the Company and qualifying shareholders outside of regular market conditions.

91. DESCRIPTION OF THE PROCEDURES AND CRITERIA APPLICABLE TO INTERVENTION BY THE SUPERVISORY BODY FOR THE PURPOSES OF PRIOR ASSESSMENT OF TRANSACTIONS TO BE CARRIED OUT BETWEEN THE COMPANY AND QUALIFYING SHAREHOLDERS OR RELATED ENTITIES, UNDER ARTICLE 20 OF THE SECURITIES CODE.

The Board of Directors must subject to review and prior opinion of the Audit Board the transactions between the Company and qualifying shareholders 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 each such transaction has 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 qualifying shareholder, 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 criteria referred to in the preceding sub-paragraph.

II. DETAILS OF TRANSACTIONS

92. INDICATION OF THE PLACE IN THE FINANCIAL REPORTS AND ACCOUNT WHERE INFORMATION IS AVAILABLE ON RELATED PARTY TRANSACTIONS, IN ACCORDANCE WITH IAS 24, OR, ALTERNATIVELY, REPRODUCTION OF THIS INFORMATION.

Information on related party transactions is contained in Note 35 of the attachment to consolidated financial statements and Note 31 of the attachment to the individual financial statements.

PART II – ASSESSMENT OF CORPORATE GOVERNANCE

1. IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED.

Semapa has adopted the 2013 Corporate Governance Code of the Securities Market Commission (Regulation of the CMVM no. 4/2013), due to the natural evolution from the 2010 Corporate Governance Code of the same body, adopted in the past by Semapa.

The Code adopted is disclosed by the Securities Market Commission and may be consulted on the website.

2. ANALYSIS OF COMPLIANCE WITH THE ADOPTED CORPORATE GOVERNANCE CODE.

The following table indicates the recommendations adopted and not adopted. For the recommendations adopted, we indicate only the place in this report where detailed information is contained. For recommendations not adopted, information is provided below the table on the respective grounds for non-adoption and any alternative measures taken.

#	Adoption	Text	Reference
I. VOTING AND CORPORATE CONTROL			
I.1	Adopted	Companies shall encourage shareholders to attend and vote at General Meetings and shall not set an excessively large number of shares required for the entitlement to one vote, and implement the means necessary to exercise the right to vote by mail and electronically.	Part I, items 12 and 13
I.2	Adopted	Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a *quorum* for resolutions greater than that provided for by law.	Part I, item 14
I.3	Adopted	Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.	Part I, item 12
I.4	Adopted	The Company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a single shareholder, either individually or in concert with other shareholders, shall also provide for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails – without increased *quorum* requirements in addition to those required by law – and that in said resolution, all votes issued be counted, without applying said restriction.	Part I, item 13

#	Adoption	Text	Reference
I.5	Adopted	Measures shall not be adopted that require payment or acceptance of charges by the Company in the event of change of control or change in the composition of the Board, and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members.	Part I, item 4

II. SUPERVISION, MANAGEMENT AND OVERSIGHT

II.1 SUPERVISION AND MANAGEMENT

II.1.1.	Adopted	Within the limits established by law, and except due to the small size of the company, the Board of Directors shall delegate the day-to-day management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.	Part I, items 21, 28 and 29
II.1.2	Adopted	The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its responsibilities as regards the following: i) define the strategy and general policies of the company, ii) define business structure of the group, iii) decisions considered strategic due to the amounts, risk or particular characteristics involved.	Part I, item 21
II.1.3	Not applicable	The General and Supervisory Board, in addition to its supervisory duties, shall take full responsibility at corporate governance level, and a requirement shall therefore be enshrined, in the articles of association or by equivalent means, that this body shall pronounce on the strategy and major policies of the Company, the definition of the corporate structure of the group and the decisions that are to be considered strategic due to the amounts or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the Company.	Part I, item 15
II.1.4 a)	Not adopted	Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to: a) Ensure competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees.	Explanation of Recommendations not adopted below
II.1.4 b)	Adopted	b) Reflect on the governance system, structure and practices adopted, verify their effectiveness and propose to the competent bodies measures to be implemented with a view to their improvement.	Part I, items 21, 27, 28 and 29
II.1.5	Adopted	The Board of Directors or the General and Supervisory Board, depending on the applicable model, shall set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	Part I, items 50 to 55

#	Adoption	Text	Reference
II.1.6	Adopted	The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the board.	Part I, item 18
II.1.7	Adopted	Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed in accordance with the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is it under any circumstance likely to affect an exempt analysis or decision, particularly due to: a. Having been an employee at the Company or at a related or group company in the past three years; b. Having, in the past three years, provided services or established a significant commercial relationship with the Company or a related or group company, either directly or as a partner, board member, manager or director of a legal person; c. Being the beneficiary of remuneration paid by the Company or by a related or group company, other than the remuneration deriving from a directorship; d. Living with a life partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings; e. Being a qualifying shareholder or representative of a qualifying shareholder.	Part I, item 18
II.1.8	Adopted	Directors who exercise executive duties shall respond to enquiries from other company officers by providing the information requested in a timely and appropriate manner.	Part I, item 21
II.1.9	Adopted	The Chairman of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chairman of the Board of Directors, the Chairman of the Supervisory Board, the Chairman of the Audit Committee, the Chairman of the General and Supervisory Board and the Chairman of the Financial Matters Board, the convening notices and minutes of the relevant meetings.	Part I, item 21

#	Adoption	Text	Reference
II.1.10	Not applicable	If the Chairman of the Board of Directors exercises executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that these can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.	Part I, items 18, 21 and 28

II.2 OVERSIGHT

II.2.1.	Adopted	Depending on the applicable model, the Chairman of the Supervisory Board, the Audit Committee or the Financial Matters Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.	Part I, item 32
II.2.2.	Adopted	The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, in particular, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the Company.	Part I, item 38
II.2.3	Adopted	The supervisory board shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract for provision of their services when there is a valid basis for such dismissal.	Part I, item 38
II.2.4.	Adopted	The supervisory board shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	Part I, items 50, 54 and 55
II.2.5.	Not adopted	The Audit Committee, the General and Supervisory Board and the Audit Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the Company (compliance services), and shall be recipients of reports made by these services at least when they concern matters related to financial reporting, identification or resolution of conflicts of interest and detection of potential illegalities.	Explanation of Recommendations not adopted below

II.3 REMUNERATION SETTING

II.3.1	Adopted	All members of the Remuneration Committee or equivalent shall be independent from the Executive Board members and include at least one member with knowledge and experience in matters of remuneration policy.	Part I, items 67 and 68

#	Adoption	Text	Reference
II.3.2.	Adopted	No natural or legal person that provides or has provided services in the past three years to any structure under the Board of Directors, the board of directors of the Company itself or who has a current relationship with the Company or consultant of the Company, shall be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.	Part I, item 67
II.3.3 a)	Adopted	The statement on the remuneration policy for the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall also contain the following: a) Identification and details of the criteria for determining the remuneration paid to the Company officers;	Annex II to the Corporate Governance Report
II.3.3 b)	Not adopted	b) Information regarding the maximum potential amount in individual terms, and the maximum potential amount in aggregate form, to be paid to members of corporate bodies, and identify the circumstances in which these maximum amounts may be payable;	Explanation of Recommendations not adopted below
II.3.3 c)	Adopted	c) Information on whether payments are due for the dismissal or termination of appointment of Board Members.	Annex II to the Corporate Governance Report
II.3.4	Not applicable	Approval of stock and/or option plans or plans based on share price variation for Company officers shall be submitted to the General Meeting. The proposal shall contain all the necessary information for a correct assessment of said plan.	Part I, items 73 and 74
II.3.5	Not applicable	Any retirement benefit scheme established for Company officers shall be submitted to the General Meeting for approval. The proposal shall contain all the necessary information in order to correctly assess said system.	Part I, item 76

III. REMUNERATIONS

III.1	Adopted	The remuneration of the executive directors shall be based on actual performance and shall discourage excessive risk-taking.	Part I, items 69 and 70
III.2	Adopted	The remuneration of non-executive directors and the remuneration of the members of the Supervisory Board shall not include any component whose value depends on the performance of the company or of its value.	Part I, item 71
III.3	Not adopted	The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and upper limits shall be set for all components.	Explanation of Recommendations not adopted below

#	Adoption	Text	Reference
III.4	Not adopted	A significant part of the variable remuneration should be deferred for a period of not less than three years, and the right to payment shall depend on the continued positive performance of the Company during that period.	Explanation of Recommendations not adopted below
III.5	Adopted	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.	Part I, item 84
III.6	Not applicable	Executive directors shall maintain the Company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on earnings from said shares, until the end of their term of office.	Part I, items 73 and 74
III.7	Not applicable	When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period of no less than three years.	Part I, items 73 and 74
III.8	Adopted	When the removal of a director is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions, but is even so attributable to inadequate performance, the Company shall be endowed with the adequate and necessary legal instruments to ensure that no damages or compensation, beyond those legally due, are payable.	Part I, item 83

IV. AUDIT COMMITTEE

IV.1	Adopted	The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems for Company Officers as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the Company.	Part I, item 54
IV.2	Adopted	The company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that belongs to the same network, for services other than audit services. If there are reasons for contracting such services – which must be approved by the supervisory board and explained in its Annual Report on Corporate Governance – these services shall not account for more than 30% of the total value of services rendered to the Company.	Part I, item 47

#	Adoption	Text	Reference
IV.3	Adopted	Companies shall rotate auditors after two or three terms, depending on whether the terms are of four or three years, respectively. Retention of the auditor beyond this period must be based on a specific opinion of the supervisory board that explicitly considers the conditions of auditor's independence and the benefits and costs of its replacement.	Part I, item 44

V. CONFLICTS OF INTERESTS AND RELATED PARTY TRANSACTIONS

V.1	Adopted	The Company's transactions with qualifying shareholders, or entities with which they are in any type of relationship pursuant to article 20 of the Securities Code, shall be conducted on regular market conditions.	Part I, items 89 to 91
V.2	Adopted	The Supervisory or Audit Board shall establish the procedures and criteria necessary to define the relevant level of significance of transactions with qualifying shareholders – or entities with which they are in any of the relationships described in Article 20.1 of the Securities Code –, and the execution of transactions of significant relevance requires clearance from such body.	Part I, item 91

VI. INFORMATION

VI.1	Adopted	Companies shall provide, via their websites in both the Portuguese and English languages, access to information on the course of their affairs, as regards economic, financial and governance issues.	Part I, items 59 to 65
VI.2	Adopted	Companies shall ensure the existence of an investor support and market relations office, which responds to enquiries from investors in a timely fashion and records shall be kept of the submittal and handling of enquiries.	Part I, item 56

EXPLANATION OF RECOMMENDATIONS NOT ADOPTED:

RECOMMENDATION II.1.4 A)

This recommendation states that "Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to ensure a competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other existing committees...".

Although the Company will not adopt this recommendation, the criticism of the recommendation itself must be distinguished from *explain* in the technical sense.

Starting with the first, the exaggerated advocacy of creating committees to supervise committees must be highlighted. It is only bureaucracy which causes management to get lost in a web of time and resource consuming formalities, distancing it increasingly from the essence which should be preserved.

As for *explain*, one should begin by attempting to identify the main principles probably underpinning this recommendation and which must be safeguarded. They appear to be a concern that the supervisor is supervised and that remunerations are assessed independently. Both concerns are effectively addressed in Semapa.

The committees are supervised by the entities which established them, the Board of Directors, which is ultimately responsible for managing the Company, and by the body appointed by the shareholders for overseeing all of the Company's affairs, the Audit Board. Creating an intermediate level, in a holding company with a simplified and reduced management structure, does not seem to add value to the supervisory function. The Remuneration Committee reports directly to the shareholders and is excluded from this regime.

The assessment of the executive directors, on the other hand, is a more complex issue. When assessing performance, there is always tension between proximity, which ensures greater precision and full knowledge of the facts, and distance, which grants independence. An assessment committee could guarantee greater independence due to the distance it enjoys, but the full knowledge of the facts that proximity ensures would be damaged. At Semapa, the compromise solution described in Part I, item 24 above has now been adopted. As mentioned, the Remuneration Committee ensuring greater independence sets the system and conducts the final checks to the performance factors, but the specific appraisal of individual performance is the responsibility of the team supervisor, i.e., the Chairman of the Executive Board in the case of the members of the Executive Board, and of the Chairman of the Board of Directors, of the Chairman of the Executive Board, and in both cases with the participation of other non-executive directors whom the supervisor deems appropriate to involve.

RECOMMENDATION II.2.5

This recommendation states that "the Audit Committee, the General and Supervisory Board and the Audit Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the Company (compliance services), and shall be recipients of reports made by these services at least when they concern matters related to financial reporting, identification or resolution of conflicts of interest and detection of potential illegalities".

The company does not have internal departments solely dedicated to internal audit or compliance and these functions are assigned essentially to the Internal Control Committee, the Audit Board and to other of Semapa's departments, in particular the Legal Department for the detection of potential illegalities. The decision not to have departments with special functions 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 described in item 50.

In view of this fundamental option and in the absence of autonomous internal audit and compliance units, these units do not have work plans. Nonetheless, the Audit Board has the knowledge and the chance to deliver an opinion on the activities performed by the Internal Control Committee and Semapa's departments in this framework, on the resources allocated to the departments that also perform compliance duties, and is the recipient, where available, of the reports and opinions made by these services when they concern matters related to financial reporting, identification or resolution of conflicts of interest and detection of potential illegalities.

This recommendation has not been adopted by the Company, but also here we strongly feel that the purpose and concerns which justify this recommendation are fully guaranteed.

RECOMMENDATION II.3.3 B) AND RECOMMENDATION III.3

Recommendation II.3.3 b) states that "The statement on remuneration policy for the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall also contain the following: b) Information regarding the maximum potential amount, in individual terms, and the maximum potential amount, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances in which these maximum amounts may be payable";

Recommendation III.3 states that "The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and upper limits should be set for all components".

These recommendations have not been adopted by Semapa insofar as the remuneration policy statement, contained in Annex II to this Report, only sets aggregate upper limits for variable remuneration, as a percentage of profits, and not for fixed remuneration.

However, Semapa considers that the principles pursued by the recommendation are guaranteed in three ways. First, through the aforementioned existence of a percentage limit of the variable part on the earnings. Second, by ensuring elements of fairness arising from the statement. Third, since the KPI system implemented under the remunerations policy provides for the values for the variable remuneration of each Executive Director, fixing the double thereof as the ceiling, which may be exceeded only in exceptional situations.

RECOMMENDATION III.4

This recommendation states that "A significant part of the variable remuneration should be deferred for a period of no less than three years, and the right to payment shall depend on the continued positive performance of the company during that period".

The explanation for not adopting this recommendation can be found in the remuneration policy statement in force, Annex II hereto, which states in particular that:

"*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".

In substance, a director whose remuneration is not deferred, but who is paid over a longer period of time according to the results achieved in a given year is more in line with long-term management than a director who holds an office for 3 or 4 years and whose remuneration is deferred for that period. The recommended three-year period must be weighed against the Executive Directors' time with Semapa since these powers were first awarded to an –Executive Board: Pedro Queiroz Pereira - 13 years, João Castello Branco – 3 years and still in office, Carlos Alves – 7 years, José Honório – 12 years, Gonçalo Serras Pereira –4 years, Carlos Horta e Costa – 6 years, Francisco Guedes - 11 years, Miguel Ventura – 12 years and still in office, José Miguel Paredes – 12 years and still in office, Ricardo Pires – 4 years and still in office.

Therefore, this recommendation is not adopted by the company, without prejudice to the underlying substance, which is guaranteed to a greater extent than if such recommendation were implemented.

3. ADDITIONAL INFORMATION

There are no other disclosures or additional information which would be relevant to an understanding of the governance model and practices adopted.

ANNEX I

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 FINANCIAL YEAR 2017)

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 Miguel Pereira Gens Paredes – 70 "Obrigações SEMAPA 2014/2019"

(*) The bonds issued by Semapa with the name "Obrigações Semapa 2014/2019" correspond to bonds with a variable 6-month EURIBOR rate, on the next working day TARGET immediately preceding the first day of each interest period, plus 3.25% a year, expiring in 2019.

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:

- Carlos Eduardo Coelho Alves - 578,309 shares in The Navigator Company, S.A.
- Undivided estate of Maria Rita de Carvalhosa Mendes de Almeida de Queiroz Pereira – 1,000 shares in The Navigator Company, 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. - 16,734,031 shares in the company
- Longapar, SGPS, S.A. – 22,225,400 shares in the company, 1,000 shares in Secil – Companhia Geral de Cal e Cimento, S.A. and 5,000 shares in ETSA – Investimentos, SGPS, S.A.
- Sodim, SGPS, S.A. - 15.252.726 shares in the company

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:

In 2017 there were no acquisitions, transfers, encumbrances or pledge of securities issued by Semapa, controlled companies or companies in the same group by company officers and the companies referred to in 3 above.

5. TRANSACTIONS IN OWN SHARES:

In 2017 Semapa neither acquired nor disposed of any shares in its own capital.

ANNEX II

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 2017, 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. The statement was drawn up under the terms of the relevant recommendation of the Securities Market Commission then in force.

At that time, the Remuneration Committee stated its view that the options defended should be maintained until the end of the term of office of the Company officers. The term of office in question 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 is still of the view that a remuneration policy, due to its nature as a set of principles, should be generally stable for the duration of a mandate, therefore having decided to maintain the content of this declaration for the current year.

The two most common possibilities for setting the remuneration of Company officers are significantly different from each other. 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 Committee, which decides in keeping with criteria on which the shareholders have not 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 legal requirements in this field as referred to above.

II. LEGAL FRAMEWORK AND RECOMMENDATIONS

This statement is issued in the legal framework formed by Law 28/2009, of 19 June and the recommendations of the Securities Market Commission (2013).

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 or share option plans for directors and auditors;

d) The possibility of the variable component of remuneration, if any, being paid, wholly or in part, after the accounts have been finalized for the entire term of office;

e) Rules limiting variable remuneration in the event of the Company's results revealing significant deterioration in the Company's performance in the last period for which accounts are closed or when such deterioration may be expected in the period underway.

The recommendations from the Securities Market Commission advise that:

II.3.3. THE STATEMENT ON THE REMUNERATION POLICY FOR THE MANAGEMENT AND SUPERVISORY BODIES REFERRED TO IN ARTICLE 2 OF LAW NO. 28/2009 OF 19 JUNE, SHALL ALSO CONTAIN THE FOLLOWING:

a) Identification and details of the criteria for determining the remuneration paid to the company officers;

b) Information regarding the maximum potential amount, in individual terms, and the maximum potential amount, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances in which these maximum amounts may be payable;

c) Information on whether payments are due for the dismissal or termination of appointment of board members.

III. RULES DERIVING FROM LAW 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:

- Powers to fix the remuneration lie with the general meeting of shareholders or a committee appointed by the same.

- 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 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 the 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. 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 stayed in place until 2014, although since 2007 this has taken place within the terms of a remuneration policy statement approved by the Company's General Meeting. In 2015 we addressed again the benefits of returning to the previous procedure of having the shareholders decide directly at the General Meeting the total amount to be paid, according to the year's results and as proposed by the Remunerations Committee, which would be in charge of the individual distributions. The procedure was received favourably and has being applied since 2015.

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 and the KPIs mentioned below.

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 of 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 type, have not always been 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 the directors without delegated powers have been closely involved in the life of the Company in a variety of ways. In this context, namely for awarding the variable remuneration, it is particularly relevant to highlight the position of the Chairman of the Board of Directors, who is not a member of the Executive Board, but remains very close to the relevant decisions of daily corporate management.

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 are clearly 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 variable remuneration component is fixed on the basis of a target value that is applied to each director, according to the relevant performance and that of the Company in accordance with the expectations and the objectives established previously. The target value is set against the weight of the aforementioned principles - market, specific functions, the business position -, compared to similar market situations and other offices occupying positions equivalent in function. Another important factor which is taken into overall account when setting these targets is Semapa's option not to provide any share or option plans.

The weighting of actual performance against expectations and objectives that indicate change in relation to target, is based on a series of quantitative and qualitative KPIs related to the performance of the Company and the relevant director, in particular EBITDA, earnings before tax and total shareholder return.

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, maximising 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. PROCEDURES 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. RECOMMENDATION II.3.3. A). CRITERIA FOR DETERMINING THE REMUNERATION PAID.

The criteria for determining the remuneration paid to the company officers are that which are drawn from the principles listed in chapter V above and that are described in item 2 of chapter VI above, concerning the variable component of the directors' remuneration.

Besides these, there are no predetermined mandatory criteria at Semapa for setting the remuneration.

7. RECOMMENDATION II.3.3. B). MAXIMUM POTENTIAL, INDIVIDUAL AND AGGREGATE REMUNERATION.

Semapa's Articles of Association only lay down the maximum potential aggregate amount of variable remuneration payable to directors which, according to clause 17.3, corresponds to a share in profits not exceeding five per cent of the net profit of the previous period. Without prejudice to the fact that this Committee agrees with the meaning of the recommendation concerning the fixing of maximum potential amounts, in Semapa's case in our view, where a statutory provision on this matter already exists, no complementary rules limiting amounts are required, without prejudice to setting such limits for controlled companies. The maximum amount can be reached whenever performance criteria have been fulfilled completely.

8. RECOMMENDATION II.3.3. C). PAYMENTS FOR THE DISMISSAL OR TERMINATION OF DUTIES.

There are no agreements, and no such provisions have been defined by this Committee, on payments by Semapa relating to dismissal or termination 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.

The supplementary legal rule in this matter apply here.

VII. SPECIFIC OPTIONS

The specific options for the remuneration policy we propose may therefore be summarized as follows:

1. The remuneration of executive directors and the Chairman of the Board referred to in paragraph a) of Chapter V shall comprise a fixed component and a variable component.

2. The remuneration of non-executive directors shall comprise only a fixed component that may be complemented according to the piling on of added responsibilities.

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, 27 April 2017

The Remuneration Committee

José Gonçalo Ferreira Maury
Frederico José da Cunha Mendonça e Meneses
João Rodrigo Appleton Moreira Rato

ANNEX III

TO THE CORPORATE GOVERNANCE REPORT

STATEMENT 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 the issuers make a number of statements, as described in this article. In the case of Semapa, a standard statement 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 2017, 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 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 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 statement and their office in the Company:

Name	Title
Pedro Mendonça de Queiroz Pereira	Chairman of the Board of Directors
João Nuno de Sottomayor Pinto de Castello Branco	Member of the Board of Directors
José Miguel Pereira Gens Paredes	Member of the Board of Directors
Paulo Miguel Garcês Ventura	Member of the Board of Directors
Ricardo Miguel dos Santos Pacheco Pires	Member of the Board of Directors
António Pedro de Carvalho Viana-Baptista	Member of the Board of Directors
Carlos Eduardo Coelho Alves	Member of the Board of Directors
Francisco José Melo e Castro Guedes	Member of the Board of Directors
Manuel Custódio de Oliveira	Member of the Board of Directors
Vítor Manuel Galvão Rocha Novais Gonçalves	Member of the Board of Directors
Vítor Paulo Paranhos Pereira	Member of the Board of Directors

PART 3

NON-FINANCIAL STATEMENTS - SUSTAINABILITY INFORMATION

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I. INTRODUCTION

In this document Semapa presents its Non-Financial Consolidated Statement, which is a simplified version of its Sustainability Information.

This is the first sustainability account to be published by the company. The information was structured within the scope of a project in progress, transversal to the Group, which seeks to define and implement a set of initiatives to reinforce the foundations of Semapa Group's sustainability, providing a framework for and developing more thoroughly the various initiatives and policies already being applied in some of the companies of the Group.

As will be seen in more detail below, Semapa has always assumed its corporate social responsibility, seeking to respond to the legitimate expectations of the society of which it is a member, and in conjunction with its subsidiary companies preparing a socially and environmentally responsible plan of action for them. Recently three factors converged to generate this new dynamic for building an economic Group that is even more sustainable for the future: the current situation of our society, which has a growing expectation that companies will make an increasing contribution to the resolution of long-term social problems; the need to disclose more information, not only as a legal requirement, but also as a voluntary commitment; and above all, the decision of Semapa to assume, reinforce and communicate the set of initiatives that sustain its long-term vision to benefit its shareholders and other stakeholders.

Notwithstanding the underlying cross-sectional programme of the Group, it is in the actual operations of the Group companies that one can clearly see actions that have immediate effects on the sustainability of the companies and the Group. For this reason, many of the case studies that will be used to illustrate our points will inevitably be situations in these companies. Navigator and Secil both have a long history of actions and disclosures in these areas, well evidenced in the sustainability reports they have published over the years. As for ETSA, as will be shown in the information hereinafter shared and which will be published in greater detail later, its own business model is a paradigm of sustainability.

Presented here is a simplified version of the Sustainability Information, together with the Annual Report and Accounts. Whilst this disclosure fully meets the requirements of DL 89/2017 of 28 July for the purposes of general evaluation by the shareholders at the Annual General Meeting, it is Semapa's firm intention to go further this year and to present a fuller version – the Sustainability Report – by the end of June 2018, a deadline that is also provided for in the abovementioned DL. In that report the projects underway in this area will be described in more detail.

That Sustainability Report will be drawn up on the basis of the GRI – Global Reporting Initiative standards. The final document will be made available on Semapa's website. Any requests for clarifications from the company can be sent using the email address: sustentabilidade@semapa.pt.

II. FRAMEWORK

II.1 DESCRIPTION OF THE GROUP BUSINESS MODEL

All the information on sustainability given here must be framed within a brief description of the Group's business model.Only in this way can the information acquire its full meaning and its true scope is understood.

At the top of the Group's corporate structure is Semapa. It is an investment company, as is clear from the legal form it adopted as a holding company (SGPS in Portuguese). This management assumes the broadest powers possible, encompassing everything related to the purchase and sale options and portfolio, likewise encompassing the exercise of the shareholder functions that imprint its principles, values and a coordinated strategic direction on the invested enterprises.

The shareholder position of Semapa is as diverse and complex as its holdings. The exercise of shareholder functions in a listed company such as Navigator, in which Semapa holds more than half of its share capital, cannot be compared with the exercise of shareholder functions in companies fully owned. It should be noted that, besides the formal exercise of shareholder positions by Semapa, the Group companies also have a close relationship resulting from shared office holders in the corporate governing bodies – the non-executive members of all the operating companies include members of the Semapa Executive Committee, and the more important companies share their Chairman of the Board of Directors with Semapa. Here, too, we have a connecting link of unity in the diversity of operations.

The business model, rather than being a structure or a relationship dynamic, must be understood in the context of its activities and its concrete processes. It results in the manner developed in the Management Report, the Corporate Governance Report and other elements of the presentation of accounts, which are referred to. But the mission of Semapa is also relevant in understanding the governance model, so that it is important to mention, albeit briefly, that Semapa's mission frames the current reality but evidences a greater ambition: whilst the current configuration of the Group has a distinctly domestic and industrial character, its mission points more broadly to "key sectors of the national and international economy".

These Group activities encompass distinctly different operations in different sectors, and the model followed inevitably lies between the advantages of unity and coordination under the leadership of Semapa and the independence and individuality that is required. It is a reality that is equally reflected in our path to sustainability; whilst it is certain that we wish to imprint a global sense of unity and coordination through Semapa, it is no less true that we wish to benefit from the individuality and specificity inherent in each area of activity. That is what we will see in this Report and to a greater degree in those to come.

II.2 MISSION

The mission defined by a company is the most important statement of what it proposes to be and do. That is why it is extremely important, within the scope of this chapter, to begin precisely with this starting point: how is sustainability dealt within the missions of Semapa and its main subsidiaries?

Beginning with the mission of Semapa:

> *To be a point of reference in investment management in key sectors of the national and international economy, being conscious of the principles of sustainable development and able to balance the demands of value creation for the shareholders with a project that is attractive to the Group's professionals and imbued with a deep social and environmental conscience.*

The concerns for sustainability are preponderant in the mission, which, besides being an express reference to sustainable development, reveals concerns for the attractiveness of the project to the employees and the social and environmental awareness.

The mission of ETSA does not expressly address these concerns in its definition itself, but it makes reference to its values, of which sustainability in an express factor:

> *To seek to be a point of reference nationally and internationally in the sector of rendering, contributing to the development of this business area, with the values that define and differentiate us.*

As for Navigator, the mission is formulated in the following terms:

> *To be a global company, recognised for its innovative and sustainable manner of transforming the forest into products and services that contribute to the well-being of people.*

There are two bases for sustainability expressed in the way Navigator configures its mission: on the one hand, the basis for its transformation process, in which the word "sustainable" is expressly mentioned, and on the other, as the end result of its process and activity, which it identifies as "the well-being of people".

The mission of Secil is expressed in the following way:

> *We are an international cement and building materials company that seeks to create value for the benefit of shareholders, workers, customers and other partners in the company. We are governed by the sustainable use of resources, offering innovative and profitable quality products, through the excellence of our employees and respecting the communities where we work.*

The mission of Secil is also fully moulded by the principles of sustainability. In the first place, by the way it defines the beneficiaries of its value creation, which encompasses all its stakeholders. In the second place, there is the specific aspect in which the very word "sustainable" is invoked in describing its use of resources. Thirdly, it expressly invokes its respect for the communities in which it operates.

In these fundamental commitments that express the missions of each company, we have a paradigmatic example of how diverse the various operations of the Group are and how much they have in common. In spite of that, the commitment and deep concern for sustainability is clearly shared.

II.3 GOVERNANCE OF SUSTAINABILITY

The Group is currently redefining a structure for managing its set of activities in the area of sustainability, which will enable it to better frame all that has already been done at the level of the operating companies, to develop an integrated plan of activities, and to project that management to a common, joint vision that will establish new levels of ambition.

II.4 INVOLVEMENT WITH THE STAKEHOLDERS

For Semapa, the involvement of the stakeholders is crucial in the definition and prioritisation of the key issues facing the company, in regard to its economic, environmental and social action, as well as in the improvement of its communication with the surrounding society. The integration of sustainability in its strategic and current management is based on a continuing attitude of transparency, involvement and commitment.

Seeking to improve the definition and implementation of SEMAPA's strategy of sustainability, stakeholders are being consulted for the purpose of identifying expectations and interests, the key issues and needs for action, to strengthen the effectiveness of the channels of communication, identify opportunities for improvement and, in general, deepen the relationship between them and the Group.

These groups of stakeholders include: investors; employees; official supervisory and regulatory bodies; subsidiary companies; major providers of specialised services; representatives of the society of which we are a part, with an external and broad view of the Group and comparable companies.

The results of this consultation will be taken into account in the Sustainability Report to be published by the end of June 2018. That report will seek to meet the expectations of the stakeholders of the Semapa Group, in line with the key issues they have identified and according to the importance they have given to the topics.

Our intention is to materialise in the performance of our activity the relevant contributions that result from an ongoing, transparent dialogue established with the stakeholders.

II.5 SELECTION OF KEY ISSUES

Only after the consultation with the stakeholders has been completed will a list of the critical topics be made, which merit permanent, priority attention, forming an instrument to support top management and the decision-making process.

As a preparatory work, Semapa initiated the first exercise of an internal identification of key issues to take into consideration in the management of the company. In it, the company made use of internal interviews, internal risk analysis, the analysis of legal documents, strategic programmes in effect and activity plans.

II.6 ECONOMIC RESULTS

Semapa's activities are guided based on the sustainability of its economic results. These results are amply detailed throughout this Report and Accounts, of which this Sustainability Information is an integrated part. The economic information of each subsidiary company can also be consulted in their respective Reports and Accounts, available on their websites.

In the Sustainability Report to be published by the end of June this year, this information will be disclosed using the relevant GRI indicators.

III. GENERAL SUSTAINABILITY POLICIES

INTRODUCTION - SEMAPA AND GROUP

Semapa invests its resources in the creation of a sustainable future, seeking to create value and make a positive impact on the quality of life of present and future generations.

We have made economic sustainability the basis for and priority of our organisation, purposing to create value for all the interested parties, both present and future. We have unequivocally assumed the need for environmental sustainability, having clear aspirations for the environment in which we live and the possibilities for a continual improvement in the use of natural resources. We have defined social sustainability, with the optimisation of individual and organisational well-being and, in general, that of the societies where we operate, as an integral part of our *raison d'être*.

We intend to internalise the best sustainability practices in our daily activities and in our decision-making process. Our long-term vision for the organisation is established on three pillars: guarantee a suitable return for the shareholders, generate value in social terms, and improve environmental performance.

Semapa adopts the United Nations Sustainable Development Goals in its strategy, investments and action. These universal goals are an appeal to all organisations to resolve the economic, social and environmental challenges of our common future, and companies play a vital role in achieving those goals

The subsidiary companies have their own general and specific policies for the different components of sustainability. These policies are grounded on principles based on procedures for the management of the impacts of their activities and propose solutions for the resolution of non-conformities and the general improvement of their processes.

The commitment to sustainability by the companies of the Semapa Group, namely Navigator, Secil and ETSA, is well documented in their Reports and Accounts, and Sustainability Reports and is illustrated below.

In order to harmonise an effective transposition of the guiding principles and the commitments of the Group in this domain for the action of each of the subsidiary companies and to integrate all these efforts in a joint line of action, Semapa is currently developing a letter of commitment with criterias for sustainable action, to be applied across all the companies of the Group.

ETSA

ETSA is itself a model oriented for a circular economy and sustainability. In all its activity, ETSA assumes its responsibility for its business, the population and the environment. Its companies respect and scrupulously comply with all applicable environmental and health and safety laws and regulations – not only as a matter of duty, but because they express everything the companies believe in. The focus in this area is a clear result of the values mentioned in its mission, most of which are deeply rooted in concerns for sustainability, such as: Innovation, Excellence, Quality, Sustainability and Safety.

The ISCC (International Sustainability and Carbon Certification) is determinant in the conformity of its policies, as will be seen later in the specific sustainability topics.

SECIL

Secil frames the sustainable development of its activities within an Integrated Policy on Quality, Environment, Health and Safety in the Workplace, which meets or exceeds the legal and regulatory requirements, and others subscribed to, and furthermore commits to a continual review of its performance in these areas, to meet the expectations of all the parties with interests in its action.

The monitoring of the achievement of the defined goals and the periodic review are regularly communicated, with a view to transparency and the involvement and motivation of all the intervening parties, as well as the constant updating required, due to the ongoing changes in the norms that must be observed.

Secil believes that its Vision, Mission and Values, which are known and shared by all its employees, constitute the benchmark for its positioning and action towards its customers, shareholders, the surrounding communities and other interested parties.

The aspect of this vision related to the environment is materialised in a set of formal commitments, which will be referred to within the scope of the specific sustainability topics.

NAVIGATOR

Navigator's activities are based on a sustainable business model focused on the creation of value throughout the entire value chain and which is grouped into three large areas: Forests and Industry, People, and Partnerships.

This model is inspired by the identity of the Company and is expressed in its Vision, Mission and Values.

Its goals and strategies are also aligned with the United Nations Sustainable Development Goals.

IV. Risk Management

SEMAPA

Semapa regularly conducts and discloses its analysis of risks that could affect its activity, as evidenced in this and previous Reports and Accounts.

In the context of identifying the key issues, the scope of the risk analysis also encompassed social and environmental questions.

In regard to the regulatory risk, aware of the implications that future alterations in the Community and National legislative framework could have on its activity, Semapa accompanies all the legislative and regulatory processes connected to its activities.

Semapa also assumes the existence of risks and opportunities related to climate change affecting the strategic and operating activities of its companies. Notwithstanding, the company's presence at associational or business forums where these challenges are discussed has been defined as a future priority for the Group.

In particular, Semapa participates directly in the forums and works related to questions of governance, circular economy, environment, sustainability, industrial policy and others, as a way of keeping informed for its risk analysis.

ETSA

Risk management at ETSA is entrusted to the company's Administration. The control of operating risks is accounted for in the processes of the company, which minimises the risk, seeking to contribute to interrupting the cycles that are dangerous not only to public health, but also for the preservation of animal and environmental health. The regulatory risk is accompanied by the Administration on a direct and regular basis.

NAVIGATOR

Navigator assumes risk management as fundamental and has been systematising and monitoring the risks inherent in all its activity.

In 2017 the company identified and codified in its processes, the risks that affect each operating area and the control activities inherent in each situation. This procedure seeks to guarantee that the risks inherent to the activity are assumed with a clear awareness of their impact and that the mitigating activities are carried out in line with the guidelines of the company's management.

The analysis of the sustainability of the business takes into account the context and the major international trends, the political and socio-economic context, the regulatory and strategic analysis and the expectations of the stakeholders. This is exemplified by the risks associated with adverse environmental conditions, the scarcity of water or the lack of raw materials.

SECIL

The company analyses its risks based on financial risk factors and operating risk factors.

The financial risk management is carried out by the Department of Financial Management based on policies approved by the Administration. The Department of Financial Management identifies, assesses and carries out operations aimed at minimising the financial risks, in close cooperation with the Group's operational units. The Administration defines the principles for risk management as a whole and policies that cover specific areas, such as currency exchange risk, interest rate risk, credit risk, the use of derivative and other non-derivative financial instruments, as well as the investment of surplus liquidity.

The operating risk factors considered include a number of aspects, with special emphasis on the construction sector, the demand for Secil products, environmental legislation and energy costs.

V. SPECIFIC AREAS OF ACTION

V.1. THE ENVIRONMENT

SEMAPA

In individual terms, Semapa's environmental issues are quite few, resulting essentially from the activities inherent in managing spaces for administrative services, and they are dealt with in the sustainability policy. Good practices are already a part of the company routine. Even so, in this area, as well, the renovated structure for sustainability management foresees making a further contribution.

The weight of environmental factors at Semapa is basically in the options it makes as a holding company, whether in terms of its portfolio or in the exercise of its shareholder positions. However, it is the companies of the Group, whose activities may have significant environmental impacts, which contribute to the environmental information disclosed herein.

ETSA

The environmental aspect merits highlighting in the sustainability concerns of ETSA. All the most important companies of this subgroup hold the ISCC certification, and have published or are developing an environment policy integrated with quality and sustainability.

The ISCC is the world's first system for the certification of sustainability and the reduction of greenhouse gases, recognised by the European Commission and all 27 countries of the EU, and may be used to certify every type of biomass and bioenergy. The ISCC certification guarantees that the biomass was produced in a conscientious manner that respects the environment, specifically through the reduction of greenhouse gases, the sustainable use of land and the protection of the natural environment. ITS, SEBOL and BIOLOGICAL have this certification.

Despite its size, ETSA has had the support of an outside consultant for many years in the accompaniment and development of all the matters related to its environmental policy, and it is currently taking steps to make these policies even stricter, integrating new environmental protocols in conjunction with the goals of quality and sustainability.

NAVIGATOR

For Navigator, the preservation of the environment is essential to its standing in the international markets and to its responsibility towards the communities. As part of its environmental responsibility, it strengthens the efficiency of its production processes, in order to minimise its environmental impacts. This effort is well expressed in the reduced use of natural resources and the level of emissions registered. The successive improvements in the production process are evidenced in very important results on a number of fronts:

- Reduced consumption of water per ton of finished products;
- Increased use of energy from renewable sources;
- Increased acquisition of certified wood;
- Lower consumption of fossil fuels;
- Reduced CO_2 emissions per ton of product, and
- Improved waste management.

Given the nature of its operations, its practice of forestry management, as set forth in the corresponding Policy, is of the utmost importance for Navigator and for society. There are various aspects of sustainability that derive from that policy, but the emphasis is on the environmental aspect. The essential aspects are as follows:

> *The Navigator Company promotes the efficient and competitive management of its plantations and agroforestry spaces with the goal of producing tangible and intangible assets, respecting the conservation of natural and socio-cultural resources.*
>
> *Through its ongoing enhancement of the Forestry Management, the Company generates value and recognition from society in general, shareholders, employees, customers and other interested parties within the scope of the social and environmental responsibility of The Navigator Company and in line with its Sustainability Policy.*
>
> *Aware of the value of its patrimony, The Navigator Company adopts a model of forestry management that aims to contribute to maintaining and continually improving the economic, ecological and social function of the forests, in terms of their settlement and as a forested landscape, and assumes the long-term commitment to:*
>
> - *Manage its patrimony in line with the Pan-European criteria for sustainable forestry management and other requirements of the Portuguese Standard NP 4406 Sustainable Forestry Management.*
> - *Manage its forestry patrimony in line with the Principles and Criteria of the FSC - Forest Stewardship Council® and do PEFC™ – Programme for the Endorsement of Forest Certification.*

In terms of biodiversity, Navigator is responsible for more than 99% of the classified areas under Semapa Group management. Taking into consideration the size and importance of those areas, the company defined an innovative strategy, adapted to its scale and seeking the conservation of the natural and socio-cultural values lying within the patrimony under its responsibility.

As support to the strategy of conservation, Technical Manuals for Assessing Biodiversity and Conservation Action Plans (CAP) were prepared, which counted on the contribution of environmental specialists and non-governmental organisations.

Navigator reinforced its dialogue with stakeholders through the consolidation of the Sustainability Forum and the creation of local Committees of Environmental Accompaniment at a local level in each of its plants.

As for its impact on the reduction of greenhouse gases, Navigator received international recognition from the CDP with the attribution of the A- level of Leadership, and its goal is to be a Carbon-Free company by 2035.

SECIL

Secil recognises the critical nature of environmental matters in the sustainability management of the company's activity. With the goal of reducing its environmental impact, SECIL has been developing environmental management strategies with an impact on topics as important as climate change, atmospheric emissions, water consumption and biodiversity.

Secil was a pioneer in introducing CAA (Environmental Accompaniment Committees) at its plants, guaranteeing transparency and the consultation of relevant stakeholders from each community, a practice that took roots in the plants in Portugal and is being extended to all areas around the world where the company operates. There is total transparency in the public dissemination of its levels of emission.

Encompassing the entire value chain up to its end, Secil carries out the recycling and use of wastes from the demolition of buildings and infrastructures as a way of reducing the use of new aggregates, reducing the use of virgin materials and the environmental costs arising from the exploitation and transport of wastes deposited in landfills. It also develops a set of products for coating and thermal insulation that improve the energy efficiency of buildings.

Adopting the logic of circular economy, Secil also enhances the by-products of other industries, such as fuel, raw materials and waste materials, as is the case of the cork industry, the by-products of which are reclaimed to make mortars and light concrete with cork, for example.

Seeking to contribute to the reduction of greenhouse gases, Secil has undertaken a significant number of initiatives to reduce the carbon footprint of its value chain. This approach is a strategic vector for the company, as is evident in its successive sustainability reports.

The promotion of biodiversity in the exploited areas that have been recovered and are being recovered is integrated in the environmental and landscape recovery plans approved and published. The Outão quarry,accompanied by the University of Évora for several years, and with its own nursery for autochthonous species is considered a case study for Europe due to the results obtained there, , being the main topic of an international seminar to be held in 2018.

In this way Secil carries out its commitments to:

- Guarantee a standard of responsible action that harmonises the exploitation of natural resources with the maintenance and development of the ecosystems where it carries out its activity;
- Mitigate the impact of its action, through the adoption of the best technologies and good practices available and the appropriate training of its employees, and
- Promote biodiversity in the lands that are under its management.

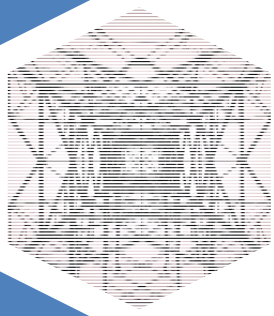
PERFORMANCE INDICATORS

18 million tons of raw materials

GRI 301-1

GRI 302-1

51.3 million gigajoules (energy)



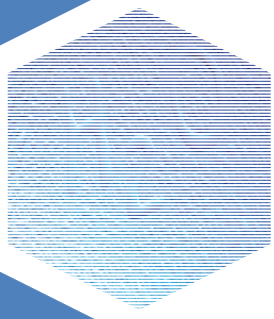
5.6 million tons of CO_2eq

GRI 305-1

GRI 305-2

GRI 303-1

70.4 million cubic metres of water

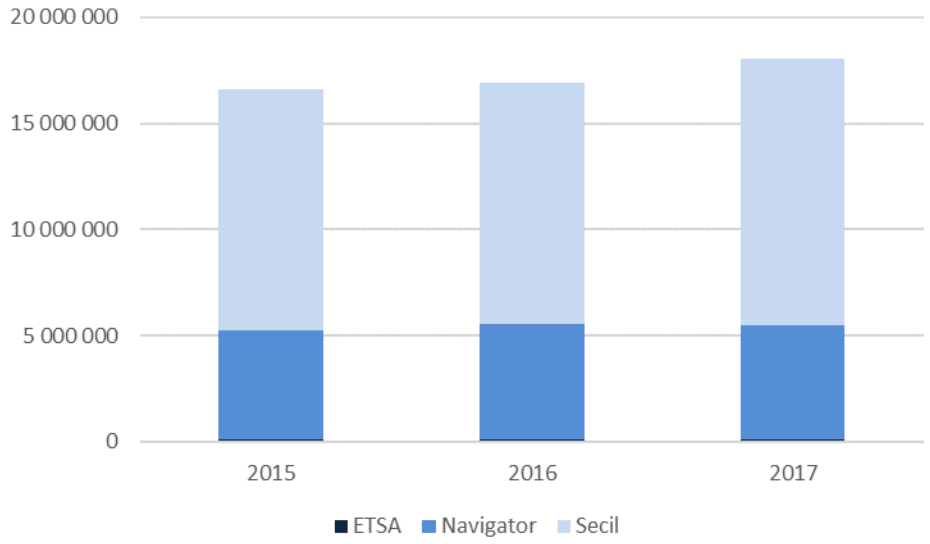


537.5 km² of operations in classified areas

GRI 304-1

RAW MATERIALS

CONSUMPTION OF RAW MATERIALS (TONS)



SECIL | ENVIRONMENTAL AND LANDSCAPE RECOVERY PLANS

Secil is responsible for about 70% of all the raw materials used by the Semapa Group. Considering the ecological importance of some of the areas where it is operates, the company has worked with the School of Science of the University of Lisbon in the scientific accompaniment of the ecological management of the areas to be recovered in the Outão quarries. This joint effort has made it possible to test and develop specific techniques and solutions for the recovery of quarries that currently define the methodologies of the Recovery Plans.

The quarries of the three plants in Portugal have an Environmental and Landscape Recovery Plan (PARP), the goal of which is the progressive recovery of the exploited areas and the minimisation of the negative impacts inherent in the process of exploiting quarries, given the nature of the operations and the surrounding areas.

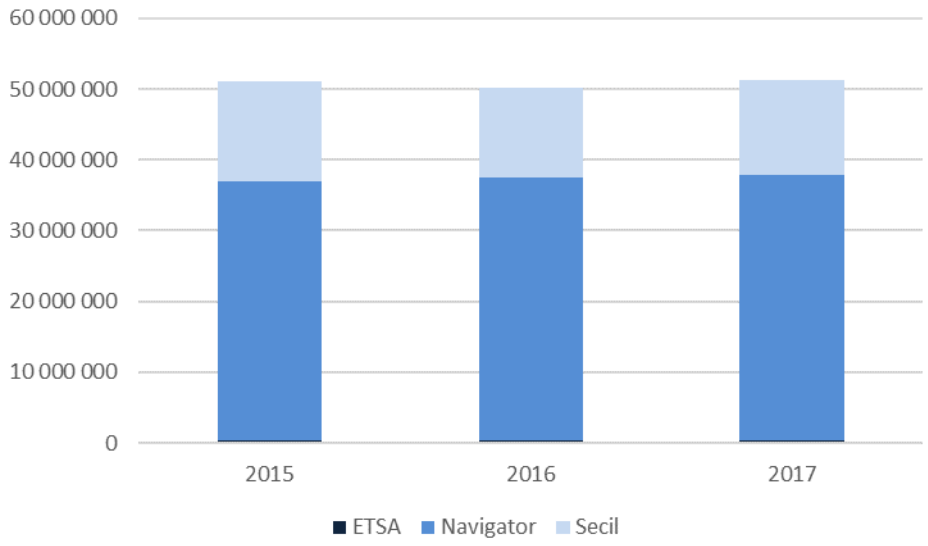
ETSA | TURNING RUBBISH INTO RAW MATERIALS

The business model followed by ETSA makes it possible to give new life to products that would otherwise be sent to the rubbish heap. True to the motto “nothing is lost, everything is transformed”, the company collects the by-products of animal origin and used cooking oils and transforms them into products that can be used in formulating fertilisers, making animal rations (including pet foods), and producing biodiesel.

All the raw materials used by the ETSA manufacturing plants are renewable, being by-products of animal origin and used cooking oils.

ENERGY

ENERGY CONSUMPTION (GJ)



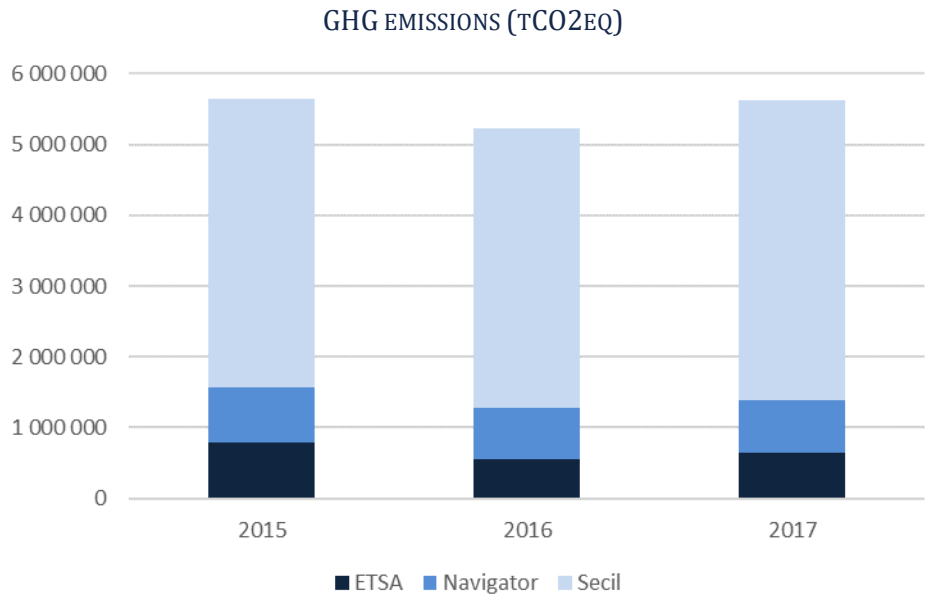
ETSA | SELF-SUSTAINING COMPLEX AT CORUCHE

The materials received by ETSA-ITS, rejected by veterinary intervention, and sludge coming from sewage treatment plants (ETAR'S), are transformed into fats for subsequent reuse for energy and into meal, which are subjected to an internal process of co-incineration, producing thermal energy in a closed circuit and making the Coruche complex self-sustaining in this type of energy.

NAVIGATOR | LED LIGHTING IN INDUSTRIAL ENVIRONMENT

Within the scope of Navigator's Corporate Programme for Energy Efficiency, 5 LED lighting projects were executed at the industrial sites of Cacia, Figueira da Foz and Setúbal, with a potential for reducing their electrical consumption by 50%. Navigator's overall goal by 2025 is to reduce specific energy consumption by 15%, in comparison with that of 2015.

GREENHOUSE GASES



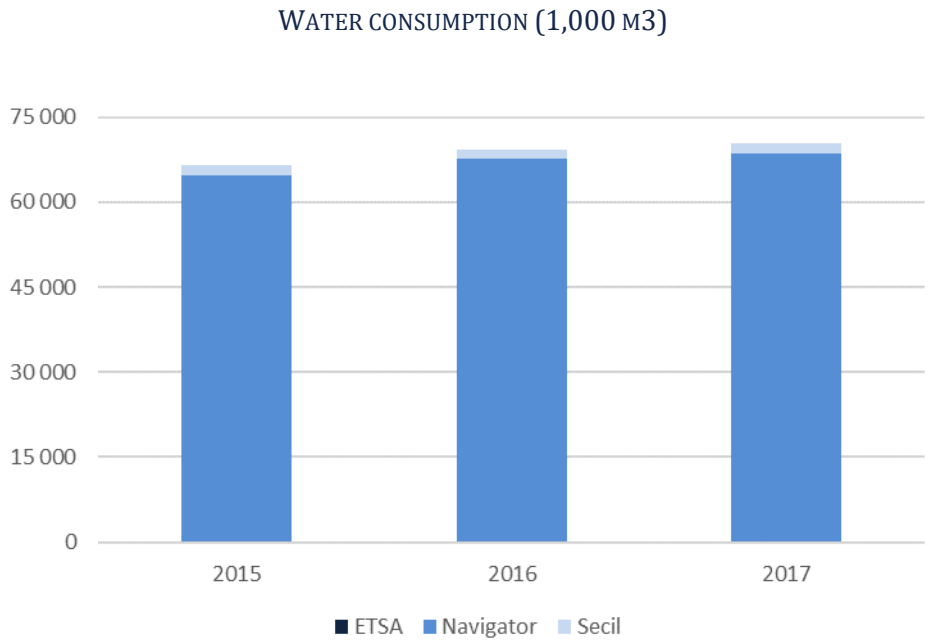
SECIL | REDUCTION OF COMBUSTION EMISSIONS

The company has managed to reduce emissions from the combustion of fuels, as a result of the growing use of alternative fuels. The company is currently developing a pioneer project for the capture and use of carbon in its Patais plant, in Portugal.

NAVIGATOR | CARBON CAPTURE AND RETENTION

Navigator's strategic development is founded on a sustainable management model throughout the value chain. The Company contributes to the mitigation of climate change risks by performing responsible afforestation. Every year it captures CO_2 from the atmosphere through the forests it plants and manages sustainably. Forests represent one of Navigator's most significant contributions to the decarbonisation, making it an active agent of low-carbon economy.

WATER



NAVIGATOR | WATER CONSUMPTION REDUCTION GROUP

In 2017 the Water Consumption Reduction Group was created, and the project for optimising water consumption in the Industrial Complex of Setúbal (CIS) was launched. The measures being studied or underway are expected to help reduce water consumption in the complex by 20% in the next five years.

SECIL | METER SUPPLY

While water consumption in the sector is not significant and most of the water used in the manufacturing process circulates in a closed circuit, water is fundamental for cooling the equipment and combustion gases in the cement manufacturing process, (recycling/reuse) and a small part of it evaporates.

To ensure better management of the entire water circuit and detect possible inefficiencies, the Secil plant in Lebanon was equipped with seven meters, in the sections with the highest consumption levels.

V.2 SOCIAL AND WORKER-RELATED ISSUES

Social issues in general, and those concerning workers, in particular, continue to receive the attention of the Group. In addition to the impact of the aforementioned missions of the companies on these matters and the alignment that has always existed between all of the Group's companies in terms of how they address such issues, there are still some policies in the area of personal development that are being developed across the Group.

Beginning with this last point, and recalling the corporate model explained, the responsibility for providing the conditions and opportunities for the development of the Group's employees lies primarily with the companies which they belong to. Nevertheless, over the last years Semapa has developed a set of cross-sectional initiatives that complement and supplement the initiatives of the individual companies, directed towards all employees of the Group's companies. There are three main goals: vocational training through the Learning and Talks programmes; professional development under the Moove and JG programmes; and information, such as News initiative.

Semapa's own employees, in turn, may benefit from an individualised approach due to the limited size of the organisation, combining their individual interests with those of the company, in line with the same principles of respect, development and opportunities that are the aim of the cross-sectional initiatives.

In 2002, Semapa set up, approved and published its Ethical Principles, which guide its own individual actions and lay down guidelines for all of the Group's companies. Information available at http://www.semapa.pt/en/home.

In a more individual perspective, in 2017 Semapa set up, approved and internally disseminated the Code of Good Conduct and Prevention of Sexual Harassment, available to all workers.

In consolidated terms, in spite of the different origins and histories depending on the companies, it is clear that the existing policies in this context are largely similar today, with some variation in terminology and configuration, which do not alter their nature and objectives. The following are the most relevant:

- Strong investment in human resources, translated into training and other worker development activities, such as the Learning Center NVG and the Secil Academy;
- Health and Safety at the workplace, as an ongoing project for continuous improvement;
- Specific policies for the prevention of serious accidents (which in ETSA's case is not autonomous from the previous point);
- Policies aimed at promoting the ties it builds with the communities around its production units and the respect for them.

Some approaches of individual companies stand out in this context.

In the case of ETSA, many matters are addressed in the context of ISCC certification, which includes a set of social indicators. It also has a process for involving and motivating workers, who are encouraged to take part in the management and development of the quality, environmental and sustainability system.

As for Navigator, where the policies mentioned above are very well developed, it is worth noting the social component of its forest policy, OHSAS 18001 certification of its health and safety at the workplace management system, and the HR management model founded on four principles that are disseminated to all its workers: Accountability, Respect, Safety and Initiative.

On the other hand, Secil has a global project for the prevention of occupational diseases and the reduction of work hazards, which has earned special attention and dedication on behalf of all workers and managers and has brought the company closer to the sector benchmark.

Focusing on the long-term perspective and the best practices of sustainability, both Navigator and Secil are deeply committed to business associations, aimed at ensuring sustainable environmental activities, in particular the activities of the World Business Council for Sustainable Development.

INDICATORS

More than 3 million euros of investment in the Community

GRI 201-1
GRI 203-1

GRI 102-8

Over 5500 employees

Over 95% of the employees have an indefinite contract

GRI 102-8

GRI 102-41

Over 37 % of the employees are members of a trade union

More than 185 thousand hours of training

GRI 404-1

GRI 403-2

< 200 work accidents

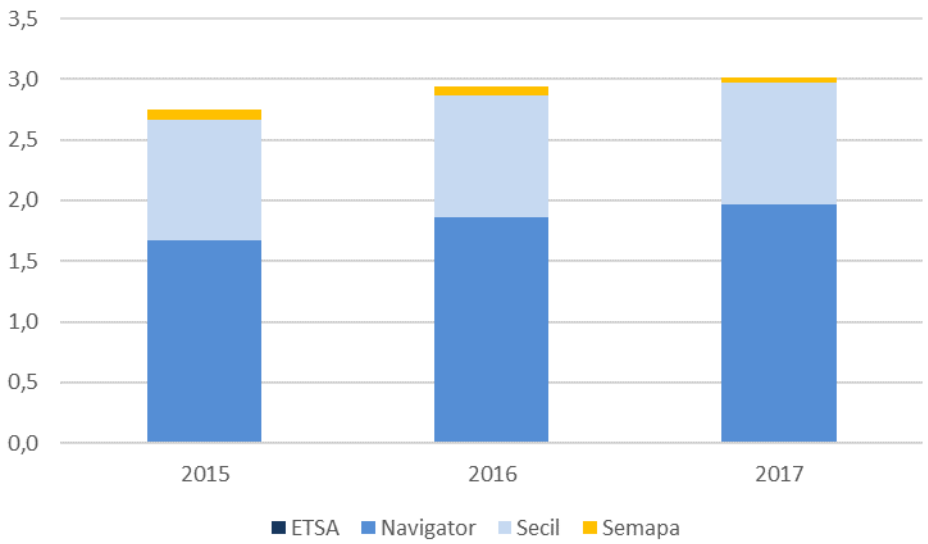
< 2850 work days lost

< 10 occupational illnesses

1 fatality (Angola)

INVESTING IN THE COMMUNITY

THE VALUE OF COMMUNITY INVESTMENT (MILLIONS OF EUROS)



SECIL | CULTURE AND SPORT

SECIL has assumed a commitment to develop sustainable cultural, sports and social inclusion activities in the places where it conducts its business, within the framework of the company's social responsibility. Each year 80 associations in the district of Setúbal receive funding for their activities in this way.

NAVIGATOR | OYSTERS FROM THE SADO RIVER RECOVERING

A study financed by Navigator confirmed that the oysters caught in the Sado River are recovering.

Researchers confirm that the natural populations of Portuguese oysters are expanding. The natural banks of Portuguese oysters in the estuary of the Sado river have been recovering in the last years, according to a scientific study sponsored by Navigator and conducted by the *Instituto da Conservação da Natureza e das Florestas* (ICNF), in partnership with several institutions specialised in sea and environment.

SEMAPA | FUNDAÇÃO NOSSA SENHORA DO BOM SUCESSO

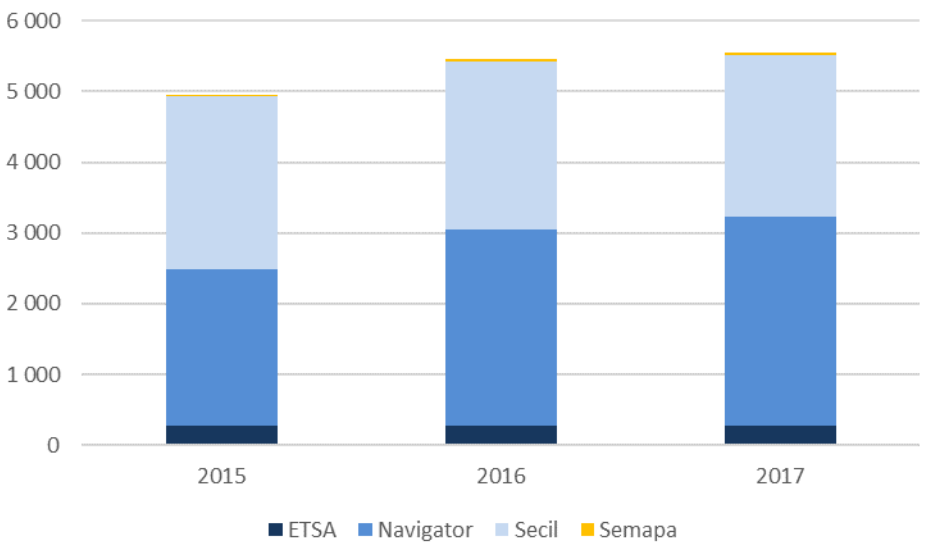
Among regular contributions that Semapa has made to several social missions, special note goes to the support it has given in recent years to the Fundação Nossa Senhora do Bom Sucesso.

This Foundation was started by Maude de Queirós Pereira in 1951, and it is dedicated to human health and development, with special focus on children's and women's health, delivering excellent services independent

of the social and economic status of patients. Its approach includes health monitoring, medical diagnosis and health education activities.

STAFF FIGURES

NO. OF EMPLOYEES



Between 2015 and 2017 the group's staff grew approximately 12%.

While there was practically little change in ETSA and Semapa's staff during this period, the same is not true for Secil and Navigator. Some of the Secil plants were restructured in view of adjusting production and staff numbers to lower levels of cement consumption in the countries in question. In Navigator, however, staff increased 25% in 2015 and 2016, under the workforce rejuvenation program underway and, particularly, due to the integration of the plant at Vila Velha de Ródão in the company sphere.

V.3. GENDER EQUALITY AND NON-DISCRIMINATION

The principle of non-discrimination is at the heart of Semapa and the Group's companies. Its relevance was enshrined

on December 30th, 2002, when Semapa's Board of Directors adopted a set of ethical principles to be implemented by Semapa and the companies it controls, establishing in item 4 of Article VIII:

> *"4. In the company's internal relations and with third parties, Semapa staff must not discriminate or accept discrimination in any way, on the basis of descent, gender, race, language, national origin, religion, political convictions or ideology, education, economic situation or social status."*

More than just words uttered in a formal document, this principle expresses management's strong belief, which is conveyed throughout the organisation and underlies all its decisions, from the most important acts of policy-making to the smallest choices of day-to-day management.

Gender equality, on the other hand, must be seen from a double perspective and with a different complexity. From one angle, the issue of equality between men and women does not extend beyond the matter of non-discrimination mentioned before. Non-discrimination is certainly the first and most determinant step towards equality, which is why we declare without reservations or constraints the respect we hold in the Group for equality between men and women.

From another angle, there is the current trend of going beyond "non-discrimination" and acting proactively in view of achieving balanced representation of men and women in certain activities and positions inside the companies.

There are no specific policies in the Group in this matter. However, this is not based on any firm or ideological grounds. It is merely a choice arising from some reflection on the timeliness, appropriateness and actual need to force something that does not happen naturally in a context of non-discrimination. It is an option that must be and will always be considered in connection with the internal experiences and external evidence.

The fact that the Group is made up of companies with a marked industrial vocation, with historical contexts linked to the most common professions in the industry, and strong cultural elements in some regions, explains the predominantly male workforce of the Group. It should be noted, however, that in many of the Group's activities progress has been made towards greater parity.

INDICATORS

Gender breakdown (Employees)
86% Men
14% Women

GRI 405-1

GRI 405-1

Breakdown by age (Employees)
18% < 30
30 < 54% <50
28% > 50

No inequality of pay between men and women

GRI 405-2

Men	Women	Prof. Categories	<30	30 to 50	> 50
87%	13%	Management	0%	43%	57%
76%	24%	Senior Managers	10%	58%	33%
85%	15%	Middle Managers	32%	54%	14%
89%	11%	Assistants	12%	55%	34%
86%	14%	**TOTAL**	18%	54%	28%

NAVIGATOR | REJUVENATION PROGRAMME

Navigator has made an effort to replenish its staff. Consequently, the Rejuvenation Programme, adopted in 2014, created a compensation system for current staff who, nearing the statutory retirement age, are interested in exiting the company earlier.

EQUAL PAY

In no professional category in any of the companies of the Semapa Group are there pay inequalities between men and women.

Possible wage gaps between men and women are solely due to the components that make up the basis for the calculation of the salaries (namely, shifts, additional work, bank holidays, etc.), the employee's seniority, and difference in the companies of origin, among other criteria.

V.4. RESPECT FOR HUMAN RIGHTS

Semapa undertakes to respect and promote human rights, in accordance with the ten principles of the Global Compact, the United Nations Universal Declaration of Human Rights, and the Code of Conduct of the International Labour Organisation (ILO).

With the clear intention to join the United Nations Global Compact, Semapa pledges to comply with its 10 Principles and the underlying values set forth in the framework of Human Rights, Working Conditions and Combating Corruption.

The laws governing Semapa and its subsidiaries are deeply rooted in the respect for Human Rights, so all of the Group's operations adhere strictly to such principles. This stance is also favourably influenced by the geographical and social context of individual operations. Furthermore, these matters are closely monitored by the executive directors of each company, where they have not been identified as constituting a relevant risk, nor have they been pinpointed by stakeholders as material issue. There is consequently no need for issuing any additional policy.

Clearly expressing its commitment to such principles, Semapa not only adheres to the Global Compact, but it is also implementing a process to extend these principles to its value chain. Navigator took the first step by adopting a supplier's code of conduct, which will be applied to the other companies in the next couple of years. The results of these policies will be reported in successive sustainability reports.

There is no evidence of unsatisfactory performance of any of the Group's companies in this area, which is why no considerations of the historical impact of the aforementioned measures are made.

Due diligence concerning both initiatives reported – the Global Compact and the Supplier's Code of Conduct - will begin in the next financial year and it will be addressed in the sustainability report of that year.

The Group's main companies, Secil and Navigator, endorsed the «BCSD Portugal's Charter of Principles». This document lays down the fundamental sustainability principles that the signatories willingly adopt for themselves and seek to extend to the value chain under their sphere of influence.

Although this is not a relevant feature of the operations controlled directly by the Group in Portugal, it is precisely within its value chain and sphere of influence that the companies of the Semapa Group seek to promote the protection of Human Rights.

Under Principle 2 – Human Rights, the signatory of the Charter of BCSD Portugal undertakes to:

- Respect and promote Human Rights.
- Not tolerate human rights violations, refusing any kind of harassment, discrimination, coercion, abuse, violence or exploitation in its sphere of influence.
- Make appropriate efforts to avoid using in its products any raw materials that finance, either directly or indirectly, human rights violation acts.

Human rights issues are also addressed in the Group's internal documents, such as the «Code of Ethics and Conduct» and the «Supplier's Code of Conduct» of Navigator. Both documents were reviewed in 2017 and they clearly state the company's commitment to never engage in child and slave labour, nor agree with such practices, thus adopting all measures deemed necessary to fight against such practices.

The Group's companies in different locations regularly assess the impact of their activities on human rights' issues.

Child or forced labour risks were not identified in any of the Group's companies. Nonetheless, actively seeking to promote human rights in its value chain, the specifications for the acquisition of goods and services of the companies of the Semapa Group include a list of tenderers' obligations aimed at preventing various human rights risks.

Private security companies are in charge of guaranteeing security in the Group's facilities, and they address human rights' issues in the training of their staff.

V.5. FIGHTING CORRUPTION AND ATTEMPTED BRIBERY

By the end of the next fiscal year each company of the Group will have established an internal policy for the prevention of corruption, which takes on different forms and is implemented in different ways depending on the specific needs. The policy is reinforced by the commitment to the principles of the United Nations Global Compact mentioned above.

Secil and Navigator take these matters to the next level:

- Both companies signed the charter of principles of BCSD Portugal at the end of 2017.
- In both cases the internal anti-corruption policy is monitored through internal procedures established by formal management systems that have been audited.
- Navigator and Secil are also equipped with reporting mechanisms for informing internal audit bodies about possible related events.

In Semapa and ETSA, which are smaller companies, the matter is monitored directly by the executive directors, thus ensuring the due diligence.

During the fiscal year no corruption event was noted in any of the Group's companies.

Corruption prevention will be addressed in the charter of principles, applied to the whole group, according to which the Group's sustainability management team wil assess the risk and ascertains the need for and the potential impact of an additional due diligence mechanism.

This policy, combined with other measures, such as Semapa's Ethical Principles and Navigator's Code of Ethics and Conduct, mitigate any potential risk, ensure satisfactory performance, and guarantee the appropriate stance of the Group's companies in this context. The developments envisaged, as described above, will reinforce the trend and the positive impact on the company.

VI. COMMITMENTS FOR THE FUTURE

VI.1 THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The UN Sustainable Development Goals, which have been ratified by nearly all countries, including Portugal, laid down 17 priority indicators for guaranteeing sustainable development.

The SDGs point explicitly at the role of companies and economic agents in achieving these goals. Semapa assumes its responsibility in this process and its commitment to fulfilling these goals as an active player in society.

Semapa is currently taking stock of the goals it intends to prioritise and on which it wishes to focus its efforts, always bearing in mind its capabilities and the value chain of its subsidiaries.

In this context, following the SDG Compass methodology and in consideration of Semapa's nature of business, the Company will establish the Sustainable Development Goals that are to be regarded as priority.

VI.2. CLIMATE CHANGE - TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD)

The TCFD encourages large companies to test the soundness and resilience of their strategies against a set of climate change scenarios. Regarding risk analysis and monitoring, Semapa acknowledges the importance of this project and will keep track of developments in subsequent financial years.

PART 4

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
FOR THE PERIODS ENDED AS AT 31 DECEMBER 2017 AND 2016

Amounts in Euros	Notes	2017	2016	4th Q 2017 (Unaudited)	4th Q 2016 (Unaudited)
Revenues					
Sales	4	2,137,820,694	2,054,279,950	546,098,776	539,418,877
Services rendered	4	26,832,584	20,334,993	8,943,255	5,716,480
Other income					
Gains on disposal of non-current assets	5	4,044,932	3,408,483	2,319,573	1,491,874
Other operating income	5	58,574,591	71,056,601	25,471,217	25,133,015
Change in fair value of biological assets	18	3,783,988	8,616,021	597,982	(1,963,125)
Cost, expenses and losses					
Cost of inventories sold and consumed	6	(807,146,735)	(806,886,005)	(198,108,784)	(199,190,101)
Variation in production	6	(25,954,418)	(2,292,741)	(20,830,572)	(16,774,301)
Cost of materials and services consumed	6	(590,592,977)	(579,963,094)	(153,027,599)	(164,889,403)
Payroll costs	6	(260,340,347)	(242,091,505)	(71,289,439)	(64,229,441)
Other costs and losses	6	(46,295,410)	(37,355,667)	(15,102,888)	(9,935,439)
Provisions	6	(4,240,123)	2,387,895	(461,742)	4,735,367
Depreciation, amortisation and impairment losses	8	(224,224,765)	(246,959,406)	(62,243,963)	(70,768,049)
Operational results		**272,262,014**	**244,535,525**	**62,365,816**	**48,745,754**
Group share of (loss) / gains of associated companies and joint ventures	9	1,047,842	3,067,090	129,931	1,757,396
Net financial results	10	(64,911,379)	(77,373,279)	(14,616,839)	(19,078,665)
Profit before tax		**208,398,477**	**170,229,336**	**47,878,908**	**31,424,485**
Income tax expense	11	(14,798,847)	19,076,034	17,800,963	41,753,557
Profit for the year		**193,599,630**	**189,305,370**	**65,679,871**	**73,178,042**
Profit for the year					
Attributable to Semapa's Shareholders		**124,093,467**	**114,862,812**	**45,992,700**	**43,308,328**
Attributable to non - controlling interests	13	69,506,163	74,442,558	19,687,171	29,869,714
Earnings per share					
Basic earnings per share, Eur	12	1.538	1.418	0.570	0.538
Diluted earnings per share, Eur	12	1.538	1.418	0.570	0.538

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME
FOR THE PERIODS ENDED AS AT 31 DECEMBER 2017 AND 2016

Amounts in Euros	Notes	2017	2016	4th Q 2017 (Unaudited)	4th Q 2016 (Unaudited)
Retained earnings for the year without non - controlling interests		**193,599,630**	**189,305,370**	**65,679,871**	**73,178,042**
Items that may subsequently be reclassified to the income statement					
Derivative financial instruments					
Fair value changes	34	7,970,630	(4,393,945)	(1,436,787)	3,652,636
Tax on items above when applicable	28	(2,615,810)	1,507,615	(288,645)	(1,239,677)
Currency translation differences	27	(81,305,715)	34,614,409	(27,562,048)	23,957,855
Other comprehensive income of Associates recognized to MEP		1,505,075	3,737,176	(3,620,669)	5,931,910
Items that may not subsequently be reclassified to the income statement					
Remeasurements					
Remeasurements positive/(negative)	29	2,657,177	(11,626,310)	1,898,586	(10,874,180)
Tax on items above when applicable	28	14,981	(1,929,213)	26,978	(1,430,897)
Other comprehensive income recognised in equity		**(71,773,662)**	**21,909,732**	**(30,982,585)**	**19,997,647**
Total comprehensive income for the year		**121,825,968**	**211,215,102**	**34,697,286**	**93,175,689**
Attributable to:					
Semapa's Shareholders		62,700,822	141,256,579	20,552,660	60,766,610
Non - controlling interests		59,125,146	69,958,523	14,144,626	32,409,079
		121,825,968	**211,215,102**	**34,697,286**	**93,175,689**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2017 AND 2016

Amounts in Euros	Notes	31-12-2017	31-12-2016
ASSETS			
Non - currents assets			
Goodwill	15	352,024,516	352,812,897
Other intangible assets	16	290,065,457	296,621,604
Property, plant and equipment	17	2,064,604,211	2,313,490,314
Investment properties		385,927	958,112
Biological assets	18	129,396,936	125,612,948
Investment in associates and joint ventures	19	4,099,421	3,885,458
Financial assets at fair value through profit or loss	20	44,508	47,258
Available-for-sale financial assets	21	424,428	342,122
Deferred tax assets	28	80,075,383	78,652,223
Other non - current assets		6,244,448	6,744,351
		2,927,365,235	**3,179,167,287**
Current assets			
Inventories	23	280,756,346	308,717,695
Receivables and other current assets	24	334,867,086	304,904,426
State and other public entities	25	111,820,465	97,489,849
Income tax	25	788,673	13,059,045
Non-current Assets held for sale	33	88,202,005	1,036,774
Cash and cash equivalents	2.1.3 and 31	243,187,261	184,101,274
		1,059,621,836	**909,309,063**
Total assets		**3,986,987,071**	**4,088,476,350**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	26	81,270,000	81,270,000
Treasury shares	26	(6,036,401)	(6,036,401)
Translation reserve	27	(99,805,648)	(31,600,075)
Fair value reserve	27	(2,100,174)	(6,062,513)
Other reserve	27	717,616,946	717,616,946
Retained earnings	27	28,359,635	(52,720,971)
Profit for the year		124,093,467	114,862,812
Consolidated shareholders' equity		**843,397,825**	**817,329,798**
Non - controlling interests	13	378,547,431	409,754,207
Total equity		**1,221,945,256**	**1,227,084,005**
Non - current liabilities			
Deferred tax liabilities	28	265,510,481	276,468,649
Pensions and other post-employment benefits	29	8,123,335	10,085,423
Provisions	30	55,674,021	74,571,775
Interest-bearing liabilities	31	1,653,480,805	1,697,565,380
Other non-current liabilities	32	25,728,280	33,301,140
		2,008,516,922	**2,091,992,367**
Current liabilities			
Interest-bearing liabilities	31	263,390,200	266,268,367
Payables and other current liabilities	32	385,598,640	379,782,809
State and other public entities	25	93,052,535	76,253,728
Income tax	25	14,419,036	47,023,845
Non-current Liabilities held for sale	33	64,482	71,229
		756,524,893	**769,399,978**
Total liabilities		**2,765,041,815**	**2,861,392,345**
Total equity and liabilities		**3,986,987,071**	**4,088,476,350**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIODS ENDED AS AT 31 DECEMBER 2017 AND 2016

Amounts in Euros	Notes	Share Capital	Treasury Shares	Share Premiums	Fair Value Reserves	Other Reserves	Translation Reserve	Retained Earnings	Profit for the year	Total	Non-controlling interests	Total
Equity as of 1 January 2017		**81,270,000**	**(6,036,401)**	**-**	**(6,062,513)**	**717,616,946**	**(31,600,075)**	**(52,720,971)**	**114,862,812**	**817,329,798**	**409,754,207**	**1,227,084,005**
Application of 2016 profit of the year:												
- Transfer to other reserves	14 and 27	-	-	-	-	-	-	75,045,182	(75,045,182)	-	-	-
- Dividends Paid/Reserves Paid	14 and 27	-	-	-	-	-	-	-	(36,307,652)	(36,307,652)	-	(36,307,652)
- Profit-Sharing Bonuses	14	-	-	-	-	-	-	-	(3,509,978)	(3,509,978)	-	(3,509,978)
Dividends paid by subsidiaries to non-controlling interests	13	-	-	-	-	-	-	-	-	-	(88,167,877)	(88,167,877)
Other comprehensive income for the year*		-	-	-	3,962,339	-	(68,205,575)	2,850,592	-	(61,392,644)	(10,381,018)	(71,773,662)
Acquisitions/Disposals to non-controlling interests		-	-	-	-	-	-	(200)	-	(200)	-	(200)
Share capital reduction		-	-	-	-	-	-	-	-	-	(314,367)	(314,367)
Other movements		-	-	-	-	-	2	3,185,032	-	3,185,034	(1,849,677)	1,335,357
Profit for the year		-	-	-	-	-	-	-	124,093,467	124,093,467	69,506,163	193,599,630
Equity as of 31 December 2017		**81,270,000**	**(6,036,401)**	**-**	**(2,100,174)**	**717,616,946**	**(99,805,648)**	**28,359,635**	**124,093,467**	**843,397,825**	**378,547,431**	**1,221,945,256**

**Net of deferred taxes*

Amounts in Euros	Notes	Share Capital	Treasury Shares	Share Premiums	Fair Value Reserves	Other Reserves	Translation Reserve	Retained Earnings	Profit for the year	Total	Non-controlling interests	Total
Equity as of 1 January 2016		**81,645,523**	**(53,116)**	**3,923,459**	**(4,921,087)**	**665,696,408**	**(65,903,209)**	**(45,580,414)**	**81,530,041**	**716,337,605**	**415,289,455**	**1,131,627,060**
Application of 2015 profit of the year:												
- Transfer to other reserves	14 and 27	-	-	-	-	51,586,338	-	-	(51,586,338)	-	-	-
- Dividends Paid/Reserves Paid	14 and 27	-	-	-	-	11,822	-	-	(26,736,183)	(26,724,361)	-	(26,724,361)
- Profit-Sharing Bonuses	14	-	-	-	-	-	-	-	(3,207,520)	(3,207,520)	-	(3,207,520)
Treasury shares acquisitions and cancellations	26 and 27	(375,523)	(5,983,285)	-	-	(3,601,081)	-	-	-	(9,959,889)	-	(9,959,889)
Share capital increase		35,758,800	-	(3,923,459)	-	(31,835,341)	-	-	-	-	-	-
Share capital reduction		(35,758,800)	-	-	-	35,758,800	-	-	-	-	-	-
Dividends paid by subsidiaries to non-controlling interests	13	-	-	-	-	-	-	-	-	-	(69,682,071)	(69,682,071)
Other comprehensive income for the year*		-	-	-	(1,141,426)	-	34,303,134	(6,767,941)	-	26,393,767	(4,484,035)	21,909,732
Acquisitions/Disposals to non-controlling interests		-	-	-	-	-	-	(3,550,701)	-	(3,550,701)	-	(3,550,701)
Changes in the consolidation perimeter		-	-	-	-	-	-	-	-	-	(133,592)	(133,592)
Other movements		-	-	-	-	-	-	3,178,085	-	3,178,085	(5,678,108)	(2,500,023)
Profit for the year		-	-	-	-	-	-	-	114,862,812	114,862,812	74,442,558	189,305,370
Equity as of 31 December 2016		**81,270,000**	**(6,036,401)**	**-**	**(6,062,513)**	**717,616,946**	**(31,600,075)**	**(52,720,971)**	**114,862,812**	**817,329,798**	**409,754,207**	**1,227,084,005**

**Net of deferred taxes*

CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIODS ENDED AS AT 31 DECEMBER 2017 AND 2016

Amounts in Euros	Notes	2017	2016	4th Q 2017	4th Q 2016
				(Unaudited)	*(Unaudited)*
OPERATING ACTIVITIES					
Receipts from customers		2,320,039,541	2,247,986,059	587,780,996	585,250,028
Payments to suppliers		(1,652,905,797)	(1,673,772,759)	(395,902,358)	(387,937,115)
Payments to personnel		(198,821,555)	(186,524,335)	(55,179,485)	(52,435,169)
Cash flow from operations		468,312,189	387,688,965	136,699,153	144,877,744
Income tax received / (paid)		(55,300,627)	(43,000,778)	(15,958,258)	(22,250,275)
Other receipts / (payments) relating to operating activities		16,443,423	14,852,816	(2,305,140)	(33,852)
Cash flow from operating activities (1)		**429,454,985**	**359,541,003**	**118,435,755**	**122,593,617**
INVESTING ACTIVITIES					
Inflows					
Financial investments		-	4,707,612	-	-
Property, plant and equipment		3,317,685	1,204,058	1,582,353	945,652
Interest and similar income		2,131,538	4,907,962	269,894	1,515,323
Dividends	19	833,509	868,685	-	1
		6,282,732	11,688,317	1,852,247	2,460,976
Outflows					
Financial investments		(25,806,534)	(42,054,559)	93,536	(12,476,026)
Cash and cash equivalents - changes in consolidation perimeter		-	-	-	(42,149)
Property, plant and equipment		(140,663,335)	(105,025,077)	(41,368,087)	(24,452,620)
Other assets		(493,425)	(2,323,068)	6,934	(2,323,068)
		(166,963,294)	(149,402,704)	(41,267,617)	(39,293,863)
Cash flow from investing activities (2)		**(160,680,562)**	**(137,714,387)**	**(39,415,370)**	**(36,832,887)**
FINANCING ACTIVITIES					
Inflows					
Proceeds from borrowings		4,472,035,089	4,278,824,205	974,129,081	(147,325,983)
		4,472,035,089	4,278,824,205	974,129,081	(147,325,983)
Outflows					
Repayments of borrowings		(4,489,643,932)	(4,336,509,532)	(1,011,505,371)	107,265,881
Repayment of financial leases		(855,373)	(1,001,434)	(334,285)	(286,887)
Interest and similar expenses		(61,369,235)	(81,460,114)	(16,140,015)	(20,719,692)
Dividends	13 and 19	(119,558,249)	(93,881,566)	(402,298)	(6,904,691)
Treasury shares acquisitions		-	(9,959,889)	-	-
		(4,671,426,789)	(4,522,812,535)	(1,028,381,969)	79,354,611
Cash flow from financing activities (3)		**(199,391,700)**	**(243,988,330)**	**(54,252,888)**	**(67,971,372)**
CHANGE IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		**69,382,723**	**(22,161,714)**	**24,767,497**	**17,789,358**
EXCHANGE GAINS / (LOSSES) ON CASH AND CASH EQUIVALENTS		(10,296,736)	7,225	(2,299,690)	3,169,501
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	31	**184,101,274**	**206,255,763**	**220,719,454**	**163,142,415**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	**243,187,261**	**184,101,274**	**243,187,261**	**184,101,274**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(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 business object the management of financial investments in other companies as an indirect form of carrying out economic activity. It has been listed on NYSE Euronext Lisbon since 1995 with ISIN PTSEM0AM0004.

HEAD OFFICE: Av. Fontes Pereira de Melo, 14, 10.º Piso, Lisboa

SHARE CAPITAL: Euros 81,270,000

CORPORATE BODY NO.: 502 593 130

Semapa leads an Enterprise Group with activities in three distinct business segments: pulp and paper, cement and derivatives, and environment, developed respectively through its subsidiaries The Navigator Company (former Portucel, S.A. named in the present document as Navigator or Navigator Group), Secil — Companhia Geral de Cal e Cimento, S.A. (Secil or Secil Group) and ETSA — Investimentos, SGPS, S.A.,(ETSA or ETSA Group).

Semapa is included in the consolidation perimeter of Sodim — SGPS, S.A., which is its parent company and the final controlling entity.

These consolidated financial statements were approved by the Board of Directors on 7 March 2017. However, they are still subject to approval by the General Shareholders' Meeting, in accordance with the Portuguese commercial legislation.

The Group's senior management, which are the members of the Board of Directors who sign this report, declare that, to the best of their knowledge, the information contained here in 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 FOR PREPARATION

The Group's consolidated financial statements as of 31 December 2017 have been prepared in accordance with the 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 43), and under the historic cost convention, except for: biological assets, financial assets at fair value through profit and loss, available-for-sale financial assets, derivative 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

In the year under review, there were no facts that could affect the comparability of these consolidated financial statements.

1.3 BASIS FOR 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 profit/(loss), corresponding to the third-party investment in such companies, are presented under the caption non-controlling interests, respectively in the Consolidated Statement of Financial Position, in a separate component of shareholders' equity, and in the Consolidated Separated Income Statement. Companies included in the consolidated financial statements are detailed in Note 43.

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 when the Group acquires control, 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. 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).

When, at the date of acquisition of the control, the Group already holds a previously acquired interest, the fair value of such participation contributes to the determination of Goodwill or Badwill.

When the control acquired is less than 100%, in the application of the purchase method, non-controlling interests can be measured at fair value or at the ratio of the fair value of the assets and liabilities acquired.

In the case of disposals of interests, resulting in a loss of control over a subsidiary, any remaining interest is revalued to the market value at the date of sale, and the gain or loss resulting from such revaluation, is recorded against income, as well as the gain or loss resulting from such disposal.

Subsequent transactions in the disposal or acquisition of non-controlling interests, which do not imply a change in control, do not result in the recognition of gains, losses or Goodwill. Any difference between the transaction value and the book value is recognized in the Equity, in other equity instruments.

The acquisition cost is subsequently adjusted when the acquisition/attribution price is contingent upon the occurrence of specific events agreed with the seller/shareholder (e.g. fair value of acquired assets).

Any contingent payments to be transferred by the Group are recognized at fair value at the acquisition date. If the assumed obligation constitutes a financial liability, subsequent changes in fair value are recognized in profit or loss. If the assumed obligation constitutes an equity instrument, there is no change in the initial estimation.

The negative profits generated in each period by subsidiaries with non-controlling interests are allocated to the percentage held by them, regardless of whether they assume a negative balance.

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) 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 occurs when there are signs that the asset could be impaired, and any identified impairment losses are recorded under the same caption. When the impairment losses recognised in prior years no longer exist, they are reversed.

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

Joint agreements are classified as joint operations or joint ventures, depending on the contractual rights and obligations of each investor. Joint ventures are accounted and measured using the equity method.

Joint operations are accounted in the Group's consolidated financial statements, based on the share of jointly held assets and liabilities, as well as the income from the joint operation, and expenses incurred jointly. Assets, liabilities, income and expenses should be accounted for in accordance with applicable IFRS.

A jointly-controlled entity is a joint venture involving the establishment of a company, partnership or other entity in which the Group has an interest.

Jointly-controlled entities are included in the consolidated financial statements under the equity method, according to which financial investments are recorded at cost, adjusted by the amount corresponding to the Group's interest in changes in shareholders' equity (including net income) and dividends received.

When the share of losses attributable to the Group is equivalent to or exceeds the value of the financial holding in joint ventures, the Group recognizes additional losses if it has assumed obligations or if it has made payments for the joint ventures.

Unrealised gains and losses between the Group and its joint ventures are eliminated in proportion to the Group's interest in joint ventures. Unrealised losses are also eliminated, unless the transaction gives additional evidence of impairment of the transferred asset.

The accounting policies of joint ventures are amended, when necessary, to ensure that they are applied consistently with those of the Group.

1.4 SEGMENTAL REPORTING

An operating segment is a component of an entity:

(i) that engages in business activities that may earn revenues and incur in expenses (including revenues and expenses relating to transactions with other components of the same entity);

(ii) ii) 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; and

(iii) for which separate financial information is available.

Operating segments are consistently disclosed with the internal model of management information provided to the chief operating decision maker of the entity — (CODM-Chief Operating Decision Maker). The CODM is responsible for allocating resources to the segment and assess its performance, as well as for the strategic decision making.

Three operating segments have been identified: Pulp and Paper, Cement and Derivatives and Environment.

PULP AND PAPER

The Navigator Company, 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, Turkey, the United States of America and Mozambique, among others, of cellulose pulp and paper and its related products, purchase of wood, forest and agricultural production, cutting timber and sale of pulp and paper

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, Angola, Netherlands, France, Lebanon and Cape Verde, with cement production taking place at the Maceira, Pataias, Outão, Gabés (Tunisia), Lobito (Angola) and Beirut (Lebanon) plants, and the production and sale of cement, aggregates, precast concrete and the operations of quarries facilities via its subsidiaries of the sub-holding Secil Betões e Inertes, SGPS, S.A.

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 subjected 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 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 statement of financial position 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 statement of financial position dates, were recorded as income and costs in the consolidated income statement for the year.

1.5.3 GROUP COMPANIES

The results and financial position of all Group entities that have a functional currency different from the Group's reporting currency are translated into the presentation currency as follows:

(i) The assets and liabilities of each statement of financial position are translated at the exchange rate ruling at the date of financial statements;

(ii) The resulting exchange rate differences are recognised as a separate component of shareholders' equity, under the currency translation reserve.

(iii) 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.

Whenever a foreign entity is disposed of, the accumulated exchange difference is recognized in the consolidated income statement, as part of the gain or loss on sale.

Goodwill and fair value adjustments, arising from the acquisition of a foreign entity, are treated as assets and liabilities of the foreign entity and converted at the closing exchange rate. The corresponding exchange rate differences are recognised in other full income.

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 CO_2 emission rights.

1.6.1 CO_2 EMISSION RIGHTS

The CO_2 emission rights attributed to the Group at no cost, within the PNALE (National Plan for the Assignment of CO_2 Emission Rights), are recognised at fair value under the caption Intangible assets on the assignment 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 grant relating to the Group's CO_2 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 Government grant.

At the date of the consolidated Statement of financial position, CO_2 emission rights' portfolio is valued at the lower of the assumed acquisition cost 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 measurement, brands are stated in the Group's consolidated financial statements at cost less accumulated amortisation and impairment losses.

1.7 GOODWILL

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries included in the consolidation, by the full method on the acquisition date and is allocated to each Cash Generating Unit (CGU) or group of CGUs to which it belongs.

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.

As mentioned in Note 1.5.3, Goodwill generated on the acquisition of a foreign entity is recorded in the functional currency of that entity and converted into the reporting currency of the Group (Euro), at the exchange rate prevailing at the balance sheet date. Exchange differences generated in this conversion are recorded in the currency translation reserve as other full income.

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.

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 over the acquisition cost, using the straight-line method, since the asset is available for use and using the rates that best reflect their estimated useful life, as follows:

Expenses with scheduled maintenance are considered as a component of the acquisition cost of property, plant and equipment, and are fully depreciated up to the expected maintenance date or if they occur after the date of acquisition, capitalized if the useful life exceeds 12 months.

Other expenses with repairs and maintenance are recognized as an expense in the period in which they are incurred.

The spare parts are recognised in accordance with IAS 16. Thus, parts considered strategic, the use of which is not intended for consumption in the production process and the use of which is expected to extend over more than two financial years, and maintenance parts considered as "critical replacement parts", are recognised in non-current assets as Tangible Fixed Assets. Respecting this classification, spare parts are depreciated from the moment they become available for use and are assigned a useful life that follows the nature of the equipment, where they are expected to be integrated, not exceeding the remaining useful life of these.

Maintenance parts of amounts considered intangible, and whose intended use is for less than two years, are classified as inventories.

Depreciation is calculated over the acquisition cost, using the straight-line method since the asset is available for use and using the rates that best reflect their estimated useful life, as follows:

	AVERAGE USEFUL LIFE
Land	14
Buildings and other constructions	12 – 30
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 depreciation of exploration lands results from the estimated average useful life of the land, taking into account the period of extraction of raw material.

The residual values of the assets and respective useful lives are reviewed and adjusted when necessary at the statement of financial position 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 less costs to sell 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, net of 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 revalue cost in accordance with generally accepted accounting principles in Portugal, up to that date.

Investment property consists essentially of property held for rental or capital appreciation (or both), and is not intended for use in the production or supply of goods or services or for administrative purposes or for sale in the ordinary course of its business.

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 carrying amount may not be recoverable.

Impairment losses are recognised as the amount of the excess of the asset's carrying value over its recoverable amount. The recoverable amount is the higher of the fair value less cost to sell amount and the 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 that the assets belong to), 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 revalued, 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 deducted by costs at the point of harvest. The Group's biological assets mainly comprise the forests held for the production of timber, suitable for incorporating in the production process of BEKP, including among other species pine and cork.

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, the rents of the woodlands (own and rented) and also plantation costs, maintenance costs, the inherent cost of the rented forests and a discount rate.

All costs incurred in land preparation for first forestation are considered as a tangible asset, depreciated over their estimated useful life.

The discount rate corresponds to a market rate without inflation, determined on the basis of the Group's expected rate of return on its forests.

Changes in estimates of growth, growth period, price, cost and other assumptions are recognised as changes in fair value of biological assets.

At the time of harvest, wood is recognised at fair value less estimated costs, since that point and the point of sale, as at this stage the power plants.

1.12 FINANCIAL INVESTMENTS

The Group classifies its financial investments in the following categories: financial assets at fair value through profit and loss, loans granted and receivables, 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 respective purchase and sale contracts, irrespective of the financial settlement date.

Financial investments are initially recorded at the acquisition cost, and the fair value is equal to the price paid, plus transaction expenses, except for the assets at fair value through profit and loss. The subsequent measurement depends on the category the investment falls under, as follows:

LOANS GRANTED AND RECEIVABLES

Loans granted 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 Group advances money, goods or services directly to a debt or without any intention of negotiating the debt. These investments for the purpose are included in current assets, except when their maturity exceeds 12 months after the statement of financial position date, in which case they are classified as non-current assets. Loans granted and accounts receivable are reported as part of receivables and other current assets in the consolidated statement of financial position (Note 24).

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

A financial asset is classified under this category if it is primarily acquired with the purpose of being sold in the short-term or if so designated by management. Assets in this category are classified as current, if held for trading or if they are realisable in a period of up to 12 months of the statement of financial position 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 period following the statement of financial position date (Note 21). These financial instruments are recognised at market value, as quoted on the statement of financial position 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).

Incomes arising from interest and dividends are recognised in the consolidated income statement of the period in which the right is effective.

If there is no market value or if it is not possible to determine one, equity investments are recognised at their subsequently measured at 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 the income statement — 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. For equity investments hold by third parties classified under this category, the reversal does not affect the income statement and the assets subsequent increase in value is thus taken to the fair value reserve.

DERECOGNITION OF FINANCIAL INVESTMENTS

The Group derecognises financial assets when the contractual rights to its cash flows expire, or when it transfers the financial assets and all significant risks and benefits associated with their possession to another entity. The transferred financial assets are derecognised for which the Group has retained significant risks and benefits, provided that control over them has been assigned.

The Group derecognises financial liabilities only when the corresponding obligation is settled, cancelled or expired.

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, in accordance with the rules and requirements of IAS 39. Derivative financial instruments, which do not qualify as hedging instruments, are stated on the statement of financial position at fair value and changes in fair value are recognised in Gains and losses in financial instruments (Note 10).

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 whether they fulfil all of the following conditions:

(i) At acquisition date, there is formal designation and documentation of the hedging relationship, namely regarding the hedged item, the hedging instrument and the company's evaluation of the hedging effectiveness;

(ii) There is an expectation that the hedge will be highly effective, at the inception of the hedging relation and along its duration;

(iii) The effectiveness of the hedge may be measured at the beginning of the operation and while it is running;

(iv) For cash flow hedges, the realization of the cash flows must be highly probable.

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), exchange an interest rate collars, exchange forwards, among others.

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 AND EXCHANGE RISK RATE)

In order to manage the risk of interest and exchange rates, the Group enters into cash flow hedge.

Those transactions are recorded in the statement of financial positions at their fair value and, to the extent that they are considered effective hedging, changes in fair value are initially recorded in shareholder's equity and recycled to financial results under the caption gains/(losses) in derivative financial instruments at the settlement date.

The equity cumulative amounts are transferred to profit and loss when, the hedged item affects the income statement (for example, when the future sale covered materialises). The gain or loss corresponding to the effective component of interest rate swaps that are covering variable rate financing is recognised under the caption Financial results. However, when the future hedged transaction results in the recognition of a non-financial asset (e.g. inventories or tangible fixed assets), the previously deferred gains and losses on equity are included in the initial measurement of the cost of the asset.

When a hedging instrument matures or is sold, or when it no longer meets the criteria required to be recognized as a hedge, the cumulative gains and losses on equity are recycled to the income statement, except when the hedged item is a future transaction with related cumulative gains and losses included in equity at that date remain in equity. In such case, they will only be recycled to the income statement when the transaction is recognised in the income statement.

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 enters into exchange rate forwards.

Those exchange rate forwards, hired as hedging derivative financial instruments over foreign subsidiaries, are recorded at their fair value in the statement of financial position. As long as they meet the conditions to be considered effective, changes in fair value of the exchange rate forwards are recorded directly on equity, as translation reserves. Gains and losses accumulated in those reserves are recycled to the income statement when the foreign subsidiaries are disposed.

1.14 CORPORATE INCOME TAX

Corporate income tax includes current and deferred tax.

CURRENT TAX

Current income tax is calculated based on net profit, adjusted in conformity with tax legislation in force at the statement of financial position date.

DEFERRED TAX

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.

TAX BUSINESS GROUP

Group Semapa is subject to the special regime governing business groups, comprising companies in which the shareholding is equal to or more than 75% and which meet the conditions laid down, in articles 69, and following of the Corporate Income Tax Code (CIT Code).

Companies included within the consolidation scope of the group of companies subject to this regime, calculate and recognise corporate income tax (CIT) as though they were taxed on an individual basis. However, the liabilities are recognised as due to the dominant entity of the tax business Group, currently Semapa, SGPS, S.A., which is responsible for the Group's overall clearance and payment of the corporate income tax. Where there are gains on the use of this regime, these are recorded in the dominant entity financial statements.

1.15 INVENTORY

Inventories are valued in accordance with the following criteria:

— 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.

— Finished 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 receivables.

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 statement of financial position as a current liability, under the caption Interest-bearing liabilities.

1.18 SHARE CAPITAL AND TREASURY SHARES

Ordinary shares are classified in shareholder's 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.

The cost directly attributable to the issue of new shares options for a business acquisition are included in the acquisition cost, as part of the purchase price.

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.

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 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.

The extinction of treasury shares is reflected in the consolidated financial statements, as a reduction of share capital and in the caption Treasury shares at its nominal and acquisition cost, respectively. Its differential is assessed between the amounts recorded in 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 consolidated statement of financial position 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.

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.

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 statement of financial position 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 36).

In addition, under the applicable legislation, some of the companies of the Group are responsible for the environmental and landscape recovery of the quarries affected by the exploration. Rehabilitation works mainly include cleaning and regularisation of areas for reclamation, modelling and preparation of the land, transport and spreading of rejected materials for landfill, fertilisation, execution of the general plan of coating with hydros and plantation, and maintenance and conservation of the areas recovered after implantation.

The extent of the work required and the costs to be incurred were determined based on the quarrying plans and studies prepared by independent entities, and the total liability was measured by the expected value of the future cash flows, discounted to present value.

Value judgments and estimates are involved in the formation of expectations about future activities and the amount and period of time of the associated cash flows. These perspectives are based on the existing environment and current regulations.

The value of the provision for landscape recovery was initially recognised against the caption Property, plant and equipment and is subsequently increased due to the time effect of the cash, as a contra entry to Interest and similar expenses incurred and consumed by the expenses incurred by each of the Group companies with the recovery, as of the date they occur.

Quarries whose reconstitution is only possible at the closure 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 POST-EMPLOYMENT 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 financial statements, 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 Statement of financial position, after deducting the market value of the funds constituted, under the caption Pensions and other post-employment benefits included in non-current liabilities.

Re-measurement 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 net interest corresponds to the application of the discount rate to the value of net responsibilities (value of the responsibilities deducted of fund asset's fair value) and is recognised under the caption Personnel costs.

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 PENSION OBLIGATIONS – DEFINED CONTRIBUTION PLANS

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 and survivors' pensions.

In order to capitalise those contributions, pension funds were set up, for which Employees can make additional voluntary contributions.

Therefore, the responsibility with these plans corresponds to the contribution made to the funds, based on the percentage of the Employees' salaries, defined in the respective agreements. These contributions are recognized as a cost in the income statement in the period to which they refer, regardless of the date of the settlement of the liability.

1.22.3 HOLIDAY PAY, ALLOWANCES AND BONUSES

Under the terms of the prevailing legislation, Employees are entitled annually, if hired until 2003, to 25 working days leave (22 days if hired after 2003), 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. The entitlement of this bonus is usually 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 the date of the consolidated statement of financial position is shown under the caption Payables and other current liabilities.

The benefits arising from termination of employment are recognised when the Group can no longer withdraw the offer of such benefits or in which the Group recognises the cost of restructuring under the provisions recording. Benefits due over 12 months after the end of the reporting period are discounted to their present value.

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 realisable through a sale transaction rather than through its continuing.

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 carrying value and fair value less costs to sell.

From the moment that certain tangible assets are considered as held for sale, depreciation ceases, and 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 under the caption Gains and losses on disposals of assets.

1.25 GOVERNMENT GRANTS

Government grants are recognised at their fair value and only 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 operating 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

Property, plant and equipment 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 recognized, under the caption interest — bearing liabilities — financial leases, 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 39).

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

Income derived from sales is recognised in the consolidated income statement when: i) the risks and benefits inherent to the ownership of the assets are transferred to the buyer; ii) the amount of income can be reasonably quantified and the costs associated with the transaction can be reliably measured; (iii) the Group does not retain continuous management involvement in a degree generally associated with the ownership or effective control of the assets sold; and (iv) the economic benefits associated with the transaction are likely to flow to the Group.

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 statement of financial position date.

1.29 ACCRUAL ACCOUNTING PRINCIPLE

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 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).

1.30 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 disclosed.

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 41).

1.31 FAIR VALUE

Financial Assets and Liabilities measured at fair value are classified according to the following levels of fair value hierarchy:

- Level 1: fair value of financial assets and liabilities based on net asset market quotes, at the reference date of the consolidated financial position;
- Level 2: the fair value of financial assets and liabilities is not determined based on active market quotations, but rather using valuation models. The main inputs of the models used are observable in the market; and
- Level 3: the fair value of financial assets and liabilities is not determined based on active market quotations, but rather using valuation models, whose main inputs are not observable in the market.

1.32 EARNINGS PER SHARE

The basic earnings per share are determined based on the division of profits or losses attributable to the ordinary shareholders of the Company/Group by the weighted average number of common shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the Company/Group adjusts the profits or losses attributable to ordinary equity holders, as well as the weighted average number of outstanding shares for the purposes of all potential dilutive common shares.

1.33 SUBSEQUENT EVENTS

Events after statement of financial position date, which provide additional information about the conditions prevailing at the date of the statement of financial position are reflected in the consolidated financial statements.

Subsequent events, which provide information about conditions, which occur after the statement of financial position date are disclosed in the notes to the consolidated financial statements, if material (Note 44).

1.34 NEW STANDARDS, CHANGES AND INTERPRETATION OF EXISTING STANDARDS

The standards and interpretations, the applications of which has become mandatory for annual periods, beginning on or after 1 January 2017, are detailed as follows:

- **IAS 7 (Change)**, Disclosures Revision (to apply in the exercises beginning on or after 1 January 2017). This change introduces one additional disclosure about the financing liabilities variations, disaggregated between the transactions that gave origin to cash flow, and the ones that did not give, and the way as this information conciliates with the financial activities of Cash Flows Statement, information included on Note 31.

- **IAS 12 (Change)**, Income Tax – Recognition of deferred tax assets on potential losses (to apply on exercises beginning on or after 1 January 2017). This change clarifies the way for accounting the deferred tax assets related with measured assets in fair value, as estimate the future taxable income, when their existed deductible temporary differences and how to evaluate the recovery of deferred tax assets, when existed restrictions on fiscal law.

The above changes did not produce significant impacts on Semapa's Consolidated Financial Statements.

There are new standards, interpretations and amendments of existing standards that, despite having already been published, are only mandatory for the periods starting after 1 January 2018, as follows:

Description	Changes	Effective Date*
1. Standards (new and amended) that become effective on or after 1 January 2018, already endorsed by the EU		
IFRS 9, 'Financial instruments'	New standard for the accounting treatment of financial instruments	January 1st, 2018
IFRS 15, 'Revenue from contracts with customers'	Recognition of revenue related to the delivery of assets and provision of services by applying the 5-step method	January 1st, 2018
IFRS 16 - Leases	New lease definition. New accounting of lease contracts for lessees. There are no changes to the booking of rentals by lessors.	January 1st, 2019
IFRS 4 – Insurance Contract (application of IFRS 4 and IFRS 9)	Temporary exemption for insurance companies only, from applying IFRS 9 for annual periods beginning before 1 January 2021. Overlay approach for assets within IFRS 4 that qualify as FVTPL under IFRS 9 and at amortised cost under IAS 39, being the measurement difference reclassified to OCI.	January 1st, 2018
Changes to IFRS 15 - Revenue from contracts with customers	Identification of performance obligations, recognition of PI license revenue, revision of the indicators for the classification of the main versus agent relationship, and new regimes for the simplification of the transition.	January 1st, 2018

Description	Changes	Effective Date*
2. Standards (new and changes) and interpretations that become effective on or after 1 January 2018, not yet endorsed by the EU		
2.1 Standards		
Improvement to standards 2014 - 2016	Several clarifications: IFRS 1, IFRS 12 and IAS 28	January 1st, 2017 and January 1st, 2018
IAS 40 – Investment Properties	Clarification that evidence of change of use is required to effect the transfer of assets to and from the investment property category	January 1st, 2018
IFRS 2 – Share-based payments	Measurement of financially settled share-based payment plans, accounting for changes, and classification of share-based payment plans as liquidated in equity, when the employer is required to withhold tax.	January 1st, 2018
IFRS 9, 'Financial instruments'	Accounting treatment options for financial assets with negative compensation	January 1st, 2019
IAS 28 - Investments in associate and joint ventures	Clarification regarding long-term investments in associates and joint ventures that are not being measured using the equity method.	January 1st, 2019
Improvement to standards 2015 – 2017	Several clarifications: IAS 23, IAS 12, IFRS 3 and IFRS 11	January 1st, 2019
IFRS 17 – Insurance Contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics.	January 1st, 2021
2.2 - Interpretations		
IFRIC 22 – Transactions in foreign currency and advanced consideration	Exchange rate to be applied when consideration is received or paid in advance.	January 1st, 2018
IFRIC 23 - Uncertainties about treatment income tax	Clarification on the application of the principles of recognition and measurement of IAS 12 when there is uncertainty about the tax treatment of a transaction, concerning income tax	January 1st, 2019

** Exercises started on or after*

The Group will adopt the new standards in the years in which they become of effective implementation. Up to the date of issuing this report, the Group had not assessed the effects on the consolidated financial statements arising from the adoption of these standards.

With regard to the adoption of IFRS 9 and IFRS 15, which will come into effect for periods beginning as of 1 January 2018, the expected impacts are as follows:

IFRS 9

IFRS 9, adopted via Commission Regulation (EU) No 2016/2067 of 22 November 2016, includes three distinct areas: classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

IFRS 9 is applicable in periods beginning on or after 1 January 2018 (early application is optional). Except for hedge accounting, retrospective application is mandatory, although without the need for disclosure of comparative information. For hedge accounting, requirements are generally applied prospectively, with some exceptions.

The Group will adopt this Standard on its mandatory application date, and will not restate comparative information, as permitted by the Standard.

During the year of 2017, Semapa performed a preliminary assessment of the impact of adopting the Standard in every aspect, based on information available to date. Therefore, the assessment might undergo changes until the adoption date, since the Group has not finalised testing and evaluating of the controls related to the new internal control systems and procedures, and new accounting policies are subject to changes until the Group presents its first financial statements including the application date.

Overall, no significant impact is expected on the Semapa's statement of financial position in result of adopting the Standard.

The Group assessed the impact of adopting IFRS 9 on its financial assets and liabilities in order to identify and evaluate the qualitative and quantitative effects of adoption. Accordingly, the main material impacts are as follows:

(a) Classification and measurement

IFRS 9 states that the classification and measurement of financial assets is based on the business model adopted for managing the assets and on the characteristics of the contractual cash flows. To this effect, financial assets are measured at amortised cost if held to collect contractual cash flows. Other financial assets are measured at fair value through other comprehensive income (if there is also an intention to sell the assets) or through profit or loss (if not inserted in any previous business model, for example, if managed based on their fair value). The Group does not expect a significant impact on its statement of financial position or in shareholders' equity, from applying the classification and measurement requirements of IFRS 9. The Group expects to continue measuring at fair value virtually all financial assets currently measured at fair value.

(b) Impairment

IFRS 9 establishes a new asset impairment model based on "expected credit losses", which will replace the current "incurred loss" model followed in IAS 39. Consequently, it will no longer be necessary for a loss event to occur in order for impairment to be recognised. The new model accelerates the recognition of impairment losses in held debt instruments measured at amortised cost or fair value through other comprehensive income (including loans, bank deposits, receivables and debt securities). In case the credit risk of a financial asset has not significantly increased since its initial recognition, accumulated impairment losses equal to the losses expected to occur over the following 12 months must be recognised. In case credit risk has increased significantly, accumulated impairment losses must be recognised in the amount of expected losses until asset maturity. Once a loss event (objective evidence of impairment) has taken place, accumulated impairment losses are directly allocated to the asset, being the accounting treatment similar to that of IAS 39, including the treatment of interest.

The Standard also allows the application of a simplified approach for financial assets that meet the specified requirements. In this case, impairment loss is measured at initial recognition for an amount matching the expected losses during the entire life of the asset.

The Group expects no significant changes to the financial statements from the application of IFRS 9 impairment requirements on 1 January 2018, considering the Group's current impairment recognition policy.

(c) Hedge accounting

IFRS 9 introduced new requirements for hedge accounting, more aligned with the principles of risk management. The new requirements also establish a more principle-based approach to hedge accounting, solving some issues in the IAS 39 hedging model.

Semapa does not foresee significant changes in the application of hedge accounting in result of adopting IFRS 9. Designated hedging relationships will be valid under IFRS 9.

IFRS 15

IFRS 15 – Revenue from Contracts with Customers, issued in May 2014 by the International Accounting Standards Board (IASB), amended in April 2016 (adopted via Commission Regulation (EU) No 2016/1905 of 22 September 2016), is effective and mandatory for periods starting on or after 1 January 2018 and replaces the current requirements for revenue recognition.

This Standard establishes the principles an entity must apply in measuring revenue and determining the moment when revenue must be recognised. The main underlying principle is to recognise revenue the contractual obligation to deliver assets or perform services is satisfied, in the amount that reflects the consideration to which the entity is entitled, as established in the "5 step approach", with the 5 steps being: (i) identifying a contract with a customer; (ii) identifying the performance obligations; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations and (v) recognising revenue when or as the entity satisfies a performance obligation.

The Group will adopt IFRS 15 using the modified retrospective approach, through which the cumulative effect of adopting the Standard is recognised in the Group's retained earnings of the initial application date.

The assessment performed arose from evaluating the following preliminary impacts:

(a) Sale of goods

Revenue from sales is currently recognised net of tax, discounts and other costs incurred, in the fair value amount of the consideration received or receivable.

Revenue from sales is recognised in the consolidated statement of profit or loss when the risks and benefits that arise from ownership of the assets are transferred to the buyer and the amount of revenue can be reasonably measured.

From the preliminary analysis performed, it is expected that IFRS 15 will not have a significant impact on how the Group currently recognises revenue from the sale of goods.

(b) Rendering of services

Revenue from the rendering of services is recognised in the consolidated statement of profit or loss in accordance with the stage of completion of services performed at the reporting date.

Recognition only occurs when (i) revenue can be reliably measured; (ii) it is probable that economic benefits related to the transaction will flow to the performing entity; (iii) the stage of completion can be reliably measured at the reporting date and (iv) costs incurred and to be incurred to complete the transaction can be reliably measured. Whenever it is not possible to estimate the outcome of a transaction reliably, revenue is only recognised for incurred costs deemed recoverable.

From the preliminary analysis performed, it is expected that the adoption of IFRS will not have a significant impact on the way the Group currently recognised revenue from performing services.

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 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.

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 Pulp and Paper segment, a significant portion of its sales is denominated in currencies other than Euro. Thus, its development could have a significant impact on future sales of the Company mainly regarding USD exposure. Also sales in Sterling Pound (GBP), Polish Zloty (PLN) and Swiss Franc (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 currency 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. Therefore, the Group is permanently exposed to currency risk trough a significant amount of receivables and albeit with lesser significance payables. This segment also includes subsidiaries located in Poland, Mozambique and the of America, though the currency variation in these countries may impact the consolidated financial position of Semapa.

The currency risk inherent to the segment of Cement and derivatives is mainly due to the current investments, hold and in development, located in Brazil and to 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. This segment comprises assets located in Tunisia, Angola and Lebanon, therefore any change in these countries' exchange rates could have an impact on Semapa statement of financial position.

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.

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 purchases and accounts receivable and payables, which are denominated in currencies other than the Euro.

The Group's exposure to foreign exchange rate risk as of 31 December 2017, based on the financial assets and liabilities that amounted to a net amount of 250,421,879 EUR, passive position (31 December 2016: 445,353,056 EUR, passive position) converted at the exchange rate as of that date is detailed as follows:

Amounts in Foreign Currency	American Dollar	Sterling Pound	Polish Zloti	Swedish Krone	Turkish Lira	Swiss Franc	Danish Krone	Brazilian Real
As of 31 December 2017								
Assets								
Cash and cash equivalents	104,920,372	259,897	511,377	2,321	46,713	127,873	4,015	19,026,023
Receivables	65,237,245	-	6,350,205	684,002	-	1,540,385	140,592	34,944,954
Other assets	269,833	-	-	-	-	-	-	250,785
Total financial assets	**170,427,450**	**259,897**	**6,861,583**	**686,323**	**46,713**	**1,668,259**	**144,607**	**54,221,762**
Liabilities								
Interest-bearing liabilities	(23,726,395)	-	-	-	-	-	-	(357,976,299)
Payables	(7,760,017)	-	(4,044)	(39,246)	(2,808)	(66,538)	-	(116,826,523)
Total financial liabilities	**(31,486,412)**	**-**	**(4,044)**	**(39,246)**	**(2,808)**	**(66,538)**	**-**	**(474,802,822)**
Derivative financial instruments	**(239,089,298)**	**(12,800,000)**	**-**	**-**	**-**	**-**	**-**	**(115,898,114)**
Net financial position	**(100,148,261)**	**(12,540,103)**	**6,857,538**	**647,077**	**43,904**	**1,601,721**	**144,607**	**(536,479,174)**
As of 31 December 2016								
Total financial assets	120,427,931	12,667,352	4,669,702	686,298	46,752	1,101,834	383,097	53,830,159
Total financial liabilities	(47,665,957)	16,293	(2,044)	16,516	-	5,290	-	(612,565,840)
Derivative financial instruments	**(322,689,298)**	**(14,600,000)**	**-**	**-**	**-**	**-**	**-**	**(60,298,712)**
Net financial position	**(249,927,324)**	**(1,916,355)**	**4,667,658**	**702,814**	**46,752**	**1,107,124**	**383,097**	**(619,034,393)**

Amounts in Foreign Currency	Australian Dollar	Norwegian Krone	Mozambican Metical	Moroccan Dirham	000 Lebanese Pounds	Tunisian Dinar	Angolan Kwanza	South African Rand
As of 31 December 2017								
Assets								
Cash and cash equivalents	-	148	19,559,223	210,855	5,137,655	9,302,090	552,044,662	40,922
Receivables	(8,218)	-	17,746,550	-	27,821,954	28,574,781	82,540,011	-
Other assets	-	-	-	-	137,474	30,642	3,117,888	-
Total financial assets	**(8,218)**	**148**	**37,305,773**	**210,855**	**33,097,083**	**37,907,513**	**637,702,561**	**40,922**
Liabilities								
Interest-bearing liabilities	-	-	-	-	(8,454,075)	(52,837,406)	(727,721,946)	-
Payables	(4,252)	-	(21,778,309)	(150,515)	(43,052,468)	(27,613,197)	(1,221,944,752)	-
Total financial liabilities	**(4,252)**	**-**	**(21,778,309)**	**(150,515)**	**(51,506,543)**	**(80,450,603)**	**(1,949,666,698)**	**-**
Derivative financial instruments	-	-	-	-	-	-	-	-
Net financial position	**(12,470)**	**148**	**15,527,465**	**60,340**	**(18,409,460)**	**(42,543,090)**	**(1,311,964,137)**	**40,922**
As of 31 December 2016								
Total financial assets	58,572	1,141,964	100,244,286	55,223	48,472,555	39,528,364	233,450,342	-
Total financial liabilities	(3,000)	-	(49,774,779)	(88,539)	(39,312,359)	(87,810,198)	(1,854,789,287)	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Net financial position	**55,572**	**1,141,964**	**50,469,507**	**(33,316)**	**9,160,196**	**(48,281,834)**	**(1,621,338,945)**	**-**

Foreign exchange derivative instruments are hedged against the exchange rate risk of future foreign operations and operations denominated in foreign currency. The amounts reflected in the table correspond only to the notional amounts of the hedging instruments contracted and not to their fair values (these are reflected in the amounts Receivable and payable).

According to the sensitivity analysis carried out on the Group's exposure to the different currencies, namely a devaluation/appreciation of 10% of all exchange rates with reference to the Euro, would result in the following impacts:

Currency	-10%	+10%
Impact on earnings		
American Dollar	(17,152,578)	14,033,928
Sterling Pound	(3,171,437)	2,614,792
Polish Zloti	182,415	(149,249)
Swedish Krone	7,304	(5,976)
Turkish Lira	1,073	(878)
Swiss Franc	152,084	(124,433)
Danish Krone	2,158	(1,766)
Brazilian Real	(17,569,639)	14,357,650
Australian Dollar	(903)	739
Norwegian Krone	2	(1)
Mozambican Metical	24,568	(20,101)
Moroccan Dirham	597	(489)
000 Lebanese Pounds	(1,131)	926
Tunisian Dinar	(1,604,879)	1,313,083
Angolan Kwanza	(718,163)	587,588
South African Rand	307	(251)
	(39,848,221)	**32,605,561**
Impact on Shareholder's Equity		
American Dollar	-	-
	-	-

2.1.2 INTEREST RATE RISK

A significant share of the Group's financial liabilities cost are 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.

As of 31 December 2017 and 2016, the detail of the financial assets and liabilities with interest rate exposure, taking in consideration the maturities and the next repricing date was as follows:

Amounts in Euro	Up to 1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As of 31 December 2017						
Assets						
Non-current						
Other non-current assets	-	-	-	-	-	-
Current						
Cash equivalents	169,567,627	31,181,859	41,463,697	974,078	-	**243,187,261**
Total financial assets	**169,567,627**	**31,181,859**	**41,463,697**	**974,078**	**-**	**243,187,261**
Liabilities						
Non-current						
Interest bearing liabilities	320,823,366	32,092,653	237,038,398	705,999,367	365,447,356	**1,661,401,140**
Other liabilities	-	-	-	-	-	-
Current						
Interest bearing liabilities	61,697,118	52,909,963	135,424,442	14,773,859	-	**264,805,382**
Total financial liabilities	**382,520,484**	**85,002,616**	**372,462,840**	**720,773,226**	**365,447,356**	**1,926,206,522**
Difference	**(212,952,857)**	**(53,820,757)**	**(330,999,143)**	**(719,799,148)**	**(365,447,356)**	**(1,683,019,261)**

Amounts in Euro	Up to 1 month	1-3 months	3-12 meses	1-5 years	+ 5 years	Total
As of 31 December 2016						
Assets						
Non-current						
Other non-current assets	-	-	-	-	-	-
Current						
Cash equivalents	113,912,982	49,741,548	20,446,744	-	-	184,101,274
Total financial assets	113,912,982	49,741,548	20,446,744	-	-	184,101,274
Liabilities						
Non-current						
Interest bearing liabilities	283,926,672	162,855,092	316,426,475	589,911,336	348,506,708	1,701,626,283
Other liabilities	-	-	-	-	-	-
Current						
Interest bearing liabilities	98,810,642	14,313,560	154,622,953	-	-	267,747,155
Total financial liabilities	382,737,314	177,168,652	471,049,428	589,911,336	348,506,708	1,969,373,438
Difference	(268,824,332)	(127,427,104)	(450,602,684)	(589,911,336)	(348,506,708)	(1,785,272,164)

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 changes in interest rates rarely occur in isolation from changes in other market factors.

The sensitivity analysis is based on the following assumptions:

(i) Changes in market interest rates affect interest income and expenses arising from financial instruments subject to floating rates;

(ii) Changes in market interest rates only lead to interest income and expenses regarding fixed rate financial instruments if those are measured at their fair value;

(iii) Changes in market interest rates affect the fair value of derivative financial instruments as well as other financial assets or liabilities;

(iv) Changes in fair value of derivative financial instruments and other financial assets and liabilities are measured using the discounted cash flows method, with market interest rates at year end;

Under these assumptions, an increase of 0.5% on the interest rates for all currencies where the Group has interest-bearing liabilities or derivative financial instruments as of 31 December 2017 would have a negative impact in the profit before tax of approximately Euro 5,186,774 (31 December 2016: down by Euros 5,359,089), and would have a positive impact in equity of approximately Euro 7,742,053 (31 December 2016: up by Euro 10,918,338).

2.1.3 CREDIT RISK

The Group is exposed to credit risk in the credit it grants to its customers and, accordingly, it has adopted a policy of managing such risk within present limits, by serving insurance policies with a specialised independent company.

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 costumer.

The Group renegotiates periodically the receivables in accordance with its own management risk policy.

As of 31 December 2017 and 31 December 2016, accounts receivable from customers showed the following ageing structure, considering the due dates for the open balances, before impairment charges:

				Total	
Amounts in Euro	Pulp and paper	Cement	Environment	31-12-2017	31-12-2016
Not overdue	161,053,836	43,522,712	3,486,136	208,062,684	208,927,399
1 to 90 days	14,376,656	11,959,158	3,024,749	29,360,563	30,029,588
91 to 180 days	106,599	4,105,282	1,524,453	5,736,334	3,409,077
181 to 360 days	38,722	2,028,128	663,293	2,730,143	2,072,463
361 to 540 days	3,685	898,126	184,263	1,086,074	756,469
541 to 720 days	-	571,711	146,768	718,479	956,211
more than 721 days	-	12,516,280	335,586	12,851,866	14,310,330
	175,579,498	**75,601,397**	**9,365,248**	**260,546,143**	**260,461,537**
Litigation - doubtful debts	2,440,472	12,873,760	-	15,314,232	14,840,196
Impairments (Note 22)	(2,440,472)	(27,332,631)	(210,959)	(29,984,062)	(30,388,724)
Net receivables balance (Note 24)	**175,579,498**	**61,142,526**	**9,154,289**	**245,876,313**	**244,913,009**

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 ageing analysis of receivables already overdue is as follows:

Amounts in Euro	31-12-2017		31-12-2016	
	Gross amount	Fair value of credit insurance	Gross amount	Fair value of credit insurance
Accounts receivables overdue but not impaired				
Overdue - less than 3 months	29,360,021	14,096,427	29,918,626	13,007,396
Overdue - more than 3 months	8,619,462	626,183	6,279,142	1,259,196
	37,979,483	**14,722,610**	**36,197,768**	**14,266,592**
Accounts receivable overdue and impaired				
Overdue - less than 3 months	166,396	-	110,962	-
Overdue - more than 3 months	29,817,666	-	30,277,762	-
	29,984,062	**-**	**30,388,724**	**-**

In accordance with the above-mentioned, it should be noted that the Group adopted a policy of credit insurance for a significant part of the accounts receivable from costumers. Thus, it is considered that the effective Group's exposure to the credit risk has been mitigated and is within acceptable levels.

The table below represents the quality of the Group's credit risk, as of 31 December 2017 and 2016, for financial assets (Cash and cash equivalents and Derivative financial instruments), whose counterparts are financial institutions:

Amounts in Euro	31-12-2017	31-12-2016
AA-	25,902,715	13,134,247
A	1,353,238	26,837,653
A-	31,198,487	101,500
BBB+	697,593	2,906,665
BBB	31,480	440,751
BBB-	66,307,520	14,529,642
BB+	18,791	1,206,409
BB	355,203	1,665,819
BB-	12,176,062	22,556,276
B+	937	1,081,139
B-	41,408,720	29,729,965
Others	63,092,165	69,231,783
	242,542,911	**183,421,849**

The caption *Others* comprise short-term investments in Angola's financial institutions, relatively to which it was not possible to obtain the ratings with reference to the presented dates.

The maximum exposure to the credit risk as at 31 December 2017 and 2016 is detailed in the following schedule:

Amounts in Euro	31-12-2017	31-12-2016
Non-current		
Available-for-sale financial assets (Note 21)	424,428	342,122
Other non-current assets	6,244,448	6,744,351
Current		
Receivables and other current assets (Note 24)	317,627,212	292,240,424
Derivative financial instruments (Note 24)	4,571,589	942,139
Cash and cash equivalents	242,542,911	183,421,849
	571,410,588	**483,690,885**

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, assuring the adequate liquidity.

The liquidity of the agreed financial liabilities will generate the following not discounted cash flows, including interests until maturity at statement of financial position date:

Amounts in Euro	up to 1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As of 31 December 2017						
Liabilities						
Interest-bearing liabilities						
Bond loans	689,000	3,411,500	19,093,526	639,747,072	315,407,966	**978,349,064**
Commercial paper	204,083	1,399,545	63,159,081	537,352,127	20,227,444	**622,342,280**
Bank loans	16,122,523	63,240,447	137,762,340	195,178,741	57,222,339	**469,526,390**
Financial leases	69,144	138,291	787,874	1,208,226	721,174	**2,924,709**
Derivatives financial instruments	-	487,034	181,284	-	-	**668,318**
Accounts payable and other liabilities	122,876,427	44,052,687	-	5,590,834	-	**172,519,948**
Total liabilities	**139,961,177**	**112,729,504**	**220,984,104**	**1,379,077,000**	**393,578,923**	**2,246,330,709**
As of 31 December 2016						
Liabilities						
Interest-bearing liabilities						
Bond loans	700,483	3,379,104	60,343,996	638,991,968	319,158,888	**1,022,574,439**
Commercial paper	412,563	390,392	101,221,608	524,298,577	-	**626,323,140**
Bank loans	15,928,494	15,682,428	106,450,995	275,349,444	84,493,050	**497,904,411**
Financial leases	59,755	119,511	751,228	1,631,277	662,515	**3,224,286**
Derivatives financial instruments	-	-	1,268,804	1,190,187	-	**2,458,991**
Accounts payable and other liabilities	139,708,112	23,761,395	1,187,462	15,312,774	-	**179,969,743**
Total liabilities	**156,809,407**	**43,332,830**	**271,224,093**	**1,456,774,227**	**404,314,453**	**2,332,455,009**

As of 31 December 2017 and 2016, bank loans granted and not withdrawn amount to Euro 708,232,606 and Euro 695,258,377 respectively.

2.1.5 CAPITAL RISK

The objectives of Semapa, when managing capital, are to safeguard the Group´s ability to continue as a going concern and value creation for shareholders, through a conservative dividend policy based on principles of financial strength. The aim has been to maintain a financial structure compatible with the Group´s sustained growth and different business areas, whilst maintaining sound solvency and financial autonomy indicators. Accordingly, capital for the purposes of capital management corresponds to the shareholders equity and it is not considered any financial liability as an integral part thereof.

2.2 OPERATIONAL RISK FACTORS

2.2.1 RISKS RELATING TO THE PULP AND PAPER SEGMENTS

RISK RELATED TO THE FORESTRY SECTOR

The Navigator Group manages an area of more than 112 thousand acres of land, from north to south of Portugal and Azores, divided in 1,400 Management Units in 173 counties, according to the principles laid down in its Forestry Policy. Eucalyptus trees and the forestation areas in progress with similar kind of species occupy 74% 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. In the remaining, there are pine and cork oak forest areas. The group is the largest private national pine producer and one of the country's largest cork oak producers.

The Group manages 356,210 acres located in Mozambique of which 11.7 thousand acres were already planted in the provinces of Manica and Zambézia, under a concession agreement reached with the Mozambique government which, provides for the installation of an industrial unit destined to the production of BEKP pulp and electric energy in that country.

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 programmers 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.

The main risk factor threatening the eucalyptus forests lies in the low productivity of Portuguese forests and in the world-wide demand for certified products, considering that only a small proportion of the Portuguese 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, 44% of all certified Portuguese forests, according with PECF standards and 29% of all certified Portuguese forests, according with FSC®. standards.

In order to respond to these questions, in 2016 the Group initiated a project to promote forest certification in areas owned by private individuals, seeking to strengthen the steps of all the eucalyptus wood that the Group is processing to come from partners with a certified activity. In 2017, 27% of wood from national sources, excluding self-sufficiency, already came from properties that had their forest management certified. This increase allowed, for the first time in its history, more than 50% of the total wood acquired by the Group came from sources with a certified forest management. It should also be noted that, within this initiative, the Group has significantly increased the number of suppliers with a wood certified chain of custody/responsibility, an essential step in developing a supplier base that will enable defined purposes in the wood from sources with certified forest management.

In addition, the Group is working to proactively promote good forest management practices aimed at improving the productivity of third-party forest areas. This effort, which has been developed through the CELPA (Association of the Paper Industry, representative of the main industrial groups in the sector) in the Best Eucalyptus Program, may in the future be reinforced with more support measures, in addition to the technical support that already exists.

The main risks associated with the sector are the ones related to the productive capacity of the plantations, the risk of wildfires, as well as the regulatory risk, given the review announced by the Government of the legal regime applicable to forestation and reforestation with resort to forestry species, as established in Decree-Law No. 96/2013, of 19 July, to be implemented as of January 2018. The combination of all these factors, without any strategic measure taken by the Government, has forced the importation of raw materials, which determines the profitability of the sector.

Regarding forestry fires, the Navigator Group is exposed to risks related to:

I. The destruction of current and future wood, stocks of owned by the Group and by third parties;

II. Increase exploration costs and subsequent preparation for planting costs.

The manner in which the Group manages its woodlands constitutes the front line for mitigating this risk.

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 Navigator 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 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 200 thousand acres of forests in Portugal.

In order to maximize the productive capacity of the areas it manages, the Group has developed and employs Forestry Management models which contribute to the maintenance and on-going 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. To 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 adequate biodiversity levels;
II. To 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. To 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, activity of which 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 from the eucalyptus specie;
III. To implement a sustained forestry management program from the economic, environmental and social perspectives;
IV. To enhance practices and processes that reduce wood production costs.

RISKS RELATING TO THE PRODUCTION AND TRADING OF BEKP (BLEACHED EUCALYPTUS KRAFT PULP) UWF PAPER (UNCOATED FINE PAPERS FOR PRINTING AND WRITING), TISSUE AND PELLETS

SUPPLY OF RAW MATERIALS

The self-supply of wood for the production of BEKP pulp is less than 20% of the Group's needs. Therefore, there is a need to use wood in the market. As the national market is insufficient to guarantee the needs, the Group imports from the Spanish and non-Iberian markets.

The supply of wood, namely eucalyptus, is subject to price and exchange rate 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). Also relevant (mostly in imports) is the volatility of wood transportation costs to the factories, which floats depending on oil prices and sea freight costs.

The planting of new areas is subject to the authorization of the relevant entities. Legislative changes may limit the national productive potential, although there are initiatives to increase productivity of existing areas and, consequently, availability of raw material.

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 imports of wood from Spain and extra-Iberian Peninsula.

Regarding imports of wood, there is a risk related to its shipment from the place of origin to the harbours supplying the Group. 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 maximize the added value of its products, particularly through increased integration of certified wood in these products. These initiatives aim to respond to the growing demand for products - paper and pulp - certified by the various markets where the Group has commercial activity.

As at 31 December 2017, an increase of 10% 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 30,500,000 (2015: Euro 31,200,000).

For other raw materials, including chemicals, the main risk identified is the lack of availability of products, under the increasing demand for these products in emerging markets, particularly in Asia and markets, which supply them, it can create specific imbalances of supply and demand.

The Group seeks to mitigate these risks through proactive sourcing, which seeks to identify sources of supply geographically dispersed, yet seeking to ensure supply term that assures volume levels, price and quality, consistent with its requirements contracts.

Finally, another resource required for the production process is water. The concern with the use of this resource that the Group assumes as finite is significant. Over the past few years, investments have been made aimed at reducing the use of water in the process, which decreased more than 20% between 2005 and 2016. In addition, the quality levels achieved in the effluent treatment are among the highest, and effluent volumes between 2005 and 2016 have been reduced by more than 24%, as a result of investment in process improvement, aimed at minimizing the environmental impact of the Group.

MARKET PRICE FOR BEKP, UWF AND *TISSUE*

The increase in competition, caused by an imbalance of supply and demand in the BEKP, UWF or Tissue markets may have a significant impact on prices and, as a consequence, in the Group's performance. The market prices of BEKP, UWF paper, Tissue and Pellets 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, Tissue paper and UWF Paper prices mainly arise from both changes in the world supply, and demand and the financial situation of each of the international market players (producers, traders, distributors, clients, etc.), creating successive changes in equilibrium prices and raising the global market's volatility.

The BEKP, UWF paper and Tissue 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.

As of 31 December 2017, a 10% drop in the price per ton of BEKP and of 5% in the price per ton of UWF paper and Tissue paper sold by the Group in the period, would have represented a negative impact on its earnings of about Euro 16,400,000 (2016: Euro 13,800,000) and Euro 63,700,000 (2016: Euro 63,900,000), respectively.

DEMAND FOR GROUP PRODUCTS

Notwithstanding the references below to the concentration of the portfolio of the Group's customers, any reduction in demand for BEKP and UWF, Tissue and Pellets 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 the Group, also depends on the evolution of the capacity for paper production in the world, since the Group's major customers are themselves paper producers.

The demand for printing and writing paper has been historically related with macroeconomic factors and the increasing use of copy and print material. A breakdown of the global economy and the increase of unemployment can cause a slowdown or decline in demand for printing and writing paper, thus affecting the performance of the Group, as well as the substitution of this product by an alternative one.

Regarding the Tissue segment, the key variables affecting the demand are:

- Expected future economic growth;
- Population growth and other demographic changes;
- Product penetration levels;
- Developments in the quality of Tissue paper and product specifications;
- Substitution effects.

Tissue paper consumption is not very sensitive to cyclical changes in the economy, although it tends to grow faster with higher economic growth.

The importance of economic growth for the consumption of Tissue is more obvious in developing countries. When the level of the income *per capita* is very low, the consumption of Tissue tends to be reduced. There is a threshold after which consumption accelerates. Economic growth allows greater penetration of the product, which is one of the main drivers of demand for such paper in the population with lower incomes. The Tissue paper is a product that does not face major threats of substitution by other materials, and there are no expected changes at this level.

Consumer preferences may have an impact on global paper demand or in certain particular types of paper, such as the demand for recycled products or products with certified virgin fibre.

Regarding this matter, and in the case of the UWF and Tissue, the Group believes that the marketing strategy and branding that has been followed, combined with the significant investments made to improve productivity and produce high quality products, allow it to deliver its products in market segments that are less sensitive to variations in demand, resulting in a lower exposure to this risk.

Due to the evolution of the world energy matrix, demand for alternative and renewable energy sources has been a constant, making forest biomass and its by-products an extremely important outlet. One such product is wood pellets, a type of firewood, usually produced from refined and dried wood sawdust, or sawdust, which is then compressed.

As far as pellets are concerned, their main applications are:

- In the industrial segment, it is used as fuel for the generation of electric power, in thermoelectric power plants (reducing or replacing, for example, the consumption of coal or fuel in such plants);
- In the residential segment, in domestic heating, but also in the heating of commercial or public spaces.

Currently, in the world scenario, the greatest demand and production of pellets are located in the Northern Hemisphere, namely in Europe and the USA. The European Union is the driving force behind the market for wood pellets, and this market is expected to grow steadily. Estimates point to a consumption of 24 million tones of wood pellets by 2020, of which 11 million tones will be imported.

Currently, wood pellets are mainly imported from the USA, Canada, Russia and the Baltic States. Emerging exporters are Australia, South Africa and countries in South America.

The growth of this market is driven by the competitiveness of wood pellets, compared to conventional fossil fuels such as natural gas and oil.

In fact, the prices of wood pellets are more stable than oil or natural gas. Even with the price of a barrel of oil well below average, biofuels pellets find their niche market for simple issues of (i) price stability and (ii) being a renewable fuel.

It is estimated that production of this product will continue to grow, despite the availability of cheap oil and natural gas. Extending this growth will determine the requirements of the United Kingdom and the European Union for sustainable biomass and actions to meet greenhouse gas reduction targets.

ENERGIY

The production process is dependent on the constant supply of electric power and steam. To this end, the Group has several cogeneration units, which ensure this supply, and redundancies have been foreseen between the various generating units, in order to mitigate the risk of any unplanned outages of these units in the pulp and paper mills. The excess part of production, in view of consumption needs, is sold on the market at regulated prices. At the end of this period (2020 in Cacia and 2023 in Setúbal), the plants start operating under a self-consumption regime.

COUNTRY RISK – MOZAMBIQUE

The Group is exposed to the country risk of Mozambique. The exposure to this risk means that the planning of investments in terms of timing, choice of suppliers/partners and geographic location is made considering this effect. The Group monitories the achievement of each step, in a way that it can assume with reasonable certainty that there will be no effects from that risk to condition them.

At the moment, the Mozambique project is essentially a forestry project, with an option to develop an industrial project, involving the construction of a large scale pulp mill. The Group is currently developing a process of reflection on the pace of evolution of the project in Mozambique, mainly dictated by the evolution of the current socio-political context, which, being unstable, brings greater challenges to the project, in terms of the safety of all those who are involved in it and guaranteeing the supply of the necessary products, materials and services. The pressure on the Metical is felt in the inflation of prices, which has been notorious since 2015 and that continues to increase. The Group is, however, prepared to move forward with the forestry plan envisaged, once the necessary conditions — most of which are under discussion with the Mozambican authorities - are met.

By the end of 2017, expenses incurred in this project amounted to 90 million Euros (31 December 2016: 76 million Euros), mainly associated with planting activities, land preparation, with the construction of what is now the largest Nursery of Africa and with the identification of species of eucalyptus with industrial viability in the areas concessioned to the Group by the Mozambican State.

Nevertheless, the Group's more conservative approach led to the recording of several impairments in relation to the investment in Mozambique, such that in December 2017 the balance sheet value is residual (it corresponds to less than 1% of the consolidated asset value).

COUNTRY RISK – USA

The United States market has a significant weight in the total sales of UWF papers, which increases the country's specific risk exposure.

This exposition requires a careful evaluation of the impacts resulting, for example, from changes in regulations or of a tax nature, or even from their application and interpretation by governmental entities and tax authorities.

Similarly to what happened with producers that belong to other nationalities (Australian, Brazilian, Chinese and Indonesian), with regard to imports of UWF paper into the USA, the Group has been subject to anti-dumping measures by the US Department of Commerce since 2015. Despite the fact that the applied rate has been revised downwards during 2016, the Group considers that no anti-dumping margin should be applied (Note 24) in the period under inspection, which ended in February 2017.

In addition, in 2016 the new Pellets plant in the USA (in Greenwood, South Carolina), which belong to the subsidiary Colombo Energy Inc., began operating. The initial value of the investment was USD 121 million, subject to the specific risk of the country, and in December 2017, Navigator entered into a contract to buy and sell its pellet business in the United States with a joint venture managed and operated by an associate entity of Enviva Holdings, LP, for USD 135 million. The sale process was concluded on February 16, 2018, which is why its assets were classified as assets held for sale as described in Note 33.

COMPETITION

Increased competition in the paper and pulp markets may have a significant impact in price and, as a consequence, in the Group's profitability.

As paper and pulp markets are highly competitive, new capacities may have a relevant impact in prices worldwide.

BEKP producers from the 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 this competitive pressure will remain strong in the future.

Furthermore, a disinvestment movement in the paper sector in the US is highlighted, with announcements by some UWF producers of closures/conversions of installed capacity occurring between the end of 2017 and 2018, in a clear attempt to adjust supply to the negative evolution of demand. Conversely, investments in new UWF capacity in China are foreseen in the short term.

The Navigator Group has been adapting its commercial strategy to the evolution of regional consumption patterns. In this sense, in 2017 the presence in the markets of the Middle East, Africa and Asia/Oceania was reinforced. The volume of sales to the European markets represented 62% (2016: 63%), where it achieved particularly impressive market shares in Western European countries and relevant market shares in the other main European markets. The Group also has a significant presence in the US, accounting for more than half of European Producers' sales to this market, although the imposition of anti-dumping duties penalised sales to that market.

CONCENTRATION OF CUSTOMER PORTFOLIO

As of 31 December 2017, the Group's 10 main BEKP customer groups accounted for 16% (2016: 15%) of the period's production of BEKP and 76% (2016: 76%) of external sales of BEKP. This asymmetry 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 sold.

As such, the Group considers its exposure to the risk of customer concentration regarding the sale of BEKP, as small.

As at 31 December 2017, the Group's 10 main customer groups for UWF paper represented 49% (2016: 52%) of this product's sales during the period, although the Group's 10 main individual costumer did not exceed 28% (2016: 28%) of the UWF paper sales. Also, regarding UWF paper, the Group follows a strategy of mitigating the risk of customer concentration. The Group sells UWF paper to about 130 countries and 1100 individual costumers, thereby allowing a dispersion of the risk of sales concentration in a reduced number of markets and/or customers.

Tissue sales amounted to Euro 74.3 million in 2017 (2016: Euro 67.4 million). Its commercial activity is mainly focused in the Iberian markets, representing 99 % of its sales. The 10 main customers represent about 45% of total sales (2016: 47%).

With the new production equipment's in place, given the investment in the second Tissue paper machine made in 2015, the Group believes it will be able to expand its commercial activity to external markets, namely to Spain and Western Europe.

The Colombo Energy Inc. project for the new pellet plant in the USA (in Greenwood, South Carolina) began its start-up process on July 18th, 2016 and produced its first pellets on July 21st, entering into continuous operation from the month of October.

The commercial activity began in the month of December. Up to the date of the agreement for the sale of the operation, a contract was signed with a single customer, guaranteeing the sale of 40% of the factory's production, for a period of 10 years, with which the purchase and sale contract of the pellets in the USA was contracted.

ENVIRONMENTAL LEGISLATION

In recent years, environmental legislation in the EU has become increasingly restrictive regarding the control of effluents. The companies of the Group comply with the prevailing legislation.

On September 2014, BREF (Best available techniques Reference document — Commission executive decision 2014/687 / EU) was approved for the paper and pulp sector, with redefined limits and requirements for these sectors. The companies have four years to promote the required adjustments to its practices and equipments. Furthermore, the technical discussion on the Large Combustion Facilities Reference Document was finalized, being the formal and political approval expected for early 2017. The publication of this document will have an impact on the group's equipment, particularly in boilers and combustion facilities, which will be covered by the new legislation to be published, therefore requiring new investments.

As such, the Group has been monitoring the technical development of this matter, trying to anticipate and plan the necessary improvements to their equipment so to comply with the limits to publish. There is a possibility that the Group may need to perform additional investments in this area in order to comply with any changes in limits and environmental rules which may be approved.

Up to date, the legislative changes that are known relate to the evolution of the system of allocation of EU emission trading of CO_2 emission rights (CELE), established by Directive 2003/87/CE, and recently amended by Directive 2009/29/CE (new CELE Directive), which outlines the legal framework of the CELE for the period 2013-2020 and which was transposed into national law by Decree-Law 38/2013 of 15 March, which came to result in reducing the scope of free allocation of CO_2 emission rights allowances.

With this scenario, it is expected an increase in the costs for the transformation industry in general and in particular for the paper and pulp industry, without any compensation for the CO_2 that, annually, is absorbed by the forests of this industry.

In order to reduce the impact of this change, the Group has been following a strategy of carrying out a series of environment related investments that, among other advantages, have resulted in a continued reduction of the CO_2 emissions, in spite of the continuous increase in the production volume over the last years.

In 2015, an environmental strategic plan was analysed and established, aiming to adapt The Navigator Group to a set of new and future requirements in the environmental area, namely to the recently published reference document for the sector (Best available techniques Reference document - Commission executive decision 2014/687/EU) and for Large Combustion Facilities. The aforementioned reference documents correspond to the implementation of Directive 2010/75/EU on industrial emissions. Projects are underway to implement the appropriate technological changes.

The Environmental Strategic Plan aimed for areas other than the environmental covered by this document. It was possible to confirm that The Navigator Group is generically in compliance with this future referential and to identify some areas for improvement, as well as technological solutions such as atmosphere emissions from biomass boilers.

On the other hand, following the Decree-Law no 147/2008 of June 29th, which transposed to the national regulations the Directive 2004/35/CE, the Group ensured the environmental insurance required by that legislation, ensuring compliance with the regulations in force and mitigating the environmental risks to which it is exposed.

RISKS ASSOCIATED WITH THE PRODUCTION OF ENERGY AND PELLETS

Energy is considered to be an activity of growing importance in the Group, allowing 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, also enabling, among others, the Group's wood suppliers to generate additional income from the sale of biomass and contributing to the reduction of the risk of fires in the country.

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 in 2009 new biomass power-generating units, to produce electrical power trough biomass, which are now fully operating.

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 has enabled it to secure a sustained raw-material supply network which it may utilize 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. The incentives in place in Portugal only consider the use of residual forest biomass, rather than the use of wood to produce electrical power.

In addition, and despite the legal provisions,

i. Decree-Law 23/2010 and Act 140/2012, revised by Act 325-A/2012, applicable to the ERP system — Special Regime in cogeneration;

ii. For units powered through residual forestry biomass, dedicated to the production of electricity, the legal framework is provided by Decree-Law 33-A/2005, revised by Decree-Law 225/2007, that extends from 15 to 25 years the guaranteed tariffs under the PRE, which enables some revenue stability to be planned for the near future, there is a risk that the change in every tariffs may eventually paralyse the products produced by the Group, there is a riskthat the change in energy prices for sale of energy produced from renewable resources will penalise those products (already occurring, with specific measures over the energy price and the introduction a Extraordinary Contribution to the Energy Sector affecting cogenerating units) with a capacity of more than 20MW. The constant search for the optimisation of production costs and efficiency of the generating units is the way the Group seeks to mitigate this risk.

As a result of the measures taken under the Financial Adjustment Programme that Portugal was subject to, the whole remuneration system of the national electricity sector was revised, being the major impact in the electricity produced from cogeneration, one of the most efficient ways to produce energy.

The Group represents a relevant part of the energy produced in Portugal. The units owned and operated by the group have been watching a review of electricity prices over a transitory period initiated in 2012, through 2020 and ending in 2025. As a consequence, operation will become economically unfeasible. Over the aforementioned period, the energy generated by these units will no longer be sold to the national grid (already the case in the gas cogeneration unit in Figueira da Foz), as it will no longer be economically feasible. These units will be converted into auto consumption units after the transitory period applicable to each installation.

RISKS ASSOCIATED TO TRANSPORT AND LOGISTICS

The Group exports over 95% of its production of UWF paper and about 35% of its production of Tissue paper. As a consequence, transportation and logistics costs are materially relevant. A continuous rise in transport costs may have a significant impact in the Group's earnings.

2.2.2 RISKS RELATING TO THE CEMENT AND DERIVATIVES SEGMENT

SUPPLY OF RAW MATERIALS

Regarding the segment of Cement and derivatives, the main raw materials in the manufacturing process of cement are limestone and clay or marl, the extraction of which is carried out in its own quarries, located within the factory, with reserves that ensure the Group sustained operation in the coming years.

SALE PRICE

The cement and derivatives segment develops its activity in diverse geographically markets and therefore prices depend essentially on the economic situation of each country.

DEMAND FOR GROUP'S PRODUCTS

The segment of Cement and derivatives' 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 and therefore a downturn in economic activity in any specific economy may lead to a recession in this industry.

Despite the Group 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.

COMPETITION

The companies of the segment of Cement and derivatives develop 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 this segment.

The same tendency happens in Brazil, a country under recession and currently with excess installed capacity that has negatively impacted prices. In Tunisia, oversupply has also pushed down prices.

ENERGY COSTS

A significant part of the Group's costs relates to energy costs. Energy is a cost factor with a substantial weight on the business carried on by the Group. The Group hedges to a certain degree against the energy price risk through the usage of alternative fuels at its factories and long-term electric power supply contracts for certain of its energy requirements. However, significant fluctuations in electricity and fuel costs can have a negative impact on the Group's business, financial situation and operating profit.

COUNTRY RISK – BRAZIL, TUNISIA, LEBANON AND ANGOLA

Secil is exposed to the country risk of Brazil, Tunisia, Lebanon and Angola, where the Group holds investments in production units.

ENVIRONMENTAL LEGISLATION

In recent years, EU environmental legislation has become more restrictive with regard to the control of environmental emissions. It is an integral part of the Integrated Policy of the Secil Group the strict compliance with the legal requirements on the Environment that apply to it, as well as the continuous improvement of its performance.

In 2013, the BREF (Best Available Technologies Reference Documents) — Conclusions on Best Available Techniques of the Reference Document — for the cement, lime and magnesium oxide sectors containing, the new limits and requirements for these sectors was approved, with companies being limited to four years, regarding the promotion of the necessary adaptations to their practices and equipment. Such requirements were set out in the Environmental Licenses that regulate the activity of quarrying and cement production.

As such, The Group Secil has been following the technical development of this matter, seeking to anticipate and plan the necessary improvements in its equipment to make them comply with the limits to be published, thus allowing the Group to make additional investments in this area if needed, in order to comply with any changes in the limits and environmental rules that may be approved.

To date, the known legislative changes are also related to the evolution of the European Greenhouse Gas Emission Trading Scheme, established by Directive 2003/87/EC, as amended by Directive 2009/29/EC (new CELE Directive). This sheme presents the legal framework of the CELE for the period 2013-2020 and was transposed into the national legal order by Decree-Law 38/2013 of 15 March, which resulted in the reducing the scope of free allocation of CO_2 emission allowances. The revision of this latter directive has been under discussion at the European Community level to frame the post-2020 period, i.e. the period from 2021 to 2030. An agreement between the European Commission, the European Parliament and the European Council was reached at the end of 2017 and is expected to be approved by the European Council in early 2018.

Virtually confirmed the continuation of this trend for the new period, this evolution will bring new challenges for the cement industry. In order to mitigate the effects resulting from successive revisions of this legislation, the Group has long undertaken a series of environmental investments that, among other advantages, have allowed the continuous reduction of CO_2 emissions, with emphasis on the investment in equipment that enables energy valorisation of alternative fuels, cements with less clinker incorporation, and the investment in equipment of lower energy consumption.

There is a risk that the ongoing review of the CO_2 emissions directive for the period between 2021 and 2030 will point to a significant reduction in the free CO_2 allowances to be allocated. Existing technologies are not expected to reduce emissions to ensure current production capacities through free emissions, undermining the competitiveness of clinker and cement exports. Several research projects are under way to capture, store and reuse CO_2, none of which has been confirmed to be economically feasible, despite the existence of solutions that will be introduced for new types of cement. We believe that the solutions will only be implemented after the knowledge of the CO_2l icenses that will be attributed to the installations for the period between 2021 and 2030 in 2020. In Portugal, a collaborative laboratory will be created in 2018 between companies, universities and research centers, with the objective of ensuring the development of lines of research to reduce CO_2 emissions.

Aware that the exploitation of quarries has significant impacts on the landscape, alteration of relief, removal of soil and vegetation cover and reduction of refuges/food for fauna, the Group assumes the minimisation of these impacts and acceleration of the process of natural colonisation, not only through programs to recover the composition and structure of the plant and animal communities, but also the recovery of the functions and natural processes of the ecosystem.

On the other hand, complying with Decree-Law no. 147/2008 of 29 June, which transposed Directive 2004/35/EC into national legislation, the Group ensured the environmental insurance required by that legislation, ensuring compliance with the regulations in force, and mitigating the environmental risks to which it is exposed.

2.2.3 RISKS RELATING TO THE ENVIRONMENT SEGMENT

SUPPLY OF RAW MATERIALS

The supply of raw materials 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

Given its nature, 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 OF 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.

OTHER RISKS

The ITS subsidiary has a service contract within SIRCA with the Portuguese State, which in the year 2017 accounted for approximately 22.5% of the consolidated turnover of the ETSA Group. This contract has a limited term and its continuity depends not only on competitive factors, since it is promoted by public tender, but also on regulatory factors, since its existence and regime depend on strategic options of the Portuguese State.

2.2.4 RISKS RELATING TO THE GROUP IN GENERAL

HUMAN RESOURCES

Successful organisations have the right talent, in the right place, at all levels — people who look beyond the obvious and take the business into the future. The shortage of talent is now a structural problem of companies. With the technological advance and the constant need for innovation, intellectual capital has become crucial for the survival and expansion of companies.

In this sense, the Group's ability to successfully implement the strategies outlined depends on its ability to attract the best talent, recruit and retain the most qualified and competent Employees in each role. The high average age of a share of the Group's active population is a risk factor.

Although human resources and talent management policies are geared to these objectives, limitations and relevant investment need may arise concerning this area in the future. The Group has been carrying out various actions aimed at disseminating its culture and values as well as enhancing the talent of its human resources.

LEGAL RISKS

With regard to legal risks, it is crucial to mention that they are essentially the result of fiscal and regulatory risks, which are covered by the analysis of risks that have an operational nature, and specific risks of general liability or risks associated with the negotiation and conclusion of contractual instruments.

These risks are controlled through legal advisors established both at Semapa as a holding company and its subsidiaries, and through the use of external lawyers whenever the specialty of the matter, its value or other factors of the concrete case, are considered to be relevant.

INFORMATION SYSTEMS RISKS

The Group's information systems, some of which rely on services provided by third parties, play a key role in the operation of its business. Given the strong reliance on information technologies in the different geographies and business areas in which it operates, it is important to highlight the risk inherent in systems failures, resulting either from intentional actions such as computer attacks or from accidental actions.

Despite the above-mentioned risk prevention and mitigation procedures and practices, the Group is aware that, in the absence of tamper-evident information systems, the Group cannot guarantee that efforts will be sufficient to prevent that such system-level failures cease to have any consequences on the reputation, litigation, inefficiencies or even regarding the allocation of operational margin.

OTHER RISKS

The Group's manufacturing facilities are subject to risks inherent to any industrial activity, 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 that would enable the Group to maintain its current cost structure.

2.2.5 CONTEXT RISKS

The lack of efficiency in the Portuguese economy continues to be accompanied by management, as it may have a negative effect on the Group's ability to be competitive. 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 lack of certification of the vast majority of the Portuguese forest, and vi) volatility of fiscal policies and non-reduction in Corporate income tax.

3. RELEVANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires that the Group's management make judgments and estimates that affect the amount of revenue, costs, assets, liabilities and disclosures at statement of financial position date.

These estimates are influenced by the 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 that 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 generating a material adjustment to the book value of assets and liabilities in the following financial year are presented below:

3.1 RECOVERABILITY OF GOODWILL AND BRANDS

The Group annually tests Goodwill impairment (Note 1.7) and marks (Note 1.6.2), which records in its consolidated financial position, in accordance with the accounting policy referred in Notes 1.10.

With respect to goodwill, recoverable amounts of cash flow units are determined, based on the calculation of usage values and fair value less cost of sale. These calculations require the use of estimates and assumptions that, in case of change, may have an impact on the estimated recoverable amount (Note 15).

A sensitivity analysis was performed, as of 31 December 2017, to the key assumptions (independently for each assumption) identified as follows:

1) Increase of 50 basis points in the discount rate used (WACC) in the base scenario; and

2) Reduction of free cash flow by 5% over that used in the base scenario.

As a result of these tests, it was concluded that a 50 base points increase in the discount rates used (WACC) for the impairment tests of Goodwill would imply a devaluation of: i) 8% in the valuation value of UGC Pulp and Paper; ii) 13% in the valuation value of the CGU Cement and Derivatives; and iii) 12% in the valuation value of the CGU Environment, in any of the cases without resulting in any impairment loss.

It was also concluded that a reduction of free cash flow by 5% would imply a devaluation of i) 6% in the valuation value of CGU Pulp and Paper, ii) 7% in the valuation value of CGU Cement and Derivatives, and iii) 6% in the valuation value of CGU Environment, in any of the cases without resulting in any impairment loss.

Regarding brands, annual assessments are prepared by an independent entity, based on a post-tax cash-flow discount model, called the "income-split method", associated with the influence of the brand (difference between the net mark margin, minus marketing and the net margin of the associated white label) discounted at the time of valuation based on a specific discount rate.

These calculations also require the use of estimates and assumptions that, in case of change, may have an impact on the estimated recoverable amount. The analysis of sensitivity to the value of the brands is disclosed in Note 16.

3.2 INCOME TAX

The Group recognises additional tax assessments resulting from audits carried out by the 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 2017, at this date all years until 2014, included, have been reviewed by the Tax Authorities.

3.3 ACTUARIAL ASSUMPTIONS

Liabilities relating to defined-benefit plans are calculated, based on actuarial assumptions (Note 29). Changes to those assumptions can have a material impact on the previously mentioned liabilities.

As of 31 December 2017, a decrease of 0.5% in the discount rate used in the actuarial assumptions would mean an overall increase of liabilities amounting to approximately Euro 10.8 million (2016: Euro 14.3 million) in their assessed value.

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 (Note 18).

At the end of 2017, a 0.5% increase in the discount rate used in Portugal of 5.35% at nominal values (2016: 5.97%), a variable identified as more significant, would imply a devaluation of this asset by 4.9 million euros (2016: 5.3 million euros).

On 31 December 2017, a 3% decrease in forward price would imply a devaluation on Portugal forestry asset by approximately 8.7 million euros (31 December 2016: 10.5 million euros).

For Mozambique, the 0.5% increase in the discount rate used of 10.76% (2016: 11.99%) would imply a devaluation of this asset by approximately 254 thousand euros (2016: 260 thousand euros).

3.5 RECOGNITION OF PROVISIONS AND ADJUSTMENTS

The Group is involved in several lawsuits underway, for which, based on the opinion of its legal counsel, it makes a judgment to determine whether a provision for these contingencies should be recorded (Note 30).

Adjustments to accounts receivable are mainly calculated based on the seniority of the accounts receivable, the risk profile of the customers and their financial situation (Note 22).

3.6 TANGIBLE ASSETS

The recoverability of tangible assets requires the Management's estimates and assumptions to be established, in particular, when applicable, with respect to the determination of the value in use in the scope of impairment tests to the Group's cash generating units.

In addition, property, plant and equipment represent the most significant component of the Group's total assets (Note 17). These assets are subject to systematic depreciation for the period that is determined to be their economic useful life. The determination of the useful lives of the assets as well as the depreciation method to be applied is essential to determine the amount of depreciation to be recognized in the consolidated statement of comprehensive income for each period.

The useful life of an asset is the period during which it is expected to be available for use and should be reviewed at least at the end of each financial year. If the estimates differ from the previous ones, the change should only have effects in the future, changing the depreciation/amortisation quotas, so that the asset is fully and linearly depreciated/amortized up to the end of its useful life.

These two parameters are defined according to the best judgment of the Board of Directors for the assets and businesses in question, also considering the practices adopted by companies of the sector at the international level.

Given the relevance of this estimate, the Group makes regular use of external and independent technicians to assess the adequacy of the estimates used.

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.

OPERATING SEGMENTS

In accordance with the approach defined by IFRS 8, the operating segments should be identified on the basis of how the internal financial information is organised and reported to the management. An operating segment is defined by IFRS 8 as a component of the Group:

i. Developing business activities that can earn revenues and incur expenses;

ii. The operational results of which are regularly reviewed by the Group’s chief operating decision-maker, for the purpose of making decisions about allocating resources to the segment and evaluating its performance; and

iii. For which different information is available.

The Executive Committee of Semapa and its subsidiaries are primarily responsible for making operational decisions, periodically analysing reports with operational information on the segments, using them to monitor the operational performance of their business, and to decide on the best allocation of resources.

The financial information by operating segments for the year 2017 is analysed as follows:

Amounts in Euro	Notes	Pulp and paper	Cement and derivatives	Environment	Holdings	Within-Group Corrections	Total
Revenue		1,636,834,437	499,527,306	28,968,519	13,037,095	(13,714,078)	**2,164,653,279**
Other Income		33,810,518	32,042,166	226,099	354,131	(29,404)	**66,403,510**
Consumed and sold Inventories	6	(652,186,373)	(149,546,440)	(5,413,922)	-	-	**(807,146,735)**
Materials and services consumed	6	(407,745,075)	(185,012,808)	(8,430,121)	(3,148,455)	13,743,482	**(590,592,977)**
Other expenses	6	(206,875,417)	(108,238,496)	(7,636,064)	(9,840,198)	-	**(332,590,175)**
Depreciation and Amortization	8	(153,936,000)	(58,436,575)	(2,847,978)	(199,655)	-	**(215,420,209)**
Impairment Losses	8	(6,039,449)	(2,765,107)	-		-	**(8,804,556)**
Net provisions	30	(4,084,555)	174,732	(330,300)	-	-	**(4,240,123)**
Interest Expenses	10	(10,374,291)	(27,517,271)	(383,126)	(12,662,314)	-	**(50,937,001)**
Results of associated companies	9	-	1,047,842	-	-	-	**1,047,842**
Other financial gains and losses	10	2,677,321	(13,821,703)	(121,305)	(2,708,691)	-	**(13,974,378)**
Profit before tax		**232,081,115**	**(12,546,354)**	**4,031,803**	**(15,168,087)**	**-**	**208,398,477**
Income Tax	11	(35,383,851)	20,789,036	(786,792)	582,760	-	**(14,798,847)**
Profit for the year		**196,697,264**	**8,242,682**	**3,245,011**	**(14,585,327)**	**-**	**193,599,630**
Attributable to non-controlling interest		**136,512,305**	**(1,078,160)**	**3,244,649**	**(14,585,327)**	**-**	**124,093,467**
Non-controlled interest		60,184,959	9,320,842	362	-	-	69,506,163
OTHER INFORMATION							
Segment assets		2,447,696,400	1,456,792,210	83,516,755	12,674,714	(13,693,007)	**3,986,987,071**
Goodwill	15	122,907,528	192,694,053	36,422,934	-	-	**352,024,515**
Other Tangible Assets	16	155,366,245	134,699,212	-	-	-	**290,065,457**
Tangible Fixed Assets	17	1,282,630,094	753,450,196	28,031,373	492,548	-	**2,064,604,211**
Biological Assets	18	129,396,936	-	-	-	-	**129,396,936**
Deferred tax assets	28	44,727,571	35,159,298	188,514	-	-	**80,075,383**
Investment in associates and joint ventures	19	-	4,099,421	-	-	-	**4,099,421**
Total segment liabilities		1,326,578,733	849,513,859	23,252,806	579,389,425	(13,693,007)	**2,765,041,815**
Interest-bearing Debt	31	818,057,471	531,447,555	15,640,144	552,415,433	(689,598)	**1,916,871,005**
Capital Expenditures	17	114,714,693	26,309,929	2,948,918	33,309	-	**144,006,849**

The financial information by operating segments for the year of 2016 is analysed as follows:

Amounts in Euro	Notes	Pulp and paper	Cement and derivatives	Environment	Holdings	Within-Group Corrections	Total
Revenue		1,577,385,207	470,518,532	26,711,204	12,030,773	(12,030,773)	**2,074,614,943**
Other Income		50,135,374	32,720,454	201,488	43,782	(19,994)	**83,081,105**
Consumed and sold Inventories	6	(661,685,701)	(140,450,100)	(4,750,203)	-	-	**(806,886,005)**
Materials and services consumed	6	(404,494,652)	(176,107,051)	(8,262,105)	(3,150,053)	12,050,767	**(579,963,094)**
Other expenses	6	(163,898,993)	(101,543,644)	(7,010,594)	(9,286,682)	-	**(281,739,913)**
Depreciation and Amortization	8	(136,147,510)	(54,780,097)	(2,935,489)	(196,847)	-	**(194,059,943)**
Impairment Losses	8	(45,785,163)	(7,114,300)	-	-	-	**(52,899,463)**
Net provisions	30	(420,776)	2,808,671	-	-	-	**2,387,895**
Interest Expenses	10	(13,986,937)	(38,634,892)	(409,593)	(12,068,479)	-	**(65,099,901)**
Results of associated companies	9	-	3,067,090	-	-	-	**3,067,090**
Other financial gains and losses	10	(6,808,952)	(1,637,211)	(213,822)	(3,613,393)	-	**(12,273,378)**
Profit before tax		**194,291,896**	**(11,152,548)**	**3,330,887**	**(16,240,898)**	**-**	**170,229,336**
Income Tax	11	11,466,009	5,070,125	(376,196)	2,916,096	-	**19,076,034**
Profit for the year		**205,757,905**	**(6,082,423)**	**2,954,691**	**(13,324,803)**	**-**	**189,305,370**
Attributable to non-controlling interest		**143,265,670**	**(18,032,416)**	**2,954,361**	**(13,324,803)**	**-**	**114,862,812**
Non-controlled interest		62,492,236	11,949,993	330	-	-	74,442,558
OTHER INFORMATION							
Segment assets		2,432,959,588	1,565,134,878	82,760,663	24,761,267	(17,140,046)	**4,088,476,349**
Goodwill	15	122,907,528	193,482,435	36,422,934	-	-	**352,812,897**
Other Tangible Assets	16	155,788,642	140,832,962	-	-	-	**296,621,604**
Tangible Fixed Assets	17	1,421,755,523	863,004,236	28,060,411	670,143	-	**2,313,490,314**
Biological Assets	18	125,612,948	-	-	-	-	**125,612,948**
Deferred tax assets	28	44,198,753	34,327,298	126,171	-	-	**78,652,223**
Investment in associates and joint ventures	19	-	3,885,458	-	-	-	**3,885,458**
Total segment liabilities		1,252,379,987	886,424,219	25,741,726	713,986,456	(17,140,046)	**2,861,392,342**
Interest-bearing Debt	31	708,261,286	539,040,783	19,598,885	700,630,708	(3,697,915)	**1,963,833,747**
Capital Expenditures	17	143,030,311	40,973,051	1,989,084	65,901	-	**186,058,347**

GEOGRAPHICAL SEGMENTS

2017	Pulp and paper	Cement and derivatives	Environment	Total Amount	Total %
Sales and services rendered					
Portugal	315,790,653	195,436,926	20,224,284	**531,451,863**	24.55%
Rest of Europe	923,229,486	29,671,996	8,541,813	**961,443,295**	44.42%
America	152,624,556	90,343,915	-	**242,968,471**	11.22%
Africa	166,149,105	90,507,056	202,423	**256,858,584**	11.87%
Asia	76,148,394	92,890,428	-	**169,038,822**	7.81%
Overseas	2,892,243	-	-	**2,892,243**	0.13%
	1,636,834,437	**498,850,321**	**28,968,520**	**2,164,653,278**	**100.00%**

2016	Pulp and paper	Cement and derivatives	Environment	Total Amount	Total %
Sales and services rendered					
Portugal	284,895,951	165,210,547	18,466,082	**468,572,580**	22.59%
Rest of Europe	903,537,624	3,590,513	8,111,464	**915,239,601**	44.12%
America	191,414,636	79,621,887	-	**271,036,523**	13.06%
Africa	145,918,311	127,366,526	133,658	**273,418,495**	13.18%
Asia	51,261,234	94,729,059	-	**145,990,293**	7.04%
Overseas	357,451	-	-	**357,451**	0.02%
	1,577,385,207	**470,518,532**	**26,711,204**	**2,074,614,943**	**100.00%**

The revenue presented in different business and geographical segments corresponds to revenue generated with external customers based on the final destiny of the products and services commercialised by the Group, not representing any of them, individually, 10% or more of the overall revenue of the Group.

5. OTHER INCOME

As of 31 December 2017 and 2016, the caption Other Income comprises:

Amounts in Euro	2017	2016
Own Company Work	11,125,321	14,394,118
Grants - CO2 emission allowances	10,610,550	11,570,348
Compensation for insurance against damage	9,585,889	10,451,403
Gains on disposal of non-current assets	4,044,932	3,408,483
Power interruption - REN	3,654,883	4,012,334
Impairment reversal (Note 22)	2,132,351	5,610,027
Disposal of emission allowances	2,809,348	3,575,000
Supplementary income	1,403,952	3,020,914
Inventory Gains	1,708,695	2,856,267
Recovery of uncollectibles	3,878,787	637,496
Exploitation Incentives	1,133,874	1,318,196
Income from waste treatment	758,520	638,391
Other compensation received	238,366	514,756
Compensation Interest	1,442,121	533,933
Real Estate Income	655,815	-
Scrap sales	1,141,956	1,171,221
Other operating income	6,294,163	10,752,197
	62,619,523	**74,465,084**

The reduction in Own work capitalized is mainly due to the decrease of the investment rate in the Mozambican project of the subsidiary The Navigator Company, the expenses of which are capitalised in accordance with the policy described in Note 1.11.

The amount presented under the caption Grants — CO_2 emissions allowances regards to the recognition of the grant, due to the allocation of free allowances (Note 1.6.1).

The amount presented in the insurance claims category corresponds to the indemnities received by the subsidiaries Navigator Pulp Cacia and Navigator Fine Paper, as a result of the breakdown of the turbine plant at Cacia and the fire in Vila Velha de Ródão.

In 2017, the reduction in the account of supplementary revenues is mainly due to the decrease in the volume of sales of Tissue paper for processing, due to the expansion of the production and processing capacity of the factory in Vila Velha de Ródão.

6. COST, EXPENSES AND LOSSES

As of 31 December 2017 and 2016, Costs, Expenses and Losses were detailed as follows:

Amounts in Euro	2017	2016
Cost of sales and services rendered		
Cost of inventories sold and consumed	(807,146,735)	(806,886,005)
Cost of materials and services consumed		
Energy and fluids	(163,593,157)	(157,075,646)
Inventory transportation	(164,275,907)	(151,308,868)
Professional fees	(94,272,588)	(119,230,602)
Repair and maintenance	(50,528,246)	(46,370,434)
Fees	(8,742,883)	(7,305,740)
Insurance	(15,280,126)	(13,398,755)
Subcontracts	(4,231,815)	(3,339,956)
Others	(89,668,255)	(81,933,093)
	(590,592,977)	**(579,963,094)**
Variation in production	(25,954,418)	(2,292,741)
Payroll costs		
Statutory bodies (Note 7)	(21,491,622)	(18,497,365)
Other remunerations	(169,347,954)	(159,538,802)
Pension costs (Note 29)	(4,883,570)	(412,384)
Other payroll costs	(64,617,201)	(63,642,954)
	(260,340,347)	**(242,091,505)**
Others costs and losses		
Membership fees	(1,534,212)	(1,353,439)
Donations	(2,471,985)	(2,227,359)
Cost with emission allowances	(11,539,283)	(11,977,043)
Inventories and other receivables impairment (Note 22)	(3,795,389)	(3,581,398)
Losses on inventories	(7,483,322)	(2,747,539)
Indirect taxes	(13,151,680)	(9,940,546)
Losses on disposal of non-current assets	(1,676,292)	(1,125,844)
Other operating costs	(4,643,247)	(4,402,499)
	(46,295,410)	**(37,355,667)**
Provisions (Note 30)	(4,240,123)	2,387,895
Total of Costs, Expenses and Losses	**(1,734,570,010)**	**(1,666,201,117)**

The increase in the Personnel Expenses caption in 2017 is mainly explained by the beginning of the activity of the Pellets plant in the United States of the subsidiary Navigator. The entry into continuous operation of this new industrial unit is also responsible for much of the substantial increase in the remaining items.

The caption Other payroll costs, in 2017 and 2016, was detailed as follows:

Amounts in Euro	2017	2016
Other payroll cost		
Social security costs	(37,532,563)	(36,214,714)
Insurance	(4,826,533)	(3,992,958)
Social welfare expenses	(7,366,922)	(6,824,892)
Other payroll cost	(14,891,183)	(16,610,390)
	(64,617,201)	**(63,642,954)**

7. REMUNERATION OF STATUTORY BODIES

As of 31 December 2017 and 2016, the caption Remuneration of statutory bodies (Note 35) was detailed as follows:

Amounts in Euro	2017	2016
Semapa's Company Officers		
Board of Directors	9,387,979	8,605,353
Audit Board	54,000	52,046
Remuneration Committee	12,000	12,000
General Meeting	7,000	3,000
Board of Directors of other Group companies		
Board of Directors of other Group companies	12,030,643	9,824,966
	21,491,622	**18,497,365**

For the periods ended as at 31 December 2017 and 2016, liabilities for past services relating to two non-executive Directors of the subsidiary Navigator, as described in Notes 29 and 35, were also recognized.

8. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

As of 31 December 2017 and 2016, the caption Depreciation, amortisation and impairment losses were detailed as follows:

Amounts in Euro	2017	2016
Depreciation of property, plant and equipment		
Land	(4,771,360)	(4,522,293)
Environmental restoration and landscaping	(113,702)	(115,671)
Buildings	(22,861,196)	(19,739,323)
Other tangible assets	(198,342,265)	(174,601,899)
Government grants	6,675,857	7,995,398
	(219,412,666)	(190,983,788)
Amortisation and impairment losses of intangible assets		
Land	88,366	732,480
Equipments	414,301	680,492
Mozambique Impairment	(6,039,449)	(45,785,163)
Assets under construction | Equipments	(3,267,774)	(8,500,000)
	(8,804,556)	(52,872,191)
Amortisation of intagible assets (Note 16)		
Industrial property and other rights	(15,823)	(19,839)
CO2 emission rights	-	25,088
	(15,823)	5,249
Impairment losses of intangible assets		
Brands	2,323,599	1,079,181
Goodwill	-	(5,770,410)
	2,323,599	(4,691,229)
Impairment losses in assets held for sale	(4,318)	(27,272)
Amortizations in investment properties	(766)	(18,791)
ICMS -Tax on movement of goods and services		
Tax included in depreciations (Brazil)	1,689,765	1,628,616
	1,689,765	1,628,616
	(224,224,765)	**(246,959,406)**

The increase in the depreciation of tangible fixed assets derives essentially from the beginning of the amortisation of assets related to the pellets business of the subsidiary Navigator in the USA, as well as to the new investments made by this subsidiary in Cacia and Vila Velha de Rodão during the financial year of 2016.

In 2016, the subsidiary Navigator recognised an impairment loss associated with the Mozambican project, following the valuation of the assets located in that country, amounting to Euro 45,785,163.

9. GROUP SHARE OF (LOSS)/GAINS OF ASSOCIATED COMPANIES

In 2017 and 2016, the Group recorded its share of the net income/(loss) of associated companies and joint ventures as follows:

Amounts in Euro	2017	2016
Joint Ventures		
Supremo Cimentos, S.A.	-	1,687,028
Associated companies		
Setefrete, SGPS, S.A.	955,652	1,190,957
J.M.J. - Henriques, Lda.	(1,736)	(1,693)
Ave-Gestão Ambiental e Val. Energética, S.A.	93,926	190,798
	1,047,842	**3,067,090**

The company does not recognise tax deferred liabilities on these amounts, when positive, as the provisions of article 51 of the CIT code apply.

10. NET FINANCIAL RESULTS

As of 31 December 2017 and 2016, Net financial results comprise:

Amounts in Euro	2017	2016
Interest paid on loans from shareholders (Note 35)	(32,103)	(66,160)
Interest paid on loans from associated companies and joint ventures (Note 35)	(5,144)	(5,144)
Interest paid on other borrowings	(50,858,129)	(65,028,597)
Interest earned on loans from associated companies and joint ventures (Note 35)	-	8,360
Other interest earned	4,106,957	5,227,980
Fair value in available-for-sale financial assets (Note 21)	-	(35,503)
Financial assets at fair value through profit and loss (Note 20)	(2,750)	(27,040)
Gains / (losses) on financial instruments - hedging (Note 34)	233,522	(6,476,332)
Gains / (losses) on financial instruments - trading (Note 34)	3,771,523	(1,525,965)
Expenses with loans issuing and other comissions	(9,735,510)	(10,645,625)
Early repayment of bond loan	-	(6,046,500)
Foreign exchange gains / (losses)	(12,872,406)	5,493,778
(Costs)/gains with compensatory interest	1,548,234	3,023,725
Other financial expenses	(1,087,841)	(1,270,256)
Other financial income	22,268	-
	(64,911,379)	**(77,373,279)**

In 2016, the subsidiary Navigator partially repaid the remaining debt of Euro 150 million derived from the 350 million euro bond loan denominated *Senior Notes* 5.375%, which implied an immediate recognition in the results of that period of the cost associated with the reimbursement of the bonds, of Euro 6,046,500.

The caption Financial assets at fair value through profit and loss result from changes in fair value recorded in listed securities held by the Group as described in Note 20.

The captions Gains/(losses) on trading and hedging financial instruments comprise the results from the instruments detailed in Note 34.

11. INCOME TAX

Group Semapa is subject to the special regime governing business groups comprising companies, in which the shareholding is equal to or more than 75% and which meet the conditions laid down in articles 69 and following of the Corporate Income Tax (CIT) Code.

As of 31 December 2017, the tax business group led by Semapa as the dominant society comprises Group Secil, and ETSA, as well has all the subsidiaries that meet the legal requirements of the Corporate Income Tax Code. The companies that integrate The Navigator Group also integrated the tax business group led by The Navigator Company, S.A..

Companies included within the consolidation scope of the group of companies subject to this regime, calculate and recognise corporate income tax (CIT) as though they were taxed on an individual basis. However, the liabilities are recognised as due to the dominant entity of the tax business Group, which is responsible for the Group's overall clearance and payment of the corporate income tax. Where there are gains on the use of this regime, these are recorded in the dominant entity financial statements.

As of 31 December 2017 and 2016, income tax expense comprises:

Amounts in Euro	2017	2016
Current tax	(49,704,546)	(45,518,521)
Provisions for current tax	30,834,547	29,522,128
Deferred tax	4,071,152	35,072,427
	(14,798,847)	**19,076,034**

In 2017 and 2016, the tax line reflects a series of reversals of tax provisions, as a result of the closure of some tax inspection processes and court decisions favorable to the Group. In 2016, this caption also includes the positive impact arising from the adoption of the revaluation regime, published by DL 66/2016 of November 3, the net effect of which amounted to Euros 16,997,004, calculated at a rate of 27.5%.

The reconciliation of the effective tax rate in the years ended as at 31 December 2017 and 2016 is as follows:

Amounts in Euro	2017	2016
Profit before tax	208,398,477	170,229,336
Expected income tax	46,889,657	38,301,601
State surcharge	2,439,212	5,255,168
Differences (a)	(19,789,275)	(47,098,482)
Prior year tax adjustments	(16,412,354)	(20,434,078)
Recoverable tax losses carried forward	(6,254,231)	(278,619)
Non recoverable tax losses	11,538,189	41,563,865
Impairment and reversal of provisions	2,898,091	(2,128,624)
Impact of the change in the income tax rate	-	3,778,982
Provision for current tax	(2,438,634)	-
Impact of accession of the tax revaluation scheme	-	(16,997,004)
Tax benefits	(229,537)	(15,068,706)
Other	(3,842,271)	(5,970,137)
	14,798,847	**(19,076,034)**
Effective tax rate	7.10%	-11.21%

(a) This amount is made up essentially of :	2017	2016
Impairment losses - Goodwill (Note 8)	-	5,770,410
Effects arising from the application of the equity method (Note 14)	(1,047,842)	(1,380,062)
Capital gains/(losses) for tax purposes	(1,303,028)	(179,325,830)
Capital gains/(losses) for accounting purposes	(3,313,313)	(9,859,060)
Impairment of taxed provisions	2,493,445	8,633,140
Tax benefits	(7,291,890)	(3,492,290)
Dividends of companies located outside the EU	1,970,000	-
Reversal of taxed provisions	(71,333,028)	(12,485,700)
Intra-group earning's subject to taxation	2,362,147	2,211,266
Employees benefits	(462,242)	(7,238,911)
Reporting of net financing expenses from prior periods	(17,542,639)	-
Others	7,516,056	(12,159,548)
	(87,952,334)	(209,326,585)
Tax effect (22.5%)	**(19,789,275)**	**(47,098,482)**

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.

12. EARNINGS PER SHARE

There are no convertible financial instruments over Semapa's shares, so there is no dilution of earnings.

Amounts in Euro	2017	2016
Profit attributable to Semapa's shareholders	124,093,467	114,862,812
Total number of shares issued on 31-12	81,270,000	81,270,000
Average number of own shares in the portfolio	(586,329)	(292,268)
Weighted average number of ordinary shares in issue	**80,683,671**	**80,977,732**
Basic earnings per share	1.538	1.418
Diluted earnings per share	1.538	1.418

As of 31 December 2017 and 2016, Semapa - Sociedade de Investimento e Gestão, SGPS, S.A., held 586,329 treasury shares.

13. NON-CONTROLLING INTERESTS

As of 31 December 2017 and 2016, non-controlling interests shown in the Income statement are detailed as follows:

	%	Income	
Amounts in Euro	Owned	2017	2016
The Navigator Company, S.A.	30.60%	60,186,426	63,163,894
Raiz - Instituto de Investigação da Floresta e Papel	6.00%	(1,467)	(2,445)
Portucel Moçambique	19.80%	-	(669,213)
Britobetão - Central de Betão, Lda	-	-	2,271
Société des Ciments de Gabés	1.28%	(26,309)	7,916
IRP - Indústria de Rebocos de Portugal, S.A.	25.00%	102,726	92,846
Secil - Companhia de Cimento do Lobito, S.A.	49.00%	(914,802)	(930,404)
Ciments de Sibline, S.A.L.	48.95%	10,085,830	12,700,676
Grupo Cimentos Madeira	42.86%	203	41,866
ETSA - Investimentos, SGPS, S.A.	0.01%	362	330
Others		73,194	34,821
		69,506,163	**74,442,558**

As of 31 December 2017 and 2016, non-controlling interests in the Consolidated Statement of financial position are detailed as follows:

	%	Equity	
Amounts in Euro	Owned	31-12-2017	31-12-2016
The Navigator Company, S.A.	30.60%	305,484,936	323,112,484
Raiz - Instituto de Investigação da Floresta e Papel	6.00%	420,277	210,138
Portucel Moçambique	19.80%	-	2,062,468
Britobetão - Central de Betão, Lda	-	-	(790)
Société des Ciments de Gabés	1.28%	803,206	1,030,887
IRP - Indústria de Rebocos de Portugal, S.A.	25.00%	438,895	423,669
Secil - Companhia de Cimento do Lobito, S.A.	49.00%	(2,030,796)	(1,332,888)
Ciments de Sibline, S.A.L.	48.95%	67,023,056	77,912,222
Grupo Cimentos Madeira	42.86%	5,182,101	5,180,563
ETSA - Investimentos, SGPS, S.A.	0.01%	7,679	7,316
Others		1,218,077	1,148,138
		378,547,431	**409,754,207**

In 2014, The Navigator Group signed agreements with IFC - International Finance Corporation for the entry of this institution into the capital of the subsidiary Portucel Moçambique, SA, thus ensuring the construction phase of the Group's forestry project in Mozambique. In 2015, this firm originated a capital increase of MZN 1 billion to MZN 1 680.798 million, in which IFC subscribed MZN 332.798 billion, corresponding to 19.8% of the capital at that date, although it has not yet realised the entire counter value in Euros of that capital increase, and therefore the unrealised amount has been reclassified to equity of the parent company's shareholders.

As of 31 December 2017, there are no rights of protection of non-controlling interests that significantly restrict the entity's ability to access or use assets and settle liabilities of the Group.

The movement in the non-controlling interests, by operating segments, in the years ended as at 31 December 2017 and 2016 is as follows:

Amounts in Euro	Pulp and paper	Cement and derivatives	Environment	Total
Balance as of 1 January 2016	**327,364,027**	**87,918,441**	**6,987**	**415,289,455**
Acquisitions / (Disposals)	-	(133,592)	-	(133,592)
Dividends	(52,018,480)	(17,663,591)	-	(69,682,071)
Currency translation reserve	(1,978,947)	2,290,221	-	311,274
Financial instruments	(1,744,933)	29	-	(1,744,904)
Actuarial gains and losses	(3,050,775)	370	-	(3,050,405)
Other movements in equity	(5,678,108)	-	-	(5,678,108)
Profit for the year	62,492,236	11,949,993	329	74,442,558
Balance as of 31 December 2016	**325,385,020**	**84,361,871**	**7,316**	**409,754,207**
Acquisitions / (Disposals)	-	(314,367)	-	(314,367)
Dividends	(76,497,856)	(11,670,021)	-	(88,167,877)
Currency translation reserve	(4,035,157)	(9,064,982)	-	(13,100,139)
Financial instruments	1,392,464	16	-	1,392,480
Actuarial gains and losses	1,326,576	65	-	1,326,641
Other movements in equity	(1,850,792)	1,115	-	(1,849,677)
Profit for the year	60,184,959	9,320,842	362	69,506,163
Balance as of 31 December 2017	**305,905,214**	**72,634,539**	**7,678**	**378,547,431**

14. APPLICATION OF PREVIOUS YEAR'S PROFIT

In accordance with the resolutions of the Annual General Shareholders' Meeting of the financial statements approval, the profit of both 2016 and 2015 were applied as follows:

	Application of year's net profit	
Amounts in Euro	2016	2015
Dividends distribution	36,307,652	26,724,361
Profit-sharing bonuses	3,509,978	3,207,520
Other reserves	75,045,182	51,598,160
Profit for the year	**114,862,812**	**81,530,041**
Dividends per share	**0.450**	**0.329**

The legal reserves are constituted by the maximum amount.

Following the approval at Semapa's Annual General Shareholders' Meeting of May 25, 2017, it was resolved to pay dividends related to the results of 2016 amounting to approximately 36.3 million euros (45 cents per share in circulation) as such as the payment of balance bonuses to its Employees up to a maximum of 4.4 million euros.

15. GOODWILL

The movement in Goodwill for the years' ended as of 31 December 2017 and 2016 were as follows:

Amounts in Euro	31-12-2017	31-12-2016
Balance at the beginning of the year	**352,812,897**	**335,643,370**
Impairment	-	(5,770,410)
Acquisitions	7,739,608	10,756,626
Exchange rate adjustments	(8,527,989)	12,183,311
Final balance	**352,024,516**	**352,812,897**

Goodwill is attributed to the Group's cash generating units (CGU's) that correspond to the operating segment identified in Note 4, as follows:

Amounts in Euro	31-12-2017	31-12-2016
Cement and derivatives	192,694,054	193,482,435
Pulp and paper	122,907,528	122,907,528
Environment	36,422,934	36,422,934
	352,024,516	**352,812,897**

CHANGES IN PERIMETER

During March 2017, the subsidiary Secil completed the acquisition of a business unit comprising a cement terminal, two quarries and thirteen ready-mixed plants located in the Spanish regions of Asturias, Galicia and Castile and León, to the LafargeHolcim group. There are no contingent liabilities identified as a result of this acquisition.

This acquisition resulted in a Goodwill in the amount of Euros 7,739,608, calculated as follows:

Amounts in Euro	Cementos Secil, SLU
Non-current assets	
Other intangible Assets	1,803,911
Land, buildings and equipment	2,884,819
Current Assets	
Inventories	1,071,662
State and other public entities	58,800
Total amount of (disposal)/acquisition	**5,819,192**
Positive acquisition difference	7,739,608
Net assets (disposal)/acquired	**13,558,800**

IMPAIRMENT TESTS

As recommended by IAS 36, Goodwill is subject to impairment tests carried out on a minimum annual basis or when there is evidence of impairment, in accordance with the accounting policy described in Note 1.7.

For impairment tests of CGUs, the recoverable amount was determined based on the value in use, according to the discounted cash flow method. The recoverable amount of CGUs is derived from assumptions related to the activity, namely sales volumes, average selling prices and variable costs, that in the projection periods result from a combination

of economic forecasts for the regions and markets where the Group operates, industry forecasts, including changes in the markets derived from changes in installed capacity for each operational activity, internal management projections and historical performance.

These projections result from budgets for the following year and estimates of cash flows for a subsequent period of four years, reflected in the approved Medium/ Long-Term Plans.

Cash flows are discounted at WACC (Weighted Average Cost of Capital) rates based on CAPM (Capital Asset Pricing Model) and based on weighted average debt and equity costs, estimated according to the segments where CGUs are inserted. The risk-free interest rate and the Country Risk Premium considered are the result of market information on medium-term sovereign debt. The beta and industry leverage are based on information from a broad range of comparable companies, subject to annual review. All this information is collected from international and independent sources, among others, through Reuters and rating agencies (S&P, Moody's and Fitch).

The growth rate in perpetuity reflects the medium-term management's view of the different CGUs, taking into account the inflation targets of the respective Central Banks, future inflation rate estimates, macroeconomic outlooks, as well as the foreseeable evolution of the Markets where the Group operates. The sources of macroeconomic forecasts are the IMF and the Bank of Portugal (Banco de Portugal).

The assumptions that were the basis of the business plans are detailed as follows:

	31-12-2017					31-12-2016				
Macroeconomic assumptions	2018	2019	2020	2021	2022	2017	2018	2019	2020	2021
Pulp and paper										
Portugal										
GDP growth rate	2.0%	1.8%	1.5%	1.2%	1.2%	1.6%	1.2%	1.2%	1.2%	1.2%
Inflation EUR	1.4%	1.5%	2.2%	2.3%	2.4%	1.2%	1.4%	1.5%	1.6%	1.6%
Cement and derivatives										
Portugal										
GDP growth rate	2.0%	1.8%	1.5%	1.2%	1.2%	1.6%	1.2%	1.2%	1.2%	1.2%
Inflation EUR	1.4%	1.5%	2.2%	2.3%	2.4%	1.2%	1.4%	1.5%	1.6%	1.6%
Tunisia										
GDP growth rate	3.1%	3.5%	4.1%	4.3%	4.3%	2.8%	3.5%	4.1%	4.5%	4.3%
Inflation TND	4.4%	4.0%	3.8%	3.6%	3.5%	4.0%	3.8%	3.7%	3.5%	3.5%
Lebanon										
GDP growth rate	2.5%	2.5%	2.5%	3.0%	3.0%	2.0%	2.5%	3.0%	3.0%	3.0%
Inflation LBP	2.5%	2.0%	2.0%	2.0%	2.0%	2.2%	2.7%	2.5%	2.4%	2.3%
Brazil										
GDP growth rate	2.0%	2.0%	2.0%	2.0%	2.0%	1.3%	1.5%	2.0%	2.0%	2.0%
Inflation BRL	4.0%	4.1%	4.1%	4.0%	4.0%	5.1%	4.8%	4.6%	4.5%	4.5%
Angola										
GDP growth rate	1.5%	1.4%	1.5%	1.4%	1.4%	1.5%	2.4%	2.8%	3.2%	3.5%
Inflation USD	2.1%	2.6%	2.4%	2.2%	2.3%	2.2%	2.7%	2.5%	2.4%	2.3%
Inflation AOA	20.6%	14.0%	13.3%	10.9%	9.5%	38.3%	29.7%	25.7%	21.8%	17.8%
Environment										
Portugal										
GDP growth rate	2.0%	1.8%	1.5%	1.2%	1.2%	1.6%	1.2%	1.2%	1.2%	1.2%
Inflation EUR	1.4%	1.5%	2.2%	2.3%	2.4%	1.2%	1.4%	1.5%	1.6%	1.6%

Assumptions (CAGR 2018-2022)	Pulp and paper	Cement and Derivatives				Environment
		Portugal	Tunisia	Lebanon	Brazil	
Sales in quantity (kt)						
Reference	UWF Paper		Cement and Clinker			Fat [3,5]
CAGR Sales in quantity (kt)	0.5%	-3.4%	0.5%	-1.7%	7.2%	-0.1%
Average selling price LC/t						
Reference	UWF Paper		Grey Cement in the Domestic Market			Fat [3,5]
CAGR Average Selling Price ML/t	0.1%	1.0%	5.0%	1.4%	8.0%	2.1%
Total Cash Costs LC						
CAGR Total Cash Costs LC	0.9%	4.1%	0.3%	-1.6%	5.5%	1.7%

LC: Local Currency

* In Angola, the CAGR of the Average Selling Price has AOA currency but the CAGR of the Total Cash Costs has USD currency.

Assumptions (CAGR 2017-2021)	Pulp and paper	Cement and Derivatives				Environment
		Portugal	Tunisia	Lebanon	Brazil	
Sales in quantity (kt)						
Reference	UWF Paper		Cement and Clinker			Fat [3,5]
CAGR Sales in quantity (kt)	0.9%	2.2%	0.5%	-3.2%	6.8%	0.2%
Average selling price LC/t						
Reference	UWF Paper		Grey Cement in the Domestic Market			Fat [3,5]
CAGR Average Selling Price ML/t	0.3%	1.1%	3.6%	0.2%	6.0%	1.6%
Total Cash Costs LC						
CAGR Total Cash Costs LC	1.8%	2.5%	1.9%	-0.8%	7.9%	0.7%

LC: Local Currency

* In Angola, the CAGR of the Average Selling Price has AOA currency but the CAGR of the Total Cash Costs has USD currency.

The main assumptions of a financial nature used in the impairment tests are detailed as follows:

Financial Assumptions	31-12-2017				31-12-2016		
	Risk Free Interest rate *	WACC Rate EUR	Perp. Growth Rate EUR	Tax rate	Risk Free Interest rate *	Perp. Growth Rate EUR	Tax rate
Pulp and paper							
Portugal							
Explicit Planning Period	2.34%	6.83%	-	27.50%	3.11%	-	29.50%
Perpetuity	2.34%	6.83%	0.00%	27.50%	2.85%	0.00%	29.50%
Cement and other building materials							
Portugal							
Explicit Planning Period	2.34%	6.93%	-	27.50%	3.11%	-	27.50%
Perpetuity	2.34%	6.93%	2.00%	27.50%	2.85%	2.00%	27.50%
Tunisia							
Explicit Planning Period	5.58%	9.47%	-	25.00%	4.09%	-	25.00%
Perpetuity	5.58%	9.47%	2.00%	25.00%	4.09%	2.00%	25.00%
Lebanon							
Explicit Planning Period	7.90%	11.42%	-	17.00%	7.34%	-	15.00%
Perpetuity	7.90%	11.42%	2.00%	17.00%	7.34%	2.00%	15.00%
Angola							
Explicit Planning Period	6.74%	11.01%	-	30.00%	8.05%	-	30.00%
Perpetuity	6.74%	11.01%	2.00%	30.00%	8.05%	2.00%	30.00%
Brazil							
Explicit Planning Period	2.91%	7.94%	-	34.00%	3.49%	-	34.00%
Perpetuity	2.91%	7.53%	2.30%	34.00%	2.85%	2.30%	34.00%
Environment							
Portugal							
Explicit Planning Period	2.34%	5.55%	-	27.50%	3.11%	-	25.00%
Perpetuity	2.34%	5.55%	1,25%	27.50%	2.85%	1,25%	25.00%

* Country Risk Premium Included

As a result of the impairment tests carried out, no impairment loss was identified in Goodwill (2016: a loss of Euros 5,770,410 was recorded (Notes 8 and 22)).

In addition, sensitivity analyses (see Note 3.1) were made to the fundamental assumptions considered in the impairment tests performed for each of the identified Cash Generating Units, as follows:

- Reduction of free cash flow by 5% compared to the base scenario. This sensitivity analysis performed independently for this assumption did not determine any impairment of Goodwill allocated to each CGU; and

- Increase of 50 base points in the discount rate used (WACC) in the base scenario. This sensitivity analysis performed independently for this assumption did not determine any impairment of Goodwill allocated to each CGU.

Derived from the current tax legislation in Portugal, it is not expected that Goodwill generated and recognized in the Consolidated Statement of Financial Position as of 31 December 2017 will be tax deductible.

16. OTHER INTANGIBLE ASSETS

During 2017 and 2016, changes under the caption Other intangible assets, as well as amortisations and impairment losses, 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 2016	**283,857,737**	**11,737**	**214,943**	**24,125,836**	**3,844**	**308,214,097**
Change of perimeter	-	-	-	13,618	-	13,618
Acquisition / attributions	-	-	3,300	12,427,934	6,226	12,437,460
Disposals	-	-	-	(4,498,000)	-	(4,498,000)
Adjustments, transfers and write-off's	(35,456)	-	40,968	(13,697,379)	(5,512)	(13,697,379)
Exchange rate adjustment	5,297,552	-	-	(13,618)	-	5,283,934
Amount as of 31 December 2016	**289,119,833**	**11,737**	**259,211**	**18,358,391**	**4,558**	**307,753,730**
Change of perimeter	1,803,911	-	-	13,618	-	1,817,529
Acquisition / attributions	-	-	1,870	11,595,839	28,666	11,626,375
Disposals	-	-	-	(2,497,667)	-	(2,497,667)
Adjustments, transfers and write-off's	(1,915,517)	-	(254,811)	(10,164,101)	(21,723)	(12,356,152)
Exchange rate adjustment	(8,789,006)	-	-	(13,618)	-	(8,802,624)
Amount as of 31 December 2017	**280,219,221**	**11,737**	**6,270**	**17,292,462**	**11,501**	**297,541,191**
Accumulated amortisation and impairment losses						
Amount as of 1 January 2016	**(11,287,850)**	**(10,844)**	**(214,298)**	**(25,501)**	**-**	**(11,538,493)**
Amortisation and impairment losses	1,079,181	-	(22,146)	27,395	-	1,084,430
Adjustments , transfers and write-off	-	-	-	(1,895)	-	(1,895)
Exchange rate adjustment	(676,168)	-	-	-	-	(676,168)
Amount as of 31 December 2016	**(10,884,837)**	**(10,844)**	**(236,444)**	**(1)**	**-**	**(11,132,126)**
Amortisation and impairment losses	2,308,220	-	(444)	-	-	2,307,776
Disposals	-	-	(56,665)	-	-	(56,665)
Adjustments , transfers and write-off	155,103	-	289,703	-	-	444,806
Exchange rate adjustment	960,475	-	-	-	-	960,475
Amount as of 31 december 2017	**(7,461,039)**	**(10,844)**	**(3,850)**	**(1)**	**-**	**(7,475,734)**
Net book value as of 1 January 2016	**272,569,887**	**893**	**645**	**24,100,335**	**3,844**	**296,675,604**
Net book value as of 31 December 2016	**278,234,996**	**893**	**22,767**	**18,358,390**	**4,558**	**296,621,604**
Net book value as of 31 December 2017	**272,758,182**	**893**	**2,420**	**17,292,461**	**11,501**	**290,065,457**

The amount shown under the caption Brands comprises:

- *Pulp and Paper segment:* Euro 151,487,000, regarding the initial valuation of Soporset and Navigator brands
- *Cement and derivatives segment:* Euro 121,234,862, regarding the initial valuation of the brands Secil Portugal (Euro 69,700,000), Sibline (Lebanon- Euro 21,461,364), Gabès (Tunisia — Euro 6,858,152) and Supremo (Brazil — Euro 23,215,346). Sibline, Gabès and Supremo cement brands are subject to exchange rate update, in accordance with the accounting policy described in Note 1.5.

The referred amounts are not subjected to amortisation as their useful life is undefined (Note 1.6). For valuation purposes, it is considered that brands have an undefined useful life, because it is assumed that it is not possible to determine with an acceptable degree of reliability a time limit for their continuity in the market.

The Group annually tests the impairment of these intangible assets as recommended by IAS 36, using valuations made by a specialised and independent entity, and the recoverable value is determined based on the value in use, according to the discounted cash flow method.

The main assumptions used in the valuation of brands of Pulp and Paper segment in 2017 and 2016, for the purposes of impairment testing, were as follows:

2017 Brand	Markets	Risk-free interest rate *	Discount rate	Tax rate
Navigator	Europe	0.98%	6.83%	27.5%
	USA	2.35%	6.83%	27.5%
	World	6.50%	6.83%	27.5%
Soporset	Europe	0.98%	6.83%	27.5%
	USA	2.35%	6.83%	27.5%
	World	6.50%	6.83%	27.5%

2016 Brand	Markets	Risk-free interest rate *	Discount rate	Tax rate
Navigator	Europe	1.23%	6.77%	29.5%
	USA	2.53%	6.77%	29.5%
Soporset	Europe	1.23%	6.77%	29.5%
	USa	2.53%	6.77%	29.5%

** Government Bonds (10Y) Euro Zone and US*

The main assumptions used in the valuation of brands of Cement and derivatives performed in 2017 and 2016, for the purposes of impairment testing, were as follows:

2017 Brand	Markets	Risk-free interest rate *	Discount rate **	Tax rate
Secil Portugal	Portugal	2.34%	6.93%	27.5%
Ciments de Sibline	Lebanon	8.32%	11.86%	17.0%
Supremo Cimentos	Brazil	5.27%	10.42%	34.0%
Société des Ciments de Gabés	Tunisia	7.84%	11.81%	25.0%

** Country Risk Included*

*** Local Currency*

2016 Brand	Markets	Risk-free interest rate *	Discount rate **	Tax rate
Secil Portugal	Portugal	3.11%	7.30%	27.5%
Ciments de Sibline	Lebanon	7.96%	10.86%	15.0%
Supremo Cimentos	Brazil	6.90%	8.93%	34.0%
Société des Ciments de Gabés	Tunisia	6.44%	8.31%	25.0%

** Country Risk Included*

*** Local Currency*

The Cement and derivatives segment brands were valued by an independent entity, based on the discounted post-tax cash flow method denominated income split method associated to the influence of the brand (difference between the net margin of the brand less investments in marketing and the net margin of the associated brand), discounted to the evaluation period based on a specific discount rate.

As a result of the evaluations carried out in 2017, it was: i) reversed the impairment loss on the Supremo Cimentos (Brazil) brand, in the amount of Euro 5,439,278, recorded in 2016 (Euro 5,093,288), ii) identified and registered a impairment loss on the Secil Portugal brand, in the amount of Euro 2,000,000; (iii) identified and recorded an impairment loss on the Ciments de Sibline brand (Lebanon) in the amount of Euro 1,115,678 (in 2016 an impairment registered in 2015 of Euros 6,172,470 (Notes 8 and 22)).

In addition, sensitivity analyses were carried out on the fundamental assumptions considered in the evaluations carried out, namely: 1) reduction of the EVA indicator by 5%, compared to the base scenario; and 2) a 50 base point increase in the WACC rate in Euros used in the scenario base. These sensitivity analyses were performed independently for each assumption.

If these assumptions had been adopted, the Secil Portugal brand would have an impairment of 5% and 12% of its book value, respectively in scenarios 1) and 2), the Sibline brand would have an impairment of 5% and 7% of its book value in euros, respectively in scenarios 1) and 2) and the Supremo Cimentos Brazil mark would have an impairment of 13% of its book value in euros, only in scenario 2). For the remaining brands, this sensitivity analysis would not determine any impairment loss.

As of 31 December 2017, the Group held 3,005,075 CO_2 licenses (2016: 3,170,845 CO2 licenses) registered in accordance with the policy described in Note 1.6.1.

17. PROPERTY, PLANT AND EQUIPMENT

The following movements were registered in the years ended as of 31 December 2017 and 2016 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 2016	**427.676.574**	**1.102.015.756**	**5.189.921.579**	**103.150.144**	**6.822.764.053**
Change of consolidation perimeter	2.465.305	9.800.758	22.452.956	110.636	34.829.655
Acquisition	1.368.547	1.651.379	14.777.926	168.260.495	186.058.347
Disposals	(39.818)	(2.444.016)	(13.089.543)	(6.351)	(15.579.728)
Adjustments, tranfers and write-off's	3.223.165	16.461.261	118.088.961	(160.730.192)	(22.956.805)
Exchange rate adjustment	8.658.782	16.926.013	26.867.432	314.031	52.766.258
Amount as of 31 December 2016	**443.352.555**	**1.144.411.151**	**5.359.019.311**	**111.098.763**	**7.057.881.780**
Change of consolidation perimeter	101.635	855.684	1.927.500	-	2.884.819
Acquisition	5.025.610	334.545	4.200.804	134.445.890	144.006.849
Disposals	(3.909.506)	(3.445.215)	(6.455.507)	(761.500)	(14.571.728)
Adjustments, tranfers and write-off's	4.762.923	9.273.845	42.490.915	(57.572.224)	(1.044.541)
Exchange rate adjustment	(20.241.660)	(24.944.987)	(73.621.817)	(1.603.560)	(120.412.024)
Assets held for sale (Note 33)	(1.609.029)	(28.388.030)	(54.512.455)	(924.392)	(85.433.906)
Amount as of 31 December 2017	**427.482.528**	**1.098.096.993**	**5.273.048.751**	**184.682.977**	**6.983.311.249**
Accumulated depreciations and impairment losses					
Amount as of 1 January 2016	**(56.668.444)**	**(664.476.228)**	**(3.760.939.850)**	**(3.741.590)**	**(4.485.826.112)**
Change of consolidation perimeter	(1.787.836)	(9.365.208)	(22.545.174)	-	(33.698.218)
Depreciation and impairment losses	(4.522.293)	(19.033.655)	(172.351.541)	-	(195.907.489)
Disposals	-	336.201	9.620.843	-	9.957.044
Impairment Losses	(2.960.025)	-	-	(51.325.138)	(54.285.163)
Adjustments, tranfers and write-off's	-	7.799.554	3.362.798	-	11.162.352
Exchange rate adjustment	1.079.810	1.103.637	2.022.673	-	4.206.120
Amount as of 31 December 2016	**(64.858.788)**	**(683.635.699)**	**(3.940.830.251)**	**(55.066.728)**	**(4.744.391.466)**
Depreciation and impairment losses	(4.771.360)	(22.886.532)	(197.161.832)	-	(224.819.724)
Disposals	5.685	2.480.044	5.390.442	-	7.876.171
Impairment Losses	(5.004.528)	-	-	(4.302.695)	(9.307.223)
Adjustments, tranfers and write-off's	29.813	1.986.693	1.039.663	1.829.286	4.885.455
Exchange rate adjustment	3.471.034	7.547.391	35.674.474	356.850	47.049.749
Amount as of 31 December 2017	**(71.128.144)**	**(694.508.103)**	**(4.095.887.504)**	**(57.183.287)**	**(4.918.707.038)**
Net book value as of 1 January 2016	**371.008.130**	**437.539.528**	**1.428.981.729**	**99.408.554**	**2.336.937.941**
Net book value as of 31 December 2016	**378.493.767**	**460.775.452**	**1.418.189.060**	**56.032.035**	**2.313.490.314**
Net book value as of 31 December 2017	**356.354.384**	**403.588.890**	**1.177.161.247**	**127.499.690**	**2.064.604.211**

Commitments related to Property, plant and equipment acquisitions are detailed in Note 39.

As of 31 December 2017, assets under construction included Euros 20,936,800 (2016: Euros 854,159) related to advances on property, plant and equipment carried out within the scope of the investment projects currently underway in the Group, which include the Figueira da Foz plant expansion project and the new Tissue Cacia line project, both from The Navigator Group, as well as investments associated with improvements in the production process in the Group's various plants.

In 2016, assets under construction also included the recording of the impairment loss, associated with the investment in Mozambique of Euros 45,785,163 (Note 8).

In 2017 and 2016, Regularisation, transfers and write-offs refer essentially to the transfer of investments in progress to the remaining items of fixed tangible fixed assets, made effective at the time they were available for the intended use. In 2016, the amount of transfers is essentially composed of the investment assets held by the subsidiary The Navigator Company at the pellets plant in the United States, which became operational in that year.

During the years of 2017 and 2016 no financial charges for loans directly related to the acquisition, construction or production of fixed assets were capitalised.

The breakdown of tangible fixed assets by geographical location, as of 31 December 2017 and 2016, is detailed as follows:

Amounts in Euro	31-12-2017		31-12-2016	
Portugal	1,609,280,024	77.9%	1,650,793,120	71.4%
Rest Of Europe	10,299,965	0.5%	5,749,464	0.2%
America	278,948,329	13.5%	437,902,412	18.9%
Africa	80,232,752	3.9%	113,990,819	4.9%
Asia	85,843,141	4.2%	105,054,499	4.5%
	2,064,604,211	**100.0%**	**2,313,490,314**	**100.0%**

The reduction observed in the different geographies, with the exception of Portugal and the rest of Europe, is mainly due to exchange rate variations in the local currencies corresponding to the locations of these assets, namely Brazil, Lebanon, Tunisia, USA and Angola.

The reduction in assets located in the Americas also results from the transfer of the related assets to Navigator's subsidiary, Colombo Energy, to assets held for sale, as referred to in Note 33.

18. BIOLOGICAL ASSETS

The biological assets of the Group correspond essentially to forests held for the production of wood susceptible to incorporation in the pulp manufacturing process (BEKP), including other species such as pine and cork oak.

As described in notes 1.11 and 3.4, the fair value method of discounted cash flows was used in determining the fair value of biological assets (Note 34), in which a number of assumptions were considered, namely forest productivity, sale of timber, cutting costs, rental costs of own and leased forest lands, costs of loading and transport, planting and maintenance costs, and the discount rate (the rate used in 2017 being 5.35 %).

As of 31 December 2017 and 2016, changes in biological assets were as follows:

Amounts in Euro	31-12-2017	31-12-2016
Amount at the beginning of the year	**125,612,948**	**116,996,927**
Changes in fair value		
Logging in the period	(21,192,882)	(22,637,607)
Growth	12,358,248	15,151,098
New plantations	2,682,277	2,718,849
Other changes in fair value	9,936,345	13,383,681
Total changes in fair value	**3,783,988**	**8,616,021**
	129,396,936	**125,612,948**

Biological assets as of 31 December 2016 and 2015 are as follows:

Amounts in Euro	31-12-2017	31-12-2016
Eucalyptus (Portugal)	115,198,626	116,413,499
Other species (Portugal)	7,530,090	1,820,807
Eucalyptus (Mozambique)	6,668,220	7,378,642
	129,396,936	**125,612,948**

The amounts presented under Other fair value changes correspond essentially to the forest management costs foreseen and incurred in the period (forestry costs, structure and income) as well as to the impact arising from changes in expectations incorporated in the model for determining the fair value and are detailed as follows:

Amounts in Euro	31-12-2017	31-12-2016
Costs of asset management		
Forestry	3,278,191	3,125,794
Structure	4,451,938	3,336,748
Fixed and variable rents	10,391,180	10,109,370
Impairment in the Mozambican project	-	(3,188,231)
	18,121,309	**13,383,681**
Expectation changes		
Wood price	(683,000)	174,326
Capital cost rate	6,012,590	14,875,853
Variations in other species	5,709,283	(5,548,862)
Impact of fires in 2017	(6,996,837)	-
Other expectation changes	(12,227,000)	(9,501,317)
	(8,184,964)	**-**
	9,936,345	**13,383,681**

These values, calculated in accordance with the expected extraction of their productions, correspond to the following future production expectations:

Amounts in Euro	31-12-2017	31-12-2016
Eucalyptus (Portugal) - wood potential extration k m3ssc	9,943	11,649
Pine (Portugal) - wood potential exration k ton	413	455
Pine (Portugal) - pinecones potential extration k ton	n/a	n/a
Cork (Portugal) - cork potential extration k @	644	615
Eucalyptus (Portugal) - wood potencial extraction h m3ssc (1)	2,057	1,988

1) Valuation for areas with one or more years of age

With regard to eucalyptus, the biological assets with the highest expression in the financial statements presented, in the periods ended as at 31 December 2017 and 2016, 577,526 m3ssc and 608,761 m3ssc of wood from the forests owned and exploited by the Group were extracted.

In addition, as of 31 December 2017 and 2016, i) there are no amounts of biological assets held and / or pledged as collateral for liabilities, or non-reversible commitments relating to the acquisition of biological assets, and ii) there are no government related subsidies with biological assets recognised in the Group's consolidated financial statements.

A sensitivity analysis was performed on the assumption considered key, the discount rate used, the conclusions of which are presented in Note 3.4.

19. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The following movements were registered in this caption during the years ended as of 31 December 2017 and 2016:

Amounts in Euro	31-12-2017	31-12-2016
Opening balance	**3,885,458**	**3,403,708**
Group share of (loss) / gain of associated companies and joint ventures (Note 9)	1,047,842	1,380,062
Dividends received	(833,509)	(868,685)
Fair-value in associates	-	(29,434)
Exchange rate adjustments	(370)	(193)
Closing balance	**4,099,421**	**3,885,458**

As of 31 December 2017 and 2016 the caption Investments in associates and joint ventures presented in the consolidated statement of financial position, including goodwill, comprises:

	Book Value			
Entities	% Held	31-12-2017	% Held	31-12-2016
Associated companies				
Setefrete, SGPS, S.A.	25.00%	3,577,867	25.00%	3,329,903
MC - Materiaux de Construction	49.36%	1,698	49.36%	2,068
J.M.J. - Henriques, Lda.	50.00%	375,017	50.00%	376,752
Ave, S.A.	35.00%	144,839	35.00%	176,735
		4,099,421		**3,885,458**

The value of the investment in the associate Setefrete, SGPS, S.A. includes an amount of Euros 2,227,750 of Goodwill.

As of 31 December 2017 and 2016, Goodwill included in carrying amount of these investments is detailed as follows:

		31-12-2017				
Amounts in Euro		Total Assets	Total Liabilities	Equity	Net Profit	Revenue
Ave-Gestão Ambiental e Valorização Energética, S.A.	b)	2,959,114	2,545,287	413,827	352,867	9,305,007
MC- Materiaux de Construction	a)	835,026	820,232	14,794	(78,587)	2,626,184
J.M.J. - Henriques, Lda.	a)	1,081,249	331,215	750,034	(3,472)	-
Setefrete, SGPS, S.A.	c)	5,868,752	468,285	5,400,467	2,829,484	4,336,624

a) 31-12-2017 figures
b) 30-11-2017 figures
c) 30-11-2017 figures - adjusted individual accounts

		31-12-2016				
Amounts in Euro		Total Assets	Total Liabilities	Equity	Net Profit	Revenue
Ave-Gestão Ambiental e Valorização Energética, S.A.	a)	3,137,609	2,632,651	504,958	545,137	10,068,168
MC- Materiaux de Construction	b)	848,325	917,984	(69,659)	(96,745)	4,283,556
J.M.J. - Henriques, Lda.	b)	1,080,241	326,737	753,504	(3,386)	-
Setefrete, SGPS, S.A.	c)	7,826,888	3,418,274	4,408,614	4,763,825	13,248,333

a) 30-11-2016 figures
b) 31-12-2016 figures
c) 31-07-2016 figures

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following movements were registered in this caption during the years ended 31 December 2017 and 2016:

Amounts in Euro	31-12-2017	31-12-2016
Opening balance	**47,258**	**342,968**
Disposals	-	(268,670)
Net Fair Value Changes	(2,750)	(27,040)
	44,508	**47,258**

The classification of financial assets at fair value through profit or loss, in accordance with the fair value hierarchy defined in IFRS 13 is shown in Note 34.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Available-for-sale financial assets account records the participation held by The Navigator Group in Liaison Technologies, in the amount of Euros 424,428, originally acquired in 2005, by exchange of shares of Express Paper. Until 2012, the Group held a 1.52% stake in this subsidiary, having sold in 2013 shares representing 0.85% of the share capital.

The classification of assets available for sale, according to the fair value hierarchy defined in IFRS 13, is shown in Note 34.

22. IMPAIRMENT IN NON-CURRENT AND CURRENT ASSETS

In the years ended as at 31 December 2017 and 2016, the following movements were registered on impairments in non-current assets:

Amounts in Euro	Goodwill	Brands	Other non-current assets	Property, plant and equipment	Investments in associates	Total
As of 1 January 2016	**-**	**11,075,942**	**1,855,975**	**102,292**	**16,102**	**13,050,311**
Change of consolidation perimeter	190,826	-	-	-	150	190,976
Increases (Notes 8 and 16)	5,770,410	5,093,288	-	-	-	10,863,698
Reversions	-	(6,172,470)	-	-	-	(6,172,470)
As of 31 December 2016	**5,961,236**	**9,996,760**	**1,855,975**	**102,292**	**16,252**	**17,932,515**
Increases (Notes 8, 15 and 16)	-	3,115,678	-	-	-	3,115,678
Reversions (Notes 8 e 16)	-	(5,439,278)	-	-	-	(5,439,278)
As of 31 December 2017	**5,961,236**	**7,673,160**	**1,855,975**	**102,292**	**16,252**	**15,608,915**

During the year ended as of 31 December 2017 and 2016, the following movements were registered on impairments in current assets:

Amounts in Euro	Inventories	Accounts Receivable	Other Receivables	Total
As of 1 January 2016	**14,319,637**	**28,055,767**	**8,317,362**	**50,692,766**
Change of consolidation perimeter	632,016	3,068,177	-	3,700,193
Increases (Note 6)	1,151,661	2,153,088	276,649	3,581,398
Reversions (Note 5)	(1,160,320)	(2,172,783)	(2,276,924)	(5,610,027)
Direct utilisations	(8,745)	(510,841)	(43,971)	(563,557)
Adjustments, tranfers and write-off's	(223,033)	(204,684)	(9,293)	(437,010)
As of 31 December 2016	**14,711,216**	**30,388,724**	**6,263,823**	**51,363,763**
Increases (Note 6)	1,700,810	1,810,800	283,779	3,795,389
Reversions (Note 5)	(982,411)	(1,124,025)	(25,915)	(2,132,351)
Direct utilisations	(7,892)	(409,293)	-	(417,185)
Adjustments, tranfers and write-off's	(1,367,839)	(682,144)	(30,608)	(2,080,591)
As of 31 December 2017	**14,053,884**	**29,984,062**	**6,491,079**	**50,529,025**

23. INVENTORIES

As of 31 December 2017 and 2016 the caption Inventories comprised:

Amounts in Euro	31-12-2017	31-12-2016
Raw Materials	177,126,495	183,096,265
Finished and intermediate products	71,705,124	92,120,564
Work in progress	19,728,115	25,133,435
Goods	6,906,245	6,471,878
Sub-products and waste	5,287,251	1,718,613
Advance payments	3,116	176,940
	280,756,346	**308,717,695**

Note: The presented figures are net of impairment losses.

During the years of 2017 and 2016, movements in Raw materials, Finished products and Goods and Advances to inventories were as follows:

Amounts in Euro	31-12-2017	31-12-2016
Opening balance	191,463,696	192,196,197
Acquisitions	805,006,146	806,153,504
Closing balance	(189,323,107)	(191,463,696)
Cost of inventories sold and consumed (Note 6)	**807,146,735**	**806,886,005**

During the financial years of 2017 and 2016, the movements in Finished Products and Products and Work in Progress were as follows:

Amounts in Euro	31-12-2017	31-12-2016
Opening balance	117,253,999	117,563,481
Regularisations	133,658	1,983,259
Closing balance	(91,433,239)	(117,253,999)
Production Changes (Nota 6)	**25,954,418**	**2,292,741**

As of 31 December 2017 and 2016, location of inventories by geographical segment were as follows:

Amounts in Euro	31-12-2017	31-12-2016
Portugal	207,642,193	224,572,097
Rest of Europe	8,576,945	3,904,899
America	19,488,258	31,125,834
Africa	23,860,961	21,955,546
Asia	21,187,989	27,159,319
	280,756,346	**308,717,695**

The amounts presented are deducted from the respective adjustments, in accordance with the policy described in Note 1.15 and detailed in Note 22. The amounts for Portugal include Euros 14,229,243 (31 December 2016: Euros 15,849,738) relating to stocks of The Navigator Group the invoices of which have already been issued but the transfer of risks of which and rewards to customers has not yet been verified, which is why the corresponding revenue was not recognised at the date of the consolidated statement of financial position.

As of 31 December 2017 and 2016, there are no inventories the ownership of which is restricted and/or pledged as collateral for liabilities.

24. RECEIVABLES AND OTHER CURRENT ASSETS

As of 31 December 2017 and 2016, the caption Receivables and other current assets comprised:

Amounts in Euro	31-12-2017	31-12-2016
Accounts receivable	245,876,313	244,913,009
Accounts receivable - related parties (Note 35)	526,632	859,869
Derivative financial instruments (Note 34)	4,571,589	942,139
Other receivables	50,873,035	43,720,096
Accrued income	20,351,232	2,747,450
Deferred costs	12,668,285	11,721,863
	334,867,086	**304,904,426**

Note: The presented figures are net of impairment losses.

As of 31 December 2017 and 2016, Other receivables comprised:

Amounts in Euro	31-12-2017	31-12-2016
Other receivables		
Advance payments to suppliers	1,905,594	2,123,078
Advance payments to personnel	1,590,991	1,392,317
Price adjustment | Acquisition of Supremo Cimentos	1,856,983	2,143,467
Financial incentives to be received	42,105	58,869
Collateral provided to other parties	4,632,589	4,281,655
Department of Commerce (USA)	29,846,612	26,369,181
Others	10,998,161	7,351,529
	50,873,035	**43,720,096**

In 2015, The Navigator Group was investigated for alleged dumping practices on imports of UWF paper into the United States of America and a provisional anti-dumping duty was imposed on sales to that country of 29.53%. On January 11, 2016, the United States Department of Commerce revised the applied rate down to 7.8%. Although the rate now set is substantially lower than the margin initially determined, The Navigator Company remains in complete disagreement with the application of any anti-dumping margin in the period, because, given the calculation algorithm used by the US authorities and validated by the Group's lawyers in the US, the Group does not determine any price difference between the domestic market (Portugal) and destination (US), in the period subject to revision after August 2015.

The amount evidenced in the item Price Adjustment — Acquisition of Supremo Cimentos in 2016 relates to the price adjustment determined in the context of the purchase agreement of this subsidiary between the parties.

As of 31 December 2017 and 2016, the items of Accrued income and deferred costs are detailed as follows:

Amounts in Euro	31-12-2017	31-12-2016
Accrued income		
Interest receivable	1,548,286	531,667
Energy Sales	15,320,310	-
Others	3,482,636	2,215,783
	20,351,232	**2,747,450**
Deferred costs		
Insurance	2,001,295	579,987
Rents and leases	3,722,992	3,303,855
Others	6,943,998	7,838,021
	12,668,285	**11,721,863**
	33,019,517	**14,469,313**

During 2017, the Navigator Group adhered to the self-billing system of EDP — Serviço Universal, SA.. Since, at the closing date, the corresponding self-invoices had not yet been received, the invoicing was recorded under the caption Accruals of income, thus explaining the value of this item.

25. STATE AND OTHER PUBLIC ENTITIES

As of 31 December 2017 and 2016, there were no arrears debts to the State and other public entities.

As mentioned in Note 11, the tax Group dominated by Semapa, SGPS, S.A., comprises the Portuguese entities (that comply with the conditions laid down in Article 69 of the CIT Code) of Groups Secil and ETSA, the same criteria applying to the Navigator Group. Thus, although those companies ascertain and record the income tax as if they were taxed on an individual basis, the overall corporate income tax, as well as the overall clearance/payment, is performed by the parent Company.

The balances relating to these entities were as follows:

CURRENT ASSETS

Amounts in Euro	31-12-2017	31-12-2016
Corporate Income Tax - CIT	788,673	13,059,045
Personnel Income Tax - withheld on salaries	724,018	1,603,048
Value added tax to be recovered	20,047,677	10,556,220
Value added tax - refund requested	59,436,715	50,235,500
Tax over Merchandise and Services Circulation (ICMS)	3,066,066	5,697,852
Tax on Industrialized Products (TIP)	941,465	453,567
Contributions for Social Security financing	128,786	22,726
PIS and COFINS credit on fixed assets	14,633,336	18,509,519
Other taxes	12,842,402	10,411,417
	112,609,138	**110,548,894**

CURRENT LIABILITIES

Amounts in Euro	31-12-2017	31-12-2016
Corporate Income Tax - CIT	14,419,036	47,023,845
Personnel Income Tax - withheld on salaries	3,498,938	5,895,841
Value added tax	48,932,097	35,043,858
Social Security	4,542,187	4,566,054
Tax over Merchandise and Services Circulation (ICMS)	525,815	632,292
Company Development Program Catarinense (PRODEC)	2,412,382	3,457,328
Paraná Competitive Program	10,664,028	7,837,913
Contributions for Social Security financing	44,129	81,928
Additional tax settlements	20,145,343	17,742,052
Others	2,287,616	996,462
	107,471,571	**123,277,573**

As of 31 December 2017 and 2016, the caption Corporate Income tax - CIT comprise (net between current assets and current liabilities) is detailed as follows:

Amounts in Euro	31-12-2017	31-12-2016
Corporate income tax for the year	57,420,038	49,035,557
Exchange rate differences	(342,405)	190,773
Payments on account and additional payments on account	(46,769,853)	(4,099,706)
Witholding tax	(1,059,968)	(1,131,722)
Prior years corporate income tax	4,382,551	(10,030,102)
	13,630,363	**33,964,800**

26. SHARE CAPITAL AND TREASURY SHARE

As of 31 December 2017 and 2016, Semapa's share capital was fully subscribed and paid up, represented by 81,270,000 shares with no par value. The legal persons that held relevant positions in the Company's capital are detailed as follows:

Name	Number of shares	%	
		31-12-2017	31-12-2016
Longapar, SGPS, S.A.	22,225,400	27.35	27.35
Cimo - Gestão de Participações, SGPS, S.A.	16,734,031	20.59	19.93
Sodim, SGPS, S.A.	15,252,726	18.77	18.77
Bestinver Gestión, SGIIC, S.A.	7,166,756	8.82	8.82
Cimigest, SGPS, S.A.	3,185,019	3.92	3.92
Santander Asset Management España, SA	1,981,216	2.44	2.79
Sociedade Agrícola da Quinta da Vialonga, S.A.	625,199	0.77	0.77
OEM - Organização de Empresas, SGPS, S.A.	-	-	0.66
Treasury shares	586,329	0.72	0.72
Other shareholders with less than 2% participation	13,513,324	16.63	16.27
	81,270,000	**100.00**	**100.00**

Semapa - Sociedade de Investimento e Gestão, SGPS, S.A. held, on December 31, 2017, 586,329 own shares.

27. RESERVES AND RETAINED EARNINGS

As of 31 December 2017 and 2016, the captions Fair value reserve, Translation reserve and Other reserves comprised:

Amounts in Euro	31-12-2017	31-12-2016
Fair value of financial instruments	(818,432)	(4,780,771)
Other fair value reserves	(1,281,742)	(1,281,742)
Total amount of fair value reserve	**(2,100,174)**	**(6,062,513)**
Translation reserve	**(99,805,648)**	**(31,600,075)**
Legal reserve	16,695,625	16,695,625
Other reserves	700,921,321	700,921,321
Total amount of other reserves	**717,616,946**	**717,616,946**
Total	**615,711,124**	**679,954,358**

FAIR VALUE OF FINANCIAL INSTRUMENTS

The amount presented under the heading Fair value of financial instruments (net of deferred taxes), corresponds to the change in the fair value of financial instruments classified as hedges, described in Note 34, and accounted for in accordance with the policy described in Note 1.13.

TRANSLATION RESERVE

The exchange translation reserve corresponds to the cumulative amount related to the Group's appropriation of exchange rate differences resulting from the translation of the financial statements of the subsidiaries operating outside the Euro zone, mainly in Brazil, Tunisia, Lebanon, Angola, Mozambique, the United States of America (including Net investment coverage), and the United Kingdom.

In the course of 2017, the variation in this reserve was mainly due to the exchange rate devaluation against the Euro in the Brazilian Real (negative impact of Euro 34,771,544), Tunisian Dinar (negative impact of Euro 14,062,226), Lebanese Pound (negative impact of Euro 10,080,069) and US Dollar (negative impact of Euro 7,504,767). See Note 42.

LEGAL RESERVE

Commercial Company law prescribes that at least 5% of annual net profit 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 2016. 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

This heading corresponds to available reserves for distribution to shareholders constituted through the appropriation of prior year's earnings.

RETAINED EARNINGS — INCREASE/DECREASE IN THE INTEREST RATE HELD IN SUBSIDIARIES WITHOUT LOSS OF CONTROL

The Group records in this caption the differences between the group share of net assets acquired/disposed of and the acquisition/disposal price to non-controlling interest of already controlled entities.

As of 31 December 2017 and 2016, the accumulated negative amount of these differences, regarding additional stake acquisition in subsidiaries, arises to a negative amount of Euro 416,498,687.

RETAINED EARNINGS - REMEASUREMENTS (ACTUARIAL GAINS AND LOSSES)

The remeasures (actuarial deviations) resulting, from the differences between the assumptions used to calculate post-employment benefit liabilities and what actually occurred are equally recorded under this caption (as well as changes made in them and the difference between the expected value of the profitability of the assets of the funds and the actual profitability) according to the policy described in Note 1.22.1. Additionally see Note 29.

28. DEFERRED TAXES

The following movement took place in the caption Deferred tax assets and liabilities, during the year ended 31 December 2017:

Amounts in Euro	01-01-2017	Exchange adjustment	Income statement		Retained Earnings	Transfers	Assets held for sale	31-12-2017
			Increases	Decreases				
Temporary differences originating deferred tax assets								
Tax losses carried forward	57,504,185	(9,494,338)	19,922,717	-	-	-	-	67,932,564
Taxed provisions	30,560,249	(1,597,590)	526,881	(8,065,068)	-	-	-	21,424,472
Harmonisation of depreciation criteria	116,353,989	-	2,958,334	(9,964,615)	-	3,500,000	(300,000)	112,547,708
Underfunding of pension funds	5,156,848	(15,190)	7,599	(644,075)	70,066	-	-	4,575,248
Financial instruments	10,398,848	-	-	(228,022)	(6,082,510)	-	-	4,088,316
Deferred accounting gains on inter-group transactions	33,270,651	(11,515)	10,064,988	(4,336,609)	-	-	-	38,987,515
Fiscal investment incentives	14,174,165	-	-	(2,101,005)	-	-	-	12,073,160
Fair values of business combinations	1,734,023	(209,859)	-	-	-	-	-	1,524,164
Conventional capital remuneration	-	-	-	(3,080,000)	15,400,000	-	-	12,320,000
Other temporary differences	8,690,053	(524,813)	543,045	(2,302,146)	12,868	(1,722,331)	-	4,696,676
	277,843,011	**(11,853,305)**	**34,023,564**	**(30,721,540)**	**9,400,424**	**1,777,669**	**(300,000)**	**280,169,823**
Temporary differences originating deferred tax liabilities								
Fixed tangible asset revaluation	(60,835,881)	7,705,627	-	694,230	-	5,643	-	(52,430,381)
Pensions and Retirements benefits	(2,121,065)	-	(104,494)	(428)	(29,455)	-	-	(2,255,443)
Derivative financial instruments	1,769,836	(217,562)	(422,360)	-	-	-	-	1,129,914
Tax incentives	(1,270,679)	-	(7,881,690)	-	249,237	-	-	(8,903,131)
Harmonisation of depreciation criteria	(388,205,374)	9,031,945	(33,943,123)	21,041,495	-	-	-	(392,075,056)
Deferred accounting losses on inter-group transactions	(3,250,619)	-	(49,680,286)	2,891,226	-	-	-	(50,039,680)
Valuation of growing forests	(3,979,927)	-	(6,266,577)	-	-	-	-	(10,246,504)
Fair value of intangible assets - brands	(257,146,542)	5,207,337	(2,218,581)	-	-	-	-	(254,157,786)
Fair value of tangible assets	(126,776,591)	-	-	15,271,550	-	-	-	(111,505,041)
Fair value of business combinations	(180,076,742)	13,210,709	-	75,755,085	-	(5,643)	(30,312)	(91,146,903)
Other temporay differences	(2,027,027)	90,226	(219,502)	815,454	-	-	-	(1,340,849)
	(1,023,920,611)	**35,028,282**	**(100,736,613)**	**116,468,612**	**219,782**	**-**	**(30,312)**	**(972,970,860)**
Deferred tax assets	**78,652,223**	**(3,806,350)**	**7,952,214**	**(5,224,343)**	**2,584,144**	**(5)**	**(82,500)**	**80,075,383**
Deferred tax liabilities	**(276,468,649)**	**9,557,171**	**(4,265,000)**	**5,608,281**	**64,464**	**-**	**(6,748)**	**(265,510,481)**

The following movement took place in the caption Deferred income tax assets and liabilities during the year ended as of 31 December 2016:

Amounts in Euro	01-01-2016	Exchange adjustment	Income statement		Retained Earnings	Transfers	Assets held for sale	31-12-2016
			Increases	Decreases				
Temporary differences originating deferred tax assets								
Tax losses carried forward	23,773,019	8,635,677	24,973,420	-	-	122,069	-	57,504,185
Taxed provisions	25,295,497	(79,022)	4,780,837	(49,016)	-	611,953	-	30,560,249
Harmonisation of depreciation criteria	106,391,961	-	32,178,197	(22,216,168)	-	(1)	-	116,353,989
Underfunding of pension funds	5,903,648	(8,537)	973	(778,487)	39,251	-	-	5,156,848
Financial instruments	5,337,254	-	-	-	5,061,594	-	-	10,398,848
Deferred accounting gains on inter-group transactions	28,069,893	12,366	5,274,545	(86,153)	-	-	-	33,270,651
Valuation of growing forests	1,275,824	-	-	(1,275,824)	-	-	-	-
Fiscal investment incentives	14,766,526	-	866,532	(1,458,893)	-	-	-	14,174,165
Fair values of business combinations	1,678,976	55,047	-	-	-	-	-	1,734,023
Other temporary differences	11,956,517	1,559,868	2,134,048	(5,102,930)	-	(1,857,450)	-	8,690,053
	224,449,115	**10,175,399**	**70,208,552**	**(30,967,471)**	**5,100,845**	**(1,123,429)**	**-**	**277,843,011**
Temporary differences originating deferred tax liabilities								
Fixed tangible asset revaluation	(56,949,332)	(11,111,474)	411	7,224,514	-	-	-	(60,835,881)
Pensions and Retirements benefits	(3,965,861)	-	(34,119)	8,949,104	(7,070,191)	2	-	(2,121,065)
Derivative financial instruments	(234,446)	206,353	-	3,207,985	(138,304)	(1,271,752)	-	1,769,836
Tax incentives	(11,991,792)	-	(319,179)	10,535,135	505,157	-	-	(1,270,679)
Harmonisation of depreciation criteria	(470,774,266)	(1,376,072)	(20,461,179)	104,406,143	-	-	-	(388,205,374)
Deferred accounting losses on inter-group transactions	(689,367)	-	(2,652,963)	91,711	-	-	-	(3,250,619)
Valuation of growing forests	-	-	(3,979,927)	-	-	-	-	(3,979,927)
Fair value of intangible assets - brands	(250,854,281)	(119,791)	-	(6,172,470)	-	-	-	(257,146,542)
Fair value of tangible assets	(142,048,141)	-	-	15,271,550	-	-	-	(126,776,591)
Fair value of business combinations	(193,509,554)	(1,003,787)	-	14,461,876	-	5,035	(30,312)	(180,076,742)
Other temporay differences	(2,726,080)	(245,785)	(825,242)	182,327	-	1,587,753	-	(2,027,027)
	(1,133,743,120)	**(13,650,556)**	**(28,272,198)**	**158,157,875**	**(6,703,338)**	**321,038**	**(30,312)**	**(1,023,920,611)**
Deferred tax assets	**74,480,542**	**3,460,214**	**18,859,763**	**(19,598,030)**	**1,556,640**	**(106,906)**	**-**	**78,652,223**
Deferred tax liabilities	**(305,515,909)**	**(5,025,758)**	**(3,047,169)**	**38,857,863**	**(1,839,319)**	**108,390**	**(6,747)**	**(276,468,649)**

The Group has operations in several geographies with legal/tax frameworks that are necessarily different from each other and subject to different nominal rates of income tax. Currently, the income tax rates in the main geographies where the Group operates are: i) 22.5% in Portugal (including municipal leverage plus state leverage), ii) 34% in Brazil, iii) 25% in Tunisia, iv) 17% in Lebanon and v) 30% in Angola.

The deferred tax assets recorded in the consolidated financial statements for reportable tax losses with respect to 31 December 2017 and 2016, are fully related to the subsidiary Margem Companhia de Mineração, S.A., a subsidiary of the Group headquartered in Brazil that owns the new Cement plant built by the Group in Adrianópolis, State of Paraná, which came into operation in the second half of 2015.

Insofar as current Brazilian tax legislation does not impose any time limit for its use against future taxable profits, management is convinced that, in accordance with the medium-term business plan, the project will generate taxable profits that will be offset by the tax losses accumulated in these first years of start-up. Additionally, it should be noted that the tax depreciation of Margem Companhia de Mineração, S.A., is more accelerated than the economic depreciation, generating a significant negative impact on the fiscal result of said subsidiary.

As of 31 December 2017, the amount of tax losses to be used, in respect of which no deferred tax assets were recognized in these consolidated financial statements, are detailed as follows:

Entity	Total	2018	2019	2020	2021	2022	2023 and beyond
Tax losses of the Semapa Tax Group (RETGS)	314,408,181	-	-	-	-	-	314,408,181
Tax losses of companies outside of Semapa RETGS							
ALLMA, Lda.	144,006	11,884	-	-	-	300	131,822
Florimar, SGPS, Lda.	263,254	91,304	-	-	-	20,602	151,348
I3 Participações e Serviços, Ltda.	544,200	-	-	-	-	-	544,200
Madebritas, Lda.	10,685	2,577	-	-	-	1,905	6,203
Pedra Regional. S.A.	31,701	24,288	-	-	-	-	7,413
Secil Angola, SARL	1,091,852	1,091,852	-	-	-	-	-
Secil Prébetão, S.A.	9,187,968	5,269,376	-	-	-	239,218	3,679,374
SPB, SGPS, Lda. (ex-Secil Unicon)	60,747	36,803	-	-	-	6,268	17,676
Seciment Investments, B.V.	1,502,256	-	1,259,586	242,670	-	-	-
Silonor, S.A.	308,095	-	-	-	-	-	308,095
Soime, S.A.L.	13,859,684	-	-	-	-	-	13,859,684
Zarzis Béton	129,138	101,258	27,880	-	-	-	-
Sociedade de Inertes	69,149	-	-	-	-	-	69,149
NSOSPE - Empreendimentos e Participações, SA	563,455	101,114	125,016	-	202,679	134,646	-
Supremo Cimentos, SA	8,722,342	-	-	-	-	-	8,722,342
Finlholding	42,896,134	-	-	-	-	-	42,896,134
Seinpar BV	415,044	48,059	46,661	-	62,692	30,177	227,455
Semapa Inversiones SL	13,398,071	-	-	-	-	-	13,398,071
Portucel Moçambique	10,497,914	-	-	-	334,088	10,163,826	-
Raíz	257,896	-	-	-	-	-	257,896
Navigator North America Inc.	713,072	-	-	-	-	-	713,072
AISIB	345,824	93,880	18,789	89,540	88,711	54,904	-
Tax losses carried forward without deferred tax	**419,420,668**	**6,872,395**	**1,477,932**	**332,210**	**688,170**	**10,651,846**	**399,398,115**

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 Statement of financial position as at 31 December 2017 and 2016:

	Pulp and Paper		Cement and derivatives		Holdings		Total	
31-12-2017	Nº Benef.	Amount	Nº Benef.	Amount	Nº Benef.	Amount	Nº Benef.	Amount
Group liabilities for past services								
Active	529	57,986,022	88	85,451	-	-	617	58,071,473
Former Collaborators	125	20,527,177	-	-	-	-	125	20,527,177
Retirees	492	72,686,536	719	22,867,756	1	1,239,645	1,212	96,793,937
Market value of the pension funds	-	(146,109,493)	-	(20,990,314)	-	-	-	(167,099,807)
Equity	-	-	-	184,050	-	-	-	184,050
Insurance policies	-	-	-	(149,093)	-	-	-	(149,093)
Reserve account*	-	-	-	(646,286)	-	-	-	(646,286)
Unfunded pensions liabilities	**1,146**	**5,090,242**	**807**	**1,351,564**	**1**	**1,239,645**	**1,954**	**7,681,451**
Other unfunded liabilities								
Healthcare assistance	-	-	-	45,450	-	-	-	45,450
Retirement and death liabilities	-	-	-	93,068	-	-	-	93,068
Long-service award liabilities	-	-	-	303,366	-	-	-	303,366
Total net liabilities		**5,090,242**		**1,793,448**		**1,239,645**		**8,123,335**

** overfunding due to the change to a defined contribution plan*

31-12-2016	Pulp and Paper		Cement and derivatives		Holdings		Total	
	No. Benef.	Amount	No. Benef.	Amount	No. Benef.	Amount	No. Benef.	Amount
Group liabilities for past services								
Active	570	62,591,075	89	47,043	-	-	659	62,638,118
Former Collaborators	88	17,035,183	-	-	-	-	88	17,035,183
Retirees	443	69,251,640	765	24,892,174	1	1,232,653	1,209	95,376,467
Market value of the pension funds	-	(142,420,782)	-	(22,430,525)	-	-	-	(164,851,307)
Equity	-	-	-	220,905	-	-	-	220,905
Insurance policies	-	-	-	(173,075)	-	-	-	(173,075)
Reserve account*	-	-	-	(656,487)	-	-	-	(656,487)
Unfunded pensions liabilities	**1,101**	**6,457,116**	**854**	**1,900,035**	**1**	**1,232,653**	**1,956**	**9,589,804**
Other unfunded liabilities								
Healthcare assistance	-	-	-	71,885	-	-	-	71,885
Retirement and death liabilities	-	-	-	100,162	-	-	-	100,162
Long-service award liabilities	-	-	-	323,572	-	-	-	323,572
Total net liabilities		**6,457,116**		**2,395,654**		**1,232,653**		**10,085,423**

** overfunding due to the change to a defined contribution plan*

SUB-GROUP NAVIGATOR

RETIREMENT AND PENSION SUPPLEMENTS

Until 2013, several retirement and survivor plans, together with retirement bonus, coexisted within the Group. For certain categories of active Employees, in addition to the plans described below, additional plans also existed, financed through independent funds assigned to cover those additional responsibilities.

Under the prevailing Social Benefits Regulation, permanent Employees of Navigator that chose not to move to the defined contribution plan, together with the retired Employees as of the transition date (1 January 2009) and from 1 January 2014, the former Employees of Navigator Paper Figueira (former Soporcel), Navigator Forest Portugal (former PortucelSoporcel Florestal), RAIZ, Empremédia, and Navigator Lusa, are entitled, after retirement in case of disability, to a monthly retirement pension or disability supplement. 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 Navigator Paper Figueira, Navigator Forest Portugal, Empremédia, Navigator Lusa and RAIZ), including a survivor pension 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.

In 2010 and 2013, respectively, the Group completed the necessary procedures to convert the defined benefit plans of its subsidiaries The Navigator Company, Navigator Paper Figueira, Navigator Forest Portugal, Raiz, Empremédia, and Navigator Lusa to defined contribution plans for the current Employees, keeping the acquired benefits as of transition date. The acquired rights attributable to former Employees and retirees, in case they leave the company or in case of a job change or retirement, will remain unchanged.

Notwithstanding, following a negotiation process with its Employees as a result of the aforementioned changes to the pension plans, Navigator Paper Figueira allowed its active Employees as of 1 January 2014 to choose, until 16 January 2015, to choose between the following alternatives:

i) Alternative A: Benefit safeguard plan, or

ii) Alternative B: Pure defined contribution plan.

This possibility to choose between these two alternatives was granted to the Employees in early 2015, aiming to bypass the changes that had been made to the Navigator Paper Figueira pension plan, by simulating that the option had been granted as of 1 January 2014, by the time of the conversion of the defined benefit plan into a defined contribution plan.

ALTERNATIVE A — BENEFITS SAFEGUARD PLAN

In general terms, Employees who opted for Alternative A maintain the option, at the date of retirement, for the defined benefit plan that was in force until 31 December 2013, based on the seniority at that date, and also after that date, to benefit from a defined contribution plan, up to 25 years in the Company.

From a practical point of view, the option for this alternative guarantees Employees the possibility of benefiting from two autonomous accounts:

- **Account 1:** which includes an initial contribution that corresponds to the amounts paid to the pension fund, under the previous defined benefit plan in the amount of past service liabilities calculated as of 31 December 2013, as well as the monthly contributions made by the Company during the 2014 fiscal year for the defined contribution plan; and,

- **Account 2:** which covers the Company's future monthly contributions, corresponding to 2% of the pensionable salary, to be made until the Employees have completed 25 years of seniority in the Navigator Paper Figueira.

The balance of Account 1 will affect the coverage of liabilities associated with a defined benefit (which translates into the receipt of a pension, corresponding to the liabilities in the previous defined benefit plan, calculated on 31 December 2013), if Employees covered by Alternative A trigger the Safeguard Clause.

Employees who choose to exercise the Safeguard Clause will also benefit from a life annuity that will be acquired from an insurance company, using the balance accumulated in Account 2.

In case Employees do not opt for the Safeguard Clause exercise, the benefit they will receive will correspond to that, resulting from the annuity acquired from an insurance entity, through the delivery of the amounts accumulated in Account 1 and Account 2.

That is, the benefits obtained by Employees who do not opt for the Safeguard Clause will correspond to those that would result in a defined contribution plan, the value of contributions being the sum of contributions deposited in Account 1 and Account 2 any actuarial adjustment/actualisation).

ALTERNATIVE B — PURE DEFINED CONTRIBUTION PLAN

Employees who have opted for Alternative B will have access to a defined contribution plan, under which the Company will make monthly contributions, corresponding to 4% of their respective pensionable salary, maintaining these contributions until the retirement or termination of the employment contract, without limitation.

Thus, under this alternative, Employees will benefit from a single account, which will be made up of the accumulated balance of the following contributions:

- Initial contribution, corresponding to liabilities for past services, calculated with reference to 31 December 2013 under the previous defined benefit plan, with a premium of 25%;
- Contributions made by Navigator Paper Figueira during the 2014 fiscal year; and
- Future contributions to be made by Navigator Paper Figueira at the rate of 4%.

The benefit that will be earned by Employees who, by 16 January 2015, have opted for this alternative, will correspond to the value of the annuity that can be purchased from an insurer, using the total contributions accumulated in each Employee's account at the date of the retirement.

The Group also maintains responsibilities with defined benefit post-employment benefit plans for The Navigator Company Employees, who have chosen not to accept the conversion of their defined contribution plan, representing 13 individuals (2016: 13 individuals), in addition to the former Employees, retired or, when applicable, with acquired rights.

As of 31 December 2017, the amount of liabilities related to post-employment benefit plans, related to two Directors of the Navigator Group, amounted to Euros 1,701,096 (2016: Euros 1,669,240).

SUB-GROUP SECIL

PLANS OF DEFINED CONTRIBUTION PENSIONS

There are currently several defined contribution pension plans managed by the Pension Fund of the Secil Group, in which the members make monthly contributions corresponding to 3.75% of the pensionable salary of each participant and which simultaneously allow the possibility of financing by part of them, which are characterised as follows:

- Secil and CMP Plans include all workers who, as of 31 December 2009, had an open-ended employment contract (and who were covered by the defined benefits plan in force in the companies) and who have opted for the transition to these Plans and all the workers admitted under an agreement without term, as of 1 January 2010, also being applicable to the Company Officers;

- Unibetão and Britobetão Plans include all workers who, as of 31 December 2009, had an unlimited contract of employment, executed under the CTE between APEB and FETESE, and all workers admitted under a contract without term, as of 1 January 2010, with the exception of Unibetão Employees who are covered by the CCT entered into between APEB and FEVICCOM, who continue to benefit from the defined benefit Plan, and also apply to members of the Company Officers;

- Beto Madeira Plan includes all workers who as of 31 December 2010 had an open-ended employment contract and were covered by the CCT between APEB — Portuguese Association of Concrete Ready Companies and FETESE — Federation of Workers' Unions of Services and others;

- Secil Britas Plan includes all workers who, as of December 31, 2009, had an open-ended contract of employment and all workers admitted under a permanent contract, as of 1 January 2010, and are also applicable to the members of the Company Officers;

- Plano Cimentos Madeira includes all Employees who, as of 1 January 2012, had an open-ended employment contract (and who were covered by the defined benefits plan in force in the company) and all Employees admitted under a contract without expiration, from that date, and shall also apply to the members of the Company Officers;

- Brimade Plan includes all workers who had as of 1 July 2012 an unlimited contract of employment and all workers who will be admitted to service after that date.

DEFINED-BENEFITS PLANS

(I) DEFINED-BENEFITS 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 — Indústrias de Betão Preparado, S.A., Cimentos Madeira, Lda., Betomadeira, S.A. and Societé des Ciments de Gabès have assumed the commitment to pay their Employees amounts by way of complementary old age, disability, early retirement and survivor's 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-BENEFITS 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 the Pension Fund) are guaranteed directly by Secil. Similarly, the liability assumed by Secil Martingança, S.A.,are guaranteed directly by this entity.

Since 26 June 2012, the responsibilities of Cimentos Madeira, Lda and Betomadeira — Betões e Britas da Madeira, S.A. related to all retirees and pensioners that were receiving a pension, 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

The subsidiary Cimentos Madeira, Lda.provide to their Employees a healthcare scheme which supplements the official health services and which is available to their families, pre-retired and retired staff and widows, through an insurance contract.

LIABILITIES FOR RETIREMENT AND DEATH BENEFITS

The subsidiary Societé des Ciments de Gabès assumed the commitment to its Employees to pay an old-age retirement and disability subsidy and a death subsidy, according to the terms of the General Labour Agreement, article no. 52, 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.

Secil and CMP — Cimentos Maceira e Pataias, S.A., assumed the commitment to its Employees to pay a subsidy on death of current Employee, equal to one month's last salary earned.

LIABILITIES FOR LONG-SERVICE AWARDS

Secil and its subsidiaries 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 that 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 2017 and 2016 for the purpose of calculating the liabilities for past services on those dates, were based on the following assumptions:

	31-12-2017	31-12-2016
Social Benefits formula	Decree-Law no. 187/2007 of May 10	Decree-Law no. 187/2007 of May 10
Disability table	EKV 80	EKV 80
Mortality table	TV 88/90	TV 88/90
Wage growth rate	1.00%	1.00%
Technical interest rate - pulp and paper segment	2.00%	2.00%
Pensions growth rate - cement segment	0.45%	0.45%
Pensions growth rate - other segments	0.75%	0.75%
Semapa pensions reversability rate	50.00%	50.00%
Number of Semapa complement annual payments	12	12

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	2013	2014	2015	2016	2017
Present value of liabilities	99,516,232	100,073,116	168,798,865	175,766,292	176,018,521
Fair value of plan assets and reserve account	95,945,454	99,038,106	167,886,448	165,680,869	167,895,186
Surplus / (deficit)	**(3,570,778)**	**(1,035,010)**	**(912,417)**	**(10,085,423)**	**(8,123,335)**
Net actuarial gains / (losses)	**(6,786,377)**	**343,040**	**(10,421,772)**	**(11,626,310)**	**2,657,177**

FUNDS LINKED TO BENEFIT PLANS' PENSIONS

During 2017 and 2016, funds' assets/insurance policies registered the following movements:

	31-12-2017		31-12-2016	
Amounts in Euro	Autonomous fund	Covered capital	Autonomous fund	Covered capital
Opening balance	**164,851,307**	**173,075**	**166,974,909**	**206,932**
Exchange rate adjustment	-	(31,276)	-	(17,696)
Endowments made in the year	2,500,400	31,690	-	35,201
Expected return	3,530,151	8,416	4,315,102	(11,137)
Differences between actual and expected returns	3,564,578	-	396,495	-
Pensions paid	(6,945,645)	-	(6,835,199)	-
Retirements paid	-	(32,812)	-	(40,225)
Other	(400,983)	-	-	-
Closing balance	**167,099,808**	**149,093**	**164,851,307**	**173,075**

During the year 2017, the contributions to the defined benefit plans, presented above as Appropriations made were fully realised by the Group's subsidiaries and no contributions were made by the participants.

The expected contributions for the next reporting period are, among other factors, dependent on the profitability of the assets of the funds.

As at 31 December 2017 and 2016, funds' assets were made up as follows:

Amounts in Euro	31-12-2017	%	31-12-2016	%
Bonds	110,194,349	65.9%	100,649,957	61.1%
Shares	48,752,382	29.2%	34,007,794	20.6%
Liquidity	2,940,755	1.8%	21,672,205	13.1%
Public Debt	3,022,605	1.8%	7,873,444	4.8%
Real Estate	114,895	0.1%	152,377	0.1%
Other Applications	2,074,822	1.2%	495,530	0.3%
	167,099,808	**100.0%**	**164,851,307**	**100.0%**

The amounts evidenced in the Bonds, Shares and Public Debt categories correspond to the fair values of these assets, fully determined based on observable prices in active liquid (regulated) markets at the reference date of the Consolidated Statement of Financial Position.

FUNDS AFFECTED WITH DEFINED CONTRIBUTION PENSION PLANS

The breakdown of assets under defined contribution plans as at 31 December 2017 and 2016 is as follows:

Amounts in Euro	31-12-2017	%	31-12-2016	%
Defensive Sub-Fund	10,027,040	14.5%	11,003,634	15.6%
Conservative Sub-fund	34,722,615	50.3%	35,498,554	50.4%
Dynamic Sub-fund	19,418,718	28.1%	19,166,691	27.2%
Agressive Sub-fund	4,835,586	7.0%	4,739,254	6.7%
	69,003,959	**100.0%**	**70,408,133**	**100.0%**

EVOLUTION OF LIABILITIES WITH PENSIONS AND OTHER BENEFITS AFTER EMPLOYMENT IN THE CONSOLIDATED FINANCIAL POSITION

The evolution of the assumed liabilities, as reflected in the consolidated financial position in 2017, is as follows:

Amounts in Euro	Opening balance	Exchange rate adjustments	Costs and incomes	Actuarial losses and incomes	Payments	Closing balance
Post-employment benefits						
Assumed by the group	5,835,844	-	108,535	168,072	(782,741)	5,329,710
Autonomous fund	169,213,924	-	4,943,480	2,851,118	(6,945,645)	170,062,877
Insurance policy	220,905	(39,398)	9,183	26,172	(32,812)	184,050
Retirement and death	100,162	(7,336)	10,182	(9,940)	-	93,068
Healthcare assistance	71,885	-	(23,053)	(723)	(2,659)	45,450
Long service award	323,572	-	102,770	-	(122,976)	303,366
	175,766,292	**(46,734)**	**5,151,097**	**3,034,699**	**(7,886,833)**	**176,018,521**

A sensitivity analysis was made to the actuarial assumption considered as the most significant, the technical interest rate, and its result is described in Note 3.3.

EXPENDITURE WITH PENSIONS AND OTHER EMPLOYMENT BENEFITS

Regarding the expenses incurred in 2017 and 2016 with pensions and other post-employment benefits, the detail is as follows:

	31-12-2017					
Amounts in Euro	Current services	Interest cost	Curtailments and settlements	Others	Period contributions	Impact in the profit for the year
Post-employment benefits						
Assumed by the group	-	108,535	-	-	-	108,535
Autonomous fund	2,139,305	(43,862)	36,394	-	-	2,131,837
Insurance policy	6,199	2,984	-	-	-	9,183
Retirement and death	6,105	4,077	-	-	-	10,182
Healthcare assistance	-	1,092	(24,145)	-	-	(23,053)
Long service award	24,078	5,723	-	72,969	-	102,770
Contributions to defined contribution plans	-	-	-	-	2,544,116	2,544,116
	2,175,687	**78,549**	**12,249**	**72,969**	**2,544,116**	**4,883,570**

	31-12-2016					
Amounts in Euro	Current services	Interest cost	Curtailments and settlements	Net effect of reintroduction of DB plans	Period contributions	Impact in the profit for the year
Post-employment benefits						
Assumed by the group	-	154,871	-	-	-	154,871
Autonomous fund	2,104,440	(199,265)	(3,887,639)	(315,394)	-	(2,297,858)
Insurance policy	7,654	3,531	-	-	-	11,185
Retirement and death	6,674	(5,701)	-	-	-	973
Healthcare assistance	-	989	-	-	-	989
Long service award	27,060	20,880	-	-	-	47,940
Contributions to defined contribution plans	-	-	-	-	2,494,284	2,494,284
	2,145,828	**(24,695)**	**(3,887,639)**	**(315,394)**	**2,494,284**	**412,384**

ACTUARIAL GAINS/LOSSES) IN THE STATEMENT OF COMPREHENSIVE CONSOLIDATED INCOME

Actuarial gains and losses recognised in 2017, in the statement of comprehensive consolidated income, are detailed as follows:

Amounts in Euro	Gains and losses	Real vs expected income	Gross Value	Deferred taxes	Impact on Equity
Post-employment benefits					
Assumed by the group	(168,072)	-	**(168,072)**	17,108	**(150,964)**
Autonomous fund	2,560,545	254,040	**2,814,585**	426	**2,815,011**
Retirement and death	9,941	-	**9,941**	(2,397)	**7,544**
Healthcare assistance	723	-	**723**	(156)	**567**
	2,403,137	**254,040**	**2,657,177**	**14,981**	**2,672,158**

30. PROVISIONS

During the course of the years ended 31 December 2017 and 2016, the following movements took place in the caption Provisions:

Amounts in Euro	Legal claims	Tax claims	Environmental restauration	Others	Total
As of 1 January 2016	**2,626,047**	**56,214,594**	**7,144,503**	**38,245,671**	**104,230,815**
Change in perimeter	-	-	-	(2,530,781)	(2,530,781)
Increases	-	2,112,283	516	17,221,369	19,334,168
Reversals	(374,826)	(2,173,379)	(157,298)	(19,016,560)	(21,722,063)
Direct utilisations	-	-	(19,813)	3,201,438	3,181,625
Exchange rate adjustments	-	-	1,595	364,490	366,085
Financial discounts	-	-	289,490	-	289,490
Transfers and adjustments	(29,455)	(28,548,109)	-	-	(28,577,564)
As of 31 December 2016	**2,221,766**	**27,605,389**	**7,258,993**	**37,485,627**	**74,571,775**
Increases (Note 6)	1,887,989	649,264	12,357	7,512,140	10,061,750
Reversals (Note 6)	-	-	(157,590)	(5,664,037)	(5,821,627)
Direct utilisations	-	-	(5,310)	(6,743,671)	(6,748,981)
Exchange rate adjustments	-	-	(1,146)	(1,209,928)	(1,211,074)
Financial discounts	-	-	283,585	-	283,585
Transfers and adjustments	49,402	(1,624,463)	135,310	(14,021,655)	(15,461,406)
As of 31 December 2017	**4,159,157**	**26,630,190**	**7,526,199**	**17,358,476**	**55,674,022**

Provisions for Legal claims were established according to the risk assessments carried out internally by the Group with the support of its legal counsels, based on the probability of the decision being favourable or unfavourable to the Group.

The amount of the provisions for tax proceedings arises from an assessment made by the Group, with reference to the date of the Statement of Financial Position, regarding potential differences of understanding with the Tax Administration, taking into account the developments that are occurring in tax matters. In 2017, twelve million and eight hundred thousand euros were transferred from the Other account to Taxes.

In addition, it should be noted that the Semapa Group, in relation to the measurement of uncertain tax positions, takes into account the provisions of IFRIC 23, namely the measurement of risks and uncertainties in the definition of the best estimate of the expense required to settle the obligation, by weighing all the possible results that are controlled by them and their associated probabilities.

As mentioned in Note 1.21, some of the Secil Group subsidiaries are responsible for the environmental and landscape recovery of the quarries affected by the exploration. As of 31 December 2017, the amount presented in the Environmental recovery item includes Euros 1,165,929 (2016: Euros 1,165,095), corresponding to quarries with "continuous and progressive reconstruction of the freed spaces" and refers to quarries exploited by the Secil company in Outão.

The amount presented under Other includes provisions to cover risks related to events of a different nature, the resolution of which may result in outflows of cash, in particular organisational reorganisation processes, complements to the Lebanese social security national fund, risks contractual positions assumed in investments, among others.

According to management's understanding, the amount recognized in each of the provisions corresponds to the most reliable estimate of the amount required to settle the obligation, the amount recognised being equivalent to the maximum amount of loss that the Group considers may be incurred.

31. INTEREST-BEARING LIABILITIES

As of 31 December 2017 and 2016 Group's net debt was as follows:

Amounts in Euro	31-12-2017	31-12-2016
Interest-bearing liabilities		
Non-current	1,653,480,805	1,697,565,380
Current	263,390,200	266,268,367
	1,916,871,005	**1,963,833,747**
Cash and cash equivalents		
Cash	644,350	679,425
Short-term bank deposits	188,419,369	143,499,139
Other short-term applications	54,123,542	39,922,710
	243,187,261	**184,101,274**
Interest-bearing net debt	**1,673,683,744**	**1,779,732,473**

The amount presented under Other treasury applications as at 31 December 2017 corresponds to amounts invested by the subsidiary Navigator in a portfolio of bonds with appropriate rating.

Additionally, as of 31 December 2017 and 2016, there are no significant cash balances and their equivalents that are not available for Group use.

NON-CURRENT INTEREST-BEARING LIABILITIES

The fair value of the bond loans, taking into account the date and respective contractual conditions, determined according to level 2 of the fair value hierarchy, does not differ substantially from the reported book value.

As of 31 December 2017 and 2016, non-current interest-bearing liabilities were as follows:

Amounts in Euro	31-12-2017	31-12-2016
Non-current		
Bond loans	891,000,000	871,000,000
Commercial paper	540,250,000	510,000,000
Bank loans	223,730,194	318,194,383
Expenses with loans issuing	(7,920,335)	(9,753,767)
Interest-bearing bank debt	**1,647,059,859**	**1,689,440,616**
Financial leases	1,724,907	2,038,700
Other loans	4,237,695	5,692,866
Other interest-bearing debts	458,344	393,198
Other interest-bearing debts	**6,420,946**	**8,124,764**
Non current interest-bearing liabilities	**1,653,480,805**	**1,697,565,380**

BOND LOANS

As of 31 December 2017 and 2016, current and non-current bond loans were as follows:

Amounts in Euro	31-12-2017	31/12/2016	Maturity	Interest rate	Pricing 31-12-2017	
Bond loans						
Portucel 2015 / 2023	200,000,000	200,000,000	September 2023	Variable rate indexed to Euribor	n.a.	
Portucel 2016 / 2021	100,000,000	100,000,000	April 2021	Fixed rate	n.a.	
Portucel 2016 / 2021	45,000,000	45,000,000	August 2021	Variable rate indexed to Euribor	n.a.	
Semapa 2016 / 2021	100,000,000	100,000,000	June 2021	Fixed rate	n.a.	
Semapa 2014 / 2019	150,000,000	150,000,000	April 2019	Variable rate indexed to Euribor		102.50
Semapa 2014 / 2020	80,000,000	80,000,000	November 2020	Variable rate indexed to Euribor		102.50
Secil 2015 / 2020	60,000,000	60,000,000	June 2020	Fixed rate	n.a.	
Secil 2015 / 2020	80,000,000	80,000,000	May 2020	Fixed rate	n.a.	
Secil 2016 / 2021	26,000,000	26,000,000	January 2021	Fixed rate	n.a.	
Secil 2016 / 2023	30,000,000	30,000,000	February 2023	Fixed rate	n.a.	
Secil 2017 / 2022	20,000,000	-	October 2022	Fixed rate	n.a.	
Secil	-	40,000,000	October 2017	Fixed rate	n.a.	
	891,000,000	**911,000,000**				

COMMERCIAL PAPER

As of 31 December 2017 and 2016, the current and non-current Commercial Paper Programs are detailed as follows:

31-12-2017	Contracted	Used Amount			Maturity	Interest
Amounts in Euro	Amount	Non-current	Current	Total	Date	Rate
Holdings						
Commercial Paper Programme 100M	100,000,000	88,250,000	-	88,250,000	September 2021	Variable rate indexed to Euribor
Commercial Paper Programme 100M	100,000,000	-	-	-	November 2020	Variable rate indexed to Euribor
Commercial Paper Programme 120M	120,000,000	-	-	-	December 2018	Variable rate indexed to Euribor
Commercial Paper Programme 25M	25,000,000	25,000,000	-	25,000,000	February 2019	Variable rate indexed to Euribor
Commercial Paper Programme 40M	40,000,000	-	-	-	August 2021	Variable rate indexed to Euribor
Commercial Paper Programme 50M	50,000,000	40,000,000	-	40,000,000	October 2023	Variable rate indexed to Euribor
Cement and Derivatives Segment						
Commercial Paper Programme 20M	20,000,000	17,000,000	-	17,000,000	December 2022	Variable rate indexed to Euribor
Commercial Paper Programme 75M	75,000,000	75,000,000	-	75,000,000	May 2021	Variable rate indexed to Euribor
Commercial Paper Programme 10M	10,000,000	10,000,000	-	10,000,000	May 2019	Variable rate indexed to Euribor
Commercial Paper Programme 43M	43,050,000	-	-	-	January 2019	Variable rate indexed to Euribor
Commercial Paper Programme 25M	25,000,000	-	25,000,000	25,000,000	July 2021	Variable rate indexed to Euribor
Commercial Paper Programme 50M	50,000,000	-	-	-	January 2023	Variable rate indexed to Euribor
Commercial Paper Programme 15M	15,000,000	5,000,000	-	5,000,000	June 2018	Variable rate indexed to Euribor
Commercial Paper Programme 20M	20,000,000	20,000,000	-	20,000,000	July 2021	Variable rate indexed to Euribor
Commercial Paper Programme 20M	20,000,000	15,000,000	-	15,000,000	August 2018	Variable rate indexed to Euribor
Pulp and Paper Segment						
Commercial Paper Programme 125M	125,000,000	125,000,000	-	125,000,000	May 2020	Variable rate indexed to Euribor
Commercial Paper Programme 70M	70,000,000	70,000,000	-	70,000,000	April 2021	Fixed rate
Commercial Paper Programme 50M	50,000,000	50,000,000	-	50,000,000	July 2020	Variable rate indexed to Euribor
Commercial Paper Programme 25M	25,000,000	-	25,000,000	25,000,000	December 2018	Variable rate indexed to Euribor
Commercial Paper Programme 75M	75,000,000	-	-	-	July 2020	Variable rate indexed to Euribor
Commercial Paper Programme 100M	100,000,000	-	-	-	March 2020	Variable rate indexed to Euribor
Total	**1,158,050,000**	**540,250,000**	**50,000,000**	**590,250,000**		

31-12-2016	Contracted	Used Amount			Maturity	Interest
Amounts in Euro	Amount	Non-current	Current	Total	Date	Rate
Holdings						
Commercial Paper Programme 100M	100,000,000	100,000,000	-	100,000,000	September 2020	Variable rate indexed to Euribor
Commercial Paper Programme 100M	100,000,000	-	-	-	November 2020	Variable rate indexed to Euribor
Commercial Paper Programme 120M	120,000,000	90,000,000	-	90,000,000	December 2018	Variable rate indexed to Euribor
Commercial Paper Programme 25M	25,000,000	25,000,000	-	25,000,000	February 2019	Variable rate indexed to Euribor
Commercial Paper Programme 40M	40,000,000	30,000,000	10,000,000	40,000,000	August 2021	Variable rate indexed to Euribor
Commercial Paper Programme 35M	35,000,000	-	35,000,000	35,000,000	December 2017	Variable rate indexed to Euribor
Cement and Derivatives Segment						
Commercial Paper Programme 15M	15,000,000	-	-	-	May 2019	Variable rate indexed to Euribor
Commercial Paper Programme 75M	75,000,000	40,000,000	-	40,000,000	May 2018	Variable rate indexed to Euribor
Commercial Paper Programme 39,6M	39,600,000	-	-	-	January 2019	Variable rate indexed to Euribor
Commercial Paper Programme 50M	50,000,000	-	-	-	January 2018	Variable rate indexed to Euribor
Commercial Paper Programme 25M	25,000,000	-	-	-	July 2021	Variable rate indexed to Euribor
Commercial Paper Programme 40M	40,000,000	30,000,000	-	30,000,000	August 2018	Variable rate indexed to Euribor
Commercial Paper Programme 20M	20,000,000	-	-	-	July 2021	Variable rate indexed to Euribor
Commercial Paper Programme 15M	15,000,000	-	-	-	June 2018	Variable rate indexed to Euribor
Pulp and Paper Segment						
Commercial Paper Programme 125M	125,000,000	125,000,000	-	125,000,000	May 2020	Variable rate indexed to Euribor
Commercial Paper Programme 70M	70,000,000	70,000,000	-	70,000,000	April 2021	Fixed rate
Commercial Paper Programme 50M	50,000,000	-	50,000,000	50,000,000	November 2017	Variable rate indexed to Euribor
Commercial Paper Programme 75M	75,000,000	-	-	-	July 2020	Variable rate indexed to Euribor
Commercial Paper Programme 50M	50,000,000	-	-	-	July 2020	Variable rate indexed to Euribor
Commercial Paper Programme 100M	100,000,000	-	-	-	March 2020	Variable rate indexed to Euribor
Total	**1,169,600,000**	**510,000,000**	**95,000,000**	**605,000,000**		

MATURITY OF BOND LOANS AND OTHER LOANS

The reimbursement terms relating to the balance recorded on bond, commercial paper, bank and other medium and long-term loans is shown as follows:

Amounts in Euro	31-12-2017	31-12-2016
1 to 2 years	225,660,658	256,036,583
2 to 3 years	487,244,473	226,147,112
3 to 4 years	481,844,104	492,763,661
4 to 5 years	84,568,925	333,391,134
More than 5 years	380,358,073	396,941,957
	1,659,676,233	**1,705,280,447**

As of 31 December 2017 and 2016, non-current bank loans were as follows:

Amounts in Euro	31-12-2017	31-12-2016	Reference rate
Non-current			
Holdings			
Banco BIC	10,000,000	-	Euribor
Banco do Brasil	-	17,500,000	Euribor
Abanca	40,000,000	40,000,000	Euribor
Cement and derivatives segment			
BNDES	33,303,234	51,297,654	TJLP/Cesta Moedas/Flat and US$
Banco Santander (Banco EKF)	32,841,517	43,740,365	CDI
Millennium BCP	11,700,636	15,133,603	Several
BBIC - Banco BIC Português, SA	-	6,063,337	Euribor 6 M
ABT- Attijari Bank de Tunisie	4,281,482	6,892,199	Several
Haitong	-	5,441,207	CDI
Banco ITAU	3,080,775	7,003,482	CDI
UBCI - Union Bancaire Pour Le Commerce Et L'I	3,066,835	5,479,424	Several
ABT- Attijari Bank de Tunisie	4,281,482	-	Several
Other loans	2,896,456	18,974,065	Several
Paper and pulp segment			
BEI	75,833,333	95,535,714	Several
Environment segment			
Banco BPI	500,000	2,300,000	Euribor 6m
Bankinter	1,000,000	-	
Banco BIC	944,444	2,833,333	Euribor 6m
Total	**223,730,194**	**318,194,383**	

CURRENT INTEREST-BEARING LIABILITIES

As of 31 December 2017 and 2016, current interest-bearing liabilities were as follows:

Amounts in Euro	31-12-2017	31-12-2016
Current		
Bond loans	-	40,000,000
Commercial paper	50,000,000	95,000,000
Bank loans	209,415,643	108,985,402
Expenses with bond loans issuing	(1,415,182)	(1,702,642)
Interest-bearing bank debt	**258,000,461**	**242,282,760**
Shareholders short-term loans (Note 35)	4,470,475	8,830,127
Financial leases	919,264	773,982
Other loans - QREN	-	223,854
Other debts	-	14,157,644
Other interest-bearing debts	**5,389,739**	**23,985,607**
Current interest-bearing liabilities	**263,390,200**	**266,268,367**

As of 31 December 2017 and 2016, current bank loans were as follows:

Amounts in Euro	31-12-2017	31-12-2016	Reference rate
Current			
Holdings			
Caixa Geral de Depósitos	-	24,312	Euribor 12m
Banco BPI	-	600,000	Euribor 6m
Banco BIC	-	3,757,143	Euribor 3m
Banco do Brasil	17,500,000	-	Euribor 3m
Cement and derivatives segment			
BNDES	13,091,274	14,476,041	TJLP/Cesta Moedas/Flat and US$
BBIC - Banco BIC Português, SA	50,000	12,125,131	Euribor 6 M
Banco Santander Totta	-	36,160	Several
Banco Santander (Banco EKF)	5,052,541	5,832,049	CDI
Banco Caixa Geral	4,627,095	5,485,051	CDI
Banco do Brasil	1,847,978	4,372,824	CDI
Banque Mediterranee	3,326,381	4,846,223	Several
ABT- Attijari Bank de Tunisie	3,255,010	3,621,315	Several
Banco Fomento de Angola	1,197,495	4,219,203	Fixed rate
Banco Caixa Geral Angola	4,627,095	2,251,614	Luibor 3 M
BIAT	1,697,562	2,063,813	TMM
Millennium BCP	3,427,234	3,428,959	Several
Banco ITAU	3,080,775	1,883,255	CDI
Banco Keve	-	2,224,790	Luibor 6 M
Banco Millennium Atlântico	5,335,461	1,061,352	Luibor 1M
Haintong	4,713,713	-	CDI
Other loans	1,116,549	9,148,231	Several
Paper and pulp segment			
BEI	19,702,381	19,702,381	Euribor 6m
Other loans	105,503,210	-	Several
Environment segment			
Banco BIC	4,138,889	2,388,889	Euribor 6m
Banco BPI	3,540,000	4,056,666	Euribor 6m
Banco Popular	1,380,000	1,380,000	Euribor 6m
Novo Banco	1,205,000		
Total	**209,415,643**	**108,985,402**	

The evolution of the **net interest-bearing debt** of the Group, for the years ended as at 31 December 2017 and 2016, is as follows:

Amounts in Euro	31-12-2017	31-12-2016
Opening balance	**1,779,732,473**	**1,802,991,621**
Interest payment	61,369,235	81,460,114
Receipt of interest	(2,131,538)	(4,907,962)
Dividends payment	119,558,249	93,881,566
Receipt of dividends	(833,509)	(868,685)
Net payments related to Tangible Assets and Others	137,839,075	106,144,087
Net payments related to financial investments	25,806,534	37,346,947
Payments related to Acquisition of treasury shares	-	9,959,889
Cumulative exchange rate effect	(20,035,222)	12,240,239
Change in charges for issuing loans	1,833,432	1,025,660
Net receipts from operating activity	(429,454,985)	(359,541,003)
Net Debt Change	**(106,048,729)**	**(23,259,148)**
Closing Balance	**1,673,683,744**	**1,779,732,473**

The evolution of the Group's **remunerated debt** in the years ended as at 31 December 2017 and 2016 is as follows:

Amounts in Euro	31-12-2017	31-12-2016
Opening Balance	**1,963,833,747**	**2,009,247,385**
Payment from obtained loans	(4,489,643,932)	(4,336,509,532)
Receipt from obtained loans	4,472,035,089	4,278,824,205
Amortization of leasing contracts	(855,373)	(1,001,434)
Cumulative exchange rate effect	(30,331,958)	12,247,463
Change in charges for issuing loans	1,833,432	1,025,660
Change in Interest-bearing debt	**(46,962,742)**	**(45,413,638)**
Closing Balance	**1,916,871,005**	**1,963,833,747**

The exchanges rate effects refer to the impact of changes in exchange rate on interest bearing debt and cash and cash equivalents of the Group's subsidiaries, the financial statements of which are translated into Euros, mainly Brazilian Real, Tunisian Dinar, Lebanese Pound and US Dollar (Note 42).

LIABILITIES RELATED TO FINANCIAL LEASING

As of 31 December 2017 and 2016, the Group's debt-repayment terms relating to finance leases, except for liabilities resulting from the application of IFRIC 4, are shown as follows:

Amounts in Euro	31-12-2017	31-12-2016
Less than a year	930,210	816,511
1 to 2 years	328,999	868,937
2 to 3 years	230,929	248,004
3 to 4 years	238,617	149,725
4 to 5 years	242,882	156,929
More than 5 years	683,481	629,726
	2,655,118	**2,869,832**
Future interest	(10,947)	(57,150)
Liabilities present value	**2,644,171**	**2,812,682**

As at 31 December 2017 and 2016, the Group's assets acquired under financial lease, was as follows:

Amounts in Euro	31-12-2017			31-12-2016		
	Acquisition Value	Accumulated depreciation	Net book value	Acquisition value	Accumulated depreciation	Net book value
Building	2,000,815	(162,719)	**1,838,096**	2,000,815	(143,774)	**1,857,041**
Machinery and equipment	6,750,055	(5,377,701)	**1,372,354**	9,843,098	(6,876,356)	**2,966,742**
Machinery and equipment - IFRIC 4	14,000,000	(12,486,487)	**1,513,513**	14,000,000	(10,972,973)	**3,027,027**
Transport equipment	603,507	(39,358)	**564,149**	-	-	-
	23,354,377	**(18,066,265)**	**5,288,112**	**25,843,913**	**(17,993,103)**	**7,850,810**

In 2010, with the launch of the new paper mill, the Group recognised as a finance lease contract (IFRIC 4) 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, at 2019.

BANK CREDIT FACILITIES GRANTED AND NOT DRAWN

As of 31 December 2017 and 2016, bank credit facilities granted and not drawn amounted to Euro 708,232,606 and Euro 695,258,377, 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, mainly Net Debt/EBITDA, Interest coverage, Indebtedness and Financial autonomy and fulfilment of regular financial contracts' obligations (operational, legal and tax obligations), common in loan agreements and fully known in the market.

Additionally, as of 31 December 2017 and 2016, the Group comply with the financial ratios limits imposed under its financing contracts.

32. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As of 31 December 2017 and 2016, the caption Payables and other current liabilities comprised:

Amounts in Euro	31-12-2017	31-12-2016
Accounts payable to suppliers	214,176,136	182,449,988
Accounts payable to suppliers of fixed assets	14,800,549	39,150,234
Instituto do Ambiente	12,643,080	13,495,261
Derivative financial instruments (Note 34)	3,777,509	10,185,130
Other creditors	8,226,238	9,209,742
Related parties (Note 35)	7,057,631	3,487,349
Accrued costs	108,022,444	109,546,762
Deferred income	16,895,053	12,258,343
	385,598,640	**379,782,809**

As of 31 December 2017 and 2016, the captions Accrued costs and Deferred income comprised:

Amounts in Euro	31-12-2017	31-12-2016
Accrued costs		
Payroll costs	58,744,091	54,199,992
Interest payable	8,753,820	11,306,041
Bonus payable to suppliers	7,761,518	9,938,927
Rent-related Liabilities	7,073,023	4,213,338
Freight transport	2,848,250	3,235,630
Accrual of expenses with energy	2,339,761	8,757,517
Hydric resources rate	2,011,427	1,442,101
Consulting fees	1,327,535	1,826,588
Bank services	456,922	475,123
Insurance	269,675	7,834
Transportation Services	243,176	490,024
IT Services	197,821	322,995
Audit fees	153,877	92,364
Other	15,841,548	13,238,288
	108,022,444	**109,546,762**
Deferred income		
Government grants	5,859,834	5,929,823
Grants - CO2 emission allowances	5,454,833	5,351,466
Other incentives	1,655,584	977,054
Other deferred income - ISP	3,924,802	-
	16,895,053	**12,258,343**

OTHER LIABILITIES

As at 31 December 2017 and 2016, the caption Non-current liabilities were detailed as follows:

Amounts in Euro	31-12-2017	31-12-2016
Other non-current liabilities		
Government grants	25,466,139	31,202,382
Equipments - Omya (IFRIC 4)	-	2,098,758
Other	262,141	-
	25,728,280	**33,301,140**

The movement in current investment allowances (in Deferred income) and non-current assets (in Other liabilities) in 2017 and 2016, was as follows:

Amounts in Euro	31-12-2017	31-12-2016
Opening balance	37,132,205	48,437,450
Attribution	60,705	-
Utilisation	(5,866,937)	(10,879,379)
(Regularisation/ payments)	-	(425,866)
	31,325,973	**37,132,205**

GOVERNMENT GRANTS

On 18 June 2014, the Group's subsidiary CelCacia - Celulose de Cacia, S.A., signed two contracts for financial and tax incentives, with AICEP — Agency for Investment and Foreign Trade of Portugal, to support the investment to increase the capacity of the plant in Cacia. The total estimated investment amounts to Euro 49.3 million. The incentives already approved amount to Euro 9.264 million, as a repayable financial incentive, and Euro 5.644 million, as a tax incentive, to use until 2024. The contract includes an award of achievement, corresponding to the conversion of up to 75% (Euro 6,947,450) of the refundable incentives granted into non-refundable incentives, by meeting the objectives set by the contract.

33. ASSETS AND LIABILITIES HELD FOR SALE

In December 2017, the subsidiary Navigator entered into a contract to buy and sell its pellet business in the United States with a joint venture managed and operated by an associate of Enviva Holdings, LP, for USD 135 million. The realisation of the sale, subject to the verification of certain previous conditions and regulatory authorisations, habitual in this type of transactions, was effected on February 16, 2018.

In view of the foregoing, as at 31 December 2017 these assets are classified as Non-current assets held for sale, which includes an amount of Euros 85,433,905 of Tangible fixed assets and Euros 803,143 of inventories, related to said business of pellets.

The remaining assets and liabilities held for sale are related to the acquisition of Uniconcreto — Betão Pronto, S.A. carried out by the subsidiary Secil, the sale of which to date has not yet been possible.

34. FINANCIAL ASSETS AND LIABILITIES

As its activities are exposed to a variety of financial and operational risk factors, the Group adopts a proactive approach to risk management, as a way to mitigate the potential adverse effects associated with these risks, namely the risk arising from the price of pulp, foreign exchange risk and interest rate risk.

As of 31 December of 2017 and 2016, the reconciliation of the consolidated statement of financial position with the various categories of financial assets and liabilities included therein is detailed as follows:

31 December 2017 Amounts in Euro	Financial instruments - trading Note 24/32	Financial intruments - hedging Note 24/32	Loans and other accounts receivable Note 24	Financial assets at fair value through profit or loss Note 20	Financial assets held-for-sale Note 21	Other interests - bearing liabilities Note 32	Non financial Assets/Liabilities Note 24/32
Assets							
Financial assets at fair value through profit or loss	-	-	-	44,508	-	-	-
Financial assets held-for-sale	-	-	-	-	424,428	-	-
Other non-current assets	-	-	6,244,448	-	-	-	-
Current assets	2,755,315	1,816,274	317,627,212	-	-	-	12,668,285
Cash and cash equivalents	-	-	243,187,261	-	-	-	-
Total assets	**2,755,315**	**1,816,274**	**567,058,921**	**44,508**	**424,428**	**-**	**12,668,285**
Liabilities							
Non-current interest-bearing liabilities	-	-	-	-	-	1,653,480,805	-
Other liabilities	-	-	-	-	-	25,728,280	-
Current interest-bearing liabilities	-	-	-	-	-	263,390,200	-
Current liabilities	304,029	3,473,480	-	-	-	352,282,998	29,538,133
Total liabilities	**304,029**	**3,473,480**	**-**	**-**	**-**	**2,294,882,283**	**29,538,133**

FI - Financial Instruments
FA - Financial Assets

31 December 2016 Amounts in Euro	Financial instruments - trading Note 24/32	Financial intruments - hedging Note 24/32	Loans and other accounts receivable Note 24	Financial assets at fair value through profit or loss Note 20	Financial assets held-for-sale Note 21	Other interests - bearing liabilities Note 32	Non financial Assets/Liabilities Note 24/32
Assets							
Financial assets at fair value through profit or loss	-	-	-	47,258	-	-	-
Financial assets held-for-sale	-	-	-	-	342,122	-	-
Other non-current assets	-	-	6,744,351	-	-	-	-
Current assets	-	942,139	292,240,424	-	-	-	11,721,863
Cash and cash equivalents	-	-	184,101,274	-	-	-	-
Total assets	**-**	**942,139**	**483,086,049**	**47,258**	**342,122**	**-**	**11,721,863**
Liabilities							
Non-current interest-bearing liabilities	-	-	-	-	-	1,697,565,380	-
Other liabilities	-	-	-	-	-	33,301,140	-
Current interest-bearing liabilities	-	-	-	-	-	266,268,367	-
Current liabilities	2,940,253	7,244,877	-	-	-	343,844,075	25,753,604
Total liabilities	**2,940,253**	**7,244,877**	**-**	**-**	**-**	**2,340,978,962**	**25,753,604**

FI - Financial Instruments
FA - Financial Assets

The following table presents the Group´s assets and liabilities measure at fair value as of 31 December 2017, according to the following hierarchic levels:

• 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	31-12-2017	Level 1	Level 2	Level 3
Financial assets at fair value recognised in reserves				
Hedging	**1,816,274**	-	1,816,274	-
Financial assets at fair value recognised in profit				
Trading	**2,755,315**	-	2,755,315	-
Financial assets at fair value through profit or loss				
Shares (Note 20)	**44,508**	44,508	-	-
Financial assets held-for-sale				
Shares (Note 21)	**424,428**	424,428	-	-
Assets measured at fair value				
Biological assets (Note 18)	**129,396,936**	-	-	129,396,936
	134,437,461	**468,936**	**4,571,589**	**129,396,936**

Amounts in Euro	31-12-2016	Level 1	Level 2	Level 3
Financial assets at fair value recognised in reserves				
Hedging	**942,139**	-	942,139	-
Financial assets at fair value recognised in profit				
Shares (Note 20)	**47,258**	47,258	-	-
Financial assets held-for-sale				
Shares (Note 21)	**342,122**	342,122	-	-
Assets measured at fair value				
Biological assets (Note 18)	**125,612,948**	-	-	125,612,948
	126,944,467	**389,380**	**942,139**	**125,612,948**

LIABILITIES MEASURED AT FAIR VALUE

Amounts in Euro	31-12-2017	Level 1	Level 2	Level 3
Financial liabilities at fair value recognised in reserves				
Hedging	**3,473,480**	-	3,473,480	-
Financial liabilities at fair value through profit or loss				
Trading	**304,029**	-	304,029	-
	3,777,509	-	**3,777,509**	

Amounts in Euro	31-12-2016	Level 1	Level 2	Level 3
Financial liabilities at fair value recognised in reserves				
Hedging	**7,244,877**	-	7,244,877	-
Financial liabilities at fair value through profit or loss				
Trading	**2,940,253**	-	2,940,253	-
	10,185,130	-	**10,185,130**	

DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2017, details of the fair value of derivative financial instruments were as follows:

Amount in Euro	Fair value changes (trading)	Fair value changes (hedging)	Total
As of 1 January 2017	**(2,940,252)**	**(6,302,739)**	**(9,242,991)**
New contracts / Settlement	1,562,956	(3,558,619)	(1,995,663)
Changes in fair value recognised in results (Note 10)	3,771,523	233,522	4,005,045
Changes in fair value recognised in equity	-	7,970,630	7,970,630
Currency Adjustment	57,059	-	57,059
As of 31 December 2017	**2,451,286**	**(1,657,206)**	**794,080**

DETAILS AND MATURITY OF THE DERIVATIVE FINANCIAL INSTRUMENTS

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 as at 31 December 2017 and 2016, relating to financial instruments were as follows:

				31-12-2017			31-12-2016
Amounts in Euro	Amount	Currency	Maturity	Positive	Negative	Net	Net
Hedging							
Coverage of net investment	25,050,000	USD	2017	114,914	-	114,914	(249,273)
Exchange rate forwards - future sales (USD)	132,250,000	USD	2018	1,701,360	-	1,701,360	901,050
Interest and exchange rate swaps	505,000,000	Euro	2020/23	-	(3,473,480)	(3,473,480)	(6,954,515)
				1,816,274	**(3,473,480)**	**(1,657,206)**	**(6,302,738)**
Trading							
Exchange rate forwards	64,050,000	USD	2018	669,733	-	669,733	(1,778,650)
Exchange rate forwards	12,800,000	GBP	2018	8,407	-	8,407	(164,752)
Cross currency interest rate swap	17,739,298	USD	2018/2019	63,197	(45,153)	18,044	(426,933)
Currency Collar	23,894,658	BRL	2018	-	(25,370)	(25,370)	(153,640)
Non Deliverable Forward (NDF)	92,003,456	BRL	2018	863,997	(233,506)	630,491	(416,278)
Future purchase of CO2 licenses	21,500,000	Euro	2018	1,149,981	-	1,149,981	-
				2,755,315	**(304,029)**	**2,451,286**	**(2,940,253)**
				4,571,589	**(3,777,509)**	**794,080**	**(9,242,991)**

DERIVATIVE FINANCIAL INSTRUMENTS | NEGOTIATION

PULP AND PAPER SEGMENT

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 statement of financial position 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 other currencies at the time the invoices are issued, for the same maturity dates and the same amounts of these documents. The nature of the risk hedged is the change in the carrying amount of sales and purchases expressed in foreign currencies. 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 change of the forwards negotiated.

In addition to the acquisitions made in 2015 and 2016 of 400,000 CO_2 emission licenses for delivery in 2018-2019, in 2017, The Navigator Group completed the additional acquisition of 100,000 CO2 licenses, also for delivery in 2020.

CEMENT AND DERIVATIVES SEGMENT

In July 2016, the subsidiary Supremo Cimentos, S.A., contracted with a Brazilian financial institution for external financing in the amount of USD 9,239,297.81, maturing on 22 July 2019 and amortised in five equal instalments, beginning on 24 July 2017. On the same date, a cross currency interest rate swap contract was signed with the purpose of covering exchange rate exposure. This derivative financial instrument allowed the Company to set the nominal value of the financing in BRL 30,000,000 and the payment of interest at the CDI rate plus a spread, fully replicating the amortisation plan of said financing in USD.

In September 2016, the subsidiary, Supremo Cimentos, S.A., contracted with a Brazilian financial institution for external financing in the amount of USD 8,500,000, maturing at 26 November 2018, amortised in six equal instalments beginning on 28 August 2017. On the same date, a cross-current interest rate swap contract was signed with the purpose of covering an exchange rate summary. This derivative financial instrument allowed the Company to set the nominal value of the financing in the amount of BRL 27,542,550 and to pay interest on the CDI rate plus a spread, fully replicating the amortisation plan of the USD financing.

Secil granted intercompany financing in Brazilian Reais (BRL) to the subsidiary Supremo (100% owned by Secil) and then traded the following derivative financial instruments:

a) contracting of Foreign exchange Collar in the amount of 23,894,658 BRL with maturity in October 2018;

b) contracting of several Non-deliverable Forward in the total amount of 92,003,458 BRL with maturities between February and October 2018.

Secil also contracted foreign currency risk hedges for a portion of the disbursements expected in 2017 to provide funds to its subsidiaries Secil Brasil and Supremo, for a total of BRL 133,288,100 maturing between April and December of this year.

FINANCIAL INSTRUMENTS: DERIVATIVES | HEDGE

PULP AND PAPER SEGMENT – COVERAGE OF INVESTMENT IN FOREIGN OPERATIONS

The Group hedged its foreign currency exposure to the USD associated with its exposure to the investment held in Navigator North America by contracting a maturing forward exchange rate maturing, in May 2018. As of 31 December 2017, the Group had contracted one operation, involving a notional of USD 25,050,000.

The contracted instrument is designated as an accounting hedge instrument for investments in foreign operations, and the respective fair value variation is recognised in the exchange translation reserve in equity.

PULP AND PAPER SEGMENT – COVERAGE OF FUTURE SALES | EXCHANGE RATE RISK EUR/USD

The Navigator Group uses derivative financial instruments to limit the net risk of exchange exposure associated with estimated future sales and purchases in USD.

In this context, during the last quarter of 2017, the Navigator Group contracted a set of financial structures to cover a portion of the net foreign exchange exposure of estimated sales in USD for 2018. The derivative financial instruments, in force since 31 December 2017 are Options and Zero Cost Collar, totaling USD 120,000,000, maturing on 31 December 2018. As of 2018, the financial instruments were further strengthened by the additional contracting of USD 176,000,000 Options and Zero Cost Collar and GBP 46,000,000, maturing through January and February 2019, respectively.

PULP AND PAPER SEGMENT – COVERAGE OF CASH FLOWS | INTEREST RATE

The Group hedges a portion of future interest payments on loans, commercial paper and bond loans, by engaging in an interest rate swap, in which it 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 issued debt and does not cover credit risk. This hedge is designated until the maturity of the hedging instruments.

CEMENT AND DERIVATIVES SEGMENT – COVERAGE OF CASH FLOWS | INTEREST RATE

In 2007, the Group issued a bond loan in the amount of Euro 40,000,000 (issued by the subsidiary Secil Betões e Inertes, S.A., which was dissolved and integrated into Secil in 2016). Interest are paid semi-annually and in arrears, with full reimbursement occurring in October 2017. During the period ended 31 December 2009, the Group contracted a trading derivative, an interest rate swap (IRS) with a notional amount of Euro 40,000,000, however, after carrying out prospective and retrospective effectiveness tests, it was considered as cash flow hedge with effect from 1 July 2010.

In 2015, Secil contracted a bond loan of Euro 60,000,000 that will be repaid to the pair in June 2020, with semi-annual and in arrears payments. On 23 June 2016, Secil contracted an interest rate hedge derivative, through an interest rate Swap (IRS), with a notional amount of Euro 60,000,000, beginning on 9 December 2016 and maturing on 9 June 2020.

Also in fiscal year 2015, Secil contracted a bond loan of Euro 80,000,000, with a full repayment at par in May 2020, with semi-annual and in arrears payments. On 23 June 2016, an interest rate hedge derivative was contracted through an interest rate swap (IRS) with a notional amount of Euro 80,000,000, beginning on 25 November 2016 and maturing on 25 May 2020.

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

BALANCES WITH RELATED PARTIES AND SHAREHOLDERS

As of 31 December 2017 and 2016, related parties receivables and shareholders balances are detailed as follows:

	31-12-2017			31-12-2016		
Amounts in Euro	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						
Cimigest, SGPS, S.A.	2,763	3,242	-	-	-	6,209,058
Cimo SGPS, S.A.	-	-	4,433,589	-	-	321,842
Longapar, SGPS, S.A.	106	-	36,886	-	-	73,064
OEM SGPS, S.A.	-	-	-	-	-	2,226,163
Other related entities						
Cimilonga - Imobiliária, S.A.	-	31,215	-	-	(13,700)	-
Hotel Ritz, S.A.	-	12,487	-	-	10,843	-
Soc. Agrícola Herdade dos Fidalgos, Lda.	-	504	-	-	-	-
Ave-Gestão Ambiental, S.A.	128,262	481,578	-	148,734	(146,844)	-
Cotif Sicar	-	92,844	-	-	89,255	-
Enermontijo, S.A.	54,656	12,551	-	363,682	6,708	-
Enerpar, SGPS, S.A.	-	21,598	-	-	-	-
Inertogrande	213,993	-	-	214,669	2,091	-
J.M.J. Henriques, Lda.	126,852	-	-	123,701	-	-
Seribo, S.A.	-	324,717	-	-	319,907	-
Setefrete - Soc. Tráfego Cargas, S.A.	-	183,471	-	-	3,423	-
Minority shareholders of Ciment de Sibline*	-	5,873,015	-	-	3,195,480	-
Other subsidiaries shareholders	-	20,409	-	9,083	20,186	-
Total	**526,632**	**7,057,631**	**4,470,475**	**859,869**	**3,487,349**	**8,830,127**

** Assigned dividends which are awaiting settlement*

TRANSACTIONS WITH RELATED PARTIES AND SHAREHOLDERS

As of 31 December 2017 and 2016, transactions between shareholders and other related parties comprised:

	2017				2016			
Amounts in Euro	Service purchase	Sales and services rendered	Operating income	Net financial costs	Service purchase	Sales and services rendered	Operating income	Net financial costs
Shareholders								
Sodim, SGPS, S.A.	-	-	423	-	-	-	-	-
Cimigest SGPS, S.A.	(107,740)	-	15,596	(1,547)	(107,740)	-	-	(24,299)
Cimo SGPS, S.A.	-	-	-	(23,863)	-	-	-	(1,123)
Longapar, SGPS, S.A.	-	-	-	(1,095)	-	-	-	(29,736)
OEM SGPS, S.A.	-	-	-	(5,598)	-	-	-	(11,002)
	(107,740)	**-**	**16,019**	**(32,103)**	**(107,740)**	**-**	**-**	**(66,160)**
Other related entities								
Cimilonga - Imobiliária, S.A.	(1,037,624)	-	-	-	(1,021,326)	-	244	-
Hotel Ritz, S.A.	(49,837)	-	1,600	-	(34,918)	-	-	-
Sonagi, SGPS, S.A.	-	-	4,327	-	-	-	990	-
Refundos, SGFII, S.A.	(384,057)		420		-	-	-	-
Enermontijo, S.A.	(102,499)	218,205	-	-	(305,461)	642,063	-	-
Enerpar, SGPS, S.A.	(222,120)	-	-	-	(310,749)	-	-	-
Ave-Gestão Ambiental, S.A.	(2,770,573)	54,648	66,064	-	(3,549,893)	57,716	63,366	-
Secil Prebetão, S.A.	-	-	-	-	(21,322)	356,793	43,732	2,300
Seribo, S.A.	-	-	-	(4,810)	-	-	-	(4,810)
Setefrete, S.A.	(3,176,943)	-	20,351	-	(2,856,638)	-	24,086	-
Others	(3,147)	-	3,600	(334)	-	-	9,083	5,726
	(7,746,800)	**272,853**	**96,362**	**(5,144)**	**(8,100,307)**	**1,056,572**	**141,501**	**3,216**

The balances and transactions with Shareholders relate essentially to short-term treasury operations that bear interest at market rates.

In previous years, lease agreements were signed between Semapa and Cimilonga - Imobiliária, S.A., (which also entered into a lease agreement with Navigator Paper Figueira, S.A.) relating to the lease of several office floors in the building which it owns and operates the headquarters of Semapa, SGPS, S.A., at Av. Fontes Pereira de Melo, no 14, in Lisbon.

In March 2015, the subsidiary The Navigator Company entered into an agreement with Enerpar SGPS, Lda., under which it paid the latter a remuneration for the promotion of the pellet project in the United States of America. Enerpar SGPS, Lda. is a company that manages holdings in the renewable energy sector, which holds the entire capital of Enermontijo, S.A., (that has been engaged in the production of wood pellets of forest origin since 2008) and whose shareholders have family ties to a non-executive director of the Group.

In connection with the identification of the related parties, for the purposes of financial reporting, AVE, S.A. and Setefrete, SA were also referred to as related parties, because they are associated companies of the subsidiary Secil, to which the Group acquires waste and alternative fuels, in the first case, and stowage in cargo handling for ships, in the second.

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The short-term benefits/remuneration received by the members of the Board of Directors of Semapa and members of the boards of directors of the Group's other companies are described in Note 7. All details of the remuneration policy of Board members of Semapa's management are detailed in the Company's Corporate Governance Report, Part I - Section D.

In addition, with respect to post-employment benefits and as described in Note 29, as of 31 December 2017, the amount of liabilities related to post-employment benefit plans, related to two administrators of the Navigator Group, amounted to Euros 1,701,096 (2016: Euros 1,669,240).

As of 31 December 2017 and 2016, for the members of the Board of Directors of Semapa, there were no (i) additional liabilities related to other long-term benefits, (ii) termination benefits, (iii) share-based payments, (iv) outstanding balances.

36. ENVIRONMENTAL 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 as at 31 December 2017 and 2016, were as follows:

	31-12-2017			31-12-2016		
Amounts in Euro	Revenue	Expenses of the period	Capitalisation of the period	Revenue	Expenses of the period	Capitalisation of the period
Atmospheric emissions	-	2,509,247	130,237	-	4,905,533	833,339
Management of residual waters	-	346,033	160,920	-	11,069,256	105,865
Residual managements	(801,410)	1,619,645	-	(686,887)	6,022,986	217,670
Protection of nature	-	628,474	193,149	-	542,376	-
Energy	-	12,043,689	313,756	-	10,811	1,681,991
Other activities	-	4,394,520	737,914	-	4,059,049	182,428
	(801,410)	**21,541,608**	**1,535,976**	**(686,887)**	**26,610,011**	**3,021,293**

37. AUDIT FEES

During 2017 and 2016, the amounts invoiced to the Group related to statutory and other statutory audit services comprised:

Amounts in Euro	2017	2016
Statutory audit services		
Statutory auditors services	437,533	494,885
Auditor services in foreign subsidiaries	283,282	273,034
Tax consultancy services		
In Portugal	40,535	49,545
In foreign subsidiaries	9,378	61,867
Other reliability assurance services	18,080	66,320
Other services	24,500	53,421
	813,308	**999,072**

The services described as tax consultancy, mainly comprise the support in complying with tax obligations, being fully integrated in the transitional period expressed in Article 3 of Law 140/2015.

The services indicated as Other reliability assurance services concern the issuance of analysis reports to the management information systems, specialised support in the scope of the Group's subsidiaries' sustainability reports and issuing opinions for certification of irrecoverable debts.

They also include advice provided in the scope of assistance to incentives applications, well as as training.

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.

38. NUMBER OF EMPLOYEES

As of 31 December 2017 and 2016, the number of Employees in service of the Group's various companies, was as follows:

Segment	31-12-2017	31-12-2016	Var. 17/16
Pulp and paper	3,191	3,111	80
Cement and derivatives	2,556	2,615	(59)
Environment	270	275	(5)
Holdings and others	28	27	1
	6,045	**6,028**	**17**

39. COMMITMENTS AND CONTINGENCIES

As of 31 December 2017 and 2016, the guarantees and other financial commitments provided by the Group were as follows:

Amounts in Euro	31-12-2017	31-12-2016
Warranties		
Tax and Customs Authority	26,022,893	-
IAPMEI (in the perimeter of QREN)	5,762,249	5,775,752
APSS - Admi. dos Portos de Setúbal e Sesimbra	2,605,009	2,593,639
Product Clearance	1,835,250	2,868,454
Agência Estatal de Administ. Tributaria Espanhola	1,033,204	1,033,204
Comissão de Coordenação e Desenv. Regional LVT	1,000,926	1,118,892
Conselho de Emprego, Indústria e Turismo (Espanha)	954,118	-
Direção Geral de Alfândegas de Setúbal	800,000	800,000
APDL - Administração do Porto de Leixões	711,219	707,343
Simria	338,829	338,829
Instituto de Conservação da Natureza - Arrábida	406,540	406,540
Secretaria Regional do Ambiente e Recursos Naturais	274,595	-
IAPMEI (âmbito do PEDIP)	209,305	209,305
Comissão de Coordenação e Desenv. Regional Norte	236,403	236,403
Comissão de Coordenação e Desenv. Regional Centro	727,825	863,173
Comissão de Coordenação e Desenv. Regional Algarve	534,620	453,360
CNE (Massa Insolvente)	-	13,200,000
Mercedes Benz - Car Rental	500,000	866,000
Others	1,695,324	1,604,038
	45,648,309	**33,074,932**
Other commitments		
Of purchase		
Property, plant and equipment	109,933,881	79,128,866
Energy supply	26,704,382	22,014,893
Others	5,427,204	13,778,825
Forestry land rents	53,498,715	53,542,281
Mortgage loan guarantees	1,083,471	1,218,088
	196,647,653	**169,682,953**
	242,295,962	**202,757,885**

As part of the fiscal inspection process for 2013, the subsidiary The Navigator Company, S.A., was notified on 4 September 2017 of the Final Tax Inspection Report, which resulted in an additional tax assessment in the amount of Euros 20,556,589. In the Model 22 declaration of 2013, The Navigator Group deducted a significant amount of tax credits relating to the use of tax benefits associated with RFAI generated in previous years and, in its view, subject to reporting. The Tax Administration does not have the same understanding, having corrected the amounts of tax benefits used. The debt in question is guaranteed and its settlement will be contested.

The guarantees provided to IAPMEI correspond essentially to those carried out under the Investment contracts entered into between the Portuguese State and Navigator Pulp Cacia, S.A. (Euros 2,438,132) and Navigator Tissue Ródão, S.A. (Euros 2,771,188), in accordance with the terms and conditions stipulated in the Payment Policy applicable to Projects approved under the NSRF Incentive Systems.

Other commitments for the purchase of tangible fixed assets refer essentially to the commitments made by the subsidiary Navigator, relating to investments in plant equipment, namely in connection with the project to increase pulp production capacity in Figueira da Foz and the new production line of Tissue in Cacia.

The amount related to the item Electric Energy corresponds to the acquisition commitments assumed by the Brazilian subsidiaries of Secil.

As of 31 December 2017 and 2016, debt's reimbursement plans for operating leases are as follows:

Amount in Euro	31-12-2017	31-12-2016
Less than 1 year	2,888,414	2,481,448
Over than 1 year and less than 5 years	4,828,374	4,272,315
	7,716,788	**6,753,763**
Costs incurred in the year	**3,306,061**	**3,203,888**

40. OTHER COMMITMENTS OF THE GROUP

INVESTMENT IN A NEW PLANT IN ANGOLA

Under the terms of the Memorandum of Understanding between the Government of Angola and Secil, in April 2004, Secil — Companhia de Cimento do Lobito, S.A., was incorporated in approximately 51% by the Secil Group and indirectly, 49% by the Angolan State, and began operating from January 2006, thus ending the contract for the assignment of exploration of the manufacturing plant Encime do Lobito, signed between the Angolan State and Tecnosecil (now called Secil Angola) in September 2000.

Secil Lobito's capital stock in the amount of USD 21,274,285 was made through the transfer of the tangible and intangible assets of Secil Angola and Encime U.E.E., respectively by the Secil Group and the Angolan State, for the amount resulting from the independent evaluation carried out in October 2003 by an international audit firm. Secil Angola owns 51% of this company and the remaining 49% belongs to Encime. In this Memorandum of Understanding, Secil Lobito was estimated to have installed a cement and clinker factory in Lobito within 36 months from the date of the respective capital stock.

On 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.

Secil Lobito adapted the investment project to the reality of Angola's cement market. In this regard, in October 2015, Secil Lobito delivered to U.T.I.P. — Technical Unit for Private Investment, created under the New Private Investment Law, and to merit its acceptance, a draft addendum to the aforementioned Private Investment Agreement approved in December 2007 by the Angolan Council of Ministers. This addendum was prepared following the various contacts maintained with the then ANIP, and includes the review and updating of certain matters and conditions, on which the actual feasibility, realization and implementation of the investment project depends.

In 2016, the last revised version of the Project was sent to the PICU, which includes the adjustment of the latter to the new market conditions, as well as the recommendations issued by the UTIP at the end of 2015. Secil Lobito has sought to know the Angolan State's position on the reactivation and reformulation of this Project. However, future prospects regarding project start-up are not likely to materialise with timely rigor. The difficulties that followed after its adoption have not yet been overcome.

In April 2017, Encime notified Secil Angola of the "highly approved decision to dispose of Encime, UEE shares". Under the terms of the Bylaws and the law, shareholders must be notified of the number, price and conditions of such share transfer, which has not yet happened, and Secil is still waiting for this process to proceed.

As of 31 December 2017, the caption Tangible Fixed Assets — Investments in progress (Note 17) includes an amount of Euros 1,911,944, relating to this project.

SECURITY DEPOSIT

The subsidiary Ciminpart sold its stake in VIROC in 2012. In the context of this proceeding, Secil has lodged a pledge on a bank deposit amounting to Euro 650,000.

41. CONTINGENT ASSETS

NON-TAX MATTERS

INFRASTRUCTURE ENHANCEMENT AND MAINTENANCE RATE

Under the licensing process no 408/04 related to the new paper mill project, the Setúbal City Council issued a settlement note to Navigator 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 levy in the licensing process mentioned above, for the construction of a new paper mill in the industrial site of Mitrena, Setúbal. Navigator 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. At 3 October 2012, this claim had an adverse decision, and in 13 November an appeal to the Administrative Supreme Court (STA) was performed, which has brought down the action to Central Administrative Court (TCA) on 4 July 2013.

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, totalling 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.

On 24 May 2014, the Administrative and Fiscal Court of Almada denied the request of the Group to present testimonial proves, requesting written allegations. On 30 June 2014, the Group presented its complaint to the conference about this position, whilst present on the same date the written allegations requested by the Court.

The Court upheld the claims of the Panel in this regard, and a hearing is awaited for the examination of witnesses, and experts have already been appointed by the parties, whose report is awaited until the end of the year.

TAX MATTERS

FISCAL AND FINANCIAL INCENTIVES

The Navigator Group applied for fiscal and financial incentives, related to the investments in progress in Cacia and Figueira da Foz, with the commitments obtained, tax benefits, respectively of 11.5 million Euros and 14.2 million Euros, a fully repayable at zero rate, from 42.2 million Euros to Cacia and a loan of 5.8 million Euros, with maximum realisation premium of 3.5 million euros, for Figueira da Foz.

PUBLIC DEBT SETTLEMENT FUND

According to Decree-Law no. 36/93 of 13 February, the 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.

Navigator 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.

On 13 December 2010, Navigator presented a new application, requesting the payment of debts settled by the tax authorities regarding 2006 and 2003. This application was supplemented on 13 October 2011, with the amounts already paid and uncontested regarding these debts, as well as with expenses directly related to them, pursuant to court ruling dated 24 May 2011 (Case No. 0993A/02), which confirmed the company's position regarding the enforceability of such expenses.

In this context, the aforementioned Fund is liable as detailed:

Amounts in Euro	Period	Amounts requested	1st refund	Decreases in the perimeter of RERD	Process in favor of the Group	Extra judicial agreement of 31/12/2017	Outstanding
Carried judicial processes							
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)	-	-	-	-
Corporate Income Tax	2002	18,923	-	-	-	-	18,923
Value Added Tax	2002	2,697	(2,697)	-	-	-	-
Corporate Income Tax	2003	1,573,165	(1,573,165)	-	-	-	-
Corporate Income Tax	2003	182,230	(157,915)	-	(24,315)	-	-
Corporate Income Tax	2003	5,725,771	-	-	-	(5,725,771)	-
Corporate Income Tax (RF)	2004	3,324	-	-	-	-	3,324
Corporate Income Tax	2004	766,395	-	-	(139,023)	-	627,372
Imposto Selo	2004	497,669	-	-	(497,669)	-	-
Corporate Income Tax (RF)	2005	1,736	(1,736)	-	-	-	-
Other expenses		314,957	-	-	-	-	314,957
		15,876,239	**(8,210,545)**	**-**	**(975,347)**	**(5,725,771)**	**964,576**
Non-carried judicial processes							
Corporate Income Tax	2005	11,754,680	-	(1,360,294)	-	-	10,394,386
Corporate Income Tax	2006	11,890,071	-	(1,108,178)	-	-	10,781,893
Value Added Tax	2003	2,509,101	-	-	-	-	2,509,101
		26,153,852	**-**	**(2,468,472)**	**-**	**-**	**23,685,380**
		42,030,091	**(8,210,545)**	**(2,468,472)**	**(975,347)**	**(5,725,771)**	**24,649,956**

TAXES PAID IN LITIGATION

As of 31 December 2017 and 2016, the additional tax assessments that are paid and disputed, not recognized in assets, refer to the Navigator Group and are summarized as follows:

Amounts in Euro	31-12-2017	31-12-2016
Value Added Tax 2003	2,509,101	2,509,101
Aggregate Corporate Income Tax 2005	10,394,386	10,394,386
Aggregate Corporate Income Tax 2006	8,150,146	8,150,146
Aggregate Corporate Income Tax 2010 - Settlement Results	-	4,984,425
Aggregate Corporate Income Tax 2011 -Settlement Results	-	6,647,918
Aggregate Corporate Income Tax 2012	-	4,422,958
	21,053,633	**37,108,934**

42. EXCHANGE RATES

The assets and liabilities of the foreign subsidiaries and associated companies were translated to Euro at the exchange rate prevailing as of 31 December 2017.

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 2017 and 2016, against the Euro, were as follows:

	31-12-2017	31-12-2016	Valuation/ (depreciation)		31-12-2017	31-12-2016	Valuation/ (depreciation)
TND (tunisian dinar)				DKK (danish krone)			
Average exchange rate for the year	2.7184	2.3726	(14.57%)	Average exchange rate for the year	7.4386	7.4448	0.08%
Exchange rate at the end of the year	2.9454	2.4227	(21.58%)	Exchange rate at the end of the year	7.4449	7.4344	(0.14%)
LBN (lebanese pound)				HUF (hungarian florim)			
Average exchange rate for the year	1,703.00	1,668.70	(2.06%)	Average exchange rate for the year	309.2462	311.3319	0.67%
Exchange rate at the end of the year	1,807.90	1,589.10	(13.77%)	Exchange rate at the end of the year	310.3300	309.8300	(0.16%)
USD (american dollar)				AUD (australian dollar)			
Average exchange rate for the year	1.1297	1.1042	(2.31%)	Average exchange rate for the year	1.4732	1.4841	0.73%
Exchange rate at the end of the year	1.1993	1.0541	(13.77%)	Exchange rate at the end of the year	1.5346	1.4596	(5.14%)
GBP (sterling pound)				MZM (mozambican metical)			
Average exchange rate for the year	0.8763	0.8228	(6.49%)	Average exchange rate for the year	71.4978	70.1309	(1.95%)
Exchange rate at the end of the year	0.8872	0.8562	(3.63%)	Exchange rate at the end of the year	70.2250	75.1300	6.53%
PLN (polish zloty)				BRL (brazilian real)			
Average exchange rate for the year	4.2573	4.3653	2.47%	Average exchange rate for the year	3.6081	3.8532	6.36%
Exchange rate at the end of the year	4.1770	4.4103	5.29%	Exchange rate at the end of the year	3.9683	3.4379	(15.43%)
SEK (swedish krone)				MAD (moroccan dirame)			
Average exchange rate for the year	9.6354	9.4917	(1.51%)	Average exchange rate for the year	10.9633	10.8694	(0.86%)
Exchange rate at the end of the year	9.8438	9.5525	(3.05%)	Exchange rate at the end of the year	11.2210	10.6160	(5.70%)
CZK (czech krone)				NOK (norwegian krone)			
Average exchange rate for the year	26.3309	27.0345	2.60%	Average exchange rate for the year	9.3294	9.2800	(0.53%)
Exchange rate at the end of the year	25.5350	27.0210	5.50%	Exchange rate at the end of the year	9.8403	9.0863	(8.30%)
CHF (swiss franc)				AOA (angolan kwanza)			
Average exchange rate for the year	1.1115	1.0892	(2.04%)	Average exchange rate for the year	190.6947	184.4824	(3.37%)
Exchange rate at the end of the year	1.1702	1.0739	(8.97%)	Exchange rate at the end of the year	202.9815	178.3843	(13.79%)
TRY (turkish lira)				MXN (Mexican Peso)			
Average exchange rate for the year	4.1194	3.3602	(22.60%)	Average exchange rate for the year	21.3286	20.6673	(3.20%)
Exchange rate at the end of the year	4.5464	3.7072	(22.64%)	Exchange rate at the end of the year	23.6612	21.7719	(8.68%)
ZAR (South African rand)							
Average exchange rate for the year	15.0442	16.1729	6.98%				
Exchange rate at the end of the year	14.8054	14.4570	(2.41%)				

43. COMPANIES INCLUDED IN THE CONSOLIDATION

INSTRUMENTAL COMPANIES INCLUDED IN CONSOLIDATION

Name	Head Office	Direct and indirect % of equity held by Semapa		
		Direct	Indirect	Total
Parent - company				
Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.	Lisbon			
Subsidiaries				
Seminv, SGPS, S.A.	Lisbon	100.00	-	100.00
Seinpart, SGPS, S.A.	Lisbon	49.00	51.00	100.00
Seinpar Investments, B.V.	Amsterdam	100.00	-	100.00
Semapa Inversiones S.L.	Madrid	100.00	-	100.00
Celcimo S.L.	Madrid	-	100.00	100.00
Semapa Next, S.A.	Lisbon	100.00	-	100.00
Aphelion, S.A.	Lisbon	100.00	-	100.00

**% held on 31-12-2017 and 31-12-2016*

SUBSIDIARY COMPANIES OF SUB-GROUP ETSA – UNDER FULL CONSOLIDATION

Name	Head Office	Direct and indirect % of equity held in ETSA			% shares held by Semapa
		Direct	Indirect	Total	
Parent - company					
ETSA - Investimentos, SGPS, S.A.	Loures	99.99	-	99.99	99.99
Subsidiaries					
ETSA LOG,S.A.	Loures	100.00	-	100.00	99.99
SEBOL – Comércio e Industria de Sebo, S.A.	Loures	100.00	-	100.00	99.99
ITS – Indústria Transformadora de Subprodutos Animais, S.A.	Coruche	100.00	-	100.00	99.99
ABAPOR – Comércio e Industria de Carnes, S.A.	Coruche	100.00	-	100.00	99.99
BIOLOGICAL - Gestão de Resíduos Industriais, Lda.	Loures	100.00	-	100.00	99.99
AISIB – Aprovechamiento Integral de Subprodutos Ibéricos, S.A.	Mérida	100.00	-	100.00	99.99

**% held on 31-12-2017 and 31-12-2016*

SUBSIDIARY COMPANIES OF SUB-GROUP NAVIGATOR – UNDER FULL CONSOLIDATION

Name	Head Office	Direct and indirect % equity held in Navigator			% of shares held by Semapa	
		Direct	Indirect	Total	31/12/2017	31/12/2016
Parent - company:						
The Navigator Company, S.A.	Setúbal	35.71	33.69	69.40	69.40	69.40
Subsidiaries:						
Navigator Paper Figueira, S.A.	Figueira da Foz	100.00	-	100.00	69.40	69.40
Navigator Lusa, Lda	Figueira da Foz	-	100.00	100.00	69.40	69.40
Navigator Parques Industriais, S.A.	Setúbal	100.00	-	100.00	69.40	69.40
Navigator Products & Tecnology, S.A.	Setúbal	100.00	-	100.00	69.40	69.40
Enerpulp – Cogeração Energética de Pasta, S.A.	Setúbal	100.00	-	100.00	69.40	69.40
About Balance - SGPS, S.A.	Lisbon	100.00	-	100.00	69.40	69.40
Navigator Tissue Cacia, S.A.	Aveiro	-	100.00	100.00	69.40	69.40
Navigator Tissue Ródão , S.A.	Vila Velha de Ródão	-	100.00	100.00	69.40	69.40
Navigator Internacional Holding SGPS, S.A.	Setúbal	100.00	-	100.00	69.40	69.40
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Mozambique	20.05	60.15	80.20	55.66	55.66
Colombo Energy Inc.	USA	25.00	75.00	100.00	69.40	69.40
Portucel Finance, Zoo	Poland	25.00	75.00	100.00	69.40	69.40
Navigator Floresta, SGPS, S.A.	Setúbal	100.00	-	100.00	69.40	69.40
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Gavião - Sociedade de Caça e Turismo, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Navigator Forest Portugal, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Afocelca - Agrupamento complementar de empresas para protecção contra incêndios, ACE	Portugal	-	64.80	64.80	44.97	44.97
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	Palmela	-	100.00	100.00	69.40	69.40
Atlantic Forests, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Raiz - Instituto de Investigação da Floresta e Papel	Aveiro	-	94.00	94.00	65.24	65.24
Bosques do Atlantico, SL	Spain	-	100.00	100.00	69.40	69.40
Navigator Pulp Holding ,SGPS, S.A.	Setúbal	100.00	-	100.00	69.40	69.40
Navigator Pulp Figueira, S.A.	Figueira da Foz	-	100.00	100.00	69.40	69.40
Navigator Pulp Setúbal, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Navigator Pulp Cacia, S.A.	Aveiro	99.93	0.07	100.00	69.40	69.40
Navigator International GmbH	Germany	-	100.00	100.00	69.40	69.40
Navigator Cartolinas, S.A.	Setúbal	-	100.00	100.00	-	69.40
Navigator Paper Holding ,SGPS, S.A.	Setúbal	100.00	-	100.00	69.40	69.40
Navigator Fine Paper , S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Portucel Florestal Brasil - Gestão de Participações, Lda.	Brazil	25.00	75.00	100.00	-	69.40
Navigator Paper Mexico	Mexico	-	100.00	100.00	69.40	-
About the Future - Empresa Produtora de Papel, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Navigator Paper Setúbal, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Navigator North America Inc.	USA	-	100.00	100.00	69.40	69.40
Navigator Sales & Marketing, S.A.	Belgium	25.00	75.00	100.00	69.40	69.40
Navigator Africa, SRL	Italy	-	100.00	100.00	69.40	69.40
Navigator Participações Holding ,SGPS, S.A.	Setúbal	100.00	-	100.00	69.40	69.40
Portucel Florestal, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Arboser – Serviços Agro-Industriais, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
EMA21 - Engenharia e Manutenção Industrial Século XXI, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Ema Cacia - Engenharia e Manutenção Industrial, ACE	Aveiro	-	92.60	92.60	64.27	63.26
Ema Setúbal - Engenharia e Manutenção Industrial, ACE	Setúbal	-	91.30	91.30	63.36	64.24
Ema Figueira da Foz- Engenharia e Manutenção Industrial, ACE	Figueira da Foz	-	88.70	88.70	61.56	63.48
Empremédia - Corretores de Seguros, S.A.	Lisbon	-	100.00	100.00	69.40	69.40
EucaliptusLand, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Headbox - Operação e Contolo Industrial, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Navigator Added Value, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Navigator Switzerland Ltd.	Switzerland	25.00	75.00	100.00	69.40	69.40
Navigator Afrique du Nord	Morocco	-	100.00	100.00	69.40	69.40
Navigator España, S.A.	Spain	-	100.00	100.00	69.40	69.40
Navigator Netherlands, BV	Holand	-	100.00	100.00	69.40	69.40
Navigator France, EURL	France	-	100.00	100.00	69.40	69.40
Navigator Paper Company UK, Ltd	United Kingdom	-	100.00	100.00	69.40	69.40
Navigator Italia, SRL	Italy	-	100.00	100.00	69.40	69.40
Navigator Deutschland, GmbH	Germany	-	100.00	100.00	69.40	69.40
Navigator Paper Austria, GmbH	Austria	-	100.00	100.00	69.40	69.40
Navigator Paper Poland SP Z o o	Poland	-	100.00	100.00	69.40	69.40
Navigator Eurasia	Turkey	-	100.00	100.00	69.40	69.40
Navigator Rus Company, LLC	Russia	-	100.00	100.00	69.40	69.40
Navigator Abastecimento de Madeira, ACE	Setúbal	97.00	3.00	100.00	69.40	69.40

SUBSIDIARY COMPANIES OF SUB-GROUP SECIL – UNDER FULL CONSOLIDATION

Name	Head Office	Direct and indirect % of equity held in SECIL			% shares held by Semapa	
		Direct	Indirect	Total	31/12/2017	31/12/2016
Parent - company:						
Secil - Companhia Geral de Cal e Cimento, S.A.	Setúbal	-	99.998	99.998	99.998	99.998
Subsidiaries:						
Hewbol, S.G.P.S., Lda.	Funchal	100.00	-	100.00	99.998	99.998
Somera Trading Inc. (d)	Panam	-	100.00	100.00	-	99.998
Secil Cabo Verde Comércio e Serviços, Lda.	Praia	-	100.00	100.00	99.998	99.998
ICV - Inertes de Cabo Verde, Lda.	Praia	37.50	25.00	62.50	62.499	62.499
Florimar- Gestão e Participações, S.G.P.S., Lda.	Funchal	100.00	-	100.00	99.998	99.998
Sociedade de Inertes, Lda	Nacala	-	100.00	100.00	99.998	99.998
Seciment Investments, B.V.	Amsterdam	100.00	-	100.00	99.998	99.998
Serife - Sociedade de Estudos e Realizações Industriais e de Fornecimento de Equipamento, Lda.	Lisbon	100.00	-	100.00	99.998	99.998
Silonor, S.A.	Dunkerque	100.00	-	100.00	99.998	99.998
Société des Ciments de Gabés	Tunis	98.72	-	98.72	98.716	98.716
Sud- Béton- Société de Fabrication de Béton du Sud	Tunis	-	98.72	98.72	98.716	98.716
Zarzis Béton	Tunis	-	98.52	98.52	98.519	98.519
Secil Angola, SARL	Luanda	100.00	-	100.00	99.998	99.998
Secil - Companhia de Cimento do Lobito, S.A.	Lobito	-	51.00	51.00	50.999	50.999
Unibetão - Indústrias de Betão Preparado, S.A.	Lisbon	100.00	-	100.00	99.998	99.998
Britobetão - Central de Betão, Lda. (c)	Évora	9.00	91.00	100.00	-	99.998
Secil Britas, S.A.	Lisbon	100.00	-	100.00	99.998	99.998
Lusoinertes, S.A.	Lisbon	-	100.00	100.00	99.998	99.998
Secil Martingança - Aglomerantes e Novos Materiais para a Construção, S.A.	Leiria	51.19	48.81	100.00	99.998	99.998
IRP - Industria de Rebocos de Portugal, S.A.	Santarém	-	75.00	75.00	74.998	74.998
Ciminpart - Investimentos e Participações, SGPS, S.A.	Lisbon	100.00	-	100.00	99.998	99.998
ALLMA - Microalgas, Lda.	Leiria	-	70.00	70.00	69.999	69.999
Allmicroalgae Natural Products, S.A.	Leiria	-	100.00	100.00	99.998	99.998
Argibetão - Sociedade de Novos Produtos de Argila e Betão, S.A.	Lisbon	-	99.53	99.53	99.528	99.368
Cimentos Costa Verde - Comércio de Cimentos, S.A. (e)	Lisbon	-	100.00	100.00	-	99.998
Secil Brasil Participações, S.A. (former Nsospe, S.A.)	Brazil	-	100.00	100.00	99.998	99.998
Supremo Cimentos, SA	Brazil	-	100.00	100.00	99.998	99.998
Margem - Companhia de Mineração, SA	Brazil	-	100.00	100.00	99.998	99.998
Nacional Mineração e Engenharia, S.A.	Brazil	-	100.00	100.00	-	99.998
I3 Participações e Serviços, Ltda.	Rio de Janeiro	-	100.00	100.00	99.998	99.998
Secil Brands - Marketing, Publicidade, Gestão e Desenvolvimento de Marcas, Lda. ((former Prescor Produção de Escórias Moídas, Lda.)	Lisbon	-	100.00	100.00	99.998	99.998
CMP - Cimentos Maceira e Pataias, S.A.	Leiria	100.00	-	100.00	99.998	99.998
Ciments de Sibline, S.A.L.	Beirute	28.64	22.41	51.05	51.049	51.049
Soime, S.A.L.	Beirute	-	51.05	51.05	51.049	51.049
Cimentos Madeira, Lda.	Funchal	57.14	-	57.14	57.142	57.142
Beto Madeira - Betões e Britas da Madeira, S.A.	Funchal	-	57.14	57.14	57.142	57.142
Promadeira - Sociedade Técnica de Construção da Ilha da Madeira, Lda.	Funchal	-	57.14	57.14	57.142	57.142
Brimade - Sociedade de Britas da Madeira, S.A.	Funchal	-	57.14	57.14	57.142	57.142
Madebritas - Sociedade de Britas da Madeira, Lda. (a)	Funchal	-	29.14	29.14	29.142	29.142
Pedra Regional - Industria Transformadora de Rochas Ornamentais, S.A.	Funchal	-	57.14	57.14	57.142	57.142
Uniconcreto - Betão Pronto, S.A.	Lisbon	100.00	-	100.00	99.998	99.998
Secil Cement BV (ex Finlandimmo Holding BV)	Holand	100.00	-	100.00	99.998	99.998
Secil Immo Netherlands BV (f)	Holand	-	100.00	100.00	-	99.998
Secil Cement BV (f)	Holand	-	100.00	100.00	-	99.998
SPB, SGPS, LDA (former Secil Unicon) (b)	Setúbal	100.00	-	100.00	99.998	99.998
Secil Prébetão, S.A. (b)	Montijo	-	100.00	100.00	99.998	99.998
Cementos Secil, SLU	Madrid	100.00	-	100.00	99.998	-

(a) The entity is 51% owned by Brimade, S.A. and therefore controlled by the Group
(b) Companies included in the consolidation on 1 July 2016
(c) Company merged by incorporation into Unibetão - Indústrias de Betão Preparado, S.A., on April 27, 2017
(d) Company sold on July 31, 2017
(e) Company merged by incorporation into the company Ciminpart - Investimentos e Participações, S.G.P.S., S.A., on September 29, 2017
(f) Company merged by incorporation into the company Secil Cement BV (formerly Secil Netherlands BV), on December 29, 2017

44. SUBSEQUENT EVENTS

The sale of the pellet business held by the subsidiary Navigator (Note 33) was carried out on 16 February 2018 and is subject to the verification of certain conditions precedent and regulatory authorizations, customary in this type of transaction.

45. 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:

JOÃO NUNO DE SOTTOMAYOR PINTO DE CASTELLO BRANCO

JOSÉ MIGUEL PEREIRA GENS PAREDES

PAULO MIGUEL GARCÊS VENTURA

RICARDO MIGUEL DOS SANTOS PACHECO PIRES

ANTÓNIO PEDRO DE CARVALHO VIANA-BAPTISTA

CARLOS EDUARDO COELHO ALVES

FRANCISCO JOSÉ MELO E CASTRO GUEDES

MANUEL CUSTÓDIO DE OLIVEIRA

VÍTOR MANUEL GALVÃO ROCHA NOVAIS GONÇALVES

VÍTOR PAULO PARANHOS PEREIRA

PART 5

STATUTORY AUDITOR CERTIFICATE AND REPORT OF THE AUDIT BOARD ON THE CONSOLIDATED ACCOUNTS

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 (which shows total assets of Euro 3,986,987,071 and total shareholders' equity of Euro 1,221,945,256 including a net profit of Euro 124,093,467), the consolidated income statement, the statement of consolidated comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. as at 31 December 2017, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.

Key Audit Matter	*Summary of the Audit Approach*
Ability to recover the amounts booked as Goodwill *Disclosures related to goodwill are presented in notes 1.7, 1.10, 3.1 and 15 to the consolidated financial statements.* As of 31 December 2017, goodwill recognized in the consolidated financial statements of the Semapa Group amounts to Euro 352 million, allocated to the following cash generating unit (CGU): cement and derivatives Euro 193 million, paper and pulp Euro 123 million and environment Euro 36 million. Goodwill is tested on an annual basis for impairment and more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of the CGU is compared with the recoverable amount, which is the higher between the value in use and the fair value less costs to sell. As at 31 December 2017, the Group has determined the recoverable amount of its CGU through the value in use. Given the amounts involved, the complexity of the valuation model and the high level of judgment, which are embodied in the assumptions used for the impairment test, this issue was considered to be a relevant matter for the purposes of our audit. In order to determine the value in use, the Management needs to makes use of several estimates and assumptions that are based on economic and market forecasts, in particular with regard to the projection of future cash flows, perpetuity growth rates and discount rates to be used. As a result of the impairment test, no impairment losses to goodwill were booked concerning the mentioned cash generating units.	The audit procedures we developed included, among others, assessing the adequacy of the impairment model used by Management and the embodied calculations, assessing the reasonableness of the assumptions used and reconciling future cash flows used in the impairment test to the business plan approved by the Group's Executive Board of Directors. We have used the expertise of our Capital Markets specialists to assist us in validating the financial assumptions and methodologies used in the annual impairment test. We have challenged the Management regarding the adequacy of the most sensitive assumptions in determining the value in use, namely the revenue growth, EBITDA margin, discount rate and perpetuity growth rate. We have assessed the discount rate and the perpetuity growth rate, using comparable information available in the market. We have also performed sensitivity analyses for the main assumptions in order to determine the level of variations, which, individually or in aggregate, could lead to impairment losses in goodwill. We have also reviewed the adequacy of the related disclosures, namely the ones regarding estimates and assumptions with higher sensitivity to the calculation of the value in use, based on the applicable accounting standards and in what we considered relevant.

Key Audit Matter	*Summary of the Audit Approach*
Ability to recover the amounts booked as assets with an undefined useful live – brands *Disclosures related to assets with an undefined useful live are presented in notes 1.6.2, 1.10, 3.1 and 16 to the consolidated financial statements.* As of 31 December 2017, assets with an undefined useful live and corresponding deferred tax liabilities, recognized in the consolidated financial statements of the Semapa Group amounts to Euro 273 million and Euro 73 million, respectively, and comprises the brands identified in the context of the control acquisition of the Navigator Group (Euro 152 million) and the Secil Group (Euro 121 million). Brands, which have an indefinite useful life, are tested on an annual basis for impairment or if events or changes in circumstances indicate a potential impairment. For this purpose it is determined the value in use. The Group uses external experts who, together with Management, establish a set of estimates and relevant assumptions that are based on economic and market forecasts, in particular with regard to the projection of future cash flows, influence and brand strength, perpetuity growth rates and discount rates to be used. Given the complexity of the valuation model and the high level of judgment, which are embodied in the valuation model used for the impairment test, this issue was considered to be a relevant matter for the purposes of our audit.	Our audit procedures included, among others, assessing the adequacy of the external expert's valuation model, namely the reasonableness of methodology, the assumptions used and the calculations embodied in the model, as well as the reconciliation of future cash flows with the business plan approved by the Group's Executive Board of Directors. We have used the expertise of our Capital Markets specialists to assist us in validating the financial assumptions and methodologies used in the annual impairment test. We have also performed the established in ISA 620 - Using the work of an auditor's expert. We have challenged the Management regarding the adequacy of the most sensitive assumptions in determining the value in use, namely the revenue growth, EBITDA margin, discount rate and perpetuity growth rate, as well as to the influence and strength of the brand. We have assessed the discount rate and the perpetuity growth rate, using comparable information available in the market. We have also performed sensitivity analyses for the main assumptions in order to determine the level of variations which, individually or in aggregate, could lead to impairment losses in the brands. In addition, we compared the most significant estimates and assumptions with past performance and the economic projections of the Group's cash generating units where there is a lower safety margin between the carrying amount and the recoverable amount, namely the Ciments de Sibline cement brand, which had an impairment loss of Euro 1 million recognized in the current year, amounting to a total impairment losses of Euro 6 million as at 31 December 2017, as well as the Secil Portugal cement brand, with an impairment loss recognized in 2017 amounting to Euro 2 million. The impairment loss of the Supremo Cimentos cement brand, recognized in 2016, amounting to

Key Audit Matter	*Summary of the Audit Approach*
	Euro 5 million, was totally reversed in the current year. We have also reviewed the adequacy of the related disclosures, namely the ones regarding estimates and assumptions with higher sensitivity to the calculation of the value in use, based on the applicable accounting standards and in what we considered relevant.
Ability to recover the amounts booked as tangible fixed assets *Disclosures related to tangible fixed assets are presented in notes 1.8, 1.10 and 17 to the consolidated financial statements.* As of 31 December 2017, the amount booked as tangible fixed assets in the consolidated financial statements of the Semapa Group amounts to Euro 2,065 million. Tangible fixed assets are measured at the acquisition cost, less accumulated depreciation and impairment losses. The assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. 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. For this purpose, the recoverable amount of the CGU is the higher between the fair value less costs to sell and the value in use. Given the amounts involved together with the degree of judgment embodied in assessing the ability to recover the amounts booked as tangible fixed assets, which require the definition of estimates and complex assumptions by the Management, namely when determining the Group's CGU's value in use for impairment purposes, this issue was considered	Our audit procedures included, among others, assessing the adequacy of the financial model and the reasonableness of the assumptions used in determining the value in use of the tangible fixed assets, as well as assessing the adequacy of the calculations embedded in the impairment models related to the Semapa Group CGU's, under the terms of IAS 36 - Impairment of assets. The current political and economic situation in Brazil and Mozambique does not benefit the country risk assessments, giving rise to a greater need to reassess the valuation of investments made in these locations. In this context, the previous safety margin between the carrying amount and the recoverable amount of the investments has been narrowing. For this reason, our audit procedures particularly focused the assets of these geographies. As a result of the impairment tests performed during the current year to the Group's tangible fixed assets related to investment in Mozambique, an additional impairment loss of Euro 6 million was booked, reaching a accumulated impairment total of Euro 51.8 million as at 31 December 2017. The adequacy of the disclosures presented in the Consolidated Financial Statements regarding tangible fixed assets was also assessed, based on the applicable accounting standards and in what we considered relevant.

Key Audit Matter	*Summary of the Audit Approach*
to be a relevant matter for the purposes of our audit.	
Fair value of biological assets *Disclosures related to biological assets are presented in notes 1.11, 3.4 and 18 to the consolidated financial statements.* As of 31 December 2017, biological assets recognized in the Group's consolidated financial statements, mainly eucalyptus, amount to Euro 129.4 million, of which Euro 122.7 million in Portugal and Euro 6.7 million in Mozambique. Biological assets are measured at fair value, less estimated costs to sell at the time of harvesting. Given the amounts involved and the high level of judgment, which are embodied in the assumptions used for the internally developed model used to determine the fair value of the biological assets, this issue was considered to be a relevant matter for the purposes of our audit. In order to determine the value in use, the Management needs to makes use of several estimates and assumptions that are based on economic and market forecasts, particularly concerning forest productivity, wood sales price deducted from the cost of cutting, rental cost of rented and own lands, transportation costs, plantation and maintenance costs and discount rate.	Our audit procedures included, among others, assessing the adequacy of the internally developed model, namely the reasonableness of the assumptions used and the calculations embodied in the model used to determine the fair value of biological assets, and its compliance with IAS 41 - Agriculture. We have challenged the Management regarding the adequacy of the most sensitive assumptions in determining the fair value of biological assets, namely the sales price and the several costs incorporated in the model, as well as the rate used to discount the cash flows. In addition, we performed specific procedures aiming at validating the reasonableness of these assumptions. We have used the expertise of our Capital Markets specialists to evaluate the reasonableness of the discount rate and have performed procedures to validate the historical information used to build the spot and trend prices incorporated in the model. We also compared estimated information to actual figures, namely regarding to costs of structure, transportation, operating and rental, having also evaluated the consistency of the forestry models when compared to previous periods. For the purposes of validating the forest areas managed by the Group, we obtained forest inventory independent reports and evaluated them in accordance with ISA 620 – Using the work of an auditor's expert. We also performed sensitivity analyzes in order to assess the potential impacts on fair value resulting from changes in price and discount rate.

Key Audit Matter	*Summary of the Audit Approach*
	We also reviewed the adequacy of the disclosures presented in the financial statements, namely regarding the estimates and assumptions incorporated in the model, based on the applicable accounting standards and in what we considered relevant.
Tax matters *Disclosures related to taxes and provisions are presented in notes 1.14, 1.21, 3.2, 11 and 30 of the consolidated financial statements.* The size and structure of the Semapa Group and the dispersion of its operating activity across several locations that are subject to different tax frameworks, increases the complexity of recording taxes in the Group's financial statements. Based on the opinion expressed by its legal and tax advisors and on the judgment made by the Management regarding tax matters, which may give rise to possible disagreements with the Tax Authorities, liabilities are recognized or contingent liabilities disclosed in the consolidated financial statements, in accordance with IAS 37 - Provisions , Contingent Liabilities and Contingent Assets. In addition, there are tax matters disclosed by the Group as contingent assets in light of the mentioned accounting standard, which are pending decision by external entities. Given the complexity and the degree of judgment inherent to these tax matters, as well as the level of uncertainty associated with the respective outcome, this issue was considered to be a relevant matter for the purposes of our audit.	As of 31 December 2017, provisions related to tax matters presented in the consolidated financial statements of the Semapa Group amounts to Euro 26.6 million. Considering the developments occurred during 2017, an income tax gain amounting to approximately Euro 13 million relating to these provisions was booked. In addition, contingent assets and liabilities related to tax matters amounting to Euro 46 and 21 million, respectively, were disclosed. Our audit procedures regarding provisions and tax contingencies included, among others, updating our understanding of the procedures adopted by the Group for the purpose of identifying and evaluating tax contingencies, identifying all the situations that may give rise to a tax contingency at the date of financial reporting and understand their nature and evaluating the information included in the opinions of the Group's legal and tax advisors as well as the communications between the Group and the Tax Authorities. We also challenged Management and those responsible for the legal and tax areas on the estimates, judgments and decisions made in order to assess the adequacy of the categorization of the probabilities of outcome of tax matters in light of IAS 37. We also verified the adequacy of the disclosures presented in the Consolidated Financial Statements, based on the applicable accounting standards and what we considered relevant.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

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

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

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

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

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements, the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law and verifying that the non-financial information was presented.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited

consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Non-financial information set forth in article No. 508.º-G of the Portuguese Company Law

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity prepared a separate report of the Director's report that includes the non-financial information set forth in article No. 508-G of the Portuguese Company Law, which was published together with the Director's report.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. by resolution of the board of the Shareholders' General Meeting of 8 August 2005 until the end of the current term of office, between 2003 and 2005. The aforementioned resolution was subsequently ratified at a Shareholders' General Meeting held on 23 April 2006 and we were appointed for a second term of office from 2006 to 2009, having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of 23 May 2014 for the period from 2014 to 2017.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of 18 April 2018.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

18 April 2017

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Jorge Manuel Santos Costa, R.O.C.

SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.

Report and Opinion of the Audit Board
Consolidated Accounts

Year 2017

Dear Shareholders,

1. As laid down by law, established in the articles of association and in carrying out the mandate entrusted to us, we hereby deliver our report on the audit activities carried out in 2017 and issue our opinion on the Management Report and the Consolidated Financial Statements submitted by the Board of Directors of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., for the year ended 31 December 2017.

2. During the year, we monitored the company's activity and that of its main subsidiaries and affiliated companies on a regular basis, with the frequency and to the extent that we deemed appropriate, namely through regular meetings with the Company's Management and Directors. We oversaw the reviewing of the accounting records and the supporting documents, and the efficacy of the risk management, internal control and audit systems. We ensured compliance with the law and the Articles of Association. We did not run up against any obstacles in the exercise of our duties.

3. We met several times with the statutory auditor and the external auditor, PricewaterhouseCoopers & Associados, SROC, Lda., to monitor the audits conducted and supervise their independence. We have analysed the legal Accounts Certificate and Audit Report, which merit our agreement.

4. The Audit Board analysed the proposals that were presented to it for non-audit services by the Statutory and External Auditor, having approved those that related with permitted services, did not affect the independence of the Statutory and External Auditor and fulfilled the other legal requirements.

5. Within the scope of our competences, we found that:

   a) The Consolidated Income Statement, the Consolidated Financial Statement, the Statement of Comprehensive Income, the Statement of Consolidated Changes in Equity and the Consolidated Cash Flow Statement and its Notes give a true and fair view of the financial position of the company, in respect of its results, comprehensive income, changes in equity and cash flow;

   b) The accounting policies and valuation criteria applied are in conformity with the International Financial Reporting Standards (IFRS), as adopted in the European Union, and ensure that a true and fair assessment of the company's assets and results is given, and the findings and recommendations of the external auditor have been followed through;

   c) The Management Report clearly shows the development of the business and the situation of the company and the subsidiaries included in the consolidation, highlighting key aspects of the activity;

   d) The Corporate Governance Report covers all of the points referred to in Article 245 A of the Securities Code.

6. Consequently, taking into account the information delivered by the Company's Board of Directors and Departments, and the conclusions of the Legal Accounts Certificate and Audit Report, we are of the opinion that:

   a) The Management Report should be approved;

   b) The Consolidated Financial Statements should be approved.

7. Finally, the members of the Audit Board are grateful to the Board of Directors, the key supervisors and other company staff, as well as to the statutory auditor PricewaterhouseCoopers & Associados, SROC, Lda. for their collaboration.

Lisbon, 20 April 2018

The Chairman of the Audit Board

Miguel Camargo de Sousa Eiró

Member of the Audit Board,

Gonçalo Nuno Palha Gaio Picão Caldeira

Member of the Audit Board,

José Manuel Oliveira Vitorino

PART 6

SEPARATE FINANCIAL STATEMENTS

SEPARATE INCOME STATEMENT BY NATURE
FOR THE PERIODS ENDED AS AT 31 DECEMBER 2017 AND 2016

Amounts in Euro	Notes	2017	2016
			Note 3.2
Income and Costs			
Sales and Services rendered	4	13,037,095	12,030,773
Operating Expenses	5	(3,009,893)	(3,041,258)
Payroll Costs	6	(9,471,494)	(8,846,936)
Fair Value increases/ (reductions)	7	200	(62,457)
Other Income	8	301,884	20,888
Other Costs and Losses	8	(368,696)	(438,740)
Results before depreciation, financing expenses and taxes		489,096	(337,730)
(Expenses) / reversals of depreciation and amortisation	9	(199,655)	(196,847)
Operational results		289,441	(534,577)
Gains/ Losses of subsidiaries- equity method	10	138,591,309	128,102,193
Interest and similar income obtained	11	41,896	1,355,767
Interest and similar expenses incurred	11	(15,411,939)	(16,976,667)
Profit before tax		123,510,707	111,946,716
Income tax for the year	12	582,760	2,916,096
Profit for the year		**124,093,467**	**114,862,812**

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED AS AT 31 DECEMBER 2017 AND 2016

Amounts in Euro	Notes	2017	2016
			Note 3.2
Profit of the year		**124,093,467**	**114,862,812**
Items that may subsequently be reclassified to the income statement			
Derivative financial instruments			
Fair value changes		-	1,384,625
Capital Adjustments in Subsidiaries	19	(64,243,237)	31,777,082
Items that will not be reclassified to the income statement			
Post-Employment Benefits			
Actuarial Gains/ (Losses)	22	(105,741)	-
Adjustment of parts of capital in subsidiaries	19	2,956,333	(6,767,940)
Other comprehensive income for the period		**(61,392,645)**	**26,393,767**
Total comprehensive income for the period		**62,700,822**	**141,256,579**

SEPARATE STATEMENT OF FINANCIAL POSITION
FOR THE PERIODS ENDED AS AT 31 DECEMBER 2017 AND 2016

Amounts in Euro	Notes	31-12-2017	31-12-2016	01-01-2016
			Note 3.2	*Note 3.2*
ASSETS				
Non-Current Assets				
Tangible Assets	14	492,548	670,143	801,090
Investment in associates and joint ventures	10	1,412,427,451	1,508,781,876	1,337,206,703
Other Financial Assets		13,673	8,337	4,233
		1,412,933,672	**1,509,460,356**	**1,338,012,026**
Current Assets				
Income Tax	15	-	10,333,247	-
Receivables and other current assets	16	11,940,776	13,596,164	41,407,086
Financial assets at fair value through profit or loss		-	-	295,710
Cash and Cash Equivalents	17	51,472	44,186	31,125
		11,992,248	**23,973,597**	**41,733,921**
Total Assets		**1,424,925,920**	**1,533,433,953**	**1,379,745,947**
Equity and Liabilities				
Capital and Reserves				
Share Capital	18	81,270,000	81,270,000	81,645,523
Treasury shares	18	(6,036,401)	(6,036,401)	(53,116)
Issue Premium		-	-	3,923,459
Legal Reserve	19	16,695,625	16,695,625	23,666,489
Other Reserve	19	817,155,627	767,452,353	554,130,419
Retained Earnings	19	34,979,997	6,233,851	157,456,865
Adjustments to Financial Assets	19	(224,760,490)	(163,148,442)	(184,577,449)
Other changes in equity		-	-	(1,384,625)
		719,304,358	**702,466,986**	**634,807,565**
Net profit for the period	13	124,093,467	114,862,812	81,530,041
Total Equity		**843,397,825**	**817,329,798**	**716,337,606**
Liabilities				
Non-Current Liabilities				
Provisions	20	12,800,000	12,800,000	12,800,000
Interest-Bearing Liabilities	21	530,251,661	639,291,053	272,068,365
Pensions and other Post-Employment Benefits	22	1,239,645	1,232,653	1,296,605
Deferred tax liabilities	23	610,914	1,112,988	981,732
		544,902,220	**654,436,694**	**287,146,702**
Current Liabilities				
Income Tax	15	2,518,060	-	1,241,406
State and other public entities	15	652,220	706,742	815,811
Interest-bearing liabilities	21	22,163,771	48,383,018	357,896,166
Payable and others current Liabilities	24	11,291,824	12,577,701	16,308,256
		36,625,875	**61,667,461**	**376,261,639**
Total liabilities		**581,528,095**	**716,104,155**	**663,408,341**
Total equity and liabilities		**1,424,925,920**	**1,533,433,953**	**1,379,745,947**

SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED AS AT 31 DECEMBER 2017 AND 2016

Amounts in Euro	Notes	Share Capital	Threasury Shares	Share Premiums	Legal Reserves	Other Reserves	Retained earnings	Adjustments to financial assets	Other movements in equity	Net income for the year	Total Equity
Equity as of 1 January 2016 - SNC		**81,645,523**	**(53,116)**	**3,923,459**	**23,666,489**	**554,130,419**	**3,025,331**	**(71,517,929)**	**(1,384,625)**	**235,960,575**	**829,396,126**
Effect of the transition to IFRS	3.2	-	-	-	-	-	154,431,534	(113,059,520)	-	(154,430,534)	(113,058,520)
Equity as of 1 January 2016 - IFRS		**81,645,523**	**(53,116)**	**3,923,459**	**23,666,489**	**554,130,419**	**157,456,865**	**(184,577,449)**	**(1,384,625)**	**81,530,041**	**716,337,606**
Profit oh the Year		-	-	-	-	-	-	-	-	114,862,812	114,862,812
Income and expenses recognized directly in equity*	19	-	-	-	-	-	-	25,009,142	1,384,625		26,393,767
Other movements in equity of subsidiaries	19	-	-	-	-	-	-	(3,580,135)	-	-	(3,580,135)
Capital increase		35,758,800	-	(3,923,459)	(6,970,864)	(24,864,477)	-	-	-	-	-
Capital decrease		(35,758,800)	-	-	-	35,758,800	-	-	-	-	-
Acquisition of treasury shares		-	(9,959,889)	-	-	-	-	-	-	-	(9,959,889)
Extinction of treasury shares		(375,523)	3,976,604	-	-	(3,601,081)	-	-	-	-	-
Distributions	19	-	-	-	-	11,820	-	-	-	(26,736,183)	(26,724,363)
Transfer to reserves and retained earning		-	-	-	-	205,274,392	(150,480,534)	-	-	(54,793,858)	-
Other Operations		-	-	-	-	742,480	(742,480)	-	-	-	-
Equity as of 31 December 2016		**81,270,000**	**(6,036,401)**	**-**	**16,695,625**	**767,452,353**	**6,233,851**	**(163,148,442)**	**-**	**114,862,812**	**817,329,798**

Amounts in Euro	Notes	Share Capital	Threasury Shares	Share Premiums	Legal Reserves	Other Reserves	Retained earnings	Adjustments to financial assets	Other movements in equity	Net income for the year	Total Equity
Equity as of 1 January 2017		**81,270,000**	**(6,036,401)**	**-**	**16,695,625**	**767,452,353**	**6,233,851**	**(163,148,442)**	**-**	**114,862,812**	**817,329,798**
Profit oh the Year		-	-	-	-	-	-	-	-	124,093,467	124,093,467
Income and expenses recognized directly in equity*	19	-	-	-	-	-	(105,741)	(61,286,904)	-	-	(61,392,645)
Other movements in equity of subsidiaries	19	-	-	-	-	-	-	(325,144)	-	-	(325,144)
Distributions	19	-	-	-	-	-	-	-	-	(36,307,652)	(36,307,652)
Transfer to reserves and retained earning		-	-	-	-	48,813,251	29,741,909	-	-	(78,555,160)	-
Other Operations		-	-	-	-	890,023	(890,022)	-	-	-	1
Equity as of 31 December 2017		**81,270,000**	**(6,036,401)**	**-**	**16,695,625**	**817,155,627**	**34,979,997**	**(224,760,490)**	**-**	**124,093,467**	**843,397,825**

SEPARATE CASH FLOW STATEMENT
FOR THE PERIODS ENDED AS AT 31 DECEMBER 2017 AND 2016

Amounts in Euro	Notes	2017	2016
CASH FLOWS FROM OPERATIONAL ACTIVITIES - DIRECT METHOD			
Payments to suppliers		(3,750,802)	(8,651,553)
Payments to personnel		(9,333,392)	(8,876,848)
Cash flow from operations		**(13,084,194)**	**(17,528,401)**
Income tax received/(paid)		10,329,712	(19,034,980)
Other receipts/(payments)		13,168,539	20,882,330
Cahs flow from operating activities (1)		**10,414,057**	**(15,681,051)**
Cash flow from investment activities			
Inflows			
Tangible Assets		(1,046)	(33,887)
Financial investments	10	(50,000)	(140,000,000)
Outflows			
Tangible Assets		19,412	-
Financial investments	10	84,110,000	87,769,092
Interest and similar income		42,082	1,442,967
Dividends	10	89,273,685	60,706,029
Cash flow from investing activities (2)		**173,394,133**	**9,884,201**
FINANCING ACTIVITIES			
Inflows			
Proceeds from borrowings	21	2,437,653,187	2,470,204,313
Other financing operations		54,586,915	3,000,000
Outflows			
Repayments of borrowings	21	(2,573,198,568)	(2,412,619,919)
Interest and similar expenses		(14,993,286)	(18,074,932)
Dividends	19	(36,307,652)	(26,724,363)
Treasury shares aquisitions		-	(9,959,889)
Other financing operations		(51,541,500)	(15,000)
Cash flow from financing activities (3)		**(183,800,904)**	**5,810,210**
CHANGE IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		**7,286**	**13,360**
EFFECT OF EXCHANGE DIFFERENCES		-	(299)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	17	44,186	31,125
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	17	**51,472**	**44,186**

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Translation of a report originally issued in Portuguese)

(In these notes, unless indicated otherwise, all amounts are expressed in Euro)

1 INTRODUCTION

ENTITY:	Semapa — Sociedade de Investimento e Gestão, SGPS, S.A.
HEAD OFFICE:	Av. Fontes Pereira de Melo, 14, 10º Piso, Lisboa
SHARE CAPITAL:	Euros 81,270,000
CORPORATE BODY NO.:	502 593 130

Semapa — Sociedade de Investimento e Gestão, SGPS, S.A., ("Semapa" or "Company") was incorporated on June 21, 1991, and its corporate purpose is to manage holdings in other companies, particularly in the segments of pulp and paper, cement and derivatives and the environment, through its subsidiaries Secil — Companhia Geral de Cal e Cimento, S.A., The Navigator Company, S.A. and ETSA Investimentos, SGPS, S.A., and has been listed on NYSE Euronext Lisbon since 1995, with ISIN PTSEM0AM0004.

The Navigator Company, S.A. was acquired in 2004 and leads the Enterprise Group related with the production and sales in Portugal, Germany, Spain, France, Italy, United Kingdom, Netherlands, Austria, Belgium, Switzerland, Morocco, Poland, Turkey, The United States of America and Mozambique, among others, of cellulose pulp and paper and its related products, purchase of wood, forest and agricultural production, cutting timber and sale of pulp and paper.

Secil – Companhia Geral de Cal e Cimento, S.A. leads the Enterprise Group of cements and related products. Moreover, Secil operates in Portugal, Brazil, Lebanon, Tunisia, Angola, Netherlands, France, and Cape Verde, with cement production taking place at the Maceira, Pataias, Outão, Adrianópolis (Brazil), Gabès (Tunisia), Beirut (Lebanon) and Lobito (Angola) plants, and the production and sale of ready-mix concrete, aggregates, pre-cast and the operation of quarries via its subsidiaries.

ETSA – Investimentos, SGPS, S.A. leads the Enterprise Group of Environment that operates in Portugal.

Semapa is included in the consolidation perimeter of Sodim — SGPS, S.A., which is its parent company and the final controlling entity.

These financial statements were approved by the Board of Directors on 7 March 2018. However, they are also subject to approval by the Shareholders´ General Meeting, in accordance with the commercial legislation in Portugal.

The Company's senior management, i.e. the members of the Board of Directors who sign this report, declare that, to the best of their knowledge, the information contained therein has been prepared in accordance with the applicable Accounting Standards, giving a true and fair view of the Company's assets and liabilities, its financial position and results. However, they are still subject to approval by the Shareholders' General Meeting, in accordance with the commercial legislation in force in Portugal.

2 BASIS OF PREPARATION

The separate financial statements presented in this report are the first separate financial statements prepared by Semapa, in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS - formerly International Accounting Standards (IAS), issued by the International Accounting Standards Board (IASB) and Interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC) or by the previous Standing Interpretations Committee (SIC), in effect at the date of preparation of said financial statements. The separate financial statements were prepared in accordance with IFRS 1 — First-time adoption of accounting and financial reporting standards (IFRS), and Semapa prepared its separate statement of financial position at the transition date, on 1 January, 2016. The separate financial statements until 31 December 2016, were prepared in accordance with accounting principles generally accepted in Portugal until that date (Accounting Standardization System, SNC). In the process of transition from accounting standards previously adopted to IFRS, the Board of Directors changed some of the accounting and valuation criteria applied in the separate financial statements for 2016, so that they are presented in accordance with IFRS, with the effects shown in Note 3.2..

In preparing these separate financial statements, Semapa followed the historical cost convention, modified when applicable, by measuring the fair value of i) derivative financial instruments and ii) financial assets at fair value through profit or loss.

The financial statements were prepared under the assumption of continuing operations.

In preparing the financial statements, in accordance with IFRS, the Board of Directors used the use of estimates, assumptions and critical judgments with an impact on the value of assets and liabilities and the recognition of income and expenses of each reporting period. Although these estimates are based on the best information available at the time of preparation of the financial statements, current and future results may differ from these estimates. The areas involving a higher degree of judgment and estimates are presented in Note 3.26..

3 SUMMARY OF THE PRINCIPAL ACCOUNTING POLICIES

The main accounting policies applied in the preparation of these financial statements are described below.

3.1 COMPARABILITY

The elements presented in these separate financial statements are fully comparable with those of the previous year.

3.2 ADOPTING FOR THE FIRST TIME IAS/IFRS

Semapa adopted the International Financial Reporting Standards (IAS/IFRS) for the first time in 2017, applying, for this purpose, IFRS 1 — First-time Adoption of Accounting Standards and Financial Reporting (IFRS). IFRSs were applied retrospectively for all periods presented. The transition date corresponds to 1 January 2016 and Semapa prepared its statement of opening financial position at that date, considering the exemptions and exclusions to other existing standards, permitted by IFRS 1.

In accordance with IAS/IFRS, the preparation of the accompanying financial statements has adopted accounting principles and policies that, in some cases, differ from those adopted in the financial statements prepared in accordance with the Accounting Standardization System (SNC), including:

i) Fair value in subsidiaries;
ii) Acquisitions and disposals of subsidiaries in phases;
iii) Amortisation of brands and Goodwill; and
iv) Government subsidies.

The effect of the adjustments, as of 1 January 2016, relating to the adoption of accounting principles and policies, in accordance with IAS/IFRS, in the negative amount of Euro 113 million, were recorded in equity under the caption Asset Adjustments (Euro 41 million) and Results (Euro -154 million).

The reconciliation between equity as of 1 January 2016 obtained in accordance with the SNC and equity as of 1 January 2016 obtained in accordance with the International Financial Reporting Standards is explained as follows:

Amounts in Euro	Statutory Accounts at 01-01-2016	Reclassifications	Exemptions and Adjustments			Accounts after transition in 01-01-2016
			Fair value in Subsidiaries	Acquisitions and disposals of subsidiaries in stages	Subsidy investment subsidies	
ASSETS						
Non-Current Assets						
Tangible fixed assets	801.090	-	-	-	-	801.090
Goodwill	223.692.546	(223.692.546)	-	-	-	-
Investment in associates and joint ventures	1.226.573.677	223.692.546	22.446.581	(105.575.830)	(29.930.271)	1.337.206.703
Other non-current assets	4.233	-	-	-	-	4.233
	1.451.071.546	**-**	**22.446.581**	**(105.575.830)**	**(29.930.271)**	**1.338.012.026**
Current Assets						
Receivables and other currents assets	36.139.492	5.267.594	-	-	-	41.407.086
Diferred	81.120	(81.120)	-	-	-	-
Financial assets held for trading	294.710	(294.710)	-	-	-	-
Financial assets at fair value through profit or loss	-	294.710	1.000	-	-	295.710
Other Financial Assets	5.186.474	(5.186.474)	-	-	-	-
Cash and cash equivalents	31.125	-	-	-	-	31.125
	41.732.921	**-**	**1.000**	**-**	**-**	**41.733.921**
Total Assets	**1.492.804.467**	**-**	**22.447.581**	**(105.575.830)**	**(29.930.271)**	**1.379.745.947**
Equity and Liabilities						
Equity						
Paid-up Capital	81.645.523	-	-	-	-	81.645.523
Treasury shares	(53.116)	-	-	-	-	(53.116)
Share premium	3.923.459	-	-	-	-	3.923.459
Legal reserves	23.666.489	-	-	-	-	23.666.489
Other reserves	554.130.419	-	-	-	-	554.130.419
Retained earnings	3.025.331	-	154.431.534	-	-	157.456.865
Adjustments to Financial Assets	(71.517.929)	-	22.446.581	(105.575.830)	(29.930.271)	(184.577.449)
Other changes in equity	(1.384.625)	-	-	-	-	(1.384.625)
	593.435.551	**-**	**176.878.115**	**(105.575.830)**	**(29.930.271)**	**634.807.565**
Net profit for the period	235.960.575	-	(154.430.534)	-	-	81.530.041
Total Equity	**829.396.126**	**-**	**22.447.581**	**(105.575.830)**	**(29.930.271)**	**716.337.606**
Liabilities						
Non-Currents Liabilities						
Provisions	12.800.000	-	-	-	-	12.800.000
Proceeds from borrowings	272.068.365	-	-	-	-	272.068.365
Post- employment benefits	1.296.605	-	-	-	-	1.296.605
Deferred tax liabilities	287.146.702	-	-	-	-	287.146.702
	287.146.702	**-**	**-**	**-**	**-**	**287.146.702**
Current Liabilities						
Payables	65.789	(65.789)	-	-	-	-
State and other public entities	2.057.217	(1.241.406)	-	-	-	815.811
Income Tax	-	1.241.406	-	-	-	1.241.406
Proceeds from borrowings	357896166	-	-	-	-	357896166
Payables and other current liabilities	16.234.095	74.161	-	-	-	16.308.256
Diferred	8.372	(8.372)	-	-	-	-
	376.261.639	**-**	**-**	**-**	**-**	**376.261.639**
Total Liabilities	**663.408.341**	**-**	**-**	**-**	**-**	**663.408.341**
Total equity and liabilities	**1.492.804.467**	**-**	**22.447.581**	**(105.575.830)**	**(29.930.271)**	**1.379.745.947**

The reconciliation between Equity for 31 December 2016, obtained in accordance with the SNC Equity for 31 December 2016, obtained in accordance with the International Financial Reporting Standards, is explained as follows:

Amounts in Euro	Statutory Accounts at 31-12-2016	Reclassifications	Exemptions and Adjustments					Accounts after transition in 31-12-2016
			Fair value in Subsidiaries	Acquisitions and disposals of subsidiaries in stages	Googwill amortization derecognition	Brand amortization derecognition	Subsidy investment subsidies	
ASSETS								
Non-Current Assets								
Tangible fixed assets	670.143	-	-	-	-	-	-	670.143
Goodwill	215.102.802	(215.102.802)	-	-	-	-	-	-
Investment in associates and joint ventures	1.361.957.920	215.102.802	39.967.250	(105.575.830	16.802.995	7.622.308	(27.095.569)	1.508.781.876
Other non-current assets	8.337	-	-	-	-	-	-	8.337
	1.577.739.202	**-**	**39.967.250**	**3.565.487**	**(92.338.322)**	**7.622.308**	**(27.095.569)**	**1.509.460.356**
Current Assets								
Income Tax	-	10.333.247	-	-	-	-	-	10.333.247
State and other public entities	10.333.247	(10.333.247)	-	-	-	-	-	-
Receivables and other currents assets	9.864.361	3.731.803	-	-	-	-	-	13.596.164
Diferred	190.187	(190.187)	-	-	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Other Financial Assets	3.541.616	(3.541.616)	-	-	-	-	-	-
Cash and cash equivalents	44.186	-	-	-	-	-	-	44.186
	23.973.597	**-**	**-**	**-**	**-**	**-**	**-**	**23.973.597**
Total Assets	**1.601.712.799**	**-**	**39.967.250**	**3.565.487**	**(92.338.322)**	**7.622.308**	**(27.095.569)**	**1.533.433.953**
Equity and Liabilities								
Equity								
Paid-up Capital	81.270.000	-	-	-	-	-	-	81.270.000
Treasury shares	(6.036.401)	-	-	-	-	-	-	(6.036.401)
Share premium	-	-	-	-	-	-	-	-
Legal reserves	16.695.625	-	-	-	-	-	-	16.695.625
Other reserves	767.452.353	-	-	-	-	-	-	767.452.353
Retained earnings	6.232.850	-	1.001	-	-	-	-	6.233.851
Adjustments to Financial Assets	(69.526.685)	-	39.049.642	105.575.830	-	-	(27.095.569)	(163.148.442)
Other changes in equity	-	-	-	-	-	-	-	-
	796.087.742	**-**	**39.050.643**	**3.565.487**	**(109.141.317)**	**-**	**(27.095.569)**	**702.466.986**
Net profit for the period	89.520.903	-	916.606	-	16.802.995	7.622.308	-	114.862.812
Total Equity	**885.608.645**	**-**	**39.967.249**	**3.565.487**	**(92.338.322)**	**7.622.308**	**(27.095.569)**	**817.329.798**
Liabilities								
Non-Currents Liabilities								
Provisions	12.800.000	-	-	-	-	-	-	12.800.000
Proceeds from borrowings	639.291.053	-	-	-	-	-	-	639.291.053
Post- employment benefits	1.232.653	-	-	-	-	-	-	1.232.653
Deferred tax liabilities	1.112.988	-	-	-	-	-	-	1.112.988
	654.436.694	**-**	**-**	**-**	**-**	**-**	**-**	**654.436.694**
Current Liabilities								
Payables	72.034	(72.034)	-	-			-	-
Income Tax	-	-	-	-			-	-
State and other public entities	706.742	-	-	-			-	706.742
Proceeds from borrowings	48.383.018	-	-	-			-	48.383.018
Payables and other current liabilities	12.505.666	72.034	1	-			-	12.577.701
Diferred		-	-	-			-	-
	61.667.460	**-**	**1**	**-**			**-**	**61.667.461**
Total Liabilities	**716.104.154**	**-**	**1**	**-**			**-**	**716.104.155**
Total equity and liabilities	**1.601.712.799**	**-**	**39.967.250**	**3.565.487**			**(27.095.569)**	**1.533.433.953**

The reconciliation between the net income for 2016, obtained in accordance with the SNC and net income for 2016, obtained in accordance with the International Financial Reporting Standards, is explained as follows:

Amounts in euro	Statutory Accounts 2016	Reclassifications	Exemptions and Adjustments			Accounts after transition 2016
			Fair Values in subsidiaries	Goodwill amortization derecognition	Derecognition of mark amortization	
Income and Costs						
Sales and Services rendered	12,030,773	-	-	-	-	12,030,773
Gains/ Losses of subsidiaries	111,349,028	(111,349,028)	-	-	-	-
Operating Expenses	(3,041,258)	-	-	-	-	(3,041,258)
Payroll Expenses	(8,846,936)	-	-	-	-	(8,846,936)
Fair Value increases/ (reductions)	(61,457)	-	(1,000)	-	-	(62,457)
Other Income	20,887	-	-	-	-	20,887
Other Costs and Losses	(438,740)	-	-	-	-	(438,740)
Results before depreciation, financing expenses and taxes	**111,012,297**	**(111,349,028)**	**(1,000)**	**-**		**(337,731)**
(Expenses) / reversals of depreciation and amortization	(8,786,590)	-	-	8,589,744	-	(196,847)
Operational results	**102,225,707**	**(111,349,028)**	**(1,000)**	**8,589,744**		**(534,578)**
Gains/ Losses of subsidiaries- equity method	-	111,349,028	917,606	8,213,252	7,622,308	128,102,193
Interest and similar income obtained	1,355,767	-	-	-	-	1,355,767
Interest and similar expenses incurred	(16,976,667)	-	-	-	-	(16,976,667)
Profit before tax	**86,604,807**	**-**	**916,606**	**16,802,995**		**111,946,716**
Income tax for the year	2,916,096	-	-	-	-	2,916,096
Profit for the year	**89,520,903**	**-**	**916,606**	**16,802,995**		**114,862,812**

The main differences between IFRS and the accounting principles generally accepted in Portugal (SNC) are mentioned in the reports and accounts for 2015 and 2016 of Semapa and are mainly due to:

EXEMPTIONS FROM IFRS 1

Under IFRS 1, if the Company is a first-time adopter for its separate financial statements sooner or later than for its consolidated financial statements, it must measure its assets and liabilities for the same amounts in both statements financial statements, except for consolidation adjustments.

At the first adoption of IFRS, Semapa chose to present the same equity in the separate and consolidated financial statements, which implied a correction of the financial interests of its subsidiaries to the amounts presented in the consolidated of Semapa SGPS. Therefore, when measuring its financial investments for the amount of the consolidated financial statements, after 1 January 2016, Semapa classified financial investments in the financial statements separated by the equity method (MEP), applying the exemption option that exists for the concentration of business activities passed on to the acquisition of the investment, allows the non-application of IFRS in the participations before the transition date, accounting for the MEP on the transition date or after that date, in accordance with IFRS.

FAIR VALUE IN SUBSIDIARIES

In addition, the measurement provided for in IFRS 3, when acquiring control of the Secil Group, which was not provided for in the SNC, resulted in a gain of 16,760 thousand euros.

This measurement resulted in different valuations in the separate and consolidated financial statements, namely with respect to the fair value of brands and quarries, whose impact represents a reduction of Semapa's separate equity by 4,943 thousand euros.

ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES BY PHASES

In accordance with IFRS 3, in a business combination achieved in stages, the acquirer shall measure its equity interest previously held by the acquiree at its fair value at the acquisition date and shall recognize the resulting gain or loss, if any, in profits or losses. The additional interest acquired should be measured at its fair value at the acquisition date.

National standards, up to 31 December 2015, treated each acquisition separately, calculating the amount of Goodwill at the time of acquisition. In this way, Semapa adjusted the value of its financial interests in the subsidiaries to the amount presented in the consolidated financial statements, in which said standard has already been applied in the mergers of business activities reached by phases.

The most significant impacts were:

(i) measurement of the Secil Group's 49% stake acquired from CRH, which corresponded to the difference between the equity acquisition attributable to the percentage previously held by the Secil subsidiary and the respective acquisition value, in accordance with the provisions established in IFRS 3 revised, in the negative amount 335,356 thousand euros;

(ii) recognition of the difference between the book value of the stake in Secil after the acquisition of 49% and its recoverable value of 20,893 thousand euros;

(iii) recognition in the separate financial statements of Semapa, at the time of Cimentospar's merger with Great Earth, of the difference between the book value of the holding in Secil and its recoverable amount, amounting to 15,722 thousand euros.

(iv) measurement of approximately 4% of the ETSA Group that corresponded to the difference between the shareholders' equity attributable to the percentage previously held by the subsidiary ETSA and the respective acquisition value, in the negative amount of 8,450 thousand euros.

(v) recognition of the difference of 3,948 thousand euros, resulting from the Public Offer for the exchange of shares of The Navigator Company Group in 2015, which resulted in the recognition of the gain in the consolidated financial statements of 165,214 thousand euros and in the separate financial statements in the amount of 161,266 thousand of euros.

ADJUSTMENTS OF TRANSITION FOR DIFFERENCES BETWEEN REGULATIONS

DISCONTINUANCE OF AMORTISATION OF GOODWILL

In accordance with IFRS 3, Goodwill resulting from business combinations is no longer subject to amortisation, as provided for in the SNC, and is subject to impairment tests, annually or whenever there is evidence of impairment (IAS 36)— Impairment of assets, for which the results for 2016 and equity were adjusted as of 1 January 2016.

DEPRECIATION OF GOODWILL'S AMORTISATION AND BRANDS ON THE RESULTS OF SUBSIDIARY ENTITIES

According to IFRS 3 and IAS 38, Goodwill and the marks with no defined useful life are no longer subject to amortisation, as foreseen in the SNC, being subject to impairment tests, on an annual basis or whenever there is evidence of impairment, in accordance with IAS 36 — Impairment of Assets. Thus, at the date of transition to IFRS, Semapa derecognised the amortisation of Goodwill and its subsidiaries' brands, previously recognised through the equity method.

DISCRIMINATION OF GOVERNMENTAL SUBSIDIES IN OWN CAPITAL OF SUBSIDIARIES

In accordance with IAS 20 — Accounting for Government Grants and Disclosure of Government Support, government asset, related subsidies, including non-cash fair value subsidies, should be presented in the statement of financial position as deferred income and recognized as income in a basis over the useful life of the asset. In national regulations, non-refundable subsidies related to tangible and intangible fixed assets must be recognised in Shareholders' Equity.

Thus, at the date of transition to IFRS, Semapa reclassified these subsidies to the liabilities of interests in the financial interests of its subsidiaries, derecognising the aforementioned impact on the shareholders' equity of the subsidiaries using the equity method.

The transition to the SNC standard for the IFRS standard had no impact on cash flows in the years presented.

3.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The standards and interpretations, the applications of which has become mandatory for annual periods, beginning on or after 1 January 2017, are detailed as follows:

- **IAS 7 (Change)**, Disclosures Revision (to apply in the exercises beginning on or after 1 January 2017). This change introduces one additional disclosure about the financing liabilities variations, disaggregated between the transactions that gave origin cash flow and that ones that did not give, and the way as this information conciliate with the financial activities of Cash Flows Statement, information included on Note 21.

- **IAS 12 (Change)**, Income Tax – Recognition of deferred tax assets on potential losses (to apply on exercises beginning on or after 1 January 2017). This change clarifies the way for accounting the deferred tax assets related with measured assets in fair value, as estimate the future taxable income when their existed deductible temporary differences and how to evaluate the recovery of deferred tax assets when existed restrictions on fiscal law.

The above changes did not produce significant impacts on Semapa’s separated Financial Statements.

There are new standards, interpretations and amendments of existing standards that, despite having already been published, are only mandatory for the periods starting after 1 January 2018, as follows:

Description	Changes	Effective Date*
1. Standards (new and amended) that become effective on or after 1 January 2018, already endorsed by the EU		
IFRS 9 – Financial Instruments	New standard for the accounting of financial instruments.	January 1st, 2018
IFRS 15 – Revenue from Contracts with Customers	Revenue recognition related to the delivery of assets and services, by applying the method of the 5 steps.	January 1st, 2018
IFRS 16 - Leases	New definition of lease. New accounting of leases for renters. There are no changes to the accounting of leases by lessors.	January 1st, 2019
IFRS 4 – Insurance contracts (application of IFRS 4 and IFRS 9)	Temporary exemption of the application of IFRS 9 for insurers for the years beginning before January 1, 2021. Specific regime for assets under IFRS 4 that qualify as financial assets at fair value through profit and loss in IFRS 9 and As financial assets at amortized cost in IAS 39, being allowed to classify the measurement difference in Other comprehensive income.	January 1st, 2018
Amendments to IFRS 15 – Revenue from contracts with customers	Identification of performance obligations, the moment of recognition of revenue from IP licenses, review of indicators for the classification of the principal versus agent relationship, and new schemes to simplify the transition.	January 1st, 2018
2. Standards (new and changes) and interpretations that become effective on or after 1 January 2018, not yet endorsed by the EU		
2.1 Standards		
Improvements to the rules 2014-2016	Several Clarifications: IFRS 1, IFRS 12 e IAS 28	January 1st,2017 e January 1st,2018
IAS 40 – Investment Properties	Clarification that evidence of change of use is required to effect the transfer of assets to and from the investment property category	January 1st, 2018
IFRS 2 – Share-based payment	Measurement of payment plans based on shares settled financially, accounting changes, and the classification of payment plans based on shares and settled in equity, when the employer has the obligation to withhold tax.	January 1st, 2018
IFRS 9 – Financial Instruments	New standard for the accounting of financial instruments.	January 1st, 2018
IAS 28 - Investments in associate and joint ventures	Clarification regarding long-term investments in associates and joint ventures that are not being measured using the equity method.	January 1st, 2019
Improvements to the rules 2015-2017	Several Clarifications: IAS 23, IAS 12, IFRS 3 e IFRS 11	January 1st, 2019
IFRS 17 - Insurance Contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics.	January 1st, 2018
2.2 - Interpretation		
IFRIC 22 – Transactions in foreign currency and advanced consideration	Exchange rate to be applied when consideration is received or paid in advance.	January 1st, 2018
IFRIC 23 – Uncertainty over Income Tax Treatments	Clarification on the application of the principles of recognition and measurement of IAS 12 when there is uncertainty about the tax treatment of a transaction, in respect of income tax	January 1st, 2018

** Exercises started on or after*

Semapa will adopt the new standards in the years in which they become effective and is still evaluating the impacts that this adoption will have on their consolidated financial statements, but we do not expect significant impacts resulting from their adoption.

With regard to the adoption of IFRS 9 and IFRS 15, which came into effect for periods beginning as of 1 January 2017, the expected impacts are as follows:

IFRS 9

IFRS 9, adopted via Commission Regulation (EU) No 2016/2067 of 22 November 2016, includes three distinct areas: classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

IFRS 9 is applicable in periods beginning on or after 1 January 2018 (early application is optional). Except for hedge accounting, retrospective application is mandatory, although without the need for disclosure of comparative information. For hedge accounting, requirements are generally applied prospectively, with some exceptions.

Semapa will adopt this Standard on its mandatory application date, and will not restate comparative information, as permitted by the Standard.

During the year of 2017, Semapa performed a preliminary assessment of the impact of adopting the Standard in every aspect, based on information available to date. Therefore, the assessment might undergo changes until the adoption date, since the Group has not finalised testing and evaluating of the controls related to the new internal control systems and procedures, and new accounting policies are subject to changes until Semapa presents its first financial statements, including the application date.

Overall, no significant impact is expected on the Semapa's statement of financial position in result of adopting the Standard.

Semapa assessed the impact of adopting IFRS 9 on its financial assets and liabilities, in order to identify and evaluate the qualitative and quantitative effects of adoption. Accordingly, the main material impacts are as follows:

(a) Classification and measurement

IFRS 9 states that the classification and measurement of financial assets is based on the business model adopted for managing the assets and on the characteristics of the contractual cash flows. To this effect, financial assets are measured at amortised cost if held to collect contractual cash flows. Other financial assets are measured at fair value through other comprehensive income (if there is also an intention to sell the assets) or through profit or loss (if not inserted in any previous business model, for example, if managed based on their fair value).

Semapa does not expect a significant impact on its statement of financial position or in shareholders' equity from applying the classification and measurement requirements of IFRS 9. The Group expects to continue measuring at fair value virtually all financial assets currently measured at fair value.

(b) Impairment

IFRS 9 establishes a new asset impairment model, based on "expected credit losses", which will replace the current "incurred loss" model followed in IAS 39. Consequently, it will no longer be necessary for a loss event to occur in order for impairment to be recognised. The new model accelerates the recognition of impairment losses in held debt instruments measured at amortised cost or fair value, through other comprehensive income (including loans, bank deposits, receivables and debt securities). In case the credit risk of a financial asset has not significantly increased since its initial recognition, accumulated impairment losses equal to the losses expected to occur over the following 12 months must be recognised. In case credit risk has increased significantly, accumulated impairment losses must be recognized in the amount of expected losses until asset maturity. Once a loss event (objective evidence of impairment) has taken place, accumulated impairment losses are directly allocated to the asset, being the accounting treatment similar to that of IAS 39, including the treatment of interest.

The Standard also allows the application of a simplified approach for financial assets that meet the specified requirements. In this case, impairment loss is measured at initial recognition for an amount matching the expected losses during the entire life of the asset.

Semapa expects no significant changes to the financial statements from the application of IFRS 9 impairment requirements on 1 January 2018, considering the Group's current impairment recognition policy.

(c) Hedge accounting

IFRS 9 introduced new requirements for hedge accounting, more aligned with the principles of risk management. The new requirements also establish a more principle-based approach to hedge accounting, solving some issues in the IAS 39 hedging model.

Semapa does not foresee significant changes in the application of hedge accounting in result of adopting IFRS 9. Designated hedging relationships will be valid under IFRS 9.

IFRS 15

IFRS 15 – Revenue from Contracts with Customers, issued in May 2014 by the International Accounting Standards Board (IASB), amended in April 216 (adopted via Commission Regulation (EU) No 2016/1905 of 22 September 2016), is effective and mandatory for periods starting on or after 1 January 2018 and replaces the current requirements for revenue recognition.

This Standard establishes the principles an entity must apply in measuring revenue and determining the moment when revenue must be recognised. The main underlying principle is to recognise revenue the contractual obligation to deliver assets or perform services is satisfied, in the amount that reflects the consideration to which the entity is entitled, as established in the 5 step approach, with the 5 steps being: (i) identifying a contract with a customer; (ii) identifying the performance obligations; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations and (v) recognising revenue when or as the entity satisfies a performance obligation.

Semapa will adopt IFRS 15, using the modified retrospective approach, through which the cumulative effect of adopting the Standard is recognised in the Semapa's retained earnings on the initial application date.

The assessment performed arose from evaluating the following preliminary impacts:

- Rendering of services

Revenue from the rendering of services is recognized in the consolidated statement of profit or loss in accordance with the stage of completion of services performed at the reporting date.

Recognition only occurs when (i) revenue can be reliably measured; (ii) it is probable that economic benefits related to the transaction will flow to the performing entity; (iii) the stage of completion can be reliably measured at the reporting date, and (iv) costs incurred and to be incurred to complete the transaction can be reliably measured. Whenever it is not possible to estimate the outcome of a transaction reliably, revenue is only recognised for incurred costs deemed recoverable.

From the preliminary analysis performed, it is expected that the adoption of IFRS will not have a significant impact on the way the Semapa currently recognised revenue from performing services.

3.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment acquired after transition date are recorded at acquisition cost, less depreciation and impairment losses (Note 14).

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 over the acquisition cost, using the straight-line method since the asset is available for use and using the rates that best reflect their estimated useful life, as follows:

Amounts in Euro	Average useful life
Buildings and other constructions	8 - 10
Equipment:	
Administrative Equipment	3 - 10
Other property, plant and equipment	4

The residual values of the assets and related useful lives are reviewed and adjusted when necessary at the statement of financial position 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 3.7). The recoverable amount is determined as the higher of fair value less costs to sell, and the value of the use of the asset, the latter being calculated based on the present value of the estimated future cash flows, arising from the continued use and disposal of the asset at the end of the defined useful life.

Gains or losses arising on the write off or disposal represent the difference between the proceeds received on disposal less costs to sell and the asset's carrying amount, and are recognised in the income statement as other operating income or expenses.

3.5 GOODWILL

Goodwill represents the excess of the consideration paid over the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the acquisition date. It is included in amount of financial investment, under the heading financial investments — equity method.

Goodwill is not amortised and is subject to impairment tests at least once a year. Impairment losses relating to Goodwill cannot be reversed. All the investment is tested for impairment, comparing its book value with its recoverable value (higher between the value in use and the fair value less costs to sell), whenever there is an impairment index. Any impairment losses are subject to financial participation the recoverable amount of which is lower than its book value.

The recoverable value of a given investment will be calculated for each financial holding, except for financial holdings that do not have cash inflows, which are mostly independent of cash flows from other financial investments, in which case they will be jointly evaluated as cash-generating unit for the purposes of impairment tests.

Gains or losses arising from the sale of an entity include the amount of the corresponding Goodwill.

3.6 FINANCIAL PARTICIPATIONS - EQUITY EQUIVALENCE METHOD

Financial investments in subsidiary companies are recorded in the financial position by the equity method, less any accumulated impairment losses (Note 10).

The caption Financial investments — equity method includes investments in an investee, in which the Company controls when it is exposed to, or, has rights to, the variable returns from its involvement with the investee, and has the ability to affect those returns through the power exercised over that investee or significant influence (which would occur if the company participated in the financial and operational decisions of the company, which usually occurs in investments that represent between 20% and 50% of the capital of a company).

SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights, to variable returns generated as result of their involvement with the organisation, and has the ability to affect these variables returns through the power it has on the relevant activities of the subsidiary.

Under the equity method, financial investments are initially recorded at cost and subsequently adjusted by the amount corresponding to the participation in the net results of subsidiary companies against "Imputed gains/(losses) of subsidiaries — equity method of accounting, dividends received and other changes in its shareholders' equity, as a counterpart of Other comprehensive income. In addition, interests in subsidiaries may also be adjusted by recognition of impairment losses.

The differences between the acquisition cost and the fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date, if positive, are recognized as Goodwill. If these differences are negative, they are recorded as income for the year under the caption "Imputed gains/(losses) of subsidiaries — equity method.

An evaluation of the investments in subsidiaries is made when there are indications that the asset may be impaired and any impairment losses that are shown to exist in that item are recorded as cost. When impairment losses recognised in prior years cease to exist, they are reversed (Note 3.5).

When the Company's interest in the subsidiary's losses equals or exceeds its investment in these companies, the Company ceases to recognise additional losses, unless it has incurred liabilities or made payments on their behalf. Unrealised gains on transactions with subsidiaries are eliminated in the extent of the Company's interest therein. Unrealised losses are also eliminated, unless the transaction reveals evidence of impairment of a transferred asset.

Unrealised gains and losses between Semapa and its subsidiaries are eliminated in proportion to Semapa's interest in the subsidiaries. Unrealised losses are also eliminated, unless the transaction gives additional evidence of impairment of the transferred asset.

Dividends received from subsidiaries are recorded as a decrease in the amount of the financial participation.

The accounting policies of the subsidiaries are changed, whenever necessary, in order to ensure consistency with the policies adopted by the Company.

Investments in subsidiaries are detailed in Note 10.

3.7 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 carrying amount may not be recoverable.

Assets subject to depreciation are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised by the amount of the excess of the carrying amount of the asset, in relation to its recoverable value. The recoverable amount is the higher of an asset's fair value, less costs to sell, 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 that the assets belong to), 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.

Additionally, the reversal of impairment losses is recognised in the income statement as 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.

3.8 FINANCIAL INVESTMENTS

Semapa classifies its financial investments in the following categories: financial assets at fair value, through profit and loss, loans granted and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the intention motivating the investment's acquisition. Management determines the current classification of the initial recognition of instruments and reappraises this classification on each reporting date.

All acquisitions and disposals of these investments are recognised at the date of the respective purchase and sale contracts, irrespective of the financial settlement date.

Financial investments are initially recorded at the acquisition cost, and the fair value is equal to the price paid, plus transaction expenses, except for the assets at fair value through profit and loss. The subsequent measurement depends on the category the investment falls under, as follows:

LOANS GRANTED AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They originate when the Company provides money, goods or services directly to a debtor, with no intention of negotiating the debt.

They are included in current assets, except for maturities over 12 months after the date of the statement of financial position, in which case they are classified as non-current assets.

Loans and receivables are included in the statement of financial position under Other current accounts receivable.

AVAILABLE FOR SALE FINANCIAL ASSETS

A financial asset is classified within this category if it is acquired primarily for the purpose of short-term sale or if so designated by managers and whose fair value can be measured reliably. These investments are measured at fair value through the income statement.

The Company evaluates, at each date of the financial position, whether there is objective evidence that a financial asset or a group of financial assets has suffered an impairment loss. If there is a decrease in the fair value for an extended period of the financial assets held for trading, the loss is calculated by the difference between the acquisition cost and the current fair value recognised in the income statement.

3.9 DERIVATIVE FINANCIAL INSTRUMENTS

Semapa 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, in accordance with the rules and requirements of accounting. Derivative financial instruments, which do not qualify as hedging instruments, are stated on the Statement of financial position at fair value and changes in fair value are recognised in Gains and losses in financial instruments.

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 whether they fulfil all of the following conditions:

(i) At acquisition date, there is formal designation and documentation of the hedging relationship, namely regarding the hedged item, the hedging instrument and the company's evaluation of the hedging effectiveness;
(ii) There is an expectation that the hedge will be highly effective, at the inception of the hedging relation and along its duration;
(iii) The effectiveness of the hedge may be measured at the beginning of the operation and while it is running;
(iv) For cash flow hedges, the realisation of the cash flows must be highly probable.

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), exchange an interest rate collars, exchange forwards, among others.

In the selection of derivative financial instruments, the main focus of assessment is their economic aspects. The management also evaluates the impact of each additional derivative financial instruments to its portfolio, namely in earnings' volatility.

3.10 CORPORATE INCOME TAX

As from 1 January 2006, the Company is taxed through the special regime for the taxation of groups of companies (RETGS), consisting of companies in which it holds a stake equal to or greater than 75% and which comply with the conditions set forth in article 69 *et seq*. of the IRC Code, which until 30 June 2015, the subsidiaries The Navigator Company, SA, Secil — Companhia Geral de Cal e Cimento, S.A. and ETSA Investimentos, SGPS, S.A. and its subsidiaries comply with those conditions.

For the period that began as of 1 July 2015 and ended as of 31 December 2016, all the companies included in the tax group of which Semapa is the parent company changed their tax period, which until then corresponded to the accounting period and calendar year, for the period beginning on July 1 of each year and ending on June 30 of the following year. As of 1 January 2017, the tax period of the companies included in the Semapa tax group coincides with the calendar year.

Companies included in RETGS determine and record income tax as if they were taxed in an individual view. The liabilities cleared are however recognised as due to the dominant company of the tax group, which is responsible for the global settlement and the self-assessment of the tax. If gains are recognised in the application of this scheme, they are recorded as income in the parent company.

Imputed gains and losses of subsidiary companies, resulting from the application of the equity method, are deducted from or accrued, respectively, to income for the year, to determine the taxable amount.

Income tax includes current and deferred tax. Current income tax is determined based on net income, adjusted in accordance with the tax legislation in force at the date of the statement of financial position (Note 12).

The deferred tax is calculated based on the financial position of the liability, on the temporary differences between the book values of the assets and liabilities and the respective tax base. For the determination of the deferred tax, the tax rate that is expected to be in force in the period in which the temporary differences are reversed is used.

Deferred tax assets are recognized whenever there is reasonable certainty that future profits will be generated against which they can be used. Deferred tax assets are reviewed periodically and reduced whenever they are no longer likely to be used.

Deferred tax liabilities are recognized on all taxable temporary differences, except those related to: i) the initial recognition of Goodwill; or ii) the initial recognition of assets and liabilities, which do not result from a business combination, and which at the date of the transaction do not affect the accounting or fiscal result. However, for taxable temporary differences related to investments in subsidiaries, these should not be recognized in so far as: (i) the parent company has the ability to control the period of reversal of the temporary difference; and (ii) it is likely that the temporary difference will not reverse in the near future.

Deferred taxes are recorded as an expense or income for the year, unless they result from amounts recorded directly in equity, in which case deferred tax is also recorded under the same caption.

3.11 STATE AND OTHER PUBLIC ENTITIES

The balances payable and/or receivable from these entities relating to taxes, contributions and fees, are measured at the amount that is expected to be recovered from tax and other authorities, using the laws in force at the date of the statement of the financial position (Note 15).

3.12 OTHER ACCOUNTS RECEIVABLE

Other accounts receivable are initially recorded at fair value and subsequently accounted for at amortised cost, net of impairment losses, which is required to be carried at their expected net realisable value (Note 16).

Impairment losses are recorded when there is objective evidence that the Company will not receive all outstanding amounts under the original conditions of accounts receivable.

3.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits and other short-term investments with an initial maturity of up to 3 months, which can be immediately mobilised without significant risk of fluctuations in value (Note 17).

The cash flows statement is prepared in accordance with the direct method and is classified in operating, investing and financing activities.

The operating activities include customer receipts and payments from suppliers, personnel and others related to the operating activity.

Cash flows from investing activities include the acquisitions and disposal of investments in subsidiary companies as well as the receipts and payments that come from the purchases and sales of tangible fixed assets, among others.

Financing activities include payments and receipts related to loans, payment of interest and similar costs, leasing contracts, purchase and sale of own shares and payment of dividends.

For the purposes of the cash flow statement, this caption includes bank overdrafts, which are presented in the financial position in current liabilities, under Obtained Financing.

3.14 SHARE CAPITAL AND TREASURY SHARES

Ordinary shares are classified in shareholders' equity (Note 18).

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 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.

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 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, are reflected in the shareholders' equity of the company's shareholders, under Other reserves.

The extinction of treasury shares is reflected in the consolidated financial statements as a reduction of share capital and in the caption treasury shares at its nominal and acquisition cost respectively. Its differential is assessed between the amounts recorded in Other reserves.

3.15 INTEREST-BEARING LIABILITIES

Interest-bearing liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently presented at amortised cost. Any difference between the receipts (net of transaction costs) and the repayment amount is recognised in the income statement over the period of the debt using the effective interest rate method.

Interest-bearing debt is classified under current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position (Note 21).

3.16 BORROWING COSTS

Borrowing costs related to loans are, generally, recognised as financing expenses, in accordance with the accrual basis (Note 11).

Borrowing costs for loans directly related with acquisition, construction (if the construction or development period exceeds one year) or production of fixed assets are capitalised, forming part of the cost of the asset.

The capitalisation of these charges begins after the commencement of the preparation of the asset construction or development activities and is discontinued after the start of use or when the execution of the project in question is suspended or substantially completed.

Any income directly related to a specific investment is deducted from the financial charges eligible for the capitalisation of the asset.

3.17 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.

The provisions related to legal proceedings brought against the Company are constituted in accordance with the risk assessments carried out internally by Semapa with the support of its legal advisors, based on the likelihood of the decision being favorable or unfavorable to Semapa.

The amount of provisions for tax proceedings arises from an evaluation made by Semapa with reference to the date of the Statement of Financial Position, regarding potential differences of understanding with the Tax Administration, taking into account the developments that are occurring in tax matters.

Provisions for future operating losses are not recognised. Provisions are reviewed on statement of consolidated financial position date and are adjusted so as to reflect the best estimate at that date (Note 20).

3.18 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

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 according to IAS 19.

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 sense, the Group's total liability is estimated at least every six months at the date of the interim and annual financial statements, for each plan separately by an independent and specialised entity in conformity with the projected unit credit method.

The liability thus determined is shown in the statement of financial position and pension expenditure is recorded under Personnel expenses. The actuarial deviations resulting from the differences between the assumptions used for the clearance of liabilities and what actually occurred (as well as the changes made to them and the difference between the expected value of the fund assets' return and actual profitability) are recognised, when incurred, in the statement of comprehensive income (Note 22).

Expenses with past liabilities, resulting from the implementation of a new plan or accrued benefits, are recognised immediately, in the event that the benefits are being paid or are past due.

The liability thus determined is shown in the statement of financial position under the caption Post-employment benefits liabilities in non-current liabilities.

Net interest corresponds to the application of the discount rate to the value of the net liabilities (value of liabilities deducted from the fair value of the assets of the fund) and is recognised in the income statement under Personnel expenses.

Gains and losses generated by a hedge or settlement of a defined benefit pension plan are recognised in income for the year when the severance or liquidation occurs. A cut occurs when there is a material reduction in the number of Employees or the plan is changed so that the benefits attributed are reduced with a material effect.

HOLIDAY PAY, ALLOWANCES AND BONUSES

Under current legislation, workers are entitled annually to 22 business days of vacation, as well as a one-month holiday allowance, a right acquired in the year prior to their payment.

According to the Performance Management System, Employees have the possibility of receiving a bonus if they meet the defined objectives annually.

Accordingly, these liabilities are recorded in the period in which the Employees acquire their respective rights, in consideration of the income statement, irrespective of the date of their payment, and the balance to be settled at the date of the statement of financial position is recorded under the caption Other accounts payable.

The benefits of termination of employment are recognised when the benefit can no longer be withdrawn; or in which it recognises the costs of a restructuring, in the context of the recording of provisions. Benefits due more than 12 months after the end of the reporting period are discounted to their present value.

3.19 PAYABLES AND OTHER CURRENT LIABILITIES

Trade creditors and current accounts payable are initially recorded at their fair value and subsequently at amortised cost, in accordance with the effective interest rate.

3.20 LEASES

Property, plant and equipment 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 recognised under the caption interest-bearing liabilities-financial leases, while the interest included in the instalments and the asset's depreciation, 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.

3.21 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.

3.22 REVENUE

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 statement of financial position date.

Sales are recognised net of taxes, discounts and other costs associated with their realisation, at the fair value of the amount received or receivable.

3.23 ACCRUAL ACCOUNTING PRINCIPLE

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 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 16 and 24, respectively).

3.24 FAIR VALUE

Financial Assets and Liabilities measured at fair value are classified according to the following levels of fair value hierarchy:

- Level 1: the fair value of financial assets and liabilities is based on net asset market quotes at the reference date of the consolidated financial position;
- Level 2: the fair value of financial assets and liabilities is not determined based on active market quotations, but rather using valuation models. The main inputs of the models used are observable in the market; and
- Level 3: the fair value of financial assets and liabilities is not determined based on active market quotations, but rather using valuation models, whose main inputs are not observable in the market.

3.25 CONTINGENT ASSETS AND LIABILITIES

Contingent assets are assets that arise from past events and whose existence will only be confirmed by the occurrence, or not, of one or more uncertain future events not wholly under the control of the Company.

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 obligations arising from past events the existence of which will only be confirmed by the occurrence or not of one or more uncertain future events not wholly under the control of the Company; or (ii) present obligations that arise from past events, but are not recognised because it isn´t probable that a flow of resources, which affects economic benefits, is necessary to settle the obligation or the amount of the obligation, cannot be measured with sufficient reliability.

Contingent liabilities aren´t recognized in the Company's financial statements and are subject to disclosure, unless the possibility of an outflow of funds affecting future economic benefits is remote, in case they are not even disclosed.

3.26 SUBSEQUENT EVENTS

Events after the date of the statement of financial position and before the date of issuance of the financial statements that provide additional information on conditions that existed at the date of the statement of financial position are reflected in the separate financial statements.

Events after the date of the statement of financial position and before the date of issuance of the financial statements that provide information on conditions occurring after the date of the statement of financial position are disclosed in the notes to the separate financial statements, if material.

3.27 RISK MANAGEMENT

3.27.1 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 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.

CURRENCY RISK

The exchange rate of the euro against other currencies may significantly affect Semapa's revenues, in particular through its subsidiaries.

CREDIT RISK

Semapa as SGPS doesn´t have commercial activity beyond the management of the Group´s financial holdings and the provision of services to subsidiaries (Note 4). Moreover, the credit risk to which Semapa is exposed stems from the investments and liquidity the Company has in the institutions that is working with.

INTEREST RATE RISK

A significant share of the Group's financial liabilities cost are 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.

As of 31 December 2017 and 2016, the detail of the financial assets and liabilities with interest rate exposure, taking in consideration the maturities and the next repricing date was as follows:

Amounts in Euro	Until 1 month	1-3 month	3-12 month	1-5 years	+ 5 years	Total
31 December 2017						
Assets						
Currents						
Availabilities	51,472	-	-	-	-	**51,472**
Total Assets	**51,472**	**-**	**-**	**-**	**-**	**51,472**
Liabilities						
Non-Currents						
Interest-bearing liabilities	98,250,000	25,000,000	230,000,000	54,000,000	126,000,000	**533,250,000**
Currents						
Interest-bearing liabilities	-	-	22,163,771	-	-	**22,163,771**
Total Liabilities	**98,250,000**	**25,000,000**	**252,163,771**	**54,000,000**	**126,000,000**	**555,413,771**
Net	**(98,198,528)**	**(25,000,000)**	**(252,163,771)**	**(54,000,000)**	**(126,000,000)**	**(555,362,299)**

Amounts in Euro	Until 1 month	1-3 month	3-12 month	1-5 years	+ 5 years	Total
31 December 2016						
Assets						
Currents						
Availabilities	44,186	-	-	-	-	**44,186**
Total Assets	**44,186**	**-**	**-**	**-**	**-**	**44,186**
Liabilities						
Non-Currents						
Interest-bearing liabilities	130,000,000	142,500,000	270,000,000	-	100,000,000	**642,500,000**
Currents						
Interest-bearing liabilities	35,600,000	3,781,456	9,001,562	-	-	**48,383,018**
Total Liabilities	**165,600,000**	**146,281,456**	**279,001,562**	**-**	**100,000,000**	**690,883,018**
Net	**(165,555,814)**	**(146,281,456)**	**(279,001,562)**	**-**	**(100,000,000)**	**(690,838,832)**

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 changes in interest rates rarely occur in isolation from changes in other market factors.

The sensitivity analysis is based on the following assumptions:

(i) Changes in market interest rates affect interest income and expenses arising from financial instruments subject to floating rates;
(ii) Changes in market interest rates only lead to interest income and expenses regarding fixed rate financial instruments if those are measured at their fair value;
(iii) Changes in market interest rates affect the fair value of derivative financial instruments as well as other financial assets or liabilities;
(iv) Changes in fair value of derivative financial instruments and other financial assets and liabilities are measured using the discounted cash flows method, with market interest rates at year end.

Under these assumptions, a 0.5% increase in market interest rates for all currencies to which Semapa has liabilities and assets as of 31 December 2017 would result in a decrease in pretax profit of approximately Euro 2,276.102 (2016: decrease of Euros 2,953,558).

LIQUIDITY RISK

Semapa manages liquidity risk in two ways: (i) ensuring that its financial debt has a high medium and long-term component with maturities appropriate to the characteristics of the industries in which its subsidiaries operate, and (ii) through the contracting with financial institutions of credit facilities available at all times, for an amount that guarantees adequate liquidity.

The liquidity of contracted and interest-bearing financial liabilities will give rise to the following undiscounted monetary flows, including interest, based on the remaining period to maturity at the date of the Consolidated Financial Position:

Amounts in Euro	-1 month	1-3 month	3-12 month	1-5 years	plus 5 years	Total
31 December 2017						
Liabilities						
Interest-bearing liabilities						
Bond Loans	-	-	9,457,644	247,486,258	101,340,000	**358,283,902**
Commercial Paper	-	827,481	912,467	137,180,744	20,183,514	**159,104,206**
Bank Loans	99,667	44,135	18,605,400	33,865,396	19,980,658	**72,595,256**
Total Liabilities	**99,667**	**871,616**	**28,975,511**	**418,532,398**	**141,504,172**	**589,983,364**
31 December 2017						
Liabilities						
Interest-bearing liabilities						
Bond Loans	-	-	9,608,714	254,628,875	104,020,000	**368,257,589**
Commercial Paper	357,188	285,000	37,100,399	259,696,389	-	**297,438,976**
Bank Loans	-	1,541,288	3,382,109	36,927,177	24,516,071	**66,366,645**
Total Liabilities	**357,188**	**1,826,288**	**50,091,222**	**551,252,441**	**128,536,071**	**732,063,210**

As of 31 December 2017 and 2016, bank loans granted and not withdrawn amount to Euro 331,500,000 and Euro 143,229,233 respectively.

CAPITAL RISK

The goals of Semapa when managing capital are to safeguard the Group´s ability to continue as a going concern and value creation for shareholders, through a conservative dividend policy based on principles of financial strength. The aim has been to maintain a financial structure compatible with the Group´s sustained growth and different business areas, whilst maintaining sound solvency and financial autonomy indicators. Accordingly, capital for the purposes of capital management corresponds to the shareholders equity and it is not considered any financial liability as an integral part thereof.

3.27.2 OPERATIONAL RISK FACTORS

The following operational risk factors are essentially at the level of subsidiaries and jointly controlled entities:

- Supply of raw materials;
- Sale price;
- Demand for group products;
- Competition;
- Environmental legislation;
- Energy costs;
- Context risks;

3.28 RELEVANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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 statement of consolidated financial position 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;
(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 generating a material adjustment to the book value of assets and liabilities in the following financial year are presented below:

3.28.1 RECOVERABILITY OF FINANCIAL HOLDINGS

Semapa annually tests for the impairment analysis of its financial holdings, including its Goodwill, in accordance with the accounting policy indicated in Note 3.5.

The recoverable amounts of cash flow units are determined, based on the calculation of usage values or fair value, less costs to sell. These calculations require the use of estimates and assumptions that, in case of change, may have an impact on the estimated recoverable amount (Note 10).

A sensitivity analysis was performed, for the period ended as at 31 December 2017, to the key assumptions (independently for each assumption) identified as follows:

1) Increase of 50 basis points in the discount rate used (WACC) in the base scenario;
2) Reduction of free cash flow by 5% compared to the base scenario.

As a result of these tests, it was concluded that a 50 basis point increase in the discount rates used (WACC), for the purposes of impairment tests, would imply a devaluation of: i) 8% in the valuation value of UGC Pasta e Role and ii) 13% in the valuation value of UGC Cement and Derivatives, in any of the cases without resulting in any impairment loss.

It was also concluded that a reduction of free cash flow by 5% would imply a devaluation of i) 6% in the valuation value of UGC Pulp and Paper and ii) 7% in the valuation value of UGC Cement and Derivatives in any one of the cases without resulting in any impairment loss.

3.28.2 ACTUARIAL ASSUMPTIONS

Liabilities relating to defined-benefit plans are calculated based on actuarial assumptions (Note 29). Changes to those assumptions can have a material impact on the aforesaid liabilities.

3.28.3 PROVISON RECOGNITION

Semapa, based on the opinion of its legal counsel, makes a judgment to determine whether a provision should be recorded to cover risks of a different nature.

3.28.4 INCOME TAX

Semapa recognises liabilities for additional tax settlements that may result from revisions by the tax authorities. When the final result of these situations is different from the values initially recorded, the differences will have an impact on income tax and on tax provisions, in the period in which such differences are found.

In Portugal, annual income statements are subject to review and possible adjustment by the tax authorities for a period of 4 years. However, if tax losses are presented they may be subject to review by the tax authorities for a period of 6 years.

The Board of Directors believes that any corrections to those declarations as a result of reviews/inspections by the tax authorities will not have a significant effect on the separate financial statements as of 31 December 2017, although the Tax and Customs Authorities have already reviewed 2014, inclusive.

4 SALES AND SERVICES RENDERED

The amount of Euro 13,037,095 and Euro 12,030,773, recognised in Services rendered for the periods ended as at 31 December 2017 and 2016, respectively, refer to management services provided by Semapa to its subsidiaries in financial, accounting, tax and IT areas, among others, provided in the domestic market (Note 25).

5 OPERATING EXPENSES

The caption Operating expenses is detailed as follows for the years ended as of 31 December 2017 and 2016:

Amounts in Euro	2017	2016
Professional fees	1,327,051	1,517,560
Materials	58,804	51,397
Energy and fluids	86,398	76,206
Travel and Accommodation	456,287	351,264
Other Services	1,133,600	1,067,726
Reductions of external services	(52,247)	(22,895)
	3,009,893	**3,041,258**

6 PAYROLL EXPENSES

As of 31 December 2017 and 2016, payroll expenses were detailed as follows:

Amounts in Euro	2017	2016
Corporate Bodies Remmuneration (Nota 25)	5,966,274	5,608,328
Other Remmunerations	2,250,603	2,092,435
Post-Employment Benefits (Note 22)	23,431	58,228
Other Payroll costs	1,231,186	1,087,945
	9,471,494	**8,846,936**

The number of Employees working for the Company as at 31 December 2016 and 2015 was of 27 and 25, respectively.

7 INCREASES / (REDUCTIONS) OF FAIR VALUE

During 2017 and 2016, the following fair value changes occurred:

Amounts in Euro	2017	2016
Financial assets at fair value through profit or loss	-	(62,122)
Derivative financial instruments- Losses	-	(7)
Derivative financial instruments- Gains	-	99
Other Financial Assets- Gains/Losses	200	(427)
	200	**(62,457)**

In 2016, the fair value change in the caption "Financial assets at fair value through profit or loss" corresponds to the gains and losses resulting from the change in the price of securities held by Semapa.

8 OTHER INCOME AND EXPENSES

As of 31 December 2017 and 2016, Other income was detailed as follows:

Amounts in Euro	2017	2016
Gains on disposal of tangible fixed assets	8,831	20,000
Favorable exchange rate differences	24	30
Recovery of VAT from previous years	293,029	856
Other Income	-	2
	301,884	**20,888**

As of 31 December 2017 and 2016, Other expenses were detailed as follows:

Amounts in Euro	2017	2016
Income Tax	(267,332)	(294,234)
Donations	(40,150)	(74,500)
Quotizações	(54,081)	(57,456)
Other Losses	(7,133)	(12,550)
	(368,696)	**(438,740)**

9 (EXPENSES)/REVERSIONS RELATED TO DEPRECIATION AND AMORTIZATION

As at 31 December 2017 and 2016 the caption (Expenses)/reversions related to Depreciation and Amortisation were as follows:

Amounts in Euro	2017	2016
Buildings and other constructions (Note 14)	(111,407)	(114,857)
Equipment and other tangible assets (Note 14)	(88,248)	(81,990)
(Expenses) / reversals of depreciation and amortization	**(199,655)**	**(196,847)**

10 FINANCIAL INVESTMENTS – EQUITY METHOD

As at 31 December 2017 and 2016, investments in financial investments recorded under the equity method in the statement of financial position, including Goodwill, were as follows:

	31-12-2017				31-12-2016			
Amounts in Euro	% detained	Participation	Share premium	Total	% detained	Participation	Share premium	Total
Aphelion, S.A.	100.00%	46,874	-	**46,874**	100.00%	-	-	-
ETSA Investimentos, SGPS, S.A.	99.99%	60,256,269	-	**60,256,269**	99.99%	57,011,620	-	**57,011,620**
Secil - Companhia Geral de Cal e Cimento, S.A.	100.00%	394,643,810	140,000,000	**534,643,810**	100.00%	454,348,856	140,000,000	**594,348,856**
Seinpar Investments, B.V.	100.00%	391,265,841	27,383,500	**418,649,341**	100.00%	326,503,045	111,493,500	**437,996,545**
Seinpart - Participações, SGPS, S.A.	49.00%	23,877	-	**23,877**	49.00%	25,053	-	**25,053**
Semapa Inversiones, S.L.	100.00%	154,065	-	**154,065**	100.00%	166,349	-	**166,349**
Semapa Next, S.A. (ex. Inspiredplace, S.A.)	100.00%	39,323	-	**39,323**	100.00%	43,139	-	**43,139**
Seminv - Investimentos, SGPS, S.A.	100.00%	2,009,993	-	**2,009,993**	100.00%	2,014,908	-	**2,014,908**
The Navigator Company, S.A.	35.71%	396,603,899	-	**396,603,899**	35.71%	417,175,406	-	**417,175,406**
		1,245,043,951	**167,383,500**	**1,412,427,451**		**1,257,288,376**	**251,493,500**	**1,508,781,876**

In addition, Semapa holds a 51% indirect interest in Seinpart Participações, SGPS, S.A., through Semapa Inversiones, S.L., and 33.69% in The Navigator Company, S.A., through Seinpar Investments, B.V.

The changes in financial investments-equity method, during the periods ended as of 31 December 2017 and 2016, were as follows:

Amounts in Euro	31-12-2017	31-12-2016
Opening Balance	**1,508,781,876**	**1,337,206,703**
Constitutions and capital increases	50,000	-
Appropriate net income	138,591,309	128,102,193
Dividends assigned	(89,273,685)	(60,706,029)
Ancillary services	-	140,000,000
Refund:		
Share premium	(84,110,000)	(57,250,000)
Adjustment of parts of capital	(61,612,048)	21,429,007
Opening Balance	(1)	2
Final Balance	**1,412,427,451**	**1,508,781,876**

During the year ended as of 31 December 2016, Semapa made ancillary capital contributions to the subsidiary Secil — Companhia Geral de Cal e Cimento, S.A., for a total amount of Euro 140,000,000. These ancillary payments do not bear interest.

Imputed gains/(losses) on investments accounted for under the equity method, during the periods ended as at 31 December 2017 and 2016, are detailed as follows:

Amounts in Euro	2017	2016
Appropriate results		
Aphelion, S.A.	(3,126)	-
ETSA Investimentos, SGPS, S.A.	3,244,649	2,954,361
Secil - Companhia Geral de Cal e Cimento, S.A.	(1,078,160)	(18,032,415)
Seinpar Investments, B.V.	66,212,031	69,480,476
Seinpart - Participações, SGPS, S.A.	(1,176)	(781)
Semapa Inversiones, S.L.	(12,284)	(8,720)
Semapa Next, S.A.	(3,816)	(1,012)
Seminv - Investimentos, SGPS, S.A.	(4,909)	(2,546)
The Navigator Company, S.A.	70,238,100	73,712,830
	138,591,309	**128,102,193**

The detail of Goodwill included in the caption Financial investments — equity method, in 2017 and 2016, is as follows:

Amounts in Euro	Atrib. Year	31-12-2017	31-12-2016
Secil - Companhia Geral de Cal e Cimento, S.A.	2012	134,165,305	134,165,305
The Navigator Company, S.A.	2011	40,100,229	40,100,229
		174,265,534	**174,265,534**

As recommended by IAS 36, Goodwill is subject to impairment tests, carried out on a minimum annual basis or when there is evidence of impairment, in accordance with the accounting policy described in Note 3.5.

For the purposes of impairment tests for CGUs, the recoverable amount was determined based on the value in use, in accordance with the discounted cash flow method. The recoverable amount of CGUs is derived from assumptions related to the activity, included sales volumes, average selling prices and variable costs that in the projection periods result from a combination of economic forecasts for the regions and markets where the subsidiaries of Semapa operate, forecasts including alterations in the markets, derived from changes in installed capacity for each operational activity, internal management projections and historical performance.

These projections result from budgets for the following year and estimates of cash flows for a subsequent period of four years reflected, in the approved Long-term Medium-Term Plans.

Cash flows are discounted at the WACC (Weighted Average Cost of Capital) rates, calculated using the Capital Asset Pricing Model (CAPM) model, and based on weighted average debt and equity costs, estimated according to the segments where the UGC are inserted. The considered risk-free interest rate results from market information on medium-term sovereign debt. The beta and industry leverage are based on information from a broad range of comparable companies subject to annual review. All this information is collected from international and independent sources, among others, through Reuters and rating agencies (S & P, Moody's and Fitch).

The growth rate in perpetuity reflects the medium-term management's view of the different UGCs, taking into account the inflation targets of the respective Central Banks, future inflation rate estimates, macroeconomic outlooks, as well as the foreseeable evolution of the Markets where the Group operates. The sources of macroeconomic forecasts are the IMF and the Banco de Portugal.

The assumptions that were the basis of the business plans are detailed as follows:

Assumptions (CAGR 2018-2022)	Pulp and paper	Cement and Derivatives				Environment
		Portugal	Tunisia	Lebanon	Angola*	
Sales in quantity (kt)						
Reference	Papel UWF			Cement e Clinker		
CAGR Sales in quantity (kt)	0.5%	-3.4%	0.5%	-1.7%	7.2%	2.9%
Average selling price LC/t						
Reference	Papel UWF			Grey Cement in the Domestic Market		
CAGR Average Selling Price ML/t	0.1%	1.0%	5.0%	1.4%	8.0%	8.3%
Total Cash Costs LC						
CAGR Total Cash Costs LC	0.9%	4.1%	0.3%	-1.6%	5.5%	1.0%

LC: Local Currency

* In Angola, the CAGR of the Average Selling Price has AOA currency but the CAGR of the Total Cash Costs has USD currency.

Macroeconomic assumptions	2018	2019	2020	2021	2022
Pulp and paper					
Portugal					
GDP growth rate	2.0%	1.8%	1.5%	1.2%	1.2%
Inflation EUR	1.4%	1.5%	2.2%	2.3%	2.4%
Cement and derivatives					
Portugal					
GDP growth rate	2.0%	1.8%	1.5%	1.2%	1.2%
Inflation EUR	1.4%	1.5%	2.2%	2.3%	2.4%
Tunisia					
GDP growth rate	3.1%	3.5%	4.1%	4.3%	4.3%
Inflation TND	4.4%	4.0%	3.8%	3.6%	3.5%
Lebanon					
GDP growth rate	2.5%	2.5%	2.5%	3.0%	3.0%
Inflation LBP	2.5%	2.0%	2.0%	2.0%	2.0%
Brazil					
GDP growth rate	2.0%	2.0%	2.0%	2.0%	2.0%
Inflation BRL	4.0%	4.1%	4.1%	4.0%	4.0%
Angola					
GDP growth rate	1.5%	1.4%	1.5%	1.4%	1.4%
Inflation USD	2.1%	2.6%	2.4%	2.2%	2.3%
Inflation AOA	1.5%	1.4%	1.5%	1.4%	1.4%

The main assumptions of a financial nature, used in the impairment tests, are detailed as follows:

Financial Assumptions	Risk Free Interest rate *	WACC Rate EUR	Perp. Growth Rate EUR	Tax rate
Pulp and paper				
Portugal				
Explicit Planning Period	2.34%	6.83%	-	27.50%
Perpetuity	2.34%	6.83%	0.00%	27.50%
Cement and other building materials				
Portugal				
Explicit Planning Period	2.34%	6.93%	-	27.50%
Perpetuity	2.34%	6.93%	2.00%	27.50%
Tunisia				
Explicit Planning Period	5.58%	9.47%	-	25.00%
Perpetuity	5.58%	9.47%	2.00%	25.00%
Lebanon				
Explicit Planning Period	7.90%	11.42%	-	17.00%
Perpetuity	7.90%	11.42%	2.00%	17.00%
Angola				
Explicit Planning Period	6.74%	11.01%	-	30.00%
Perpetuity	6.74%	11.01%	2.00%	30.00%
Brazil				
Explicit Planning Period	2.91%	7.94%	-	34.00%
Perpetuity	2.91%	7.53%	2.30%	34.00%

* Including Country Risk Premium

As a result of the impairment tests performed, no impairment loss was identified in Goodwill.

In addition, sensitivity analyses were carried out on the fundamental assumptions considered in the impairment tests, performed for each of the Cash Generating Units identified, as follows:

• Reduction of free cash flow by 5%, over that used in the base scenario. This sensitivity analysis, performed independently for this assumption, did not determine any impairment for the Goodwill allocated to each UGC; and

• Increase of 50 basis points in the discount rate used in the base scenario. This sensitivity analysis, performed independently for this assumption, did not determine any impairment for Goodwill allocated to each UGC.

As of December 31, 2017, the financial information of financial investments, after making the necessary accounting harmonization adjustments, was as follows:

	31-12-2017				
Amounts in EURO	Total Assets	Total Liabilities	Share Capital	Net Income	Revenue
Aphelion, S.A.	50,174	3,300	46,874	(3,126)	-
ETSA Investimentos, SGPS, S.A.	83,516,755	23,252,806	60,263,949	3,245,012	28,968,519
Secil - Companhia Geral de Cal e Cimento, S.A.	1,456,792,210	849,513,859	525,178,652	(1,078,182)	499,527,306
Seinpar Investments, B.V.	418,661,003	11,662	418,649,341	66,212,031	-
Seinpart - Participações, SGPS, S.A.	49,528	800	48,728	(2,399)	-
Semapa Inversiones, S.L.	2,519,999	2,365,934	154,065	(12,284)	-
Semapa Next, S.A. (ex. Inspiredplace, S.A.)	40,164	840	39,324	(3,816)	-
Seminv - Investimentos, SGPS, S.A.	2,010,793	800	2,009,993	(4,909)	-
The Navigator Company, S.A.	2,325,371,953	1,326,578,733	998,372,943	196,698,731	1,636,834,437

As of 31 December 2016, the financial information of financial investments, after making the necessary accounting harmonisation adjustments, was as follows:

	31-12-2016				
Amounts in EURO	Total Assets	Total Liabilities	Share Capital	Net Income	Revenue
ETSA Investimentos, SGPS, S.A.	82,760,663	25,741,726	57,018,937	2,954,691	26,711,204
Secil - Companhia Geral de Cal e Cimento, S.A.	1,565,134,878	886,424,219	584,884,923	(18,032,785)	470,518,532
Seinpar Investments, B.V.	438,020,187	23,642	437,996,545	69,480,476	-
Seinpart - Participações, SGPS, S.A.	52,826	1,699	51,127	(1,593)	-
Semapa Inversiones, S.L.	2,485,792	2,319,443	166,349	(8,720)	-
Semapa Next, S.A. (ex. Inspiredplace, S.A.)	44,839	1,699	43,140	(1,012)	-
Seminv - Investimentos, SGPS, S.A.	2,016,507	1,599	2,014,908	(2,546)	-
The Navigator Company, S.A.	2,310,635,141	1,252,379,987	1,055,982,548	206,429,564	1,577,385,207

11 FINANCIAL ASSETS AND LIABILITIES

In 2017 and 2016, the financial results are broken down as follows:

Amounts in Euro	2017	2016
Interest and similar income obtained:		
Interest obtained and other bank deposits	-	1,750
Interest on financing granted to subsidiaries (Note 25)	41,894	1,354,015
Other financial income	2	2
	41,896	**1,355,767**
Interest and similar expenses incurred:		
Interest on loans obtained from credit institutions	(3,090,661)	(2,511,209)
Interest on financing obtained from shareholders (Note 25)	(32,103)	(66,161)
Interest on financing obtained from subsidiaries (Note 25)	(1,861)	(1,623)
Losses on derivative financial instruments	-	(1,383,492)
Interest on other financings obtained	(9,539,550)	(9,491,113)
Other financing expenses	(2,747,764)	(3,523,069)
	(15,411,939)	**(16,976,667)**

The caption Interest on other financing obtained refers to the expenses incurred on the loan obligations detailed in Note 21.

The caption Other financing expenses essentially includes the expenditure on borrowing costs, which are recognised in accordance with the accounting policy described in Notes 3.15 and 3.16.

12 INCOME TAX

As a result of changes introduced by the IRC code, with effect from 1 January 2014, among others, in the taxation of groups of companies (RETGS), the percentage of participation in the capital stock of subsidiaries that qualifies for the purpose of integration in the tax group was changed to 75% (until December 31, 2013 this percentage was 90%).

As of 31 December 2017, the tax group to which Semapa is a controlling company, thus includes the companies of the Secil and ETSA groups, as well as all other subsidiaries that comply with the requirements legally defined by the IRC Code. The companies that make up The Navigator Company Group have also integrated the RETGS dominated by Semapa, in 2014 and until 30 June 2015, to integrate an autonomous RETGS as of 1 July 2015.

With reference to 1July 2015, and ending on 31 December 2016, all companies included in the tax group of which Semapa is the parent company changed their tax period, which corresponded to the accounting period and calendar year, to the period beginning on July 1 of each year and ending on June 30 of the following year. As of 1 January 2017, the tax period of the companies included in the Semapa tax group coincides with the calendar year.

As of 31 December 2017 and 2016, the caption Income tax for the year is as follows:

Amounts in Euro	2017	2016
Current Tax	80,685	3,047,352
Diferred Tax (Nota 23)	502,075	(131,256)
	582,760	**2,916,096**

The reconciliation of the effective tax rate for the years ended as of 31 December 2017 and 2016 is as follows:

Amounts in Euro	2017	2016
Profit before tax	123,510,707	111,946,716
Expected Tax	27,789,909	25,188,011
Permanent differences (a)	(31,192,432)	(28,834,334)
IRC from previous Years	(1,841,533)	(4,086,029)
Non-recoverable tax losses	2,900,448	3,777,579
Recoverable tax losses	-	-
Autonomous taxation	1,760,848	1,038,677
	(582,760)	**(2,916,096)**
Effective tax rate	(0.47%)	(2.60%)
Effective tax rate without MEP effect	15.74%	12.95%

(a) This value essentially refers to:

Amounts in Euro	2017	2016
Effect of application of the equity method	(138,591,309)	(128,102,193)
Post-Employment Benefits (Note 8 and 22)	23,431	58,228
Pensions Paid (Note 22)	(122,180)	(122,180)
Tax Capital Gains/(losses)	8,831	20,000
Accounting Capital Gains/losses	(8,831)	(20,000)
Others	57,027	13,549
	(138,633,031)	(128,152,596)
Fiscal Impact (22,50%)	**(31,192,432)**	**(28,834,334)**

In accordance with the legislation in force, gains and losses on associated companies and joint ventures resulting from the application of the equity method are deducted or accrued, respectively, from the income statement for the period, in order to determine the taxable amount.

In Portugal, annual income statements are subject to review and possible adjustment by the tax authorities for a period of 4 years (five years for Social Security). However, if tax losses are presented, they may be subject to review by the tax authorities for a longer period.

The Board of Directors understands that any corrections to those statements as a result of revisions/inspections by the tax authorities will not have a significant effect on the separate financial statements as of 31 December 2017, although the years up to and including 2014 have already been reviewed.

13 EARNINGS PER SHARE

There are no convertible financial instruments on Semapa's shares, so there is no dilution of results.

Amounts in Euro	2017	2016
Result attributable to the shareholders of Semapa	124,093,467	114,862,812
Weighted average number of outstanding shares	80,683,671	80,977,732
Basic earnings per share	1.54	1.42
Diluted earnings per share	1.54	1.42

14 PROPERTY, PLANT AND EQUIPMENT

During 2017 and 2016, the movement in Property, plant and equipment, as well as in the respective depreciation and impairment losses, was as follows:

Amounts in Euro	Buildings and other constructions	Equipment and Other Tangible	Tangible Assets in progress	Total
Purchase Cost				
Balance 01-01-2016	**1,872,176**	**1,324,924**	**106,675**	**3,303,775**
Acquisitions	-	46,244	19,657	65,901
Disposals	-	(69,708)	-	(69,708)
Balance 31-12-2016	**1,872,176**	**1,323,375**	**104,417**	**3,299,968**
Acquisitions	-	29,434	3,875	33,309
Disposals	-	(17,915)	-	(17,915)
Transfers	-	2,125	(2,125)	-
Balance 31-12-2017	**1,872,176**	**1,337,019**	**106,167**	**3,315,362**
Accumulated depreciations and impairment losses				
Balance 01-01-2016	**(1,293,192)**	**(1,107,201)**	**(102,292)**	**(2,502,685)**
Increase (Note 9)	(114,857)	(81,990)	-	(196,847)
Disposals	-	69,708	-	69,708
Cuts and adjustments	1	(2)	-	(1)
Balance 31-12-2016	**(1,408,048)**	**(1,119,485)**	**(102,292)**	**(2,629,825)**
Increase (Note 9)	(111,407)	(88,248)	-	(199,655)
Disposals	-	6,665	-	6,665
Cuts and adjustments	-	1	-	1
Balance 31-12-2017	**(1,519,455)**	**(1,201,067)**	**(102,292)**	**(2,822,814)**
Book Value at 01-01-2016	578,984	217,723	4,383	801,090
Book Value at 31-12-2016	464,128	203,890	2,125	670,143
Book Value at 31-12-2017	352,721	135,952	3,875	492,548

15 STATE AND OTHER PUBLIC ENTITIES

As at 31 December 2016 and 2015, there were no arrears debts to the State and other public entities.

As mentioned in Note 12, as from 1January 2014, the tax group dominated by Semapa — Sociedade de Investimento e Gestão, SGPS, S.A., became incorporated in companies resident in Portugal and which comply with the conditions set forth in article 69 of the CIRC. Thus, although these companies calculate and record income tax as if they were taxed on an individual basis, the overall tax assessment, by applying the Special Regime for the Taxation of Groups of Companies (RETGS), as well as the parent company, Semapa — Sociedade de Investimento e Gestão, SGPS, S.A.

The balances relating to these entities were as follows:

CURRENT ASSETS

Amounts in Euro	31-12-2017	31-12-2016
Tax on Corporate Income- IRC	-	10,333,247
	-	**10,333,247**

CURRENT LIABILITIES

Amounts in Euro	31-12-2017	31-12-2016
Tax on Corporate Income- IRC	2,518,060	-
Income Tax Withholdings	125,200	130,972
Value-added tax	414,785	437,632
Contributions to Social Security	111,753	108,244
Other Taxes	482	29,894
	3,170,280	**706,742**

As of 31 December 2017 and 2016, the caption Corporate Income Tax (IRC) is broken down as follows:

Amounts in Euro	31-12-2017	31-12-2016
Corporate Income Tax	(629,591)	(635,392)
Income tax on subsidiaries	(2,859,078)	(694,002)
Special payments on account	682,892	607,639
Additional payments on account	67,021	-
Withholding tax recoverable	35,444	14,290
Income tax recoverable from prior years	185,252	11,040,712
	(2,518,060)	**10,333,247**

16 RECEIVABLES AND OTHER CURRENT ASSETS

As of 31 December 2016 and 2015, the caption Receivables and other current assets comprised:

Amounts in Euro	31-12-2017	31-12-2016
Accounts Payable and other Liabilities	-	640
Related Parties		
Loans to subsidiaries	496,301	3,541,616
Current account balances	3,271,196	1,411,248
RETGS operations balances	8,015,760	8,429,049
Other debtors - general	32,724	23,424
Expenses to recognize	124,795	190,187
	11,940,776	**13,596,164**

As at 31 December 2017 and 2016, amounts receivable from subsidiary companies (Note 25), in the amounts of Euros 496,301 and Euros 3,541,616, respectively, refer to short-term treasury operations that bear interest at market rates, debited quarterly.

As of 31 December 2017 and 2016, deferred costs were made up as follows:

Amounts in Euro	31-12-2017	31-12-2016
Operating Expenses	111,899	94,412
Advanced Interest	12,896	95,775
	124,795	**190,187**

17 CASH AND CASH EQUIVALENTS

The caption Cash and Cash equivalents is detailed as follows, for the years ended as at 31 December 2017 and 2016:

Amounts in Euro	31-12-2017	31-12-2016
Cash	6,137	4,082
Bank Deposits	45,335	40,104
	51,472	**44,186**

18 SHARE CAPITAL AND TREASURY SHARES

As of 31 December 2017 and 2016, the subscribed capital of Semapa was fully paid up, represented by 81,270,000 shares with no par value.

Following approval at Semapa's Annual General Meeting of Shareholders on 20 April 2016, the following resolutions were implemented, among others:

• Reduction of the share capital from € 81,645,523 to € 81,270,000, in the amount of € 375,523, due to the cancellation of 375,523 treasury shares, pursuant to article 463 of the Portuguese Companies Code, with the consequent amendment to no. 1 of Article 4 of the Articles of Association, relating to the composition of the share capital;

• Share capital increase of Euros 81,270,000 to Euros 117,028,800, in the total amount of Euros 35,758,800, through the incorporation of reserves, with a proportional increase, in the amount of Euros 0.44 per share, of the nominal value of all the shares of the Company, which now amounts to Euros 1.44 per share and with the consequent amendment to no. 1 of Article 4 of the Articles of Association, regarding the composition of the share capital;

• Share capital decrease from Euros 117,028,800 to Euros 81,270,000, in the amount of Euros 35,758,800, for the purpose of releasing excess capital, transferring to free reserves the amount of the paid-in capital stock and proportional reduction of the amount Nominal value of all shares of the Company, in the amount of Euros 0.44 per share, which have a unit face value of 1 Euro, with the consequent amendment to the articles of association, namely no. 1 of Article 4, regarding the composition of the share capital, and number 4 of Article 9, regarding the number of shares to which one vote is corresponded.

As at 31 December 2016 and 2015, the following entities had substantial holdings in the Company's capital:

	31-12-2017		31-12-2016	
Name	Nº of shares	%	Nº of shares	%
Longapar, SGPS, S.A.	22,225,400	27.35	22,225,400	27.35
Cimo - Gestão de Participações, SGPS, S.A.	16,734,031	20.59	16,199,031	19.93
Sodim, SGPS, S.A.	15,252,726	18.77	15,252,726	18.77
Bestinver Gestión, SGIIC, S.A.	7,166,756	8.82	7,166,756	8.82
Cimigest, SGPS, S.A.	3,185,019	3.92	3,185,019	3.92
Santander Asset Management España, S.A.	1,981,216	2.44	2,268,346	2.79
Sociedade Agrícola da Quinta da Vialonga, S.A.	625,199	0.77	625,199	0.77
OEM - Organização de Empresas, SGPS, S.A.	-	-	535,000	0.66
Treasury shares	586,329	0.72	586,329	0.72
Other shareholders with less than 2% participation	13,513,324	16.63	13,226,194	16.27
	81,270,000	**100.00**	**81,270,000**	**100.00**

As of 31 December 2017 and 2016, Semapa — Sociedade de Investimento e Gestão, SGPS, S.A. held 586,329 treasury shares.

19 RESERVES AND RETAINED EARNINGS

GOODWILL

The goodwill is not distributable except in the event of liquidation of the company. It may, however, be used to absorb losses after the other reserves have been exhausted or incorporated in capital.

LEGAL RESERVE

Commercial Company law prescribes that at least 5% of annual net profit 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 2017.

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

This caption corresponds to available reserves for distribution to shareholders constituted through the appropriation of prior year's earnings.

RETAINED EARNINGS

INCREASE AND DECREASE IN THE INTEREST HELD IN SUBSIDIARY COMPANIES WITHOUT LOSS OF CONTROL

Semapa records in this account the differences between the share of purchased/sold equity capital and the value of acquisition/ ale of shareholdings to interests that it does not control in companies already controlled by it.

ACTUARIAL GAINS AND LOSSES

Actuarial deviations, resulting from differences between the assumptions used to calculate post-employment benefit liabilities and what actually occurred, as well as changes made in them, are recorded under this heading, as described in Note 3.18.

The application of the result for the previous year was as follows:

	Aplications of the result of the exercise of:	
Amounts in Euro	**2016**	**2015**
Distribution of dividends	36,307,652	26,724,363
Balance Bonuses	3,509,978	3,207,519
Other Reservs	49,703,273	206,028,693
Net income for the year (SNC)	**89,520,903**	**235,960,575**
Impact of conversion to IFRS	25,341,909	(154,430,534)
Net income for the year (IFRS)	**114,862,812**	**81,530,041**
Dividends per outstanding share	**0.450**	**0.329**

ADJUSTMENTS OF FINANCIAL ASSETS

This caption shows the adjustments arising from the use of the equity method in subsidiaries.

As of 31 December 2017 and 2016, the caption Adjustments to financial assets is broken down as follows:

Amounts in Euro	31-12-2017	31-12-2016
ETSA Investimentos, SGPS, S.A.	(9,227,390)	(9,227,390)
Secil - Companhia Geral de Cal e Cimento, S.A.	(166,522,899)	(107,896,013)
Seinpar Investments, B.V.	(27,962,773)	(26,513,538)
Seinpart - Participações, SGPS, S.A.	35,857,480	35,857,480
Semapa Inversiones, S.L.	(36,764,962)	(36,764,962)
Seminv - Investimentos, SGPS, S.A.	9,417,498	9,417,504
The Navigator Company, S.A.	(29,557,444)	(28,021,523)
	(224,760,490)	**(163,148,442)**

The caption Adjustments to financial assets recorded the following movements in the year ended as at 31 December 2017 and 2016:

Amounts in Euro	31-12-2017	31-12-2016
Opening Balance	**(163,148,442)**	**(184,577,449)**
Adjustments included in Income		
Items subject to reversal in the income statement		
Fair value of financial instruments	3,962,339	(2,526,052)
Currency conversion reserve	(68,205,576)	34,303,134
	(64,243,237)	31,777,082
Adjustments included in Income		
Items that can not be reclassified to the income statement		
Actuarial Gains or Losses	2,956,333	(6,767,940)
Adjustments not included in Income		
Intra-group acquisition differences of shares	(200)	(3,550,701)
Other Chages	(324,944)	(29,434)
	(325,144)	(3,580,135)
Final Balance	**(224,760,490)**	**(163,148,442)**

20 PROVISIONS

As of 31 December 2017 and 2016, provisions amounted to Euros 12,800,000 and refer to provisions to cover risks related to events/disputes of a fiscal nature, the resolution of which may result in outflows of cash.

21 INTEREST-BEARING LIABILITIES

As at 31 December 2017 and 2016, the net interest-bearing debt is detailed as follows:

Amounts in Euro	31-12-2017	31-12-2016
Debt Paid		
Non-Current	530,251,661	639,291,053
Current	22,163,771	48,383,018
	552,415,432	**687,674,071**
Cash and Cash equivalents (Nota 17)		
Cash	6,137	4,082
Bank deposits	45,335	40,104
	51,472	**44,186**
Market value of portfolio securities	10,433,725	7,856,809
Net interest bearing debt	**541,930,235**	**679,773,076**

NON-CURRENT INTEREST-BEARING LIABILITIES

As of 31 December 2017 and 2016, non-current interest-bearing liabilities were as follows:

Amounts in Euro	31-12-2017	31-12-2016
Non-Current		
Bond Loans	330,000,000	330,000,000
Commercial Paper	153,250,000	255,000,000
Bank Loans	50,000,000	57,500,000
Loan-related charges	(2,998,339)	(3,208,947)
Total non-current remunerated debt	**530,251,661**	**639,291,053**

BOND LOANS

As of 31 December 2017 and 2016, non-current bond loans were as follows:

Amounts in Euro	31-12-2017	31-12-2016	Date	Interest Rate	Price 31-12-2017
Non Currents Loans					
Semapa 2016 / 2021	100,000,000	100,000,000	june 2021	Fixed rate	n.a.
Semapa 2014 / 2019	150,000,000	150,000,000	april 2019	Variable rate indexed to Euribor	102.50
Semapa 2014 / 2020	80,000,000	80,000,000	november 2020	Variable rate indexed to Euribor	102.50
	330,000,000	**330,000,000**			

The fair value of the bond loans, taking into account the date and respective contractual conditions, determined according to level 2 of the fair value hierarchy, does not differ substantially from the reported book value.

COMMERCIAL PAPER

As of 31 December 2017 and 2016, current and non-current commercial paper were as follows:

Amounts in Euro	31-12-2017 Contracted Amount	Amount used Non-Current	Current	Total	Maturity date	Interest Rate
Commercial Paper Program 100M	100,000,000	88,250,000	-	88,250,000	september 2021	Variable rate indexed to Euribor
Commercial Paper Program 25M	25,000,000	25,000,000	-	25,000,000	february 2019	Variable rate indexed to Euribor
Commercial Paper Program50M	50,000,000	40,000,000	-	40,000,000	october 2023	Variable rate indexed to Euribor
Total	**435,000,000**	**153,250,000**	**-**	**153,250,000**		

Amounts in Euro	31-12-2016 Contracted Amount	Amount used Non-Current	Current	Total	Maturity date	Interest Rate
Commercial Paper Program 100M	100,000,000	100,000,000	-	100,000,000	september 2020	Variable rate indexed to Euribor
Commercial Paper Program 120M	120,000,000	90,000,000	-	90,000,000	december 2018	Variable rate indexed to Euribor
Commercial Paper Program 25M	25,000,000	25,000,000	-	25,000,000	february 2019	Variable rate indexed to Euribor
Commercial Paper Program 40M	40,000,000	40,000,000	-	40,000,000	august 2021	Variable rate indexed to Euribor
Commercial Paper Program 35M	35,000,000	-	35,000,000	35,000,000	december 2017	Variable rate indexed to Euribor
Total	**420,000,000**	**255,000,000**	**35,000,000**	**290,000,000**		

MATURITY FOR LOAN REPAYMENTS

Repayment periods for the repayment related to the registered balance of bond loans, commercial paper, bank loans and other non-current loans are detailed as follows:

Amounts in Euro	31/12/2017	31/12/2016
1 to 2 years	175,000,000	117,500,000
2 to 3 years	100,500,000	175,000,000
3 to 4 years	108,750,000	178,000,000
4 to 5 years	20,500,000	48,000,000
More than 5 years	128,500,000	124,000,000
	533,250,000	**642,500,000**

CURRENT INTEREST-BEARING LIABILITIES

As of 31 December 2017 and 2016, current interest-bearing liabilities were as follows:

Amounts in Euro	31-12-2017	31-12-2016
Current		
Commercial Paper	-	35,000,000
Bank Loans	17,500,000	4,381,456
Paid Bank Debt	**17,500,000**	**39,381,456**
Short-term shareholder loans (Note 25)	4,470,475	8,830,127
Short-term loans from subsidiaries (Note 25)	193,296	171,435
Other Paid Debt	**4,663,771**	**9,001,562**
Market value of portfolio securities	10,433,725	7,856,809
Total current interest-bearing debt	**22,163,771**	**48,383,018**

The evolution of Semapa's net debt, for the years ended as at 31 December 2017 and 2016, is as follows:

Amounts in Euro	31-12-2017	31-12-2016
Opening Balance	**687,629,885**	**629,933,406**
Interest Payment	14,993,286	18,074,932
Receipt of Interest	(42,082)	(1,442,967)
Payment of dividends (Note 19)	36,307,652	26,724,363
Receipt of dividends (Note 10)	(89,273,685)	(60,706,029)
Net Payments / (Receipts) related to AFT and Others	(18,366)	33,887
Net Payments / (Receipts) related to Financial Investments	(84,060,000)	52,230,908
Payments related to Acquisition of own shares	-	9,959,889
Capitalization of interest	18,719	45,119
Variation in charges for issuing loans	(2,777,392)	(2,904,973)
Effect of exchange rate differences	-	299
Payments / (Receipts) net of operating activity	(10,414,057)	15,681,051
Net Debt Variation	**(135,265,925)**	**57,696,479**
Closing Balance	**552,363,960**	**687,629,885**

The evolution of Semapa's remunerated debt, in the years ended as at 31 December 2017 and 2016, is as follows:

Amounts in Euro	31-12-2017	31-12-2016
Opening Balance	**687,674,071**	**629,964,531**
Receiving loans obtain	2,437,653,187	2,470,204,313
Loans reimbursement	(2,573,198,568)	(2,412,619,919)
Loans Flow	**(135,545,381)**	**57,584,394**
Capitalizing interest	18,719	45,315
Borrowing cost variation	268,023	79,831
Variation of interest-bearing debt	**(135,258,639)**	**57,709,540**
Closing Balance	**552,415,432**	**687,674,071**

22 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

As of 31 December 2017 and 2016, the amount of the liability reflected in the statement of financial position, in the caption Responsibilities for post-employment benefits, corresponds to the responsibility of Semapa affecting a single beneficiary, who did not adhere to the revocation of the pension plan of the managers of Semapa, which occurred in December 2012, and this liability amounted to Euro 1,239,645 (2016: Euro 1,232,653).

The Company's liabilities, for the year ended as at 31 December 2017 and 2016, were as follows:

Amounts in Euro	31-12-2017	31-12-2016
Liabilities at beginning of year	**1,232,653**	**1,296,605**
Year variations:		
Net Interest (Note 6)	23,431	58,228
Actuarials gains/ (losses)	105,741	-
Pensions paid in the year	(122,180)	(122,180)
Liabilities ate the end of year	**1,239,645**	**1,232,653**

The actuarial calculation considers the following financial and demographic assumptions:

	31-12-2017	31-12-2016
Mortality table	TV 88/90	TV 88/90
Disability table	EKV 80	EKV 80
Pension growth rate	1.00%	2.25%
Technical interest rate	2.00%	3.50%
Yield rates	2.00%	2.00%
Wage growth rate	1.00%	1.00%
Pension reversibility rate	50%	50%
Number of Semapa complement annual payments	12	12
Social Security Benefits Formula	Decree Law no. 187/2007 of May 10th	Decree Law no. 187/2007 of May 10th

As the end of 2017, Semapa revised the discount rate used to calculate its responsibility for pensions from 3.5% to 2%, used for the purposes of measuring liability at that date.

23 DEFERRED TAXES

In 2017, the changes in deferred taxes were as follows:

Amounts in Euro	01-01-2017	Income Statement	Transfers	31-12-2017
		Increases		
Temporary differences that give rise to deferred tax liabilities				
Reportable intra-group tax losses	(5,924,974)	3,015,860	-	(2,909,114)
Deferred tax liabilities	**(1,112,988)**	**502,075**	**(1)**	**(610,914)**

In 2016, the changes in deferred taxes were as follows:

Amounts in Euro	01-01-2016	Income Statement	31-12-2016
		Reductions	
Temporary differences that give rise to deferred tax liabilities			
Reportable intra-group tax losses	(4,674,914)	(625,030)	(5,299,944)
Deferred tax liabilities	**(981,732)**	**(131,256)**	**(1,112,988)**

In accordance with current accounting standards (Note 3.10), the Company records deferred tax assets on tax losses, whenever its future use is expected. As of 31 December 2017 and 2016, the amounts of tax loss carried forward available for future use, within the scope of the RETGS of Semapa, for which no deferred tax assets were recognized in these separate financial statements, amount to Euros 314,408,181 and Euros 476,335,337.

Deferred tax liabilities refer to amounts to be refunded to companies in the tax group, in the event that the tax losses calculated by these entities are recovered under the RETGS of Semapa.

24 PAYABLES AND OTHER CURRENT LIABILITIES

As of 31 December 2017 and 2016, the caption Payables and other currents liabilities is detailed as follows:

Amounts in Euro	31-12-2017	31-12-2016
Related Parties (Note 25)		
Accounts payable and other liabilities	20,232	13,878
Current account balances	1,961,079	3,390,163
RETGS operations balances	1,818,736	2,099,773
Other Accounts payable and other liabilities	58,508	58,156
Investment Suppliers	29,975	24,149
Consultants and Advisors	39,660	13,900
Other Creditors	-	5,925
Accrual Accounts Payable	7,363,634	6,971,757
	11,291,824	**12,577,701**

As of 31 December 2017 and 2016, the captions Accrued costs and Deferred income comprised:

Amounts in Euro	31-12-2017	31-12-2016
Payroll Costs	4,734,672	4,662,520
Interest Payable	2,300,853	2,044,442
Stamp Duty	19,418	14,321
Bank Services	251,628	219,897
Operating Expenses	57,063	30,307
Accrual Other Accounts Payable	-	270
	7,363,634	**6,971,757**

25 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

As of 31 December 2017, related parties receivables and balances are detailed as follows:

	Assets			Liabilities			
Amounts in Euro	RETGS Accounts Receivable (Note 16)	Loads to Subsidiaries (Note 16)	Other Accounts Receivable (Note 16)	Suppliers (Note 24)	Financing obtained (Note 21)	RETGS Accounts Payable (Note 24)	Other Accounts Payable (Note 24)
Shareholders							
Cimigest, SGPS, S.A.	-	-	2,763	3,242		-	-
Cimo - Gestão de Participações, SGPS, S.A.	-	-	105	-	4,433,589	-	-
Longapar, SGPS, S.A.	-	-	-	-	36,886	-	-
	-	-	2,868	3,242	4,470,475	-	-
Subsidiaries							
Abapor - Comércio e Indústria de Carnes, S.A.	18,715	-	628	-	-	-	-
About The Future - Empresa Produtora de Papel, S.A.	894,938	-	-	-	-	-	33
Aboutbalance, SGPS, S.A.	-	-	-	-	-	500	-
Allmicroalgae - Natural Products, S.A.	-	-	425	-	-	1,401	-
Aphelion, S.A.	-	-	-	-	49,574	-	-
Arboser - Serviços Agro-Industriais, S.A.	61,694	-	-	-	-	-	-
Argibetão - Soc. de Novos Prod. de Argila e Betão, S.A.	6,006	-	6,432	-	-	-	-
Atlantic Forests - Comércio de Madeiras, S.A.	337	-	-	-	-	-	-
Biological - Gestão de Resíduos Industriais, Lda.	5,555	-	-	-	-	-	-
Ciminpart - Investimentos e Participações, SGPS, S.A.	897,911	-	57,463	-	-	-	-
CMP - Cimentos Maceira e Pataias, S.A.	-	-	1,672,143	-	-	872,003	-
EMA21 - Eng. e Manutenção Industrial Século XXI, S.A.	-	-	-	-	-	7,351	-
Empremédia - Corretores de Seguros, S.A.	-	-	-	-	-	825	-
ETSA Investimentos, SGPS, S.A.	-	496,301	30,779	-	-	79,849	3,669
ETSA Log, S.A.	-	-	112	-	-	45,992	-
Headbox - Operação e Controlo Industrial, S.A.	-	-	-	-	-	12,149	-
Hewbol - SGPS, Lda.	-	-	-	-	-	13,403	107
ITS - Indústria Transformadora de Subprodutos, S.A.	41,874	-	209	-	-	-	-
Lusoinertes, S.A.	-	-	114,844	-	-	190,945	-
Navigator Added Value, S.A.	27,698	-	-	-	-	-	-
Navigator Floresta, SGPS, S.A.	-	-	-	-	-	500	-
Navigator Forest Portugal, S.A.	-	-	-	-	-	904	-
Navigator Lusa, Unipessoal, Lda.	4,712	-	-	-	-	-	-
Navigator Paper Figueira, S.A.	-	-	863,015	-	-	-	-
Navigator Paper Setúbal, S.A.	342,917	-	-	-	-	-	-
Navigator Pulp Cacia, S.A.	359,456	-	-	-	-	-	-
Navigator Pulp Figueira, S.A.	1,851,898	-	-	-	-	-	-
Navigator Pulp Holding, SGPS, S.A.	-	-	-	-	-	243,411	-
Navigator Pulp Setúbal, S.A.	-	-	-	-	-	484	-
Navigator Tissue Ródão, S.A.	-	-	-	-	-	26,520	-
Sebol - Comércio e Indústria de Sebo, S.A.	-	-	262	-	-	67,032	-
Secil - Britas, S.A.	101,058	-	21,358	-	-	-	-
Secil - Companhia Geral de Cal e Cimento, S.A.	203,806	-	358,303	-	-	-	-
Secil Brands - Marketing, Publicidade, Gestão e Desenvolv. de Marcas, Lda.	-	-	420	-	-	2,357	-
Secil Martingança - Aglomerantes e Novos Materiais para a Construção, S.A.	-	-	72,844	-	-	144,420	-
Seinpart - Participações, SGPS, S.A.	-	-	-	-	6,779	2,850	-
Semapa Inversiones, S.L.	-	-	-	-	101,346	-	-
Semapa Next (ex. Inspiredplace, S.A.)	-	-	40	-	35,597	2,850	-
Seminv, Investimentos - SGPS, S.A.	-	-	-	-	-	1,437	1,957,270
Serife - Soc. de Estudos e Realizações Industriais e de Fornec. de Equip., Lda.	-	-	425	-	-	2,850	-
Sociedade de Vinhos da Herdade de Espirra - Produção e Com. de Vinhos, S.A.	-	-	-	-	-	610	-
SPCG - Sociedade Portuguesa de Co-Geração Eléctrica, S.A.	-	-	-	-	-	35	-
The Navigator Company, S.A.	2,851,033	-	13,897	-	-	-	-
Unibetão - Indústrias de Betão Preparado, S.A.	-	-	54,230	-	-	95,208	-
Uniconcreto - Betão Pronto, S.A.	-	-	425	-	-	2,850	-
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	345,454	-	-	-	-	-	-
	8,015,760	496,301	3,268,254		193,296	1,818,736	1,961,079
Other Companies							
Cimilonga - Imobiliária, S.A.	-	-	-	3,999	-	-	-
Hotel Ritz, S.A.	-	-	-	12,487	-	-	-
Sociedade Agrícola da Herdade dos Fidalgos, Unipessoal, Lda.	-	-	-	504	-	-	-
Sonagi, SGPS, S.A.	-	-	74	-	-	-	-
	-	-	74	16,990	-	-	-
Total	8,015,760	496,301	3,271,196	20,232	4,663,771	1,818,736	1,961,079

As of December 31, 2017, the balances receivable and payable to the subsidiaries included in the tax group, related to RETGS operations, are as follows:

Amounts in Euro	31-12-2017 Debtor	Creditor
RETGS		
Subsidiaries Income Tax	2,535,223	(324,105)
Receivables on account of IRC	(1,244,777)	1,829,123
Withholding tax recoverable	(15,523)	20,171
IRC from Previous years	6,740,837	293,547
	8,015,760	**1,818,736**

As of 31 December 2016, the balances with related parties are detailed as follows:

	Assets			Liabilities			
Amounts in Euro	RETGS Accounts Receivable (Note 16)	Loads to Subsidiaries (Note 16)	Other Accounts Receivable (Note 16)	Suppliers (Note 24)	Financing obtained (Note 21)	RETGS Accounts Payable (Note 24)	Other Accounts Payable (Note 24)
Shareholders							
Cimigest, SGPS, S.A.	-	-	-	-	6,209,058	-	-
Cimo - Gestão de Participações, SGPS, S.A.	-	-	-	-	321,842	-	-
Longapar, SGPS, S.A.	-	-	-	-	73,064	-	-
OEM - Organização de Empresas, SGPS, S.A.	-	-	-	-	2,226,163	-	-
	-	-	-	-	**8,830,127**	-	-
Subsidiaries							
Abapor - Comércio e Indústria de Carnes, S.A.	177,550	660	145,095	-	-	-	-
About The Future - Empresa Produtora de Papel, S.A.	888,904	-	-	-	-	-	-
Aboutbalance, SGPS, S.A.	-	-	-	-	-	500	-
Allmicroalgae - Natural Products, S.A.	4,561	-	-	-	-	-	-
Arboser - Serviços Agro-Industriais, S.A.	78,515	-	-	-	-	-	-
Argibetão - Soc. de Novos Prod. de Argila e Betão, S.A.	27,771	-		-	-	-	-
Atlantic Forests - Comércio de Madeiras, S.A.	-	-	-	-	-	2,492	-
Biological - Gestão de Resíduos Industriais, Lda.	9,483	2	376	-	-	-	-
Britobetão - Central de Betão, Lda.	2,852	-	-	-	-	-	-
Cimentos Costa Verde - Comércio de Cimentos, S.A.	-	-	-	-	-	22,464	-
Ciminpart - Investimentos e Participações, SGPS, S.A.	769,610	-	-	-	-	-	-
CMP - Cimentos Maceira e Pataias, S.A.	-	452,053	-	-	-	741,869	401,723
EMA21 - Eng. e Manutenção Industrial Século XXI, S.A.	-	-	-	-	-	22,785	-
Empremédia - Corretores de Seguros, S.A.	-	-	-	-	-	3,429	-
ETSA Investimentos, SGPS, S.A.	105,323	46,922	3,246,301	-	-	-	47,638
ETSA Log, S.A.	90,121	117	25,793	-	-	-	-
Headbox - Operação e Controlo Industrial, S.A.	-	-	-	-	-	21,752	-
Hewbol - SGPS, Lda.	-	-	-	-	-	500	-
ITS - Indústria Transformadora de Subprodutos, S.A.	132,223	1,008	48,422	-	-	-	-
Lusoinertes, S.A.	56,952	-	-	-	-	-	-
Navigator Added Value, S.A.	43,489	-	-	-	-	-	-
Navigator Floresta, SGPS, S.A.	-	-	-	-	-	500	-
Navigator Forest Portugal, S.A.	-	-	-	-	-	2,349	-
Navigator Lusa, Unipessoal, Lda.	-	-	-	-	-	1,049	-
Navigator Paper Figueira, S.A.	-	909,160	-	-	-	268,153	981,957
Navigator Paper Setúbal, S.A.	342,681	-	-	-	-	-	-
Navigator Pulp Cacia, S.A.	359,113	-	-	-	-	-	-
Navigator Pulp Figueira, S.A.	1,843,789	-	-	-	-	-	-
Navigator Pulp Holding, SGPS, S.A.	-	-	-	-	-	500	-
Navigator Pulp Setúbal, S.A.	-	-	-	-	-	484	-
Navigator Tissue Cacia, S.A.	698	-	-	-	-	-	-
Navigator Tissue Ródão, S.A.	-	-	-	-	-	120,402	-
Portucel Florestal - Empresa de Desenvolvimento Agro-Florestal, S.A.	-	-	-	-	-	660	-
Sebol - Comércio e Indústria de Sebo, S.A.	-	275	60,492	-	-	17,488	-
Secil - Britas, S.A.	74,633	-	-	-	-	-	-
Secil - Companhia Geral de Cal e Cimento, S.A.	-	408	-	-	-	851,113	-
Secil Brands - Marketing, Publicidade, Gestão e Desenvolv. de Marcas, Lda.	-	-	-	-	-	1,536	-
Secil Martingança - Aglomerantes e Novos Materiais para a Construção, S.A.	-	-	-	-	-	8,934	-
Secil, Betões e Inertes, SGPS, S.A.	-	-	-	-	-	1,500	-
Seinpar Investments, BV	-	-	15,137	-	-	-	-
Seinpart - Participações, SGPS, S.A.	-	100	-	-	10,749	2,000	-
Semapa Inversiones, S.L.	-	-	-	-	118,798	-	-
Semapa Next (ex. Inspiredplace, S.A.)	-	100	-	-	41,888	2,011	-
Seminv, Investimentos - SGPS, S.A.	-	-	-	-	-	605	1,958,845
Serife - Soc. de Estudos e Realizações Industriais e de Fornec. de Equip., Lda.	-	-	-	-	-	2,000	-
Sociedade de Vinhos da Herdade de Espirra - Produção e Com. de Vinhos, S.A.	-	-	-	-	-	610	-
SPCG - Sociedade Portuguesa de Co-Geração Eléctrica, S.A.	-	-	-	-	-	35	-
The Navigator Company, S.A.	2,855,486	443	-	-	-	-	-
Unibetão - Indústrias de Betão Preparado, S.A.	219,695	-	-	-	-	-	-
Uniconcreto - Betão Pronto, S.A.	-	-	-	-	-	2,053	-
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	345,600	-	-	-	-	-	-
	8,429,049	**1,411,248**	**3,541,616**		**171,435**	**2,099,773**	**3,390,163**
Other Companies							
Cimilonga - Imobiliária, S.A.	-	-	-	2,413	-	-	-
Hotel Ritz, S.A.	-	-	-	8,430	-	-	-
Sociedade Agrícola da Herdade dos Fidalgos, Unipessoal, Lda.	-	-	-	3,035	-	-	-
YD Invisible, S.A.	-	-	-	-	-	-	-
	-	-	-	**13,878**	-	-	-
Total	**8,429,049**	**1,411,248**	**3,541,616**	**13,878**	**9,001,562**	**2,099,773**	**3,390,163**

As of 31 December 2016, the balances receivable and payable to the subsidiaries included in the tax group, related to RETGS operations, are as follows:

Amounts in Euro	31-12-2016 Debtor	Creditor
RETGS		
Subsidiaries Income Tax	350,014	(343,988)
Receivables on account of IRC	(62,890)	3,500
Withholding tax recoverable	(2,334)	11,956
IRC from Previous years	8,144,259	2,428,305
	8,429,049	**2,099,773**

As of December 31, 2017, transactions between related parties are as follow:

Amounts in Euro	Sales a and Services Rendered (Note 4)	Income	Interest and other income (Note 11)	Financing expenses (Note 11)	Purchase of goods and services
Shareholders					
Cimigest, SGPS, S.A.	-	15,596	-	(1,547)	(107,740)
Cimo - Gestão de Participações, SGPS, S.A.	-	-	-	(23,863)	-
Longapar, SGPS, S.A.	-	-	-	(1,095)	-
OEM - Organização de Empresas, SGPS, S.A.	-	-	-	(5,598)	-
Sodim, SGPS, S.A.	-	423	-	-	-
	-	**16,019**	-	**(32,103)**	**(107,740)**
Subsidiaries					
Abapor - Comércio e Indústria de Carnes, S.A.	-	-	2,553	-	-
Aphelion, S.A.	-	-	-	(574)	-
Biological - Gestão de Resíduos Industriais, Lda.	-	-	3	-	-
CMP - Cimentos Maceira e Pataias, S.A.	4,337,707	-	-	-	-
ETSA Investimentos, SGPS, S.A.	269,896	2,820	32,966	-	-
ETSA Log, S.A.	-	-	454	-	-
ITS - Indústria Transformadora de Subprodutos, S.A.	-	-	852	-	-
Navigator Paper Figueira, S.A.	8,429,492	2,721	-	-	-
Sebol - Comércio e Indústria de Sebo, S.A.	-	-	1,065	-	-
Secil - Companhia Geral de Cal e Cimento, S.A.	-	10,434	3,733	-	-
Seinpar Investments, B.V.	-	-	268	-	-
Seinpart - Participações, SGPS, S.A.	-	-	-	(30)	-
Semapa Inversiones, S.L.	-	-	-	(548)	-
Semapa Next, S.A. (ex. Inspiredplace, S.A.)	-	-	-	(709)	-
The Navigator Company, S.A.	-	13,429	-	-	-
	13,037,095	**29,404**	**41,894**	**(1,861)**	-
Other Companies					
Cimilonga - Imobiliária, S.A.	-	-	-	-	(758,065)
Hotel Ritz, S.A.	-	1,600	-	-	-
Refundos, SGFII, S.A.	-	420	-	-	-
Sonagi, SGPS, S.A.	-	4,327	-	-	-
	-	**6,347**	-	-	**(758,065)**
Total	**13,037,095**	**51,770**	**41,894**	**(33,964)**	**(865,805)**

As of 31 December 2016, transactions between related parties are as follow:

Amounts in Euro	Sales a and Services Rendered (Note 4)	Income	Interest and other income (Note 11)	Financing expenses (Note 11)	Purchase of goods and services
Shareholders					
Cimigest, SGPS, S.A.	-	-	-	(24,299)	(107,740)
Cimo - Gestão de Participações, SGPS, S.A.	-	-	-	(1,123)	-
Longapar, SGPS, S.A.	-	-	-	(29,736)	-
OEM - Organização de Empresas, SGPS, S.A.	-	-	-	(11,003)	-
Sodim, SGPS, S.A.	-	409	-	-	-
	-	**409**	**-**	**(66,161)**	**(107,740)**
Subsidiaries					
Abapor - Comércio e Indústria de Carnes, S.A.	-	-	2,434	-	-
Biological - Gestão de Resíduos Industriais, Lda.	-	-	7	-	-
Ciminpart - Investimentos e Participações, SGPS, S.A.	-	-	1,257,266	-	-
CMP - Cimentos Maceira e Pataias, S.A.	4,008,553	-	-	-	-
ETSA Investimentos, SGPS, S.A.	243,631	2,080	92,036	-	-
ETSA Log, S.A.	-	-	446	-	-
ITS - Indústria Transformadora de Subprodutos, S.A.	-	788	735	(3)	-
Navigator Paper Figueira, S.A.	7,912,761	12,564	-	-	-
Sebol - Comércio e Indústria de Sebo, S.A.	-	-	954	-	-
Secil - Companhia Geral de Cal e Cimento, S.A.	(134,172)	2,127	-	-	-
Seinpar Investments, B.V.	-	-	137	-	-
Seinpart - Participações, SGPS, S.A.	-	-	-	(196)	-
Semapa Inversiones, S.L.	-	-	-	(630)	-
Semapa Next, S.A. (ex. Inspiredplace, S.A.)	-	-	-	(794)	-
The Navigator Company, S.A.	-	3,223	-	-	-
	12,030,773	**20,782**	**1,354,015**	**(1,623)**	**-**
Other Companies					
Cimilonga - Imobiliária, S.A.	-	244	-	-	(749,721)
Hotel Ritz, S.A.	-	-	-	-	(34,918)
Sonagi, SGPS, S.A.	-	990	-	-	-
	-	**1,234**	**-**	**-**	**(784,639)**
Total	**12,030,773**	**22,425**	**1,354,015**	**(67,784)**	**(892,379)**

In previous years, lease agreements were signed between Semapa and Cimilonga — Imobiliária, SA, relating to the lease of several office floors in the building owned and operated by Semapa, SGPS, S.A., at Av. Fontes Pereira de Melo, no 14, in Lisbon.

As of 31 December 2017 and 2016, financing obtained from shareholders and subsidiaries refers to short-term treasury operations that bear interest at market rates, debited quarterly.

Salaries of the members of the governing bodies, including the management premium for the years ended as at 31 December 2017 and 2016, was as follows:

Amounts in Euro	2017	2016
Board of directors		
Remmunerations	2,735,458	2,683,313
Management Fees	3,157,816	2,857,681
Fiscal Council and other corporate bodies	73,000	67,334
Impact on results for the year (Note 6)	**5,966,274**	**5,608,328**

As of 31 December 2017 and 2016, there were no: i) any additional liabilities related to other long-term benefits; (ii) termination benefits; iii) share-based payments attributed or iv) any outstanding balances relating to members of the Board of Directors of Semapa.

All details of the remuneration policy of the members of the Board of Directors of Semapa are detailed in the Company's Corporate Governance Report, Part I — Section D.

26 AUDIT FEES

In 2016 and 2015, the amounts invoiced to the Group, related to statutory and other statutory audit services comprised:

Amounts in Euro	2017	%	2016	%
Legal audit and audit services	34,765	100%	43,765	95%
Other reliability assurance services	-	-	690	-
Tax Advisory Services Allowed	-	-	1,800	4%
Total	**34,765**	**100%**	**46,255**	**100%**

In 2016, tax consultancy services refer to the availability of the "Inforfisco" database, which is fully included in the transitional period expressed in article 3 of Law 140/2015. The services indicated as "other assurance services" relate to training.

The Board of Directors believes there are sufficient procedures to safeguard the independence of the auditors through the processes of analysis of the Audit Committee of the proposed works and their careful definition in hiring.

27 COMMITMENTS

As of 31 December 2017 and 2016, the commitments assumed by Semapa with operating leases are broken down as follows:

Amounts in Euro	31-12-2017	31-12-2016
Less than 1 year	177,440	161,106
1 to 2 years	141,013	134,573
2 to 3 years	88,345	98,146
3 to 4 years	44,710	41,676
4 to 5 years	11,759	6,270
Total Liabilities	**463,267**	**441,771**
Expenses incurred in the year *	**925,830**	**910,978**

** Includes expenses related to rents*

28 FINANCIAL ASSETS AND LIABILITIES

As of 31 December 2017 and 2016, the reconciliation of the Financial Position to all categories of financial assets and liabilities is broken down as follows:

31-12-2017 Amounts in Euro	Loans Granted and Accounts Receivable (Notes 16 e 17)	Financial Assets/Liabilities Fair value	Financial Liabilities at amotized cost (Notes 21 e 24)
Assets			
Other non-current financial assets	-	13,673	-
Other currents receivable accounts	11,940,776	-	-
Cash and Cash Equivalents	51,472	-	-
Total Assets	**11,992,248**	**13,673**	**-**
Liabilities			
Other non-current financial liabilities	-	-	530,251,661
Other current financial liabilities	-	-	22,163,771
Other currents payable accounts	-	-	11,291,824
Total Liabilities	**-**	**-**	**563,707,256**

31-12-2016 Amounts in Euro	Loans Granted and Accounts Receivable (Notes 16 e 17)	Financial Assets/Liabilities Fair value	Financial Liabilities at amotized cost (Notes 21 e 24)
Assets			
Other non-current financial assets	-	8,337	-
Other currents receivable accounts	13,596,164	-	-
Cash and Cash Equivalents	44,186	-	-
Total Assets	**13,640,350**	**8,337**	**-**
Liabilities			
Other non-current financial liabilities	-	-	639,291,053
Other current financial liabilities	-	-	48,383,018
Other currents payable accounts	-	-	12,577,701
Total Liabilities	**-**	**-**	**700,251,772**

29 SUBSEQUENT EVENTS

The sale of the pellet business held by the subsidiary The Navigator Company, S.A. was executed on 16 February 2018 and is subject to the verification of certain conditions precedent and regulatory authorizations, customary in this type of transaction.

30 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

CERTIFIED ACCOUNTANT

BOARD OF DIRECTORS

PRESIDENT:

PEDRO MENDONÇA DE QUEIROZ PEREIRA

MEMBERS:

JOÃO NUNO DE SOTTOMAYOR PINTO DE CASTELLO BRANCO

JOSÉ MIGUEL PEREIRA GENS PAREDES

PAULO MIGUEL GARCÊS VENTURA

RICARDO MIGUEL DOS SANTOS PACHECO PIRES

ANTÓNIO PEDRO DE CARVALHO VIANA-BAPTISTA

CARLOS EDUARDO COELHO ALVES

FRANCISCO JOSÉ MELO E CASTRO GUEDES

MANUEL CUSTÓDIO DE OLIVEIRA

VÍTOR MANUEL GALVÃO ROCHA NOVAIS GONÇALVES

VÍTOR PAULO PARANHOS PEREIRA

PART 7

STATUTORY AUDITOR CERTIFICATE AND REPORT OF THE AUDIT BOARD ON THE SEPARATE ACCOUNTS

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. (the Entity), which comprise the statement of financial position as at 31 December 2017 (which shows total assets of Euro 1,424,925,920 and total shareholders' equity of Euro 843,397,825 including a net profit of Euro 124,093,467), the statement of income by nature, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.

Key Audit Matter	*Summary of the Audit Approach*
Valuation of financial investments *Disclosures related to financial investments are presented in notes 3.2, 3.5, 3.6 and 10 to the financial statements.* In the current year, Semapa adopted, for the first time, the International Financial Reporting Standards (IFRS).The most significant impacts are related to the financial investments. As of 31 December 2017, the financial investments, including goodwill, recognized in the financial statements of Semapa amounts to Euro 1,412 million. Financial investments in entities on which Semapa has control or significant influence are initially recorded at their acquisition cost, subsequently adjusted by the application of the equity method, deducted from any accumulated impairment. The investments are reviewed for impairment, comparing the carrying amount with recoverable amount, whenever impairment triggers are identified. Given the amounts involved, together with the magnitude and nature of the procedures developed, the complexity of the valuation model and high level of judgement on the assumptions used by the Management in the impairment calculation, this issue was considered to be a relevant matter for the purposes of our audit.	The audit procedures we developed included, among others, obtaining and validating the Group's organizational structure. We have reviewed the documentation of the IFRS adoption, which have resulted in an equity decrease, as of 1 January 2016, of Euro 113 million. We have also obtained the calculation sheet of the valuation of financial investments recorded through the equity method, having proceeded at the verification of its mathematical accuracy, as well as, where applicable, the calculations embedded in the financial investments impairment tests. We analyzed both the application of the equity method, namely in what concerns to the appropriation of the net income/loss and of the changes in the equity of the Company's subsidiaries, in the proportion of the interest held by the Company, and the harmonization of accounting policies. When applicable, we evaluate the suitability of the impairment model used by the Management and related embedded calculations, assessed the reasonability of the used assumptions and reconciled the future cash flows with the business plan approved by the Group's Executive Board of Directors. Our Capital Markets specialists support us in the validation of the financial assumptions and methodology used in the annual impairment test. Additionally, when necessary, we challenged the Management as to the adequacy of the assumptions that have higher sensibility in the determination of the value in use, namely the revenue growth, EBITDA margin, discount rate and perpetuity growth rate. We have evaluated the discount rate and perpetuity growth rate, by using comparable and other information on the market.

Key Audit Matter	*Summary of the Audit Approach*
	We also verified the adequacy of the disclosures presented in the financial statements regarding the financial investments, based on the applicable accounting standards and what we considered relevant.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Entity's financial information.

Auditor's responsibilities for the audit of the financial statements

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

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

a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. by resolution of the board of the Shareholders' General Meeting of 8 August 2005 until the end of the current term of office, between 2003 and 2005. The aforementioned resolution was subsequently ratified at a Shareholders' General Meeting held on 23 April 2006 and we were appointed for a second term of office from 2006 to 2009, having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of 23 May 2014 for the period from 2014 to 2017.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board as of 18 April 2018.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Entity in conducting our audit.

18 April 2017

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Jorge Manuel Santos Costa, R.O.C.

SEMAPA - Sociedade de Investimento e Gestão, SGPS, S.A.

Report and Opinion of the Audit Board
Separate Accounts

Year 2017

Dear Shareholders,

1. As laid down by law, established in the articles of association and in carrying out the mandate entrusted to us, we hereby deliver our report on the audit activities carried out in 2017 and issue our opinion on the Management Report and the Separate Financial Statements submitted by the Board of Directors of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., for the year ended 31 December 2017.

2. During the year, we monitored the company's activity on a regularly basis, with the frequency and to the extent that we deemed appropriate, namely through regular meetings with the Company's Management and Directors. We oversaw the reviewing of the accounting records and the supporting documents, and the efficacy of the risk management, internal control and audit systems. We ensured compliance with the law and the Articles of Association. We did not run up against any obstacles in the exercise of our duties.

3. We met several times with the Statutory Auditor and the External Auditor, PricewaterhouseCoopers & Associados, SROC, Lda., to monitor the audits conducted and supervise their independence. We have analysed the legal Accounts Certificate and Audit Report, which merit our agreement.

4. The Audit Board analysed the proposals that were presented to it for non-audit services by the Statutory and External Auditor, having approved those that related with permitted services, did not affect the independence of the Statutory and External Auditor and fulfil the other legal requirements.

5. Within the scope of our competences, we find that:

   a) The Income Statement, the Financial Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement and its Notes give a true and fair view of the financial position of the company, in respect of its results, comprehensive income, changes in equity and cash flow;

   b) The accounting policies and valuation criteria applied are in conformity with the International Financial Reporting Standards (IFRS), as adopted in the European Union, and ensure that a true and fair assessment of the company's assets and results is given, and the findings and recommendations of the external auditor have been followed through;

   c) The Management Report clearly shows the development of the business and the situation of the company, highlighting key aspects of the activity;

   d) The Corporate Governance Report covers all of the points required under the terms of Article 245 A of the Securities Code.

6. We are of the opinion that the allocation of profits as proposed by the Board of Directors does not run counter to the applicable legal or statutory provisions.

7. Consequently, taking into account the information delivered by the company's Board of Directors and Departments, and the conclusions of the legal Accounts Certificate and Audit Report, we are of the opinion that:

   a) The Management Report should be approved;

   b) The separate Financial Statements should be approved;

   c) The allocation of results as proposed by the Board of Directors should be approved.

8. Finally, the members of the Audit Board are grateful to the Board of Directors, the key supervisors and other company staff, as well as to the statutory auditor PricewaterhouseCoopers & Associados, SROC, Lda. for their collaboration.

Lisbon, 20 April 2018

The Chairman of the Audit Board

Miguel Camargo de Sousa Eiró

Member of the Audit Board,

Gonçalo Nuno Palha Gaio Picão Caldeira

Member of the Audit Board,

José Manuel Oliveira Vitorino