



*Half-yearly Accounts*

*1st Half 2014*

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## PART 1

### MANAGEMENT REPORT

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## *1. Main Developments*

- In April 2014, Semapa SGPS issued bonds with a total value of 150 million euros, maturing in 2019. The bonds were issued through a public offering, and the initial value of the issue was increased by 50% during the subscription period, in view of the strong demand from investors. The interest on these bonds corresponds to the Euribor 6M rate plus a spread of 3.25% per annum.
- Portucel paid dividends and distributed reserves totalling 200.8 million euros, corresponding to 0.28 euros / share.
- Semapa SGPS distributed dividends with a total value of 37.5 million euros, corresponding to 0.332 euros / share.

## 2. Overview of Semapa Group Operations

Comparison of leading business indicators with the same period in 2013:

Turnover: 976.9 million euros  0.1%

Total exports and foreign sales: 789.1 million euros – 80.8% of turnover

Total EBITDA: 196.9 million euros  2.4%

EBIT: 121.0 million euros  1.9%

Net income: 47.8 million euros  21.8%

Net debt: 1,238.9 million euros  46.4 million euros (from December 2013)

The indicators presented for the 1<sup>st</sup> half of 2013 and at 31 December 2013 have been restated insofar that, as from 1 January 2014, as a result of IFRS 11 taking effect, the Supremo Group is no longer consolidated on a proportional basis, and is now included in the accounts using the equity method.

## Business Indicators

IFRS - accrued amounts (million euros)	1H 2014	Restated 1H 2013	Var.	Reported 1H 2013
<b>Turnover</b>	<b>976,9</b>	<b>975,7</b>	<b>0,1%</b>	<b>989,8</b>
Other income	18,6	17,3	7,4%	18,1
Costs and losses	(798,6)	(791,3)	-0,9%	(805,6)
<b>Total EBITDA</b>	<b>196,9</b>	<b>201,7</b>	<b>-2,4%</b>	<b>202,3</b>
Recurrent EBITDA	196,5	201,2	-2,3%	201,8
Depreciation and impairment losses	(81,1)	(82,6)	1,8%	(83,3)
Provisions (increases and reversals)	5,3	(0,3)	N/D	0,3
<b>EBIT</b>	<b>121,0</b>	<b>118,8</b>	<b>1,9%</b>	<b>119,3</b>
Net financial profit	(55,3)	(40,7)	-35,8%	(41,5)
<b>Pre-tax profit</b>	<b>65,8</b>	<b>78,1</b>	<b>-15,7%</b>	<b>77,8</b>
Tax on profits	2,2	(18,4)	112,0%	(18,3)
Retained profits for the period	68,0	59,7	13,9%	59,5
<b>Attributable to Semapa equity holders</b>	<b>47,8</b>	<b>39,3</b>	<b>21,8%</b>	<b>39,3</b>
Attributable to non-controlling interests	20,1	20,4	-1,3%	20,3
Cash-flow	143,8	142,6	0,9%	142,5
<b>EBITDA margin (% Sales)</b>	<b>20,2%</b>	<b>20,7%</b>	<b>-0,5 p.p.</b>	<b>20,4%</b>
<b>EBIT margin (% Sales)</b>	<b>12,4%</b>	<b>12,2%</b>	<b>0,2 p.p.</b>	<b>12,1%</b>
	<b>30-06-2014</b>	<b>Restated 31-12-2013</b>	<b>Jun14 vs. Dec13</b>	<b>Reported 31-12-2013</b>
Equity (before NCI)	886,8	880,7	0,7%	801,9
<b>Net debt</b>	<b>1.238,9</b>	<b>1.285,3</b>	<b>-3,6%</b>	<b>1.420,8</b>

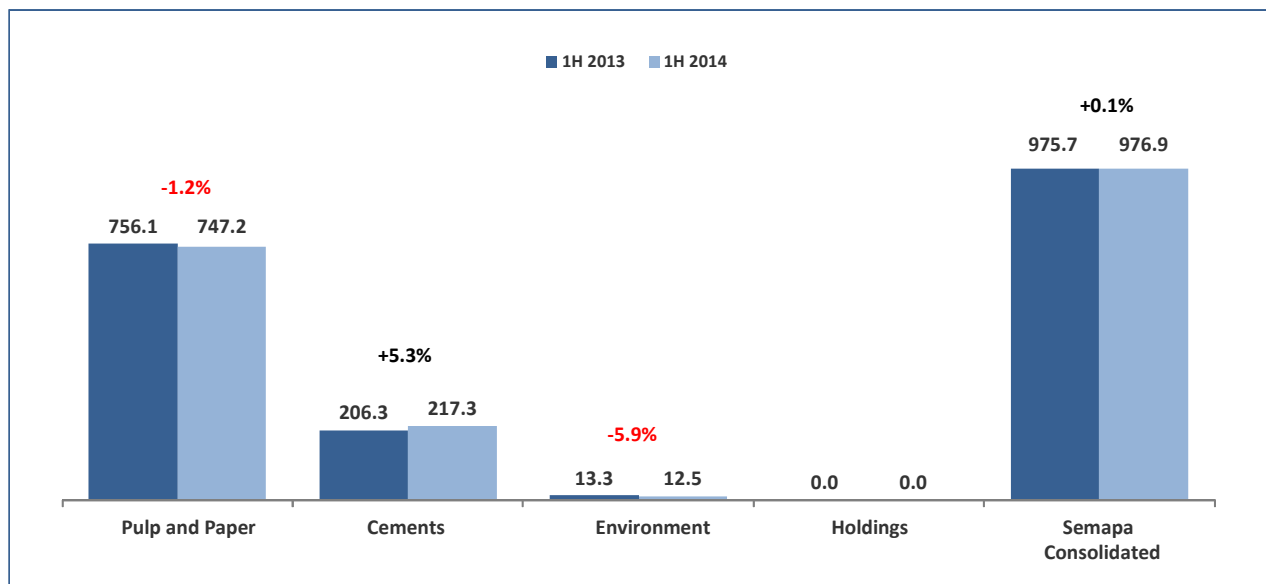
### Notes:

- Total EBITDA = operating profit + depreciation and impairment losses + provisions (increase and reversal)
- Cash flow = retained earnings + depreciation and impairment losses + provisions (increase and reversal)
- Net debt = non-current interest bearing debt (net of loan issue charges) + current interest-bearing debt (including debts to shareholders) – cash and cash equivalents – market value of own shares in Semapa and Portucel and other securities held (Financial assets at fair value through profit or loss and Available-for-sale assets)

Under the new IFRS 11 rules, the Group now uses the equity method for including its holdings in jointly controlled entities in its consolidated accounts. The 2013 figures used for comparison have therefore been restated for ease of comparability. As a result of this change, the Group's holdings in Supremo and Secil UNICOM, previously consolidated on a proportional basis, are now included in the consolidated financial statements using the equity method.

**Consolidated Turnover: 976.9 million euros** ↑ 0.1%

#### Evolution and Breakdown by Business Area



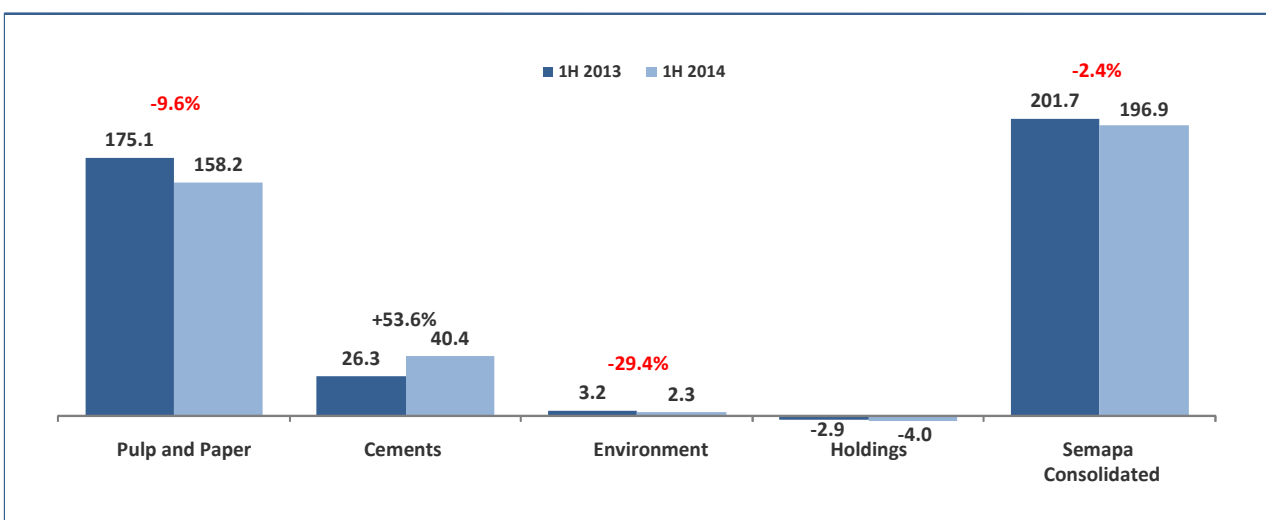
Figures in million euros

Consolidated turnover held steady in relation to the same period in 2013, with the following breakdown by business area:

- Paper and Pulp: 747.2 million euros, down by 1.2% in relation to the first 6 months of 2013.
- Cement and Derivatives: 217.3 million euros, up by 5.3% in relation to the same period in the previous year.
- Environment: 12.5 million euros, down by 5.9% on the same period in the previous year.

**Total Consolidated EBITDA: 196.9 million euros** ↓ 2.4%

#### Evolution and Breakdown by Business Area



Figures in million euros



Total EBITDA for the 1<sup>st</sup> half of 2014 fell by 2.4% in relation to the 1<sup>st</sup> half of the previous year, standing at 196.9 million euros. The consolidated EBITDA margin stood at 20.2%, 0.5 p.p. lower than in the same period in 2013.

**Financial Results: -55.3 million euros ↓ 35.8%**

The Group recorded a financial loss for the 1<sup>st</sup> half of 2014 of 55.3 million euros, worsening by 14.6 million euros from the figure recorded in the same period in the previous year. This was caused essentially by an increase in average gross indebtedness and the respective financial charges, combined with a drop in interest income on the Group's cash surpluses.

**Consolidated Net Income: 47.8 million euros ↑ 21.8%**

Accrued consolidated net income for the 1<sup>st</sup> half of 2014 totalled 47.8 million euros, representing an increase of 21.8% in relation to the same period in the previous year.

**Consolidated Net Debt: 1,238.9 million euros ↓ 46.4 million euros**

At 30 June 2014, consolidated net debt stood at 1,238.9 million euros, representing a reduction of 46.4 million euros from the figure recorded at year-end 2013.

**Changes in Board of Directors and Executive Board**

During the 1<sup>st</sup> quarter of 2014, Dr. José Alfredo de Almeida Honório stepped down as member of the Board of Directors and the Executive Board of Semapa, resigning at the same time from his position as (i) Director and Chairman of the Executive Board at Portucel, (ii) Director of Secil and (iii) Director of Semapa's instrumental subsidiaries, thereby ceasing to hold any office in the Semapa Group.

### 3. Paper and Paper Pulp Business Area - PORTUCEL

#### 3.1. LEADING BUSINESS INDICATORS

IFRS - accrued amounts (million euros)	1H 2014	1H 2013	Var.
<b>Sales</b>	<b>747.2</b>	<b>756.1</b>	<b>-1.2%</b>
Other income	3.0	8.5	-64.3%
Costs and losses	(592.0)	(589.5)	-0.4%
<b>EBITDA</b>	<b>158.2</b>	<b>175.1</b>	<b>-9.6%</b>
Recurrent EBITDA	158.1	174.9	-9.6%
Depreciation and impairment losses	(59.6)	(58.2)	-2.4%
Provisions (increases and reversals)	6.0	0.2	N/D
<b>EBIT</b>	<b>104.6</b>	<b>117.1</b>	<b>-10.7%</b>
Net financial profit	(16.1)	(7.8)	-106.4%
<b>Pre-tax profit</b>	<b>88.6</b>	<b>109.3</b>	<b>-19.0%</b>
Tax on profits	(3.4)	(16.9)	80.1%
Retained profits for the period	85.2	92.4	-7.8%
<b>Attributable to Portucel equity holders *</b>	<b>85.2</b>	<b>92.4</b>	<b>-7.8%</b>
Attributable to non-controlling interests (NCI)	0.0	0.0	-24.4%
<b>Cash-Flow</b>	<b>138.8</b>	<b>150.4</b>	<b>-7.7%</b>
<b>EBITDA margin (%)</b>	<b>21.2%</b>	<b>23.2%</b>	<b>-2.0 p.p.</b>
<b>EBT margin (%)</b>	<b>14.0%</b>	<b>15.5%</b>	<b>-1.5 p.p.</b>
	<b>30-06-2014</b>	<b>31-12-2013</b>	<b>Jun14 vs. Dec13</b>
Equity (before NCI)	1,210.6	1,327.8	-8.8%
<b>Net debt</b>	<b>218.7</b>	<b>162.6</b>	<b>34.4%</b>

\* Of which 80.84% is attributable to Semapa in 2013 and 81.18% in 2014

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

## 3.2. PORTUCEL GROUP – OVERVIEW OF OPERATIONS

The Portucel Group recorded total turnover for the 1<sup>st</sup> half of 2014 of 747.2 million euros, down by 1.2% on the 1<sup>st</sup> half of 2013. This reflected essentially the drop in pulp and paper prices, as well as in the average sales price for electricity.

In UWF (uncoated woodfree) **paper** business, despite growth of 0.7% in the Portucel Group's sales volume, lower prices held down the value of paper sales, which fell by approximately 1%. Nonetheless, although the average market price was lower than in the 1<sup>st</sup> half of 2013, with the A4 B-copy index down by 2.8%, the Group recorded a reduction of only 1.6% in its average sales price, due to price rises implemented from April onwards and improvement of its product mix.

As expected, the 1<sup>st</sup> half proved to be difficult for the **pulp** sector, with new production capacity coming online, in a market where supply already exceeds demand. Although the impact was less severe than initially feared, the benchmark price, Pix BHKP, in euros, slumped by 9.1%. In this adverse market environment, the Portucel Group succeeded in maintaining its sales volume at the same level as in the 1<sup>st</sup> quarter of 2013, despite recording a drop in the value of its pulp sales.

In **power generation**, output was up by 1.4% from the 1<sup>st</sup> half of 2013, totalling 1,170 Gwh for the first six months of 2014. Sales progressed in line with output, standing at 1,068 Gwh. However, the sales price fell by around 3%, due essentially to the reduction in the ALBm index (mean Arabian Light Breakeven), and this held down turnover from power sales, which stood at 114 million euros, as compared to 116 million euros in the 1<sup>st</sup> half of 2013.

EBITDA stood at 158.2 million euros, down by 9.6% on the same period in 2013. This was due essentially to the drop in turnover described above and to rising timber costs over the first half, due fundamentally to the extremely rainy weather over the period, which hampered forestry operations. It should be noted that the Portucel Group recorded an improvement in personnel expenditure (due fundamentally to adjustment of the estimate for holiday pay and allowances), as well as lower costs for chemicals and logistical operations involved in exporting pulp and paper. Lower power prices were also reflected in the price paid for electricity purchased, resulting in an overall positive balance on these operations.

The EBITDA margin stood at 21.2% for the first 6 months of 2014.

Operating income stood at 104.6 million euros, as compared with the figure of 117.1 million euros recorded in the 1<sup>st</sup> half of 2013.

The Portucel Group recorded a financial loss of 16.1 million euros, worsening by 8.3 million euros in relation to the same period in the previous year. This was caused essentially by debt refinancing operations carried out in 2013, which resulted in an increase in gross debt and the respective financial cost, and by a sharp reduction across the board in the interest earned on the Portucel Group's surplus liquidity.

Net income stood at 85.2 million euros, down by 7.8% on the 1<sup>st</sup> half of 2013.

### 3.3. BUSINESS REVIEW

#### 3.3.1. Market Analysis

The stability in the eucalyptus **pulp** market observed over the 1<sup>st</sup> quarter of 2014 gave way to worsening conditions in the 2<sup>nd</sup> quarter, caused by new capacity coming online as a result of recent large-scale capital projects in South America.

This gradually pushed down market prices over the period, with the quarterly average for the benchmark PIX index for Europe standing at USD 751, as compared to USD 768 in the 1<sup>st</sup> quarter, and USD 814 in the 2<sup>nd</sup> quarter of 2013. As a result of USD/euros exchange rate trends, the drop in prices was also reflected in the price in euros, with the PIX index dropping USD 27.4, as compared to EUR 18.9 over the 1<sup>st</sup> half of 2014.

The Chinese market, which remains the principal driver of demand, kept a degree of growth in its pulp imports. According to figures from PPPC W-100, this growth stood at 2.5% (from the start of the year through to May) and has contributed decisively to maintaining a balance in the eucalyptus pulp market, compensating for other markets where performance has been poorer.

As reported above, the Portucel Group's BEKP sales in the 1<sup>st</sup> half of 2014 were slightly higher than in the same period in 2013. Approximately 60% of the pulp sold by the Portucel Group went to segments where quality standards and returns are higher (décor and speciality papers), reflecting the distinctive quality of the product and the sales stance adopted by the Group.

The upturn in demand for **uncoated woodfree paper** in Europe, first observed in the final quarter of 2013, was confirmed in the 1<sup>st</sup> half of 2014, with estimated year-on-year growth of 1%. This growing demand was met by European manufacturers, more than offsetting the reduction in imports. Special attention should be drawn to the performance of UWF printing paper, where the sales volume was up after several years of declining figures.

The European industry recorded a capacity utilization rate of approximately 93%, one percentage point up from the same period in 2013. For the entire 1<sup>st</sup> half, and in the 2<sup>nd</sup> quarter in particular, order books for UWF manufacturers comfortably outperformed both the levels recorded in 2013 and the long term historical average, reaching the highest levels since the 1<sup>st</sup> quarter of 2012, only comparable in recent history with the boom years of 2007 and 2010.

In this context, the leading price index for UWF in Europe (PIX Copy b) started to recover, gaining 1.4% from the low point for the year, at the end of the 1<sup>st</sup> quarter, through to end of the 1<sup>st</sup> half.

In the US, the sharp reduction in local UWF production capacity, although partially absorbed by the drop in demand and rising imports, paved the way for an increase in market prices, and the leading benchmark index for the sector (Risi 20lb cut-size, 92 bright) was up by 1% from January to June 2014.

In this context, the Portucel Group dispatched record quantities of paper from its mills for a 1<sup>st</sup> half, sustained by year-on-year growth of 5% in the sales volume in European markets. Accounting for 71% of total paper sales, Europe remains the main destination for the Portucel Group's sales, although efforts continued to expand sales to other geographical regions, resulting in increased penetration in other global regions.

Strengthening its position as the leading European UWF manufacturer, premium products have continued to account for around 60% of the Portucel Group's sales, both in Europe and globally. The Portucel Group's own brands again recorded growth of 2% worldwide, and 5% in Europe. Navigator achieved growth of 3% around the world and 6% in Europe, once again with levels of growth, penetration and brand recognition unrivalled in the industry.

### 3.3.2. Capital Expenditure

The integrated forestry, cellulose pulp and energy project that the Portucel Group has been developing in Mozambique has continued to make progress and is embarking on a phase of rapid expansion of forestry operations.

To support the development of its forestry project, construction work is under way, in Zambézia province, on the Portucel Group's first large scale nursery facility in Mozambique, designed to meet the highest international standards, in order to produce the plants selected during the trials conducted over recent years.

The preliminary Environmental and Social Impact Assessment reports have been completed, and will be followed up by the public consultation process and formal approval.

The sustainability of the forestry operations will be assured by planning and developing projects to include local communities, implementing the respective investments and helping to grow the business fabric associated with the project. To this end, Portucel Moçambique is working closely with IFC (International Finance Corporation), a World Bank institution, with which it signed a cooperation agreement in October 2013.

In this context of inclusive development, the Portucel Group has in this farming season already created 300 hectares of demonstration fields with crops essential for food security and generating income, such as corn, soya and beans.

The Group is also working on a project to expand the capacity of its pulp mill in Cacia, and has concluded an investment contract with the Portuguese Investment and Trade Agency (AICEP), envisaging total investment of 56.3 million euros. AICEP has approved a set of financial and fiscal incentives, including a repayable financial incentive of 11.3 million euros and a fiscal incentive of 6.8 million euros. The contract includes a completion premium, corresponding to conversion of up to 75% of the repayable incentive into a non-repayable grant, in line with attainment of the contractual objectives. The Portucel Group expects the project to be implemented at the end of the 1<sup>st</sup> half of 2015.

## 4. Cement and Derivatives Business Area – SECIL

As reported above, the Semapa Group has switched to consolidating its holding in the Supremo Group and in Secil UNICOM by using the equity method. Consequently, as from 1 January 2014, the Cement segment now includes only 100% of the Secil Group's operations, in contrast to previous periods when this segment encompassed 100% of the operations of the Secil and Supremo Groups.

The leading business indicators for the Supremo Group are presented separately in this chapter, despite the Group not being included in the Cement segment.

### 4.1. LEADING BUSINESS INDICATORS

IFRS - accrued amounts (million euros)	1H 2014	1H 2013	Var.
<b>Sales</b>	<b>217.3</b>	<b>206.3</b>	<b>5.3%</b>
Other income	14.7	8.2	79.6%
Costs and losses	(191.6)	(188.3)	-1.8%
<b>EBITDA</b>	<b>40.4</b>	<b>26.3</b>	<b>53.6%</b>
Recurrent EBITDA	40.1	25.7	56.2%
Depreciation and impairment losses	(20.1)	(22.9)	12.0%
Provisions (increases and reversals)	(0.7)	(0.8)	6.8%
<b>EBIT</b>	<b>19.5</b>	<b>2.7</b>	<b>636.6%</b>
Net financial profit	(7.8)	(9.0)	13.3%
<b>Pre-tax profit</b>	<b>11.8</b>	<b>(6.3)</b>	<b>286.0%</b>
Tax on profits	(1.1)	(1.3)	13.4%
Retained profits for the period	10.7	(7.6)	240.2%
<b>Attributable to Secil equity holders</b>	<b>6.6</b>	<b>(10.3)</b>	<b>163.8%</b>
Attributable to non-controlling interests (NCI)	4.1	2.7	53.1%
<b>Cash-flow</b>	<b>31.5</b>	<b>16.1</b>	<b>96.4%</b>
<b>EBITDA Margin (%)</b>	<b>18.6%</b>	<b>12.7%</b>	<b>5.8 p.p.</b>
<b>EBIT Margin (%)</b>	<b>9.0%</b>	<b>1.3%</b>	<b>7.7 p.p.</b>
	<b>30-06-2014</b>	<b>31-12-2013</b>	<b>Jun14 vs. Dec13</b>
Equity (before NCI)	488.6	480.8	1.6%
<b>Net debt</b>	<b>194.1</b>	<b>224.9</b>	<b>-13.7%</b>

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

## 4.2. SECIL GROUP – OVERVIEW OF OPERATIONS

In Portugal, which is the Secil Group's prime market, figures published by FEPICOP (Portuguese Construction and Public Works Industry Federation) show that the recovery in the construction sector is still slow, although trends were less unfavourable than in previous periods. Planning permission for new homes and refurbishments remains in decline (falling 14% and 3.7% respectively in the first 4 months of 2014), but there was an upturn for non-residential construction and civil engineering works (up by 26% and 61.3% respectively).

Demand for cement has accompanied construction industry trends, and has continued to fall. According to the latest figures available, cement consumption was down by 5.9% in the first six months of the year, although this represents a slower decline than in previous years.

In this harsh environment, turnover in the cement business area totalled 217.3 million euros in the 1<sup>st</sup> half of 2014, up by 5.3% on the figure recorded in the same period in the previous year. This growth was mostly due to the successful performance of cement and clinker export operations from Portugal, where turnover grew by 20.6% in relation to the 1<sup>st</sup> half of 2013, and of the Tunisian cement business unit, which recorded growth of 10.8% in relation to the same period in the previous year.

EBITDA in cement business stood at 40.4 million euros, up by 53.6% over the 1<sup>st</sup> half of 2013. This figure includes the sum of 1.5 million euros obtained from the sale of surplus CO<sub>2</sub> licenses during the 1<sup>st</sup> half of 2014, in contrast with the same period in the previous year, when no CO<sub>2</sub> licenses were sold.

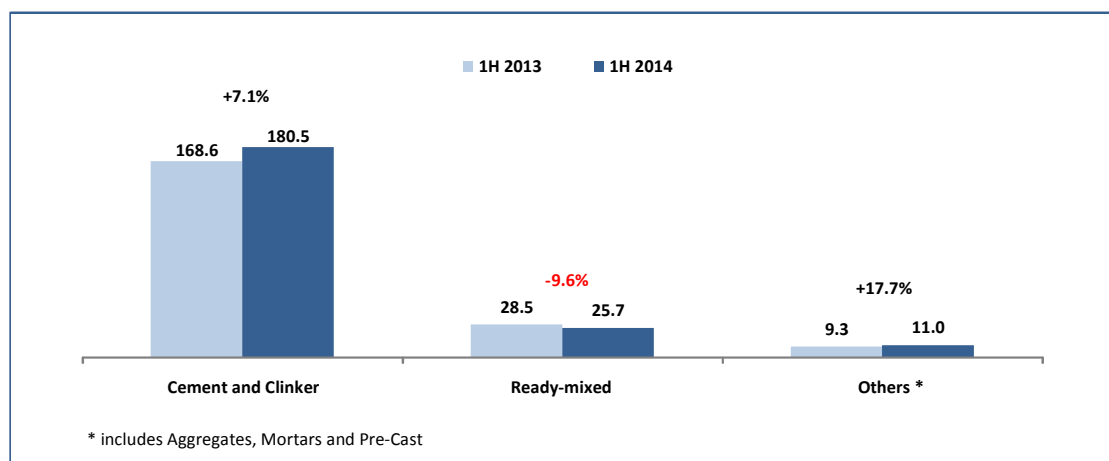
The EBITDA margin stood at 18.6% for the period, 5.8 p.p. up from the margin recorded in the same period in the previous year.

Operating income stood at 19.5 million euros, as compared with 2.7 million euros recorded in the same period in 2013.

This business area recorded profits of 6.6 million euros in the period, as compared to a loss of 10.3 million euros in the 1<sup>st</sup> half of 2013.

## 4.3. BUSINESS REVIEW

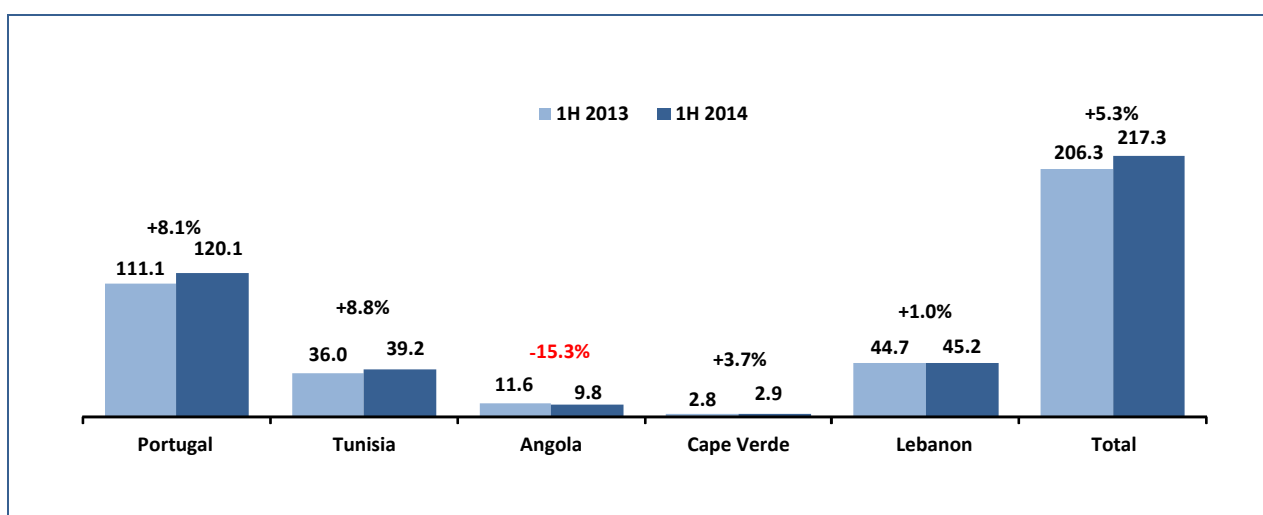
### Turnover by Segment



Figures in million euros

Turnover in the cement and clinker segment grew by 7.1% in relation to the 1<sup>st</sup> half of 2013, driven by increased export business from Portugal and growth in cement operations in Tunisia. The Cement and Clinker segment represented a larger relative share of total operations carried on by the cement business unit (83.1% in the first 6 months of 2014, as compared to 81.7% in the same period in 2013).

### Turnover by Geography

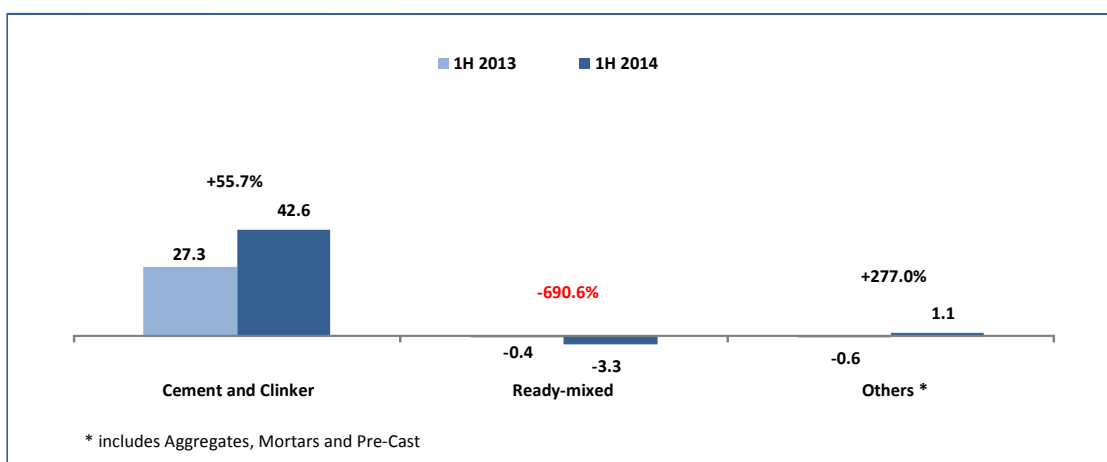


Figures in million euros

Turnover from total operations outside Portugal and from exports by Portugal-based operations represented a larger share of the total: 67.5% as against 66.0% in the 1<sup>st</sup> half of 2013.



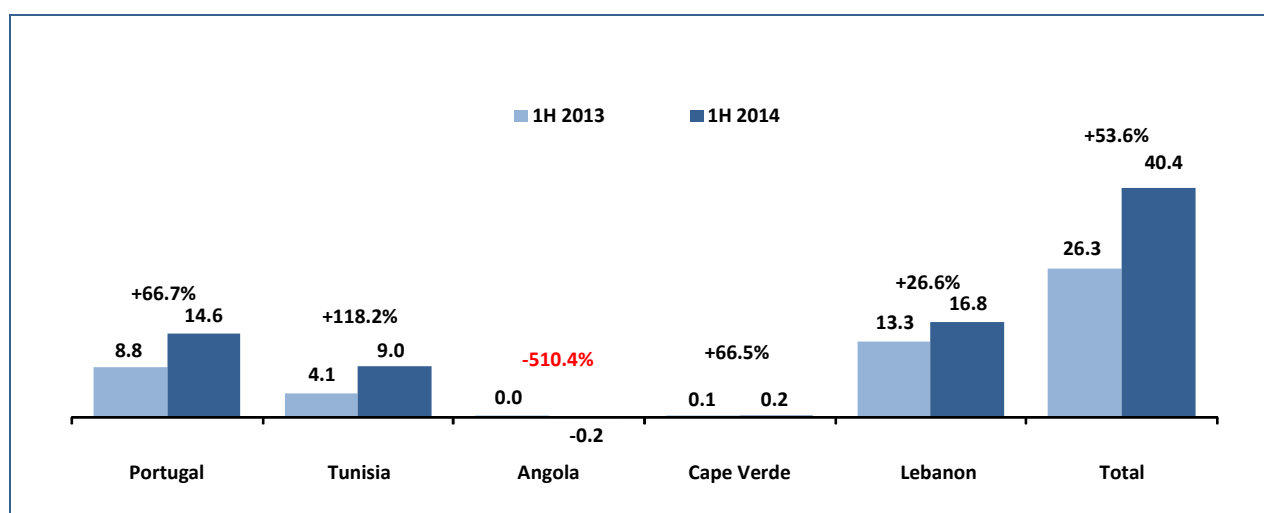
### EBITDA by Segment



Figures in million euros

In the 1<sup>st</sup> half of 2014, EBITDA from the Cement and Clinker segment was up by 55.7% on the same period in the previous year, standing at 42.6 million euros.

### EBITDA by Geography



Figures in million euros

In terms of geographical breakdown, EBITDA from operations outside Portugal accounted for approximately 63.9% of the cement segment's total EBITDA, as compared to the figure of 66.7% recorded in the 1<sup>st</sup> half of 2013.

#### 4.3.1. Portugal

Despite this unpromising environment for the Secil Group's business, turnover from overall operations in Portugal in the 1<sup>st</sup> half of 2014 was up by 8.1% on the same period in the previous year, at approximately 120.1 million euros.

The cement business unit in Portugal recorded turnover of 91.2 million euros, representing growth of 11.0% over the figures for the 1<sup>st</sup> half of 2013, due to strong performance in export business (included in total operations in Portugal),

which recorded an increase in turnover of 20.6% and accounted for 68.2% of the total sales volume. On the domestic market, turnover rose by 1.9% and the sales volume was down by 1.5% in relation to the same period in the previous year.

In the other business segments with operations based in Portugal (concrete, aggregates, mortars, pre-cast and others), turnover in the 1<sup>st</sup> half of 2014 stood at approximately 28.9 million euros, down by just 0.3% in relation to the same period in the previous year. However, there was significant growth in turnover from aggregates and pre-cast business (up by 41.3% and 51.0% respectively) which offset the drop recorded in the concrete segment (-8.8%).

EBITDA for total operations was up, year-on-year, by 66.7%, at 14.6 million euros.

The cement business unit in Portugal recorded EBITDA of 17.5 million euros, 62.8% higher than the figure for the 1<sup>st</sup> half of 2013. This increase was due in part to offloading surplus CO<sub>2</sub> licenses during the 1<sup>st</sup> half of 2014, sold for 1.5 million euros, as already mentioned.

Attention should be drawn to the reduction in operating costs, including personnel costs, achieved through the process of reorganization and streamlining of operations initiated in 2012. This, combined with successful exports, has made it possible to cushion the impact of dwindling business on the domestic market.

Positive results have also been achieved in the energy efficiency projects implemented, making it possible to reduce variable power and fuel costs per ton of clinker output, in comparison with the same period in the previous year.

The aggregates, mortars and pre-cast business units performed significantly better than in the 1<sup>st</sup> half of 2013, due to (i) operational streamlining, (ii) growth in export business, in the case of mortars and pre-cast concrete, and (iii) promotion of products with increased value added, in the case of aggregates and mortars.

The ready-mixed business unit recorded negative EBITDA of 4.0 million euros (as compared to 1.3 million negative euros in the 1<sup>st</sup> half of 2013), as the direct result of the depression in the construction market. The measures taken to restructure operations so far have not been sufficient to turn this situation around.

### 4.3.2. Tunisia

In Tunisia, the economy remains fragile and growth has been insufficient to bring unemployment down from its current high level; the country continues to experience the fall-out from the revolution, resulting in political and social unrest. Despite this unpromising environment, cement consumption increased by 7.7% for the country as a whole during the 1<sup>st</sup> half of 2014.

Turnover for combined operations in Tunisia in the 1<sup>st</sup> half of 2014 stood at approximately 39.2 million euros, up by 8.8% on a year-on-year basis.

The cement business unit recorded turnover of approximately 35.3 million euros, up by 10.8% on the figure for the 1<sup>st</sup> half of 2013, thanks to sales in the domestic market and abroad.

Sales prices were deregulated in the local market in early January, with a highly positive impact on this unit's turnover. Average sales prices rose by approximately 21.7%, offsetting the drop of 4.1% in sales quantities, caused by the social and industrial unrest which made it difficult to operate the mill during more than a fortnight in the 1<sup>st</sup> quarter of the year.

The closure of the border with Libya over several periods held down sales to foreign markets during the 1<sup>st</sup> quarter, especially during March. However, for the 1<sup>st</sup> half of 2014 as a whole, exports grew strongly, resulting in an increase in turnover of 43% in relation to the same period in 2013.

The falling value of the Tunisian dinar also brought down the unit's turnover by around 2 million euros.

Combined turnover for the ready-mixed and pre-cast business units stood at 3.9 million euros, down by 6.4% on the figures recorded in the first 6 months of 2013.

EBITDA from operations in the 1<sup>st</sup> half of 2014 stood at 9.0 million euros, up by 118.2% on the same period in the previous year.

In the 1<sup>st</sup> half of 2014, the cement unit recorded EBITDA of 8.7 million euros, 142.7% higher than recorded in the same period of the previous year. This growth was due to the increase in turnover described above, combined with improved performance in production.

Production costs in the first half of 2013 had also been badly hit by external purchases of clinker at higher prices, due to stoppages in the two kilns for substitution of the coolers.

In 2014, clinker output has grown and external purchases have fallen significantly, whilst increases have been recorded in both average daily output and in the utilization factor for the kilns. The capital projects implemented in 2013 have also resulted in gains in energy efficiency, with an improvement in indicators for power and thermal energy consumption in comparison with the same period in the previous year.

Performance by the ready-mixed and pre-cast units was poorer than in the first 6 months of 2013, with EBITDA standing at 0.4 million euros, down from 0.6 million euros in the 1<sup>st</sup> half of 2013.

### 4.3.3. Lebanon

In Lebanon, the economy has been hit by the negative effects of the current situation in the Middle East, and in Syria in particular, exacerbating the economic imbalances in the region. Cement consumption is expected to hold steady at the previous year's levels.

Turnover on combined operations in Lebanon stood at approximately 45.2 million euros, representing an increase of 1.0% in relation to the same period in 2013.

The cement business unit recorded turnover in the 1<sup>st</sup> half of 2014 of 41.5 million euros, 2.8% up on that recorded in the same period in the previous year, due essentially to an increase of 8.7% in the sales volume. Growth in turnover fell short of the increase in the sales volume, due to the growing proportion of sales represented by clinker, for which the sales price is lower than for cement, and not to the reduction in the average unit sales price for cement over the period. It should be noted that this unit's turnover was brought down by around 1.8 million euros as a result of the falling value of the Lebanese currency.

The ready-mixed business unit recorded a drop of 15.3% in turnover, which stood at 3.7 million euros, due to a drop in the sales volume (down by 8.7%), and in the average sales price (down by 7.2%), as a result of fierce competition in terms of prices.

Total EBITDA from operations in the 1<sup>st</sup> half of 2014 stood at 16.8 million euros, representing growth of 26.6% in relation to the 1<sup>st</sup> half of the previous year.

In the 1<sup>st</sup> half of 2014, the cement business unit recorded EBITDA of 16.5 million euros, up by 27.4% on the same period in 2013, thanks to improved performance in sales, resulting in increased turnover, and also due to better performance in production, thanks to the refurbishment of line 1 in 2013. This made it possible: (i) to increase average daily output and the kiln utilization factor, (ii) to improve thermal energy consumption indicators and (iii) to eliminate the external purchases of clinker which were required in the 1<sup>st</sup> half of the previous year.

In the ready-mixed business unit, EBITDA stood at around 346 thousand euros, down by 3.3% on the figure recorded in the 1<sup>st</sup> half of 2013.

#### 4.3.4. Angola

In Angola, the construction sector should continue to grow sharply, supported by investment in the energy sector, as well as government plans for large scale housing projects and refurbishment of roads, bridges, silos and the railways, all with a direct positive impact on cement consumption.

The Secil Group's operations in Angola in the 1<sup>st</sup> half of 2014 presented a decline in performance in relation to the previous year, with turnover totalling around 9.8 million euros, representing a drop of 15.3%.

This decline in performance was due essentially to lower average sales prices, as a result of the start-up of a new cement mill in Kwanza Sul, insofar as the sales volume held steady at levels similar to the 1<sup>st</sup> half of 2013. The reduction in average prices was also due to the flooding of the market with cheap cement during the 1<sup>st</sup> quarter of 2014. However, new legislation was published in the 2<sup>nd</sup> quarter of 2014 limiting cement imports, and a substantial reduction in import quantities was already observed in this quarter.

EBITDA from operations in **Angola** dropped to a negative figure of 175 thousand euros, due to a reduction in the sales volume and the average sales price in comparison with the 1<sup>st</sup> half of 2013.

Production costs have been brought down, thanks to a reduction in the clinker incorporation rate, made possible by capital projects on the mills which were completed at the end of the previous year. A reduction was also achieved in personnel costs.

#### 4.3.5. Brazil<sup>1</sup>

In Brazil, the cement market recorded year-on-year growth of 1.0% for the country as a whole and 0.5% in the southern region (where the Supremo Group operates).

Total Supremo Group operations generated turnover of 26.7 million euros, representing an increase of around 21% in local currency and of 2% in euros (due to the falling value of the Brazilian real over the period).

In Brazil, the Supremo Group's operations in the 1<sup>st</sup> half of 2014 generated EBITDA of 3.0 million euros, representing an increase of 18% in relation to the same period in the previous year (approximately 39% in local currency). This excellent operational performance was due in part to growth in turnover and also to a reduction in clinker incorporation in cement and increased cement output. This in turn has resulted in better dilution of fixed costs and increased operating margins.

The EBITDA margin for the Supremo Group's overall operations stood at 11.1%, 1.4 percentage points up from the 1<sup>st</sup> half of 2013.

Operating income totalled 1.8 thousand euros, representing growth from the figure of 68.8% over the same period in the previous year.

Net loss for the 1<sup>st</sup> quarter of 2014 stood at 1.5 thousand euros, comparing with a net loss of 738 thousand euros for the 1<sup>st</sup> quarter in the previous year.

Work has continued on the construction of the Supremo Group's new cement mill, representing total estimated capital expenditure of around 700 million reais. The mill is located in Adrianópolis and is due to start operation in the final quarter of 2014. After the construction of the new mill, the Supremo Group's total cement production capacity will exceed 1.5 million tons.

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<sup>1</sup> As reported above, the Semapa Group has switched to consolidating its holding in the Supremo Group by using the equity method. The leading business indicators for the Supremo Group are therefore presented separately, despite not being included in the cement segment.

## 5. Environment Business Area – ETSA

### 5.1. LEADING BUSINESS INDICATORS

IFRS - accrued amounts (million euros)	1H 2014	1H 2013	Var.
<b>Sales</b>	<b>12.5</b>	<b>13.3</b>	<b>-5.9%</b>
Other income	0.7	0.7	10.2%
Costs and losses	(10.9)	(10.7)	-2.2%
<b>EBITDA</b>	<b>2.3</b>	<b>3.2</b>	<b>-29.4%</b>
Recurrent EBITDA	2.3	3.2	-29.4%
Depreciation and impairment losses	(1.2)	(1.4)	11.2%
Provisions (increases and reversals)	0.0	0.3	-97.3%
<b>EBIT</b>	<b>1.0</b>	<b>2.1</b>	<b>-50.3%</b>
Net financial profit	(0.6)	(0.6)	3.4%
<b>Pre-tax profit</b>	<b>0.4</b>	<b>1.5</b>	<b>-69.8%</b>
Tax on profits	(0.0)	(0.2)	76.9%
Retained profits for the period	0.4	1.3	-68.7%
<b>Attributable to ETSA equity holders *</b>	<b>0.4</b>	<b>1.3</b>	<b>-68.7%</b>
Attributable to non-controlling interests (NCI)	-	-	-
<b>Cash-Flow</b>	<b>1.6</b>	<b>2.4</b>	<b>-31.9%</b>
<b>EBITDA margin (%)</b>	<b>18.2%</b>	<b>24.2%</b>	<b>-6.0 p.p.</b>
<b>EBIT margin (%)</b>	<b>8.3%</b>	<b>15.7%</b>	<b>-7.4 p.p.</b>
	<b>30-06-2014</b>	<b>31-12-2013</b>	<b>Jun14 vs. Dec13</b>
Equity (before NCI)	58.6	58.2	0.7%
<b>Net debt</b>	<b>17.1</b>	<b>19.6</b>	<b>-12.5%</b>

\* Of which 96% is attributable to Semapa in 2013 and 99.989% in 2014

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

## 5.2. BUSINESS OVERVIEW: ETSA GROUP

The ETSA Group recorded turnover of 12.5 million euros in the 1<sup>st</sup> half of 2014, down by around 5.9% on the same period in 2013.

This reduction in business was due essentially to the combined effect of: (i) a decline in turnover from the collection, transport and destruction of animal carcasses, in comparison with the same period in 2013, caused by a reduction in the quantities collected and in the average unit price for collection and (ii) a reduction in the average value of contracts for collection of animal by-products from leading hypermarkets.

EBITDA for the ETSA Group totalled 2.3 million euros in the 1<sup>st</sup> half of 2014, representing a reduction of 29.4% in relation to the same period in 2013. This is explained fundamentally by (i) the reduction in turnover described above, (ii) widespread increases in the average purchase price of by-products in Portugal, due to the depressed business environment, overcapacity in the sector and extremely fierce competition and (iii) a significant increase in ABAPOR's animal by-products business, but with lower monthly revenue from fixed contracts, resulting in growth in the cost structure for logistics, personnel and processing at the Sorting Unit, resulting in lower sales margins.

One important factor that helped to boost performance over the period was the significant reduction in the cost of thermal fuels used in the industrial conversion process, thanks to capital projects implemented at both SEBOL and ITS.

The EBITDA margin stood at 18.2%, down by around 6.0 p.p on the margin for the same period in 2013.

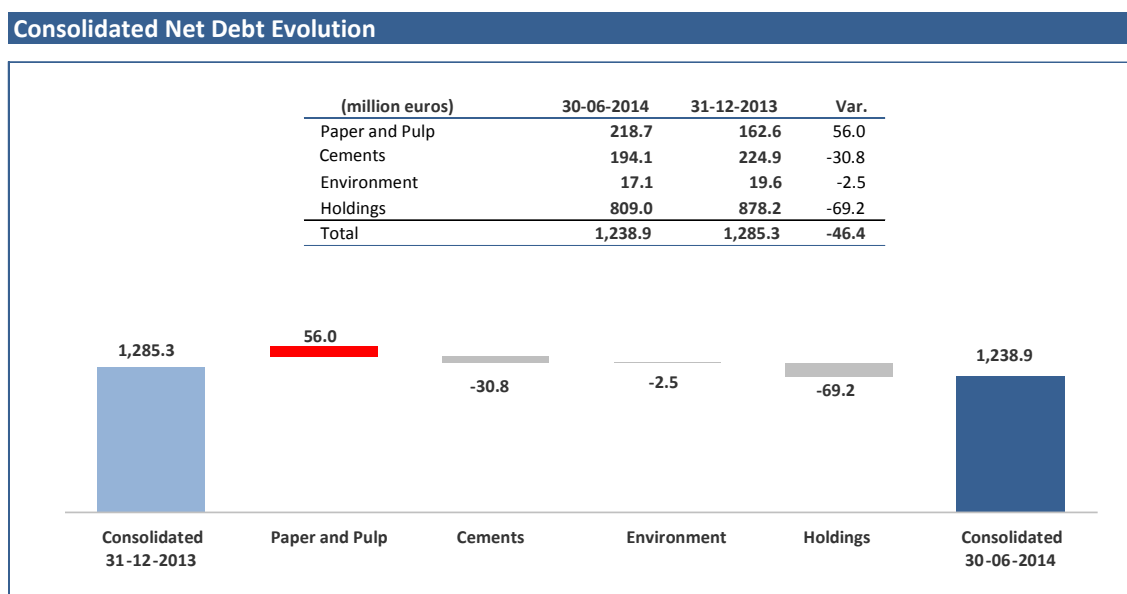
Operating income totalled 1.0 million euros, down by 50.3% from the same period in the previous year.

Financial results held steady at the same level as in the 1<sup>st</sup> quarter of 2013.

The combined impact of these factors resulted in accrued net income for the ETSA Group of approximately 0.4 million euros, 68.7% down on that recorded in the same period in the previous year.

## 6. Semapa Group – Financial Area

### 6.1. INDEBTEDNESS

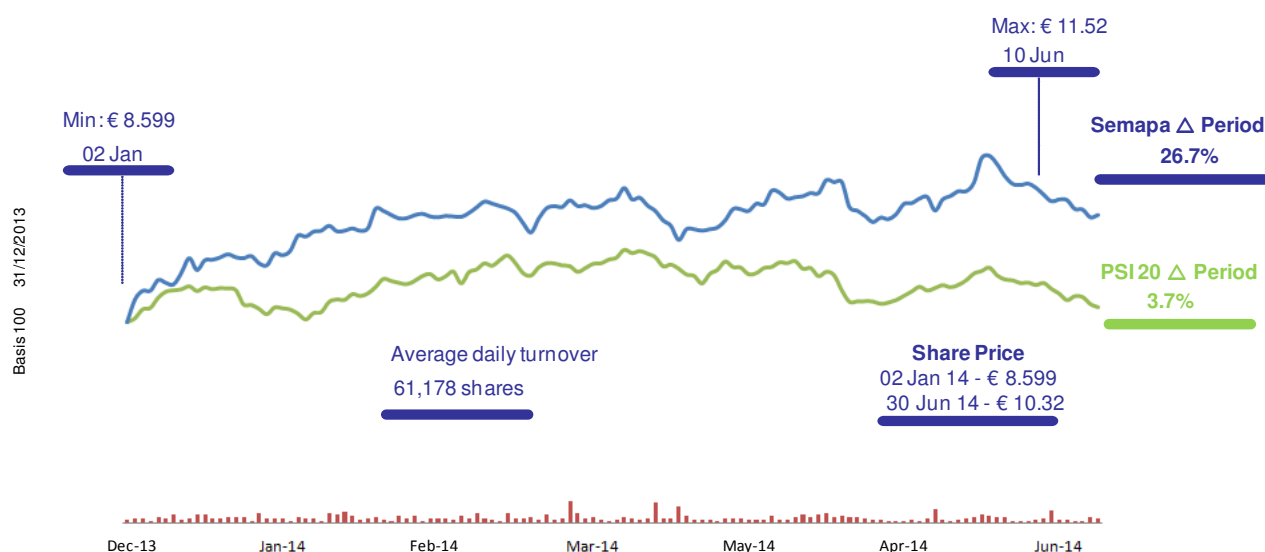


At 30 June 2014, consolidated net debt stood at 1,238.9 million euros, representing a reduction of 46.4 million euros from the figure recorded at year-end 2013.

This was due essentially to the combined effect of an increase of 56.0 million euros in indebtedness in the paper and pulp business area, caused by the payment to shareholders of dividends and reserves totalling 200.8 million euros, a reduction in other sectors and to the capital projects implemented.

### 6.2. LISTED SHARE PRICE

Most stock exchanges closed the first half in positive territory, and the top performer in Europe was the Madrid stock exchange, with the Ibex index up by 10.15%. After excellent performance over the first quarter, with a gain of 16%, the Portuguese stock exchange was hit by significant adjustments in late June in the share prices for a number of banks and financial sector companies, resulting in an overall gain of only 3.7%.



In this context, Semapa shares recorded outstanding gains, up by 26.7% over the period, significantly outperforming the PSI20 over the reporting period. Semapa shares reached a top price of 11.52 euros on 10 June.

### 6.3. NET INCOME: 1<sup>ST</sup> HALF 2014

Accrued consolidated net income for the 1<sup>st</sup> half of 2014 totalled 47.8 million euros, representing an increase of 21.8% in relation to the same period in the previous year. This increase was due essentially to the following factors:

- A drop in total EBITDA of approximately 4.8 million euros;
- A reduction in depreciation and impairment losses of 1.5 million euros;
- Reversal of provisions with a value of 5.3 million euros, due essentially to the release of provisions which have proven unnecessary, as compared to the constitution of new provisions of 0.3 million euros in the same period in 2013;
- A worsening of net financial results by 14.6 million euros, on a year-on-year basis;
- Reduction in taxes of 20.6 million euros, due essentially to (i) release of provisions which had been constituted for this purpose and (ii) reduction in the tax rate from 30% to 25% in Tunisia, in the 1<sup>st</sup> half of 2014, with the respective impact on the deferred taxes of the subsidiary Société de Ciments de Gabès, located in this country.

## 7. Outlook

Despite the continued gradual easing of some of the main concerns and sources of uncertainty, related in particular to the over-indebtedness of outlying countries in the Euro zone, and of the United States, the world economy has yet to present the clear improvement needed to create an investment-friendly environment, and thereby reduce unemployment and generate sustained growth.

The worsening of geopolitical risks, with tensions running high in Russia, Libya and the Middle East, is one of the main



factors which may undermine growth in the world economy. In particular, the deteriorating situation in the Ukraine and Russia will have a stronger impact on the Euro zone than other regions, especially in terms of energy prices.

In Portugal, the general economic outlook for 2014 is better than in recent years. The latest projections from the Bank of Portugal suggest a gradual recovery in internal demand and moderate recovery in economic activity over the period 2014-2016, pointing to growth of 1.1% in the economy in 2014 (Economic Bulletin, Bank of Portugal, June 2014). Recent IMF projections point to growth of 1.2% (World Economic Outlook, IMF, April 2014).

### **Paper and Pulp**

In this environment, despite a slight deterioration observed in the 2<sup>nd</sup> quarter of the year, the BEKP **pulp** market has continued to display significant resilience. The healthy level of demand from the Chinese market is expected to rise further in the coming months and to remain relatively strong through to the end of the year, which could make a positive contribution to balancing the market. Likewise, the historically high spread between long and short fibre public prices will continue to result in substitution by short fibre in certain paper sectors.

At the same time, the tissue paper segment is expected to continue growing, especially in the emerging economies such as China, Turkey and Latin America, which should help to maintain a dynamic market.

However, a degree of uncertainty as to the future of the Chinese economy and the paper market in general, the start-up of new pulp capacity planned for 2015 and 2016 and the evolution of exchange rates between the real, the Uruguayan peso, the euro and the dollar, are all factors which may have an impact on the balance of supply and demand in BEKP pulp.

In the UWF **paper** market, the Group's order books remain healthy, at the second best level ever recorded, despite signs that the growth observed since the start of year may be slowing. In the months ahead, market conditions are expected to worsen slightly, due to seasonal factors.

### **Cement**

In **Portugal**, the Secil Group's main market, the economic outlook for 2014 is generally less pessimistic, in comparison with the severe contraction experienced in recent years.

A turnaround can be expected in construction industry business during 2014. According to indicators of business sentiment, an upturn in construction may occur in the 2<sup>nd</sup> half. The recent course of indicators points to an upturn in business in the non-residential buildings and civil engineering segments, although residential construction remains in decline.

In 2014, the Secil Group's operations in Portugal will continue to be influenced by the situation in the construction sector. However, strong performance on foreign markets, combined with savings and gains achieved through the streamlining measures implemented in previous years, offer the prospect of an improvement in results in comparison with 2013. Even so, priority will still be given to implementing measures to improve operational efficiency across the Group.

For **Tunisia**, the latest IMF figures point to expectations that the economy will grow in 2014 by 3.0%, up from the figure of 2.7% recorded in 2013 (World Economic Outlook, IMF, April 2014), despite the continued uncertainty as regards political and social stability in the country. In line with expectations for the economy as a whole, the construction and cement sector is also expected to record stronger growth than in 2013. The prospects for the Tunisian market are therefore positive, not least because the first increase in cement prices has already been implemented, following on from the deregulation of sales prices at the start of 2014.

A new cement mill, operated by *Carthage Ciment*, has started up near Tunis, and its sales are putting pressure on the market in southern Tunisia, which is the Secil Group's natural market, especially in the Sfax region.

Economic growth in **Lebanon** is forecast to stand at 1.0% in 2014, similar to that recorded in 2013 (World Economic Outlook, IMF April 2014). The changes occurred in the Middle East have not helped to maintain economic stability. However, the cement market is expected to stabilize and sales performance should be similar to 2013. This, combined with improved industrial performance, should lead to better results. In August, work will be completed on the new blocks factory, allowing production and sales to start up, together with the marketing of mortars.

With regard to **Angola**, forecasts published by the IMF point to continued economic growth, with estimates that gross domestic product will increase by 5.3% in 2014, up from the figure of 4.1% recorded in 2013 (World Economic Outlook, IMF, April 2014). In this context, the cement market is expected to enjoy robust growth in 2014. The Secil Group's operations are expected to present growth in the sales volume, with sales prices holding steady or dropping slightly in relation to the 1<sup>st</sup> half of 2013. In terms of operations, expectations point to an increase in the availability of production plant, optimization of recent capital investments and the implementation of new measures to cut fixed costs.

### **Environment**

Considering the current economic and financial environment, no improvements are envisaged in the short term in the sector operated by the ETSA group, insofar as falling consumption of foodstuffs (due simply to changes in the average shopping basket, or other factors) results directly in a reduction in the animal slaughter rate, and consequently in the volume of by-products generated. Despite the expectation that competition between operators for raw material will remain fierce, as a result of overcapacity for by-products processing, sales margins are not expected to deteriorate further.

The ETSA group's prime objectives in the short term include: (i) concentrating on horizontal expansion of its markets (in the 1<sup>st</sup> half of 2014, exports accounted for approximately 30.1% of total turnover); (ii) identifying fresh opportunities for vertical growth, paying particular attention to investment in improving operational efficiency, extracting maximum value from the channels operated and retaining the loyalty of the main conventional and alternative collection centres; and (iii) identifying business opportunities in pre-selected regions, where it is possible to reproduce the business models used at home and where the regulatory framework is also favourable and not subject to surprises, where competition is less fierce than in Europe and raw materials are plentiful.

Lisbon, 28 August 2014

The Board of Directors

Chairman

Pedro Mendonça de Queiroz Pereira

Members

Dr. José Miguel Pereira Gens Paredes

Dr. Paulo Miguel Garcês Ventura

Dr. Ricardo Miguel dos Santos Pacheco Pires

Dr. António Pedro de Carvalho Viana-Baptista

Dr. Francisco José Melo e Castro Guedes

Dr. Jorge Maria Bleck

Dr. Manuel Custódio de Oliveira

Dr. Vitor Manuel Galvão Rocha Novais Gonçalves

Dr. Vítor Paulo Paranhos Pereira

## PART 2

### DECLARATION REQUIRED UNDER ARTICLE 246.1 C) OF THE SECURITIES COD

## *Declaration required under Article 246.1 c) of the Securities Code*

Article 246.1 c) of the Securities Code requires that each of the persons responsible for issuers make a number of declarations, as described in this article. In the case of Semapa, a uniform declaration has been adopted, worded as follows:

*"I hereby declare, under the terms and for the purposes of Article 246.1 c) of the Securities Code that, to the best of my knowledge, the condensed financial statements of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., for the first half of 2014, were drawn up in accordance with the relevant accounting rules, and provide a true and fair view of the assets and liabilities, financial affairs and profit or loss of the said company and other companies included in the consolidated accounts, and that the interim management report sets out faithfully the information required by Article 246.2 of the Securities Code."*

As required by this rule, we provide below a list of the persons signing the declaration and their office in the company:

<b>Name</b>	<b>Office</b>
Pedro Mendonça de Queiroz Pereira	Chairman 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
Francisco José Melo e Castro Guedes	Member of the Board of Directors
Jorge Maria Bleck	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
Miguel Camargo de Sousa Eiró	Chairman of Audit Board
Duarte Nuno d'Orey da Cunha	Member of Audit Board
Gonçalo Nuno Palha Picão Caldeira	Member of Audit Board

## PART 3

DISCLOSURES REQUIRED BY SUB-PARAS. A) AND C) OF ARTICLE 9.1 AND ARTICLE 14.7 OF SECURITIES MARKET COMMISSION (CMVM) REGULATION NO. 5/2008

*Disclosures required by sub-paras. a) and c) of Article 9.1 and Article 14.7 of Securities Market Commission (CMVM) Regulation no. 5/2008 (with reference to the first half of 2014)*

**1. SECURITIES ISSUED BY THE COMPANY, CONTROLLED OR CONTROLLING COMPANIES OR COMPANIES IN THE SAME GROUP HELD BY COMPANY OFFICERS AT THE END OF THE FIRST HALF (\*):**

- Pedro Mendonça de Queiroz Pereira – 134,422 shares in Sodim, SGPS, S.A.
- José Miguel Pereira Gens Paredes – 205 bonds “Obrigações SEMAPA 2012/2015” and 1 bond issued by Portucel, S.A.
- Paulo Miguel Garcês Ventura – 125 bonds “Obrigações SEMAPA 2012/2015”
- Ricardo Miguel dos Santos Pacheco Pires – 14 bonds “Obrigações SEMAPA 2012/2015”
- Vítor Manuel Galvão Rocha Novais Gonçalves – 50 bonds “Obrigações SEMAPA 2012/2015”
- Miguel Camargo de Sousa Eiró – 50 bonds “Obrigações SEMAPA 2012/2015”
- Duarte Nuno d’Orey da Cunha – 2,907 shares in the company, 25 bonds “Obrigações SEMAPA 2012/2015”, 65 “Obrigações SEMAPA 2014/2019”, 16,000 shares in Portucel, S.A. and 1 bond issued by Portucel, S.A.

**2. ACQUISITION, ENCUMBRANCE OR DISPOSAL OF SECURITIES ISSUED BY THE COMPANY, CONTROLLED OR CONTROLLING COMPANIES OR COMPANIES IN THE SAME GROUP DURING THE FIRST HALF BY COMPANY OFFICERS (\*):**

- Duarte Nuno d’Orey da Cunha acquired 65 bonds “Obrigações SEMAPA 2014/2019”, on April 17, for the price of 1,000.00 euros per bond.

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(\*) The bonds issued by Semapa with the name “Obrigações SEMAPA 2012/2015” correspond to company bonds with a flat rate of 6.85% per annum and maturity in 2015.

The bonds issued by Semapa with the name “Obrigações SEMAPA 2014/2019” correspond to company bonds with a variable rate corresponding to the 6 months EURIBOR rate, listed on the following working day TARGET immediately prior to the date of beginning of each interest period, added 3.25% per annum and maturity in 2019.

The bonds of the company Portucel S.A. correspond to the bonds with the name “Obrigações Portucel € 350,000,000 5.375% Senior Notes due 2020”.

### 3. LIST OF QUALIFYING HOLDINGS, INDICATING THE NUMBER OF SHARES HELD AND THE CORRESPONDING PERCENTAGE OF VOTING RIGHTS, CALCULATED IN ACCORDANCE WITH ARTICLE 20 OF THE SECURITIES CODE:

Entity	No. shares	% capital and voting rights	% non-suspended voting rights
<b>A - Sodim, SGPS, S.A.</b>	15,657,505	13.23%	13.87%
Cimigest, SGPS, S.A.	3,185,019	2.69%	2.82%
Cimo - Gestão de Participações, SGPS, S.A.	16,199,031	13.69%	14.35%
Longapar, SGPS, S.A.	21,505,400	18.17%	19.05%
OEM - Organização de Empresas, SGPS, S.A.	535,000	0.45%	0.47%
Sociedade Agrícola da Quinta da Vialonga, S.A.	625,199	0.53%	0.55%
Total:	57,707,154	48.77%	51.12%
<b>B - Banco BPI, S.A.</b>	-	-	-
Banco Português de Investimento, S.A. – own portfolio	3,294	0.00%	0.00%
BPI Vida - Companhia de Seguros de Vida, S.A.	405,804	0.34%	0.36%
Pension Funds managed by BPI Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	10,362,388	8.76%	9.18%
Investment Funds managed by BPI Fundos – Gestão de Fundos de Investimento Mobiliário, S.A.	1,237,518	1.05%	1.10%
Total:	12,009,004	10.15%	10.64%
<b>C - Bestinver Gestión, SA, SGIIC</b>	-	-	-
Bestinver Bolsa, F.I.	3,820,550	3.23%	3.38%
Bestinver Fond, F.I.	3,432,923	2.90%	3.04%
Bestinver Global, FP	907,128	0.77%	0.80%
Bestinver Hedge Value Fund, FIL	855,353	0.72%	0.76%
Bestinver Mixto, F.I.	639,125	0.54%	0.57%
Soixa, SICAV	603,626	0.51%	0.53%
Bestinver Bestvalue, SICAV	550,645	0.47%	0.49%
Bestinver Ahorro, F.P.	540,058	0.46%	0.48%
Texrenta Inversiones, SICAV	162,753	0.14%	0.14%
Bestinver Value Investor, SICAV	146,200	0.12%	0.13%
Bestinver Renta, F.I.	94,353	0.08%	0.08%
Bestinver Prevision, F.P.	33,828	0.03%	0.03%
Divalsa de Inversiones, SICAV, SA	26,132	0.02%	0.02%



Entity	No. shares	% capital and voting rights	% non-suspended voting rights
Bestinver Empleo, F.P.	23,517	0.02%	0.02%
Linker Inversiones, SICAV, SA	15,964	0.01%	0.01%
Sumeque Capital, SICAV	10,719	0.01%	0.01%
Bestinver Empleo II, F.P.	1,415	0.00%	0.00%
Bestvalue, F.I.	921	0.00%	0.00%
Total:	11,865,210	10.03%	10.51%

D - Norges Bank (the Central Bank of Norway)	5,649,215	4.77%	5.00%
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Semapa - Sociedade de Investimento e Gestão, SGPS, S.A. holds 5,447,975 own shares, corresponding to 4.6% of its share capital.

#### 4. TRADING IN COMPANY SHARES BY MANAGEMENT PERSONNEL AND CLOSELY CONNECTED PERSONS DURING THE FIRST HALF:

During the first half of 2014 there was no trading of shares of the company by management personnel and closely connected persons.

## PART 4

### CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014 AND 2013

Amounts in Euro	Note	1st Semester 2014	1st Semester 2013 <i>Restated</i>	2nd Quarter 2014 <i>(unaudited)</i>	2nd Quarter 2013 <i>(unaudited) Restated</i>
<b>Revenues</b>					
Sales	4	959,691,122	957,277,370	500,385,266	507,761,075
Services rendered	4	17,207,789	18,394,843	7,628,174	8,836,566
<b>Other income</b>					
Gains on disposal of non-current assets	5	389,465	450,225	226,588	(2,967,194)
Other operating income	5	18,171,904	16,835,875	4,959,380	11,847,030
<b>Change in fair value of biological assets</b>		1,205,774	3,152,709	4,223	1,163,980
<b>Costs, expenses and losses</b>					
Cost of inventories sold and consumed	6	(411,409,233)	(403,966,391)	(205,916,749)	(214,974,759)
Variation in production	6	6,913,107	3,296,705	(7,604,275)	(1,728,549)
Cost of materials and services consumed	6	(279,685,802)	(281,646,400)	(144,900,310)	(150,392,604)
Payroll costs	6	(99,325,784)	(102,037,122)	(49,394,405)	(50,776,515)
Other costs and losses	6	(16,279,528)	(10,101,763)	(2,319,791)	(5,216,388)
Provisions	6	5,282,460	(305,007)	5,643,187	444,339
<b>Depreciation, amortization and impairment losses</b>	8	(81,114,231)	(82,573,396)	(40,726,893)	(39,315,658)
<b>Operational Results</b>		<b>121,047,043</b>	<b>118,777,648</b>	<b>67,984,395</b>	<b>64,681,323</b>
Group share of (loss)/gains of associated companies	9	(1,666,567)	(340,492)	(1,790,639)	(102,115)
<b>Net financial results</b>	10	<b>(53,607,064)</b>	<b>(40,376,659)</b>	<b>(27,140,452)</b>	<b>(18,543,186)</b>
<b>Profit before tax</b>		<b>65,773,412</b>	<b>78,060,497</b>	<b>39,053,304</b>	<b>46,036,022</b>
Income tax	11	2,208,560	(18,378,978)	2,837,287	(7,947,874)
<b>Net income</b>		<b>67,981,972</b>	<b>59,681,519</b>	<b>41,890,591</b>	<b>38,088,148</b>
<b>Net profit for the period</b>					
Attributable to Semapa shareholders		<b>47,841,016</b>	<b>39,271,190</b>	<b>30,316,022</b>	<b>27,063,361</b>
Attributable to non-controlling interests	13	20,140,956	20,410,329	11,574,569	11,024,787
<b>Earnings per share</b>					
Basic earnings per share, Eur	12	0.424	0.348	0.269	0.240
Diluted earnings per share, Eur	12	0.424	0.348	0.269	0.240

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 30 JUNE 2014 AND 31 DECEMBER 2013

Amounts in Euro	Note	30-06-2014	31-12-2013 <i>Restated</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	15	296.680.236	296.680.236
Other intangible assets	16	276.665.862	269.879.796
Property, plant and equipment	17	2.034.741.740	2.101.708.448
Investment Properties		1.419.389	1.431.752
Biological assets	18	112.545.079	111.339.306
Investment in Associates	19	93.803.005	102.761.132
Financial assets at fair value through profit or loss	20	453.577	482.923
Available-for-sale financial assets	21	229.136	346.257
Deferred tax assets	28	71.856.332	84.531.715
Other non-current assets		6.795.722	6.053.886
		<b>2.895.190.078</b>	<b>2.975.215.451</b>
<b>Current Assets</b>			
Inventories	23	297.312.689	296.958.845
Receivable and other current assets	24	308.815.161	279.378.867
State and other public entities	25	62.694.551	62.649.442
Assets held for sale	33	1.144.061	1.174.069
Cash and cash equivalents	31	421.623.835	649.479.098
		<b>1.091.590.297</b>	<b>1.289.640.321</b>
<b>Total Assets</b>		<b>3.986.780.375</b>	<b>4.264.855.772</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	26	118.332.445	118.332.445
Treasury shares	26	(47.164.986)	(47.164.986)
Share premiums		3.923.459	3.923.459
Translations reserves	27	(56.739.971)	(49.274.921)
Fair value reserves	27	(11.993.389)	(14.243.578)
Other reserves	27	1.033.462.246	924.814.439
Retained earnings	27	(200.852.904)	(201.788.562)
Net profit for the period		47.841.016	146.125.472
<b>Consolidated Shareholder's equity</b>		<b>886.807.916</b>	<b>880.723.768</b>
Non-controlling interests	13	308.552.224	329.273.818
<b>Total Equity</b>		<b>1.195.360.140</b>	<b>1.209.997.586</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	28	319.672.317	320.768.260
Pensions and other post-employment benefits	29	1.688.719	3.922.272
Provisions	30	73.975.330	79.170.156
Interest-bearing liabilities	31	1.290.739.575	1.895.951.695
Other non-current liabilities	32	44.766.442	46.844.136
		<b>1.730.842.383</b>	<b>2.346.656.519</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	31	598.339.959	227.691.887
Payables and other current liabilities	32	349.531.416	332.148.350
State and other public entities	25	112.609.910	148.261.165
Liabilities held for sale	33	96.567	100.265
		<b>1.060.577.852</b>	<b>708.201.667</b>
<b>Total Liabilities</b>		<b>2.791.420.235</b>	<b>3.054.858.186</b>
<b>Total equity and liabilities</b>		<b>3.986.780.375</b>	<b>4.264.855.772</b>

# STATEMENT OF COMPREHENSIVE CONSOLIDATED INCOME

## FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014 AND 2013

Amounts in Euro	Note	1st Semester 2014	1st Semester 2013	2nd Quarter 2014	2nd Quarter 2013
			<i>Restated</i>	<i>(unaudited)</i>	<i>(unaudited) Restated</i>
<b>Net profit for the period without non-controlling interests</b>		<b>67.981.972</b>	<b>59.681.519</b>	<b>41.890.591</b>	<b>38.088.148</b>
<b>Items that may subsequently be reclassified to the income statement</b>					
Derivative Financial Instruments					
Fair value changes	34	2.149.914	3.771.114	1.226.680	3.311.923
Tax on items above when applicable		67.450	25.619	(33.851)	(396.366)
Currency translation differences	27	(6.663.533)	(7.567.536)	(12.461.662)	(17.114.341)
Share of other comprehensive income of associates		-	90.031	896.527	90.031
<b>Items that will not be reclassified to the income statement</b>					
Remeasurements of post employment benefit obligations					
Actuarial gains / (losses)	29	2.432.278	(100.470)	1.332.416	(174.735)
Tax on items above when applicable		(546.264)	213.701	(377.672)	180.184
<b>Other comprehensive income for the period</b>		<b>(2.560.155)</b>	<b>(3.567.541)</b>	<b>(9.417.562)</b>	<b>(14.103.304)</b>
<b>Total comprehensive income for the period</b>		<b>65.421.817</b>	<b>56.113.978</b>	<b>32.473.029</b>	<b>23.984.844</b>
<b>Attributable to:</b>					
Semapa's shareholders		44.366.797	35.432.168	20.011.520	14.661.955
Non-controlling interests		21.055.020	20.681.810	12.461.509	9.322.889
		<b>65.421.817</b>	<b>56.113.978</b>	<b>32.473.029</b>	<b>23.984.844</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014 AND 2013

Amounts in Euro	Share Capital	Treasury Shares	Share Premiums	Fair value reserves	Other reserves	Translation reserves	Retained earnings	Net profit for the period	Total	Non-controlling interests	Total
<b>Equity as of 1 January 2014 ( Restated)</b>	<b>118.332.445</b>	<b>(47.164.986)</b>	<b>3.923.459</b>	<b>(14.243.578)</b>	<b>924.814.439</b>	<b>(49.274.921)</b>	<b>(201.788.562)</b>	<b>146.125.472</b>	<b>880.723.768</b>	<b>329.273.818</b>	<b>1.209.997.586</b>
Application of 2013 profit of the year:											
- Transfer to reserves	-	-	-	-	108.647.828	-	-	(108.647.828)	-	-	-
- Dividends paid	-	-	-	-	-	-	-	(37.477.644)	(37.477.644)	-	(37.477.644)
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(40.048.592)	(40.048.592)
Other comprehensive income for the year*	-	-	-	2.250.189	-	(7.465.049)	1.740.631	-	(3.474.229)	914.074	(2.560.155)
Differences in non-controlling interests acquisitions	-	-	-	-	-	-	(804.967)	-	(804.967)	(1.662.829)	(2.467.796)
Other movements	-	-	-	-	-	-	(28)	-	-	(65.203)	(65.231)
<b>Net profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47.841.016</b>	<b>47.841.016</b>	<b>20.140.956</b>	<b>67.981.972</b>
<b>Equity as of 30 June 2014</b>	<b>118.332.445</b>	<b>(47.164.986)</b>	<b>3.923.459</b>	<b>(11.993.389)</b>	<b>1.033.462.267</b>	<b>(56.739.970)</b>	<b>(200.852.926)</b>	<b>47.841.016</b>	<b>886.807.916</b>	<b>308.552.224</b>	<b>1.195.360.140</b>
<i>* Net of deferred taxes</i>											
<b>Restated</b>											
Amounts in Euro	Share Capital	Treasury Shares	Share Premiums	Fair value reserves	Other reserves	Translation reserves	Retained earnings	Net profit for the period	Total	Non-controlling interests	Total
<b>Equity as of 1 January 2013</b>	<b>118.332.445</b>	<b>(47.164.986)</b>	<b>3.923.459</b>	<b>(20.213.050)</b>	<b>953.599.979</b>	<b>(25.322.950)</b>	<b>(313.759.714)</b>	<b>126.516.088</b>	<b>795.911.271</b>	<b>335.228.645</b>	<b>1.131.139.916</b>
Application of 2012 profit of the year:											
- Transfer to retained earnings	-	-	-	-	-	-	126.516.088	(126.516.088)	-	-	-
- Dividends paid	-	-	-	-	(28.785.540)	-	-	-	(28.785.540)	-	(28.785.540)
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(24.417.778)	(24.417.778)
Income and expenses recognized directly in equity *	-	-	-	3.933.291	-	(7.837.981)	65.666	-	(3.839.024)	271.483	(3.567.541)
Differences in non controlling interests acquisitions	-	-	-	-	-	-	(676.028)	-	(676.028)	(2.630.834)	(3.306.862)
Consolidation method changes	-	-	-	-	-	-	-	-	-	(318.616)	(318.616)
Other movements	-	-	-	-	-	-	(12.797)	-	(12.797)	(4.048)	(16.845)
<b>Net profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39.271.190</b>	<b>39.271.190</b>	<b>20.410.329</b>	<b>59.681.519</b>
<b>Equity as of 30 June 2013</b>	<b>118.332.445</b>	<b>(47.164.986)</b>	<b>3.923.459</b>	<b>(16.279.759)</b>	<b>924.814.439</b>	<b>(33.160.931)</b>	<b>(187.866.785)</b>	<b>39.271.190</b>	<b>801.869.072</b>	<b>328.539.181</b>	<b>1.130.408.253</b>
<i>* Net of deferred taxes</i>											

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014 AND 2013

Amounts in Euro	Notes	1st Semester 2014	1st Semester 2013	2nd Quarter 2014	2nd Quarter 2013
			<i>Restated</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>OPERATING ACTIVITIES</b>					
Receipts from customers		1,056,477,119	1,034,383,323	543,670,960	535,116,045
Payments to suppliers		(826,307,866)	(783,272,350)	(426,200,539)	(358,931,365)
Payments to personnel		(91,058,817)	(88,740,616)	(37,269,870)	(44,019,927)
Cash flow from operations		139,110,436	162,370,357	80,200,551	132,164,753
Income tax received / (paid)		(5,792,356)	(3,710,638)	(7,426,833)	(4,482,042)
Other receipts / (payments) relating to operating activities		38,157,830	(10,760,489)	26,164,664	(11,713,737)
<b>Cash flow from operating activities (1)</b>		<b>171,475,910</b>	<b>147,899,230</b>	<b>98,938,382</b>	<b>115,968,974</b>
<b>INVESTING ACTIVITIES</b>					
<b>Inflows:</b>					
Financial investments		-	1,397	-	-
Property, plant and equipment		1,249,851	211,203	50,889	96,303
Interest and similar income		2,709,327	4,604,057	1,250,869	2,717,730
Dividends		115,854	951,431	-	725,425
		4,075,032	5,768,088	1,301,758	3,539,458
<b>Outflows:</b>					
Financial investments		(18,111,798)	(15,833,370)	(3,197,498)	(9,791,596)
Cash and cash equivalents - changes in consolidation perimeter		-	6,680,980	-	(2,257)
Property, plant and equipment		(12,654,235)	(32,958,399)	(5,389,250)	(18,664,657)
Other assets		-	-	750,000	-
		(30,766,033)	(42,110,789)	(7,836,748)	(28,458,510)
<b>Cash flow from investing activities (2)</b>		<b>(26,691,001)</b>	<b>(36,342,701)</b>	<b>(6,534,990)</b>	<b>(24,919,052)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Inflows:</b>					
Proceeds from borrowings		664,951,871	1,986,088,858	280,712,612	1,264,758,695
		664,951,871	1,986,088,858	280,712,612	1,264,758,695
<b>Outflows:</b>					
Repayments of borrowings		(906,831,994)	(1,806,723,424)	(511,144,973)	(1,113,198,634)
Repayment of financial leases		(439,707)	(474,442)	(237,685)	(233,929)
Interest and similar expenses		(54,473,900)	(51,714,114)	(32,117,417)	(38,585,990)
Dividends		(76,354,551)	(52,865,986)	(76,151,936)	(52,806,906)
		(1,038,100,152)	(1,911,777,966)	(619,652,011)	(1,204,825,459)
<b>Cash flow from financing activities (3)</b>		<b>(373,148,281)</b>	<b>74,310,892</b>	<b>(338,939,399)</b>	<b>59,933,236</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)</b>		<b>(228,363,372)</b>	<b>185,867,421</b>	<b>(246,536,007)</b>	<b>150,983,158</b>
EXCHANGE GAINS/(LOSSES) ON CASH AND CASH EQUIVALENTS		508,109	299,901	(198,725)	(1,177,949)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>31</b>	<b>649,479,098</b>	<b>411,230,551</b>	<b>668,358,567</b>	<b>447,592,664</b>
EFFECT OF NON-CURRENT ASSETS HELD FOR SALE		-	33,170	-	33,170
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>31</b>	<b>421,623,835</b>	<b>597,431,043</b>	<b>421,623,835</b>	<b>597,431,043</b>

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## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2014

(Translation of a report originally issued in Portuguese)

(In these notes, unless indicated otherwise, all amounts are expressed in Euro)

The SEMAPA Group ("Group") comprises Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. ("Semapa") and its subsidiaries. Semapa was incorporated on 21 June 1991 and has as its main object the management of financial investments in other companies as an indirect form of carrying out economic activity.

**Head Office:** Av. Fontes Pereira de Melo, 14, 10<sup>th</sup> floor, Lisbon

**Share Capital:** Euro 118,332,445

**Corporate body no.:** 502 593 130

Semapa leads an Enterprise Group with activities in three distinct business segments: pulp and paper, cements and derivatives, and environment, developed respectively through its subsidiaries Portucel, S.A. (Portucel or Portucel Group), Secil - Companhia Geral de Cal e Cimento, S.A. (Secil or Secil Group) and ETSA – Investimentos, SGPS, S.A. (ETSA or ETSA Group).

These consolidated financial statements were approved by the Board of Directors on 28 August 2014.

The Group's senior management, who are also members of the Board of Directors who sign this report, declare that, to the best of their knowledge, the information contained herein was prepared in conformity with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial position and results of the companies included in the Group's consolidation scope.

### 1. *Summary of the principal accounting policies*

The principal accounting policies applied in the preparation of these consolidated financial statements are described below.

#### 1.1 *Basis of preparation*

The interim consolidated financial statements for the six months period ended 30 June 2014 have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting and 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 interim 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 and financial instruments, which are recorded at fair value (Notes 18, 20, 21 and 34). Plant, property and equipment acquired previously to 1 January 2004 are measured under its revalued amount.

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 disclosure

### Comparability

The accounting policies applied in the preparation of these interim consolidated financial statements are consistent to those used in the preparation of the financial statements as of 31 December 2013 and stated in the respective attached notes, with the exception of the accounting policy applicable to the accounting for joint ventures described in Note 1.3.3 of the consolidated financial statements as of 31 December 2013, that stated the following:

"A jointly-controlled entity is a joint venture which involves the establishment of a company, a partnership or other entity in which the Group has an interest. Jointly-controlled entities are included in the consolidated financial statements under the proportional consolidation method, with the assets, liabilities, income and expenses of the jointly-controlled entities recognised on a line-by-line basis in the consolidated financial statements."

With the effective application of IFRS 11 - Joint agreements, the interest of an investor in jointly controlled entities is recognised as an investment accounted for under the equity method instead of the proportional consolidation method.

In light of the foregoing, the Group applied the equity accounting method to its investments in joint ventures, Supremo Cimentos S.A. and Secil Unicom, SGPS, S.A., previously proportionately consolidated by the Group. The presented consolidated financial statements, relating to comparative periods as at 31 December 2013 and 30 June 2013, have been restated in order to accommodate the change in this accounting policy.

The impacts of the restatement in the Consolidated Income Statement for the six months period ended 30 June 2013 are as follows:

Amounts in Euro	1st Semester 2013 <i>Restated</i>	1st Semester 2013 <i>Published</i>	1st Semester 2013 <i>Impacts</i>
<b>Revenues</b>			
Sales	957,277,370	967,492,995	(10,215,625)
Services rendered	18,394,843	22,287,754	(3,892,911)
<b>Other income</b>			
Gains on disposal of non-current assets	450,225	450,225	-
Other operating income	16,835,875	17,697,417	(861,542)
<b>Change in fair value of biological assets</b>	3,152,709	3,152,709	-
<b>Costs, expenses and losses</b>			
Cost of inventories sold and consumed	(403,966,391)	(413,949,628)	9,983,237
Variation in production	3,296,705	5,205,050	(1,908,345)
Cost of materials and services consumed	(281,646,400)	(284,228,469)	2,582,069
Payroll costs	(102,037,122)	(105,643,172)	3,606,050
Other costs and losses	(10,101,763)	(10,170,699)	68,936
Provisions	(305,007)	318,957	(623,964)
<b>Depreciation, amortization and impairment losses</b>	(82,573,396)	(83,281,896)	708,500
<b>Operational Results</b>	<b>118,777,648</b>	<b>119,331,243</b>	<b>(553,595)</b>
Group share of (loss)/gains of associated compar	(340,492)	28,487	(368,979)
<b>Net financial results</b>	<b>(40,376,659)</b>	<b>(41,551,632)</b>	<b>1,174,973</b>
<b>Profit before tax</b>	<b>78,060,497</b>	<b>77,808,098</b>	<b>252,399</b>
<b>Income tax</b>	<b>(18,378,978)</b>	<b>(18,286,688)</b>	<b>(92,290)</b>
<b>Net income</b>	<b>59,681,519</b>	<b>59,521,410</b>	<b>160,109</b>
<b>Net profit for the period</b>			
Attributable to Semapa shareholders	39,271,190	39,271,190	160,109
Attributable to non-controlling interests	20,410,329	20,250,220	-
<b>Earnings per share</b>			
Basic earnings per share, Eur	0.348	0.348	0.000
Diluted earnings per share, Eur	0.348	0.348	0.000

The impacts of the restatement in the Consolidated Statement of Financial Position as of 31 December 2013 are as follows:

Amounts in Euro	31-12-2013 <i>Restated</i>	31-12-2013 <i>Published</i>	31-12-2013 <i>Impacts</i>	01-01-2013 <i>Restated</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	296.680.236	335.700.924	(39.020.688)	296.680.236
Other intangible assets	269.879.796	290.310.424	(20.430.628)	274.955.939
Property, plant and equipment	2.101.708.448	2.197.206.941	(95.498.493)	2.225.346.364
Investment Properties	1.431.752	1.431.752	-	1.615.016
Biological assets	111.339.306	111.339.306	-	109.055.925
Investment in Associates and Joint Ventures	102.761.132	3.439.994	99.321.138	100.582.714
Financial assets at fair value through profit or loss	482.923	482.923	-	9.026.930
Available-for-sale financial assets	346.257	346.257	-	226.921
Deferred tax assets	84.531.715	84.698.331	(166.616)	60.691.167
Other non-current assets	6.053.886	6.111.194	(57.308)	3.064.385
	<b>2.975.215.451</b>	<b>3.031.068.046</b>	<b>(55.852.595)</b>	<b>3.081.245.597</b>
<b>Current Assets</b>				
Inventories	296.958.845	299.644.017	(2.685.172)	312.251.682
Receivable and other current assets	279.378.867	280.662.214	(1.283.347)	288.873.922
State and other public entities	62.649.442	64.719.854	(2.070.412)	79.533.717
Assets held for sale	1.174.069	1.174.069	-	4.000.614
Cash and cash equivalents	649.479.098	666.345.306	(16.866.208)	411.230.552
	<b>1.289.640.321</b>	<b>1.312.545.460</b>	<b>(22.905.139)</b>	<b>1.095.890.487</b>
<b>Total Assets</b>	<b>4.264.855.772</b>	<b>4.343.613.506</b>	<b>(78.757.734)</b>	<b>4.177.136.084</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Share capital	118.332.445	118.332.445	-	118.332.445
Treasury shares	(47.164.986)	(47.164.986)	-	(47.164.986)
Share premiums	3.923.459	3.923.459	-	3.923.459
Translations reserves	(49.274.921)	(49.274.921)	-	(25.322.950)
Fair value reserves	(14.243.578)	(14.243.578)	-	(20.213.050)
Other reserves	924.814.439	924.814.439	-	953.599.979
Retained earnings	(201.788.562)	(201.788.562)	-	(187.243.625)
Net profit for the period	146.125.472	146.125.472	-	-
<b>Consolidated Shareholder's equity</b>	<b>880.723.768</b>	<b>880.723.768</b>	<b>-</b>	<b>795.911.272</b>
<b>Non-controlling interests</b>	<b>329.273.818</b>	<b>328.074.030</b>	<b>1.199.788</b>	<b>336.118.048</b>
<b>Total Equity</b>	<b>1.209.997.586</b>	<b>1.208.797.798</b>	<b>1.199.788</b>	<b>1.132.029.320</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	320.768.260	338.289.795	(17.521.535)	435.381.611
Pensions and other post-employment benefits	3.922.272	3.922.272	-	9.503.059
Provisions	79.170.156	76.184.019	2.986.137	37.429.481
Interest-bearing liabilities	1.895.951.695	1.929.394.235	(33.442.540)	1.677.457.522
Other non-current liabilities	46.844.136	48.021.571	(1.177.435)	14.368.060
	<b>2.346.656.519</b>	<b>2.395.811.892</b>	<b>(49.155.373)</b>	<b>2.174.139.733</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	227.691.887	250.603.409	(22.911.522)	310.957.556
Payables and other current liabilities	332.148.350	339.301.436	(7.153.086)	408.625.147
State and other public entities	148.261.165	148.998.706	(737.541)	150.150.187
Liabilities held for sale	100.265	100.265	-	1.234.141
	<b>708.201.667</b>	<b>739.003.816</b>	<b>(30.802.149)</b>	<b>870.967.031</b>
<b>Total Liabilities</b>	<b>3.054.858.186</b>	<b>3.134.815.708</b>	<b>(79.957.522)</b>	<b>3.045.106.764</b>
<b>Total equity and liabilities</b>	<b>4.264.855.772</b>	<b>4.343.613.506</b>	<b>(78.757.734)</b>	<b>4.177.136.084</b>

## 1.3 Basis of consolidation

### 1.3.1 Subsidiaries

Subsidiaries are all the entities over which the Group has the right to determine their financial and operating policies, generally where the Group's interest is represented by more than half of the voting rights. The existence and the effect of the potential voting rights which are currently exercisable or convertible are taken into account when the Group assesses whether it has control over another entity.

These company's shareholders equity and net income/loss, corresponding to the third-party investment in such companies, are presented under the caption non-controlling interests respectively in the Consolidated Balance Sheet, in a separate component of shareholders' equity, and in the Consolidated 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).

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. With the exception of goodwill, 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

A jointly-controlled entity is a joint venture which involves the establishment of a company, a 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, recorded at their acquisition cost, adjusted by the amount corresponding to the Group's share of changes in the associates' equity (including net income/loss) and by dividends received.

## 1.4 Segmental reporting

An operating segment is a component of an entity:

- a) that engages in business activities that may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- b) whose operating results are regularly reviewed by the chief operating decision maker of the entity for the purposes of making decisions about allocating resources to the segment and assessing its performance; And
- c) 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 business segments have been identified: pulp and paper, cement and derivatives and environment.

### *Pulp and paper*

Portucel, S.A. is the subsidiary, acquired in 2004, that leads the Enterprise Group dedicated to the production and sales in Portugal, Germany, Spain, France, Italy, United Kingdom, Netherlands, Austria, Belgium, Switzerland, Morocco, Poland, Turkey, United States 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, activities developed in Portugal mainly by itself and its subsidiaries About the Future, S.A., Soporcel – Sociedade Portuguesa de Papel, S.A., Portucel – Papel Setúbal, S.A., Celcacia, S.A. and PortucelSoporcel Florestal, S.A., among others.

### *Cement and derivatives*

Secil – Companhia Geral de Cal e Cimento, S.A. leads the Enterprise Group of cements and related products which operates in Portugal, Tunisia, Spain, Angola, Netherlands, France, Lebanon and Cape Verde with cement production, taking place at the Maceira, Pataias, Outão, Gabés (Tunisia), Lobito (Angola) and Beirut (Lebanon) plants and the production and sale of premixed concrete and clay and the operations of quarries facilities via its subsidiaries, of the sub-holding Secil Betões e Inertes, SGPS S.A..

The Group holds a 50% interest in Supremo Cimentos, S.A., a cement company operating in southern Brazil (Santa Catarina state), with a fully integrated factory of clinker and cement placed in Pomerode, as well as aggregate and concrete operations.

### *Environment*

ETSA – Investimentos, SGPS, S.A. leads the Enterprise Group of environment which operates in Portugal.

Geographical segment is an individual area committed to supplying products or services in a particular economic environment and which is subject to different risks and benefits than those arising from segments which operate in other economic environments. The geographical segment is based on the destination country of the goods and services sold by the Group.

The segment reporting accounting policies are those consistently used in the Group. All the inter-segment sales and services are performed at market prices and eliminated on consolidation. The segment reporting is presented in Note 4.

## 1.5 Foreign currency translation

### 1.5.1 Functional and reporting currency

The items included in the financial statements of each one of the Group's entities are measured using the currency of the economic environment in which the entity operates (functional currency).

The consolidated financial statements are presented in Euro, which is the Group's functional and reporting currency.

### 1.5.2 Balances and transactions expressed in foreign currencies

All the Group's assets and liabilities denominated in foreign currencies were converted into Euro using the exchange rates ruling at the balance sheet date.

The currency differences, favourable and unfavourable, arising from the differences between the exchange rates ruling at the transaction date and those ruling on collection, payment or balance sheet dates, were recorded as income and costs in the consolidated income statement for the period.

### 1.5.3 Group companies

The results and the Balance Sheet of the Group's entities which have a different functional currency from the Group's reporting currency are converted into the reporting currency as follows:

- (i) The assets and liabilities of each balance sheet are translated at the exchange rates ruling at the date of the financial statements;  
  
The resulting exchange rate differences are recognised as a separate component of shareholders' equity, under the caption Translation reserve;
- (ii) The income and costs of each income statement are translated using the average exchange rate of the reporting period, except where the average exchange rate is not a reasonable approximation of the cumulative effect of the rates ruling on the transaction dates, in which case the income and costs are converted at the exchange rate ruling on the transaction dates.



## 1.6 Intangible assets

Intangible assets are stated at cost of acquisition deducted of accumulated amortisation and impairment losses. Depreciation is calculated using the straight-line method, over a period between 3 to 5 years and annually for CO2 emission rights.

### 1.6.1 CO2 Emission rights

The CO2 emission rights attributed to the Group at no cost within the PNALE II (national plan for the assignment of CO2 emission rights), are recognised at fair value under the caption Intangible assets on the 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 CO2 emissions.

Sales of emission rights give rise to a gain or loss, being the difference between the amount realised and the respective initial recognition cost, net of the corresponding government grant.

At the date of the consolidated balance sheet, CO2 emission rights' portfolio is valued at the lower of the acquisition or their market value. On the other hand, liabilities due for those emissions are valued at market value at the same date

### 1.6.2 Brands

Whenever brands are identified in a business combination, the Group records them separately in the consolidated financial statements as an asset at historical cost, which represents their fair value on the acquisition date.

On subsequent measurement, brands are stated in the Group's consolidated financial statements at cost less accumulated amortization and impairment losses.

## 1.7 Goodwill

Goodwill represents the excess of the consideration paid over the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the acquisition date.

Goodwill is not amortised and is subject to impairment tests at least once a year. Impairment losses relating to Goodwill cannot be reversed. Gains or losses arising from the sale of an entity include the amount of the corresponding Goodwill.

## 1.8 Property, plant and equipment

Property, plant and equipment acquired up to 1 January 2004 (date of transition to IFRS) are recorded at acquisition cost, or acquisition cost revaluated in accordance with accounting principles generally accepted in Portugal up to that date, less depreciation and accumulated impairment losses.

Regarding the subsidiaries CMP, Société des Ciments de Gabés (SCG), Portucel and Soporcel, among others, the cost of the tangible fixed assets on the date these subsidiaries were acquired, was calculated based on valuations made by independent entities.

Property, plant and equipment acquired after transition date are recorded at acquisition cost, less depreciation and impairment losses. Acquisition cost includes all the expenses directly attributable to the acquisition of the assets.

Subsequent costs are included in acquisition cost of the asset or recognised as separate assets, as appropriate, only when it is probable that future economic benefits will flow to the company and the respective cost can be reliably measured. Other repairs and maintenance costs are recognised as a cost in the period they are incurred.

Depreciation is calculated 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:

	<b>Average Useful life</b>
Land	14
Buildings and other constructions	12 – 30
Equipment:	
Machinery and equipment	6 – 25
Transportation equipment	4 - 9
Tools and utensils	2 - 8
Administrative equipment	4 - 8
Returnable containers	6
Other property, plant and equipment	4 - 10

The residual values of the assets and respective useful lives are reviewed and adjusted when necessary at the balance sheet date. When the carrying amount of the asset exceeds its realisable value, the asset is written down to the estimated recoverable amount, and an impairment charge is booked (Note 1.10).

Gains or losses arising on the write off or disposal represent the difference between the proceeds received on disposal 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, less depreciation and impairment losses, being the cost of those acquired up to 1 January 2004 (date of transition to IFRS) the historical acquisition cost, or the revalue cost in accordance with generally accepted accounting principles in Portugal up to that date.

## 1.10 Impairment of non-current assets

Non-current assets which do not have a defined useful life are not subject to depreciation, but are subject to annual impairment tests. Assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the 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 recognized 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. The Group's biological assets comprise the forests held for the production of timber, suitable for incorporating in the production process of pulp and paper.

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 and a discount rate.

The discount rate was determined on the basis of the Group's expected rate of return on its forests and the related risks.

Fair value adjustments resulting from changes in estimates of growth, growth period, price, cost and other assumptions are recognised as Changes in fair value of biological assets on the income statement. At the time of harvest, wood is recognised at fair value less estimated costs at point of sale.

### 1.12 Investment properties

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, including transaction expenses. 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 debtor 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 balance sheet 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 balance sheet (Note 24).

### Financial assets at fair value through profit and loss

A financial asset is classified under this category if primarily acquired for the propose 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 balance sheet date. These investments are measured at fair value through the income statement (Note 20).

### Investments held to maturity

Investments held to maturity are non-derivative financial assets, with fixed or determinable payments and fixed maturities which the Group has the intention and ability to hold to maturity. Investments in this category are recorded at amortised cost using the effective interest rate method.

### Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not meet the conditions to be classified in the above categories. These assets are included in non-current assets unless management expects to sell them over the 12 months period following the balance sheet date (Note 21). These financial instruments are recognised at market value, as quoted on the balance sheet date.

If there is no active market of a financial asset, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash-flows analysis and option pricing models refined to reflect the issuer's specific circumstances.

Potential gains and losses arising from these investments are recorded directly in the fair value reserve until the financial investment is sold, received, or disposed of in any way, at which time the accumulated gain or loss formerly reflected in fair value reserve is taken to the Net income statement (Note 27).

If there is no market value or if it is not possible to determine one, the investments in question are recognised at their acquisition cost. An impairment loss is recognised whenever a reduction of value is identified and it is justifiable.

At each reporting date the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. If a prolonged decline in fair value of the available-for-sale financial assets takes place, then the cumulative loss – measured as the difference between acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in 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; under these circumstances, the reversal does not affect the income statement and the assets subsequent increase in value is thus taken to the fair value reserve.

## 1.13 Derivative financial instruments and hedge accounting

### *Derivative financial instruments*

The Group uses derivative financial instruments to manage the financial risks to which it is exposed.

Although the derivative financial instruments contracted represent effective economic hedging instruments, not all of them qualify as hedging instruments in accordance with the rules and requirements of IAS 39. Derivative financial instruments, which do not qualify as hedging instruments, are stated on the balance sheet 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; 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, calls, collars, etc.

In the selection of derivative financial instruments, it is their economic aspects that are the main focus of assessment. The management also evaluates the impact of each additional derivative financial instruments to its portfolio, namely in earnings' volatility.

### *Coverage of cash flows (interest rate 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 balance sheets at their fair value and, to the extent that they are considered effective hedging's, 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.

If the hedge instruments present ineffectiveness, that inefficiency is immediately recognised in profit and loss. As so, net expenses associated to the hedged interest-bearing liabilities are deferred in accordance with the hired hedging instrument inherent rate.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is recycled to the income statement when the hedge instrument is also 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 balance sheet. 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 comprises current and deferred tax.

*Current income tax*

Current income tax is calculated based on net income, adjusted in conformity with tax legislation in force at the balance sheet date.

*Deferred tax*

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*

Semapa Group 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 IRC Code, in accordance with the legislative changes introduced by the reform of the Corporate Income Tax in effect since 1 January 2014.

As of 1 January 2014, Secil Group and Portucel Group were included in the tax business group led by Semapa as the dominant society in addition to the subsidiaries that already complied with the requirements and therefore were already within the tax consolidation perimeter.

Companies included within the consolidation scope of the group of companies subject to this regime, calculate and recognise income tax (IRC) as though they were taxed on an individual basis. 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:

i) Goods and raw materials

Goods and raw, subsidiary and consumable materials are valued at the lower of their purchase cost or their net realisable value. The purchase cost includes ancillary costs, and it is determined using the weighted average cost as the valuation method.

ii) Finish products and work in progress

Finished and intermediate products and work in progress are valued at the lower of their production cost (which includes incorporated raw materials, labour and general manufacturing costs, based on a normal production capacity level) or their net realisable value.

The net realisable value corresponds to the estimated selling price after deducting estimated completion and selling costs. Differences between costs and net realisable value, if lower, are recorded under the caption Inventories consumed and sold.

### 1.16 Receivables and other current assets

Debtors' balances and other current assets are recorded at fair value and are subsequently recognised at their amortised cost, net of impairment losses, so as to state them at their expected net realisable value (Note 24).

Impairment losses are recorded when there is objective evidence that the Group will not receive the full amount outstanding in accordance with the original conditions of the accounts 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 balance sheet as a current liability, under the caption Interest-bearing liabilities.

### 1.18 Share capital and treasury shares

Ordinary shares are classified in shareholders' equity (Note 26).

Costs directly attributable to the issue of new shares or other equity instruments are reported as a deduction, net of taxes, from the proceeds of the issue.

Costs directly attributable to the issue of new shares or options towards the acquisition of a new business are included in the acquisition cost as part of the purchase consideration.

Treasury shares are recorded at their acquisition amount as a decrease in shareholders' equity, in the caption Treasury shares, while the gains or losses inherent in their disposal are recorded under Other reserves. Pursuant to prevailing corporate legislation, as long as treasury shares remain in the company's possession, it is mandatory to set aside a reserve equal to their acquisition costs.

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.

### 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 balance sheet date (Note 31).

### 1.20 Borrowing costs

Borrowing costs relating to loans are generally recognised as financial costs, in accordance with the accrual accounting principle (Note 10).

Borrowing costs directly related to the acquisition, construction or production of fixed assets are capitalised when their construction period exceeds one year, and form part of the asset's cost.

Capitalization of these charges commences after the start of the asset's preparation or development activities and ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed or when the relevant project is suspended or substantially concluded.

Any financial income directly related to a specific investment is deducted from the borrowing costs of the referred asset.

### 1.21 Provisions

Provisions are recognised whenever the Group has a legal or constructive obligation, as a result of past events, in which it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions for future operating losses are not recognised. Provisions are reviewed on balance sheet date and are adjusted so as to reflect the best estimate at that date (Note 30).

The Group incurs expenditure and assumes liabilities of an environmental nature. Accordingly, expenditures on equipment and operating techniques that ensure compliance with applicable legislation and regulations (as well as on the reduction of environmental impacts to levels that do not exceed those representing a viable application of the best available technologies, on those related to minimizing energy consumption, atmospheric emissions, the production of residues and noise), are capitalised when they are intended to serve the Group's business in a durable



way, as well as those associated with future economic benefits and which serve to prolong life expectancy, increase capacity or improve the safety or efficiency of other assets owned by the Group (Notes 30 and 37).

In addition, quarries have to be subject to environmental remediation and improvements. It is the Group's practice to continuously and progressively reconstitute the land freed up by the quarries, recognising in the income statement of the period the expenditure incurred.

Quarries whose reconstitution is only possible at the 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 Balance sheet after deducting the market value of the funds constituted, under the caption Pensions and other post-employment benefits included in non-current liabilities.

Actuarial gains and losses resulting from differences between the assumptions used for purposes of calculating the liabilities and what effectively occurred (as well as from changes made thereto and from the difference between the expected amount of the return on the funds' assets and the actual return) are recognised when incurred directly in the statement of comprehensive income (Note 27).

The gains and losses generated by a curtailment or settlement of a defined-benefit plan are recognised in the income statement when the curtailment or settlement occurs. A curtailment occurs when there is a material reduction in the number of employees or the plan is altered in such a way that the benefits awarded are reduced with a material impact.

### 1.22.2 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, early retirement 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 recognised 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.

Accordingly, these liabilities are recorded in the period in which the employees acquire the respective right, irrespective of the date of payment, whilst the balance payable at the date of the consolidated balance sheet is shown under the caption Payables and other current liabilities.

### 1.23 Payables and other current liabilities

Trade creditors and current accounts payable are initially recorded at their fair value and subsequently at amortised cost (Note 32).

### 1.24 Non-current assets held for sale and discontinued operations

Non-current assets (or discontinued operations) are classified as held for sale if its value is 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

Fixed assets acquired under leasing contracts, as well as the corresponding liabilities, are recorded using the financial method. According to this method, the asset's cost is recorded in property, plant and equipment and the corresponding liability is recognised 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 recognition and accrual basis

Income derived from sales is recognised in the consolidated income statement when risks and benefits inherent in the ownership of the respective assets are transferred to the purchaser and the amount of the income can be reasonably quantified.

Sales are recognised net of taxes, discounts and other costs associated with their realisation, at the fair value of the amount received or receivable.

The income derived from the services rendered is recognised in the consolidated income statement with reference to the stage of completion of the services rendered at the balance sheet date.

Interest received is recognised in accordance with the principle of accrual accounting, taking into consideration the amount of debt and the effective rate of interest during the period to maturity.

The Group companies record their costs and income in accordance with the accrual accounting principle, in terms of which costs and income are recognised as and when generated, irrespective of the moment in which they are received or paid. The differences between the amounts received and paid and the respective costs and income are recognised in the Receivables and other current assets and Payables and other current liabilities headings (Notes 24 and 32, respectively).

### 1.29 Contingent assets and liabilities

Contingent liabilities in which there is probability of an outflow of funds affecting future economic benefits is only probable, are not recognised in the consolidated financial statements, and are disclosed in the notes, unless the probability of the outflow of funds affecting future economic benefits is remote, in which case they are not the 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 42).

### 1.30 Subsequent events

Events after balance sheet date which provide additional information about the conditions prevailing at the date of the balance sheet are reflected in the consolidated financial statements. Subsequent events which provide information about conditions which occur after the balance sheet date are disclosed in the notes to the consolidated financial statements, if material.

### 1.31 New standards, changes and interpretation of existing standards

The application of the interpretations and amendments to the standards mentioned below, are mandatory by the IASB for the financial years that begin on or after 1 January 2014:

New standards, mandatory in 30 June 2014	Effective date *
IAS 27 – Disclosures of company interest in other entities	1 January 2014
IAS 28 – Investments in Associates and Joint Ventures	1 January 2014
IAS 32 – Financial instruments: disclosures	1 January 2014
IAS 36 – Asset impairment	1 January 2014
IAS 39 – Financial instruments: recognition and measurement	1 January 2014
IFRS 10 – Consolidated financial statements	1 January 2014
IFRS 11 – Joint Arrangements	1 January 2014
IFRS 12 – Disclosure of Interests in other entities	1 January 2014
Improvements to IFRS 10, 11 and 12	1 January 2014

*\* Periods beginning in or after*

The adoption of these standards did not have any relevant impact in the Group's consolidated financial statements beside the previous identified in this report namely regarding IFRS 11 (Note 1.2).

#### New standards and interpretations not mandatory as at 30 June 2014:

There are new standards, interpretations and amendments of existing standards, that despite having already been published, they are only mandatory for the periods starting after 1 July 2014, which the Group decided not to early adopt in the current period, as follows:

Standards effective after 1 July 2014, not yet aproved by EU	Effective date *
IAS 19 – Employee benefits	1 de July 2014
IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 de July 2016
Improvements to standards from 2011 to 2013	1 de July 2014
IFRS 9 – Financial instruments	1 de July 2014
Improvements to standards from 2010 to 2012	1 January 2016
IAS 16 and IAS 41 – Agriculture: Bearer Plants	1 January 2016
IFRS 11 – Joint Arrangements	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2016
Amendment to IFRS 9 – Financial instruments: hedge accounting	1 January 2016
IFRS 14 – Regulatory Deferral Accounts	1 January 2016

\* Periods beggining in or after

Interpretations effective in 30 June 2014	Effective date *
IFRIC 21 – Levies	17 de Junho de 2014

\* Periods beggining in 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 yet cancelled the quantification of the effects of any changes arising from the adoption of these standards.

## 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 GBP, PLN and CHF have some expression, as sales in other currencies are less significant.

Purchases of certain raw materials are made in USD, particularly the share of imports of wood pulp and softwood; therefore variations in this 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 through a significant amount of receivables and, albeit with lesser significance, payables.

Portucel holds a commercial subsidiary in the United States of America, Portucel Soporcel North America, whose share capital amounts to USD 25,000,000 and is exposed to currency risk. In addition to this transaction, this segment no longer holds investments in foreign operations which are materially relevant and whose net assets are exposed to currency risk.

Occasionally, when considered appropriate, Portucel 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 currency risk inherent to the segment of Cement and derivatives is mainly due to purchases of fuel and freight ships, both paid in USD. This segment continued its policy of maximizing the potential of covering their foreign exchange exposure, through compensating the exchange flows internally. Secil has assets located in Tunisia, Angola, Lebanon and Brazil, therefore any change in these countries' exchange rates could have an impact on Semapa balance sheet.

For the flows that are not compensated naturally, the risk has been assessed and covered by contracting structures of exchange options, which set the limit for the amount to pay, while it allows benefits from a favourable evolution in the exchange rate.

The Group's exposure to foreign exchange rate risk as of 30 June 2014, based on the financial assets and liabilities converted at the exchange rate as of that date is detailed as follows:

Amounts in Foreign Currency	United States Dollar	British Pound	Polish Zloty	Swedish Krona	Turkish lira	Swiss Franc	Danish Krone	Brazilian Real
<b>As of 30 June 2014</b>								
<b>Assets</b>								
Cash and cash equivalents	46.400.676	671.746	1.734	148.627	116.940	55.222	393.491	394.301
Receivables	52.457.576	14.596.127	5.529.324	518.386	-	2.927.619	400.425	51.908.965
Join Ventures	-	-	-	-	-	-	-	89.708.261
Other assets	568.075	-	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>99.426.327</b>	<b>15.267.873</b>	<b>5.531.058</b>	<b>667.013</b>	<b>116.940</b>	<b>2.982.841</b>	<b>793.916</b>	<b>142.011.527</b>
<b>Liabilities</b>								
Bearing liabilities	(9.026.352)	-	-	-	-	-	-	(149.869.519)
Payables	(5.198.066)	-	-	-	(20.846)	(7.797)	-	(10.686.866)
<b>Total Financial Liabilities</b>	<b>(14.224.418)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20.846)</b>	<b>(7.797)</b>	<b>-</b>	<b>(160.556.385)</b>
Derivative financial instruments	(101.280.000)	(29.930.000)	-	-	-	-	-	(128.100.000)
<b>Net financial position</b>	<b>(16.078.091)</b>	<b>(14.662.127)</b>	<b>5.531.058</b>	<b>667.013</b>	<b>96.094</b>	<b>2.975.044</b>	<b>793.916</b>	<b>(146.644.858)</b>
<b>As of 31 December 2013</b>								
Total Financial Assets	141.170.144	14.049.616	10.567.986	1.262.508	142.770	3.008.500	799.153	99.943.157
Total Financial Liabilities	(20.436.617)	-	-	-	-	-	-	(174.346.160)
Derivative financial instruments	(113.890.000)	(8.080.000)	-	-	-	-	-	(128.100.000)
<b>Net financial position</b>	<b>6.843.527</b>	<b>5.969.616</b>	<b>10.567.986</b>	<b>1.262.508</b>	<b>142.770</b>	<b>3.008.500</b>	<b>799.153</b>	<b>(202.503.003)</b>

Amounts in Foreign Currency	Australian Dollar	Norwegian Kroner	Mozambican Metical	Moroccan Diram	000 Lebanese Pounds	Tunisian Dinar	Angolan Kwanza
<b>As of 30 June 2014</b>							
<b>Assets</b>							
Cash and cash equivalents	-	143.249	135.708.627	206.683	61.040.006	5.211.345	323.271.060
Receivables	183.975	739.962	27.833.177	58.331	24.364.795	27.434.251	214.332.452
Join Ventures	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	6.191.595	-
<b>Total Financial Assets</b>	<b>183.975</b>	<b>883.211</b>	<b>163.541.804</b>	<b>265.014</b>	<b>85.404.801</b>	<b>38.837.191</b>	<b>537.603.512</b>
<b>Liabilities</b>							
Bearing liabilities	-	-	-	-	(11.589.402)	(51.453.820)	(1.318.717.443)
Payables	-	-	(734.342.713)	(769.660)	(29.230.862)	(30.373.741)	(149.085.770)
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>(734.342.713)</b>	<b>(769.660)</b>	<b>(40.820.264)</b>	<b>(81.827.561)</b>	<b>(1.467.803.213)</b>
<b>Derivative financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net financial position</b>	<b>183.975</b>	<b>883.211</b>	<b>(570.800.909)</b>	<b>(504.646)</b>	<b>44.584.537</b>	<b>(42.990.370)</b>	<b>(930.199.701)</b>
<b>As of 31 December 2013</b>							
Total Financial Assets	4.424	1.212.854	19.771.878	142.770	58.855.151	32.356.355	460.887.774
Total Financial Liabilities	(642)	-	(6.428.720)	-	(34.857.814)	(98.938.852)	(1.256.882.298)
<b>Derivative financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net financial position</b>	<b>3.782</b>	<b>1.212.854</b>	<b>13.343.158</b>	<b>142.770</b>	<b>23.997.337</b>	<b>(66.582.497)</b>	<b>(795.994.524)</b>

The exchange rate Derivative financial instruments aim hedge the currency risk of future transactions in foreign currency.

### 2.1.2 Interest rate risk

A significant share of the Group's financial liabilities costs 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.

The sub-group Secil opted to partially hedge interest rate risk by means of derivative instruments which fixed a maximum figure for the finance charges relating to long-term debt with phased repayment terms.

During 2009 Semapa SGPS, S.A. contracted three interest rate collar structures over two bond loans maturing in 2016, in order to fix the interest costs within a certain limit of payments.

The sub-group ETSA kept all its debt allocated to a variable tax rate.

On 30 June 2014 and 31 December 2013, 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 months	3-12 months	1-5 years	+ 5 years	Total
As of 30 June 2014						
<b>Assets</b>						
Non-current						
Other non-current assets	-	-	-	1,382,893	-	1,382,893
Current						
Cash and cash equivalents	394,294,133	26,863,707	-	-	-	421,157,840
<b>Total financial assets</b>	<b>394,294,133</b>	<b>26,863,707</b>	<b>-</b>	<b>1,382,893</b>	<b>-</b>	<b>422,540,733</b>
<b>Liabilities</b>						
Non-current						
Interest bearing liabilities	147,702,551	212,684,686	539,091,667	42,233,629	350,897,436	1,292,609,970
Other	-	-	-	301,665	-	301,665
Current						
Interest bearing liabilities	197,953,563	13,665,397	395,035,579	-	-	606,654,539
<b>Total financial liabilities</b>	<b>345,656,115</b>	<b>226,350,084</b>	<b>934,127,246</b>	<b>42,535,294</b>	<b>350,897,436</b>	<b>1,899,566,174</b>
<b>Difference</b>	<b>48,638,019</b>	<b>(199,486,377)</b>	<b>(934,127,246)</b>	<b>(41,152,401)</b>	<b>(350,897,436)</b>	<b>(1,477,025,441)</b>

Amounts in Euro	Until 1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As of 31 December 2013						
<b>Assets</b>						
Non-current						
Other non-current assets	-	-	-	1,250,000	-	1,250,000
Current						
Cash and cash equivalents	635,804,983	13,284,740	-	-	-	649,089,723
<b>Total financial assets</b>	<b>635,804,983</b>	<b>13,284,740</b>	<b>-</b>	<b>1,250,000</b>	<b>-</b>	<b>650,339,723</b>
<b>Liabilities</b>						
Non current						
Interest bearing liabilities	168,736,749	289,349,842	708,199,116	387,857,611	350,525,105	1,904,668,423
Other	298,350	-	-	-	-	298,350
Current						
Interest bearing liabilities	95,207,272	12,957,389	121,334,771	815,296	-	230,314,728
<b>Total financial liabilities</b>	<b>264,242,371</b>	<b>302,307,231</b>	<b>829,533,887</b>	<b>388,672,907</b>	<b>350,525,105</b>	<b>2,135,281,501</b>
<b>Difference</b>	<b>371,562,612</b>	<b>(289,022,491)</b>	<b>(829,533,887)</b>	<b>(387,422,907)</b>	<b>(350,525,105)</b>	<b>(1,484,941,778)</b>

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:

- Changes in market interest rates affect interest income and expenses arising from financial instruments subject to floating rates;
- 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;
- Changes in market interest rates affect the fair value of derivative financial instruments as well as other financial assets or liabilities;
- 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.

### 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 specialized 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 customer.

The Group renegotiates periodically the receivables in accordance with its own management risk policy.

As of 30 June 2014 and 31 December 2013, accounts receivable from customers showed the following ageing structure, considering the due dates for the open balances before impairment charges:

Amounts in Euro	Paper	Cement	Environment	Total	
				30-06-2014	31-12-2013
Not overdue	180.883.282	34.163.378	2.348.264	217.394.924	196.280.736
1 to 90 days	8.178.842	15.511.735	1.687.076	25.377.653	42.379.750
91 to 180 days	1.530.062	2.166.286	25.919	3.722.267	3.800.067
181 to 360 days	365.764	1.013.391	191.578	1.570.733	5.040.115
361 to 540 days	85.808	383.786	150.739	620.333	1.980.060
541 to 720 days	86.656	1.054.178	34.332	1.175.166	1.165.428
more than 721 days	310.628	9.213.221	623.783	10.147.632	10.089.961
	<b>191.441.042</b>	<b>63.505.975</b>	<b>5.061.691</b>	<b>260.008.708</b>	<b>260.736.117</b>
Litigation - doubtful debts	1.459.661	12.163.065	-	13.622.726	13.802.277
Impairments (Note 22)	(985.369)	(23.297.992)	(616.274)	(24.899.635)	(25.519.809)
<b>Net clients balance (Note 24)</b>	<b>191.915.334</b>	<b>52.371.048</b>	<b>4.445.417</b>	<b>248.731.799</b>	<b>249.018.585</b>

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's customers, which allow, in conjunction with the experience obtained in the client portfolio analysis and with the history of credit defaults, in the share not attributable to the insurance company, to define the amount of losses to recognise in the period. The existing guarantees for a significant part of the open and old balances, justify the fact that no impairment has been recorded related to those amounts.

The table below represents the quality of the Group's credit risk, as of 30 June 2014 and 31 December 2013, for financial assets (Cash and cash equivalents and Derivative financial instruments), whose counterparts are financial institutions:

Amounts in Euro	30-06-2014	31-12-2013
AA	-	67,629
AA-	25,008,570	44,004,478
A+	40,468	48,100,000
A	28,185,588	4,319,156
A-	220,415	142,092,332
BBB+	82,425	-
BBB	60,526,890	85,024
BBB-	11,588,221	51,009,260
BB	1,070,959	57,405,087
BB-	160,561,375	199,685,152
B+	2,999,794	-
B	8,342,445	30,669,404
B-	40,225,195	-
Others	82,305,496	71,652,201
	<b>421,157,841</b>	<b>649,089,723</b>

The caption others relates mainly to short-term investments with Angola's financial institutions, relatively to which it was not possible to obtain the ratings with reference to the presented dates.

The ageing analysis of receivables already overdue is as follows:

Amounts in Euro	30-06-2014		31-12-2013	
	Gross amount	Fair Value of Credit Insurance	Gross amount	Fair Value of Credit Insurance
Accounts receivable overdue but not impaired				
Overdue - less than 3 months	25,368,785	14,257,100	42,283,067	18,995,304
Overdue - more than 3 months	6,632,123	917,550	11,189,797	1,140,900
	<b>32,000,908</b>	<b>15,174,650</b>	<b>53,472,864</b>	<b>20,136,204</b>
Accounts receivable overdue and impaired				
Overdue - less than 3 months	21,123	-	96,684	-
Overdue - more than 3 months	25,352,804	-	25,423,126	-
	<b>25,373,927</b>	<b>-</b>	<b>25,519,810</b>	<b>-</b>

In accordance with the above-mentioned, it should be noted that the Group adopted a policy of credit insurance for all accounts receivable from costumers and has the procedure of selecting the financial entities for counterparts in its transactions that show solid financial ratings. Thus, it is considered that the effective Group's exposure to the credit risk has been mitigated and is within acceptable levels.

The maximum exposure to the credit risk as at 30 June 2014 and 31 December 2013 is detailed in the following schedule:

Amounts in Euro	30-06-2014	31-12-2013
<b>Non-Current</b>		
Available-for-sale financial assets (Note 21)	229,136	346,257
Other non-current assets	6,795,722	6,053,886
<b>Current</b>		
Receivables and other current assets (Note 24)	292,544,972	261,985,377
Derivative financial instruments (Note 24)	95,199	809,343
Cash and cash equivalents	421,157,841	649,089,723
	<b>720,822,870</b>	<b>918,284,586</b>
<b>Credit risk exposures relating to off balance sheets itens</b>		
Warranties (Note 40)	23,128,195	30,047,815
	<b>23,128,195</b>	<b>30,047,815</b>

#### 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, for an amount that ensures adequate liquidity.

The liquidity of the agreed financial liabilities will generate the following not discounted cash flows, including interests, untill maturity at balance sheet date:

Amounts in Euros	Less than 1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As of 30 June 2014						
<b>Liabilities</b>						
Interest bearing liabilities						
Bond loans	337,920	20,443,727	516,787,866	704,665,322	369,126,042	1,611,360,878
Commercial paper	-	-	4,823,576	49,988,014	-	54,811,590
Bank loans	66,531,520	5,910,329	46,444,624	196,013,736	53,363,988	368,264,198
Financial leases payables	124,538	25,847	955,128	3,451,800	1,099,435	5,656,748
Other Loans	-	-	2,053,263	6,042,094	-	8,095,357
Derivative financial instruments	-	-	1,568,817	11,564,911	-	13,133,728
Accounts payable and other liabilities	90,281,050	88,428,225	57,228,427	10,839,813	-	246,777,515
<b>Total liabilities</b>	<b>157,275,028</b>	<b>114,808,128</b>	<b>629,861,702</b>	<b>982,565,690</b>	<b>423,589,465</b>	<b>2,308,100,014</b>
As of 31 December 2013						
<b>Liabilities</b>						
Interest bearing liabilities						
Bond loans	543,560	30,165,390	83,881,774	803,596,262	378,584,549	1,296,771,536
Commercial paper	190,003	1,464,189	7,920,927	290,701,075	64,387,615	364,663,809
Bank loans	11,532,801	9,434,301	237,622,045	359,740,763	232,257,884	850,587,795
Financial leases payables	58,891	48,434	724,882	2,098,861	719,522	3,650,590
Other Loans	-	-	14,919,626	-	-	14,919,626
Derivative financial instruments	-	482,794	6,510,586	18,290,716	-	25,284,096
Accounts payable and other liabilities	100,087,807	76,701,761	96,894,170	15,989,723	-	289,673,461
<b>Total liabilities</b>	<b>112,413,062</b>	<b>118,296,869</b>	<b>448,474,011</b>	<b>1,490,417,400</b>	<b>675,949,570</b>	<b>2,845,550,912</b>

As of 30 June 2014 and 31 December 2013, bank loans granted and not withdrawn amount to Euro 715,210,237 and Euro 466,618,055 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

#### *Risks relating to the forestry sector*

By the end of the first semester of 2014, Portucel Group was carrying out the management of woodlands covering an area of around 123 thousand hectares, from the north to the south of the country, including Azores, through 1,398 units located in 171 municipalities, in accordance with the principles laid down in its Forestry Policy. Eucalyptus trees occupy 73% of this area, namely the Eucalyptus globulus, the species that is universally acknowledged as the tree with the ideal fibre for producing high quality paper.

The Group is also managing, in a development stage, the forestation of 360,000 hectares in Mozambique, namely in Manica and Zambésia, under a concession agreement reached with the Mozambican government. The mentioned agreement also provides the construction of an industrial BEKP production unit, together with the construction of an electricity production unit.

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 worldwide demand for certified products, considering that only a small proportion of the forests is certified. It is expected that this competitive pressure will remain in the future. As an example, the forestry area managed by the Group represents near 3% of Portugal's total forested area, 52% of all certified Portuguese forests according with PEFC standards (Programme for the Endorsement of Forest Certification schemes) and 36% of all certified Portuguese forests according with FSC standards (Forest Stewardship Council).

The main risks associated with the sector are the risk attached to the productive capacity of the plantations and the risk of wildfires.

In order to 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. Increase the productivity of its woodlands through the use of the best agro-forestry practices adapted to local conditions and compatible with the environment in order to ensure biodiversity levels.
- ii. Establish and improve the network of forestry infrastructures to enable the required accessibility for management, whilst making them compatible with the forestry protection measures against wildfires.
- iii. Ensure compliance with the water-cycle functions, promoting, whenever possible, the rehabilitation and qualitative protection of water resources.

The Group also has a research institute, Raíz, whose activity is focused in 3 main areas: Applied Research, Consulting and Training. In the forestry research area, Raíz seeks:

- i. To improve the productivity of the eucalyptus forests
- ii. To enhance the quality of the fibre produced
- iii. To implement a sustained forestry management program from an economic, environmental and social perspectives
- iv. To lower the cost of wood

The activity of Portucel Group is exposed to risks related to forest fires, including:

- i. The destruction of current and future wood, stocks 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 Portucel Group and the ALTRI Group, whose mission is to provide assistance to the fight against forest fires at the grouped companies' land holdings, in close coordination and collaboration with the National Civil Protection Authority (Autoridade Nacional de Protecção Civil – ANPC). This grouping manages an annual budget of some 2,2 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 228 thousand acres of forests in Portugal.

***Risks relating to the production and trading of BEKP (Bleached Eucalyptus Kraft Pulp) and UWF paper (Uncoated fine papers for printing and writing)***

***Supply of raw materials***

The wood supplied by the Group's forestries represents less than 20% of the Group's needs, meaning the Group needs to buy wood in Iberian market and outside that.

The supply of wood, namely eucalyptus, is subject to price fluctuations and difficulties encountered in the supply of raw materials that could have a significant impact on the production costs of companies producing BEKP (Bleached Eucalyptus Kraft Pulp).

The planting of new areas of eucalyptus and pine is subject to the authorization of the relevant entities, so that increases in forested areas, or the substitution of some of the currently used areas depend on forest owners which are estimated in some 400,000, on the applicable legislation and the speed of the responsible authorities in approving the new projects.

If domestic production proved to be insufficient, in volume and in quality, namely of certified wood, the Group could have to place greater reliance on imports of wood from Africa and South America.

Regarding the importation of wood, there is a risk related to its shipment from the place of origin to the harbours and to the Group's mills. This transportation risk is reduced by the agreed purchasing conditions, where the ownership of raw materials is transferred at the port of arrival, and complemented by insurance coverage of potential supplying losses caused by any transportation accident that may affect the supplying of wood.

The Portucel Group power plants seek to maximize the added value of their products, particularly through increased integration of certified wood in these products.

The low expression of this wood outside the forests directly managed by the Group, has meant a shortage of supply to which the Group has responded with an increase in the price offered when comparing to wood originating from forests that are not certified, through a price bonus for certified wood, a new initiative from the Group.

Furthermore, and considering the unparalleled contribution of the eucalyptus industry to the National Value Added in the Portuguese Economy, direct and indirect, as well as the significance of such industries for exports, the level of employment they provide and the increasing demand for eucalyptus, not easily satisfied by national forests, the Group has been making the Government and the public opinion aware that it is necessary to guarantee that, whilst the internal production of this type of wood does not increase significantly on an economically viable basis, its use as bio fuels for energy production should not be put ahead of its use as a raw material, to be used to produce tradeable goods.

In the six months period ended 30 June 2014, an increase of Euro 5 on the cost of a cubic meter of the eucalyptus wood consumed in the production of BEKP, would have had a negative impact in Group's earnings of about Euro 10,800,000 (2013: Euro 10,600,000).

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, you 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, which 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 12% between 2010 and 2013. In addition, the quality levels achieved in the effluent treatment are among the highest and effluent volumes between 2010 and 2013 have been reduced by more than 11% as a result of investment in process improvement, aimed at minimizing the environmental impact of the Group.

#### *Market price for UWF paper and BEKP*

The increase of competition, caused by imbalance of supply or demand, on BEKP or UWF markets may have a significant impact on prices and, as consequence, in Group's performance. The market prices of BEKP and UWF paper are defined in the world global market in perfect competition and have a significant impact on the Group's revenues and on its profitability. Cyclical fluctuations in BEKP and in UWF Paper prices mainly arise from changes in the world supply and demand, the financial situation of each of the international market players (producers, traders, distributors, clients, etc.), creating successive changes in equilibrium prices and raising the global markets volatility.

The BEKP and UWF paper markets are highly competitive. Significant variations in existing production capacities could have a strong influence on world market prices. These factors have encouraged the Group to follow a defined marketing and branding strategy and to invest in relevant capital expenditure to increase productivity and the quality of the products it sells.

In the six months period ended 30 June 2014, a 10% drop in the price per ton of BEKP and of 5% in the price per ton of UWF paper sold by the Group in the period, would have represented a negative impact on its earnings of Euro 5,900,000 and Euro 28,200,000, respectively (2013: Euros 6,900,000 and 28,400,000, respectively).

#### *Demand for Group products*

Notwithstanding what refers to the concentration of the portfolios of the Group's customers, any reduction in demand for BEKP and UWF in the markets of the European Union and the United States could have a significant impact on Portucel Group 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 major 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 economy, worldwide, can cause a slowdown or decline in demand for printing and writing paper, affecting the performance of the Portucel Group.

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 fiber.

Regarding this matter, and in the case of the UWF, 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 markets that are less sensitive to variations in demand, resulting a lower exposure to this risk.

### *Energy*

The production process depends on the constant supply of steam and electric energy. For this, the Group owns several cogeneration units that ensure this constant supply. A contingent plan with redundancies between the different power generation units is in place in order to reduce the risk of failure of the power supply to the pulp and paper mills.

### *Country risk – Mozambique*

As the investment project in Mozambique gains relevance, exposure to specific risk in this country increases.

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 monitors the achievement of each step in a way that can assume with reasonable certainty that no risk that there will be effects due to condition them.

In the 6 month period ended 30 June 2014, the costs incurred with this project amounted to Euro 4,222,573 (30 June 2013: Euro 2,440,619), mainly related to plantation, land preparation and the identification of eucalyptus species with adequate industrial use to be planted in the areas awarded by the Mozambique State.

### *Competition*

Increased competition in paper and pulp markets may have a significant impact in price and as a consequence in Group's profitability.

As paper and pulp markets are highly competitive, the start of production of new units with added productive capacity may have a relevant impact in prices worldwide.

Producers from southern hemisphere (namely from Brazil, Chile, Uruguay and Indonesia), with significantly lower production costs, have been gaining weight in the market, undermining the competitive position of European pulp producers.

These factors have forced the Group to make significant investments in order to keep production costs competitive and produce high quality products as it is likely that competitive pressure will remain strong in the future.

The Portucel Group sells more than 71% of its paper production in Europe, holding significant market shares in Southern European countries and relevant market shares in the other major European markets, as well as an important presence in the USA.

### *Concentration of customer portfolio*

At 30 June 2014, the Group's 10 main BEKP customer groups accounted for 13% of the period's production of BEKP and 69% 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 commercialised.

As such, the Group considers that there is little exposure to the risks of customer concentration regarding the sale of BEKP.

At 30 June 2014, the Group's 10 main customer groups for UWF paper represented 54% of this product's sales during the period, although the group's 10 main individual customers do not exceed 22% of total sales. Also regarding UWF paper, the Group follows a strategy of mitigating the risk of customer concentration. The Group sells UWF paper to more than 113 countries and 900 individual customers, thereby allowing a dispersion of the risk of sales concentration amongst a reduced number of markets and/or customers.

### *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.

Although no significant changes in the legislation are expected in the near future, if that were to happen, the Group may need to incur in increased expenditure, in order to comply with any new environmental requirements that may come into force.

To date, the legislative changes that are known relate to the evolution of the system of allocation of EU emission trading of CO<sub>2</sub> 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 2014-2017 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<sub>2</sub> 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<sub>2</sub> 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<sub>2</sub> emissions, in spite of the continuous increase in the production volume over the last years.

On the other hand, under the terms set in Decree-Law 147/2008, dated 29 June that transposed the directive 2004/35/CE to the national law, the Group secured the environmental insurances demanded by the referred law, thus guaranteeing compliance and reducing exposure to environmental risks.

### *Risks associated with the production of energy*

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.

Considering the increasing integration of the Group's mills dedicated to the production of BEKP and UWF paper and as a means of increasing the use of the biomass gathered in the woodlands, the Group built new biomass power-generating units.

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 (BFR) rather than the use of wood to produce electrical power.

In addition, and despite the legal provisions of:

- i. Decree-Law 23/2010 and Act 140/2012, revised by the Act 325-A/2012, applicable to the special preproduction regime in cogeneration;
- ii. For biomass power plants (CTB) residual forest, dedicated to the production of energy, the legal framework is supported by Decree-Law 33-A / 2005 revised by Decree-Law 225/2007, that changed from 15 to 25 years the



guaranteed period of return on the special preproduction regime in cogeneration, anticipating some stability in the tariffs for the near future,

there is a risk that the change in tariffs for sale of energy produced from renewable resources will penalize those products. The constant search for the optimization of production costs and efficiency of the generating units is the way the Group seeks to mitigate this risk.

#### *Risks associated to transport and logistics*

The Group exports over 95% of its production. 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.

#### *Other risks associated with the pulp and paper segment*

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.

### 2.2.2 Risks associated 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, which extraction 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 derivative's turnover is dependent on the level of activity in the building sector in each one of the geographic markets in which it operates. The construction sector tends to be cyclical, in particular in mature economies, and depends on the level of residential and commercial building, as well as on the level of investments in infrastructures.

The construction sector is sensitive to factors such as interest rates 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 the Sub-group in this segment.

### *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 risks - Tunisia, Lebanon and Angola*

Secil is exposed to the country risk of Tunisia, Lebanon and Angola where Group holds investments in production units.

### *Environmental legislation*

In recent years, environmental legislation in the EU has become increasingly restrictive regarding the control of effluents. Secil Group complies with the prevailing legislation and for that the Group has performed significant investments in the recent years. Although no significant changes in the legislation are expected in the near future, if that were to happen, the Group may need to incur in increased expenditure, in order to comply with any new environmental requirements that may come into force.

#### 2.2.3 Risks relating to the Environment segment

### *Supply of raw materials*

The supply of raw material for the segment of Environment, developed by the subgroup ETSA, is conditioned by the availability of animal carcasses and waste from the food industry, particularly in slaughterhouses. This market is relatively vulnerable to the deterioration of the economic situation, as well as changes in consumption habits and ease of substitution between food products, which could limit the activity of this subgroup.

### *Sale Price*

ETSA's business is exposed to volatility in prices of soft commodities on international markets (cereals and cereal products), since these are substitute products to those transacted by ETSA.

The correlation between ETSA's selling prices and movements in prices of soft commodities on international markets is an additional risk factor for the activity.

### *Demand 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.

#### 2.2.4 Risks relating to the Group in general

### *Environmental legislation*

The Group has been following a strategy of carrying out a series of environmental related investments that, among other advantages, have resulted in a continued reduction of the CO2 emissions.

On the other hand, under the terms set in Decree-Law 147/2008, dated 29 June that transposed directive 2004/35/CE to the national law, the Group ensured the environmental insurances demanded by the referred law, guaranteeing regulatory compliance and reducing exposure to environmental risks.

### *Human Resources*

The Group's ability to successfully implement outlined strategies depends on its capacity to recruit and retain key talents for each role. Although the Group's human resources policy seeks to achieve these goals, there might be some limitations to achieve them in the future.

### *Other risks*

The Group's manufacturing facilities are subject to risks inherent to any 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:

- Ports and railroads;
- Roads particularly those providing access to the Group's producing units;

- Rules regarding territory management and forest fires;
- Low productivity of the country's forests;
- The lack of certification of the vast majority of the Portuguese forest.

### 3. *Important accounting estimates and judgments*

The preparation of consolidated financial statements requires that Group's management make judgments and estimates that affect the amount of revenue, costs, assets, liabilities and disclosures at balance sheet date.

These estimates are influenced by Group's management's judgments, based on: (i) the best information and knowledge of present events and in certain cases on the reports of independent experts; and (ii) the actions which the Group considers it may have to take in the future. However, on the date on which the operations are realised, the outcome could be quite different from those estimates.

The estimates and assumptions which present a significant risk of generating a material adjustment to the book value of assets and liabilities in the following financial year are presented below:

#### 3.1 *Impairment of Goodwill*

The Group tests the goodwill carried in the consolidated balance sheet for impairment losses annually, in accordance with the accounting policy described in Note 1.10. The recoverable amounts of the cash generating units are ascertained based on the calculation of their value-in-use and fair value less cost to sell. These calculations require the use of estimates (Note 15).

#### 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 30 June 2014. And the income tax returns of Semapa, Portucel and Secil up to 2011 have already been audited.

#### 3.3 *Actuarial assumptions*

Liabilities relating to defined-benefit plans are calculated based on certain actuarial assumptions (Note 29). Changes to those assumptions can have a material impact on the aforesaid liabilities.

As of 30 June 2014, a decrease of 0.5% in the discount rate would increase the assumed liabilities in Euro 4.8 million.

### 3.4 Fair value of biological assets

In determining the fair value of biological assets the Group used the discounted cash flows method considering assumptions related to the nature of the assets being valued (Note 1.11). Changes in these assumptions may have an impact in the value of those assets.

As of 31 December 2013, an increase of 0.5% in the discount rate of 8% used to value those assets, would decrease their value by Euro 4.1 million.

### 3.5 Recognition of provisions and adjustments

The Group is involved in several lawsuits underway, for which, based in the opinion of its lawyers, a judgment is made in order to assess if a provision for these contingencies should be booked. Impairment in accounts receivable are calculated essentially based on accounts receivable's ageing, customers' risk profile and customers' financial situation.

## 4. Segment reporting

Segmental information is presented in relation to the business segments identified, namely Pulp and Paper, Cement and Derivatives, Environment and Holdings. The earnings, assets and liabilities for each segment correspond to those which are directly attributed to them, as well as those which can be imputed to them on a reasonable basis.

#### Business segments

Financial information by business segment for the six month period ended 30 June 2014 is shown as follows:

Amounts in Euro	Pulp and Paper	Cement and Derivatives	Environment	Holdings	Consolidated
<b>INCOME STATEMENT</b>					
Revenue	747,169,969	217,256,355	12,472,587	-	976,898,911
Operational results	104,620,680	19,537,580	1,030,339	(4,141,556)	121,047,043
Net financial results	(16,059,531)	(8,549,069)	(588,113)	(28,410,351)	(53,607,064)
Group share of (loss) / gains of associated companies	-	(1,666,567)	-	-	(1,666,567)
Income tax expense	(3,357,741)	(1,104,459)	(47,026)	6,717,786	2,208,560
<b>Profit for the period</b>	<b>85,203,408</b>	<b>8,217,485</b>	<b>395,200</b>	<b>(25,834,121)</b>	<b>67,981,972</b>
Profit for the period- Attributable to non-controlling interest	(16,042,801)	(4,098,111)	(44)	-	(20,140,956)
<b>Profit for the period- Attributable to Semapa's shareholders</b>	<b>69,160,607</b>	<b>4,119,374</b>	<b>395,156</b>	<b>(25,834,121)</b>	<b>47,841,016</b>
<b>OTHER INFORMATION</b>					
Segment assets	2,592,103,744	1,176,200,784	89,823,497	128,652,350	3,986,780,375
Deferred tax assets	24,507,579	12,794,075	704,257	33,850,421	71,856,332
Total assets of post-employment benefits	1,981,508	-	-	-	1,981,508
Investment in associates and joint ventures	-	93,803,005	-	-	93,803,005
Segment liabilities	1,381,281,649	597,605,891	31,223,453	781,309,242	2,791,420,235
Depreciation, amortisation and impairment losses	59,562,968	20,139,488	1,244,669	167,106	81,114,231
Provisions	(5,997,482)	722,077	(7,055)	-	(5,282,460)
Capital expenditures	8,059,035	7,891,130	1,931,613	49,649	17,931,427

Financial information by business segment for the six month period ended 30 June 2013 is shown as follows:

Amounts in Euro	Pulp and Paper	Cement and Derivatives	Environment	Holdings	Consolidated
<b>INCOME STATEMENT</b>					
Revenue	756.077.961	206.342.233	13.252.019	-	975.672.213
Operational results	117.105.938	2.652.502	2.075.577	(3.056.369)	118.777.648
Net financial results	(7.779.891)	(9.003.978)	(608.918)	(22.983.872)	(40.376.659)
Group share of (loss) / gains of associated companies	-	(340.492)	-	-	(340.492)
Income tax expense	(16.877.931)	(1.275.292)	(204.011)	(21.744)	(18.378.978)
<b>Profit for the period</b>	<b>92.448.116</b>	<b>(7.967.260)</b>	<b>1.262.648</b>	<b>(26.061.985)</b>	<b>59.681.519</b>
Profit for the period- Attributable to non-controlling interest	(17.683.928)	(2.675.895)	(50.506)	-	(20.410.329)
<b>Profit for the period- Attributable to Semapa's shareholders</b>	<b>74.764.188</b>	<b>(10.643.155)</b>	<b>1.212.142</b>	<b>(26.061.985)</b>	<b>39.271.190</b>
<b>OTHER INFORMATION</b>					
Segment assets	2.823.332.412	1.275.496.139	91.980.085	162.189.517	4.352.998.153
Deferred tax assets	35.846.353	15.092.370	815.022	6.086.166	57.839.911
Investment in associates and joint ventures	-	101.558.668	-	-	101.558.668
Total segmental liabilities	1.514.714.432	696.220.528	35.063.886	976.591.053	3.222.589.899
Depreciation, amortization and impairment losses	58.155.819	22.874.540	1.401.050	141.987	82.573.396
Provisions	(204.130)	774.451	(265.314)	-	305.007
Capital expenditures	7.213.874	21.573.499	3.683.415	92.340	32.563.128

### Geographical segment

1st Semester 2014	Pulp and Paper	Cement and Derivatives	Environment	Total	Total %
<b>Sales and services rendered:</b>					
Portugal	107,455,143	70,502,083	9,835,429	<b>187,792,655</b>	19.22%
Rest of Europe	496,221,214	791,862	2,477,685	<b>499,490,761</b>	51.13%
America	57,656,244	6,776,765	-	<b>64,433,009</b>	6.60%
Africa	43,284,048	87,765,904	159,473	<b>131,209,425</b>	13.43%
Asia	19,418,478	45,207,899	-	<b>64,626,377</b>	6.62%
Overseas	23,134,842	6,211,842	-	<b>29,346,684</b>	3.00%
	<b>747,169,969</b>	<b>217,256,355</b>	<b>12,472,587</b>	<b>976,898,911</b>	<b>100.00%</b>

1st Semester 2013	Pulp and Paper	Cement and Derivatives	Environment	Total	Total %
<b>Sales and services rendered:</b>					
Portugal	110,689,017	69,757,149	10,171,790	<b>190,617,956</b>	19.54%
Rest of Europe	489,716,833	992,859	2,920,757	<b>493,630,449</b>	50.59%
America	61,525,914	1,702,631	-	<b>63,228,545</b>	6.48%
Africa	47,852,448	84,685,446	159,473	<b>132,697,367</b>	13.60%
Asia	20,515,152	44,749,993	-	<b>65,265,145</b>	6.69%
Overseas	25,778,596	4,454,155	-	<b>30,232,751</b>	3.10%
	<b>756,077,960</b>	<b>206,342,233</b>	<b>13,252,020</b>	<b>975,672,213</b>	<b>100.00%</b>

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

Other operating income is detailed as follows for the six months periods ended 30 June 2014 and 2013:

Amounts in Euro	1st Semester 2014	1st Semester 2013
Grants - CO2 emission allowances	8,280,521	3,964,311
Impairment reversal	880,752	687,723
Gains on disposals of emission allowances	1,561,769	-
Supplementary income	891,384	635,438
Gains on disposals of non-current assets	389,465	450,225
Gains on inventories	35,453	155,691
Gains on disposals of current assets	25,234	26,284
Government grants	142,447	203,250
Own work capitalised	98,502	136,267
Revenues from waste management	419,103	387,516
Other operating income	5,836,739	10,639,395
	<b>18,561,369</b>	<b>17,286,100</b>

The amount presented under the caption Grants – CO2 emissions allowances regards to the recognition of the grant, due to the allocation of free allowances (Note 1.6.1).

## 6. Costs, expenses and losses

Costs, expenses and losses are detailed as follows for the six month periods ended 30 June 2014 and 2013:

Amounts in Euro	1st Semester 2014	1st Semester 2013
<b>Cost of sales and services rendered</b>		
Cost of inventories sold and consumed	(411.409.233)	(403.966.391)
<b>Cost of materials and services consumed</b>	(279.685.802)	(281.646.400)
<b>Variation in production</b>	6.913.107	3.296.705
<b>Payroll costs</b>		
Statutory bodies (Note 7)	(8.922.752)	(9.831.037)
Other remunerations	(65.345.619)	(66.433.117)
Pension costs (Note 29)	(1.650.802)	(2.189.159)
Other payroll costs	(23.406.611)	(23.583.809)
	<b>(99.325.784)</b>	<b>(102.037.122)</b>
<b>Other costs and losses</b>		
Membership fees	(371.395)	(264.688)
Donations	(514.485)	(426.293)
Cost with emission allowances	(7.021.193)	(1.760.321)
Inventories and other receivables impairment (Note 22)	(1.128.953)	(1.353.135)
Losses on inventories	(1.299.392)	(276.182)
Indirect taxes	(3.239.298)	(3.938.161)
Losses on disposal of non-current assets	(113.309)	(9.577)
Other operating costs	(2.591.503)	(2.073.406)
	<b>(16.279.528)</b>	<b>(10.101.763)</b>
<b>Net Provisions (Note 30)</b>	5.282.460	(305.007)
<b>Total of Costs, Expenses and Losses</b>	<b>(794.504.780)</b>	<b>(794.759.978)</b>

## 7. Remuneration of statutory bodies

In the six months period ended 30 June 2014 and 2013, the caption Board of Directors comprised:

Amounts in Euro	1st Semester 2014	1st Semester 2013
<b>Board of Directors</b>		
Members of Semapa Board of Directors	5.025.562	5.560.917
Corporate bodies from other group companies	3.897.190	4.270.120
	<b>8.922.752</b>	<b>9.831.037</b>

## 8. Depreciation, amortisation and impairment losses

In the first semesters of 2014 and 2013, Depreciation, amortization and impairment losses were detailed as follows:

Amounts in Euro	1st Semester 2014	1st Semester 2013
<b>Depreciation of property, plant and equipment</b>		
Land	(1,215,132)	(2,052,016)
Buildings	(8,960,398)	(10,353,225)
Other tangible assets	(71,421,192)	(68,588,320)
	<b>(81,596,722)</b>	<b>(80,993,561)</b>
<b>Amortization of intangible assets</b>		
Industrial property and other rights	58,212	(2,209,822)
	<b>58,212</b>	<b>(2,209,822)</b>
<b>Impairment losses in tangible assets</b>		
Land	(105,316)	-
Buildings	2,223	133,523
Basic Equipment	566,775	536,667
	<b>463,682</b>	<b>670,190</b>
Impairment losses in assets held for sale	(30,008)	(30,808)
	<b>(30,008)</b>	<b>(30,808)</b>
<b>Impairment losses in investment properties</b>		
Buildings	(9,395)	(9,395)
	<b>(9,395)</b>	<b>(9,395)</b>
	<b>(81,114,231)</b>	<b>(82,573,396)</b>

## 9. Group share of (loss) /gains of associated companies and joint ventures

For the six month periods ended 30 June 2014 and 2013, the Group recorded its share of the net income/ (loss) of associated companies and joint-ventures as follows:

Amounts in Euro	1st Semester 2014
<b>Joint Ventures</b>	
Supremo Cimentos, S.A.	(2,437,208)
<b>Related Parties</b>	
Setefrete, SGPS, S.A.	723,055
J.M.J. - Henriques, Lda.	(45)
Ave, S.A.	47,631
	<b>(1,666,567)</b>

The company does not recognize deferred taxes on these amounts, when positive, as it considers that the provisions of article 51 of the corporate income tax code (Portuguese initials IRC) apply.

## 10. Net financial results

Net financial results are detailed as follows for the six month periods ended 30 June 2014 and 2013:



Amounts in Euro	1st Semester 2014	1st Semester 2013
Interest paid on loans from shareholders (Note 35)	(249.999)	(97.009)
Interest paid on borrowings	(47.196.439)	(41.226.320)
Interest paid on loans from associates companies and joint ventures (Note 35)	614.158	40.797
Other interest earned	2.729.137	3.542.865
Compensatory interest	207.792	156.369
Fair value in available-for-sale financial assets (Note 21)	(146.430)	(31.563)
Gains / (losses) on fair value financial assets valuation (Note 20)	(29.346)	725.432
Gains / (losses) on financial instruments - hedging (Note 34)	507.850	(3.787.125)
Gains / (losses) on financial instruments - trading (Note 34)	(1.745.766)	(617.402)
Foreign exchange gains / (losses)	(2.442.621)	5.532.007
Other financial expenses	(5.918.680)	(4.614.710)
Other financial income	63.280	-
	<b>(53.607.064)</b>	<b>(40.376.659)</b>

The caption financial assets at fair value through profit and loss resulting from changes in fair value recorded in listed securities held by the Group as described in Note 20.

Gains / (losses) on trading and hedging financial instruments comprise the results from the instruments detailed in Note 34.

## 11. Income tax

Semapa Group 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 IRC Code, in accordance with the legislative changes introduced by the reform of the Corporate Income Tax in effect since 1 January 2014.

As of 1 January 2014, Secil Group and Portucel Group were included in the tax business group led by Semapa as the dominant society in addition to the subsidiaries that already complied with the requirements and therefore were already within the tax consolidation perimeter.

Companies included within the consolidation scope of the group of companies subject to this regime, calculate and recognise income tax (IRC) as though they were taxed on an individual basis. 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.

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 5% of the share capital.

Income tax is detailed as follows for the six month period ended 30 June 2014 and 2013:

Amounts in Euro	1st Semester 2014	1st Semester 2013
Current tax	13,643,345	36,509,621
Provision for current tax	(27,121,695)	7,415,248
Deferred tax	11,269,790	(25,545,891)
	<b>(2,208,560)</b>	<b>18,378,978</b>

For the six month periods ended 30 June 2014 and 2013, the reconciliation of the effective income tax rate was as follows:

Amounts in Euro	1st Semester 2014	1st Semester 2013
Profit before tax	65.773.412	78.060.497
Expected income tax	16.114.486	20.686.032
State Surcharge	4.201.910	3.913.097
Differences (a)	5.737.865	(4.090.110)
Prior year tax adjustments	(16.574.998)	(183.792)
Recoverable tax losses carried forward	(62.682)	(283.974)
Non recoverable tax losses	2.258.909	8.168.825
Impairment and reversal of provisions	(10.320.471)	-
Impact of the change in the income tax rate	(5.169.533)	(251.256)
Provision for current tax	191.044	7.415.248
Tax benefits	(149.651)	(17.476.067)
Other	1.564.561	480.975
	<b>(2.208.560)</b>	<b>18.378.978</b>
Effective tax rate	-3,36%	23,54%

(a) This amount is made up essentially of:

Effects arising from the application of the equity method	1.666.567	340.492
Capital gains / (losses) for tax purposes	(321.297.029)	282.721
Capital gains / (losses) for accounting purposes	321.200.180	(252.433)
Impairment of taxed provisions	876.777	2.959.459
Tax benefits	(1.412.100)	(678.026)
Provisions for tax purposes	(1.795.764)	(905.000)
Intra-group earning's subject to taxation	(714.367)	(1.297.029)
Employees benefits	(794.552)	(1.302.547)
Others	25.690.147	(14.582.014)
	<b>23.419.859</b>	<b>(15.434.377)</b>
<b>Tax effect (2014: 24.5% and 2013: 26.5%)</b>	<b>5.737.865</b>	<b>(4.090.110)</b>

## 12. Earnings per share

There are no convertible financial instruments over Semapa' shares, so there is no dilution of earnings.

Amounts in Euro	1st Semester 2014	1st Semester 2013
Profit attributable to Semapa's shareholders	47,841,016	39,271,190
Weighted average number of ordinary shares in issue	112,884,470	112,884,470
Basic earnings per share	0.424	0.348
Diluted earnings per share	0.424	0.348

The weighted average number of shares is shown after deducting 5,447,975 treasury shares owned by Semapa, SGPS, S.A..

## 13. Non-controlling interests

For the six month periods ended 30 June 2014 and 2013, non-controlling interests shown in the Income statement comprise:

Amounts in Euro	Income	
	1st Semester 2014	1st Semester 2013
Portucel, SA	16,038,621	17,678,398
Raiz - Instituto de Investigação da Floresta e Papel	4,180	5,530
Grupo Secil Betões e Inertes	9,836	(7,811)
Société des Ciments de Gabés	95,286	(4,797)
IRP - Indústria de Rebocos de Portugal, S.A.	41,712	28,115
Secil - Companhia de Cimento do Lobito, S.A.	(1,095,445)	(634,108)
Ciments de Siblino, S.A.L.	5,067,865	3,449,436
Grupo Cimentos Madeira	(1,613)	(112,883)
ETSA - Investimentos, SGPS, SA	44	50,506
Others	(19,530)	(42,057)
	<b>20,140,956</b>	<b>20,410,329</b>

As at 30 June 2014 and 31 December 2013, non-controlling interests in the Consolidated Statement of Financial Position comprise:

Amounts in Euro	Equity	
	June 2014	December 2013
Portucel, SA	227,783,480	251,024,189
Raiz - Instituto de Investigação da Floresta e Papel	249,343	238,543
Grupo Secil Betões e Inertes	75,136	65,300
Société des Ciments de Gabés	1,277,919	1,274,671
IRP - Indústria de Rebocos de Portugal, S.A.	465,908	474,195
Secil - Companhia de Cimento do Lobito, S.A.	4,200,274	5,235,200
Ciments de Siblino, S.A.L.	68,147,856	64,590,037
Grupo Cimentos Madeira	5,316,422	5,316,422
ETSA - Investimentos, SGPS, SA	6,549	6,505
Others	1,029,337	1,048,756
	<b>308,552,224</b>	<b>329,273,818</b>

The movements in non-controlling interests are detailed as follows for the six months period ended 30 June 2014 and for the year ended 31 December 2013:

Amounts in Euro	Pulp and Paper	Cement and Derivatives	Environment	Total
<b>Balance as of 1 January 2013</b>	<b>256,252,106</b>	<b>77,639,268</b>	<b>2,226,675</b>	<b>336,118,049</b>
Acquisitions / (Disposals)	(4,301,179)	-	(2,283,902)	(6,585,081)
Dividends	(38,360,699)	(2,352,881)	-	(40,713,580)
Currency translation reserve	(425,541)	(3,372,638)	-	(3,798,179)
Financial instruments	24,017	-	-	24,017
Actuarial gains and losses	(1,089,029)	(10,264)	-	(1,099,293)
Other movements in equity	(1,081)	1,522	(536)	(95)
Profit for the year	39,164,136	6,099,579	64,265	45,327,980
<b>Balance as of 31 December 2013</b>	<b>251,262,730</b>	<b>78,004,586</b>	<b>6,502</b>	<b>329,273,818</b>
Acquisitions / (Disposals)	(1,662,829)	-	-	(1,662,829)
Dividends	(37,779,790)	(2,268,802)	-	(40,048,592)
Currency translation reserve	52,631	748,886	-	801,517
Financial instruments	(32,822)	-	-	(32,822)
Actuarial gains and losses	143,481	1,898	-	145,379
Other movements in equity	6,619	(71,822)	-	(65,203)
Profit for the year	16,042,803	4,098,106	47	20,140,956
<b>Balance as of 30 June 2014</b>	<b>228,032,823</b>	<b>80,512,852</b>	<b>6,549</b>	<b>308,552,224</b>

## 14. Application of previous year's profit

Amounts in Euros	Application of year's prior net profit	
	2013	2012
Dividends distribution	37,477,644	-
Other reserves	108,647,828	-
Retained Earnings	-	126,516,088
<b>Net profit for the year</b>	<b>146,125,472</b>	<b>126,516,088</b>
<b>Dividends per share</b>	<b>0.3320</b>	-

The legal reserves are constituted by the maximum amount, to which is added the share premium reserve.

## 15. Goodwill

At 30 June 2014 and 31 December 2013, Goodwill is made up as follows:

Entity	Acquisition Date	June 2014	December 2013
Secil - Companhia Geral de Cal e Cimento, S.A.	2012	124,692,243	124,692,243
Portucel, S.A.	2004	135,565,059	135,565,059
ETSA - Investimentos SGPS, S.A.	2008	36,422,934	36,422,934
		<b>296,680,236</b>	<b>296,680,236</b>

Goodwill is attributed to the Group's cash generating units (CGU's) that correspond to the business segment, as follows:

Amounts in Euro	June 2014	December 2013
Cement and Derivates	124,692,243	124,692,243
Pulp and Paper	135,565,059	135,565,059
Environment	36,422,934	36,422,934
	<b>296,680,236</b>	<b>296,680,236</b>

In accordance with IAS 36, Goodwill is subject to impairment tests performed on an annual basis, in accordance to the accounting policy described in Note 1.7.

## 16. Other intangible assets

During the six months period ended 30 June 2014 and the twelve months period ended 31 December 2013, changes under the caption Other intangible assets were as follows:

Amounts in Euro	Brands	Expenditures on research and development	Industrial Property and Other rights	CO2 emission licenses	Assets under construction	Total
<b>Acquisition cost</b>						
Amount as of 1 January 2013	257.665.526	11.737	231.045	20.468.573	10.634	278.387.515
Change in consolidation perimeter	-	-	-	272	-	272
Acquisition	-	-	-	13.350.723	33.253	13.383.976
Disposals	-	-	-	(1.791.891)	-	(1.791.891)
Adjustments, transfers and write-off's	-	-	20.551	(17.442.650)	(19.451)	(17.441.550)
Exchange rate adjustment	(2.002.776)	-	-	-	-	(2.002.776)
Amount as of 31 December 2013	255.662.750	11.737	251.596	14.585.027	24.436	270.535.546
Change of perimeter	-	-	-	-	-	-
Acquisition	-	-	-	18.116.036	8.481	18.124.517
Disposals	-	-	-	(1.985.025)	-	(1.985.025)
Adjustments, transfers and write-off's	-	-	7.103	(9.845.665)	(7.103)	(9.845.665)
Exchange rate adjustment	72.050	-	-	-	-	72.050
Amount as of 30 June 2014	255.734.800	11.737	258.699	20.870.373	25.814	276.901.423
<b>Accumulated amortisation and impairment losses</b>						
Amount as of 1 January 2013	-	(9.011)	(165.353)	(3.257.212)	-	(3.431.576)
Change in consolidation perimeter	-	-	-	(25)	-	(25)
Amortisation and impairment losses	-	(1.833)	(47.372)	(2.160.617)	-	(2.209.822)
Adjustments, transfers and write-off's	-	-	-	4.985.673	-	4.985.673
Exchange rate adjustment	-	-	-	-	-	-
Amount as of 31 December 2013	-	(10.844)	(212.725)	(432.181)	-	(655.750)
Amortisation and impairment losses	-	-	(10.899)	69.111	-	58.212
Adjustments, transfers and write-off's	-	-	(1.091)	363.068	-	361.977
Amount as of 30 June 2014	-	(10.844)	(224.715)	(2)	-	(235.561)
Net book value as of 1 January de 2013	257.665.526	2.726	65.692	17.211.361	10.634	274.955.939
Net book value as of 31 December de 2013	255.662.750	893	38.871	14.152.846	24.436	269.879.796
Net book value as of 30 June 2014	255.734.800	893	33.984	20.870.371	25.814	276.665.862

The amount shown under the caption Brands comprises:

#### Pulp and Paper segment

- Euro 151,488,000, regarding the initial valuation of Soporset and Navigator brands, determined by an external evaluation conducted by a specialised and independent entity, using the updated cash flow projections with an appropriate discount rate, following the allocation of fair value to the assets and liabilities of Portucel Group.

#### Cement and derivatives segment

- Euro 104,246,800, regarding the initial valuation of the brands Secil Portugal (Euro 71,700,00), Sibline (Lebanon- Euro 23,762,990) and Gabès (Tunisia- Euro 8,783,810), determined by an external evaluation conducted by a specialized and independent entity, using the cash flow projections with an appropriate discount rate, following the allocation of fair value to assets and liabilities after obtaining the control of this subsidiary in 2012.

The referred amounts are not subject 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 tests annually the impairment of these intangible assets in accordance with IAS 36.

The main assumptions used in the valuation of brands of Pulp and Paper segment, for the purposes of impairment testing, were as follows:

Brand	Market	Risk-free interest rate*	Discount Rate	Tax Rate
Navigator	Europe	5.62%	8.69%	29.5%
	USA	5.62%	8.69%	29.5%
Soporset	Europe	5.62%	8.69%	29.5%
	USA	5.62%	8.69%	29.5%

\* The interest rate presented include risk level of the country

The main assumptions used in the valuation of brands of Cement and derivatives, for the purposes of impairment testing, were as follows:

Brand	Market	Risk-free interest rate*	Discount Rate	Tax Rate
Cement - Secil Portugal	Portugal	5,57%	9,31%	29,5%
Cement - Ciments de Sibline	Lebanon	7,52%	11,08%	15,0%
Cement - Société des Ciments de Gabés	Tunisia	6,17%	9,86%	25,0%

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 these tests and respective sensitivity analysis to the main assumptions assumed in 2014, no impairment losses have been identified for the different brands owned by the Group.

## 17. Property, plant and equipment

Over the six month period ended 30 June 2014 and year ended 31 December 2013, the changes in Property, plant and equipment, as well as the respective depreciation and impairment losses, were as follows:

Amounts in Euro	Land	Buildings and other constructions	Equipments and other tangibles	Assets under construction	Total
<b>Acquisition Cost</b>					
Amount as of 1 January 2013	366,070,621	979,628,684	4,764,735,913	47,271,743	6,157,706,961
Change of consolidation perimeter	-	-	927,798	-	927,798
Acquisition	445,249	2,794,524	18,062,766	45,761,481	67,064,020
Disposals	(37,668)	(155,220)	(14,742,083)	(357,629)	(15,292,600)
Adjustments, transfers and write-off's	2,232,810	13,744,273	56,820,476	(61,997,253)	10,800,306
Exchange rate adjustment	(6,123,467)	(5,224,453)	(20,923,028)	(1,133,363)	(33,404,311)
Amount as of 31 December 2013	362,587,545	990,787,808	4,804,881,842	29,544,979	6,187,802,174
Acquisition	5,157	25,376	4,044,853	13,856,041	17,931,427
Disposals	(75,444)	(141,587)	(4,113,359)	-	(4,330,390)
Adjustments, transfers and write-off's	1,597,075	(3,708,390)	6,049,739	(4,437,857)	(499,433)
Exchange rate adjustment	(685,925)	(3,944)	(1,026,091)	23,943	(1,692,017)
Amount as of 30 June 2014	363,428,408	986,959,263	4,809,836,984	38,987,106	6,199,211,761
<b>Accumulated depreciations and impairment losses</b>					
Amount as of 1 January 2013	(43,727,687)	(605,732,246)	(3,282,798,371)	(102,292)	(3,932,360,596)
Change of perimeter	-	-	(773,165)	-	(773,165)
Depreciations and impairment losses	(5,163,478)	(17,820,063)	(141,663,458)	(1,202,321)	(165,849,320)
Disposals	-	145,397	14,495,338	-	14,640,735
Adjustments, transfers and write-off's	(628,275)	(5,574,178)	(10,804,953)	(264,999)	(17,272,405)
Exchange rate adjustment	1,482,699	2,547,724	11,414,283	76,319	15,521,025
Amount as of 31 December 2013	(48,036,741)	(626,433,366)	(3,410,130,326)	(1,493,293)	(4,086,093,726)
Depreciations and impairment losses	(1,320,448)	(8,937,335)	(73,551,831)	-	(83,809,614)
Disposals	358	127,138	3,287,179	-	3,414,675
Adjustments, transfers and write-off's	(341,101)	92,464	1,567,638	-	1,319,001
Exchange rate adjustment	243,777	20	455,846	-	699,643
Amount as of 30 June 2014	(49,454,155)	(635,151,079)	(3,478,371,494)	(1,493,293)	(4,164,470,021)
<b>Net book value as of 1 January 2013</b>	322,342,934	373,896,438	1,481,937,542	47,169,451	2,225,346,365
<b>Net book value as of 31 December 2013</b>	314,550,804	364,354,442	1,394,751,516	28,051,686	2,101,708,448
<b>Net book value as of 30 June 2014</b>	313,974,253	351,808,184	1,331,465,490	37,493,813	2,034,741,740

In 2009, with the start of operations in the new paper mill, the Group recognized as a finance lease contract the cost of the Precipitated Calcium Carbonate production unit, installed by Omya, S.A. at the industry site in Setúbal for the exclusive use of the new factory. This contract foresees the transfer of the ownership of the assets upon the end of the contract. Following the above-mentioned agreements, the Group applies “IFRIC 4 – Determining whether an arrangement contains a lease”.

By following this interpretation, until 31 December 2012, Property, plant and equipment – equipment and other tangibles was increased by Euro 58.003.950, from which the respective accumulated depreciation of Euro 43,055,676 was deducted. As of 30 June 2014, the net book value of these equipment's was Euro 8,418,143 (31 December 2013: Euro 7,567,567).

As of 30 June 2014, assets under construction included Euro 3,978,726 (31 December 2013: Euro 4,186,211), related to advance payments and supplies of Property Plant and Equipment, related to investment projects being developed by the Group. These amounts are fully guaranteed by first demand bank guarantees, handed by the respective suppliers that are promoting the investments of the Group companies, in accordance with the implemented policies for the mitigation of credit risk.

The caption Land comprises forest land where the Group has installed part of its forestry assets, amounting to Euro 78,885,556, and the remainder being installed on leased land.

Commitments related to Fixed Tangible Assets acquisitions, as well as those that are given as a guarantee is detailed in Notes 39 and 40 respectively.

## 18. Biological assets

Over the six month period ended 30 June 2014 and year ended 31 December 2013, changes in biological assets were as follows:

Amounts in Euro	June 2014	December 2014
<b>Amount as of 1 January</b>	<b>111,339,306</b>	<b>109,055,925</b>
<b>Changes</b>		
Logging in the period	(10,488,231)	(9,631,497)
Other changes in fair value	11,694,004	12,784,206
<b>Total changes</b>	<b>1,205,773</b>	<b>3,152,709</b>
<b>Remaining Quarters</b>	<b>-</b>	<b>(869,328)</b>
	<b>112,545,079</b>	<b>111,339,306</b>

The amounts shown as other changes in fair value correspond, mainly, to changes (positive or negative) in the estimated volume of future wood harvests due to: new plantations, increase or decrease in the forest management efficiency, and are detailed as follows:

Amounts in Euro	June 2014	June 2013
<b>Cost of asset management</b>		
Forestry	2,147,406	2,133,827
Struture	1,467,526	1,424,979
Fixed and variable costs	8,079,072	9,225,400
	<b>11,694,004</b>	<b>12,784,206</b>

As of 30 June 2014 and 31 December 2013, biological assets were detailed as follows, per species:

Amounts in Euro	June 2014	December 2014
Eucalyptus	105,718,887	104,551,003
Pine	5,033,860	5,033,860
Cork	1,547,972	1,547,972
Other species	244,360	206,471
	<b>112,545,079</b>	<b>111,339,306</b>

Additionally, there are no amounts of biological assets whose title is restricted and / or pledged as collateral for liabilities or non-reversible commitments for the development or acquisition of biological assets.

## 19. Investments in associates and joint-ventures

In the six month period ended 30 June 2014 and the year ended 31 December 2013, the movements in Investments in associates were as follows:

Amounts in Euro	June 2014	December 2013
<b>Opening balance</b>	<b>102.761.132</b>	<b>114.317.067</b>
Change in consolidation perimeter	-	(1.790.832)
Acquisition	-	649
Group share of (loss) / gains of associated companies (Note 9)	(1.666.567)	(98.824)
Dividends received	(115.852)	(713.506)
Exchange rate adjustments	(7.175.708)	(8.953.422)
<b>Closing balance</b>	<b>93.803.005</b>	<b>102.761.132</b>

As of 30 June 2014 and 31 December 2012, the caption Investments in associates and joint-ventures, including goodwill, comprises:

Associated Companies	Book Value			
	% held	June 2014	% held	December 2013
Joint-Ventures				
Supremo Cimentos, S.A.	50.00%	89,708,261	50.00%	99,321,138
Associates				
Setefrete, SGPS, S.A.	25.00%	3,641,176	25.00%	2,918,120
MC - Materiaux de Construction	49.36%	2,171	49.36%	2,211
J.M.J. - Henriques, Lda.	50.00%	381,781	100.00%	381,825
Sociedade de Inertes, Lda.	49.00%	648	49.00%	648
Ave, S.A.	35.00%	68,968	35.00%	137,190
		93,803,005		102,761,132

At 30 June 2014 and 31 December 2013, the financial information relating to associated companies was as follows:

Amounts in Euro		June 2014			
		Total Assets	Total Liabilities	Equity	Net Income
Ave-Gestão Ambiental e Valorização Energética, S.A.	b)	3,420,522	3,223,464	197,058	136,088
MC- Materiaux de Construction	a)	686,810	562,755	124,055	25,076
J.M.J. - Henriques, Lda.	b)	1,076,114	312,566	763,548	(89)
Setefrete, SGPS, S.A.	a)	5,664,562	10,862	5,653,700	2,897,482
					102,813

a) Amounts as of 31-12-2013

b) Amounts as of 30-06-2014



		December 2013				
Amounts in Euro		Total Assets	Total Liabilities	Equity	Net Income	Revenue
Ave - Gestão Ambiental e Valorização Energética, S.A. b)						
		3,354,311	3,183,820	170,491	84,602	5,008,436
MC- Materiaux de Construction c)		657,624	538,838	118,786	26,496	4,902,413
Inertogrande Central de Betão, Lda c)		1,913,830	1,984,855	(71,025)	(3,279)	-
J.M.J. - Henriques, Lda. c)		1,074,543	306,628	767,915	(2,249)	-
Setefrete, SGPS, S.A. a)		6,027,305	2,682,391	3,344,914	683,582	99,336

a) Amounts as of 31-12-2011, adjusted from dividend distribution at the year end as of 31-12-2012.

b) Amounts as of 31-05-2013

c) Amounts as of 30-06-2013

At 30 June 2014 and 31 December 2013, the financial information relating to joint-ventures was as follows:

Amounts in Euro	June 2014		December 2013	
	Supremo*	Secil Unicon	Supremo*	Secil Unicon
<b>Assets</b>				
Non-current Assets	305,590,847	-	232,205,779	-
Current Assets	26,140,560	18,082	45,599,036	17,324
	<b>331,731,407</b>	<b>18,082</b>	<b>277,804,815</b>	<b>17,324</b>
<b>Liabilities</b>				
Non-current liabilities	112,182,407	5,946,482	103,394,455	6,291,944
Current Liabilities	95,901,158	49,519	53,809,460	45,992
	<b>208,083,565</b>	<b>5,996,001</b>	<b>157,203,915</b>	<b>6,337,936</b>
<b>Net Asset</b>	<b>123,647,842</b>	<b>(5,977,919)</b>	<b>120,600,900</b>	<b>(6,320,612)</b>

Amounts in Euro	Supremo*	Secil Unicon	Supremo*	Secil Unicon
Revenue	26,736,715	-	26,106,829	-
Operational Results	1,843,007	(2,770)	1,095,075	(1,105)
Profit before tax	(5,032,458)	(390,134)	(914,344)	(1,255,555)
Net profit for the period	(4,874,416)	(390,634)	(737,959)	(1,256,055)

\*Supremo Group consolidated results

## 20. Financial assets at fair value through profit and loss

The following movements were registered in this caption during the first semester of 2014 and the year ended 2013:

Amounts in Euro	June 2014	December 2013
<b>Fair value at the beginning of the year</b>	<b>482,923</b>	<b>9,026,930</b>
Acquisitions	-	451,466
Disposals	-	(10,522,556)
Changes in fair value	(29,346)	1,527,083
<b>Fair value at the end of the period</b>	<b>453,577</b>	<b>482,923</b>

As of 30 June 2014 and 31 December 2013, the caption Financial assets at fair value through profit or loss comprised:

Amounts in Euro	Fair Value	
	June 2014	December 2013
Holding fund CEMG	406,319	435,665
Others	47,258	47,258
	<b>453,577</b>	<b>482,923</b>

## 21. Available-for-sale financial assets

The following movements were registered in this caption in the first semester of 2014 and the year ended 2013:

Amounts in Euro	June 2014	December 2013
<b>Fair value at the beginning of the year</b>	<b>346,257</b>	<b>226,921</b>
Acquisitions	29,309	-
Changes in fair value	(146,430)	119,336
	<b>229,136</b>	<b>346,257</b>

As of 30 June 2014 and 31 December 2013, the fair value of available-for-sale financial assets comprises:

Amounts in Euro	Fair Value	
	June 2014	December 2013
Banco Espírito Santo, S.A.	-	117.121
Liaison Technologie	229.136	229.136
	<b>229.136</b>	<b>346.257</b>

## 22. Impairment in non-current and current assets

During the first semester of 2014 and year ended 31 December 2013, the following movements were registered on impairments in non-current assets:

Amounts in Euro	Other non current assets	Tangible Assets	Investments Assoc Companies	Total
<b>As of 1 January 2013</b>	<b>1.855.975</b>	<b>102.292</b>	<b>2.002</b>	<b>1.960.269</b>
Change in consolidation perimeter	-	-	-	-
Exchange rate differences	-	-	-	-
Increases	-	-	-	-
Reversals	-	-	-	-
Direct utilisations	-	-	-	-
Transfers	-	-	-	-
<b>As of 31 December 2013</b>	<b>1.855.975</b>	<b>102.292</b>	<b>2.002</b>	<b>1.960.269</b>
Change in consolidation perimeter	-	-	-	-
Exchange rate differences	-	-	-	-
Increases	-	-	-	-
Reversals	-	-	-	-
Direct utilisations	-	-	-	-
Transfers	-	-	-	-
<b>As of 30 June 2014</b>	<b>1.855.975</b>	<b>102.292</b>	<b>2.002</b>	<b>1.960.269</b>

During the first semester of 2014 and year ended 31 December 2013, the following movements were registered on impairments in current assets:

Amounts in Euro	Inventories	Accounts Receivable	Other Receivables	Total
<b>As of 1 January 2013</b>	<b>6.731.048</b>	<b>22.067.186</b>	<b>6.259.562</b>	<b>35.057.796</b>
Exchange rate differences	(474.147)	(224.425)	(10.750)	(709.322)
Increases (Note 6)	1.385.741	2.479.913	669.518	4.535.172
Reversals (Note 5)	(208.961)	(2.453.875)	(37.856)	(2.700.692)
Direct utilisations	(113.976)	(215.466)	(106.318)	(435.760)
Transfers	-	3.866.476	47.241	3.913.717
<b>As of 31 December 2013</b>	<b>7.319.705</b>	<b>25.519.809</b>	<b>6.821.397</b>	<b>39.660.911</b>
Exchange rate differences	(34.661)	(11.644)	(1.089)	(47.394)
Increases (Note 6)	464.028	213.554	451.371	1.128.953
Reversals (Note 5)	(54.672)	(822.084)	(3.996)	(880.752)
Direct utilisations	4.239	-	-	4.239
<b>As of 30 June 2014</b>	<b>7.698.639</b>	<b>24.899.635</b>	<b>7.267.683</b>	<b>39.865.957</b>

## 23. Inventories

As of 30 June 2014 and 31 December 2013, the caption Inventories comprised the following:

Amounts in Euro	June 2014	December 2013
Raw Materials	179,295,139	186,080,443
Work in progress	24,801,539	14,300,654
Byproduct and waste	1,118,306	1,057,351
Finished and intermediate products	87,228,839	91,222,120
Goods for resale	4,795,861	4,183,360
Advance to inventories suppliers	73,005	114,917
	<b>297,312,689</b>	<b>296,958,845</b>

Note: Values are presented net of impairment losses (Note 22)

## 24. Receivables and other current assets

As of 30 June 2014 and 31 December 2013, the caption Receivables and other current assets comprised:

Amounts in Euro	June 2014	December 2013
Accounts receivable	248.731.799	249.018.585
Accounts receivable - related parties (Note 35)	20.812.240	3.564.813
Derivative financial instruments (Note 34)	95.199	809.343
Other receivables	17.681.624	9.401.979
Accrued income	5.319.309	5.870.869
Deferred costs	16.174.990	10.713.278
	<b>308.815.161</b>	<b>279.378.867</b>

At 30 June 2014 and 31 December 2013, the caption Other receivables comprised:

Amounts in Euro	June 2014	December 2013
<b>Other debtors</b>		
Advance payments to suppliers	10,840,895	2,423,057
Financial incentives to be received	161,930	161,930
Others	6,678,799	6,816,992
	<b>17,681,624</b>	<b>9,401,979</b>

As of 30 June 2014 and 31 December 2013, captions Accrued income and Deferred costs comprised:

Amounts in Euro	June 2014	December 2013
<b>Accrued income</b>		
Interest receivable	539,155	815,153
Other	4,780,154	5,055,716
	<b>5,319,309</b>	<b>5,870,869</b>
<b>Deferred costs</b>		
Maintenance and repair	102,032	-
Insurance	3,750,144	213,459
Rents and leases	644,599	231,768
Post-employment plans	1,981,508	351,494
Other	9,696,707	9,916,557
	<b>16,174,990</b>	<b>10,713,278</b>
	<b>21,494,299</b>	<b>16,584,147</b>

In 2013, the Portucel Group completed the steps necessary for the conversion of defined benefit plans in existing subsidiaries Soporcel, S.A., PortucelSoporcel Florestal, S.A., Empremedia, S.A., RAIZ and PortucelSoporcel Lusa, S.A., converting them into defined contribution plans for current employees of the Group and maintaining the rights acquired by former employees as defined benefit. The total liability for acquired rights to defined benefit was funded until 31 December, 2013.

As of 30 June 2014 and 31 December 2013, the excess funding for some of the funds allocated to the defined benefit plans referred to above, amounting to Euro 1,981,508, that were recognised as current assets by enabling secure a lower need for future contribution by the Group to finance those pension schemes.

## 25. State and other public entities

As of 30 June 2014 and 31 December 2013, there were no overdue debts to the State and other public entities.

The open balances with these entities were as follows:

### Current assets

Amounts in Euro	June 2014	December 2013
Corporate Income Tax - IRC	14,016,267	5,443,965
Individual Income Tax - IRS	103,746	92,547
Value added tax	5,195,242	8,605,067
Value added tax - refunds requested	43,077,662	48,205,017
Other	301,634	302,846
	<b>62,694,551</b>	<b>62,649,442</b>

### Current liabilities

Amounts in Euro	June 2014	December 2013
Corporate Income Tax - IRC	9,282,363	13,824,468
Individual Income Tax - IRS	3,787,020	21,285,576
Value added tax	30,338,255	35,195,835
Social Security	5,070,273	3,566,379
Additional tax payment	63,578,792	72,996,021
Other	553,207	1,392,886
	<b>112,609,910</b>	<b>148,261,165</b>

As of 30 June 2014 and 31 December 2013, the caption Corporate Income tax - IRC (net amount between Current assets and Current liabilities) was detailed as follows:

Amounts in Euro	June 2014	December 2013
Year income tax	10,292,521	49,744,574
Exchange rate differences	(37,472)	(126,872)
Payments on account	(719,600)	(35,769,480)
Withholding tax	(1,913,426)	(5,687,314)
Prior years income tax	(12,355,927)	219,595
	<b>(4,733,904)</b>	<b>8,380,503</b>

## 26. Share capital and treasury share

At 30 June 2014 and 31 December 2013, Semapa's share capital was fully subscribed and paid up, being represented by 118,332,445 shares with a unit nominal value of 1 Euro.

At 30 June 2014 and 31 December 2013, the following entities had substantial holdings in the company's capital:

Name	Number of shares	%	
		June 2014	December 2013
Longapar, SGPS, S.A.	21.505.400	18,17	18,17
Cimo - Gestão de Participações, SGPS, S.A.	16.199.031	13,69	13,69
Sodim, SGPS, S.A.	15.657.505	13,23	13,23
Banco BPI, S.A.	12.009.004	10,15	10,15
Bestinver Gestión, SGIIC, S.A.	11.865.210	10,03	10,03
Norges Bank (Central Bank of Norway)	5.649.215	4,77	4,77
Cimigest, SGPS, S.A.	3.185.019	2,69	2,69
Sociedade Agrícola da Quinta da Vialonga, S.A.	625.199	0,53	0,53
OEM - Organização de Empresas, SGPS, S.A.	535.000	0,45	0,45
Treasury shares	5.447.975	4,60	4,60
Other shareholders with less than 2% participation	25.653.887	21,68	21,68
	<b>118.332.445</b>	<b>100,00</b>	<b>100,00</b>

As at 30 June 2014 Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. holds 5,447,975 treasury shares.

## 27. Reserves and retained earnings

At 30 June 2013 and 31 December 2012, the captions Fair value reserves, Translation reserves and Other reserves comprised:

Amounts in Euro	June 2014	December 2013
Fair value of financial instruments	(10,711,647)	(12,961,836)
Other fair value reserves	(1,281,742)	(1,281,742)
<b>Total amount of fair value reserves</b>	<b>(11,993,389)</b>	<b>(14,243,578)</b>
<b>Translation reserve</b>	<b>(56,739,971)</b>	<b>(49,274,921)</b>
Legal reserves	23,666,489	23,666,489
Others reserves	1,009,795,757	901,147,950
<b>Total amount of other reserves</b>	<b>1,033,462,246</b>	<b>924,814,439</b>
<b>Total reserves</b>	<b>964,728,886</b>	<b>861,295,940</b>

#### *Fair value of financial instruments*

The negative amount of Euro 10,711,647, net of deferred tax, shown under the caption Fair value of financial instruments, relates to the appropriation of the financial instruments fair value changes classified as hedging, described in Note 34, and accounted in accordance with the policy described in Note 1.13.

#### *Translation reserves*

The negative figure refers to the exchange differences appropriated by the Group, resulting from the financial statements translation of the companies operating outside the Euro zone, essentially Tunisia, Lebanon, Angola, USA (including net investment), United Kingdom, and Brazil.

#### *Legal Reserve*

Commercial Company law prescribes that at least 5% of annual net 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 30 June 2014. 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. Following the purchase of 5,447,975 treasury shares in prior years, a reserve **with the same** amount has been made unavailable, in accordance with the applicable trade law. This book should be kept until the disposal of those shares.

#### *Retained earnings*

#### *Additional stake acquisition on controlled entities*

The Group records in this caption the excess over the group share of net assets in result of additional stake acquisition of already controlled entities.

As of 30 June 2014, the accumulated negative amount of these differences, regarding additional stake acquisition in subsidiaries, amounts to Euro 416,426,746 (31 December 2013: 415,434,936 negative amount).

#### *Actuarial gains or losses*

The differences between the assumptions used for the purpose of determining liabilities related to post-employment benefits and what effectively occurred are equally recorded under this caption (as well as changes made to those assumptions and the difference between the expected return on the assets of the funds and their actual yield) as described in Note 1.22.1. In the first semester of 2014, the group recorded actuarial losses, net of deferred taxes, amounting to Euro 1,886,014.

## 28. Deferred taxes

The following movement took place in the caption Deferred tax assets and liabilities during the six month period ended 30 June 2014:

Amounts in Euro	As of 1 January 2014	Exchange adjustment	Income Statement		Retained earnings	Transfers	Assets held for sale	As of 30 June 2014
			Increases	Decreases				
Temporary differences originating deferred tax assets								
Tax losses carried forward	173.292.004	-	-	(25.282.937)	-	(1)	-	148.009.066
Taxed provisions	22.213.073	(56.047)	522.701	(435.065)	-	(22.692)	-	22.221.970
Fixed assets adjustments	79.034.444	-	576.484	(26.912.213)	-	22.689	-	52.721.404
Underfunding of pension funds	7.556.072	3.092	37.972	(595.804)	(11.309)	-	-	6.990.023
Derivative Financial Instruments	3.998.980	-	-	-	154.359	-	-	4.153.339
Deferred accounting gains on inter-group transactions	22.406.393	-	5.753.569	-	-	(1)	-	28.159.961
Tax investment incentives	18.202.295	-	-	(832.088)	-	-	-	17.370.207
Fair value of subsidiaries	1.325.414	12.939	-	-	-	-	-	1.338.353
Other temporary differences	3.925.472	-	932.119	(1.650.749)	-	-	-	3.206.842
	331.954.147	(40.016)	7.822.845	(55.708.856)	143.050	(5)	-	284.171.165
Temporary differences originating deferred tax liabilities								
Tangible asset revaluation	(13.382.568)	-	-	547.754	-	-	-	(12.834.814)
Retirements benefits	(5.613.255)	-	(1.698.740)	240.925	(1.965.715)	(1)	-	(9.036.786)
Derivative Financial Instruments	(765.769)	-	-	159.206	142.240	-	-	(464.323)
Fair Value of tangible assets	(1.583.281)	-	(556.147)	-	-	-	-	(2.139.428)
Harmonisation of depreciation criteria	(480.137.095)	466.809	(23.249.454)	5.786.951	-	(1)	-	(497.132.790)
Deferred accounting losses on inter-group transactions	(13.287.292)	(96.899)	(2.066.873)	49.215	-	1	-	(15.401.848)
Fair Value of intangible assets	(255.662.750)	(72.050)	-	-	-	-	-	(255.734.800)
Fair Value of tangible assets	(172.591.241)	-	-	7.635.775	-	-	-	(164.955.466)
Fair value of subsidiaries	(177.114.709)	670.386	-	2.243.187	-	-	(15.156)	(174.216.292)
Other temporary differences	(377.664)	-	(644.588)	61.788	-	3	-	(960.461)
	(1.120.515.624)	968.246	(28.215.802)	16.724.801	(1.823.475)	2	(15.156)	(1.132.877.008)
Deferred tax assets	84.531.715	(9.688)	1.773.203	(14.473.531)	34.634	(1)	-	71.856.332
Deferred tax liabilities	(320.768.260)	182.551	(7.289.964)	8.720.502	(513.448)	-	(3.698)	(319.672.317)

The following movement took place in the caption Deferred tax assets and liabilities during the year ended 31 December 2013:

Amounts in Euro	As of 1 January 2013	Exchange Adjustment	Income Statement		Retained Earnings	Transfers	Assets held for sale	Chanfe in perimeter	As of 31 December 2013
			Increases	Decreases					
Temporary differences originating deferred tax assets									
Tax losses carried forward	29.869.430	-	172.823.006	(29.400.432)	-	-	-	-	173.292.004
Taxed provisions	24.243.212	(527.609)	2.647.429	(4.854.187)	-	-	-	704.228	22.213.073
Fixed assets adjustments	91.592.483	-	16.379.437	(29.078.982)	-	-	-	141.506	79.034.444
Underfunding of pension funds	12.056.167	(42.848)	1.397	(4.298.800)	(159.844)	-	-	-	7.556.072
Derivative Financial Instruments	5.531.711	-	-	-	(1.532.731)	-	-	-	3.998.980
Deferred accounting gains on inter-group transactions	18.649.634	-	4.026.169	(269.410)	-	-	-	-	22.406.393
Tax investment incentives	19.092.548	-	568.529	(1.458.782)	-	-	-	-	18.202.295
Fair value of subsidiaries	1.385.387	(59.973)	-	-	-	-	-	-	1.325.414
Other temporary differences	1.816.270	-	2.148.151	(38.949)	-	-	-	-	3.925.472
	206.886.115	(630.430)	198.594.118	(72.048.815)	(1.692.575)	-	-	845.734	331.954.147
Temporary differences originating deferred tax liabilities									
Tangible asset revaluation	(17.815.985)	-	-	4.442.144	-	-	(8.727)	-	(13.382.568)
Retirements benefits	(6.541.894)	-	(252.795)	(64.282)	1.245.716	-	-	-	(5.613.255)
Derivative Financial Instruments	(106.309)	-	-	(169.999)	(196.321)	-	-	(293.140)	(765.769)
Fair Value of tangible assets	-	-	(1.583.281)	-	-	-	-	-	(1.583.281)
Harmonisation of depreciation criteria	(461.535.474)	2.368.975	(36.801.857)	16.349.174	-	-	-	(517.913)	(480.137.095)
Deferred accounting losses on inter-group transactions	(222.066.542)	450.248	(2.491.744)	210.876.040	-	-	(55.294)	-	(13.287.292)
Fair Value of intangible assets	(257.665.526)	2.002.776	-	-	-	-	-	-	(255.662.750)
Fair Value of tangible assets	(187.862.791)	-	-	15.271.550	-	-	-	-	(172.591.241)
Fair value of subsidiaries	(190.089.104)	7.193.335	-	5.808.622	-	-	(27.562)	-	(177.114.709)
Other temporary differences	(875.212)	-	(116.989)	599.028	-	15.509	-	-	(377.664)
	(1.424.621.943)	12.015.334	(41.246.666)	333.175.383	1.049.395	15.509	(91.583)	(811.053)	(1.120.515.624)
Deferred tax assets	60.691.168	(156.761)	44.014.129	(19.803.442)	(479.784)	-	-	266.405	84.531.715
Deferred tax liabilities	(435.381.612)	3.274.133	(4.184.456)	115.326.281	267.803	4.111	(32.390)	(42.130)	(320.768.260)

## 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 Statement of Financial at 30 June 2014 and 31 December 2013:

June 2014	Pulp and Paper	Cement and Derivatives	Holdings	Total
Group liability for past services				
Active	12,743,327	148,863	-	12,892,190
Retirees	55,978,320	26,289,041	1,327,670	83,595,031
Market value of the pension funds	(70,703,155)	(26,489,970)	-	(97,193,125)
Equity		262,742		262,742
Insurance Policies	-	(210,493)	-	(210,493)
Reserve account (overfunding due to the change to a defined contribution plan)	-	(889,420)	-	(889,420)
<b>Under/(overfunding) of pension funds liabilities</b>	<b>(1,981,508)</b>	<b>(889,237)</b>	<b>1,327,670</b>	<b>(1,543,075)</b>
<b>Other unfunded liabilities</b>				
Healthcare assistance	-	295,607	-	295,607
Retirement and death liabilities	-	490,642	-	490,642
Long-service award liabilities	-	464,037	-	464,037
<b>Total net liabilities</b>	<b>(1,981,508)</b>	<b>361,049</b>	<b>1,327,670</b>	<b>(292,789)</b>
<b>Total unfunded liabilities</b>	<b>-</b>	<b>361,049</b>	<b>1,327,670</b>	<b>1,688,719</b>
<b>Over Funds (Note 24)</b>	<b>(1,981,508)</b>	<b>-</b>	<b>-</b>	<b>(1,981,508)</b>

December 2013	Pulp and Paper	Cement and Derivatives	Holdings	Total
Group liability for past services				
Active	12,107,512	142,821	-	12,250,333
Retirees	57,099,529	27,218,833	1,355,943	85,674,305
Market value of the pension funds	(69,558,535)	(25,499,746)	-	(95,058,281)
Equity	-	270,061	-	270,061
Insurance Policies	-	(177,467)	-	(177,467)
Reserve account (overfunding due to the change to a defined contribution plan)	-	(887,173)	-	(887,173)
<b>Under/(overfunding) of pension funds liabilities</b>	<b>(351,494)</b>	<b>1,067,329</b>	<b>1,355,943</b>	<b>2,071,778</b>
<b>Other unfunded liabilities</b>				
Healthcare assistance	-	514,795	-	514,795
Retirement and death liabilities	-	449,539	-	449,539
Long-service award liabilities	-	534,666	-	534,666
<b>Total net liabilities</b>	<b>(351,494)</b>	<b>2,566,329</b>	<b>1,355,943</b>	<b>3,570,778</b>
<b>Total unfunded liabilities</b>	<b>-</b>	<b>2,566,329</b>	<b>1,355,943</b>	<b>3,922,272</b>
<b>Over Funds (Note 24)</b>	<b>(351,494)</b>	<b>-</b>	<b>-</b>	<b>(351,494)</b>

## Semapa

As at 30 June 2014, the amount of liabilities presented in the statement of financial position under the caption Pension and other post-employment benefits, regarding the segment Holdings, amounts to Euro 1,327,670 and corresponds to the liability of Semapa to one beneficiary who chose not to join the deliberation held in 27 December 2012.

## Subgroup Portucel

### 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 Portucel who chose not to join the defined benefit plan, as well as retirees as for 1 January 2009 and former employees as for 1 January 2014 from Soporcel, PortucelSoporcel Florestal, Raiz, Empremédia and PortucelSoporcel Lusa, are entitled to a monthly retirement pension or disability supplement after retirement or disability. This is calculated according to a formula, which considers the beneficiary's gross monthly remuneration updated to the work category at the date of retirement and the number of years of service, up to a limit of 30 (limit of 25 to Soporcel, PortucelSoporcel Florestal, Empremédia, PortucelSoporcel 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 2013, the Group completed the necessary procedures to convert the defined benefit plans of its subsidiaries Soporcel S.A., PortucelSoporcel Florestal, S.A., Empremedia, S.A., Raiz and PortucelSoporcel Lusa, S.A., to defined contribution plans for the current employees, keeping the acquired benefits of former employees as defined benefit plans.

Given the conversion, in 31 December 2013 a decrease in the liabilities related to defined benefit plans arised, together with a decrease in the corresponding plan funds, that were partially allocated to the initial constitution of the defined contribution plans.

After this change, the Group's liabilities related to post-employment defined benefit plans only regard the 13 Portucel employees that chose not to accept the conversion to defined contribution plan, together with former employees, retirees or, when applicable, with granted rights. This possibility of choice arisen from the Company Agreement in force in Portucel.

Furthermore, Portucel, S.A. had been assuming a liability for a retirement bonus, equal to 6 months of salary, in case the employee retired on the regular retirement age (65 years).

In 2013, with the renegotiation of Portucel's Company Agreement together with the Social Benefit Regulation, signed by the Workers Committee and by all the Labour Unions, and considering the new effective retirement age (66 years), this benefit was extinguished.

#### *Retirement bonuses*

Until 2013 Portucel S.A. assumed a liability for the payment of a retirement bonus, equal to 6 months of salary, if the employee retires at the regular age of retirement (65 years).

In 2013, with the changes associated with increasing the age of retirement and recently published the result of changes in the Company Agreement of Portucel and its Rules of Social Perks, this benefit was settled, and the liability recognized been recognized as a reduction of expenses for defined benefit post-employment plans.

#### *Subgroup Secil*

In September 2010, the constitutive contract of Secil's Pension Fund was amended, which is now designated by Pension Fund Secil Group, fully replacing the previous contract and in force as at 1 January 2010.

The Pension Fund Secil Group comprises Secil and the subsidiaries:

- (i) CMP – Cimentos Maceira e Pataias, S.A. and Unibetão – Industrias de Betão Preparado, S.A. whose funds were incorporated (and simultaneously extinguished) into Secil Pension Fund;
- (ii) Cimentos Madeira, Lda. , which integrated (and extinguished simultaneously) their insurance policy in the Secil pension fund
- (iii) Britobetão – Central de Betão, Lda., Secil Britas, S.A., Quimipiedra – Secil Britas, Calcários e Derivados, Lda., Beto Madeira, S.A., Brimade, S.A. e Eurobetão – Betão Pronto, S.A. .

Cimentos Madeira amended with effect to 1 January 2012 the post-employment benefits, namely the supplement to retirement, early retirement and survivor pensions, to a defined benefit contributions plan.

The defined contribution pension plan includes all employees who in 1 January 2012, had a permanent contract (and who are covered by the defined benefit pension scheme in force at the company) and all new permanent employees since that date. This is also applicable to members of the board of directors.

In the constitution for the defined-contribution plan of Cimentos Madeira an allocation was made for the respective fund net assets for those entities with funds in place. A surplus was computed after the allocation of obligations for past services as at 31 December 2011 covered by the defined benefit pension schemes and defined contribution schemes and transferred to a reserve account allocated to the pension fund. The reserve account may be used to fund contributions, to cover pension plan management charges or to improve benefits.

Regarding Brimade, all permanent employees as at 1 July 2012 and all future hired employees will be entitled to the plan.

#### *Defined-benefit plans*

##### *(i) Defined-benefit plans with funds managed by independent entities*

#### **LIABILITIES FOR COMPLEMENTARY RETIREMENT AND SURVIVOR'S PENSIONS**

Secil and its subsidiaries CMP - Cimentos Maceira e Pataias, S.A., Unibetão- Industrias de Betão Preparado, S.A.,

Cimentos Madeira, Lda., Betomadeira, S.A. and Société des Ciments de Gabes have assumed the commitment to pay their employees amounts by way of complementary old age, disability, early retirement and survivors' pensions and a retirement subsidy.

The liabilities arising from these plans are guaranteed by independent funds, administered by third parties, or covered by insurance policies.

These plans are valued every six months, at the dates of closing of the interim and annual financial statements, by specialised and independent entities, using the projected unit credit method.

##### *(ii) Defined-benefit plans managed by the Group*

#### **LIABILITIES FOR COMPLEMENTARY RETIREMENT AND SURVIVOR'S PENSIONS**

The responsibilities of Secil's retirees in 31 December 1987 (date of incorporation of Pension Fund) are guaranteed directly by Secil. However, since 26 June 2012 the responsibilities of Cimentos Madeira, Lda, Betomadeira - Betões and Britas da Madeira, S.A. related to all retirees and pensioners that were receiving a pension in 1 July 2012, were transferred to Cimentos Madeira defined benefit pension plan incorporated in Secil's Pension fund.

These plans are also valued every six months by specialized and independent entities using the method for calculating capital coverage corresponding to single premiums of the immediate life annuities in the valuation of the liabilities to current pensioners and the projected unit credit method for valuing liabilities relating to current employees.

## LIABILITIES FOR HEALTHCARE

Secil and its subsidiaries CMP – Cimentos Maceira e Pataias, S.A. and Cimentos Madeira, Lda. 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

Secil and its subsidiaries, hereafter identified, assumed the commitment to its employees to pay an old-age retirement and disability subsidy and a death subsidy, with the following attribution criteria:

- at Secil Angola, S.A.R.L. and Secil Lobito, S.A., (Angola) on retirement date and in terms of the General Labour Law no. 2/2000, a retirement subsidy equivalent to one quarter of the last salary multiplied by the number of years' service within the company;
- at Société des Ciments de Gabes (Tunisia), on retirement date and in terms of the General Labour Agreement, article no. 52, a retirement subsidy representing: (i) 2 months of the last salary if the worker has less than 30 years' service to the company, and (ii) 3 months of the last salary, if the worker has 30 years or more service to the company.

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 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 30 June 2014 and 31 December 2013 for the purpose of calculating the liabilities for past services on those dates, were based on the following assumptions:

	June 2014	December 2013
Social Benefits formula	Decree-Law no 187/2007 of 10 May	Decree-Law no 187/2007 of 10 May
Disability table	EKV 80	EKV 80
Mortality table	TV 88/90	TV 88/90
Wage growth rate - Secil Group	1,00%	1,00%
Wage growth rate - Other companies	2,00%	2,00%
Technical interest rate	4,50%	4,50%
Return on the plan assets	4,50%	4,50%
Pensions growth rate -Secil Group	0,45%	0,45%
Pensions growth rate - Other companies	1,75%	1,75%
Semapa pensions reversability rate	50,00%	50,00%
Number of Semapa complement annual payments	12	12
Healthcare costs growth rate	4,60%	4,60%
Cost for health insurance	300,00	300,00

Healthcare costs growth rate of 4,60% was calculated based on the following assumptions:

- Inflation rate: 2%

- Historical difference between general consumers' price index (initials in Portuguese IPC) and the index for health: 0,10%
- Cost to health insurance (related to actual cost to health insurance increase, showing insurance companies' margin): 2,50%

The rate of the expected return on assets was determined based on the historical monthly returns (over the last 20 years) for the different types of assets integrating the strategic allocation of the pension's fund.

The following table presents five-year historical information on the present value of liabilities, funds' market value, non-financed liabilities and net actuarial gains/ (losses).

Information related to the last five years were as follows:

Amounts in Euro	2010	2011	2012	2013	30-06-2014
Present value of liabilities	246,197,433	247,545,062	155,057,532	99,516,232	98,000,249
Fair value of plan assets	119,815,373	120,542,657	145,554,473	95,945,454	98,293,038
<b>Surplus / (deficit)</b>	<b>(126,382,060)</b>	<b>(127,002,405)</b>	<b>(9,503,059)</b>	<b>(3,570,778)</b>	<b>292,789</b>
<b>Net actuarial income / (losses)</b>	<b>(4,990,550)</b>	<b>1,060,676</b>	<b>11,654,475</b>	<b>(6,786,377)</b>	<b>2,432,278</b>

#### FUNDS LINKED TO BENEFIT PLANS' PENSIONS

During the first semester of 2014 and the year ended 2013, fund's assets/insurance policies registered the following movements:

Amounts in Euro	June 2014		December 2013	
	Autonomous fund	Covered Capital	Autonomous fund	Covered Capital
<b>Opening balance</b>	<b>95,058,281</b>	<b>177,467</b>	<b>144,542,282</b>	<b>171,754</b>
Change in consolidation perimeter	-	-	(54,863,112)	-
Exchange rate	-	(4,626)	-	(17,366)
Endowments made in the year	-	49,150	4,883,979	41,114
Expected Income	4,528,286	1,837	6,349,031	9,904
Real vs Expected Income	314,672	-	789,969	-
Pensions paid	(2,708,114)	-	(6,643,868)	-
Retirement charged	-	(13,335)	-	(27,939)
<b>Closing Balance</b>	<b>97,193,125</b>	<b>210,493</b>	<b>95,058,281</b>	<b>177,467</b>

The detail of the fund's assets as at 30 June 2014 and 31 December 2013 was as follows:

Amounts in Euro	30-06-2014	%	December 2013	%
Shares	20,688,129	21.3%	9,976,519	10.5%
Bonds	48,406,307	49.8%	70,220,121	73.9%
Public debt	10,203,388	10.5%	7,266,399	7.6%
Property	130,034	0.1%	328,789	0.3%
Liquidity	17,627,515	18.1%	6,836,363	7.2%
Other applications	137,752	0.1%	430,090	0.5%
	<b>97,193,125</b>	<b>100.0%</b>	<b>95,058,281</b>	<b>100.0%</b>

#### Obligations for pension plans and other post-employment benefits in the Consolidated Statement of Financial Position

Movements occurred in net liabilities assumed by the Group, shown in the consolidated statement of financial position as of 30 June 2014, are as follows:

Amounts in Euro	Opening balance	Exchange Rate	Curtailment and/or Settlement	Costs and Incomes	Actuarial Losses and incomes	Payments	Closing balance
<b>Post-employment benefits</b>							
Assumed by the group	7,318,837	-	-	156,503	(6,625)	(453,853)	7,014,862
Autonomous fund	90,605,801	-	(915,178)	2,514,086	(24,236)	(2,708,114)	89,472,359
Insurance policy	270,061	(4,657)	-	7,703	2,970	(13,335)	262,742
Retirement and death	449,539	3,123	-	37,972	8	-	490,642
Healthcare assistance	514,795	-	-	5,975	(4,501)	(220,662)	295,607
Long service award	534,666	-	-	24,871	-	(95,500)	464,037
	<b>99,693,699</b>	<b>(1,534)</b>	<b>(915,178)</b>	<b>2,747,110</b>	<b>(32,384)</b>	<b>(3,491,464)</b>	<b>98,000,249</b>

### Costs incurred in pensions and other post-employment benefits

For costs incurred in pensions and other post-employment benefits, during the six month period ended 30 June 2014 and 2013 the detail was as follows:

Amounts in Euro	June 2014						Impact in the profit for the year
	Current services	Interest cost	Expected return on the plan assets	Curtailments and settlements	Other Costs	Period Contributions	
<b>Post-employment benefits</b>							
Assumed by the Group	-	156,503	-	-	-	-	156,503
Autonomous Fund	202,203	2,870,624	(3,005,450)	732,143	(911,460)	-	(111,940)
Retirement and Death	16,205	21,767	-	-	-	-	37,972
Healthcare assistance	-	5,975	-	-	-	-	5,975
Long-service award	13,316	11,555	-	-	-	-	24,871
Contributions to defined contribution plans	-	-	-	-	-	1,537,421	1,537,421
	<b>231,724</b>	<b>3,066,424</b>	<b>(3,005,450)</b>	<b>732,143</b>	<b>(911,460)</b>	<b>1,537,421</b>	<b>1,650,802</b>

Amounts in Euro	June 2013						Impact in the profit for the year
	Current services	Interest cost	Expected return on the plan assets	Curtailments and settlements	Other Costs	Period Contributions	
<b>Post-employment benefits</b>							
Assumed by the Group	-	188,527	-	-	-	-	188,527
Autonomous Fund	1,188,726	3,608,268	(5,214,928)	1,339,117	5,239	-	926,422
Retirement and Death	16,416	24,565	-	(537)	-	-	40,444
Healthcare assistance	-	12,633	-	-	-	-	12,633
Long-service award	13,608	13,634	-	(9,630)	14,301	-	31,913
Contributions to defined contribution plans	-	-	-	-	-	989,220	989,220
	<b>1,218,750</b>	<b>3,847,627</b>	<b>(5,214,928)</b>	<b>1,328,950</b>	<b>19,540</b>	<b>989,220</b>	<b>2,189,159</b>

### Actuarial Gains/ (losses) in the Statement of comprehensive consolidated income

Actuarial gains and losses recognised in the six months period ended 30 June 2014, in the statement of comprehensive consolidated income, is detail as follows:

Amounts in Euro	Other Costs and Incomes	Real vs Expected Income	Gross Value	Deferred Tax	Equity Impact
<b>Post-employment benefits</b>					
Assumed by the Group	6,624	-	<b>6,624</b>	(1,943)	<b>4,681</b>
Autonomous Fund	578,701	1,839,344	<b>2,418,045</b>	(543,102)	<b>1,874,943</b>
Insurance policy	3,116	-	<b>3,116</b>	-	<b>3,116</b>
Retirement and death	(8)	-	<b>(8)</b>	-	<b>(8)</b>
Healthcare assistance	4,501	-	<b>4,501</b>	(1,219)	<b>3,282</b>
	<b>592,934</b>	<b>1,839,344</b>	<b>2,432,278</b>	<b>(546,264)</b>	<b>1,886,014</b>

### 30. Provisions

In the six month period ended 30 June 2014 the changes in provisions were as follows:

Amounts in Euro	Legal Claims	Fiscal Claims	Environmental Restoration	Others	Total
<b>As of 1 January 2014</b>	<b>1.308.009</b>	<b>30.700.077</b>	<b>7.138.176</b>	<b>40.023.894</b>	<b>79.170.156</b>
Increases (Note 6)	252.958	-	-	1.046.344	1.299.302
Reversal (Note 6)	(191.671)	-	(78.649)	(6.311.442)	(6.581.762)
Direct utilisations	-	-	(3.873)	(1.786.955)	(1.790.828)
Exchange differences	-	-	-	(8.543)	(8.543)
Financial discounts	-	-	144.029	-	144.029
Transfers and adjustments	88.861	1.545.235	(4)	108.884	1.742.976
<b>As of 30 June 2014</b>	<b>1.458.157</b>	<b>32.245.312</b>	<b>7.199.679</b>	<b>33.072.182</b>	<b>73.975.330</b>

The amount shown as others related to provisions for multiple risks, which may originate cash outflows in the future.

The amount stated as "Tax claims" results from the Group's judgement at the date, about the potential disagreement with fiscal authorities, considering most recent updates about this events.

### 31. Interest-bearing liabilities

As of 30 June 2014 and 31 December 2013, Group's net debt was as follows:

Amounts in Euro	June 2014	December 2013
<b>Interest bearing liabilities</b>		
Non current	1,290,739,575	1,895,951,695
Current	598,339,959	227,691,887
	<b>1,889,079,534</b>	<b>2,123,643,582</b>
<b>Cash and cash equivalents</b>		
Cash	465,994	389,375
Short term bank deposits	42,106,160	133,635,453
Other	379,051,681	515,454,270
	<b>421,623,835</b>	<b>649,479,098</b>
Market value	228,604,206	188,865,104
<b>Interest-bearing net debt</b>	<b>1,238,851,493</b>	<b>1,285,299,380</b>

#### Non-current interest-bearing liabilities

As of 30 June 2014 and 31 December 2013, non-current interest-bearing liabilities were as follows:

Amounts in Euro	June 2014	December 2013
<b>Non-current</b>		
Bond loans	934,797,967	1,254,323,428
Commercial paper	-	211,400,000
Bank Loans	354,033,793	431,795,608
Expenses with bond loans issuing	(10,486,411)	(15,196,037)
<b>Interest-bearing bank debt</b>	<b>1,278,345,349</b>	<b>1,882,322,999</b>
Financial leases	3,778,211	4,147,876
Other loans - IAPMEI	2,573,921	2,372,303
Other loans - QREN	6,042,094	7,108,517
<b>Other interest-bearing debts</b>	<b>12,394,226</b>	<b>13,628,696</b>
<b>Non-current interest bearing liabilities</b>	<b>1,290,739,575</b>	<b>1,895,951,695</b>

### Bond loans

As of 30 June 2014 and 31 December 2013, non-current and current bond loans were as follows:

Amounts in Euro	June 2014	December 2013
<b>Bond loans</b>		
Portucel 2010 / 2015	60,000,000	100,000,000
Portucel 2010 / 2015 - 2nd emission	100,000,000	100,000,000
Portucel Senior Notes Due 2020	350,000,000	350,000,000
Semapa 2006 / 2016	175,000,000	175,000,000
Semapa 2006 / 2016	50,000,000	50,000,000
Semapa 2012 / 2015	299,961,000	300,000,000
Semapa 2014 / 2019	149,300,000	-
SBI 2007 / 2017	40,000,000	40,000,000
Secil 2012 / 2017	60,000,000	60,000,000
Secil 2013 / 2016	40,000,000	40,000,000
Secil 2013 / 2018	40,000,000	40,000,000
NSOSPE	36,597,560	39,323,428
	<b>1,400,858,560</b>	<b>1,294,323,428</b>

In April 2014, Semapa performed a bond loan amounting to Euro 150,000,000, which matures in 5 years (2019). The bond loan is deducted from the repurchased treasury bonds, amounting to Euro 700,000 as at 30 June 2014.

In May 2013, Portucel performed an international bond issue amounting to Euro 350,000,000, which matures in 7 years. This issue is designated Euros Portucel Senior Notes due 2020.

In May 2013, Secil performed two bond loans amounting to Euro 40,000,000 each, designated by Secil - 2013 /2016" and "Secil - 2013 /2018, with the first one maturing in a single reimbursement in 2016 and the other with 3 reimbursements starting in 2016.

In 2012, Semapa issued a bond loan amounting to Euro 300,000,000 with a maturity of three years (2015), listed on Euronext Lisbon under the heading "Obrigações Semapa 2012/2015".

Also, during 2012, the subsidiary NSOSPE (Brazil) issued debenture loans amounting to Brazilian Real 128,100,000 with a maturity of 5 years (2017).

Semapa SGPS, S.A. has two bond loans amounting to Euro 50,000,000 and Euro 175,000,000, with 10 years maturity. This last is listed in Euronext Lisbon under the designation "Obrigações Semapa 2006/2016".

In February 2010, Portucel contracted an additional bond loan designated "Obrigações Portucel - 2010 /2015 - 2ª Emissão" with an amount of Euro 100,000,000, with a single reimbursement upon maturity, February 2015.

### Commercial paper

In 2013, Semapa SGPS, S.A. contracted a commercial paper amounting to Euro 100,000,000 with 7 years maturity. As at 30 June 2014, no issues were in place (31 December: Euro 6,000,000).

In 2006, Semapa SGPS, S.A. contracted a commercial paper amounting to Euro 175,000,000 with 10 years maturity. As at 30 June 2014, no issues were in place.

In 2008, Semapa and ETSA – Investimentos SGPS S.A. contracted a commercial paper program amounting to Euro 70,000,000, for a period of 5 years. As at 30 June 2014, no issues were in place.

In December 2012, Portucel contracted a new commercial paper program amounting to EUR 50,000,000, maturing in three and a half years from the date of the contract, and that is underwritten by the bank. As at 30 June 2014, no issues were in place.

Additionally, also in December 2012, Portucel contracted another commercial paper program amounting to Euros 125,000,000, maturing in three years and that is underwritten by the bank. As at 30 June 2014, the amount of Euros 125,000,000 was fully utilised.

#### *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	June 2014	December 2013
1 to 2 years	400,096,599	682,383,746
2 to 3 years	93,825,463	516,041,029
3 to 4 years	82,718,205	200,108,304
4 to 5 years	308,409,458	39,560,389
More than 5 years	412,398,050	468,906,388
	<b>1,297,447,775</b>	<b>1,906,999,856</b>

#### *Current interest-bearing liabilities*

As of 30 June 2014 and 31 December 2013, current interest-bearing liabilities were as follows:

Amounts in Euro	June 2014	December 2013
<b>Current</b>		
Bond loans	466.060.593	40.000.000
Bank Loans	110.666.211	161.510.145
Expenses with bond loans issuing	(4.420.390)	-
<b>Interest-bearing bank debt</b>	<b>572.306.414</b>	<b>201.510.145</b>
Shareholders short term loans (Note 35)	10.525.155	11.789.356
Financial leases	861.500	931.539
Other loans - QREN	2.053.263	1.811.398
Other	12.593.627	11.649.449
<b>Other interest-bearing debts</b>	<b>26.033.545</b>	<b>26.181.742</b>
<b>Current interest-bearing liabilities</b>	<b>598.339.959</b>	<b>227.691.887</b>

As of 30 June 2014 and 31 December 2013, non-current bank loans were as follows:



Amounts in Euro	June 2014	December 2013	Reference rate
<b>Non current</b>			
<b>Holdings</b>			
Caixa Geral de Depósitos	-	50.000.000	Euribor 6m
Banco BIC	11.428.572	14.285.715	Euribor 3m
Banco do Brasil	14.500.000	-	Euribor 3m
<b>Cement and derivatives</b>			
Amen Bank	3.636.425	4.246.069	TMM
Banco Espírito Santo	357.144	714.287	Euribor 6m
Banco Santander Totta	-	32.500.000	Several
Banque Mediterranee	7.985.104	7.880.347	Several
UBCI Credit	4.037.618	4.677.205	TMM
Banco BIC	24.250.000	-	Euribor 6m
Other	17.025.041	42.724.129	Several
<b>Paper and pulp</b>			
BEI	119.791.667	129.642.856	Euribor 6m
Banco Santander Totta	125.000.000	125.000.000	Euribor 6m
Banco do Brasil	15.000.000	15.000.000	Euribor 6m
<b>Environment</b>			
Banco BPI	7.466.667	4.000.000	Several
Banco Espírito Santo	-	1.000.000	Euribor 3m
Banco BIC	3.555.556	-	Euribor 6m
Caixa Económica Montepio Geral	-	125.000	Euribor 6m
<b>Total</b>	<b>354.033.794</b>	<b>431.795.608</b>	

As of 30 June 2014 and 31 December 2013, current bank loans were as follows:

Amounts in Euro	June 2014	December 2013	Reference rate
<b>Current</b>			
<b>Holdings</b>			
Banco BPI	-	2.500.000	Euribor 1m
NCG Banco	6.000.000	8.000.000	Euribor 6m
Caixa Geral de Depósitos	137.211	50.000.000	Euribor 6m
Caixa Económica Montepio Geral	-	935.000	Euribor 3m
Banco BIC	5.714.285	5.714.285	Euribor 3m
<b>Cement and derivatives</b>			
Banco Espírito Santo	792.597	3.214.286	Euribor 6m
Banco Santander Totta	48.750.000	32.500.000	Euribor 6m
Other	27.487.612	28.696.850	Several
<b>Paper and pulp</b>			
Caja Duero	19.702.381	19.702.381	Euribor 6m
<b>Environment</b>			
Banco BBVA	-	1.417.593	Euribor 3m
Banco BPI	1.033.333	6.000.000	Euribor 3m
Banco Espírito Santo	-	800.000	Euribor 3m
Banco Santander Totta	250.000	1.750.000	Euribor 3m
Caixa Geral de Depósitos	94.430	-	Euribor 1m
Caixa Económica Montepio Geral	250.000	250.000	Euribor 3m
Banco BIC	444.445	-	Euribor 3m
Other	9.917	29.750	Euribor 3m
<b>Total</b>	<b>110.666.211</b>	<b>161.510.145</b>	
	<b>464.700.005</b>	<b>593.305.753</b>	

### Market value of shares held by the Group

As of 30 June 2014 and 31 December 2013, the market value of shares held by the Group used in the above calculation of interest bearing net debt, was detailed as follows:

Amounts in Euro	June 2014	December 2013
Fair value of treasury shares held by Semapa	56,223,102	44,346,517
Fair value of treasury shares held by Portucel	172,381,104	144,401,466
Fair value of BES shares	-	117,121
	<b>228,604,206</b>	<b>188,865,104</b>

### Liabilities related to financial leasing

As of 30 June 2014 and 31 December 2013, the Group's debt-repayment terms relating to financial leases, except for liabilities resulting from the application of IFRIC 4 (Note 17), are shown as follows:

Amounts in Euro	June 2014	December 2013
Less than 1 year	1,007,772	1,068,480
1 to 2 years	878,018	981,199
2 to 3 years	812,492	966,137
3 to 4 years	811,330	962,809
4 to 5 years	606,695	1,011,603
More than 5 years	897,436	525,104
	<b>5,013,743</b>	<b>5,515,332</b>
Future interests	(374,032)	(435,917)
<b>Liabilities' present value</b>	<b>4,639,711</b>	<b>5,079,415</b>

As at 30 June 2014 the Group uses the following assets acquired by financial leasing:

Amount in Euros	June 2014		
	Acquisition Value	Accumulated Depreciation	Net Book Value
Machinery and equipment	4,365,548	(1,679,936)	2,685,612
Machinery and equipment - IFRIC 4 (Note 17)	16,193,435	(7,775,292)	8,418,143
Transport equipment	462,532	249,301	711,833
	<b>21,021,515</b>	<b>(9,205,927)</b>	<b>11,815,588</b>

As at 31 December 2013 the Group uses the following assets acquired by financial leasing:

Amount in Euros	December 2013		
	Acquisition Value	Accumulated Depreciation	Net Book Value
Machinery and equipment	4,365,548	(1,679,936)	2,685,612
Machinery and equipment - IFRIC 4 (Note 17)	14,000,000	(6,432,433)	7,567,567
Transport equipment	1,048,032	(745,816)	302,216
	<b>19,413,580</b>	<b>(8,858,185)</b>	<b>10,555,395</b>

In 2010, with the launch of the new paper mill, the Group recognised as a finance lease (IFRIC 4) contract the cost of the precipitated calcium carbonate production unit, installed by Omya, S.A. at the industry site in Setubal, for the exclusive use of the new mill. This contract foresees the transfer of the assets' ownership to About the Future, S.A., upon its termination, at 2016.

### Bank credit facilities granted and not drawn

At 30 June 2014 and 31 December 2013, bank credit facilities granted and not drawn amounted to Euro 715,210,237 and Euro 466,618,055, 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, the group was complying with the financial ratios limits imposed under its financing contracts, as of 30 June 2014 and 31 December 2013.

## 32. Payables and other current liabilities

As at 30 June 2014 and 31 December 2013, the caption Payables and other current liabilities were detailed as follows:

Amounts in Euro	June 2014	December 2013
Accounts payable to suppliers	200.742.734	202.140.900
Accounts payable to suppliers of fixed assets	6.826.473	6.603.159
Instituto do Ambiente - CO2 Emission allowances	8.290.115	10.823.446
Derivative financial instruments (Note 34)	22.674.806	27.439.147
Other creditors	12.265.102	8.478.126
Related parties (Note 35)	3.810.752	2.826.922
Accrued costs	78.456.683	63.848.213
Deferred income	16.464.751	9.988.437
	<b>349.531.416</b>	<b>332.148.350</b>

At 30 June 2014 and 31 December 2013, the captions Accrued costs and Deferred income comprised:

Amounts in Euro	June 2014	December 2013
<b>Accrued costs</b>		
Insurance costs	252	24,738
Payroll expenses	33,338,684	25,715,055
Interests payable	19,964,272	19,813,303
Accrued energy costs	9,863,182	6,625,787
Transport services	1,144,419	802,295
Bank services	631,320	548,229
Audit fees	106,633	177,599
Consulting	1,264,601	2,291,568
IT Services	355,869	179,027
Other	11,787,451	7,670,612
	<b>78,456,683</b>	<b>63,848,213</b>
<b>Deferred Income</b>		
Government grants	4,035,097	5,382,301
Grants CO2 emission allowances	11,698,104	3,814,584
Others	731,550	791,552
	<b>16,464,751</b>	<b>9,988,437</b>

In 2006 the Portucel Group and API- Agência Portuguesa para o Investimento (currently designated AICEP- Agência Portuguesa para o investimento e comércio externo) entered into four investment contracts (approved by Brussels in 2007) due to the construction of the new paper factory which began to operate in 2009. These contracts comprised financial and tax incentives amounting to Euro 74 million and Euro 102 million, respectively.

Therefore, as at 30 June 2014 the caption government grants comprises Euro 4,035,097 (31 December 2013: Euro 5,382,301) classified as current liabilities in respect of such financial incentive contracts, being the remaining share amounting to Euro 36,500,553 recognised in non-current liabilities.

As at 30 June 2014 and 31 December 2013, the caption Non-current liabilities were detailed as follows:

Amounts in Euro	June 2014	December 2013
<b>Non current liabilities</b>		
Government grants	36,500,553	37,840,641
Equipment	7,674,392	8,418,495
Other	591,496	585,000
	<b>44,766,441</b>	<b>46,844,136</b>

### 33. Assets and liabilities held for sale

Assets and liabilities held for sale are related with the acquisition of Uniconcreto – Betão Pronto, S.A.. The decision to dispose these assets and liabilities follows the imposition placed by the competition authority as well as the subsequent internal assessment carried out by the Group.

### 34. Financial assets and liabilities

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.

In order to minimize the effects of exchange rate variations on Group's sales of pulp and paper's exports to non-European countries, financial instruments were contracted to hedge almost all items denominated in foreign currency in the consolidated balance sheet, as well as for a part of projected sales subject to currency risks.

In addition and in order to hedge interest rate risk, interest rate swaps and collars associated with bond loans have been contracted.

As at 30 June 2014 and 31 December 2013, the reconciliation of the consolidated statement of financial position with the various categories of financial assets and liabilities included therein is detailed as follows:

30 June 2014	FI Trading	FI Hedging	Loans and other accounts receivable	FA at fair value through profit or loss	FA held for sale	Other interest bearing liabilities	Non financial assets and liabilities
Amounts in Euro	Note 24/32	Note 24/32	Note 24	Note 20	Note 21	Note 32	Note 24/32
<b>Assets</b>							
Financial assets at fair value through profit or loss	-	-	-	453.577	-	-	-
Financial assets held-for-sale	-	-	-	-	229.136	-	-
Other non current assets	-	-	6.795.722	-	-	-	-
Current assets	-	95.199	292.544.972	-	-	-	16.174.990
Cash and cash equivalents	-	-	421.623.835	-	-	-	-
<b>Total assets</b>	-	95.199	720.964.529	453.577	229.136	-	16.174.990
<b>Liabilities</b>							
Non current interest bearing liabilities	-	-	-	-	-	1.290.739.575	-
Other liabilities	-	-	-	-	-	-	44.766.442
Current interest bearing liabilities	-	-	-	-	-	598.339.959	-
<b>Current liabilities</b>	1.196.166	21.478.640	-	-	-	302.101.744	24.754.866
<b>Total Liabilities</b>	1.196.166	21.478.640	-	-	-	2.191.181.278	69.521.308

31 December 2013	FI Trading	FI Hedging	Loans and other accounts receivable	FA at fair value through profit or loss	FA held for sale	Other interest bearing liabilities	Non financial assets and liabilities
Amounts in Euro	Note 24/32	Note 24/32	Note 24	Note 20	Note 21	Note 32	Note 24/32
<b>Assets</b>							
Financial assets at fair value through profit or loss	-	-	-	482.923	-	-	-
Financial assets held-for-sale	-	-	-	-	346.257	-	-
Other non current assets	-	-	6.053.886	-	-	-	-
Current assets	549.601	259.742	267.856.246	-	-	-	10.713.278
Cash and cash equivalents	-	-	649.479.098	-	-	-	-
<b>Total assets</b>	549.601	259.742	923.389.230	482.923	346.257	-	10.713.278
<b>Liabilities</b>							
Non current interest bearing liabilities	-	-	-	-	-	1.895.951.695	-
Other liabilities	-	-	-	-	-	-	46.844.136
Current interest bearing liabilities	-	-	-	-	-	227.691.887	-
<b>Current liabilities</b>	-	27.439.147	-	-	-	283.897.320	20.811.883
<b>Total Liabilities</b>	-	27.439.147	-	-	-	2.407.540.902	67.656.019

As of 30 June 2014 and 31 December 2013 the fair value of these assets and liabilities is similar to its book value.

The following table presents the Group's assets and liabilities measure at fair value as of 30 June 2014, according to the following IFRS hierarchic levels:

- Level 1: Fair value of financial instruments is based on prices ruling on active, liquid markets at the date of the balance sheet;
- 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	June 2014	Level 1	Level 2
<b>Financial assets at fair value recognised in reserves</b>			
Hedging (Note 24)	95.199	-	95.199
<b>Financial assets at fair value through profit or loss</b>			
Trading (Note 20)	453.577	453.577	-
<b>Financial assets held for sale</b>			
Shares (Note 21)	229.136	229.136	-
	<b>777.912</b>	<b>682.713</b>	<b>95.199</b>

#### Liabilities measured at fair value

Amounts in Euro	June 2014	Level 1	Level 2
<b>Financial assets at fair value recognised in reserves</b>			
Hedging (Note 32)	(21.478.640)	-	(21.478.640)
<b>Financial assets at fair value through profit or loss</b>			
Trading (Note 32)	(1.196.166)	-	(1.196.166)
	<b>(22.674.806)</b>	<b>-</b>	<b>(22.674.806)</b>

#### Derivative financial instruments

During the first semester of 2014 changes in the fair value of derivative financial instruments were as follows:

Amounts in Euro	Changes in fair value (Trading)	Changes in fair value (Hedging)	Total
<b>As of 1 January 2014</b>	<b>549,602</b>	<b>(27,179,405)</b>	<b>(26,629,803)</b>
Maturity/settlement	-	3,138,198	3,138,198
Changes in fair value through profit and loss	(1,745,767)	507,851	(1,237,916)
Changes in fair value recognised in shareholders equity	-	2,149,914	2,149,914
<b>As of 30 June 2014</b>	<b>(1,196,165)</b>	<b>(21,383,442)</b>	<b>(22,579,607)</b>

#### Detail 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.

As at 30 June 2014 and 31 December 2013 the derivative financial instruments in the statement of financial position were as follows:

Amounts in Euro	Amount	Maturity	June 2014			December 2013
			Positive	Negative	Net	Net
Hedging						
Collar interest rate (SWAP's)	225,000,000	2015	-	(9,625,116)	(9,625,116)	(11,075,860)
Coverage of net investment (USD)	25,050,000	2014	87,861	-	87,861	259,742
Hedging price of pulp (USD)	16,800,000	2014	7,338	-	7,338	(38,316)
Interest rate swaps (SWAP'S)	165,000,000	2015/17	-	(5,782,937)	(5,782,937)	(5,571,693)
Interest and exchange rate swaps BRL	128,100,000	2017	-	(6,070,587)	(6,070,587)	(10,753,278)
			95,199	(21,478,640)	(21,383,441)	(27,179,405)
Trading						
Currency forwards (USD)	59,430,000	2014	-	(245,228)	(245,228)	669,424
Currency forwards (GBP)	29,930,000	2014	-	(950,938)	(950,938)	(119,823)
			-	(1,196,166)	(1,196,166)	549,601
			95,199	(22,674,806)	(22,579,607)	(26,629,804)

### Exchange rate coverage

The Group has a currency exposure on sales invoiced in foreign currencies, namely in US dollars (USD) and sterling pounds (GBP). Since the Group's financial statements are translated into Euro, it runs an economic risk on the conversion of these currency flows to the Euro.

The Group is also obliged, albeit to a lesser degree, to make certain payments in those same currencies which, for currency exposure purposes, act as a natural hedge. Thus, the hedge is aimed at safeguarding the net value of the balance sheet items denominated in foreign currencies against the respective currency fluctuations.

The hedging instruments used in this operation are foreign exchange forward contracts covering the net exposure to other currencies at the time the invoices are issued, for the same maturity dates and the same amounts of these documents in such a way as to fix the exchange rate associated with the sales. These instruments were not considered as hedging. 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.

The fair value of these instruments as of 30 June 2014 was Euro 1,196,166 (31 December 2013: 549,601).

### Coverage of Investment in foreign operations

The Group hedges the economic risk associated with the USD exchange rate exposure in its investment held on PortucelSoporcel North America. For that purpose, the Group entered into a forward foreign exchange contract. In 30 June 2014, the Group had contracted an outstanding notional of USD 25,050,000.

This instrument is designated as a hedge of the net investment in the Group's US subsidiary, with fair value changes being recognised in other comprehensive income. As at 30 June 2014, the amount reflected in the Translation reserve regarding this hedging, amount to Euro 39,346 (31 December 2013: 213,354).

### Interest Rate – Coverage of cash flows

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 pays a fixed rate and receives a variable rate and in interest rate collars limiting the net financial charges to a defined range. The instrument is designated as a cash flow hedge of the interest rate risk associated with the issued debt. Credit risk is not part of the hedging relationship.

These interest rate risk hedging is associated with interest payments at a variable rate due to interest-bearing liabilities recognised. The hedged risk is the variable rate index with which debt interest is associated.

As at 30 June 2014, the total amount of loans with associated interest rate hedges (excluding the interest rate and exchange rate hedging described below) were Euro 390 million (31 December 2013: Euro 390 million).

This hedge is designated until the maturity of the hedging instruments.

#### *Pulp Price – Coverage of cash flows*

The Group hedges the price risk associated with future sales of pulp, through the use of collars on the price of pulp, which limits the sale price to a predetermined range. The instruments are designated as cash flow hedges of the price risk associated with future sales.

As at 30 June 2014, the total amount of future sales with price risk hedge is Euro 6,1 million (31 December 2013: Euro 12,1 million). This hedge is designated until the maturity of the hedging instruments.

#### *Currency Interest Rate Swaps – Cash-flow hedging*

On 12 April 2012, Semapa Group, through its Brazilian subsidiary NSOSPE Empreendimentos e Participações S.A., issued a non-convertible bond issue with a variable interest rate in the amount of Brazilian Real 128,1 million with maturity on 26 March 2017 (see Note 31 – Interest Bearing liabilities).

In order to manage currency interest rate risk inherent to the bond issued, three currency interest rate swaps with a notional amount of 128,1 million Brazilian Reals, where Semapa pays a fixed flow in Euros and receives a variable flow in Real. The instrument is designated as hedge accounting of cash flows of foreign exchange and interest rate risks associated with the non-convertible bond issued. The credit risk is not hedge.

#### *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*

The following is a breakdown of the balances with related parties as at 30 June 2014 and 31 December 2013:

Amounts in Euro	June 2014			December 2013		
	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)
<b>Shareholders</b>						
Cimo SGPS, S.A.	-	-	307.267	-	-	231.148
Longapar, SGPS, S.A.	-	1.160	7.278.550	-	1.160	7.192.833
OEM SGPS, SA	-	-	1.535.561	-	-	1.486.152
Cimigest, SGPS, S.A.	-	-	1.403.777	-	-	2.879.223
<b>Other related entities</b>						
Ave-Gestão Ambiental, S.A.	71.190	286.729	-	102.995	342.586	-
Cotif Sicar	-	84.792	-	-	19.560	-
Inertogrande	205.178	-	-	204.678	-	-
J.M.J. Henriques, Lda.	115.183	-	-	114.683	-	-
Sociedade de Inertes, Lda	505.341	-	-	-	-	-
Secil Prebetão, S.A.	228.373	66.305	-	210.470	22.047	-
Secil Unicon - S.G.P.S., Lda	46.873	-	-	44.328	-	-
Seribo, S.A.	-	307.881	-	-	305.476	-
Setefrete - Soc. Tráfego Cargas, S.A.	-	284.769	-	-	479.084	-
Supremo Cimentos, S.A.	18.245.809	-	-	1.001.030	-	-
Margem - Companhia de Mineração, S.A.	1.300.000	3.912	-	1.327.162	-	-
Other related entities	-	-	-	79.345	18.180	-
Shareholders (Dividends allocated to non controlling interests)	94.293	2.775.204	-	480.122	1.638.829	-
<b>Total</b>	<b>20.812.240</b>	<b>3.810.752</b>	<b>10.525.155</b>	<b>3.564.813</b>	<b>2.826.922</b>	<b>11.789.356</b>

In the six month period ended 30 June 2014 and 2013, transactions with shareholders were as follows:

Amounts in Euro	1st Semester 2014		1st Semester 2013	
	Service purchase	Financial losses (Note 10)	Service purchase	Financial losses (Note 10)
<b>Shareholders</b>				
Cimigest SGPS, S.A.	(53,870)	(70,739)	(53,870)	-
Cimo SGPS, S.A.	-	(4,825)	-	(14,849)
Longapar, SGPS, S.A.	-	(144,556)	-	(82,160)
OEM SGPS, S.A.	-	(29,879)	-	-
	<b>(53,870)</b>	<b>(249,999)</b>	<b>(53,870)</b>	<b>(97,009)</b>

In the six month period ended 30 June 2014 and 2013, transactions with other related parties were as follows:

Amounts in Euro	1st Semester 2014			
	Service purchase	Sales of goods	Operating Income	Financial (losses)/gains (Note 10)
<b>Other related entities</b>				
Ave-Gestão Ambiental, S.A.	(1,903,822)	21,223	252,093	-
Sociedade de Inertes, Lda	-	437,341	13,612	-
Seribo, S.A.	-	-	-	(2,405)
Secil Prebetão, S.A.	(26,072)	409,420	2,710	785
Setefrete, S.A.	(1,561,057)	-	18,023	-
Supremo Cimentos, S.A.	-	5,795,666	798	630,133
Margem - Comp.ª Mineração, S.A.	-	-	14,560	-
Other	-	-	-	(14,355)
	<b>(3,490,951)</b>	<b>6,663,650</b>	<b>301,796</b>	<b>614,158</b>



	1st Semester 2013			Financial (losses)/gains (Note 10)
Valores em Euros	Service purchase	Sales of goods	Operating Income	
Other related entities				
Ave - Gestão Ambiental, S.A.	(1,728,614)	88,401	174,485	-
Seribo, S.A.	-	-	-	(2,405)
Secil Prebetão, S.A.	(50,912)	314,599	-	-
Setefrete, S.A.	(496,039)	-	29,574	-
Supremo Cimentos, S.A.	-	5,710,776	2,094	36,661
Other	-	-	-	6,541
	(2,275,565)	6,113,776	206,153	40,797

### 36. Environmental related expenditures

As part of its business operations, the Group incurs in several environmental expenditure which, depending on their nature, are capitalised or recognised as costs in the operating results for the year.

Environmental expenses incurred by the Group in order to preserve resources or to avoid or reduce future damage, are capitalised when they are expected to extend the useful life or to increase the capacity, safety or efficiency of other assets held by the Group.

The expenditure capitalized and expensed in the six month period ended 30 June 2014 and in 30 June 2013 were as follows:

Amounts in Euro	1st Semester 2014			1st Semester 2013		
	Income	Expenses of the period	Capitalization in the period	Income	Expenses of the period	Capitalization in the period
Atmospheric emissions	-	350.132	163.755	-	542.061	399.338
Management of residual waters	-	11.696	-	-	26.703	-
Residual managements	(478.172)	723.713	279.860	(422.923)	778.400	2.808.756
Protection of Nature	-	194.044	11.423	-	308.966	838
Protection of soils and underground waters	-	3.974.299	25.859	-	4.858.458	-
Materials recycling	-	719.104	-	-	869.190	-
Liquid effluent treatment	-	630.594	-	-	1.239.028	-
Expenses with electrofilters	-	288.676	-	-	1.004.236	-
Solid waste landfill	-	45.792	-	-	318.042	-
Sewerage	-	497.890	-	-	168.095	-
Recovery boiler	-	-	12.216	-	-	198.469
Generator of the oil boiler	-	-	75.684	-	-	677.911
Security facilities improvement	-	-	49.112	-	-	701.806
Other environmental protection activities	-	476.793	52.064	-	282.696	184.709
	<b>(478.172)</b>	<b>7.912.733</b>	<b>669.973</b>	<b>(422.923)</b>	<b>10.395.875</b>	<b>4.971.827</b>

### 37. Audit fees

In the six month period ended 30 June 2014 and 2013, expenses with statutory audits, other audit services and tax advisory services, were as follows:

Amounts in Euros	1st Semester 2014	1st Semester 2013
Statutory audit services		
Statutory audit services	305.621	200.853
Audit services to foreign subsidiaries	80.557	142.399
Tax consultancy services	35.949	25.947
Other reliability assurance services	59.401	69.748
	<b>481.528</b>	<b>438.947</b>

The services described as tax consultancy, mainly comprise the support in complying with tax obligations, in Portugal and abroad, as well as in services, surveys of operational business processes which did not result in any advice for redesign of existing practices, procedures or controls.

The Board of Directors believes there are adequate procedures safeguarding the independence of auditors through the Audit Committee process analysis of the work proposed and careful definition of the work to be performed by the auditors.

### 38. Number of employees

At 30 June 2014 and 31 December 2013, the number of employees in service of the Group's various companies, was as follows:

Segment	June 2014	December 2013	Var. 14/13
Pulp and paper	2,268	2,258	10
Cement and derivatives	2,047	2,125	(78)
Environment	283	286	(3)
Holdings and others	26	22	4
	<b>4,624</b>	<b>4,691</b>	<b>(67)</b>

### 39. Commitments

As of 30 June 2014 and 31 December 2013, the guarantees and other financial commitments provided by the Group were as follows:

Amounts in Euro	June 2014	December 2013
<b>Warranties</b>		
IAPMEI (in the perimeter of QREN)	2,511,781	2,299,046
VAT refunds request	2,715,419	1,673,096
Portuguese Tax Authorities AT - Autoridade Tributária	8,490,803	15,715,687
APSS - Admi. dos Portos de Setúbal e Sesimbra	2,580,032	2,547,495
Direcção Geral de Alfândegas	800,000	854,414
APDL - Administração do Porto de Leixões	678,748	676,920
Simria	327,775	327,775
Instituto de Conservação da Natureza - Arrábida	345,163	454,958
Secretaria Regional do Ambiente e Recursos Naturais	274,595	274,595
IAPMEI (in the perimeter of PEDIP)	99,760	99,760
Comissão de Coordenação e Desenv. Regional Norte	236,403	236,421
Comissão de Coordenação e Desenv. Regional Centro	878,640	845,173
Comissão de Coordenação e Desenv. Regional LVT	1,070,254	994,338
Comissão de Coordenação e Desenv. Regional Algarve	480,804	480,804
Others	1,638,017	2,567,333
	<b>23,128,195</b>	<b>30,047,815</b>
<b>Other commitments</b>		
Purchase commitments with suppliers		
Fixed assets	6,489,181	11,532,501
Other	12,144,634	7,021,582
Forestry land rents	60,416,819	43,365,670
Mortgage loan guarantee	1,564,852	1,634,452
	<b>80,615,486</b>	<b>63,554,205</b>
	<b>103,743,681</b>	<b>93,602,020</b>

#### Liabilities assumed due to operating leases

As of 30 June 2014 and 31 December 2013, debt's reimbursement plans for operating leases are as follows:

Amounts in Euro	June 2014	December 2013
No more than one year	2,233,292	2,249,157
More than one year, less than five years	2,588,843	3,312,203
	<b>4,822,135</b>	<b>5,561,360</b>
<b>Expenses of the period</b>	<b>3,113,273</b>	<b>3,427,365</b>

## 40. Other commitments of the Group

#### Promissory liens

In 2010, Secil Martingança contracted a bank loan amounting to Euro 2,500,000 for the construction of the new plant located in Montijo having mortgaged, as of the same date, the plant land. As of 30 June 2014 the bank loan outstanding amounted to Euro 1,071,430.

#### Investment in a new plant in Angola

In terms of the Memorandum of Understanding signed between the Angolan Government and the subsidiary Secil in April 2004, Secil – Companhia de Cimentos do Lobito, S.A. – approximately 51% held by the Secil Group and, indirectly, 49% by the Angolan State - was incorporated on 29 November 2005 and commenced operations on 1 January 2006. Accordingly, the contract for the operation of the Encime do Lobito plant, between the Angolan State and Tecnosecil (now called Secil Angola) and which has been in force since September 2000, has now terminated.

Secil Lobito's share capital of USD 21,274,285 was paid up through the transfer of the tangible and intangible assets of Secil Angola and Encime U.E.E. respectively by the Secil Group and by the Angolan Government at the amount resulting from the valuation carried out in October 2003 by an independent international audit firm.

In this Memorandum of Agreement, it was estimated that within a time horizon of 36 months commencing from the date the respective share capital was paid up, Secil Lobito would erect cement and clinker factory in Lobito.

On 26 October 2007, the Angolan Cabinet approved the Private Investment Project called "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 is now concluding the update of the initial project to the current reality of Angola and on July 2014, requested ANIP to renegotiate some of the agreement clauses of the private investment project signed in December 2007.

#### Deposit Bail

The subsidiary Ciminpart sold, in 2012, its participation in VIROC to a Recovery Fund. In this process, Secil constituted a pledge over a bank deposit amounting to Euro 1,250,000.

### Issuance of Debentures (Brazil)

NSOSPE (Brazilian subsidiary owned by Semapa) issued a bond loan (in the form of debentures), amounting to Brazilian real 128,100,000, having Semapa assumed as commitments and guarantees related to that issue, a pledge of shares representing the total share capital of NSOSPE, equity support agreement and a promissory note. Within the scope of this emission, NSOSPSE celebrated a derivative contract in order to hedge the currency risk and interest rate. Regarding this contract, Semapa committed to an Equity support agreement and a promissory note.

### Fiduciary alienation

In November 2013 the Company Margem- Companhia de Mineração, fully owned (100%) by Supremo (50% held by Semapa Group) renewed two loans denominated “cédulas de crédito bancário” amounting to Real 50 million each. Additionally, in April 2014 the Company contracted two loans denominated “cédulas de crédito bancário” amounting to Real 25 million each to address the financial treasury needs, due to the construction of the new power plant in Adrianopolis.

As security for this funding:

- Ciminpart S.G.P.S., S.A. and N.S.O.SP.E. as shareholders , proceeded to the fiduciary alienation of shares held in Supremo Cimentos, S.A. ;
- Supremo Cimentos, S.A. proceed to the fiduciary alienation of the entire Margem- Companhia de Mineração shares.
- Secil rendered a promissory note and Semapa, a comfort letter as collateral up to a maximum amount equivalent to 50 % of the amount of the two loans mentioned above;

It should be noted that in case of default of the Borrower, Secil may, within the limits established by contract and without the chattel mortgage being executed, solve the default and repay the loans.

## 41. *Contingent assets*

### Non-tax matters

#### Acquisition of 82% of Soporgen

In 2013, the Group, through its subsidiary Soporcel – Sociedade Portuguesa de Papel, S.A., acquired the remaining 82% shares in Soporgen, by exercising the call option included in the shareholder’s agreement that regulated the relationships between the two shareholders and defined the price and terms under which the call option could be activated.

The Group understands that EDP violated the terms of the shareholder’s agreement before the transfer of the shares, by unilaterally approving a distribution of reserves that were undue to be distributed as per the said agreement. Therefore, it is the Group understanding that the equity to be transmitted should also include these amounts.

The mentioned shareholder’s agreement defines that an arbitral court should be set up in order to intermediate any question arising from it. The Group already promoted its constitution so that the arguments of both shareholders can be judged. If the Group’s action is deemed valid, the amount of the negative goodwill arising from the initial consolidation os Soporgen will be increased by Euro 5,348,706. A decision is expected in 2015.

### Infrastructure enhancement and maintenance rate

Under the licensing process nº 408/04 related to the new paper mill project, the Setubal city Council issued a settlement note to Portucel regarding an infrastructure increase and maintenance fee ("TMUE ") amounting to Euro 1,199,560, with which the company disagrees.

This situation regards the amount collected under this levy in the licensing process mentioned above, for the construction of a new paper mill in the industrial site of Mitrena, Setubal. Portucel disagrees with the amount charged and filled an administrative claim against it on 25 February 2008 (request 2485/08), followed by an appeal in Court against the rejection of the claim on 28 October 2008. At 3 October 2012 this claim had an adverse decision, and in 13 November an appeal to the STA was performed. This lawsuit is awaiting the decision of TCA since 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 privatization as they were not included in the documentation made available for consultation by the bidders.

### Tax matters

#### 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 (in the case of Portucel, 25 November 2006) are the responsibility of the Public Debt Settlement Fund. Portucel submitted an application to the Public Debt Settlement Fund on 16 April 2008 requesting the payment by the State of the tax debts raised by the tax authorities for periods before that date.

On 13 December 2010, Portucel 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 for Euro 31,036,734, detailed as follows:

Amounts in Euro	Period	Amounts requested	1st refund	Decreases in the perimeter of RERD	Process in favor of Group	Outstanding
<b>Portucel</b>						
Value added tax - Germany	1998-2004	5,850,000	(5,850,000)	-	-	-
Corporate Income Tax	2002	625,033	(625,033)	-	-	-
Value added tax	2002	2,697	(2,697)	-	-	-
Corporate Income Tax	2003	1,573,165	(1,573,165)	-	-	-
Corporate Income Tax	2003	182,230	(157,915)	-	-	24,315
Corporate Income Tax (RF)	2004	3,324	-	-	-	3,324
Corporate Income Tax	2004	766,395	-	-	-	766,395
Corporate Income Tax (RF)	2005	1,736	(1,736)	-	-	-
Corporate Income Tax	2005	11,754,680	-	(1,360,294)	-	10,394,386
Corporate Income Tax	2006	11,890,071	-	(1,108,178)	-	10,781,893
Expenses		314,957	-	-	-	314,957
		<b>32,964,287</b>	<b>(8,210,545)</b>	<b>(2,468,472)</b>	-	<b>22,285,270</b>
<b>Soporcel</b>						
Corporate Income Tax	2002	18,923	-	-	-	18,923
Corporate Income Tax (Replacement)	2003	5,725,771	-	-	-	5,725,771
Value added tax	2003	2,509,101	-	-	-	2,509,101
Stamp Tax	2004	497,669	-	-	(497,669)	-
		<b>8,751,464</b>	-	-	<b>(497,669)</b>	<b>8,253,795</b>
		<b>41,715,751</b>	<b>(8,210,545)</b>	<b>(2,468,472)</b>	<b>(497,669)</b>	<b>30,539,065</b>

These amounts may yet be reduced, due to judicial claims presented by the Group amounting to Euro 27,081,102 from which Portucel already had favourable decisions amounting to Euro 2,644,959, having the Portuguese tax authorities applied for the entire amount.

#### State surcharge – 2010 to 2012 – Euro 4,999,101

Since 2010, the corporate income tax forms presented by Portucel included a state surcharge regarding About The Future – Empresa Produtora de Papel, S.A., amounting to Euro 1,783,417 which is not considered due by the Group as it should have been deducted to tax benefits granted by AICEP to the company. AICEP seconds the company's views on this matter.

Due to this, Portucel presented a gracious claim in order to collect the income tax paid in excess in 2010 and 2011. Following the rejection of that claim, Portucel presented the corresponding hierarchical appeal, on 11 November 2011 (regarding 2010) and 25 October 2012 (regarding 2011). Following its implied rejection, Portucel filed the legal proceedings on 17 May 2012 (regarding 2010) and 9 November 2012 (regarding 2011). Nevertheless, in the tax audit to 2011, the Tax Authorities accepted the Group's position on this matter and incorporated the respective adjustment in the settlement note to that tax year.

Regarding 2010, Portucel requested the unofficial corporate income tax review for this fiscal year as at 27 June 2014, which was accepted by the tax authorities. Therefore the Company awaits the receipt of the amount.

Regarding 2012, legal proceedings were filed against the implied rejection of the gracious claim on 16 January 2014.

Given the above, the Group believes that the tax authorities will review its position regarding 2012.

#### Energy Tax Incentives – RFAI – Euro 10,130,060

Part of the investment considered relevant in terms of RFAI tax incentives, as foreseen in the Law nº10/2009 of 10 March, regards the biomass cogeneration units acquired by Portucel. It is the Portuguese tax authorities understanding that Portucel cannot benefit from the mentioned tax incentives regarding the mentioned units, as the company's main activity is not the production of energy, albeight it is obliged to pay an energetic contribution implemented by the State Budget for 2014.

Not agreeing with this understanding, Portucel submitted a gracious claim on the 29 April 2013, which was dismissed Hierarchical appeal was lodged on 29 October 2013, whose decision pending.

Portucel intends to appeal to courts if the decisions about the above mentioned administrative procedures are adverse to the Company.

## 42. Exchange rates

The assets and liabilities of the foreign subsidiaries and associated companies were translated to Euro at the exchange rate prevailing on 30 June 2014.

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 30 June 2014 and 31 December 2013, against the Euro, were as follows:

	30-06-2014	31-12-2013	Valuation/ (depreciation)		30-06-2014	31-12-2013	Valuation/ (depreciation)
TND (tunisian dinar)				DKK (danish krone)			
Average exchange rate for the period	2,2106	2,1576	(2,46%)	Average exchange rate for the period	7,4627	7,4579	(0,06%)
Exchange rate at the end of the period	2,3021	2,2615	(1,80%)	Exchange rate at the end of the period	7,4557	7,4593	0,05%
LBN (libanese pound)				HUF (hungarian florim)			
Average exchange rate for the period	2,065,80	2,002,10	(3,18%)	Average exchange rate for the period	306,6817	296,8869	(3,30%)
Exchange rate at the end of the period	2,058,90	2,079,00	0,97%	Exchange rate at the end of the period	309,3000	297,4000	(4,00%)
USD (american dollar)				AUD (australian dollar)			
Average exchange rate for the period	1,3705	1,3281	(3,19%)	Average exchange rate for the period	1,4988	1,3783	(8,74%)
Exchange rate at the end of the period	1,3658	1,3791	0,96%	Exchange rate at the end of the period	1,4537	1,5423	5,74%
GBP (sterling pound)				MZM (Mozambique Metical)			
Average exchange rate for the period	0,8213	0,8493	3,30%	Average exchange rate for the period	41,9317	39,8081	(5,33%)
Exchange rate at the end of the period	0,8015	0,8337	3,86%	Exchange rate at the end of the period	41,8900	41,5600	(0,79%)
PLN (polish zloty)				BRL (Brazilian Real)			
Average exchange rate for the period	4,1752	4,1981	0,55%	Average exchange rate for the period	3,1499	2,8685	(9,81%)
Exchange rate at the end of the period	4,1568	4,1543	(0,06%)	Exchange rate at the end of the period	3,0002	3,2526	7,76%
SEK (swedish krona)				MAD (moroccan dirham)			
Average exchange rate for the period	8,9542	8,6505	(3,51%)	Average exchange rate for the period	11,2265	11,1559	(0,63%)
Exchange rate at the end of the period	9,1762	8,8591	(3,58%)	Exchange rate at the end of the period	11,1992	11,2276	0,25%
CZK (czech koruna)				NOK (norwegian kroner)			
Average exchange rate for the period	27,4433	25,9792	(5,64%)	Average exchange rate for the period	8,2771	7,8060	(6,04%)
Exchange rate at the end of the period	27,4530	27,4270	(0,09%)	Exchange rate at the end of the period	8,4035	8,3630	(0,48%)
CHF (swiss franc)				AOA (angolan Kwanza)			
Average exchange rate for the period	1,2215	1,2312	0,79%	Average exchange rate for the period	135,7841	128,1283	(5,98%)
Exchange rate at the end of the period	1,2156	1,2276	0,98%	Exchange rate at the end of the period	135,1097	136,8127	1,24%
TRY (turkish lira)							
Average exchange rate for the period	2,9678	2,5335	(17,14%)				
Exchange rate at the end of the period	2,8969	2,9605	2,15%				

### 43. Companies within the consolidation perimeter

#### 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
Interholding 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
NSOSPE - Empreendimentos e Participações, S.A.	Rio de Janeiro	74,85	25,15	100,00
Aboutbalance, SGPS, S.A.	Lisbon	100,00	-	100,00
Inspiredplace, S.A.	Lisbon	100,00	-	100,00

#### Subsidiary companies of sub-group ETSA – under full consolidation

Name	Head Office	Direct and indirect % of equity held by ETSA			% Equity actually 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
ABAPOR – Comércio e Industria de Carnes, S.A.	Coruche	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
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



## Subsidiary companies of sub-group Portucel – under full consolidation

Name	Head Office	% direct and indirect equity held by Portucel			% of shares held by Semapa
		Direct	Indirect	Total	
Parent - company:					
Portucel, S.A.	Setubal	47,49	33,69	81,18	81,18
Subsidiaries					
Soporcel - Sociedade Portuguesa de Papel, S.A.	Figueira da Foz	100,00	-	100,00	81,18
PortucelSoporcel Floresta, SGPS, S.A.	Figueira da Foz	100,00	-	100,00	81,18
CountryTarget SGPS S.A.	Setubal	100,00	-	100,00	81,18
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, S.A.	Setubal	-	100,00	100,00	81,18
PortucelSoporcel Florestal - Sociedade para o Desenvolvimento Agro-Florestal, S.A.	Setubal	-	100,00	100,00	81,18
Afocelca - Agrupamento Complementar de Empresas para Proteção Contra Incêndios, ACE	Portugal	-	64,80	64,80	52,60
Enerforest - Empresa de Biomassa para Energia, S.A.	Setubal	-	100,00	100,00	81,18
Atlantic Forests, S.A.	Setubal	-	100,00	100,00	81,18
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	Palmela	-	100,00	100,00	81,18
Raiz - Instituto de Investigação da Floresta e Papel	Aveiro	-	94,00	94,00	76,31
Bosques do Atlantico, S.L.	Spain	-	100,00	100,00	81,18
PortucelSoporcel Pulp SGPS, S.A.	Setubal	100,00	-	100,00	81,18
Soporcel Pulp - Sociedade Portuguesa de Celulose, S.A.	Figueira da Foz	-	100,00	100,00	81,18
CELSET - Celulose de Setúbal, S.A.	Setubal	-	100,00	100,00	81,18
CELCACIA - Celulose de Cacia, S.A.	Aveiro	-	100,00	100,00	81,18
Portucel International GmbH	Germany	-	100,00	100,00	81,18
PortucelSoporcel Papel, SGPS S.A.	Setubal	100,00	-	100,00	81,18
About the Future - Empresa Produtora de Papel, S.A.	Setubal	-	100,00	100,00	81,18
Portucel Papel Setúbal, S.A.	Setubal	-	100,00	100,00	81,18
Portucel Soporcel North America Inc.	USA	-	100,00	100,00	81,18
PortucelSoporcel Sales & Marketing NV	Belgium	25,00	75,00	100,00	81,18
PortucelSoporcel Fine Paper , S.A.	Setubal	-	100,00	100,00	81,18
PortucelSoporcel España, S.A.	Spain	-	100,00	100,00	81,18
PortucelSoporcel International, B.V.	The Netherlands	-	100,00	100,00	81,18
PortucelSoporcel France, EURL	France	-	100,00	100,00	81,18
PortucelSoporcel United Kingdom, Ltd.	United Kingdom	-	100,00	100,00	81,18
PortucelSoporcel Italia, SRL	Italy	-	100,00	100,00	81,18
PortucelSoporcel Lusa, Lda.	Figueira da Foz	-	100,00	100,00	81,18
PortucelSoporcel Deutschland, GmbH	Germany	-	100,00	100,00	81,18
PortucelSoporcel Handels, GmbH	Austria	-	100,00	100,00	81,18
PortucelSoporcel Afrique du Nord	Morocco	-	100,00	100,00	81,18
PortucelSoporcel Poland SP Z O	Poland	-	100,00	100,00	81,18
PortucelSoporcel Switzerland, Ltd.	Switzerland	25,00	75,00	100,00	81,18
PortucelSoporcel Energia, SGPS S.A.	Setubal	100,00	-	100,00	81,18
SPCG – Sociedade Portuguesa de Co-Geração Eléctrica, S.A.	Setubal	-	100,00	100,00	81,18
Enerpulp – Cogeração Energética de Pasta, S.A.	Setubal	-	100,00	100,00	81,18
PortucelSoporcel Cogeração de Energia, S.A.	Setubal	-	100,00	100,00	81,18
Soporgen - Soc. Portuguesa de Geração de Electricidade e Calor, S.A.	Figueira da Foz	-	100,00	100,00	81,18
PortucelSoporcel Participações, SGPS S.A.	Setubal	25,14	74,86	100,00	81,18
EucaliptusLand, S.A.	Setubal	-	100,00	100,00	81,18
Arboser – Serviços Agro-Industriais, S.A.	Setubal	-	100,00	100,00	81,18
Empremédia - Corretores de Seguros, Lda.	Lisbon	-	100,00	100,00	81,18
Socortel - Sociedade de Corte de Papel, S.A.	Figueira da Foz	-	100,00	100,00	81,18
Cutpaper - Transformação, Corte e Embalagem de Papel, ACE	Figueira da Foz	-	50,00	50,00	40,59
EMA21 - Engenharia e Manutenção Industrial Século XXI, S.A.	Setubal	-	100,00	100,00	81,18
Ema Cacia - Engenharia e Manutenção Industrial, ACE	Aveiro	-	91,15	91,15	73,99
Ema Setúbal - Engenharia e Manutenção Industrial, ACE	Setubal	-	92,56	92,56	75,14
Ema Figueira da Foz- Engenharia e Manutenção Industrial, ACE	Figueira da Foz	-	91,47	91,47	74,25
Headbox - Operação e Controlo Industrial, S.A.	Setubal	-	100,00	100,00	81,18
PortucelSoporcel Serviços Partilhados, S.A.	Figueira da Foz	-	100,00	100,00	81,18
PortucelSoporcel Internacional SGPS S.A.	Setubal	100,00	-	100,00	81,18
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial , Lda.	Mozambique	25,00	75,00	100,00	81,18
Portucel Florestal Brasil - Gestão de Participações, Lda.	Brazil	25,00	75,00	100,00	81,18
PortucelSoporcel Abastecimento de Madeira, ACE	Setubal	60,00	40,00	100,00	81,18

## Subsidiary companies of sub-group Secil – under full consolidation

Name	Head Office	% direct and indirect equity held by Secil			% of shares held by Semapa
		Direct	Indirect	Total	
Parent - company:					
Secil - Companhia Geral de Cal e Cimento, S.A.	Setubal	-	99,998	99,998	99,998
Subsidiaries					
Secilpar, S.L.	Madrid	100,00	-	100,00	99,998
Somera Trading Inc.	Panama	-	100,00	100,00	99,998
Hewbol, S.G.P.S., Lda.	Funchal	-	100,00	100,00	99,998
Secil Cabo Verde Comércio e Serviços, Lda.	Praia	-	100,00	100,00	99,998
ICV - Inertes de Cabo Verde, Lda.	Praia	37,50	25,00	62,50	62,499
Florimar- Gestão e Participações, S.G.P.S., Lda.	Funchal	100,00	-	100,00	99,998
Seciment Investments, B.V.	Amsterdam	100,00	-	100,00	99,998
I3 Participações e Serviços, Lda.	Rio de Janeiro	-	99,97	99,97	99,968
Serife - Soc. de Estudos e Realizações Industriais e de Fornecimento de Equip., Lda.	Lisbon	100,00	-	100,00	99,998
Silonor, S.A.	Dunkerque	100,00	-	100,00	99,998
Société des Ciments de Gabés	Tunis	98,72	-	98,72	98,716
Sud- Béton- Société de Fabrication de Béton du Sud	Tunis	-	98,72	98,72	98,716
Zarzis Béton	Tunis	-	98,52	98,52	98,519
Secil Angola, SARL	Luanda	100,00	-	100,00	99,998
Secil - Companhia de Cimento do Lobito, S.A.	Lobito	-	51,00	51,00	50,999
Secil, Betões e Inertes, S.G.P.S., S.A.	Setubal	100,00	-	100,00	99,998
Unibetão - Indústrias de Betão Preparado, S.A.	Lisbon	-	100,00	100,00	99,998
Britobetão - Central de Betão, Lda.	Evora	-	91,00	91,00	90,998
Eurobetão - Betão Pronto, S.A.	Lisbon	-	100,00	100,00	99,998
Secil Britas, S.A.	Lisbon	-	100,00	100,00	99,998
Lusoinertes, S.A.	Lisbon	-	100,00	100,00	99,998
Secil Martingança - Aglomerantes e Novos Materiais para a Construção, S.A.	Leiria	51,19	48,81	100,00	99,998
IRP - Industria de Rebocos de Portugal, S.A.	Santarem	-	75,00	75,00	74,998
Ciminpart - Investimentos e Participações, S.G.P.S., S.A.	Lisbon	100,00	-	100,00	99,998
ALLMA - Microalgas, Lda.	Leiria	-	70,00	70,00	69,999
Argibetão - Sociedade de Novos Produtos de Argila e Betão, S.A.	Lisbon	-	90,87	90,87	90,868
Cimentos Costa Verde - Comércio de Cimentos, S.A.	Lisbon	-	100,00	100,00	99,998
Solenreco-Produção e Comercialização de Combustíveis, Lda.	Porto	-	98,00	98,00	97,998
Prescor Produção de Escórias Moídas, Lda.	Lisbon	-	100,00	100,00	99,998
CMP - Cimentos Maceira e Pataias, S.A.	Leiria	100,00	-	100,00	99,998
Ciments de Sibline, S.A.L.	Beirut	28,64	22,41	51,05	51,049
Soime, S.A.L.	Beirut	-	51,05	51,05	51,049
Cimentos Madeira, Lda.	Funchal	57,14	-	57,14	57,142
Beto Madeira - Betões e Britas da Madeira, S.A.	Funchal	-	57,14	57,14	57,142
Promadeira - Sociedade Técnica de Construção da Ilha da Madeira, Lda.	Funchal	-	57,14	57,14	57,142
Brimade - Sociedade de Britas da Madeira, S.A.	Funchal	-	57,14	57,14	57,142
Madebritas - Sociedade de Britas da Madeira, Lda. (a)	Funchal	-	29,14	29,14	29,142
Pedra Regional - Industria Transformadora de Rochas Ornamentais, S.A.	Funchal	-	29,14	29,14	29,142
Reficomb- Refinação e Comercialização de Combustíveis Derivados de Resíduos, S.A.	Setubal	100,00	-	100,00	99,998
Uniconcreto - Betão Pronto, S.A.	Lisbon	100,00	-	100,00	99,998

(a) Companies owned by 51% by Brimade, S.A. and therefore controlled by the Group

#### 44. 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:**

José Miguel Pereira Gens Paredes

Paulo Miguel Garcês Ventura

Ricardo Miguel dos Santos Pacheco Pires

António Pedro de Carvalho Viana Baptista

Francisco José Melo e Castro Guedes

Jorge Maria Bleck

Manuel Custódio de Oliveira

Vitor Manuel Galvão Rocha Novais Gonçalves

Vitor Paulo Paranhos Pereira

## PART 5

LIMITED REVIEW REPORT PREPARED BY AUDITOR REGISTERED WITH THE  
SECURITIES MARKET COMMISSION (CMVM) ON THE CONSOLIDATED HALF YEAR  
INFORMATION



## ***Limited Review Report Prepared by Auditor Registered with the Securities Market Commission (CMVM) on the Consolidated Half Year Information***

***(Free translation from the original in Portuguese)***

### ***Introduction***

1 In accordance with the Portuguese Securities Market Code (CVM), we present our limited review report on the consolidated financial information for the six-month period ended June 30, 2014 of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. included in the Directors' Report, consolidated statement of financial position (which shows total assets of Euro 3,986,780,375 and total shareholders' equity of Euro 1,195,360,140, including non-controlling interests of Euro 308,552,224 and a net profit of Euro 47,841,016), consolidated income statement by nature, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, and the corresponding notes to the accounts.

2 The amounts in the consolidated financial statements, as well as those in the additional financial information, are derived from the respective accounting records.

### ***Responsibilities***

3 It is the responsibility of the Board of Directors: (a) to prepare consolidated financial information which present fairly, in all material respects, the financial position of the companies included in the consolidation, the consolidated results and the consolidated comprehensive income of their operations, the changes in consolidated equity and the consolidated cash flows; (b) to prepare historical financial information in accordance with International Financial Reporting Standards as adopted by the European Union and which is complete, true, up-to-date, clear, objective and lawful as required by the CVM; (c) to adopt appropriate accounting policies and criteria; (d) to maintain appropriate systems of internal control; and (e) to disclose any significant matters which have influenced the activity, financial position or results.

4 Our responsibility is to verify the financial information included in the documents referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the CVM, for the purpose of issuing an independent and professional report based on our work.

### ***Scope***

5 Our work was performed with the objective of obtaining moderate assurance about whether the financial information referred to above is free from material misstatement. Our work was performed in accordance with the Standards and Technical Recommendations issued by the Institute of Statutory Auditors, planned according to that objective, and consisted: primarily, in enquiries and analytical procedures, to review: (i) the reliability of the assertions included in the financial information; (ii) the appropriateness and consistency of the accounting principles used, as applicable; (iii) the applicability, or not, of the going concern basis of accounting; (iv) the presentation of the financial information; (v) as to whether the consolidated financial information is complete, true, up-to-date, clear, objective and lawful.

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*PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.*  
*Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal*  
*Tel +351 213 599 000, Fax +351 213 599 999, [www.pwc.pt](http://www.pwc.pt)*  
*Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000*  
*Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 9077*

6 Our work also covered the verification that the consolidated financial information included in the Directors' Report is consistent with the remaining documents referred to above.

7 We believe that the work performed provides a reasonable basis for the issue of this limited review report on the half year information.

### ***Conclusions***

8 Based on the work, which was performed with the objective of obtaining a moderate level of assurance, nothing has come to our attention that leads us to conclude that the consolidated financial information for the six-month period ended June 30, 2014 contain material misstatements that affect its conformity with International Financial Reporting Standards as adopted by the European Union and that it is not complete, true, up-to-date, clear, objective and lawful.

### ***Report on other requirements***

9 Based on the work, nothing has come to our attention that leads us to believe that the consolidated financial information included in the Directors' Report is not consistent with the consolidated financial information for the period.

August 29, 2014

PricewaterhouseCoopers & Associados  
- Sociedade de Revisores Oficiais de Contas, Lda  
Registered in the Comissão do Mercado de Valores Mobiliários with no. 9077  
represented by:

José Pereira Alves, R.O.C.

**(This is a translation, not to be signed)**