HALF-YEARLY ACCOUNTS

1ST HALF 2018

(TRANSLATION FROM THE ORIGINAL TEXT IN PORTUGUESE)

Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
Public Limited Company
Av. Fontes Pereira de Melo, nº 14, 10º, 1050-121 Lisboa
Companies Registry and Corporate Person no.: 502 593 130
Share Capital: EUR 81,270,000
ISIN: PTSEM0AM0004
LEI: 549300HNGOW85KIOH584
Ticker: Bloomberg (SEM PL); Reuters (SEM.LS)

HALF-YEARLY ACCOUNTS

PART 1

MANAGEMENT REPORT

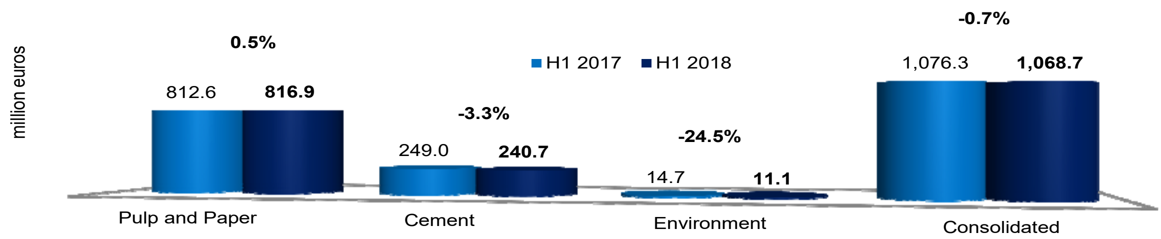
CONTENTS

1. SEMAPA'S PERFORMANCE

1.1 HIGHLIGHTS IN FIRST HALF OF 2018 (VS. 2017)

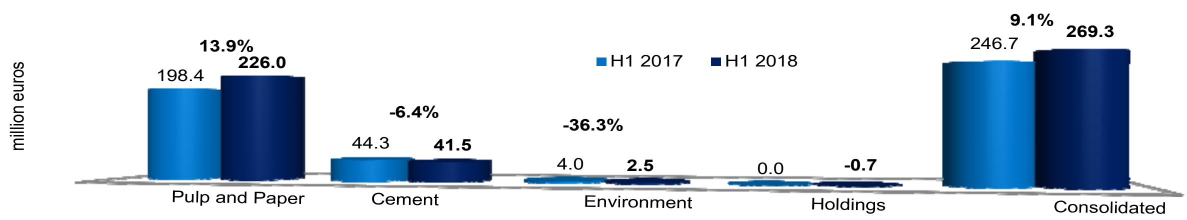
REVENUE

In the first half of 2018 the Semapa Group recorded consolidated revenue of 1,068.7 million euros, resulting in a slight decrease from the same period in the previous year. Exports and foreign sales amounted to 798.2 million euros, accounting for 74.7% of revenue.



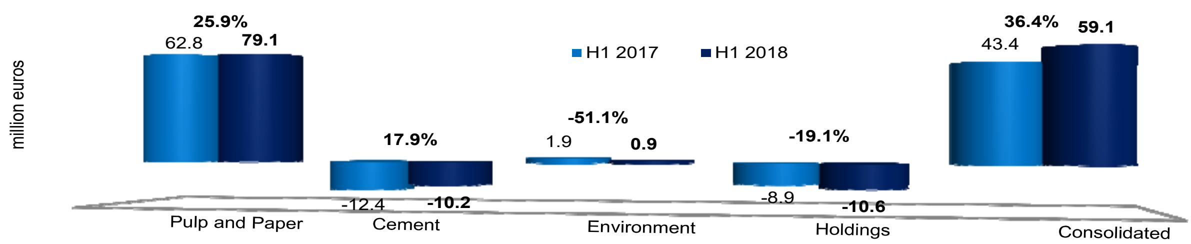
EBITDA

EBITDA for the first half of 2018 grew approximately 9.1% in relation to the same period in the previous year, standing at 269.3 million euros. The consolidated margin stood at 25.2%, 2.3 p.p. up from that recorded in the first half of 2017.



NET PROFIT ATTRIBUTABLE TO SEMAPA SHAREHOLDERS

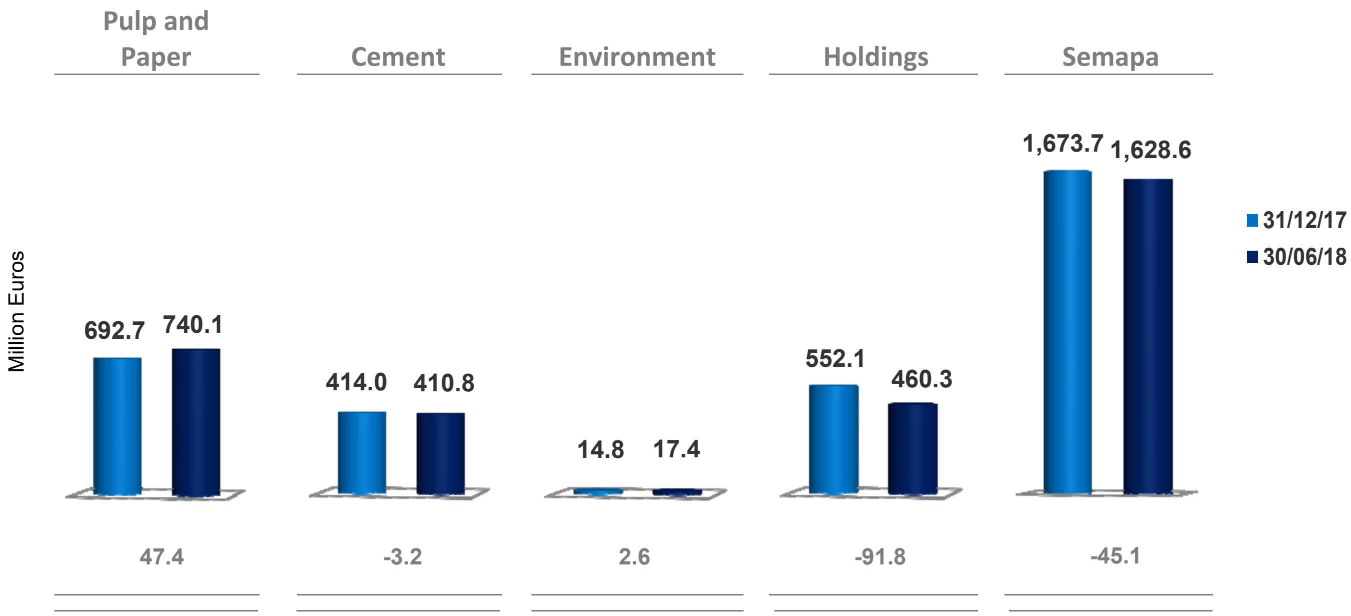
Profit before taxes increased 29.2% and net profit attributable to Semapa shareholders stood at 59.1 million euros, up by 36.4% in relation to the same period in the previous year.



The evolution in Net Profit is explained essentially by the combined effect of the following factors, in relation to the same period in the previous year:

- Increase in total EBITDA of approximately 22.6 million euros;
- Decrease in depreciation, amortisation, impairment losses and provisions of 6.6 million euros;
- Deterioration in net financial results by about 1.0 million euros;
- Increase in income taxes of approximately 7.6 million euros.

1.2 NET DEBT



On 30 June 2018, consolidated net debt stood at 1,628.6 million euros, representing a reduction of 45.1 million euros over the figure recorded at year-end 2017, positively influenced by the generation of operating cash flow and:

- Pulp and paper: +47.4 million euros, including investments of about 77.2 million euros, the proceeds from the sale of the pellets business of 67.6 million euros and the payment of dividends of 200 million euros;
- Cement: -3.2 million euros, which includes the positive effect of foreign exchange denominated debt of approximately 14 million euros, investments of approximately 13.7 million euros and net working capital variation;
- Environment: +2.6 million euros, mainly arising from difficulty in collecting the amounts invoiced to the Government; and,
- Holdings: -91.8 million euros, resulting namely from dividends received from Navigator (139 million euros) and the payment of dividends (41.3 million euros).

LEADING FINANCIAL INDICATORS

IFRS - accrued amounts (million euros)	H1 2018	H1 2017	Var.	Q2 2018	Q2 2017	Var.
Revenue	**1,068.7**	**1,076.3**	**-0.7%**	**559.9**	**554.8**	**0.9%**
EBITDA	**269.3**	**246.7**	**9.1%**	**139.7**	**135.6**	**3.1%**
EBITDA margin (%)	25.2%	22.9%	2.3 p.p.	24.9%	24.4%	0.5 p.p.
Depreciation, amortisation and impairment losses	(101.3)	(109.3)	7.3%	(50.7)	(53.7)	5.6%
Provisions	(2.0)	(0.5)	-272.1%	(3.3)	(0.5)	-499.6%
EBIT	**166.0**	**136.9**	**21.3%**	**85.7**	**81.3**	**5.5%**
EBIT margin (%)	15.5%	12.7%	2.8 p.p.	15.3%	14.7%	0.7 p.p.
Net financial results	(41.6)	(40.6)	-2.4%	(23.0)	(23.0)	0.2%
Profit before taxes	**124.4**	**96.3**	**29.2%**	**62.7**	**58.2**	**7.7%**
Income taxes	(28.0)	(20.4)	-37.1%	(9.5)	(7.5)	-26.4%
Net profit for the period	96.4	75.9	27.1%	53.2	50.7	4.9%
Attributable to Semapa shareholders	**59.1**	**43.4**	**36.4%**	**32.0**	**29.1**	**10.0%**
Attributable to non-controlling interests (NCI)	37.3	32.5	14.7%	21.2	21.6	-1.9%
Cash-flow	199.7	185.7	7.5%	107.2	105.0	2.1%
	30/06/2018	**31/12/2017**	**Jun18 vs. Dec17**			
Equity (before NCI)	825.5	843.4	-2.1%			
Net debt	**1,628.6**	**1,673.7**	**-2.7%**			
Net Debt / EBITDA LTM	**3.11 x**	**3.34 x**	**-0.2 x**			

LEADING OPERATIONAL INDICATORS

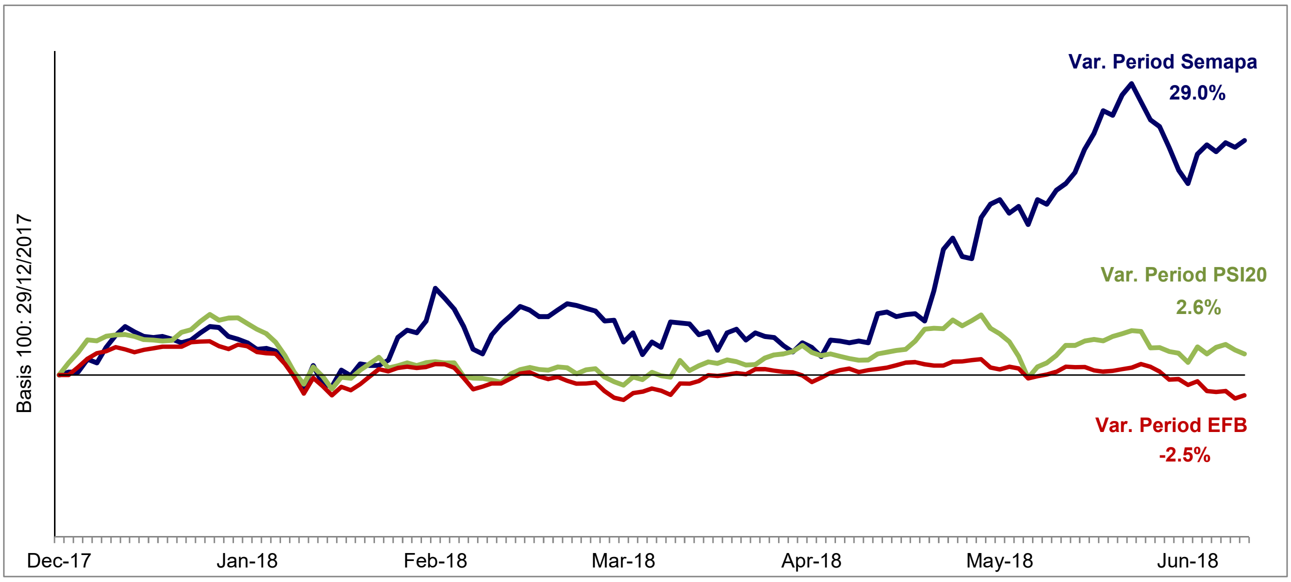
	Unit	H1 2018	H1 2017	Var.	Q2 2018	Q2 2017	Var.
Pulp and Paper							
BEKP Sales (pulp)	1 000 t	114.0	182.4	-37.5%	60.9	92.0	-33.8%
UWF Sales (paper)	1 000 t	756.3	771.8	-2.0%	395.1	400.6	-1.4%
Total sales of tissue	1 000 t	28.5	28.0	1.6%	15.0	14.0	7.6%
Cement							
Sales of Grey cement	1 000 t	2,485	2,455	1.2%	1,332	1,311	1.6%
Sales of Ready-mix	1 000 m3	758	706	7.3%	386	365	5.7%
Environment							
Raw Material Processed	1 000 t	61.0	58.4	4.5%	30.2	29.2	3.6%

2. PERFORMANCE OF SEMAPA SHARES ON THE STOCK EXCHANGE

The financial context in the first half of 2018 featured greater volatility, in contrast with the previous years. Therefore, interest rates increased in the first 6 months of the year, debt risk premia were unstable, the dollar strengthened against main currencies, including those of emerging countries and stock exchanges saw some variations and jolts. Furthermore, there was increasing risk aversion in the first half of 2018 due to fears of a global protectionist movement and greater geopolitical tensions.

Following a severe first quarter for most global equity market indexes, the situation improved in the second quarter of 2018, however not sufficiently to reverse the negative trend throughout the first half of the year. Most European markets recorded losses, in particular Frankfurt and Madrid, which decreased 4.7% and 4.2%, respectively. The PSI20, on the other hand, rose 2.6%, leading gains within Europe, driven by the paper and pulp sector.

Within this framework, the value of Semapa shares in the period gained 29.0%, well above the PSI20 (+2.6%) and the EFB (-2.5%). Semapa's stock price reached a maximum of 24.2 euros on 13 June (a new record in terms of market value) and a minimum of 17.52 euros on 6 February.



EFB – Euronext Family Business Index

Note: Closing prices

3. PERFORMANCE OF BUSINESS SEGMENTS

BREAKDOWN BY BUSINESS SEGMENTS

IFRS - accrued amounts (million euros)	Pulp and Paper		Cement		Environment		Holdings		Consolidated
	H1 2018	H1 18/17	H1 2018	H1 18/17	H1 2018	H1 18/17	H1 2018	H1 18/17	H1 2018
Revenue	**816.9**	**0.5%**	**240.7**	**-3.5%**	**11.1**	**-24.5%**	**-**	**-**	**1,068.7**
EBITDA	**226.0**	**13.9%**	**41.5**	**-6.4%**	**2.5**	**-36.3%**	**(0.7)**	**<-1000%**	**269.3**
EBITDA margin (%)	27.7%	3.2 p.p.	17.2%	-0.5 p.p.	23.0%	-4.3 p.p.			25.2%
Depreciation, amortisation and impairment losses	(74.1)	10.1%	(25.7)	-1.0%	(1.5)	-4.0%	(0.1)	4.6%	(101.3)
Provisions	1.3	785.7%	(3.3)	<-1000%	-	100.0%	-	-	(2.0)
EBIT	**153.2**	**32.3%**	**12.5**	**-32.8%**	**1.1**	**-56.6%**	**(0.8)**	**<-1000%**	**166.0**
EBIT margin (%)	18.8%	4.5 p.p.	5.2%	-2.3 p.p.	9.8%	-7.2 p.p.			15.5%
Net financial results	(11.4)	-36.9%	(22.5)	7.1%	(0.2)	10.4%	(7.5)	4.3%	(41.6)
Profit before taxes	**141.8**	**31.9%**	**(9.9)**	**-79.5%**	**0.9**	**-61.9%**	**(8.3)**	**-5.3%**	**124.4**
Income taxes	(27.9)	-64.4%	2.1	202.1%	0.1	123.4%	(2.3)	-122.1%	(28.0)
Net profit for the period	113.9	25.9%	(7.8)	-2.2%	0.9	-51.1%	(10.6)	-19.1%	96.4
Attributable to Semapa shareholders	**79.1**	**25.9%**	**(10.2)**	**17.9%**	**0.9**	**-51.1%**	**(10.6)**	**-19.1%**	**59.1**
Attributable to non-controlling interests (NCI)	34.9	25.8%	2.4	-49.8%	0.0	-51.2%	-	-	37.3
Cash-flow	186.7	7.8%	21.2	17.3%	2.4	-29.8%	(10.5)	-19.4%	199.7
Net debt	**740.1**	**6.8%**	**410.8**	**-0.8%**	**17.4**	**17.7%**	**460.3**	**-16.6%**	**1,628.6**

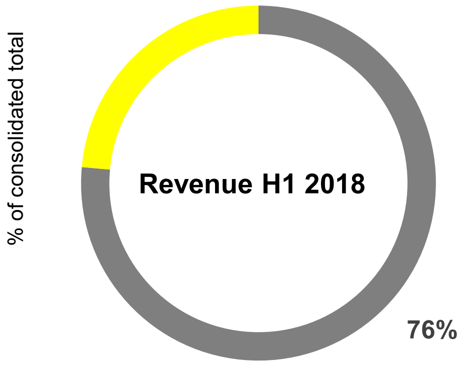
Notes:

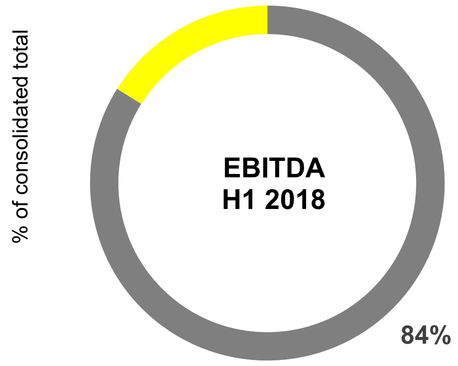
- For the purpose of calculating the variation in net debt the values of 31.12.2017 are used.
- Figures for business segment indicators may differ from those presented individually by each Group, as a result of consolidation adjustments.

The Navigator Company ("Navigator") is a listed company and publishes its interim report for the first half of 2018. Therefore, the following are the highlights of the respective Director's Report.

Secil and ETSA, which are not listed, did not publish their results, therefore their operations are described in more detail.

4. PULP AND PAPER

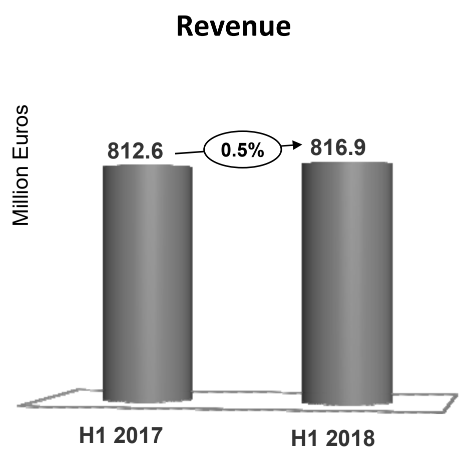




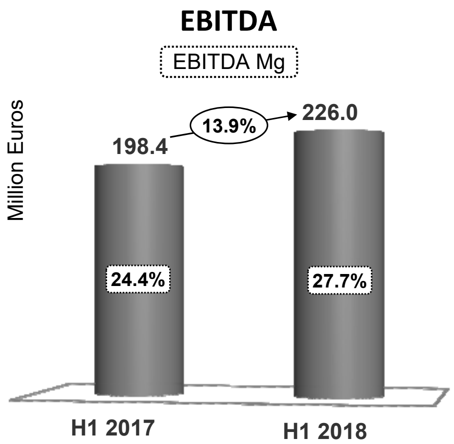
4.1 HIGHLIGHTS IN FIRST HALF OF 2018 (VS. 2017)

- Completion and start up of pulp production capacity increase in Figueira da Foz, from a nominal output of 580 thousand tonnes/year to 650 thousand tonnes/year
- Beginning of finished product production of the first tissue converting line in Cacia in May

- Revenue amounted to 816.9 million euros, 0.5% higher than the figure for the first half of 2017
- Positive price evolution made up for the loss in volume available for sale due to lengthy maintenance stoppages in the plants



- EBITDA grew 13.9% to 226.0 million euros (vs. 198.4 million euros)
- EBITDA margin increased 3.2 p.p. to 27.7%
- The sale of the pellets business (in the first quarter) had a final positive net impact on EBITDA of 13 million euros



SUMMARY TABLE OF FINANCIAL INDICATORS

IFRS - accrued amounts (million euros)	H1 2018	H1 2017	Var.	Q2 2018	Q2 2017	Var.
Revenue	**816.9**	**812.6**	**0.5%**	**432.0**	**420.0**	**2.9%**
EBITDA	**226.0**	**198.4**	**13.9%**	**115.0**	**108.2**	**6.3%**
EBITDA margin (%)	27.7%	24.4%	3.2 p.p.	26.6%	25.8%	0.9 p.p.
Depreciation, amortisation and impairment losses	(74.1)	(82.4)	10.1%	(36.4)	(40.4)	10.0%
Provisions	1.3	(0.2)	785.7%	0.4	(0.2)	318.1%
EBIT	**153.2**	**115.8**	**32.3%**	**79.0**	**67.6**	**17.0%**
EBIT margin (%)	18.8%	14.2%	4.5 p.p.	18.3%	16.1%	2.2 p.p.
Net financial results	(11.4)	(8.3)	-36.9%	(5.9)	(4.4)	-34.0%
Profit before taxes	**141.8**	**107.5**	**31.9%**	**73.2**	**63.2**	**15.8%**
Income taxes	(27.9)	(17.0)	-64.4%	(9.8)	(4.8)	-104.6%
Net profit for the period	113.9	90.5	25.9%	63.4	58.4	8.5%
Attributable to Navigator shareholders	**113.9**	**90.5**	**25.9%**	**63.4**	**57.7**	**9.9%**
Attributable to non-controlling interests (NCI)	(0.0)	0.0	-137.2%	(0.0)	0.7	-100.3%
Cash-Flow	**186.7**	**173.1**	**7.8%**	99.4	99.1	**0.4%**
	30/06/2018	**31/12/2017**	**Jun18 vs. Dec17**			
Equity (before NCI)	895.0	998.4	-10.4%			
Net debt	**740.1**	**692.7**	**6.8%**			

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

SUMMARY TABLE OF OPERATIONAL INDICATORS

in 1 000 t	H1 2018	H1 2017	Var.	Q2 2018	Q2 2017	Var.
Pulp and Paper						
BEKP Output (pulp)	681.6	759.8	-10.3%	335.4	377.4	-11.1%
BEKP Sales (pulp)	114.0	182.4	-37.5%	60.9	92.0	-33.8%
UWF Output (paper)	778.7	779.8	-0.1%	392.9	383.4	2.5%
UWF Sales (paper)	756.3	771.8	-2.0%	395.1	400.6	-1.4%
FOEX – BHKP Eur/t	851	682	24.8%	878	719	22.1%
FOEX – A4- BCopy Eur/t	854	806	6.0%	864	808	6.9%
Tissue						
Reels Output	28.6	28.3	0.8%	14.4	13.6	5.8%
Output of finished products	27.5	24.3	13.1%	13.9	12.6	10.3%
Sales of reels and goods	0.7	4.4	-83.5%	0.1	1.7	-93.3%
Sales of finished products	27.8	23.7	17.3%	14.9	12.3	21.1%
Total sales of tissue	28.5	28.0	1.6%	15.0	14.0	7.6%

4.2 ACTIVITY ANALISYS

In the first half of 2018 Navigator's revenue totalled 816.9 million euros, which represents a slight increase of 0.5% year on year. With sales of 604 million euros, the paper business accounted for 74% of revenue, energy accounted for 10% (84 million euros), pulp approximately 9% (73 million euros), and tissue business 5% (40 million euros). In the first half there was a favourable change in UWF paper, BEKP pulp and tissue prices, and less volumes available for sale due to production stoppages in the period, which did not occur in the same period last year.

In **pulp** business, in addition to the maintenance stoppage in the Setúbal plant in the first quarter, in April the Figueira da Foz plant was shut down for maintenance, which lasted until the capacity expansion project was completed. The availability of Navigator pulp for sale in the first half was under strong constraint due to the length of the stoppage and the need to build up stocks in the months before. Therefore, Navigator sales stood at 114.0 thousand tonnes, 37.5% below volumes recorded in the first half of 2017. The decrease in volume was partly compensated by the rise in sales price, which is why sales in value reflect a 21% reduction to about 73 million euros.

Global market conditions of pulp remained positive over the period, prices maintained the upward trend which started at the end of 2016, with the average value in the period of the reference index FOEX BHKP increasing 25% (€ 851/t vs. € 682/t). PPPC figures point out to an overall increase of 4.5% YTD May of global demand for BEKP pulp, especially in China (+8.9%), with some constraints on the supply end (maintenance stoppages and other unforeseeable events) which caused hardwood pulp volume in the market to decrease by more than 1 million tonnes.

In the **paper** business, UWF sales totalled 756.3 thousand tonnes, 2% below the figure in the first half of 2017, mostly due to changes in production arising from unscheduled stoppages, and to the need to build up stocks for ensuring good customer service. The positive change in price made up for the reduction in volume sold, which is why sales in value grew 3.3% to 604 million euros. Navigator did raise prices several times over the first half, in Europe and in other parts of the world, which resulted in an increase of approximately 6% in average sales price in relation to the same period in 2017. The increase is in line with developments in the reference index in Europe FOEX A4 B-copy, and it was driven positively by the significant quality improvement in the product mix (53% premium sales vs. 46%) and the weight of own brands (68% vs. 60%), albeit with the negative impact of the trend in the EUR/USD exchange rate (average exchange rate was 1.2104 in the period, compared with the exchange rate of 1.0830 year on year).

The **tissue** business featured an upward adjustment of the average sales price (+7.6%) year on year, as a result of the improvement in the product mix, with reels representing a smaller proportion and finished products a higher proportion, and the rise in implemented prices. Sales volume stood at 28.5 thousand tonnes, having grown 1.6% above the volume recorded in the first half of 2017. However, the increase in average tissue prices was not sufficient to absorb higher production costs, in particular the price of pulp (hardwood and softwood) and chemicals. In mid May, the first transformation line began operating at the new Cacia plant, and the reel production line is set to begin operations in August.

In the **energy** business, the value of electric power sales picked up in Q2, which resulted in a slight overall half year rise of 0.2% compared to the same period in the previous year (84.3 million euros). Note that this figure includes energy sales associated with pulp and paper production (73.2 million euros) and “stand-alone” biomass power station sales of 11.1 million euros. Total gross production of electric power at the end of the first half of 2018 decreased 2.5% year on year, as a result of the programmed shut down of pulp plants, nonetheless reaching 1.09 TWh.

In this context, EBITDA stood at 226.0 million euros, up 14% compared to the figure of 198.4 million euros recorded in the 1st half of 2017. The final impact of the sale of the pellets business in the USA, net of costs and adjustments, was 13 million euros (a positive adjustment compared to 9.4 million euros reported in the end of the first quarter, which incorporated estimated costs that did not materialise). Without that effect EBITDA in the first half would have amounted to 213.5 million euros. EBITDA margin stood at 27.7% (26% without the impact of pellets sales), which compares to 24.4% in 2017.

On the costs side, chemicals and caustic soda, in particular, continued to evolve unfavourably, which impacted the variable unitary production costs. Logistic costs also aggravated, essentially due to developments in Brent price. In fixed costs, payroll expenses continued the increase trend verified in the first quarter, due to the growing workforce for the new tissue project in Cacia, the rejuvenation programme under way and an increase in performance bonuses due to the recognition of the Group's good results. Navigator, on the other hand, continued with the M2 operational excellence programme, having reached a positive impact of approximately 9.2 million euros in EBITDA year on year.

The financial results amounted to a negative figure of 11.4 million euros (vs. negative 8.3 million euros in the same period in the previous year), a deterioration largely due to the difference between the amount receivable from the sale of the pellets business and its discounted value.

Profit before taxes amounted to 141.8 million euros (vs. 107.5 million euros), with the effective tax rate in the period negatively impacted by the establishment of a series of tax provisions and the increase of the state surtax rate.

Therefore, Navigator's net profit in the first half amounted to 113.9 million euros, up by 25.9% compared with the first half of 2017.

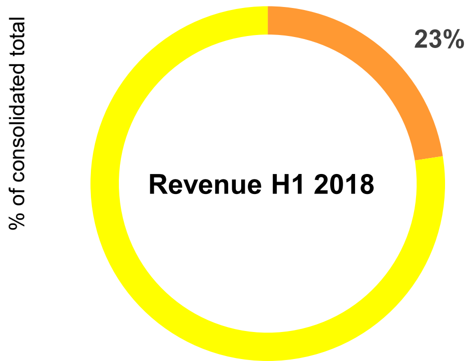
4.3 SECOND QUARTER OF 2018 VS. SECOND QUARTER OF 2017

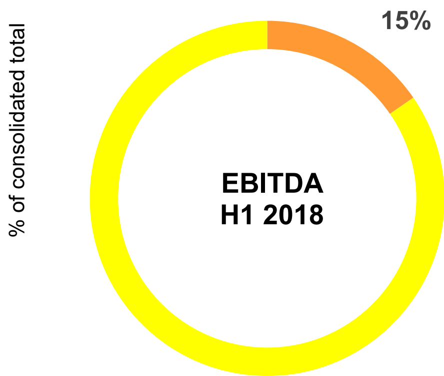
In the second quarter of 2017 there was a favourable change in pulp, paper and tissue prices. However, volumes in 2018 were below volumes recorded in the second quarter of 2017 due to the aforementioned production stoppages.

The price effect more than offset the volume effect, and sales in the quarter grew 3% to 432 million euros. A special note on paper sales, which rose about 6%, deriving from the significant improvement of the Group's average sales price (+7.6%). Concerning pulp sales, the increase in average sales price by about 25% was not enough to make up for the decrease in volumes sold, with pulp sales decreasing about 17%.

EBITDA stood at 115 million euros, the highest quarterly value recorded by Navigator, with 26.6% in EBITDA margin. EBITDA adjusted by the sale of the pellets business would have been approximately 112 million euros (26% margin), which would have still been a record value for the quarter.

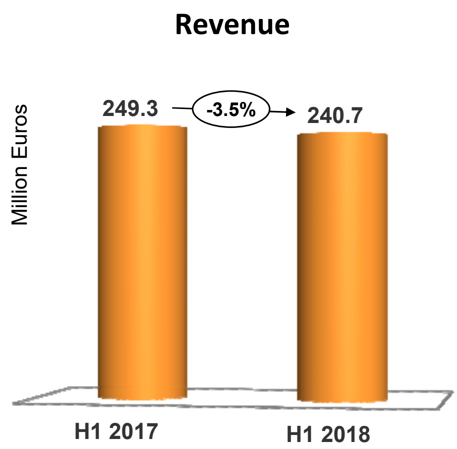
5. CEMENT AND OTHER BUILDING MATERIALS



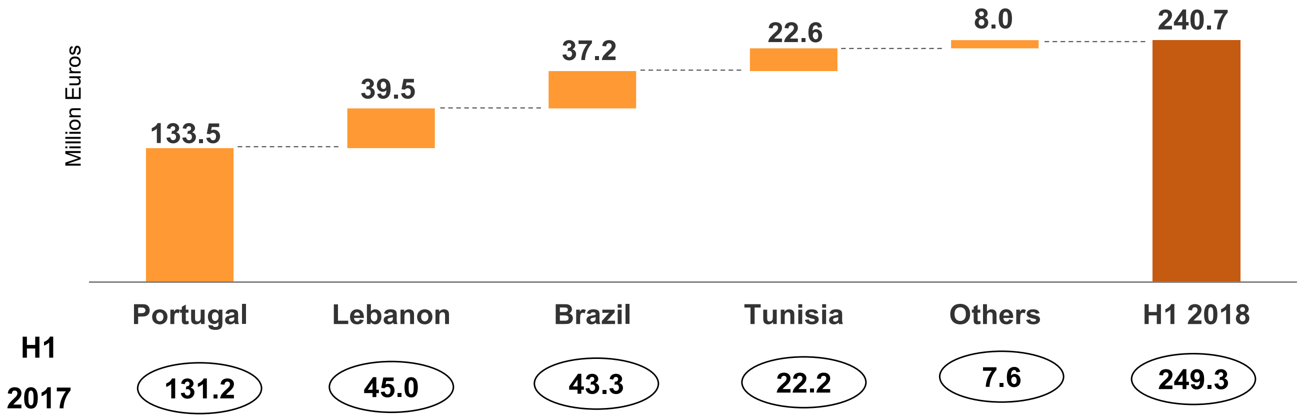


5.1 HIGHLIGHTS IN FIRST HALF OF 2018 (VS. 2017)

- Secil's accumulated revenue in June 2018 amounted to 240.7 million euros, 3.5% below that in the same period of the previous year, a decrease of 8.6 million euros. This reduction was due to the negative impact (of around 20 million euros) of the depreciation of the currencies of the countries where Secil operates against the euro
- Should the negative exchange rate effect had not occurred, revenue would have been around 261.1 million euros representing a growth of 4.7%

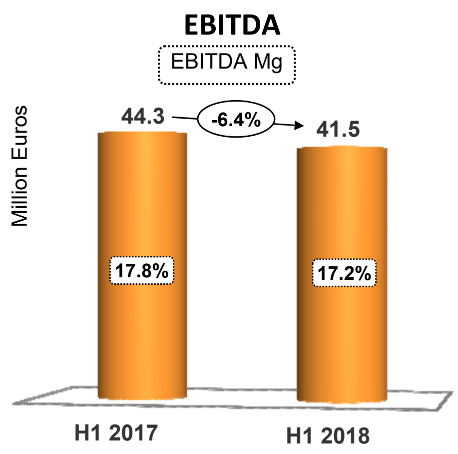


REVENUE BREAKDOWN BY COUNTRY:

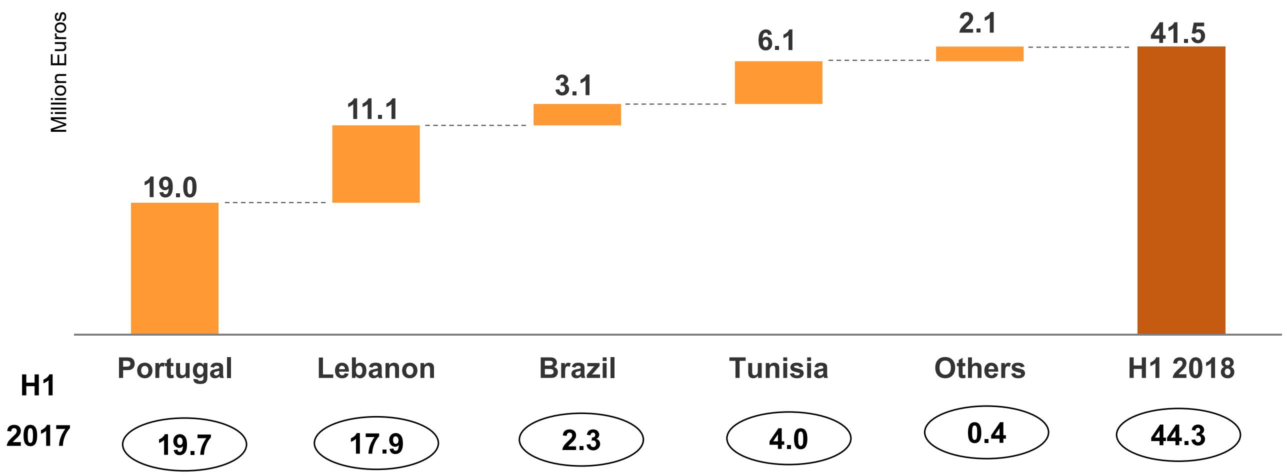


Note: Others includes Angola and Others

- EBITDA amounted to 41.5 million euros, which translated into a decrease of around 2.8 million euros in relation to the first half of 2017. As was the case for revenue, the foreign currencies depreciation against the Euro produced a negative effect of approximately 3.9 million euros. Had this devaluation not occurred, EBITDA would have been around 45.3 million euros and growth would have been 2.3%



EBITDA BREAKDOWN BY COUNTRY:



Note: Others includes Angola and Others

- Net financial results amounted to -22.5 million euros, reflecting an improvement compared with the 1st half of 2017. On one hand, interest costs decreased but, on the other hand, foreign exchange losses increased.

Summary table of financial indicators

IFRS - accrued amounts (million euros)	H1 2018	H1 2017	Var.	Q2 2018	Q2 2017	Var.
Revenue	**240.7**	**249.3**	**-3.5%**	**122.4**	**128.0**	**-4.3%**
EBITDA	**41.5**	**44.3**	**-6.4%**	**23.7**	**25.6**	**-7.4%**
EBITDA Margin (%)	17.2%	**17.8%**	**-0.5 p.p.**	19.4%	20.0%	**-0.6 p.p.**
Depreciation, amortisation and impairment losses	(25.7)	(25.4)	-1.0%	(13.5)	(12.6)	-7.7%
Provisions	(3.3)	(0.2)	<-1000%	(3.7)	(0.3)	<-1000%
EBIT	**12.5**	**18.7**	**-32.8%**	**6.5**	**12.7**	**-49.0%**
EBIT Margin (%)	5.2%	7.5%	-2.3 p.p.	5.3%	9.9%	-4.6 p.p.
Net financial results	(22.5)	(24.2)	7.1%	(13.3)	(14.7)	9.3%
Profit before taxes	**(9.9)**	**(5.5)**	**-79.5%**	**(6.8)**	**(1.9)**	**-250.0%**
Income taxes	2.1	(2.1)	202.1%	2.5	(1.8)	238.2%
Net profit for the period	(7.8)	(7.6)	-2.2%	(4.4)	(3.7)	-16.8%
Attributable to Secil shareholders	**(10.2)**	**(12.4)**	**17.9%**	**(6.1)**	**(7.0)**	**11.7%**
Attributable to non-controlling interests (NCI)	2.4	4.8	-49.8%	1.8	3.2	-44.6%
Cash-flow	**21.2**	**18.0**	**17.3%**	12.9	9.1	**40.8%**
	30/06/2018	**31/12/2017**	**Jun18 vs. Dec17**			
Equity (before NCI)	351.3	385.2	-8.8%			
Net debt	**410.8**	**414.0**	**-0.8%**			

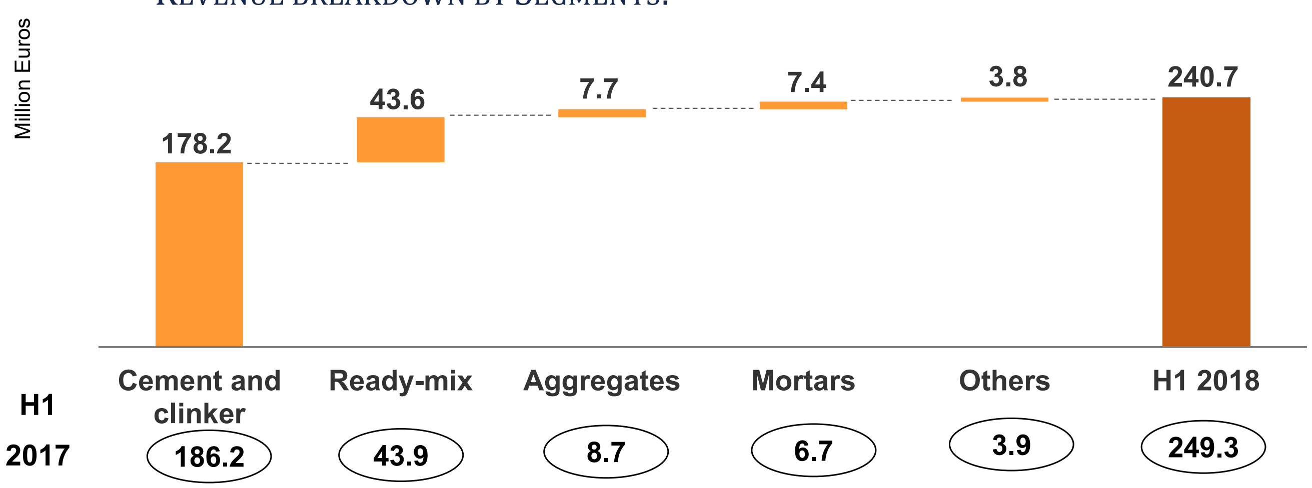
Note: Figures for business segment indicators may differ from those presented individually by each Group, as a result of consolidation adjustments.

SUMMARY TABLE OF OPERATIONAL INDICATORS

in 1 000 t	H1 2018	H1 2017	Var.	Q2 2018	Q2 2017	Var.
Annual cement production capacity	9,750	9,750	0.0%	9,750	9,750	0.0%
Sales						
Grey cement	2,485	2,455	1.2%	1,332	1,311	1.6%
White cement	47	46	3.0%	23	26	-13.8%
Clinker	319	412	-22.6%	83	213	-61.2%
Aggregates	1,442	1,722	-16.2%	721	988	-27.0%
Precast concrete	62	62	0.2%	33	31	3.9%
Mortars	78	64	21.2%	39	32	24.2%
Hydraulic lime	12	13	-4.2%	7	6	6.2%
Mortar fixative	10	9	11.4%	5	4	5.4%
in 1 000 m3						
Ready-mix	758	706	7.3%	386	365	5.7%

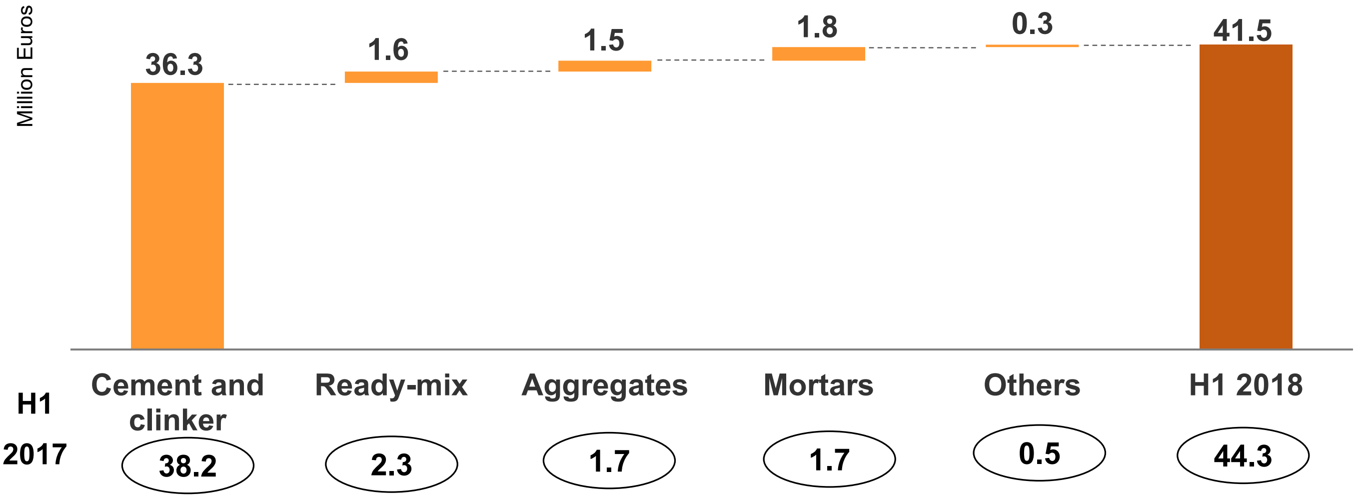
Note: Volumes excluding intra-segment sales.

REVENUE BREAKDOWN BY SEGMENTS:



Note: Others includes Precast and Others

EBITDA BREAKDOWN BY SEGMENTS:



Note: Others includes Precast and Others

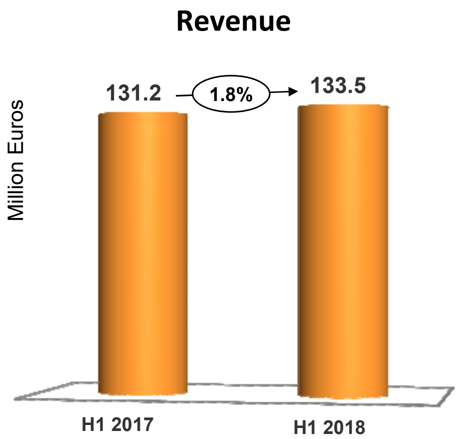
By segment, Cement and Clinker revenue decreased 4.3% in relation to the first half of 2017, having reduced its relative weight in total operations (74.0% in the first six months of 2018 vs. 74.7% in the same period of 2017). This decrease is due to less volumes sold and foreign exchange devaluation of the local currency against the euro in Lebanon and Brazil.

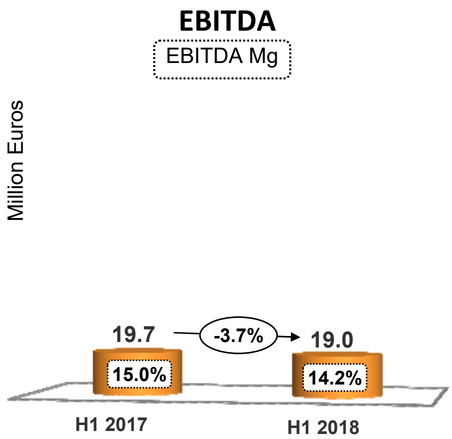
In the first half of 2018, Cement and Clinker EBITDA registered a 5.0% reduction in relation to the same period of the previous year, reaching 36.3 million euros. It should be noted that EBITDA for the first half of 2017 is positively impacted by an insurance indemnity in Lebanon of about 2 million euros.

Although concrete sales volumes increased by 7.3%, the Ready-Mix Concrete segment recorded a decrease in Revenue and EBITDA compared to the first half of the previous year, mainly due to the foreign exchange rate devaluation of the local currency against the euro in the Countries where Secil operates.

5.2 ACTIVITY ANALYSIS

5.2.1 PORTUGAL





The Bank of Portugal (Economic Bulletin – June 2018) estimated that the economy would grow 2.3% in 2018. This development is supported by rising exports, domestic demand pick up and increase in investment.

Cement consumption in Portugal in the first half of 2018 featured a negative monthly variation in March due to the rain, but positive variation in the other months. It is estimated that the market may have grown around 6%.

Revenue for overall operations in Portugal was up by 1.8% compared to the same period in 2017, totalling 133.5 million euros.

The Cement business unit in Portugal achieved revenue of 82.1 million euros, in line with the same period in 2017. Such development resulted from the positive domestic market activities; in spite of the decrease in volumes sold, the increase in average sales price helped to mitigate the negative variation in volume.

In the foreign market, surplus supply in Europe, the Mediterranean and West Africa continued to drive strong competition. This context had a negative effect on volumes and sale prices. Total exports decreased approximately 13.3%. This trend was due to declining clinker sales by 23% and cement sales to markets outside of the Secil Group by 16%. Terminal sales rose 42.5% (in particular in the Netherlands and Spain, the latter having joined the Secil Group only in April 2017). Sales prices decreased vis-à-vis the first half of 2017. However, the more favourable mix of cement sales vs. clinker sales impacted revenue positively.

In the other business segments with operations based in Portugal (Ready-mix concrete, Aggregates, Mortars and Precast), accrued revenue in June 2018 amounted to 51.4 million euros, representing a growth of 5.1%.

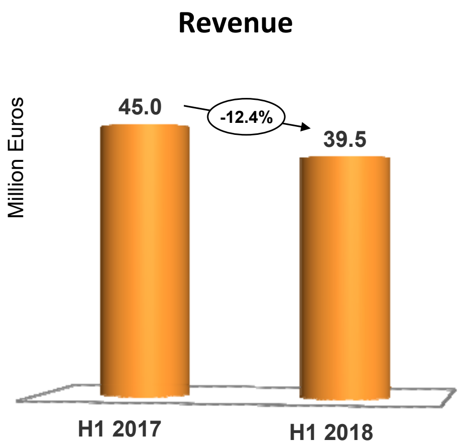
The increase took place in almost all areas of building materials, benefiting from greater building dynamics, although sales were negatively affected by weather conditions in March. The Concrete business unit recorded a 17.3% growth in volumes sold, with growth on the Portuguese market influenced also positively by sales in Spain.

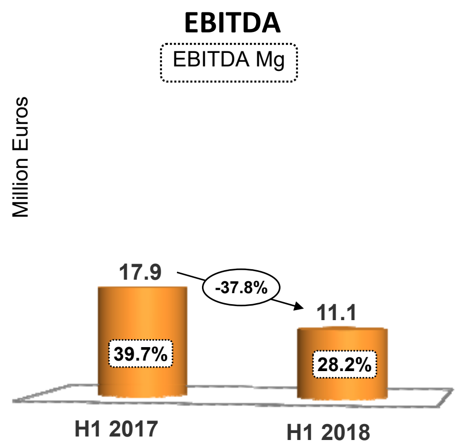
EBITDA of Portuguese operations decreased 3.7%, standing at 19.0 million euros vs. 19.7 million euros in the first half of 2017.

EBITDA for the Cement unit stood at 14.1 million euros, slightly below the y-o-y figure of 14.3 million euros. This slight decrease was due to the increase in variable costs, as a result of higher fossil fuel prices and y-o-y increase in maintenance costs. In the first half of 2018 relevant maintenance work was carried out, which in 2017 was conducted in the second half of the year therefore, the negative change is due to the maintenance schedule. The sale of surplus CO2 licenses in the period totalled 2.9 million euros.

EBITDA of the building material business units amounted to 4.9 million euros, which compares to 5.4 million euros accumulated in June 2017. The decrease was due to pressure on sales prices of ready-mix concrete and higher variable costs of production, arising from the reduction in the availability of ash and the rise in the price of fine sand.

5.2.2 LEBANON





According to the latest figures published by the IMF, the Lebanese economy is expected to grow 1.5% in 2018 (World Economic Outlook, IMF, April 2018).

Economic and political developments in Lebanon are still uncertain. Parliamentary elections were held in May 2018 and the new Government should be in office by the end of the year.

Cement consumption in the first half of 2018 totalled 2.32 million tonnes, 4% less than in the same period of the previous year, influenced by a long rainy season (Q1) and a declining market trend.

Revenue of combined operations in Lebanon decreased, compared with the same period in the previous year, amounting to 39.5 million euros. This amount was negatively affected by the depreciation of the USD against the Euro by about 4.7 million euros.

Cement sales totalled 532 thousand tonnes, the same as in the previous year, as the relevant markets were not affected by the rainfall. Revenue decreased year on year, due to lower sales price arising from greater market competition and currency depreciation, totalling 36.8 million euros.

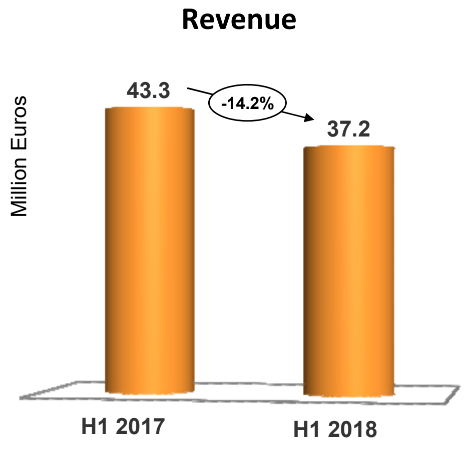
Concrete revenue decreased 19.1% to 2.7 million euros, compared with the same period in 2017, as a result of the 11.4% decrease in volumes sold and sustained sales prices.

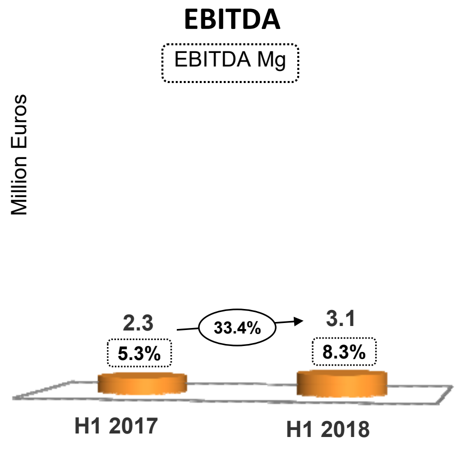
EBITDA from operations in Lebanon stood at 11.1 million euros, down by 37.8% in relation to the same period of the previous year. The Cement unit recorded EBITDA of 11.2 million euros, 36.5% below the same period of the previous year. Such decrease was due to the rise in production costs, namely the impact of higher solid fuel prices and the implementation (in the fourth quarter of 2017) of a new tax on cement production (with an impact of 1.8 million euros in June 2018). Note that accumulated EBITDA in June 2017 was positively impacted by approximately 2 million euros on an insurance indemnity received due to the breakdown of one of the mills in 2016.

EBITDA in the first half of 2018 was negatively affected by the depreciation of the USD against the Euro by about 1.3 million euros.

If the foreign exchange effect had not taken place and the above mentioned insurance indemnity had not been received, EBITDA would have been 12.4 million euros, compared to 15.9 million euros in the same period of the previous year.

5.2.3 BRAZIL





The IMF foresees a 1.8% growth of the Brazilian economy for 2018 (World Economic Outlook Update, IMF July 2018).

The Brazilian economy is still being affected by mistrust of economic agents and lack of public investment, largely influenced by the political situation which is still very unstable. Despite the reduction in interest rates, private investment has not increased significantly. In the first half of the year the exchange rate deteriorated.

Forecasts of economic agents changed since the truck drivers' strike in May (outlined in the Focus reports of the BCB); economic growth forecasts were reduced (in the beginning of the year it was estimated at 2.7%, currently it will be 1.5%) and inflation forecasts were increased. Total impact of freight charges (due to the claims of truck drivers) on the production chain and on inflation in the coming months are still unknown.

In this context, the construction industry was naturally affected, with impact on cement consumption. Cement sales in the domestic market decreased 1.5% in the first half, strongly impacted by the truck drivers' strike in May (when sales decreased around 20%). In June they recovered somewhat, partly due to the amounts unsold in May. February and March were months also marked by strong rainfall across the country, which also limited the performance of cement sales.

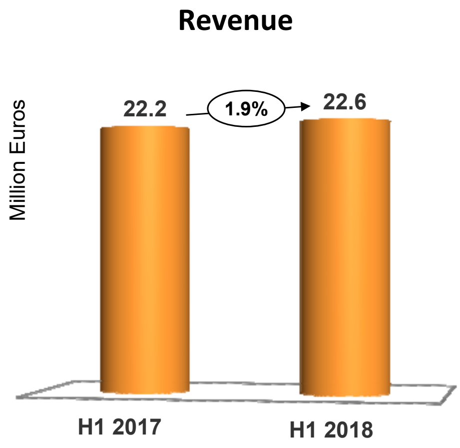
Revenue of combined operations stood at approximately 37.2 million euros, representing a decrease of 14.2%. It was brought down by the decrease in cement volumes sold and the depreciation of the real against the euro (by approximately 7.4 million euros).

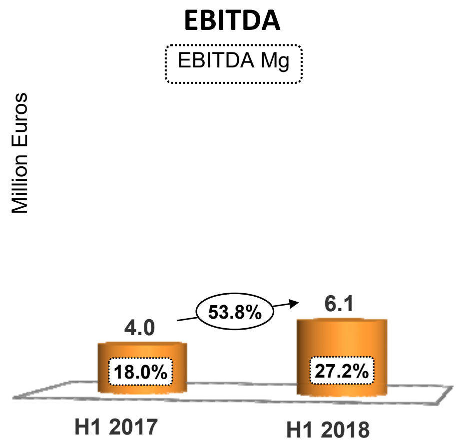
Sales of Brazil Cement amounted to 609 thousand tonnes, 1.5% less than in the first half of 2017. However, the average sales price rose, in line with a continuous growth, which started in the end of the first half of 2017. The improvement in prices resulted from small price increases in the different states where Secil operates; it is an important sign for maintaining the company's balance, but still far from prices prior to the crisis.

Ready-mix concrete sales, a market which was also impacted negatively by the context, decreased around 4.0%, standing at 116 thousand m3 sold. Sales price remains practically stable in comparison with the same period in the last year.

In the first half, EBITDA totalled 3.1 million euros, against 2.3 million euros in the same period of the previous year. Excluding the foreign exchange rate impact, EBITDA would have been 3.7 million euros, which would represent a growth of 60.3%. The important reorganisation of the structure carried out in 2017 allowed substantial savings in fixed costs. Variable production costs decreased 1.5% in relation to the same period in the previous year, due to operational improvements, namely thermal consumption. Fixed production and structure costs were also lower compared to those in the same period in the previous year, due to some internal reorganisation/restructuring measures implemented in the second half of 2017.

5.2.4 TUNISIA





According to the latest figures published by the IMF, the Tunisian economy is expected to grow 2.4% in 2018, above the 1.9% figure recorded in 2017 (World Economic Outlook, IMF April 2018).

Tunisia is still facing significant challenges, including high foreign and fiscal deficits, rising debt and insufficient growth for reducing unemployment. Some social unrest and pressure from union claims continue. Government deficit is reflected in public works and the real estate sector faces difficulties in obtaining funding, which impacts construction output.

In this context, it is estimated that the domestic cement market practically stagnated year on year, having increased slightly by 0.9%. The cement market is still subject to strong competition, due to excess production capacity. However, in 2018 sales prices increased.

The cement export market decreased significantly due to constraints on the Libyan border and in obtaining foreign currency in the Libyan financial market.

Revenue for combined operations in Tunisia in the first half of 2018 stood at approximately 22.6 million euros, up by 1.9% on a year-on-year basis, reflecting depreciation of the Tunisian dinar against the Euro by approximately 4.3 million euros.

The Cement business unit in Tunisia recorded revenue of 20.3 million euros, an approximate 7.7% growth. Domestic market sales volume grew approximately 15.9%, in spite of the slight market increase. Sales prices which had decreased in the domestic market in 2017, and which were not accompanied by Secil, increased at the end of 2017 and in the first half of 2018. Such increases were implemented by most players. Fuel price increase, overall rise in prices in Tunisia and taxes drove cement producers to make adjustments to price levels. The volumes of cement and clinker sold to the external market decreased 6.6%.

The revenue of the Ready-mix concrete business unit decreased about 30.1%, standing at 2.3 million euros, due to the reduction in sales volume by around 20.4%.

In the first half of 2018, EBITDA of activities in Tunisia stood at 6.1 million euros, representing a growth of 53.8% in relation to the same period in 2017. This change included the effect of the depreciation of the dinar against the euro by about 1.1 million euros. Without this effect EBITDA would have been 7.2 million euros.

The EBITDA increase is due to the rise in sales volume and higher prices in the domestic market. These improvements more than offset the negative effects of higher thermal energy costs (due to the increase in fuel prices) packaging, raw material and maintenance expenses. The increase in maintenance costs was related to the fact that by June 2018 most of the large annual maintenance work had been carried out.

5.2.5 ANGOLA AND OTHERS

The IMF expects the Angolan economy to grow 2.2% in 2018 (World Economic Outlook, IMF April 2018).

Angola is still going through a difficult financial and economic situation. Notwithstanding higher oil prices and the implementation of some reforms, the economy is still stagnant, the banking sector is fragile and there is still big shortage of foreign currency, creating difficulties for many companies. To address the situation, the Government of Angola implemented strong cost reduction measures and launched several programs aimed at the diversification of the economy which, however, did not produce immediate results, as there were no foreign investors betting on the Angolan economy and the Government is facing financial issues.

The Angolan cement market did not change compared to the same period in 2017. However, for the first time in 3 years there was a break in the downward trend seen since 2015.

Cement volumes sold increased 12.8% in comparison to accumulated sales in June 2017, amounting to 63 thousand tonnes of cement in the first half of 2018. Such a positive evolution of sales volume in a stagnant market was achieved due to the fact that some cement producers were facing financial and/or operational difficulties in the beginning of 2018. In a context of strong inflation and significant depreciation of the kwanza vis-à-vis the euro, Secil has been implementing a strict price policy that can help tackle the increase in costs in national currency and those arising from imports made to guarantee its operations. Accordingly, cement prices increased around 33% in comparison with June 2017.

Consequently, revenue totalled 8.0 million euros, more than in the first half of 2017 (albeit negatively affected by the exchange rate depreciation) and accumulated EBITDA in June 2018 amounted to 2.2 million euros, 409.4% above the value in the same period in 2017. Expenses were substantially affected by the depreciation of the kwanza vis-à-vis the euro. Variable costs rose 16%, mostly due to the increase in clinker acquisition costs. Fixed costs grew 22%, with the main drivers of this increase being the cost of maintenance materials, which is strongly pegged to the foreign exchange rate.

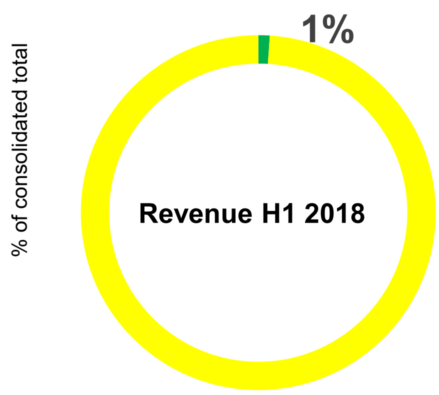
In spite of rising costs, the increase in sales price and in volumes sold was enough to achieve higher operational results than in the first half of 2017.

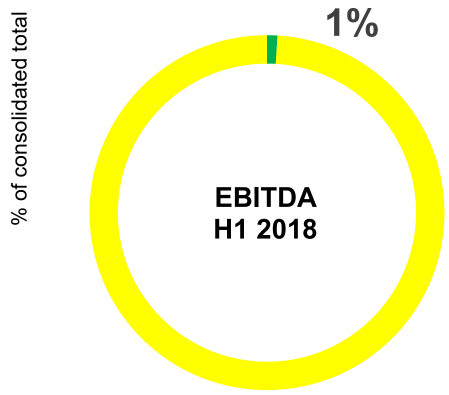
5.3 SECOND QUARTER OF 2018 VS. SECOND QUARTER OF 2017

EBITDA in the second quarter of 2018 was approximately 1.9 million euros lower compared with the same period in 2017. This negative variation was essentially due to the EBITDA in Lebanon that decreased 4.2 million euros. This decrease is explained by the fact that in Q2 of 2017 an insurance indemnity of 2 million euros was received and that the second quarter of 2018 was negatively impacted by a tax on cement production (which came into effect only in the 4th quarter of 2017) of about 700 thousand euros. Q2 EBITDA also suffered the impact of the rise in petcoke prices by 600 thousand euros.

The negative variation was, nonetheless, partially offset by a more positive performance of Tunisia, whose EBITDA grew by 2.2 million euros, arising from increased domestic market sales (+0.8 million euros) and an increase in sales price (+1.4 million euros).

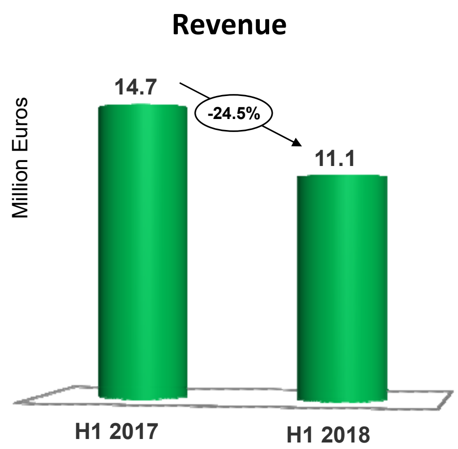
6. ENVIRONMENT



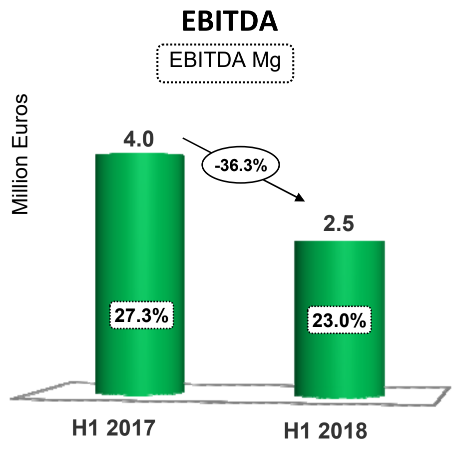


6.1 HIGHLIGHTS IN FIRST HALF OF 2018 (VS. 2017)

- ETSA recorded revenue of approximately 11.1 million euros in the first half of 2018, which represented a decrease of approximately 24.5% against the same period in 2017. This decrease is due to about 43.7% less sales due to current market conditions, partially offset by approximately 2.7% growth in consolidated services rendered



- EBITDA for ETSA totalled approximately 2.5 million euros in the first 6 months of 2018, representing a decrease of about 36.3% in comparison with the same period of the previous year, essentially due to less volumes sold and lower sales price



- Financial results improved by about 10.4% in relation to the same period in the previous year, mostly due to the reduction in average debt.

SUMMARY TABLE OF FINANCIAL INDICATORS

IFRS - accrued amounts (million euros)	H1 2018	H1 2017	Var.	Q2 2018	Q2 2017	Var.
Revenue	**11.1**	**14.7**	**-24.5%**	**5.5**	**7.2**	**-22.7%**
EBITDA	**2.5**	**4.0**	**-36.3%**	**1.0**	**1.7**	**-40.6%**
EBITDA margin (%)	23.0%	27.3%	-4.3 p.p.	18.1%	23.6%	-5.5 p.p.
Depreciation, amortisation and impairment losses	(1.5)	(1.4)	-4.0%	(0.7)	(0.7)	-6.0%
Provisions	-	(0.1)	100.0%	-	(0.1)	100.0%
EBIT	**1.1**	**2.5**	**-56.6%**	**0.3**	**0.9**	**-72.1%**
EBIT margin (%)	9.8%	17.0%	-7.2 p.p.	4.7%	13.1%	-8.4 p.p.
Net financial results	(0.2)	(0.3)	10.4%	(0.1)	(0.1)	6.7%
Profit before taxes	**0.9**	**2.2**	**-61.9%**	**0.1**	**0.8**	**-82.2%**
Income taxes	0.1	(0.3)	123.4%	0.2	0.0	>1000%
Net profit for the period	0.9	1.9	-51.1%	0.4	0.8	-52.5%
Attributable to ETSA shareholders	**0.9**	**1.9**	**-51.1%**	**0.4**	**0.8**	**-52.5%**
Attributable to non-controlling interests (NCI)	-	-	-	-	-	-
Cash-Flow	**2.4**	**3.4**	**-29.8%**	1.1	1.6	**-28.0%**

	30/06/2018	31/12/2017	Jun18 vs. Dec17
Equity (before NCI)	69.6	68.7	1.4%
Net debt	**17.4**	**14.8**	**17.7%**

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

6.2 ACTIVITY ANALYSIS

ETSA recorded revenue of approximately 11.1 million euros in the first half of 2018, which represented a decrease of approximately 24.5% against the same period in 2017.

This variation was essentially caused by the combined effects of (i) a decrease in volumes sold of class 3 fats by around 6.9% year on year, (ii) a decrease in average sales price of class 3 fats by about 21.1% and of the same class meals by approximately 41.1% in comparison with the same period in 2017, in the case of fats, these price and quantity decreases were caused largely by the introduction of US customs tariffs on biodiesel from Argentina, which was then exported to Europe, iii) an increase of about 2.7% in consolidated services rendered, essentially due to the higher value invoiced by the subsidiary ABAPOR (which was up by about 6.4% on the same period of the previous year), and to a 10.0% increase in services rendered to slaughterhouses by the subsidiary ITS.

EBITDA for ETSA totalled approximately 2.5 million euros in the first 6 months of 2018, representing a decrease of about 36.3% in comparison with the same period of the previous year, essentially due to less volumes sold and lower sales price, although partially offset by lower thermal fuels costs used in the industrial conversion process. EBITDA margin stood at 23.0%, down by around 4.3 p.p. on the margin for the same period of 2017.

Financial results improved by about 10.4% year on year, mostly due to the reduction in average debt, in spite of the difficulty in collecting the amounts invoiced to the Government, whose overdue debt amounts to 7.6 million euros at the end of the first half.

Net profit at the end of the first half of the year totalled 0.9 million euros.

6.3 SECOND QUARTER OF 2018 VS. SECOND QUARTER OF 2017

ETSA recorded revenue of about 5.5 million euros in the second quarter of 2018, down by around 22.7% in comparison with the same period in 2017. This decrease is due to about 36.5% less sales caused by current market conditions, while consolidated services rendered decreased less than 1%.

This variation in sales was essentially caused by (i) a decrease in the average sales price of class 3 fats by around 24.9% and same class meal by approximately 42.4% in comparison with Q2 2017, ii) a decrease in volumes sold of class 1 fats by about 83.7% at a 27.6% lower price, which was slightly offset by (iii) an increase in volumes sold of class 3 (overall) by about 9.2% compared with the second quarter of 2017.

The aforementioned effects, combined with costs restraint on Supplies and External Services and Personnel Expenses, caused EBITDA in the second quarter of 2018 to decrease around 40.6% year on year.

7. SUBSEQUENT EVENTS

MOZAMBIQUE

As announced to the market on 9 July 2018, Portucel Moçambique and the Government of Mozambique signed a memorandum of understanding related to the restructuring of the investment project, which will be implemented in two stages. Initially, a 40 000 hectares forest base will be developed for ensuring supply to a (future) eucalyptus wood chip production operation unit for export of about 1 million tonnes a year. Total investment is estimated at 140 million USD.

A joint Portucel Moçambique and Government team was set up to ensure, within six months, that the necessary conditions mentioned above have been met for proceeding with the investment, which includes setting up the necessary logistics infrastructure for exporting wood chips. The first stage of the project thus depends on the fulfilment of the requirements laid down in the Memorandum of Understanding, which has now been signed by the Government of Mozambique.

8. OUTLOOK

PULP AND PAPER

The outlook for the **pulp** sector remained positive in the first half of 2018, with continued upward pressure on prices during the period. Greater producer discipline, combined with programmed production shut downs and some unforeseeable events constrained again the quantity of pulp available in the market, while strong demand has managed to absorb new capacities that came on line last year. Currently, there are no factors expected to significantly change this positive market trend.

The period saw the completion and start up of the PO3 project (Optimisation Project 3) increasing pulp production capacity in Figueira da Foz, which went from a nominal output of 580 thousand tonnes/year to 650 thousand tonnes/year. The project also included a set of important environmental improvements that produced a significant overall impact on the Figueira da Foz industrial complex. One of the goals was to improve the efficiency of the pulp production process, by reducing specific wood and chemical consumption, and to implement best environmental practices, namely by introducing oxygen delignification, with a consequent decrease in effluents, and also investing in an integrated burner for non-condensable gases in the Recovery Boiler with a consequent reduction in odours to lower and almost imperceptible levels. Increasing the capacity of the Figueira da Foz mill involved an investment of approximately 9.3 million euros in the first half.

In UWF **paper**, order books remain strong and Navigator took the lead in a series of price increases in Europe, in the US market and in international markets during the first half. Non-integrated paper producers remain under strong pressure due to the significant increase in pulp costs and rising chemicals and logistics costs; this has translated into

negative margins, something never seen before in the industry. Other producers announced further price increases in the United States of America and other international markets, Navigator announced to its customers, in May, a price rise in Europe with effect from 1 July, anticipating a further increase in October of an equivalent size.

The **tissue** market remains under severe pressure due to high pulp prices and, in spite of the positive price development in the first half, most producers have not been able to reflect the rise in this cost factor on the end price of its products. Navigator will implement further price rises. In parallel, reel production in Cacia is planned to start up in Q3, which will allow Navigator to double its production capacity. Strong commercial performance in the last months allows Navigator to look forward to the new output being successfully placed with clients.

It is important to note that, although the growth expectations for the main world economies remain positive, in particular for the North-American and European economies, market volatility is growing, arising from fears of the potential consequences of increasing trade tensions. Navigator, which sells its products in 130 geographical regions and whose sales are exposed to foreign exchange variations, in particular the USD, sees recent developments with concern.

CEMENT AND OTHER BUILDING MATERIALS

Expectations for 2018 are moderately positive for **Portugal**. Macroeconomic indicators point to growth, although investment levels, limited by deficit management, are a restricting factor. Developments in the external environment may play a decisive part in growth; most international bodies monitoring the global economy now share a more positive global outlook.

Most of the forecasts for construction output in 2018 are positive. The European Commission is expecting a 3.2% growth in investment in construction, and FEPICOP is estimating a 4.5% construction output in 2018. Furthermore, analysing the replies of the industry's businessmen in the qualitative surveys conducted by INE one may conclude that the directors of construction companies foresee favourable developments in the construction sector. The dynamics of the rentals market and growth in the tourism industry are the main drivers of this growth trend. These perspectives anticipate better results in Portugal.

In **Lebanon** cement demand should decrease slightly against 2017, in spite of some improvement in the political context. New taxes implemented in Q4 2017 should have a negative impact on the profit of cement companies in the country. Possible developments in the Syrian conflict and the situation of Syrian refugees in Lebanon will have a macroeconomic and market effect, which cannot be fully anticipated at this stage. A challenging competitive environment is expected to continue in the second half of 2018.

In 2018, **Brazilian** economic activity should continue to face challenges, particularly those in the construction sector, due to the difficulty in materializing investments. The political crisis is still a strong constraint on growth, with presidential elections scheduled for October 2018. The unknown impact of the truck drivers' strike and the

subsequent approval of the freight charges, with impact on logistical costs might raise inflation. Prices, that have been growing since their lowest nominal value in mid 2017, have a positive outlook. On the other hand, efforts to improve production costs and to contain fixed costs will continue.

In **Tunisia** the level of competition is expected to remain intense, due to excess supply in the country. However, the increase in sales prices make it possible to expect positive developments in 2018. Tunisia is in a difficult financial situation. Social instability may worsen as a result of reforms that the Government is forced to implement to reduce the current and fiscal deficit.

The outlook for 2018 in **Angola** is moderately favourable. The Angolan Government programs to diversify the economy and the upward trend on oil prices indicate economic recovery in 2018, which will lead to cement consumption growth.

Difficulties in obtaining foreign exchange in the context of the current foreign exchange crisis in Angola and the resolution of operational issues by cement competitors bring additional challenges to our operations in the near future.

ENVIRONMENT

Considering the macroeconomic, financial and sector context, current conditions are expected to remain unchanged in the medium term in the sector operated by ETSA, without significant changes in consumption of foodstuffs. However, competition between players in the collection of raw material, which is scanty, will remain intense, due to the pronounced overcapacity of industrial processing.

The European biodiesel market is expected to improve in the second half of the year after trade customs barriers on biodiesel from Argentina and Indonesia are reintroduced, foreseeable in October 2018. The low prices at which these imported products are sold in Europe have had a very negative impact on the European biodiesel industry, which had to reduce or even suspend operations in the first half of 2018, thus putting negative pressure on the price of animal fat.

Lisbon, 26 July 2018

BOARD OF DIRECTORS

CHAIRMAN:

PEDRO MENDONÇA DE QUEIROZ PEREIRA

MEMBERS:

JOÃO NUNO DE SOTTOMAYOR PINTO DE CASTELLO BRANCO

JOSÉ MIGUEL PEREIRA GENS PAREDES

PAULO MIGUEL GARCÊS VENTURA

RICARDO MIGUEL DOS SANTOS PACHECO PIRES

ANTÓNIO PEDRO DE CARVALHO VIANA BAPTISTA

CARLOS EDUARDO COELHO ALVES

FILIPA MENDES DE ALMEIDA DE QUEIROZ PEREIRA

FRANCISCO JOSÉ MELO E CASTRO GUEDES

JOSÉ ANTÔNIO DO PRADO FAY

LUA MÓNICA MENDES DE ALMEIDA DE QUEIROZ PEREIRA

MAFALDA MENDES DE ALMEIDA DE QUEIROZ PEREIRA

VÍTOR MANUEL GALVÃO ROCHA NOVAIS GONÇALVES

VÍTOR PAULO PARANHOS PEREIRA

DEFINITIONS

EBITDA = EBIT + Depreciation, amortisation and impairment losses + Provisions

EBITDA LTM = EBITDA in the last twelve months

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

Net debt = Non-current interest bearing debt (net of loan issue charges) + Current interest-bearing debt (including debts to shareholders) – Cash and cash equivalents

WARNING

This presentation of results is a translation of a text originally issued in Portuguese. In the event of discrepancies the Portuguese language version prevails.

PART 2

DECLARATION REQUIRED UNDER ARTICLE 246.1 C) OF THE SECURITIES CODE

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 standard declaration has been adopted, which reads 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 2018, were drawn up in accordance with the relevant accounting rules, and provide a true and fair view of the assets and liabilities, financial affairs and profit or loss of said company and other companies included in the consolidated accounts, and that the 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 names of the people signing the declaration and their functions in the company:

Name	Function
Pedro Mendonça de Queiroz Pereira	Chairman of the Board of Directors
João Nuno de Sottomayor Pinto de Castello Branco	Member of the Board of Directors
José Miguel Pereira Gens Paredes	Member of the Board of Directors
Paulo Miguel Garcês Ventura	Member of the Board of Directors
Ricardo Miguel dos Santos Pacheco Pires	Member of the Board of Directors
António Pedro de Carvalho Viana-Baptista	Member of the Board of Directors
Carlos Eduardo Coelho Alves	Member of the Board of Directors
Filipa Mendes de Almedida de Queiroz Pereira	Member of the Board of Directors
Francisco José Melo e Castro Guedes	Member of the Board of Directors
José Antônio do Prado Fay	Member of the Board of Directors
Lua Mónica Mendes de Almeida de Queiroz Pereira	Member of the Board of Directors
Mafalda Mendes de Almeida de Queiroz Pereira	Member of the Board of Directors
Vitor Manuel Galvão Rocha Novais Gonçalves	Member of the Board of Directors
Vítor Paulo Paranhos Pereira	Member of the Board of Directors
José Manuel Oliveira Vitorino	Chairman of the Audit Board
Gonçalo Nuno Palha Picão Caldeira	Member of the Audit Board
Maria da Graça Torres Ferreira da Cunha Gonçalves	Member of the Audit Board

PART 3

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

DISCLOSURES REQUIRED BY SUB-PARAS. A) AND C) OF ARTICLE 9.1 AND ARTICLE 14.7 OF REGULATION NO. 5/2008 OF THE SECURITIES MARKET COMMISSION (CMVM) (WITH REFERENCE TO THE FIRST HALF OF 2018)

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 (*)

- Undivided estate of Maria Rita de Carvalhosa Mendes de Almeida de Queiroz Pereira, with company directors Filipa Mendes de Almeida de Queiroz Pereira, Mafalda Mendes de Almeida de Queiroz Pereira and Lua Mónica Mendes de Almeida de Queiroz Pereira as parties concerned - 1,000 shares in The Navigator Company, S.A.
- Filipa Mendes de Almeida de Queiroz Pereira - 5,488 company shares and 139,800 shares in Sodim, SGPS, S.A.
- Mafalda Mendes de Almeida de Queiroz Pereira - 5,888 company shares and 139,800 shares in Sodim, SGPS, S.A.
- Lua Mónica Mendes de Almeida de Queiroz Pereira - 5,888 company shares and 139,800 shares in Sodim, SGPS, S.A.
- Undivided estate of Pedro Mendonça de Queiroz Pereira, with company directors Filipa Mendes de Almeida de Queiroz Pereira, Mafalda Mendes de Almeida de Queiroz Pereira and Lua Mónica Mendes de Almeida de Queiroz Pereira as parties concerned - 134,422 shares in Sodim, SGPS, S.A.
- José Miguel Pereira Gens Paredes – 70 bonds "Obrigações SEMAPA 2014/2019"

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:

- On 20 June 2018, Director Carlos Eduardo Coelho Alves sold 100,000 shares in The Navigator Company, S.A. at 5.25 euros average price per share, and 152,350 shares in The Navigator Company, S.A., at 5.23 euros average price per share, and on 21 June 2018, 325,959 shares in The Navigator Company, S.A., at 5.07 euros average price per share, no longer holding shares in The Navigator Company, S.A.
- On 21 June 2018, Director Mafalda Mendes de Almeida de Queiroz Pereira sold 50,000 shares in The Navigator Company, S.A., at 4.98 euros average price per share, no longer holding shares in The Navigator Company, S.A.
- On 20 June 2018, Director Lua Mónica Mendes de Almeida de Queiroz Pereira sold 71,000 shares in The Navigator Company, S.A., at 5.21 euros average price per share, and on 21 June 2018, 50,000 shares in The Navigator Company, S.A., at 4.98 euros average price per share, no longer holding shares in The Navigator Company, S.A.

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

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 (WITH REFERENCE TO THE DATE OF THIS REPORT):

	Entity	No. shares	% share capital and voting rights	% non-suspended voting rights
A -	Sodim, SGPS, S.A.	15,252,726	18.768%	18.904%
	Directors of Sodim			
	Filipa Mendes de Almedida de Queiroz Pereira	5,488	0.007%	0.007%
	Mafalda Mendes de Almeida de Queiroz Pereira	5,888	0.007%	0.007%
	Lua Mónica Mendes de Almeida de Queiroz Pereira	5,888	0.007%	0.007%
	Cimigest, SGPS, S.A.	3,185,019	3.919%	3.948%
	Cimo - Gestão de Participações, SGPS, S.A.	16,734,031	20.591%	20.740%
	Longapar, SGPS, S.A.	22,225,400	27.348%	27.546%
	Sociedade Agrícola da Quinta da Vialonga, S.A.	625,199	0.769%	0.775%
	Total:	58,039,639	71.416%	71.935%
B -	Bestinver Gestión, S.A. SGIIC	-	-	-
	Bestinver Empleo, F.P.	13,930	0.017%	0.017%
	Bestinver Bolsa, F.I.M.	2,319,127	2.854%	2.874%
	Bestinver Ahorro Fondo de Pensiones	198,347	0.244%	0.246%
	Bestinver Empleo III Fondo de Pensiones	2,221	0.003%	0.003%
	Bestinver Hedge Value Fund, FIL	1,503,046	1.849%	1.863%
	Bestinver Global F.P.	405,052	0.498%	0.502%
	Bestinver Mixto, F.I.M.	195,019	0.240%	0.242%
	Bestvalue F.I.	519,214	0.639%	0.644%
	Bestinver Prevision F.P.	38,849	0.048%	0.048%
	Divalsa de Inversiones SICAV	13,543	0.017%	0.017%
	Bestinver SICAV - Bestinfund	79,928	0.098%	0.099%
	Bestinver Empleo II, F.P.	3,571	0.004%	0.004%
	Bestinver Futuro EPSV	6,607	0.008%	0.008%
	Bestinver SICAV - Iberian	229,426	0.282%	0.284%
	Bestinver Renta F.I.M.	177,186	0.218%	0.220%
	Bestinver Consolidacion EPSV	1,975	0.002%	0.002%
	Bestinfond, F.I.M.	1,459,715	1.796%	1.809%
	Total:	7,166,756	8.818%	8.883%

	Entity	No. shares	% share capital and voting rights	% non-suspended voting rights
C -	Santander Asset Management España, S.A., S.G.I.I.C.	-	-	-
	Santander Acciones Españolas, F.I.	1,610,028	1.981%	1.995%
	Santander Small Caps España, F.I.	371,188	0.457%	0.460%
	Total:	1,981,216	2.438%	2.456%
D -	Norges Bank (the Central Bank of Norway)	1,699,613	2.091%	2.107%

Semapa - Sociedade de Investimento e Gestão, SGPS, S.A. holds 586,329 own shares, corresponding to 0.721% of its share capital.

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

During the first half of 2018 there was no trading in shares in the company by management or closely connected persons, according to Regulation No. 5/2008 of the Securities Code.

PART 4

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE SIX-MONTH PERIODS ENDED AS 30 JUNE 2018 AND 2017

Amounts in Euro	Notes	1S 2018	1S 2017	2Q 2018	2Q 2017
				(unaudited)	*(unaudited)*
Revenues					
Sales	4	1,055,986,393	1,064,130,196	554,363,149	548,883,851
Services rendered	4	12,677,686	12,149,846	5,561,672	5,867,915
Other income					
Gains on disposal of non-current assets	5	18,228,448	1,190,833	1,029,050	1,162,217
Other operating income	5	23,664,762	20,534,226	14,199,122	9,141,811
Change in fair value of biological assets	18	1,119,656	3,210,175	(96,197)	3,712,757
Cost, expenses and losses					
Cost of inventories sold and consumed	6	(421,834,918)	(405,183,341)	(212,224,424)	(187,494,615)
Variation in production	6	19,638,801	(8,396,653)	(1,787,883)	(21,666,850)
Cost of materials and services consumed	6	(282,862,705)	(292,385,978)	(142,885,563)	(149,348,366)
Payroll costs	6	(133,624,359)	(127,348,615)	(68,302,244)	(64,600,604)
Other costs and losses	6	(23,698,836)	(21,156,985)	(10,158,950)	(10,095,698)
Provisions	6	(1,993,538)	(535,814)	(3,279,356)	(546,896)
Depreciation, amortisation and impairment losses	8	(101,297,155)	(109,318,259)	(50,714,844)	(53,741,571)
Operational results		**166,004,235**	**136,889,631**	**85,703,532**	**81,273,951**
Group share of (loss) / gains of associated companies and joint ventures	9	449,305	259,158	169,631	285,246
Net financial results	10	(42,017,726)	(40,842,093)	(23,175,734)	(23,326,369)
Profit before tax		**124,435,814**	**96,306,696**	**62,697,429**	**58,232,828**
Income tax expense	11	(28,029,226)	(20,448,675)	(9,518,566)	(7,531,049)
Profit for the period		**96,406,588**	**75,858,021**	**53,178,863**	**50,701,779**
Profit for the period					
Attributable to Semapa's Shareholders		**59,141,326**	**43,358,562**	**31,984,080**	**29,085,485**
Attributable to non-controlling interests	13	37,265,262	32,499,459	21,194,783	21,616,294
Earnings per share					
Basic earnings per share, Eur	12	0.733	0.537	0.396	0.360
Diluted earnings per share, Eur	12	0.733	0.537	0.396	0.360

STATEMENT OF INTERIM CONSOLIDATED COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIODS ENDED AT 30 JUNE 2018 AND 2017

Amounts in Euro		1S 2018	1S 2017	2Q 2018	2Q 2017
				(unaudited)	*(unaudited)*
Net profit for the period without non-controlling interests		**96,406,588**	**75,858,021**	**53,178,863**	**50,701,779**
Items that may subsequently be reclassified to the income statement					
Derivative financial instruments					
Fair value changes	34	(5,593,377)	8,288,138	(6,703,928)	6,182,537
Tax on items above when applicable	28	1,538,178	(2,019,363)	1,843,580	(1,700,197)
Currency translation differences	27	(27,885,019)	(46,086,305)	(5,648,126)	(49,206,090)
Other comprehensive income		7,040	16,471	198,705	28,207
Items that will not be reclassified to the income statement					
Remeasurement of post-employment benefits					
Remeasurements	29	(4,696,900)	(9,177)	(1,614,373)	(1,771,743)
Tax on items above when applicable	28	57,201	5,260	67,238	5,319
Other comprehensive income for the period net of taxes		**(36,572,877)**	**(39,804,976)**	**(11,856,904)**	**(46,461,967)**
Total comprehensive income for the period		**59,833,711**	**36,053,045**	**41,321,959**	**4,239,812**
Attributable to:					
Semapa's Shareholders		25,042,206	8,114,024	16,552,458	(12,110,954)
Non-controlling interests		34,791,505	27,939,021	24,769,501	16,350,766
		59,833,711	**36,053,045**	**41,321,959**	**4,239,812**

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2018 AND 31 DECEMBER 2017

Amounts in Euro	Notes	30-06-2018	31-12-2017
ASSETS			
Non-currents assets			
Goodwill	15	345,470,614	352,024,516
Other intangible assets	16	298,840,183	290,065,457
Property, plant and equipment	17	2,021,335,956	2,064,604,211
Biological assets	18	130,516,592	129,396,936
Investment in associates and joint ventures	19	3,981,492	4,099,421
Investment properties	20	384,720	385,927
Financial assets at fair value through profit or loss	-	-	44,508
Available-for-sale financial assets	-	-	424,428
Equity instruments	21	522,540	-
Deferred tax assets	28	83,881,210	80,075,383
Other non-current assets	21	38,210,103	6,244,448
		2,923,143,410	**2,927,365,235**
Current assets			
Inventories	23	316,152,892	280,756,346
Receivables and other current assets	24	388,989,107	334,867,086
State and other public entities	25	57,139,746	111,820,465
Income tax	25	1,494,351	788,673
Non-current Assets held for sale	33	1,030,297	88,202,005
Cash and cash equivalents	2.1.3 and 31	219,938,666	243,187,261
		984,745,059	**1,059,621,836**
Total assets		**3,907,888,469**	**3,986,987,071**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	26	81,270,000	81,270,000
Treasury shares	26	(6,036,401)	(6,036,401)
Translation reserve	27	(127,806,875)	(99,805,648)
Fair value reserve	27	(4,949,219)	(2,100,174)
Other reserve	27	796,784,857	717,616,946
Retained earnings	27	27,104,241	28,359,635
Net profit for the period		59,141,326	124,093,467
Equity attributable to the shareholders of the parent company		**825,507,929**	**843,397,825**
Non-controlling interests	13	341,171,270	378,547,431
Total equity		**1,166,679,199**	**1,221,945,256**
Non-current liabilities			
Deferred tax liabilities	28	237,155,371	265,510,481
Pensions and other post-employment benefits	29	11,889,076	8,123,335
Provisions	30	80,396,317	55,674,021
Interest-bearing liabilities	31	1,509,843,062	1,653,480,805
Other non-current liabilities	32	26,919,234	25,728,280
		1,866,203,060	**2,008,516,922**
Current liabilities			
Interest-bearing liabilities	31	338,711,936	263,390,200
Payables and other current liabilities	32	427,801,133	385,598,640
State and other public entities	25	74,483,486	93,052,535
Income tax	25	33,948,547	14,419,036
Liabilities held for sale	33	61,108	64,482
		875,006,210	**756,524,893**
Total liabilities		**2,741,209,270**	**2,765,041,815**
Total equity and liabilities		**3,907,888,469**	**3,986,987,071**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD BETWEEN 31 DECEMBER 2017 AND 30 JUNE 2018 AND 1 JANUARY 2017 AND 30 JUNE 2017

Amounts in Euro	Notes	Share Capital	Treasury Shares	Fair Value Reserves	Other Reserves	Translation Reserve	Retained Earnings	Profit for the period	Total	Non-controlling interests	Total
Equity as of 31 December 2017		**81,270,000**	**(6,036,401)**	**(2,100,174)**	**717,616,946**	**(99,805,648)**	**28,359,635**	**124,093,467**	**843,397,825**	**378,547,431**	**1,221,945,256**
Application of 2017 profit of the period:											
- Transfer to other reserves		-	-	-	79,167,911	-	-	(79,167,911)	-	-	-
- Dividends Paid	14 and 27	-	-	-	-	-	-	(41,310,040)	(41,310,040)	-	(41,310,040)
- Profit-Sharing Bonuses	14	-	-	-	-	-	-	(3,615,516)	(3,615,516)	-	(3,615,516)
Dividends paid by subsidiaries to non-controlling interests	13	-	-	-	-	-	-	-	-	(66,838,987)	(66,838,987)
Other comprehensive income for the period*		-	-	(2,849,045)	-	(28,001,227)	(3,248,845)	-	(34,099,117)	(2,473,760)	(36,572,877)
Acquisitions/Disposals to non-controlling interests	13	-	-	-	-	-	617,002	-	617,002	(5,116,999)	(4,499,997)
IFRS 9 adoption impacts		-	-	-	-	-	(2,239,067)	-	(2,239,067)	(46)	(2,239,113)
Other movements		-	-	-	-	-	3,615,516	-	3,615,516	(211,631)	3,403,885
Profit for the period		-	-	-	-	-	-	59,141,326	59,141,326	37,265,262	96,406,588
Equity as of 30 June 2018		**81,270,000**	**(6,036,401)**	**(4,949,219)**	**796,784,857**	**(127,806,875)**	**27,104,241**	**59,141,326**	**825,507,929**	**341,171,270**	**1,166,679,199**

** Net of deferred taxes*

Amounts in Euro	Notes	Share Capital	Treasury Shares	Fair Value Reserves	Other Reserves	Translation Reserve	Retained Earnings	Profit for the period	Total	Non-controlling interests	Total
Equity as of 1 January 2017		**81,270,000**	**(6,036,401)**	**(6,062,513)**	**717,616,946**	**(31,600,072)**	**(52,720,975)**	**114,862,813**	**817,329,798**	**409,754,207**	**1,227,084,005**
Application of 2016 profit of the period:											
- Transfer to other reserves		-	-	-	-	-	75,045,183	(75,045,183)	-	-	-
- Dividends Paid/Reserves Paid	14 and 27	-	-	-	-	-	-	(36,307,652)	(36,307,652)	-	(36,307,652)
- Profit-Sharing Bonuses	14	-	-	-	-	-	-	(3,509,978)	(3,509,978)	-	(3,509,978)
Dividends paid by subsidiaries to non-controlling interests	13	-	-	-	-	-	-	-	-	(82,641,188)	(82,641,188)
Other comprehensive income for the period*		-	-	4,519,840	-	(39,782,703)	18,325	-	(35,244,538)	(4,560,437)	(39,804,975)
Acquisitions/Disposals to non-controlling interests		-	-	-	-	-	(200)	-	(200)	-	(200)
Changes in the consolidation perimeter		-	-	-	-	-	-	-	-	(178,343)	(178,343)
Other movements		-	-	-	-	-	3,329,923	-	3,329,923	58,976	3,388,899
Profit for the period		-	-	-	-	-	-	43,358,562	43,358,562	32,499,459	75,858,021
Equity as of 30 June 2017		**81,270,000**	**(6,036,401)**	**(1,542,673)**	**717,616,946**	**(71,382,775)**	**25,672,256**	**43,358,562**	**788,955,915**	**354,932,674**	**1,143,888,589**

** Net of deferred taxes*

INTERIM CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2018 AND 2017

Amounts in Euro	Notes	1S 2018	1S 2017	2Q 2018	2Q 2017
				(unaudited)	*(unaudited)*
OPERATING ACTIVITIES					
Receipts from customers		1,122,189,739	1,141,950,617	491,966,000	579,212,154
Payments to suppliers		(845,575,189)	(859,506,357)	(420,901,331)	(426,071,091)
Payments to personnel		(104,095,961)	(100,398,047)	(63,212,364)	(59,060,964)
Cash flow from operations		172,518,589	182,046,213	7,852,305	94,080,099
Income tax received / (paid)		(3,018,882)	(17,635,886)	(3,690,872)	(12,568,882)
Other receipts / (payments) relating to operating activities		23,005,221	5,692,870	17,648,686	16,874,294
Cash flow from operating activities (1)		**192,504,928**	**170,103,197**	**21,810,119**	**98,385,511**
INVESTING ACTIVITIES					
Inflows					
Property, plant and equipment		572,912	1,490,946	447,218	1,218,518
Financial investments		727,005	-	727,005	-
Interest and similar income		-	1,516,869	-	507,254
Dividends	19	867,174	833,509	731,250	707,687
Other assets		69,026,158	-	69,026,158	-
		71,193,249	3,841,324	70,931,631	2,433,459
Outflows					
Financial investments		(4,900,000)	(26,221,248)	(400,000)	(12,662,448)
Property, plant and equipment		(90,140,240)	(55,141,880)	(52,327,527)	(22,122,817)
Other assets		-	(399,652)	-	(399,652)
		(95,040,240)	(81,762,780)	(52,727,527)	(35,184,917)
Cash flow from investing activities (2)		**(23,846,991)**	**(77,921,456)**	**18,204,104**	**(32,751,458)**
FINANCING ACTIVITIES					
Inflows					
Proceeds from borrowings		1,673,241,773	2,606,219,558	885,464,234	1,154,225,830
		1,673,241,773	2,606,219,558	885,464,234	1,154,225,830
Outflows					
Repayments of borrowings		(1,725,929,337)	(2,558,806,044)	(904,789,953)	(1,115,154,406)
Repayment of financial leases		(441,756)	(332,531)	(250,562)	(170,624)
Interest and similar expenses		(26,510,949)	(34,226,972)	(14,454,954)	(19,489,298)
Dividends	13 and 19	(108,977,702)	(93,784,400)	(104,827,021)	(93,230,770)
		(1,861,859,744)	(2,687,149,947)	(1,024,322,490)	(1,228,045,098)
Cash flow from investing activities (3)		**(188,617,971)**	**(80,930,389)**	**(138,858,256)**	**(73,819,268)**
CHANGE IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		**(19,960,034)**	**11,251,352**	**(98,844,033)**	**(8,185,215)**
EXCHANGE GAINS / (LOSSES) ON CASH AND CASH EQUIVALENTS		(247,828)	(5,194,529)	1,736,784	(4,432,204)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	31	**243,187,261**	**184,101,274**	**320,086,648**	**202,775,516**
IMPAIRMENT FROM THE APPLICATION OF IFRS 9		(3,198,733)	-	(3,198,733)	-
GAINS / (LOSSES) OF NON-CURRENT ASSETS HELD-FOR-SALE		158,000	-	158,000	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	31	**219,938,666**	**190,158,097**	**219,938,666**	**190,158,097**

INDEX TO THE NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2018

(Translation of a report originally issued in Portuguese)

The SEMAPA Group (Group) comprises Semapa — Sociedade de Investimento e Gestão, SGPS, S.A. ("Semapa") and its subsidiaries. Semapa was incorporated on 21 June 1991 and has as its main business object the management of financial investments in other companies as an indirect form of carrying out economic activity. It has been listed on NYSE Euronext Lisbon since 1995 with ISIN PTSEM0AM0004.

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

SHARE CAPITAL: Euro 81,270,000

CORPORATE BODY NO.: 502 593 130

These consolidated financial statements are presented in Euro as this is the main and functional currency of Semapa.

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

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

These interim consolidated financial statements were approved by the Board of Directors on 26 July 2018.

The Group's senior management, which are the members of the Board of Directors who sign this report, declare that, to the best of their knowledge, the information contained herein was prepared in compliance 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 MAIN ACCOUNTING PRINCIPLES

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

1.1 BASIS OF PRESENTATION

The Group's interim consolidated financial statements for the six-month period ended at 30 June 2018 have been prepared in accordance with the International Financial Reporting Standards 34 – Interim Financial Reporting and in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS), formerly referred to as the International Accounting Standards (IAS), issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or by

the former Standing Interpretations Committee (SIC), in force on the date of preparation of the mentioned financial statements.

The accompanying 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, derivative financial instruments, which are recorded at fair value (Notes 18, 21 and 34).

The preparation of the financial statements requires the use of important estimates and judgments in the application of the Group's accounting policies. The main assertions, which involve a higher degree of judgment or complexity, or the most significant assumptions and estimates used in the preparation of these financial statements are disclosed in Note 3.

1.2 ADDITIONAL DISCLOSURES

The accounting policies adopted, including the financial risk management policies, are consistent with those followed in the preparation of the consolidated financial statements for the period ended as at 31 December 2017, except for the changes indicated in Note 1.34.

As at 1 January 2018, the accounting standards IFRS 9 - Financial Instruments and IFRS 15 - Income from contracts with customers, which were adopted by the Group in the preparation of its interim consolidated financial statements as of 30 June 2018, came into force. These standards established a number of changes to the Group's accounting policies (Notes 1.11 and 1.27) and to the classification and measurement of financial assets as described in Note 1.34.

1.3 BASIS OF CONSOLIDATION

1.3.1 SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights, to variable returns generated as result of their involvement with the organization, and has the ability to affect these variables returns through the power it has on the relevant activities of the entity.

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

The purchase method is used in recording the acquisition of subsidiaries. The cost of an acquisition is measured by the fair value of the assets transferred, the equity instruments issued and liabilities incurred or assumed on acquisition date.

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are initially measured at fair value on the acquisition date, irrespective of the existence of non-controlling interests. The excess of the acquisition cost, relative to the fair value of the Group's share of the identifiable assets and liabilities acquired, is recorded as goodwill when the Group acquires control, as described in Note 15.

The subsidiaries are consolidated using the full consolidation method with effect from the date that control is transferred to the Group.

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

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

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

Subsequent transactions in the disposal or acquisition of non-controlling interests, which do not imply a change in control, do not result in the recognition of gains, losses or goodwill. Any difference between the transaction value and the book value is recognised in the Equity, in Other equity instruments (Note 27).

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

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

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

If the acquisition cost is less than the fair value of the net assets of the subsidiary acquired (negative goodwill), the difference is recognised directly in the income statement, under the caption Other operating income. Transaction costs directly attributable are immediately expensed.

Intercompany transactions, balances, unrealised gains on transactions and dividends distributed between Group companies are eliminated. Unrealised losses are also eliminated, except where the transaction displays evidence of impairment of a transferred asset.

Subsidiaries' accounting policies have been changed whenever necessary so as to ensure consistency with the policies adopted by the Group.

1.3.2 ASSOCIATES

Associates are all the entities in which the group has significant influence but does not have control, generally applied in the case of investments representing between 20% and 50% of the voting rights. Investments in associates are accounted under the equity method.

In accordance with the equity 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, is recognised as goodwill and recorded under the caption Investments in associates. If negative, it is recorded as income for the period under the caption "Group share of (loss)/gains of associated companies". Transaction costs directly attributable are immediately expensed.

An evaluation of investments in associates occurs when there are signs that the asset might be impaired, and any identified impairment losses are recorded as costs in the income statement. When the impairment losses recognised in prior years no longer exist, they are reversed.

When the Group's share of losses in associate companies is equal to or exceeds its investment in the associate, the Group ceases to recognise additional losses, except where it has assumed liabilities or made payments on behalf of the associate. 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 on a transferred asset.

Associate's accounting policies are adjusted whenever necessary, so as to ensure consistency with the policies adopted by the Group. Investments in associated companies are disclosed in Note 19.

1.3.3 JOINT VENTURES

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

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

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

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

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

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

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

1.4 SEGMENTAL REPORTING

An operating segment is a component of an entity:

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

(ii) ii) whose operating results are regularly reviewed by the chief operating decision maker of the entity for the purposes of making decisions about allocating resources to the segment and assessing its performance; and

(iii) for which separate financial information is available.

Operating segments are consistently disclosed with the internal model of management information provided to the chiefs operating decision makers of the Group. They are responsible for allocating resources to the segment and assess its performance, as well as for the strategic decision making.

Three operating segments have been identified: Pulp and Paper, Cement and Derivatives and Environment.

PULP AND PAPER

The Navigator Company, S.A. is the subsidiary, acquired in 2004, that leads the Enterprise Group dedicated to the production and sales in Portugal, Germany, Spain, France, Italy, United Kingdom, Netherlands, Austria, Belgium, Switzerland, Morocco, Poland, Turkey, the United States of America and Mozambique, among others, of cellulose pulp and paper and its related products, purchase of wood, forest and agricultural production, cutting timber and sale of pulp and paper.

CEMENT AND DERIVATIVES

Secil — Companhia Geral de Cal e Cimento, S.A. leads the Enterprise Group of cements and related products, which operates in Portugal, Brazil, Lebanon, Tunisia, Angola, Netherlands, France and Cape Verde, with cement production taking place at the Maceira, Pataias, Outão, Adrianópolis (Brazil), Gabés (Tunisia), Lobito (Angola) and Beirut (Lebanon) plants, and the production and sale of cement, aggregates, precast concrete and the operations of quarries facilities through its subsidiaries.

ENVIRONMENT

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

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

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

1.5 FOREIGN CURRENCY TRANSLATION

1.5.1 FUNCTIONAL AND REPORTING CURRENCY

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

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

1.5.2 BALANCES AND TRANSACTIONS EXPRESSED IN FOREIGN CURRENCIES

All the Group's assets and liabilities denominated, in foreign currencies, were converted into Euro using the exchange rates ruling at the statement of financial position date.

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

1.5.3 GROUP COMPANIES

The results and financial position of all Group entities that have a functional currency different from the Group's reporting currency are translated into the reporting currency as follows:

(i) The assets and liabilities of each statement of financial position are translated at the exchange rate ruling at the date of financial statements;

(ii) The resulting exchange rate differences are recognised as a separate component of shareholders' equity, under the caption translation reserve.

(iii) The income and costs of each income statement are translated using the average exchange rate of the reporting period, except where the average exchange rate is not a reasonable approximation of the cumulative effect of the rates ruling on the transaction dates, in which case the income and costs are converted at the exchange rate, ruling on the transaction dates.

Whenever a foreign entity is disposed, the accumulated exchange difference is recognised in the consolidated income statement, as part of the gain or loss on sale.

Goodwill and fair value adjustments, arising from the acquisition of a foreign entity, are treated as assets and liabilities of the foreign entity and converted at the closing exchange rate. The corresponding exchange rate differences are recognised in other comprehensive income.

1.6 INTANGIBLE ASSETS

Intangible assets are stated at cost of acquisition, deducted of accumulated amortisation and impairment losses. Depreciation is calculated using the straight-line method, over a period between 3 to 5 years and annually for CO_2 emission rights.

1.6.1 CO_2 EMISSION RIGHTS

The CO_2 emission rights attributed to the Group at no cost, within the PNALE (National Plan for the Assignment of CO_2 Emission Rights), are recognised at fair value under the caption Intangible assets on the assignment date, with a corresponding liability being recorded under Deferred income — Grants, for the same amount.

The Group records as an operating cost with a corresponding liability and an operating income as a result of the recognition of the proportion of the corresponding grant relating to the Group's CO_2 emissions.

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

At the date of the Interim consolidated Statement of financial position, CO_2 emission rights' portfolio is valued at the lower of the assumed acquisition cost or their market value. On the other hand, liabilities due for those emissions are valued at market value at the same date.

1.6.2 BRANDS

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

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

1.7 GOODWILL

Goodwill represents the difference between the cost of acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries included in the consolidation, by the full method on the acquisition date and is allocated to each Cash Generating Unit (CGU) or group of CGUs to which it belongs.

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

As mentioned in Note 1.5.3, goodwill generated on the acquisition of a foreign entity is recorded in the functional currency of that entity and converted into the reporting currency of the Group (Euro), at the exchange rate prevailing at the balance sheet date. Exchange differences generated in this conversion are recorded in the currency translation reserve as other comprehensive income.

1.8 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Expenses with scheduled maintenance are considered as a component of the acquisition cost of property, plant and equipment, and are fully depreciated up to the expected maintenance date or if they occur after the date of acquisition, capitalised if the useful life exceeds 12 months.

Other expenses with repairs and maintenance are recognised as an expense in the period in which they are incurred.

The spare parts are recognised in accordance with IAS 16. Thus, parts considered strategic, the use of which is not intended for consumption in the production process and the use of which is expected to extend over more than two financial years, and maintenance parts considered as "critical replacement parts", are recognised in non-current assets as Tangible Fixed Assets. Respecting this classification, spare parts are depreciated from the moment they become available for use and are assigned a useful life that follows the nature of the equipment, where they are expected to be integrated, not exceeding the remaining useful life of these.

Maintenance parts of amounts considered intangible, and whose intended use is for less than two years, are classified as inventories.

Depreciation is calculated over the acquisition cost, using the straight-line method since the asset is available for use and using the rates that best reflect their estimated useful life, as follows:

	AVERAGE USEFUL LIFE
Land	14
Buildings and other constructions	12 – 30
Machinery and equipment	6 – 25
Transportation equipment	4 - 9
Tools and equipment	2 - 8
Administrative equipment	4 - 8
Returnable containers	6
Other property, plant and equipment	4 - 10

The depreciation of exploration lands results from the estimated average useful life of the land, taking into account the period of extraction of raw material.

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

Gains or losses arising on the write off or disposal represent the difference between the proceeds received on disposal less costs to sell and the asset's carrying amount, and are recognised in the income statement as other operating income or expenses (operational).

1.9 INVESTMENT PROPERTIES

Investment properties are valued at acquisition cost, net of depreciation and impairment losses, being the cost of those acquired up to 1 January 2004 (date of transition to IFRS) the historical acquisition cost, or the revalue cost in accordance with generally accepted accounting principles in Portugal, up to that date.

Investment property consists essentially of property held for rental or capital appreciation (or both), and is not intended for use in the production or supply of goods or services or for administrative purposes or for sale in the ordinary course of its business.

1.10 IMPAIRMENT OF NON-CURRENT ASSETS

Non-current assets, which do not have a defined useful life are not subject to depreciation, but are subject to annual impairment tests. Assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment losses are recognised as the amount of the excess of the asset's carrying value over its recoverable amount. The recoverable amount is the higher of the fair value less cost to sell amount and the value in use.

For the purpose of conducting impairment tests, the assets are grouped at the lowest level for which cash flows can be identified separately (cash generating units that the assets belong to), when it is not possible to do so individually for each asset.

The reversal of impairment losses, recognised in previous periods, is recorded when it can be concluded that the recognised impairment losses no longer exist or have decreased (with the exception of impairment losses relating to Goodwill — see Note 1.7).

The reversal of impairment losses is recognised in the income statement as Other operating income, unless the asset has been revalued in which case the reversal corresponds to an additional revaluation. However, the reversal of the impairment loss is reversed only up to the limit of the amount that would have been recognised (net of amortisation or depreciation) had the impairment loss not been recorded in previous years.

1.11 BIOLOGICAL ASSETS

Biological assets are measured at fair value (Note 18) deducted by costs at the point of harvest. The Group's biological assets mainly comprise the forests held for the production of timber, suitable for incorporating in the production process of BEKP, including among other species pine and cork.

When calculating the fair value of the forests, the Group used the discounted cash flows method, based on a model developed in house that is subject to periodical reviews by external and independent experts, which considers assumptions about the nature of the assets being valued, namely, the expected yield of the forests, the timber selling price deducted by costs relating to harvest and transportation, the rents of the woodlands (own and rented) and also plantation costs, maintenance costs, the inherent cost of the rented forests and a discount rate.

All costs incurred in land preparation for first forestation are considered as a tangible asset, depreciated over their estimated useful life, corresponding to the concession period for assets deployed in concession areas.

The discount rate corresponds to a market rate without inflation, determined on the basis of the Group's expected rate of return on its forests, see Note 3.4.

Changes in estimates of growth, growth period, price, cost and other assumptions are recognised as changes in fair value of biological assets.

At the time of harvest, wood is recognised at fair value less estimated costs from the harvest site to the point of sale, which corresponds to the initial carrying amount of the inventory.

1.12 FINANCIAL ASSETS

IFRS 9 introduced new requirements for the classification and measurement of financial assets, replacing the requirements set forth in IAS 39.

The classification is based on the business model used in the management of the financial assets and on the characteristics of the cash flows defined in the contract, and is determined at the time of initial recognition and is revalued 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.

DEBT INSTRUMENTS

A financial asset is measured at amortised cost if (i) it is held to collect contractual cash flows; and (ii) the asset's underlying contractual cash flows represent solely the payment of principal and interest (SPPI). Assets classified under this category are initially recognised at fair value and subsequently measured at amortised cost.

A financial asset is measured at fair value through other comprehensive income if (i) the inherent objective of the business model used is achieved, either by collecting contractual cash flows or by selling financial assets; and (ii) the underlying contractual cash flows represent solely payment of principal and interest. Assets classified under this category are initially and subsequently measured at fair value, and the changes in their carrying amount are recorded against other comprehensive income, except for recognition of impairment losses, interest and foreign exchange gains and losses which are recognised against the income statement. When the financial asset is derecognised, the gain or loss accumulated in other comprehensive income is reclassified to profit and loss.

Financial assets that do not meet the requirements for classification in the situations referred to above are classified and measured at fair value through profit or loss, residual category under IFRS 9.

EQUITY INSTRUMENTS

Equity instruments are measured at fair value. Equity instruments held for trading purposes are measured at fair value through profit and loss. In turn, changes in fair value for the remaining equity instruments are recognised in other comprehensive income.

IMPAIRMENT

IFRS 9 establishes a new asset impairment model based on "expected credit losses", which will replace the current "incurred loss" model followed in IAS 39. The new model is applicable to all held financial instruments which are measured at amortised cost or fair value through other comprehensive income (including loans, bank deposits, receivables and debt securities).

DERECOGNITION OF FINANCIAL ASSETS

The Group derecognises financial assets when the contractual rights to its cash flows expire, or when it transfers the financial assets and all significant risks and benefits associated with their possession to another entity. The transferred financial assets are derecognised for which the Group has retained significant risks and benefits, provided that control over them has been assigned.

1.13 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

DERIVATIVE FINANCIAL INSTRUMENTS

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

Although the derivative financial instruments contracted represent effective economic hedging instruments, not all of them qualify as hedging instruments, in accordance with the rules and requirements of IAS 39. Derivative financial instruments which do not qualify as hedging instruments are stated on the statement of financial position at fair value and changes in fair value are recognised in Gains and losses in financial instruments (Note 10).

Whenever possible, the fair value of derivatives is estimated, based on quoted instruments. In the absence of market prices, the fair value of derivatives is estimated based on the discounted cash flow method and option valuation models, in accordance with the assumptions generally used in the market. The fair value of derivative financial instruments is mainly included in the captions Receivables and other-current assets and Payables and other-current liabilities.

The derivative financial instruments, used for hedge purposes, may be classified as hedge instruments whether they fulfil all of the following conditions:

(i) At acquisition date, there is formal designation and documentation of the hedging relationship, namely regarding the hedged item, the hedging instrument and the company's evaluation of the hedging effectiveness;

(ii) There is an expectation that the hedge will be highly effective, at the inception of the hedging relation and along its duration;

(iii) The effectiveness of the hedge may be measured at the beginning of the operation and while it is running;

(iv) For cash flow hedges, the realization of the cash flows must be highly probable.

Whenever expectations of changes in interest or exchange rates justify it, the Group seeks to hedge against adverse movements through derivative instruments, such as interest rate swaps (IRS), exchange an interest rate collars, exchange forwards, among others.

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

CASH FLOWS HEDGE (INTEREST RATE, PRICE 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 consolidated statement of financial position at their fair value, if considered effective hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Accumulated amounts in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'net financial results'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

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, unless the hedged item is a forecast transaction, in which case any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

In accordance with IFRS 9, the Group has chosen to continue to apply the hedge accounting requirements of IAS 39 until there is increased visibility over the Dynamic Risk Management (macro hedging) project, currently under development, in order to avoid a partial application of the new standard´s hedge accounting.

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, which are recorded at fair value in the Interim Consolidated Statement of Financial Position.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

1.14 CORPORATE INCOME TAX

Corporate income tax includes current and deferred tax.

CURRENT TAX

Current income tax is calculated based on net profit, adjusted in conformity with tax legislation in force at the statement of financial position date.

DEFERRED TAX

Deferred tax is calculated using the liability method, based on the temporary differences between the book values of the assets and liabilities and their respective tax base. The income tax rate expected to be in force in the period in which the temporary differences will reverse is used in calculating deferred tax.

Deferred tax assets are recognised whenever there is a reasonable likelihood that future taxable profits will be generated against which they can be offset. Deferred tax assets are revised periodically and decreased, whenever it is likely that tax losses will not be used.

Deferred taxes are recorded as a cost or income for the year, except where they result from amounts recorded directly under shareholders' equity, situation in which deferred tax is also recorded under the same caption. Tax benefits attributed to the Group regarding its investment projects are recognised through the income statement as there is sufficient taxable income to allow its use.

TAX BUSINESS GROUP

Group Semapa is subject to the special regime governing business groups, comprising companies in which the shareholding is equal to or more than 75% and which meet the conditions laid down in articles 69 and following of the Corporate Income Tax Code (CIT Code).

Companies included within the consolidation scope of the group of companies subject to this regime, calculate and recognise corporate income tax (CIT) as though they were taxed on an individual basis (Note 11). However, the liabilities are recognised as due to the dominant entity of the tax business Group, currently Semapa, SGPS, S.A., which is responsible for the Group's overall clearance and payment of the corporate income tax. Where there are gains on the use of this regime, these are recorded in the dominant entity financial statements.

1.15 INVENTORY

Inventories are valued in accordance with the following criteria:

— Goods and raw materials;

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

— Finished products and work in progress;

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

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

1.16 RECEIVABLES AND OTHER CURRENT ASSETS

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

Impairment losses are recorded based on the simplified approach set forth in IFRS 9, recording the expected losses up to maturity. Expected losses are calculated based on the experience of historical actual losses over a statistically significant period and representative of the specific characteristics of the underlying credit risk.

1.17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash, bank accounts and other short-term investments with an initial maturity of up to 3 months, which can be mobilised immediately without any significant risk in value fluctuations. For cash flow statement purposes, this caption also includes bank overdrafts, which are presented in the statement of financial position as a current liability, under the caption Interest-bearing liabilities.

1.18 Share capital and treasury shares

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

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

The cost directly attributable to the issue of new shares options for a business acquisition are included in the acquisition cost, as part of the purchase price.

Treasury shares are recorded at their acquisition amount as a decrease in shareholders' equity, in the caption Treasury shares, while the gains or losses inherent in their disposal are recorded under Other reserves.

When any Group company acquires shares of the parent company (treasury shares), the payment, which includes directly-attributable incremental costs, is deducted from the shareholders' equity attributable to the holders of the parent company's capital until the shares are cancelled, redeemed or sold.

When such shares are subsequently sold or repurchased, any proceeds, net of the directly attributable transaction costs and taxes, is reflected in the shareholders' equity of the company's shareholders, under Other reserves.

The extinction of treasury shares is reflected in the consolidated financial statements, as a reduction of share capital and in the caption Treasury shares at its nominal and acquisition cost, respectively. Its differential is assessed between the amounts recorded in Other reserves.

1.19 Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value, net of the transaction costs incurred, and are subsequently stated at their amortised cost. Any difference between the amounts received (net of transaction costs) and the repayment amount is recognised in the income statement over the term of the debt, using the effective interest rate method.

Interest-bearing debt is classified as a current liability, except where the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the consolidated statement of financial position date (Note 31).

The Group derecognises financial liabilities only when the correspondent obligation is settled, cancelled or expires

1.20 Borrowing costs

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

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

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

1.21 PROVISIONS

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

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

The Group incurs expenditure and assumes liabilities of an environmental nature. Accordingly, expenditures on equipment and operating techniques that ensure compliance with applicable legislation and regulations (as well as on the reduction of environmental impacts to levels that do not exceed those representing a viable application of the best available technologies, on those related to minimizing energy consumption, atmospheric emissions, the production of residues and noise), are capitalised when they are intended to serve the Group's business in a durable way, as well as those associated with future economic benefits and which serve to prolong life expectancy, increase capacity or improve the safety or efficiency of other assets owned by the Group (Notes 30 and 36).

In addition, under the applicable legislation, some of the companies of the Group are responsible for the environmental and landscape recovery of the quarries affected by the exploration. Rehabilitation works mainly include cleaning and regularisation of areas for reclamation, modelling and preparation of the land, transport and spreading of rejected materials for landfill, fertilisation, execution of the general plan of coating with hydros and plantation, and maintenance and conservation of the areas recovered after implantation.

The extent of the work required and the costs to be incurred were determined based on the quarrying plans and studies prepared by independent entities, and the total liability was measured by the expected value of the future cash flows, discounted to present value.

Value judgments and estimates are involved in the formation of expectations about future activities and the amount and period of time of the associated cash flows. These perspectives are based on the existing environment and current regulations.

The value of the provision for landscape recovery was initially recognised against the caption Property, plant and equipment and is subsequently increased due to the time effect of the money against the caption, as a contra entry to Interest and similar expenses incurred and consumed by the expenses incurred by each of the Group companies with the recovery, as of the date they occur.

Quarries whose reconstitution is only possible at the closure of operations, the Group has requested independent and specialised entities to quantify those obligations, having for this purpose recognised a provision under the caption Provisions (Note 30).

1.22 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

1.22.1 PENSIONS OBLIGATIONS – DEFINED BENEFIT PLANS

Some of the Group's subsidiaries have assumed the commitment to make payments to their Employees in the form of complementary retirement pensions, disability, early retirement and survivors' pensions, having constituted defined-benefit plans.

As referred to in Note 29, the Group set-up autonomous Pension Funds as a means of funding part of the commitments for such payments. According to IAS 19, companies with pension plans recognise the costs with the granting of these benefits as and when the services are rendered by the beneficiary Employees. In this manner, the Group's total liability is estimated at least every six months at the date of the interim and annual financial statements, for each plan separately by an independent and specialised entity in conformity with the projected unit credit method.

The costs relating to past liabilities, which result from the implementation of a new plan or additional benefits granted, are recognised immediately in situations in which the benefits are being paid or are overdue. The calculated liability is presented in the Consolidated Statement of financial position, after deducting the market value of the funds constituted, under the caption Pensions and other post-employment benefits included in non-current liabilities.

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

The net interest corresponds to the application of the discount rate to the value of net responsibilities (value of the responsibilities deducted of fund asset's fair value) and is recognised under the caption Personnel costs.

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

1.22.2 PENSION OBLIGATIONS – DEFINED CONTRIBUTION PLANS

Some of the Group's subsidiaries have assumed commitments, regarding contributing to a defined contribution plan with a percentage of the beneficiaries' salary, in order to provide retirement, disability and survivors' pensions.

In order to capitalise those contributions, pension funds were set up, for which Employees can make additional voluntary contributions.

Therefore, the responsibility with these plans corresponds to the contribution made to the funds, based on the percentage of the Employees' salaries, defined in the respective agreements. These contributions are 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.

These liabilities are recorded in the period in which the Employees acquire the respective right, irrespective of the date of payment, whilst the balance payable at the date of the consolidated statement of financial position is shown under the caption Payables and other current liabilities.

The benefits arising from termination of employment are recognised when the Group can no longer withdraw the offer of such benefits or in which the Group recognises the cost of restructuring under the provisions recording. Benefits due over 12 months after the end of the reporting period are discounted to their present value.

1.23 Payables and other current liabilities

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

1.24 Non-current assets held for sale and discontinued operations

Non-current assets (or discontinued operations) are classified as held for sale, if its value is realisable through a sale transaction rather than through its continuing use.

It is considered that this situation exists only when: (i) the sale is highly probable and the asset is available for immediate sale in its present condition, (ii) the Group has assumed a commitment to sell, and (iii) it is expected that the sale will take place within a period of 12 months. In this case, non-current assets are valued at lower between carrying value and fair value less costs to sell, since it is classified as held for sale until it is materialized.

From the moment that certain tangible assets are considered as held for sale, depreciation ceases, and the assets are classified as non-current assets held for sale.

Gains or losses on disposals of tangible assets, determined as the difference between the sale price and its net book value, are recorded under the caption Gains and losses on disposals of assets.

1.25 Government Grants

Government grants are recognised at their fair value and only when there is a reasonable assurance that the grant will be received and the group will comply with all required conditions. Government grants related to operating costs are deferred and recognised in the income statement over the period that matches the costs with the compensating grants.

Grants related to biological assets carried at fair value, in accordance with IAS 41, are recognised in the income statement when the terms and conditions of the grant are met.

Government grants that the Group receives to compensate its capital expenditures are reported under the caption Payables and other current liabilities and are recognised in the income statement, during the estimated useful life of the granted asset, by deducting the value of its amortisation.

1.26 LEASES

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

Income arising from sales or services rendered is recognised in the consolidated income statement in accordance with the principles introduced by IFRS 15. Revenue must depict the transfer of goods and services contracted to customers, for the amount corresponding to the consideration that the entity expects to receive as consideration for the delivery of these goods or services. This core principle is based on a 5-step model: (i) identification of a contract with a customer; (ii) identification of performance obligations; (iii) determination of a transaction price; (iv) transaction price allocation and (v) recognition of revenue.

1.29 ACCRUAL ACCOUNTING PRINCIPLE

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

The Group companies record their costs and income in accordance with the accrual accounting principle, in terms of which costs and income are recognised as and when generated, irrespective of the moment in which they are received

or paid. The differences between the amounts received and paid and the respective costs and income are recognised in the Receivables and other current assets and Payables and other current liabilities (Notes 24 and 32, respectively).

1.30 CONTINGENT ASSETS AND LIABILITIES

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

Provisions are recognised for liabilities which meet the conditions described in Note 1.21.

Contingent assets are not recognised in the interim consolidated financial statements but are disclosed in the notes when it is probable that a future economic benefit will arise from them (Note 41).

1.31 FAIR VALUE

Financial Assets and Liabilities measured at fair value are classified according to the following levels of fair value hierarchy:

- Level 1: fair value of financial assets and liabilities based on net asset market quotations, at the reference date of the consolidated financial position;

- Level 2: the fair value of financial assets and liabilities is not determined based on active market quotations, but rather using valuation models. The main inputs of the models used are observable in the market; and

- Level 3: the fair value of financial assets and liabilities is not determined based on active market quotations, but rather using valuation models, whose main inputs are not observable in the market.

1.32 EARNINGS PER SHARE

The basic earnings per share are determined based on the division of profits or losses attributable to the ordinary shareholders of the Company/Group by the weighted average number of common shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the Company/Group adjusts the profits or losses attributable to ordinary equity holders, as well as the weighted average number of outstanding shares for the purposes of all potential dilutive common shares.

1.33 SUBSEQUENT EVENTS

Events after statement of financial position date, which provide additional information about the conditions prevailing at the date of the statement of financial position are reflected in the consolidated financial statements.

Subsequent events, which provide information about conditions, which occur after the statement of financial position date are disclosed in the notes to the consolidated financial statements, if material (Note 44).

1.34 NEW STANDARDS, CHANGES AND INTERPRETATION OF EXISTING STANDARDS

There are new standards and interpretations whose application is mandatory for annual periods beginning on or after 1 January 2018, as follows:

Description	Changes	Effective Date *
1. Standards (new and amended) that become effective on or after 1 January 2018, already endorsed by the EU		
IFRS 9 – Financial instruments	New standard for the accounting treatment of financial instruments	1 January 2018
IFRS 15 – Revenue from contracts with customers	Recognition of revenue related to the delivery of assets and provision of services by applying the 5-step method.	1 January 2018
IFRS 16 - Leases	New lease definition. New accounting of lease contracts for lessees. There are no changes to the booking of rentals by lessors.	1 January 2019
IFRS 4 – Insurance Contract (application of IFRS 4 and IFRS 9)	Temporary exemption for insurance companies only, from applying IFRS 9 for annual periods beginning before 1 January 2021. Overlay approach for assets within IFRS 4 that qualify as FVTPL under IFRS 9 and at amortised cost under IAS 39, being the measurement difference reclassified to OCI.	1 January 2018
Changes to IFRS 15 - Revenue from contracts with customers	Identification of performance obligations, recognition of PI license revenue, revision of the indicators for the classification of the main versus agent relationship, and new regimes for the simplification of the transition.	1 January 2018
2. Standards (new and amended) and interpretations that become effective on or after 1 January 2018, not yet endorsed by the EU		
2.1 Standards		
Improvement to standards 2014 - 2016	Several clarifications: IFRS 1, IFRS 12 and IAS 28	1 January 2018
IAS 40 – Investment Properties	Clarification that evidence of change of use is required to effect the transfer of assets to and from the investment property category.	1 January 2018
IFRS 2 – Share-based payments	Measurement of financially settled share-based payment plans, accounting for changes, and classification of share-based payment plans as liquidated in equity, when the employer is required to withhold tax.	1 January 2018
IFRS 9 – Financial instruments	Accounting treatment options for financial assets with negative compensation	1 January 2019
IAS 28 - Investments in associate and joint ventures	Clarification regarding long-term investments in associates and joint ventures that are not being measured using the equity method.	1 January 2019
Improvement to standards 2015 – 2017	Several clarifications: IAS 23, IAS 12, IFRS 3 and IFRS 11	1 January 2019
IFRS 17 – Insurance Contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics.	1 January 2021
2.2 - Interpretations		
IFRIC 22 – Transactions in foreign currency and advanced consideration	Exchange rate to be applied when consideration is received or paid in advance.	1 January 2018
IFRIC 23 – Uncertainties about treatment income tax	Clarification on the application of the principles of recognition and measurement of IAS 12 when there is uncertainty about the tax treatment of a transaction, concerning income tax.	1 January 2019

** Exercises started on or after*

The Group will adopt the new standards in the years in which they become of effective implementation. Up to the date of issuing this report, the Group had not assessed the effects on the consolidated financial statements arising from the adoption of these standards.

IFRS 9

IFRS 9, adopted via Commission Regulation (EU) No. 2067/2016 of 22 November 2016, includes three distinct areas: classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

IFRS 9 is applicable in periods beginning on or after 1 January 2018. Except for hedge accounting, retrospective application is mandatory, although without the need for disclosure of comparative information. For hedge accounting, requirements are generally applied prospectively, with some exceptions.

The Group adopted this standard on 1 January 2018 without restating comparative information, as provided for by the Standard and its adoption did not have a significant impact on the interim consolidated statement of financial position. The main changes introduced by the standard are as follows:

(a) Classification and measurement

IFRS 9 states that the classification and measurement of financial assets is based on the business model adopted for managing the assets and on the characteristics of the contractual cash flows. To this effect, financial assets are measured at amortised cost if held to collect contractual cash flows. Other financial assets are measured at fair value through other comprehensive income (if there is also an intention to sell the assets) or through profit or loss (if not included in any previous business model, for example, if managed based on their fair value).

There were no significant impact on the Group's statement of financial position or in shareholders' equity, from applying the classification and measurement requirements of IFRS 9. The Group continues measuring at fair value all financial assets previously measured at fair value.

(b) Impairment

IFRS 9 establishes a new asset impairment model based on "expected credit losses", which will replace the current "incurred loss" model followed in IAS 39. Consequently, it will no longer be necessary for a loss event to occur in order for impairment to be recognised. The new model accelerates the recognition of impairment losses in held debt instruments measured at amortised cost or fair value through other comprehensive income (including loans, bank deposits, receivables and debt securities). In case the credit risk of a financial asset has not significantly increased since its initial recognition, accumulated impairment losses equal to the losses expected to occur over the following 12 months must be recognised. In case credit risk has increased significantly, accumulated impairment losses must be recognised in the amount of expected losses until asset maturity. Once a loss event (objective evidence of impairment) has taken place, accumulated impairment losses are directly allocated to the asset, being the accounting treatment similar to that of IAS 39, including the treatment of interest.

The Standard also allows the application of a simplified approach for financial assets that meet the specified requirements. In this case, impairment loss is measured at initial recognition for an amount matching the expected losses during the entire life of the asset.

(c) Hedge accounting

IFRS 9 introduced new requirements for hedge accounting, more aligned with the principles of risk management. The new requirements also establish a more principle-based approach to hedge accounting, solving some issues in the IAS 39 hedging model.

The Group analysed the changes resulting from the adoption of this standard with the following impacts at the time of transition:

a. Classification and measurement - Financial assets at fair value through profit and loss and Available-for-sale financial assets are now referred to as Equity instruments with no change in their measurement;

b. Impairment – The implementation of the new impairment model, determined the recognition of a negative adjustment in the amount Euro 3,198,733 (Note 31) under Cash and Cash equivalents.

IFRS 15

On 28 May 2014, the International Accounting Standards Board (IASB) issued IFRS 15 – Revenue from contracts with customers, amended in April 2016 (adopted via Commission Regulation (EU) No. 1905/2016 of 22 September 2016). This standard replaces the current requirements for revenue recognition and became mandatory for periods beginning on or after 1 January 2018.

The Group adopted IFRS 15 using the modified retrospective approach with impacts arising from the initial application of the standard recognised at the date of initial application (1 January 2018). Thus, the Group did not restate the comparative information.

The Group analysed the changes arising from the adoption of IFRS 15 in order to identify and evaluate the qualitative and quantitative impacts of the adoption of the Standard. Accordingly, the qualitative changes are presented in the policies, as referred to in notes 1.16 and 1.28.

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, interest payment, loan reimbursement and other cash-flows generated by those companies.

The ability of Semapa subsidiaries to make funds available will depend, partly, of their ability to generate positive cash flows and, on the other hand, of the respective earnings, available reserves and financial structure.

The Semapa group has a risk-management programme, which focuses its analysis on the financial markets with a view to mitigate the potential adverse effects on the Semapa Group's financial performance. Risk management is undertaken by Financial Management of the holding and main subsidiaries, in accordance with the policies approved by the Board of Directors. An Internal Control Commission with specific functions over the operations risk control is established at Semapa level.

2.1.1 CURRENCY RISK

Variations in the Euro's exchange rate against other currencies can affect the Group's revenue in a number of ways.

Regarding the Pulp and Paper segment, a significant portion of its sales is denominated in currencies other than Euro. Thus, its development could have a significant impact on future sales of the Company mainly regarding USD exposure. Also sales in Sterling Pound (GBP), Polish Zloty (PLN) and Swiss Franc (CHF) have some expression, as sales in other currencies are less significant. Purchases of certain raw materials are made in USD, particularly the share of imports of wood pulp and softwood; therefore variations in this currency may have an impact on acquisition values.

Furthermore, once a sale or purchase 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 or settles the purchase, if no hedging instruments are in place. Therefore, the Group is permanently exposed to currency risk through a significant amount of receivables and payables, although the latter with lesser significance payables. This segment also includes subsidiaries located in Poland, Mozambique and United States of America, though the currency variation in these countries may impact the consolidated financial position of Semapa.

The currency risk inherent to the segment of Cement and derivatives is mainly due to the current investments, hold and in development, located in Brazil and to the purchases of fuel and freight ships, both paid in USD. This segment continued its policy of maximizing the potential of covering their foreign exchange exposure, through compensating the exchange flows internally. This segment comprises assets located in Tunisia, Angola and Lebanon, therefore any change in these countries' exchange rates could have an impact on Semapa's statement of financial position.

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

Occasionally, when considered appropriate, the Group manages foreign exchange risks through the use of derivative financial instruments, in accordance with a policy that is subject to periodic review, the prime purpose of which is to limit the exchange risk associated with future sales and purchases and accounts receivable and payables, which are denominated in currencies other than the Euro.

The Group's exposure to foreign exchange rate risk as of 30 June 2018, based on the consolidated financial assets and liabilities in the net amount of EUR 302,960,522, negative position (31 December 2017: EUR 250,421,879, negative position) converted at the exchange rate as of that date is detailed as follows:

Amounts in Foreign Currency	American Dollar	Sterling Pound	Polish Zloti	Swedish Krone	Turkish Lira	Swiss Franc	Danish Krone	Brazilian Real
As of 30 June 2018								
Assets								
Cash and cash equivalents	99,487,823	353,787	419,376	811	43,905	124,160	90	17,853,645
Receivables	78,820,595	11,939,085	6,560,435	-	-	1,681,627	-	39,293,837
Other assets	254,142	-	-	-	-	-	-	7,571,035
Total financial assets	**178,562,560**	**12,292,873**	**6,979,811**	**811**	**43,905**	**1,805,787**	**90**	**64,718,517**
Liabilities								
Interest-bearing liabilities	(17,963,108)	-	-	-	-	-	-	(332,734,200)
Payables	(16,746,592)	(42,069)	-	(88,951)	-	(36,187)	-	(121,013,819)
Total financial liabilities	**(34,709,700)**	**(42,069)**	**-**	**(88,951)**	**-**	**(36,187)**	**-**	**(453,748,019)**
Derivative financial instruments	**(274,905,965)**	**(76,266,667)**	**-**	**-**	**-**	**-**	**-**	**(71,770,456)**
Net financial position	**(131,053,105)**	**(64,015,863)**	**6,979,811**	**(88,140)**	**43,905**	**1,769,600**	**90**	**(460,799,958)**
As of 31 December 2017								
Total financial assets	170,427,450	259,897	6,861,583	686,323	46,713	1,668,259	144,607	54,221,762
Total financial liabilities	(31,486,412)	-	(4,044)	(39,246)	(2,808)	(66,538)	-	(474,802,822)
Derivative financial instruments	**(239,089,298)**	**(12,800,000)**	**-**	**-**	**-**	**-**	**-**	**(115,898,114)**
Net financial position	**(100,148,261)**	**(12,540,103)**	**6,857,538**	**647,077**	**43,904**	**1,601,721**	**144,607**	**(536,479,174)**

Amounts in Foreign Currency	Australian Dollar	Norwegian Krone	Mozambican Metical	Moroccan Dirham	000 Lebanese Pounds	Tunisian Dinar	Angolan Kwanza	South African Rand
As of 30 June 2018								
Assets								
Cash and cash equivalents	-	839	3,178,027	205,390	1,233,641	13,547,027	1,432,213,796	-
Receivables	56,104	543,829	16,216,623	-	27,199,685	26,868,356	160,148,876	-
Other assets	-	-	-	-	(19,644)	66,382	3,501,076	-
Total financial assets	**56,104**	**544,668**	**19,394,650**	**205,390**	**28,413,682**	**40,481,765**	**1,595,863,748**	**-**
Liabilities								
Interest-bearing liabilities	-	-	-	-	(7,513,199)	(52,206,337)	(1,944,721,946)	-
Payables	-	-	25,170,194	(115,341)	(37,830,855)	(28,938,903)	(1,564,551,414)	-
Total financial liabilities	**-**	**-**	**25,170,194**	**(115,341)**	**(45,344,054)**	**(81,145,240)**	**(3,509,273,360)**	**-**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net financial position	**56,104**	**544,668**	**44,564,844**	**90,049**	**(16,930,372)**	**(40,663,475)**	**(1,913,409,612)**	**-**
As of 31 December 2017								
Total financial assets	(8,218)	148	37,305,773	210,855	33,097,083	37,907,513	637,702,561	40,922
Total financial liabilities	(4,252)	-	(21,778,309)	(150,515)	(51,506,543)	(80,450,603)	(1,949,666,698)	-
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net financial position	**(12,470)**	**148**	**15,527,465**	**60,340**	**(18,409,460)**	**(42,543,090)**	**(1,311,964,137)**	**40,922**

Foreign exchange derivative instruments are hedged against the exchange rate risk of future foreign operations and operations denominated in foreign currency. The amounts reflected in the table correspond only to the notional amounts of the hedging instruments contracted and not to their fair values (these are reflected in the amounts Receivable and payable).

2.1.2 INTEREST RATE RISK

A significant share of the Group's financial liabilities cost are indexed to short-term reference interest rates, which are reviewed more than once a year (generally every six months for medium and long-term debt). Hence, changes in interest rates can have an impact on the Company's earnings. Where the Board considers appropriate, the Group relies on the use of derivative financial instruments, including interest rate swaps and collars to manage the interest rate risk, and these tools aim to fix the interest rate on loans it obtains, within certain parameters.

As of 30 June 2018 and 31 December 2017, 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	Below 1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As of 30 June 2018						
Assets						
Non-current						
Other non-current assets	-	-	-	-	-	-
Current						
Cash equivalents	152,363,765	63,095,293	5,691,312	1,987,030	-	223,137,400
Total financial assets	**152,363,765**	**63,095,293**	**5,691,312**	**1,987,030**	**-**	**223,137,400**
Liabilities						
Non-current						
Interest bearing liabilities	19,000,000	-	214,525,173	930,989,744	351,777,419	1,516,292,336
Other liabilities	-	-	-	-	-	-
Current						
Interest bearing liabilities	93,953,980	28,563,692	217,396,066	-	-	339,913,738
Total financial liabilities	**112,953,980**	**28,563,692**	**431,921,239**	**930,989,744**	**351,777,419**	**1,856,206,074**
Difference	**39,409,785**	**34,531,601**	**(426,229,927)**	**(929,002,714)**	**(351,777,419)**	**(1,633,068,674)**

Amounts in Euro	Below 1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As of 31 December 2017						
Assets						
Non-current						
Other non-current assets	-	-	-	-	-	-
Current						
Cash equivalents	169,567,627	31,181,859	41,463,697	974,078	-	243,187,261
Total financial assets	**169,567,627**	**31,181,859**	**41,463,697**	**974,078**	**-**	**243,187,261**
Liabilities						
Non-current						
Interest bearing liabilities	320,823,366	32,092,653	237,038,398	705,999,367	365,447,356	1,661,401,140
Other liabilities	-	-	-	-	-	-
Current						
Interest bearing liabilities	61,697,118	52,909,963	135,424,442	14,773,859	-	264,805,382
Total financial liabilities	**382,520,484**	**85,002,616**	**372,462,840**	**720,773,226**	**365,447,356**	**1,926,206,522**
Difference	**(212,952,857)**	**(53,820,757)**	**(330,999,143)**	**(719,799,148)**	**(365,447,356)**	**(1,683,019,261)**

Semapa uses the sensibility analysis technique to measure impacts on earnings and equity of increase or decrease on interest rates maintaining the other variables constant. This analysis is only for theoretical reasons, since changes in interest rates rarely occur in isolation from changes in other market factors.

The sensitivity analysis is based on the following assumptions:

(i) Changes in market interest rates affect interest income and expenses arising from financial instruments subject to floating rates;

(ii) Changes in market interest rates only affect interest income and expenses regarding fixed rate financial instruments if those are measured at their fair value;

(iii) Changes in market interest rates affect the fair value of derivative financial instruments as well as other financial assets or liabilities;

(iv) Changes in fair value of derivative financial instruments and other financial assets and liabilities are measured using the discounted cash flows method, with market interest rates at year end;

2.1.3 CREDIT RISK

The Group is exposed to credit risk in the credit it grants to its customers and, accordingly, it has adopted a policy of managing such risk within present limits, by serving insurance policies with a specialised independent company.

The deterioration in global economic conditions or adverse situations, which only affect economies at the local level, could give rise to situations in which customers are unable to meet their commitments stemming from the sales of products.

Credit insurance has been one of the instruments adopted by the Semapa Group to mitigate the negative impact of this type of risk. Sales that are not covered by credit insurance are subject to rules which ensure that sales are made to customers with a satisfactory credit history and are within reasonable exposure limits and approved for each costumer.

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

As of 30 June 2018 and 31 December 2017, accounts receivable from customers showed the following ageing structure, considering the due dates for the open balances, before impairment charges:

Amounts in Euro	Pulp and Paper	Cement and Derivatives	Environment	Total 30-06-2018	Total 31-12-2017
Not overdue	200,545,974	46,856,457	2,763,879	250,166,310	208,062,684
1 to 90 days	6,763,634	15,030,543	3,136,411	24,930,588	29,360,563
91 to 180 days	241,903	4,268,032	2,692,181	7,202,116	5,736,334
181 to 360 days	25,571	1,794,202	2,658,027	4,477,800	2,730,143
361 to 540 days	2,406	834,545	402,111	1,239,062	1,086,074
541 to 720 days	-	457,215	184,260	641,475	718,479
more than 721 days	-	11,725,769	474,209	12,199,978	12,851,866
	207,579,488	**80,966,763**	**12,311,078**	**300,857,329**	**260,546,143**
Litigation - doubtful debts	1,511,177	12,566,336	-	14,077,513	15,314,232
Impairments (Note 22)	(1,511,177)	(26,660,648)	(210,959)	(28,382,784)	(29,984,062)
Net receivables balance (Note 24)	**207,579,488**	**66,872,451**	**12,100,119**	**286,552,058**	**245,876,313**

The presented amounts correspond to the open items by the contracted due dates. Despite some delays in the liquidation of those amounts, this does not result, in accordance with the available information, in the identification of impairments, further than the ones considered through the respective losses.

In the Environment segment, the overdue amounts include Euro 6,685,980 and Euro 907,955 related to services rendered and interests, respectively, corresponding to amounts receivable from DGAV - Direção Geral de Alimentação e Veterinária under the SIRCA - Sistema Integrado de Recolha de Cadáveres Animais agreement celebrated with the subsidiary ITS.

These are identified using the information periodically collected about the financial behaviour of the Group customers, which allow, in conjunction with the experience obtained in the client portfolio analysis and with the history of credit defaults, in the share not attributable to the insurance company, to define the amount of losses to recognise in the period. The existing guarantees for a significant part of the open and old balances justify the fact that no impairment has been recorded related to those amounts.

The ageing analysis of receivables already overdue is as follows:

Amounts in Euro	30-06-2018		31-12-2017	
	Gross amount	Fair value of credit insurance	Gross amount	Fair value of credit insurance
Accounts receivables overdue but not impaired				
Overdue - less than 3 months	24,915,062	8,150,137	29,360,021	14,096,427
Overdue - more than 3 months	11,694,343	409,250	8,619,462	626,183
	36,609,405	8,559,387	37,979,483	14,722,610
Accounts receivable overdue and impaired				
Overdue - less than 3 months	72,091	-	166,396	-
Overdue - more than 3 months	28,143,600	-	29,817,666	-
	28,215,691	-	29,984,062	-

In accordance with the above-mentioned, it should be noted that the Group adopted a policy of credit insurance for a significant part of the accounts receivable from costumers. Thus, it is considered that the effective Group's exposure to the credit risk has been mitigated and is within acceptable levels.

The table below represents the quality of the Group's credit risk, as of 30 June 2018 and 31 December 2017, for financial assets (Cash and cash equivalents and Derivative financial instruments), whose counterparts are financial institutions:

Amounts in Euro	30-06-2018	31-12-2017
AA-	25,851,839	25,902,715
A	1,692,983	1,353,238
A-	1,716,819	31,198,487
BBB+	32,054,094	697,593
BBB	-	31,480
BBB-	44,243,231	66,307,520
BB+	11,067	18,791
BB	-	355,203
BB-	7,172,254	12,176,062
B+	-	937
B	10,115	-
B-	30,575,902	41,408,720
Others	76,310,459	63,092,165
	219,638,763	242,542,911

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

The maximum exposure to the credit risk as at 30 June 2018 and 31 December 2017 and 2016 is detailed in the following schedule:

Amounts in Euro	30-06-2018	31-12-2017
Non-current		
Equity instruments (Note 21)	522,540	424,428
Other non-current assets	38,210,103	6,244,448
Current		
Receivables and other current assets (Note 24)	367,238,765	317,627,212
Derivative financial instruments (Note 24)	3,798,664	4,571,589
Cash and cash equivalents	219,638,763	242,542,911
	629,408,835	571,410,588

2.1.4 LIQUIDITY RISK

The Group manages liquidity risk in two ways: ensuring that its interest-bearing debt has a large medium and long-term component with maturities in harmony with the characteristics of the industry in which it operates, and having access to credit facilities available at any moment, assuring the adequate liquidity.

The liquidity of the agreed interest-bearing financial liabilities will generate the following not discounted cash flows, including interests until maturity as at the statement of financial position's date:

Amounts in Euro	-1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As of 30 June 2018						
Liabilities						
Interest-bearing liabilities						
Bond loans	-	3,446,375	170,016,768	592,271,845	222,939,964	988,674,952
Commercial paper	55,110,079	15,235,643	63,014,328	518,277,845	10,183,514	661,821,409
Bank loans	14,926,063	11,879,365	65,274,458	190,450,327	37,486,048	320,016,261
Financial leases	46,068	92,929	676,540	1,099,971	590,911	2,506,419
Derivative financial instruments	-	-	932,557	139,652	-	1,072,209
Accounts payable and other liabilities	167,354,645	24,733,609	4,769,700	458,343	-	197,316,297
Total liabilities	237,436,855	55,387,922	304,684,351	1,302,697,983	271,200,437	2,171,407,549
As of 31 December 2017						
Liabilities						
Interest-bearing liabilities						
Bond loans	689,000	3,411,500	19,093,526	639,747,072	315,407,966	978,349,064
Commercial paper	204,083	1,399,545	63,159,081	537,352,127	20,227,444	622,342,280
Bank loans	16,122,523	63,240,447	137,762,340	195,178,741	57,222,339	469,526,390
Financial leases	69,144	138,291	787,874	1,208,226	721,174	2,924,709
Derivative financial instruments	-	487,034	181,284	-	-	668,318
Accounts payable and other liabilities	122,876,427	44,052,687	-	5,590,834	-	172,519,948
Total liabilities	139,961,177	112,729,504	220,984,104	1,379,077,000	393,578,923	2,246,330,709

As of 30 June 2018 and 31 December 2017, bank loans granted and not withdrawn amount to Euro 815,622,374 and Euro 708,232,606 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 no financial liability is considered as an integral part thereof.

2.2 OPERATING RISK FACTORS

2.2.1 RISKS RELATING TO THE PULP AND PAPER SEGMENTS

RISK RELATED TO THE FORESTRY SECTOR

As of 30 June 2018, the Navigator Group manages an area of more than 112 thousand acres of land, from north to south of Portugal and Azores, divided in 1,300 Management Units in 166 counties, according to the principles laid down in its Forestry Policy. Eucalyptus trees and the forestation areas in progress with similar kind of species occupy 74% of this area, namely the *Eucalyptus globulus*, the species that is universally acknowledged as the tree with the ideal fibre for producing high quality paper. In the remaining area and in addition to conservation areas that account for about 10% of the total management area, there are pine and cork oak forest areas. The Group is the largest private national pine producer and one of the country's largest cork oak producers.

The Group also manages 356,210 acres located in Mozambique of which 13.4 thousand acres were already planted in the provinces of Manica and Zambézia, under a concession agreement reached with the Mozambique government which provides for the installation of an industrial unit destined to the production of BEKP pulp and electric energy in that country.

Most of the Group's forestry resources are certified by the FSC® (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification Schemes), a certification programme which guarantee that the Company's forests are managed in a responsible manner from an environmental, economic and social standpoint, complying with stringent and internationally-recognised criteria.

The main risk factor threatening the eucalyptus forests lies in the low productivity of Portuguese forests and in the world-wide demand for certified products, considering that only a small proportion of the Portuguese forests is certified. It is expected that this competitive pressure will remain in the future. As an example, the forestry area managed by the Group represents near 3% of Portugal's total forested area, 44% of all certified Portuguese forests, according with PECF standards and 28% of all certified Portuguese forests, according with FSC® standards.

In order to respond to these questions, in 2016 the Group initiated a project to promote forest certification in areas owned by private individuals, seeking to strengthen the steps of all the eucalyptus wood that the Group is processing to come from partners with a certified activity. In the six-month period ended as at 30 June 2018, 37.5% of wood from national sources, excluding self-sufficiency, already came from properties that had their forest management certified.

This increase allowed for the first time in its history, in 2017 to register more than 50% of the total wood acquired by the Group as coming from sources with a certified forest management. It should also be noted that, within this initiative, the Group has significantly increased the number of suppliers with a wood certified chain of custody/responsibility, an essential step in developing a supplier base that will enable defined purposes in the wood from sources with certified forest management.

In addition, the Group is working to proactively promote good forest management practices aimed at improving the productivity of third-party forest areas. This effort, which has been developed through the CELPA (Association of the Paper Industry, representative of the main industrial groups in the sector) in the Best Eucalyptus Program, may in the future be reinforced with more support measures, in addition to the technical support that already exists.

The main risks associated with the sector are the ones related to the productive capacity of the plantations, the risk of wildfires and plant health, as well as regulatory risk, given the entry into force on 1 January 2018 of Law No. 77/2017, of 17 August, which makes the first amendment to the legal regime applicable to forestation and reforestation with resort to forestry species (RJAAR), approved by Decree-Law No. 96/2013, of 19 July, as well as Ordinance No. 15-A and 15 B, both dated 12 January 2018.

The combination of all these factors, without any strategic measure taken by the Government, has forced the importation of raw materials, which determines the profitability of the sector.

Regarding forestry fires, the Navigator Group is exposed to risks related to:

- The destruction of current and future wood stocks owned by the Group and by third parties;
- 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, appropriate planning of the forest facilities and the construction and maintenance of access roads and routes, to each of the operational areas, assume particular importance in mitigating the risk of wild fires.

Moreover, the Group has a stake in the Afocelca grouping — a complementary corporate grouping (CCG), between the Navigator Group and the ALTRI Group, whose mission is to provide assistance to the fight against forest fires at the grouped companies' land holdings, in close coordination and collaboration with the National Civil Protection Authority (*Autoridade Nacional de Protecção Civil* — ANPC). This grouping manages an annual budget of some 3 million euro, without public funds, and has created an efficient and flexible structure, which implements practices aimed at reducing protection costs and minimizing the losses by forest fires for the members of the grouping, which own and manage more than 200 thousand acres of forests in Portugal.

In order to maximize the productive capacity of the areas it manages, the Group has developed and employs Forestry Management models which contribute to the maintenance and on-going improvement of the economic, ecological and social functions of the forestry areas, not only regarding the population, but also from the forestry landscape perspective, namely:

I. To increase the productivity of its woodlands through the use of the best agro-forestry practices adapted to local conditions and compatible with the environment, in order to ensure adequate biodiversity levels;

II. To establish and improve the network of forestry infrastructures to enable the required accessibility for management, whilst making them compatible with the forestry protection measures against wildfires.;

III. To ensure compliance with the water-cycle functions, promoting, whenever possible, the rehabilitation and qualitative protection of water resources.

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

I. To improve the productivity of the eucalyptus forests;

II. To enhance the quality of the fibre produced from the eucalyptus species;

III. To implement a sustained forestry management program from the economic, environmental and social perspectives;

IV. To enhance practices and processes that reduce wood production costs.

RISKS RELATING TO THE PRODUCTION AND TRADING OF BEKP (BLEACHED EUCALYPTUS KRAFT PULP), UWF PAPER (UNCOATED FINE PAPERS FOR PRINTING AND WRITING) AND TISSUE

SUPPLY OF RAW MATERIALS

The self-supply of wood for the production of BEKP pulp is less than 20% of the Group's needs. Therefore, there is a need to use wood in the market. As the national market is insufficient to guarantee the needs, the Group imports from the Spanish and non-Iberian markets.

The supply of wood, namely eucalyptus, is subject to price and exchange rate fluctuations and difficulties encountered in the supply of raw materials that could have a significant impact on the production costs of companies producing BEKP (Bleached Eucalyptus Kraft Pulp). Also relevant (mostly in imports) is the volatility of wood transportation costs to the factories, which floats depending on oil prices and sea freight costs.

The planting of new areas is subject to the authorization of the relevant entities. Legislative changes may limit the national productive potential, although there are initiatives to increase productivity of existing areas and, consequently, availability of raw material.

If domestic production proved to be insufficient, in volume and in quality, namely of certified wood, the Group could have to place greater reliance on imports of wood from Spain and extra-Iberian Peninsula.

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

The Group seeks to maximize the added value of its products, particularly through increased integration of certified wood in these products. These initiatives aim to respond to the growing demand for products - paper and pulp - certified by the various markets where the Group has commercial activity.

As at 30 June 2018, an increase of 10% on the cost of a cubic meter of the eucalyptus wood consumed in the production of BEKP would have had an impact in Group’s earnings of some Euro 14,200,000 (30 June 2017: Euro 15,830,000).

For other raw materials, including chemicals, the main risk identified is the lack of availability of products, under the increasing demand for these products in emerging markets, particularly in Asia and markets, which supply them, it can create specific imbalances of supply and demand.

In this regard, the Navigator Group, together with the Altri Group, established in 2018 a Group of Complementary Companies - Pulp Chem, ACE - for the joint acquisition of chemical products, benefiting from scale economies and thus mitigating this risk.

The Group seeks to mitigate these risks through proactive sourcing, which seeks to identify sources of supply geographically dispersed, yet seeking to ensure supply term that assures volume levels, price and quality, consistent with its requirements contracts.

Finally, another resource required for the production process is water. The concern with the use of this resource that the Group assumes as finite and very important, is significant. Over the past few years, investments have been made aimed at reducing the use of water, which decreased by more than 20% between 2005 and 2018. In addition, the efficiency levels achieved in the effluent treatment are also relevant, with effluent volumes between 2005 and 2018 having been reduced by more than 24%, as a result of investment in process improvement, aimed at minimizing the environmental impact of the Group.

MARKET PRICE FOR BEKP, UWF AND TISSUE

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

The BEKP, UWF paper and Tissue paper markets are highly competitive. Significant variations in existing production capacities could have a strong influence on world market prices. These factors have encouraged the Group to follow a defined marketing and branding strategy and to invest in relevant capital expenditure to increase productivity and the quality of the products it sells. It should be noted that, currently, the pulp used in the production of Tissue paper is mainly purchased from third parties.

As of 30 June 2018, a 10% drop in the price per ton of BEKP and of 5% in the price per ton of UWF paper and Tissue paper sold by the Group in the period would have represented a negative impact on its earnings of about Euro 7,260,000 (30 June 2017: Euro 9,170,000) and Euro 32,220,000 (30 June 2017: Euro 31,070,000), respectively.

DEMAND FOR GROUP PRODUCTS

Notwithstanding the references below to the concentration of the portfolio of the Group's customers, any reduction in demand for BEKP pulp, UWF and Tissue paper in the markets of the European Union and the United States could have a significant impact on the Group's sales. The demand for BEKP pulp, produced by the Group, also depends on the evolution of the capacity for paper production in the world, since the Group's major customers are themselves paper producers.

The demand for printing and writing paper has been historically related with macroeconomic (e.g., GDP growth, employment, particularly in white collar professions, confidence indices), technological (e.g., information technology and hardware/software, namely related to printing technologies in the business environment) and demographic factors (e.g., population, average educational attainment, age structure of society). The development of these factors has an either positive or negative impact on demand, and in the recent past, the trend of paper consumption is negative in most developed countries and positive or stable in emerging/developing countries. Naturally, the performance of the Navigator Group is also dependent upon the demand evolution in the various markets in which it operates.

With regard to the demand for eucalyptus market pulp, this is largely dependent on production progress in the non-integrated producers of printing and writing paper, tissue and specialty grades. Chinese demand for this type of pulp represents more than 1/3 of the world's demand, making China one of the most impacting drivers of demand.

Regarding the Tissue segment, the key variables affecting the demand are:

- Expected future economic growth;
- Population growth and other demographic changes;
- Product penetration levels;
- Developments in the quality of Tissue paper and product specifications; and
- Substitution effects.

Tissue paper consumption is not very sensitive to cyclical changes in the economy, although it tends to grow faster with higher economic growth.

The importance of economic growth for the consumption of Tissue is more obvious in developing countries. When the level of the income *per capita* is very low, the consumption of Tissue tends to be reduced. There is a threshold after which consumption accelerates. Economic growth allows greater penetration of the product, which is one of the main drivers of demand for such paper in the population with lower incomes. The Tissue paper is a product that does not face major threats of substitution by other materials, and there are no expected changes at this level.

Consumer preferences may have an impact on global paper demand or in certain particular types of paper, such as the demand for recycled products or products with certified virgin fibre.

Regarding this matter, and in the case of the UWF and Tissue, the Group believes that the marketing strategy and branding that has been followed, combined with the significant investments made to improve productivity and produce high quality products, allow it to deliver its products in market segments that are less sensitive to variations in demand, resulting in a lower exposure to this risk.

ENERGY

The production process is dependent on the constant supply of electric power and steam. To this end, the Group has several cogeneration units, which ensure this supply, and redundancies have been foreseen between the various generating units, in order to mitigate the risk of any unplanned outages of these units in the pulp and paper mills. Part of the production is sold on the market at regulated prices. At the end of this period, the plants start operating under a self-consumption regime, which can be proved by the reduction in the revenues of this activity in recent years, as well as by the reduction in the consumption of electricity and natural gas.

COUNTRY RISK – MOZAMBIQUE

As a result of the investment made in the Mozambican project, the Navigator Group is exposed to the specific risk of this country, meaning that the planning of investments in terms of timing, choice of suppliers/partners and geographic location is made considering this effect. The Group monitories the achievement of each step, in a way that it can assume with reasonable certainty that there will be no effects from that risk to condition them.

At the moment, the Mozambique project is essentially a forestry project, with an option to develop an industrial project. The planned investment is expected to be delivered in two phases, the first being a woodchip manufacturing project and, in the long term, the construction of a large-scale pulp mill. The Group is, however, prepared to move forward with the forestry plan envisaged, once the necessary conditions — most of which are under discussion with the Mozambican authorities - are met.

Until 30 June 2018, expenses incurred in this project amounted to Euro 95 million (31 December 2017: Euro 90 million), mainly associated with planting activities, land preparation, with the construction of what is now one of the largest forest nurseries of Africa and with the identification of species of eucalyptus with industrial viability in the areas concessioned to the Group by the Mozambican State.

Nevertheless, the Group's more conservative approach led to the recording of several impairments in relation to the investment in Mozambique, such that in June 2018 the balance sheet value is residual (it corresponds to less than 1% of the consolidated asset value).

COUNTRY RISK – USA

The United States market has a significant weight in the total sales of UWF papers, which increases the country's specific risk exposure.

This exposition requires a careful evaluation of the impacts resulting, for example, from changes in regulations or of a tax nature, or even from their application and interpretation by governmental entities and tax authorities.

Similarly to what happened with producers that belong to other nationalities (Australian, Brazilian, Chinese and Indonesian), with regard to imports of UWF paper into the USA, the Group has been subject to anti-dumping measures by the US Department of Commerce since 2015. Despite the fact that the applied rate has been revised downwards during 2016, the Group considers that no anti-dumping margin should be applied (Note 24) in the period under inspection, which ended in February 2018.

COMPETITION

The increase in competition in the pulp and paper markets can have a significant impact on prices and, consequently, in the Group's profitability.

The pulp and paper markets are highly competitive and, therefore, the entry into the market of new production units with an increase in available production capacity could have a significant impact on world prices.

BEKP pulp producers from the southern hemisphere (namely from Brazil, Chile, Uruguay and Indonesia), with production costs still significantly lower than those in the northern hemisphere, have become important in the market, challenging the competitive position of European pulp producers.

These factors have forced the Group to make significant investments in order to maintain its competitive costs and produce high quality products, and this competitive pressure is expected to remain in the future.

It should be noted a disinvestment movement in the US paper sector, with announcements by some UWF producers of closures/conversions of installed capacity occurring between the end of 2017 and the beginning of 2019, in a clear attempt to adjust supply to the negative evolution in demand. On the other hand, investments are expected in new UWF capacity in China and the Middle East.

The Navigator Group has adapted its commercial strategy to the evolution of regional consumption patterns. In this sense, the presence in Africa, Latin America and Asia/Oceania was reinforced in the first half of 2018. The volume of sales to the European markets was 60% (1st half of 2017: 66%), where it achieved particularly impressive market shares in Western European countries and relevant market shares in the other main European markets. The Group also has a significant presence in the US, representing more than half of the sales of European producers in this market.

CONCENTRATION OF CUSTOMER PORTFOLIO

As at 30 June 2018, the Group's top 10 customer groups of BEKP pulp accounted for 14% of the production in the period (2017: 15%) and 86% of foreign sales of BEKP pulp (2017: 61%). This asymmetry results from the strategy followed by the Group of increasing integration of the BEKP pulp. Nevertheless, the Group believes there is little exposure to risks of customer concentration in the marketing of BEKP pulp.

In the first semester of 2018, the Navigator Group improved its dependence on its largest UWF group customers which accounted for 47% of the group's sales volume (50% in 2017). Regarding individual customers, the concentration remained at 26% of sales volume, a level similar to last year. In 2018, the Navigator Group registered 36 new customers with sales. Also in relation to UWF securities, the Group follows a risk mitigation strategy for its client portfolio. The Group sells UWF papers to more than 120 countries and territories and has more than 1000 individual customers, thus allowing a dispersion of the risk of concentration of sales in a limited number of markets and/or customers.

Tissue sales amounted to approximately Euro 40,5 million in the first half of 2018 (2017: Euro 37,1 million). The commercial activity is mainly concentrated in the Iberian Peninsula, which represents 99% of its sales. The top 10 Tissue customers currently account for about 45% of total sales (2017: 47%).

With the entry into operation of the new equipment, belonging to the investment in the second Tissue paper machine made in 2015, we have expanded our commercial activity in the foreign market, namely to Spain and the rest of Western Europe, which is expected to intensify with the beginning of the activity of the third Tissue paper machine in Cacia, later this year.

ENVIRONMENTAL LEGISLATION

In recent years, EU environmental legislation has become more restrictive regarding the control of environmental emissions. The companies of the Group respect the legislation in force, in its several parameters (VLEs).

In September 2014, the Best Available Technologies Reference Documents (BREF) – Conclusions on the Best Available Techniques of the Reference Document – were approved in the Commission's implementing decision 2014/687/EU for the pulp and paper sectors. These documents contain the new limits and requirements for these sectors, providing companies with 4 years to promote the necessary adaptations to their practices and equipment. Additionally, the technical discussion of the reference document of the Large Combustion Plants, also published, was finalized. This document has an impact on the Group's equipment, especially in boilers and combustion plants, which will be covered by the new legislation, requiring new investments, such as particulate filters for biomass boilers.

As such, the Group has been monitoring the technical development of this matter, seeking to anticipate and plan the necessary improvements in its equipment in order to comply with the limits to be published, including additional investments in this area, in order to comply with any changes in the limits and environmental rules that may be approved.

Currently, the legislative changes known are also related to the evolution of the European Emissions Trading Scheme (CELE) established by Directive No. 2003/87/EC, recently amended by Directive No. 2009/29/EC (new CELE Directive), which presents the legal framework of the CELE for the 2013-2020 period and which was transposed into the national legal system by Decree-Law 38/2013 of 15 March, resulting in a decrease in the scope of free allocation of CO2 allowances.

If this trend continues, these developments will eventually bring increased costs for the manufacturing industry in general and for pulp and paper in particular, without compensation for the annual absorption of CO2 that the forests of this industry allow.

In order to mitigate the impact of this change, the Group has long undertaken a series of environmental investments which, among other advantages, have allowed the continuous reduction of CO2 emissions, despite the continued increase in production volumes in recent years.

An environmental strategic plan was analysed and established in 2015, in order to adapt the Navigator Group to a set of new and future environmental requirements, including the BREF document for the sector, approved in the Commission's implementing decision 2014/687/UE, and for Large Combustion Plants. These reference documents correspond to the implementation of Directive 2010/75/EU on industrial emissions. Projects are underway to implement the appropriate technological changes, as well as a new version of the Environmental Master Plan, which incorporates new environmental challenges that have arisen in the meantime.

Apart from the environmental areas regulated by these documents, the Environmental Strategic Plan aimed at other areas, making it possible to verify that the Navigator Group is generically framed in these future references and to identify some areas of improvement and technological solutions as the emissions to the atmosphere of biomass boilers.

On the other hand, and in accordance with Decree-Law No. 147/2008 of 29 June, which transposed Directive 2004/35/CE into national law, the Group ensured the environmental insurance required by that legislation, ensuring compliance with the regulations in force and mitigating the environmental risks to which it is exposed.

RISKS ASSOCIATED WITH THE PRODUCTION OF ENERGY

Energy is an important activity in the Group, which allows the use of the biomass generated in the BEKP pulp production and the supply of thermal and electric energy cogeneration to the BEKP pulp and UWF paper plants. Among others, it also allows to the Group's wood suppliers to generate a complementary income from the sale of residual forest biomass from their holdings and contributing to the reduction of fire risks in the Country.

Considering the integration of the Group's plants in the production of BEKP pulp and UWF papers and as a way of boosting the use of the biomass made available by the forestry sector, in 2009 the Group built new dedicated production units for electricity from biomass, which are in full operation.

The Group was a pioneer and has been developing a biomass market, to supply its power plants. The development of this market at a stage prior to the start-up of the new energy production units has enabled it to secure a supply network for sustainably obtained raw materials which it may use in the future.

As mentioned above, the Group has been raising awareness of the Government and the public opinion of the need to ensure that biomass is addressed in a sustainable manner, avoiding the use of eucalyptus wood for biomass with incentives support distorting the wood market, instead of its use for the production of tradable goods. The existing incentives in Portugal only contemplate the use of residual forest biomass (BFR) and not the use of wood for the production of electric energy.

Additionally and despite the legal provisions:

I. Decree-Law 23/2010 and Ordinance 140/2012, revised by Ordinance 325-A/2012, applicable to the pre-production under the cogeneration special regime;

II. For the Biomass Thermoelectric Plants (BTP) residual forest, dedicated to the production of electric energy, whose legal framework is supported by Decree-Law 33-A/2005, revised by Decree-Law 225/2007, and which changes from 15 to 25 years the period of remuneration guaranteed in pre-production under the cogeneration special regime, which allow to foresee the tariff stability in the near future, there is a risk that the change of energy sales tariffs may be penalizing for products (as already seen with the specific measures on the tariffs and the introduction of the Extraordinary Contribution on the Energy Sector in cogeneration units with a capacity of more than 20 MW). The constant search for the optimization of production costs and the efficiency of the generating units are the way in which the Group seeks to mitigate this risk.

As a result of the measures initiated under the Financial Adjustment Program to which Portugal was subject, the entire remuneration model for the national electricity sector was revised, which essentially affected the electricity produced from cogeneration, one of the most efficient forms of energy production.

The Group represents a significant part of the energy generated in the country. Holding its units and operating under cogeneration scheme, the Group reviews its energy sales prices since 2012, which started on a temporary basis and is expected to end in 2025. The consequence of this measure will be the economic impracticability of the operation, which will no longer be sold to the power grid that these units generate (as already happens in the gas cogeneration plant of Figueira da Foz). This is economically justifiable, and will be successively applicable the self-consumption regime after the transitional arrangements applicable to each installation.

RISKS ASSOCIATED TO TRANSPORT AND LOGISTICS

The Navigator Group exports over 95% of its production of UWF paper and about 35% of its production of Tissue paper. As a consequence, transportation and logistics costs are materially relevant. A continuous rise in transport costs may have a significant impact in the Group's performance.

2.2.2 RISKS RELATING TO THE CEMENT AND DERIVATIVES SEGMENT

SUPPLY OF RAW MATERIALS

Regarding the segment of Cement and derivatives, the main raw materials in the manufacturing process of cement are limestone and clay or marl, the extraction of which is carried out in its own quarries, located within the factory, with reserves that ensure the Group sustained operation in the coming years.

SALE PRICE

The cement and derivatives segment develops its activity in diverse geographically markets and therefore prices depend essentially on the economic situation and competition of each country.

DEMAND FOR GROUP'S PRODUCTS

The segment of Cement and derivatives' turnover is dependent on the level of activity in the building sector in each one of the geographic markets in which it operates. The construction sector tends to be cyclical, in particular in mature economies, and depends on the level of residential and commercial building, as well as on the level of investments in infrastructures.

The construction sector is sensitive to factors such as interest rates and therefore a downturn in economic activity in any specific economy may lead to a recession in this industry.

Despite the Group considering that its geographical diversification is the best means to stabilise earnings, its business, financial situation and operating profit can be negatively affected by a downswing in the construction sector, in any of the significant markets in which it operates.

COMPETITION

The companies of the segment of Cement and derivatives develop its activity in a strong competitive environment. In the Portuguese market, and in the current context, any excess capacity of national operators together with imports from the Spanish market, which is in sharp decline, may affect the performance of this segment.

The same tendency happens in Brazil, a country under recession and currently with excess installed capacity that has negatively impacted prices. In Tunisia, oversupply has also pushed down prices.

ENERGY COSTS

A significant part of the Group's costs relates to energy costs. Energy is a cost factor with a substantial weight on the business carried on by the Secil and its subsidiaries. The Group hedges the risk of a raise in the energy prices through the usage of alternative fuels at its factories and long-term electric power supply contracts for certain of its energy requirements. However, significant fluctuations in electricity and fuel costs can have a negative impact on the Group's business, financial situation and operating profit.

COUNTRY RISK – BRAZIL, TUNISIA, LEBANON AND ANGOLA

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

ENVIRONMENTAL LEGISLATION

In recent years, EU environmental legislation has become more restrictive with regard to the control of environmental emissions. It is an integral part of the Integrated Policy of the Secil Group the strict compliance with the legal requirements on the Environment that apply to it, as well as the continuous improvement of its performance.

In 2013, the BREF (Best Available Technologies Reference Documents) — Conclusions on Best Available Techniques of the Reference Document — for the cement, lime and magnesium oxide sectors containing the new limits and requirements for these sectors was approved, with companies being limited to four years to promote the necessary adaptations to their practices and equipment. Such requirements were set out in the Environmental Licenses that regulate the activity of quarrying and cement production.

As such, The Group Secil has been following the technical development of this matter, seeking to anticipate and plan the necessary improvements in its equipment to make them comply with the limits to be published, thus allowing the Group to make additional investments in this area if needed, in order to comply with any changes in the limits and environmental rules that may be approved.

At this date, the known legislative changes are also related to the evolution of the European Greenhouse Gas Emission Trading Scheme, established by Directive No. 2003/87/EC, as amended by Directive No. 2009/29/EC (new CELE Directive). This sheme presents the legal framework of the CELE for the period 2013-2020 and was transposed into the national legal order by Decree-Law No. 38/2013 of 15 March, which resulted in the reducing the scope of free allocation of CO_2 emission allowances. The revision of this latter directive has been under discussion at the European Community level to frame the post-2020 period, i.e. the period from 2021 to 2030. An agreement between the European Commission, the European Parliament and the European Council was reached at the end of 2017 and is expected to be approved by the European Council in early 2018.

Virtually confirmed the continuation of this trend for the new period, this evolution will bring new challenges for the cement industry. In order to mitigate the effects resulting from successive revisions of this legislation, the Group has long undertaken a series of environmental investments that, among other advantages, have allowed the continuous reduction of CO_2 emissions, with emphasis on the investment in equipment that enables energy valorisation of alternative fuels, cements with less clinker incorporation, and the investment in equipment of lower energy consumption.

There is a risk that the ongoing review of the CO_2 emissions directive for the period between 2021 and 2030 will point to a significant reduction in the free CO_2 allowances to be allocated. Existing technologies are not expected to reduce emissions to ensure current production capacities through free emissions, undermining the competitiveness of clinker and cement exports. Several research projects are under way to capture, store and reuse CO_2, none of which has been confirmed to be economically feasible, despite the existence of solutions that will be introduced for new types of cement. We believe that the solutions will only be implemented after the knowledge of the CO_2 licenses that will be attributed to the installations for the period between 2021 and 2030. In Portugal, a collaborative laboratory will be created in 2018 between companies, universities and research centers, with the objective of ensuring the development of lines of research to reduce CO_2 emissions.

Aware that the exploitation of quarries has significant impacts on the landscape, alteration of relief, removal of soil and vegetation cover and reduction of refuges/food for fauna, the Group assumes the minimisation of these impacts and acceleration of the process of natural colonisation, not only through programs to recover the composition and structure of the plant and animal communities, but also the recovery of the functions and natural processes of the ecosystem.

On the other hand, complying with Decree-Law No. 147/2008 of 29 June, which transposed Directive 2004/35/EC into national legislation, the Group ensured the environmental insurance required by that legislation, ensuring compliance with the regulations in force, and mitigating the environmental risks to which it is exposed.

2.2.3 RISKS RELATING TO THE ENVIRONMENT SEGMENT

SUPPLY OF RAW MATERIALS

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

SALE PRICE

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

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

DEMAND OF GROUP'S PRODUCTS

A decrease in demand or diminished level of activity in animal feed industry, agriculture exploitations, pet food and biodiesel may have a significant impact on group ETSA's turnover.

COMPETITION

Sub-group ETSA develops its activity in a market where it competes with other companies operating in the collection and recovery of animal by-products and other companies that produce substitutes for these products such as industries related to the production of cereals and edible oils. In this framework, any increase or decrease in competition will be reflected in the levels of profitability of the Group.

OTHER RISKS

The ITS subsidiary has a service contract within SIRCA with the Portuguese State, which in the year 2017 accounted for approximately 22.5% of the consolidated turnover of the ETSA Group. This contract has a limited term and its continuity depends not only on competitive factors, since it is promoted by public tender, but also on regulatory factors, since its existence and regime depend on strategic options of the Portuguese State.

2.2.4 RISKS RELATING TO THE GROUP IN GENERAL

HUMAN RESOURCES

Successful organisations have the right talent, in the right place, at all levels — people who look beyond the obvious and take the business into the future. The shortage of talent is now a structural problem of companies. With the technological advance and the constant need for innovation, intellectual capital has become crucial for the survival and expansion of companies.

In this sense, the Group's ability to successfully implement the strategies outlined depends on its ability to attract the best talent, recruit and retain the most qualified and competent Employees in each role. The high average age of a share of the Group's active population is a risk factor.

Although human resources and talent management policies are geared to these objectives, limitations and relevant investment need may arise concerning this area in the future. The Group has been carrying out various actions aimed at disseminating its culture and values as well as enhancing the talent of its human resources.

LEGAL RISKS

With regard to legal risks, it is crucial to mention that they are essentially the result of fiscal and regulatory risks, which are covered by the analysis of risks that have an operational nature, and specific risks of general liability or risks associated with the negotiation and conclusion of contractual instruments.

These risks are controlled through legal advisors established both at Semapa as a holding company and its subsidiaries, and through the use of external lawyers whenever the specialty of the matter, its value or other factors of the concrete case, are considered to be relevant.

INFORMATION SYSTEMS RISKS

The Group's information systems, some of which rely on services provided by third parties, play a key role in the operation of its business. Given the strong reliance on information technologies in the different geographies and business areas in which it operates, it is important to highlight the risk inherent in systems failures, resulting either from intentional actions such as computer attacks or from accidental actions.

Despite the above-mentioned risk prevention and mitigation procedures and practices, the Group is aware that, in the absence of tamper-evident information systems, the Group cannot guarantee that efforts will be sufficient to prevent that such system-level failures cease to have any consequences on the reputation, litigation, inefficiencies or even regarding the allocation of operational margin.

OTHER RISKS

The Group’s manufacturing facilities are subject to risks inherent to any industrial activity, such as accidents, breakdowns or natural disasters that may cause losses in the Group’s assets or temporary interruptions in the production process.

Likewise, these risks may also affect the Group’s main customers and suppliers, which would have a significant impact on the levels of the Group’s profitability, should it not be possible to find new customers to ensure sales levels and new suppliers that would enable the Group to maintain its current cost structure.

2.2.5 CONTEXT COSTS

The lack of efficiency in the Portuguese economy continues to be accompanied by management, as it may have a negative effect on the Group’s ability to be competitive. This is more so, but not exclusively, in the following areas: i) ports and railroads; ii) roads, particularly those providing access to the Group’s producing units; iii) rules regarding territory management and forest fires; iv) low productivity of the country’s forests; v) the lack of certification of the vast majority of the Portuguese forest, and vi) volatility of fiscal policies.

3. RELEVANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

These estimates are influenced by the Group's management's judgments, based on:

(i) the best information and knowledge of present events and in certain cases on the reports of independent experts; and

(ii) the actions that the Group considers it may have to take in the future. However, on the date on which the operations are realised, the outcome could be quite different from those estimates.

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

3.1 RECOVERABILITY OF GOODWILL AND BRANDS

On an annual basis, the Group tests the Goodwill (Note 1.7) and brands (Note 1.6.2) carried in the consolidated statement of financial position for impairment losses, in accordance with the accounting policy described in Notes 1.10.

With respect to goodwill, recoverable amounts of cash flow units are determined, based on the calculation of value in use and fair value less cost to sell. These calculations require the use of estimates and assumptions that, in case of change, may have an impact on the estimated recoverable amount (Note 15).

Regarding brands, annual assessments are prepared by an independent entity, based on a post-tax cash-flow discount model, called the "income-split method", associated with the influence of the brand (difference between the net mark margin, deducted of marketing instruments and the net margin of the associated white label) discounted at the time of valuation based on a specific discount rate.

These calculations also require the use of estimates and assumptions that, in case of change, may have an impact on the estimated recoverable amount.

a. INCOME TAX

The Group recognises liabilities for additional tax assessments resulting from reviews performed 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 used, 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 interim consolidated financial statements as at 30 June 2018. At this date all years until 2014, included, have been reviewed by the Tax Authorities.

3.3 ACTUARIAL ASSUMPTIONS

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

3.4 FAIR VALUE OF BIOLOGICAL ASSETS

In determining the fair value of biological assets the Group used the discounted cash flows method, considering assumptions related to the nature of the assets being valued (Note 1.11). Changes in these assumptions may have an impact in the value of those assets (Note 18).

3.5 RECOGNITION OF PROVISIONS AND ADJUSTMENTS

The Group is involved in several ongoing lawsuits, for which, based on the opinion of its legal counsel, it makes a judgment to determine whether a provision for these contingencies should be recorded (Note 30).

Adjustments for accounts receivable are calculated based on the simplified model provided for in IFRS 9, i.e. by recording the expected losses up to maturity. Expected losses are determined based on historical actual losses over a statistically significant period and representative of the specific characteristics of the underlying credit risk.

3.6 TANGIBLE ASSETS

The recoverability of tangible assets requires the Management's estimates and assumptions to be established, in particular, when applicable, with respect to the determination of the value in use in the scope of impairment tests to the Group's cash generating units.

In addition, property, plant and equipment represent the most significant component of the Group's total assets (Note 17). These assets are subject to systematic depreciation for the period that is determined to be their economic useful life. The determination of the useful lives of the assets as well as the depreciation method to be applied is essential to determine the amount of depreciation to be recognised in the consolidated statement of comprehensive income for each period.

The useful life of an asset is the period during which it is expected to be available for use and should be reviewed at least at the end of each financial year. If the estimates differ from the previous ones, the change should only have effects in the future, changing the depreciation/amortisation quotas, so that the asset is fully and linearly depreciated/amortised up to the end of its useful life.

These two parameters are defined according to the best judgment of the Board of Directors for the assets and businesses in question, also considering the practices adopted by companies of the sector at the international level.

Given the relevance of this estimate, the Group makes regular use of external and independent technicians to assess the adequacy of the estimates used.

4. SEGMENT REPORTING

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

OPERATING SEGMENTS

In accordance with the approach defined by IFRS 8, the operating segments should be identified on the basis of how the internal financial information is organised and reported to the management. An operating segment is defined by IFRS 8 as a component of the Group:

i) Developing business activities that can earn revenues and incur expenses;

ii) The operational results of which are regularly reviewed by the Group's chief operating decision-maker, for the purpose of making decisions about allocating resources to the segment and evaluating its performance; and

iii) For which different information is available.

The Executive Committee of Semapa and its subsidiaries are primarily responsible for making operational decisions, periodically analysing reports with operational information on the segments, using them to monitor the operational performance of their business, and to decide on the best allocation of resources.

The financial information by operating segments for the first half of 2018 is analysed as follows:

Amounts in Euro	Note	Pulp and paper	Cement and derivatives	Environment	Holdings	Intra-group eliminations	Total
Revenue		816,902,650	240,736,074	11,068,429	6,003,223	(6,046,297)	**1,068,664,079**
Other Income		26,215,414	16,624,969	170,886	2,229	(632)	**43,012,866**
Consumed and sold Inventories	6	(344,674,553)	(74,590,743)	(2,569,622)	-	-	**(421,834,918)**
Materials and services consumed	6	(195,369,103)	(87,839,533)	(4,123,194)	(1,577,804)	6,046,929	**(282,862,705)**
Other expenses	6	(77,111,797)	(53,434,399)	(1,997,852)	(5,140,346)	-	**(137,684,394)**
Depreciation and Amortisation	8	(74,080,688)	(25,874,162)	(1,464,317)	(94,343)	-	**(101,513,510)**
Impairment Losses	8	-	216,355	-	-	-	**216,355**
Net provisions	30	1,300,221	(3,293,759)	-	-	-	**(1,993,538)**
Interest Expenses	10	(4,118,906)	(9,752,153)	(150,053)	(6,107,770)	26,549	**(20,102,333)**
Results of associated companies	9	-	449,305	-	-	-	**449,305**
Other financial gains and losses	10	(7,251,834)	(13,179,062)	(80,929)	(1,377,020)	(26,549)	**(21,915,394)**
Profit before tax		**141,811,404**	**(9,937,108)**	**853,348**	**(8,291,831)**	-	**124,435,813**
Income Tax	11	(27,904,314)	2,136,886	77,674	(2,339,472)	-	**(28,029,226)**
Profit for the period		**113,907,090**	**(7,800,222)**	**931,022**	**(10,631,303)**	-	**96,406,587**
Attributable to non-controlling interests		**79,054,161**	**(10,212,451)**	**930,918**	**(10,631,302)**	-	**59,141,326**
Non-controlling interests	13	34,852,929	2,412,229	104	-	-	37,265,262
OTHER INFORMATION							
Total segment assets		2,424,915,088	1,398,034,839	87,177,835	14,997,606	(17,236,899)	**3,907,888,469**
Goodwill	15	122,907,528	186,140,152	36,422,934	-	-	**345,470,614**
Other intangible assets	16	154,374,753	144,465,430	-	-	-	**298,840,183**
Tangible Fixed Assets	17	1,292,456,104	701,132,377	27,323,814	423,661	-	**2,021,335,956**
Biological Assets	18	130,516,592	-	-	-	-	**130,516,592**
Deferred tax assets	28	46,343,082	37,306,182	231,946	-	-	**83,881,210**
Investment in associates	19	-	3,981,492	-	-	-	**3,981,492**
Total segment liabilities		1,407,420,048	833,694,968	25,982,864	491,348,289	(17,236,899)	**2,741,209,270**
Interest-bearing Debt	31	845,139,928	525,256,736	17,774,774	460,570,450	(186,890)	**1,848,554,998**
Capital Expenditures	17	77,221,554	9,205,969	796,995	25,456	-	**87,249,974**

The financial information by operating segments for the first half of 2017 is analysed as follows:

Amounts in Euro	Notes	Pulp and paper	Cement and derivatives	Environment	Holdings	Intra-group eliminations	Total
Revenue		812,642,545	249,342,949	14,659,087	6,543,379	(6,907,918)	**1,076,280,042**
Other income		9,691,181	15,136,573	94,378	16,249	(3,147)	**24,935,234**
Consumed and sold inventories	6	(330,348,337)	(72,134,899)	(2,700,105)	-	-	**(405,183,341)**
Materials and services consumed	6	(201,300,731)	(92,218,383)	(4,258,036)	(1,519,893)	6,911,065	**(292,385,978)**
Other expenses	6	(92,307,689)	(55,806,816)	(3,791,664)	(4,996,084)	-	**(156,902,253)**
Depreciation and amortisation	8	(80,266,179)	(25,886,457)	(1,407,487)	(98,862)	-	**(107,658,985)**
Impairment losses	8	(2,136,213)	476,939	-	-	-	**(1,659,274)**
Net provisions	30	(189,617)	(246,097)	(100,100)	-	-	**(535,814)**
Interest expenses	10	(5,679,264)	(14,505,975)	(198,771)	(6,513,979)	-	**(26,897,989)**
Results of associated companies	9	-	259,158	-	-	-	**259,158**
Other financial gains and losses	10	(2,626,677)	(9,953,824)	(59,139)	(1,304,464)	-	**(13,944,104)**
Profit before tax		**107,479,019**	**(5,536,832)**	**2,238,163**	**(7,873,654)**	-	**96,306,696**
Income Tax	11	(16,968,861)	(2,093,750)	(332,625)	(1,053,439)	-	**(20,448,675)**
Profit for the period		**90,510,158**	**(7,630,582)**	**1,905,538**	**(8,927,093)**	-	**75,858,021**
Attributable to non-controlling interests		**62,813,782**	**(12,433,452)**	**1,905,325**	**(8,927,092)**	-	**43,358,563**
Non-controlling interests	13	27,696,376	4,802,870	213	-	-	32,499,459
OTHER INFORMATION (31-12-2017)							
Total segment assets		2,447,696,399	1,456,792,210	83,516,756	12,674,713	(13,693,007)	**3,986,987,071**
Goodwill	15	122,907,528	192,694,053	36,422,935	-	-	**352,024,516**
Other intangible assets	16	155,366,245	134,699,212	-	-	-	**290,065,457**
Tangible Fixed Assets	17	1,282,630,094	753,450,196	28,031,373	492,548	-	**2,064,604,211**
Biological Assets	18	129,396,936	-	-	-	-	**129,396,936**
Deferred tax assets	28	44,727,571	35,159,298	188,514	-	-	**80,075,383**
Investment in associates	19	-	4,099,421	-	-	-	**4,099,421**
Total segment liabilities		1,326,578,733	849,513,859	23,252,806	579,389,424	(13,693,007)	**2,765,041,815**
Interest-bearing Debt	31	818,057,471	531,447,555	15,640,144	552,415,433	(689,598)	**1,916,871,005**
Capital Expenditures	17	114,714,693	26,309,929	2,948,918	33,309	-	**144,006,849**

GEOGRAPHICAL SEGMENTS

1S 2018	Pulp and paper	Cement and derivatives	Environment	Total Amount	Total %
Sales and services rendered					
Portugal	162,011,410	99,591,659	8,873,846	**270,476,915**	25.31%
Rest of Europe	420,199,418	20,105,783	2,021,488	**442,326,689**	41.39%
America	87,300,025	39,792,207	-	**127,092,232**	11.89%
Africa	46,290,292	41,248,588	173,095	**87,711,975**	8.21%
Asia	100,548,836	39,954,763	-	**140,503,599**	13.15%
Overseas	552,669	-	-	**552,669**	0.05%
	816,902,650	**240,693,000**	**11,068,429**	**1,068,664,079**	**100.00%**

1S 2017	Pulp and paper	Cement and derivatives	Environment	Total Amount	Total %
Sales and services rendered					
Portugal	147,308,425	96,629,845	10,493,526	**254,431,796**	23.64%
Rest of Europe	426,042,225	12,376,877	4,096,953	**442,516,055**	41.12%
America	86,184,420	46,027,487	-	**132,211,907**	12.28%
Africa	39,252,593	48,654,275	68,608	**87,975,476**	8.17%
Asia	112,586,132	45,289,926	-	**157,876,058**	14.67%
Overseas	1,268,750	-	-	**1,268,750**	0.12%
	812,642,545	**248,978,410**	**14,659,087**	**1,076,280,042**	**100.00%**

The revenue presented in different business and geographical segments corresponds to revenue generated with external customers based on the final destiny of the products and services supplied by the Group, not representing any of them, individually, 10% or more of the overall revenue of the Group.

5. OTHER INCOME

In the six-month period ended as at 30 June 2018 and 2017, the caption Other Income comprises:

Amounts in Euro	1S 2018	1S 2017
Grants - CO2 emission allowances	8,752,073	5,675,965
Gains on disposal of non-current assets	18,228,448	1,190,833
Impairment reversal (Note 22)	2,159,418	588,378
Disposal of emission allowances	2,844,011	1,373,448
Supplementary income	1,847,018	533,281
Gains on inventories	352,698	1,118,447
Own work capitalised	255,885	51,135
Gains on disposal of current assets	695	11,608
Government grants	1,229,311	11,150
Revenues from waste treatment	266,289	333,146
Other operating income	5,957,364	10,837,668
	41,893,210	**21,725,059**

The amount presented under the caption Grants — CO_2 emissions allowances regards to the recognition of the grant, due to the allocation of free allowances (Note 1.6.1).

The caption Gains on disposal of non-current assets includes Euro 15,765,258 related to the gains achieved with the sale of the pellet business completed in February 2018, as well as Euro 1,562,730 related to the sale of forest land with low capacity for forestry, both obtained by the subsidiary Navigator.

6. COST, EXPENSES AND LOSSES

In the six-month period ended as at 30 June 2018 and 2017, Costs, expenses and losses were detailed as follows:

Amounts in Euro	1S 2018	1S 2017
Cost of sales and services rendered		
Cost of inventories sold and consumed (Note 23)	(421,834,918)	(405,183,341)
Cost of materials and services consumed		
Energy and fluids	(81,327,131)	(80,811,361)
Inventory transportation	(81,595,173)	(78,652,993)
Professional fees	(50,508,152)	(57,191,055)
Repair and maintenance	(22,037,285)	(25,306,545)
Fees	(3,638,068)	(4,289,383)
Insurance	(8,083,174)	(8,844,337)
Subcontracts	(727,014)	(1,226,650)
Others	(34,946,708)	(36,063,654)
	(282,862,705)	**(292,385,978)**
Variation in production (Note 23)	19,638,801	(8,396,653)
Payroll costs		
Remuneration of Statutory bodies (Note 7)	(10,995,198)	(9,942,203)
Other remunerations	(91,295,923)	(84,974,042)
Pension costs	(2,905,450)	(2,159,878)
Other payroll costs	(28,427,788)	(30,272,492)
	(133,624,359)	**(127,348,615)**
Others expenses and losses		
Membership fees	(437,447)	(384,200)
Donations	(295,350)	(364,241)
Cost with emission allowances	(10,319,235)	(5,493,977)
Inventories and other receivables impairment (Note 22)	(1,394,851)	(1,908,229)
Losses on inventories	(2,142,804)	(5,050,991)
Indirect taxes and fees	(5,105,597)	(4,656,397)
Losses on disposal of non-current assets	(26,665)	500,857
Other operating expenses	(3,976,887)	(3,799,807)
	(23,698,836)	**(21,156,985)**
Net provisions (Note 30)	(1,993,538)	(535,814)
Total of Costs, Expenses and Losses	**(844,375,555)**	**(855,007,386)**

The increase in the Payroll costs in 2018 is mainly explained by the increase in the number of employees associated to the new Tissue project in Cacia being developed by the subsidiary Navigator, and by the increase in estimated bonuses to be paid to employees.

The caption Other payroll costs, in the six-month period ended as at 30 June 2018 and 2017, is detailed as follows:

Amounts in Euro	1S 2018	1S 2017
Other payroll costs		
Social security costs	(19,371,165)	(18,964,316)
Insurance	(2,056,121)	(2,482,653)
Social welfare expenses	(3,454,256)	(3,755,928)
Other payroll costs	(3,546,246)	(5,069,595)
	(28,427,788)	**(30,272,492)**

7. REMUNERATION OF STATUTORY BODIES

In the six-month period ended as at 30 June 2018 and 2017, the caption Remuneration of statutory bodies (Note 35) was detailed as follows:

Amounts in Euro	1S 2018	1S 2017
Semapa's Statutory Bodies		
Board of Directors	3,846,381	4,824,355
Audit Board	28,435	29,168
Remuneration Committee	6,568	6,568
General Meeting	4,000	5,500
Statutory Bodies of other Group companies		
Statutory Bodies of other Group companies	7,109,814	5,076,612
	10,995,198	**9,942,203**

For the periods ended as at 30 June 2018 and 31 December 2017, liabilities for past services relating to two non-executive Directors of the subsidiary Navigator, as described in Notes 29 and 35, were still recognised.

8. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

In the six-month period ended as at 30 June 2018 and 2017, the caption Depreciation, amortisation and impairment losses is detailed as follows:

Amounts in Euro	1S 2018	1S 2017
Depreciation of property, plant and equipment		
Land	(2,278,050)	(2,295,048)
Environmental restoration and landscaping	(57,082)	(56,158)
Buildings	(9,803,316)	(10,479,057)
Other tangible assets	(92,859,433)	(99,019,185)
Government grants	2,772,372	3,292,087
	(102,225,509)	(108,557,361)
Impairment losses of property, plant and equipment		
Buildings	31,420	188,984
Equipment	187,094	315,227
Mozambique Impairment	-	(2,136,213)
	218,514	(1,632,002)
Amortisation of intangible assets		
Industrial property and other rights	(10,501)	(7,007)
	(10,501)	(7,007)
(Losses)/ Reversals of impairment losses in assets held for sale		
Impairment of land, buildings and equipments	(2,159)	(2,159)
Depreciation in investment properties	(384)	(9,396)
ICMS -Tax on movement of goods and services		
Tax included in depreciations (Brazil)	722,884	889,666
	722,884	889,666
	(101,297,155)	**(109,318,259)**

The reduction in the depreciation of tangible fixed assets derives essentially from the disposal of the pellets business of the subsidiary Navigator in the USA.

9. GROUP SHARE OF (LOSS) /GAINS OF ASSOCIATED COMPANIES

In the six-month period ended as at 30 June 2018 and 2017, the Group recorded its share of the net gain/ (loss) of associated companies and joint ventures as follows:

Amounts in Euro	1S 2018	1S 2017
Associated companies		
Setefrete, SGPS, S.A.	345,900	248,281
J.M.J. - Henriques, Lda.	(64)	(67)
Ave-Gestão Ambiental e Val. Energética, S.A.	103,469	10,944
	449,305	**259,158**

The company does not recognise deferred tax liabilities on these amounts, when positive, as the provisions of article 51 of the CIT code apply.

10. NET FINANCIAL RESULTS

In the six-month period ended as at 30 June 2018 and 2017, Net financial results comprise:

Amounts in Euro	1S 2018	1S 2017
Interest paid on loans from shareholders (Note 35)	(9,573)	(20,860)
Interest paid on loans from associated companies and joint ventures (Note 35)	(167)	(2,572)
Interest paid on other borrowings	(20,092,593)	(28,108,838)
Other interest earned	1,297,315	2,287,650
Financial assets at fair value through profit or loss	-	(2,750)
Gains / (losses) on financial instruments - hedging (Note 34)	(1,711,429)	(1,629,140)
Gains / (losses) on financial instruments - trading (Note 34)	(1,338,771)	4,028,547
Expenses with loans issuing and other comissions	(4,842,186)	(4,936,395)
Environment and landscape recovery (Note 30)	(147,240)	(141,793)
Foreign exchange gains / (losses)	(10,687,317)	(12,255,770)
(Losses)/gains with compensatory interest	(1,223,135)	1,521,196
Other financial expenses	(3,275,390)	(1,282,513)
Other financial income	12,760	(298,855)
	(42,017,726)	**(40,842,093)**

The captions Gains/ (losses) on trading and hedging financial instruments comprise the fair value changes in the period generated by the instruments detailed in Note 34.

11. INCOME TAX

Group Semapa is subject to the special regime governing business groups comprising companies, in which the shareholding is equal to or more than 75% and which meet the conditions laid down in articles 69 and following of the Corporate Income Tax (CIT) Code.

As of 30 June 2018, the tax business group led by Semapa as the dominant society comprises Group Secil, and ETSA, as well has all the subsidiaries that meet the legal requirements of the Corporate Income Tax Code. The companies that integrate The Navigator Group also integrated the tax business group led by The Navigator Company, S.A..

Companies included within the consolidation scope of the group of companies subject to this regime, calculate and recognise corporate income tax (CIT) as though they were taxed on an individual basis. However, the liabilities are recognised as due to the dominant entity of the tax business Group, which is responsible for the Group's overall clearance and payment of the corporate income tax. Where there are gains on the use of this regime, these are recorded in the dominant entity financial statements.

In the six-month period ended as at 30 June 2018 and 2017, income tax expense comprises:

Amounts in Euro	1S 2018	1S 2017
Current tax	(44,551,789)	(28,931,462)
Provisions for current tax	(11,500,572)	12,016,553
Deferred tax	28,023,135	(3,533,766)
	(28,029,226)	**(20,448,675)**

The reconciliation of the effective tax rate in the six-month period ended as at 30 June 2018 and 2017 is as follows:

Amounts in Euro	1S 2018	1S 2017
Profit before tax	124,435,814	96,306,696
Expected income tax	27,998,058	21,669,007
State surcharge	7,333,256	1,424,735
Differences (a)	1,950,004	(3,617,080)
Prior year tax adjustments	(9,674,959)	(7,367,637)
Recoverable tax losses carried forward	(937,355)	(487,371)
Non recoverable tax losses	6,286,906	7,751,808
Provision for current tax	-	2,136,213
Reversal of provisions	(553,491)	(1,079,509)
Impact from the change in the tax rate	(1,196,511)	(2,908,107)
Tax benefits	(3,915,766)	(229,537)
Other	739,084	3,156,153
	28,029,226	**20,448,675**
Effective tax rate	22.53%	21.23%

(a) This amount is made up essentially of :	1S 2018	1S 2017
Effects arising from the application of the equity method (Note 9)	(449,305)	(259,158)
Capital gains/(losses) for tax purposes	36,205,470	397,820
Capital gains/(losses) for accounting purposes	(70,158,096)	(548,427)
Impairment of taxed provisions	38,255,052	4,189,737
Tax benefits	(3,808,055)	(2,875,139)
Dividends of companies located outside the EU	-	1,970,000
Reversal of taxed provisions	(262,927)	(19,296,959)
Intra-group earning's subject to taxation	1,409	1,275,292
Employees benefits	(479,019)	711,513
Other	9,362,155	(1,640,592)
	8,666,684	(16,075,913)
Tax effect (22.5%)	**1,950,004**	**(3,617,080)**

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 period for the purpose of calculating taxable income.

Dividends are considered when determining the taxable income in the year in which they are received, if the assets are held for less than one year or if investments represent less than 10% of the share capital.

12. EARNINGS PER SHARE

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

Amounts in Euro	1S 2018	1S 2017
Profit attributable to Semapa's shareholders	59,141,326	43,358,562
Total number of shares issued	81,270,000	81,270,000
Average number of treasury shares in the portfolio	(586,329)	(586,329)
Weighted average number of ordinary shares in issue	**80,683,671**	**80,683,671**
Basic earnings per share	0.733	0.537
Diluted earnings per share	0.733	0.537

As of 30 June 2018 and 31 December 2017, Semapa - Sociedade de Investimento e Gestão, SGPS, S.A., held 586,329 treasury shares.

13. NON-CONTROLLING INTERESTS

In the six-month period ended as at 30 June 2018 and 2017, non-controlling interests shown in the Interim Consolidated Income Statement are detailed as follows:

Amounts in Euro	% held	Income 1S 2018	Income 1S 2017
The Navigator Company, S.A.	30.60%	34,853,908	27,693,746
Raiz - Instituto de Investigação da Floresta e Papel	3.00%	(979)	2,630
Société des Ciments de Gabés	1.28%	20,757	(133)
IRP - Indústria de Rebocos de Portugal, S.A.	25.00%	83,734	71,434
Secil - Companhia de Cimento do Lobito, S.A.	49.00%	(514,914)	(917,680)
Ciments de Sibline, S.A.L.	48.95%	2,777,524	5,564,157
Grupo Cimentos Madeira	0.00%	-	26,509
ETSA - Investimentos, SGPS, S.A.	99.99%	104	213
Other		45,128	58,583
		37,265,262	**32,499,459**

As of 30 June 2018 and 31 December 2017, non-controlling interests in the Interim Consolidated Statement of financial position are detailed as follows:

Amounts in Euro	% held	Equity 30-06-2018	31-12-2017
The Navigator Company, S.A.	30.60%	273,843,251	305,484,936
Raiz - Instituto de Investigação da Floresta e Papel	3.00%	207,669	420,277
Société des Ciments de Gabés	1.28%	771,078	803,206
IRP - Indústria de Rebocos de Portugal, S.A.	25.00%	522,628	438,895
Secil - Companhia de Cimento do Lobito, S.A.	49.00%	(1,865,283)	(2,030,796)
Ciments de Sibline, S.A.L.	48.95%	66,356,340	67,023,056
Grupo Cimentos Madeira	0.00%	65,085	5,182,101
ETSA - Investimentos, SGPS, S.A.	99.99%	7,783	7,679
Other		1,262,719	1,218,077
		341,171,270	**378,547,431**

In 2014, the Group signed agreements with the International Finance Corporation for the entry of this institution into the share capital of the subsidiary Portucel Moçambique, S.A., thus ensuring the construction phase of the Group's forestry project in Mozambique. In 2015, this company performed a capital increase from MZM 1,000 million to MZM 1,680,798 million subscribing MZM 332,798 million corresponding to 19.8% of the capital at that date, although it has not yet realised the entire counter value in Euros of that capital increase. Accordingly, the unrealised amount was reclassified to equity of the parent company's shareholders.

As of 30 June 2018, there are no rights of protection of non-controlling interests that significantly restrict the entity's ability to access or use assets and settle liabilities of the Group.

The movement in the non-controlling interests, by operating segments, in the first half of 2018 and year 2017 is as follows:

Amounts in Euro	Pulp and paper	Cement and derivatives	Environment	Total
Balance as of 1 January 2017	**325,385,020**	**84,361,871**	**7,316**	**409,754,207**
Capital reduction	-	(314,367)	-	(314,367)
Dividends	(76,497,856)	(11,670,021)	-	(88,167,877)
Currency translation reserve	(4,035,157)	(9,064,982)	-	(13,100,139)
Financial instruments	1,392,464	16	-	1,392,480
Actuarial gains and losses	1,326,576	65	-	1,326,641
Other movements in equity	(1,850,792)	1,115	-	(1,849,677)
Profit for the period	60,184,959	9,320,842	362	69,506,163
Balance as of 31 December 2017	**305,905,214**	**72,634,539**	**7,678**	**378,547,431**
Acquisitions / (Disposals)	-	(5,117,045)	-	(5,117,045)
Dividends	(61,197,407)	(5,641,580)	-	(66,838,987)
Currency translation reserve	(2,708,530)	2,824,738	-	116,208
Financial instruments	(1,206,151)	(5)	-	(1,206,156)
Actuarial gains and losses	(1,383,505)	(307)	-	(1,383,812)
Other movements in equity	(211,629)	(2)	-	(211,631)
Profit for the period	34,852,928	2,412,229	105	37,265,262
Balance as of 30 June 2018	**274,050,920**	**67,112,567**	**7,783**	**341,171,270**

In the first half of 2018, the subsidiary Secil acquired the remaining % of the capital of Cimentos Madeira (47%) for an amount of Euro 4,500,000. The negative difference between the acquisition amount and the fair value of the acquired

non-controlling interests, in the amount of Euro 617,015, was recorded directly under shareholders' equity, as defined in the applicable accounting policy.

14. APPLICATION OF PREVIOUS YEAR'S PROFIT

In accordance with the resolutions of the Annual General Shareholders' Meeting regarding the approval of the financial statements, the profits of both 2017 and 2016 were applied as follows:

	Application of period's net profit	
Amounts in Euro	2017	2016
Dividends distribution	41,310,040	36,307,652
Profit-sharing bonuses	3,615,516	3,509,978
Other reserves	79,167,911	75,045,182
Consolidated retained earnings	**124,093,467**	**114,862,812**
Dividends per share	**0.512**	**0.450**

The legal reserves are constituted by the maximum amount.

Following the approval at Semapa's Annual General Shareholders' Meeting held on 24 May 2018, it was approved to pay dividends related to the results of 2017 amounting to approximately Euro 41.3 million (51.2 cents per share in circulation) as well as the payment of balance bonuses to its Employees up to a maximum of 4.4 million Euro.

15. GOODWILL

In the first half of 2018 and year 2017, the movement in goodwill was as follows:

Amounts in Euro	30-06-2018	31-12-2017
Balance at the beginning of the period	**352,024,516**	**352,812,897**
Acquisitions	-	7,739,608
Exchange rate adjustments	(6,553,902)	(8,527,989)
Closing balance	**345,470,614**	**352,024,516**

Note: The amounts presented are net of impairment losses

In March 2017, the subsidiary Secil completed the acquisition of a set of assets in Spain from the LafargeHolcim group, a cement terminal, two quarries and thirteen ready-mix plants located in the Spanish regions of Asturias, Galicia and Castile and Leon. This acquisition generated a goodwill in the amount of Euro 7,739,608 and no contingent liabilities were identified as a result of this acquisition.

Goodwill is attributed to the Group's cash generating units (CGU's) that correspond to the operating segment identified in Note 4, as follows:

Amounts in Euro	30-06-2018	31-12-2017
Cement and derivatives	186,140,152	192,694,054
Pulp and paper	122,907,528	122,907,528
Environment	36,422,934	36,422,934
	345,470,614	**352,024,516**

16. OTHER INTANGIBLE ASSETS

During the first half of 2018 and year 2017, changes under the caption Other intangible assets, as well as amortisations and impairment losses, were as follows:

Amounts in Euro	Brands	Expenditures on research and development	Industrial properties and other rights	CO2 emission allowances	Assets under construction	Total
Gross Value						
Amount as of 1 January 2017	289,119,833	11,737	259,211	18,358,391	4,558	307,753,730
Change of consolidation perimeter	1,803,911	-	-	13,618	-	1,817,529
Acquisition / attributions	-	-	1,870	11,595,839	28,666	11,626,375
Disposals	-	-	-	(2,497,667)	-	(2,497,667)
Adjustments, transfers and write-off's	(1,915,517)	-	(254,811)	(10,164,101)	(21,723)	(12,356,152)
Exchange rate adjustment	(8,789,006)	-	-	(13,618)	-	(8,802,624)
Amount as of 31 December 2017	280,219,221	11,737	6,270	17,292,462	11,501	297,541,191
Change of consolidation perimeter	-	-	-	-	-	-
Acquisition / attributions	-	-	165	26,554,703	-	26,554,868
Disposals	-	-	-	(2,238,643)	-	(2,238,643)
Adjustments, transfers and write-off's	-	-	11,501	(13,150,999)	(11,501)	(13,150,999)
Exchange rate adjustment	(2,219,056)	-	-	-	-	(2,219,056)
Amount as of 30 June 2018	278,000,165	11,737	17,936	28,457,523	-	306,487,361
Accumulated amortisation and impairment losses						
Amount as of 1 January 2017	(10,884,837)	(10,844)	(236,444)	(1)	-	(11,132,126)
Change of consolidation perimeter	-	-	-	-	-	-
Amortisation and impairment losses	2,308,220	-	(444)	-	-	2,307,776
Disposals	-	-	(56,665)	-	-	(56,665)
Adjustments, transfers and write-off's	155,103	-	289,703	-	-	444,806
Exchange rate adjustment	960,475	-	-	-	-	960,475
Amount as of 31 December 2017	(7,461,039)	(10,844)	(3,850)	(1)	-	(7,475,734)
Change of consolidation perimeter	-	-	-	-	-	-
Amortisation and impairment losses	-	-	(10,501)	-	-	(10,501)
Disposals	-	-	-	-	-	-
Adjustments, transfers and write-off's	-	-	-	-	-	-
Exchange rate adjustment	(160,943)	-	-	-	-	(160,943)
Amount as of 30 June 2018	(7,621,982)	(10,844)	(14,351)	(1)	-	(7,647,178)
Net book value as of 1 January 2017	278,234,996	893	22,767	18,358,390	4,558	296,621,604
Net book value as of 31 December 2017	272,758,182	893	2,420	17,292,461	11,501	290,065,457
Net book value as of 30 June 2018	270,378,183	893	3,585	28,457,522	-	298,840,183

The amount shown under the caption Brands comprises:

- *Pulp and Paper segment:* Euro 151,487,000, regarding the initial valuation of Soporset and Navigator brands.

- *Cement and derivatives segment:* Euro 118,855,121, regarding the initial valuation of the brands Secil Portugal (Euro 69,700,000), Sibline (Lebanon – Euro 22,078,070), Gabès (Tunisia – Euro 6,614,276) and Supremo (Brazil – Euro 20,462,775). Sibline, Gabès and Supremo cement brands are subject to exchange rate update, in accordance with the accounting policy described in Note 1.5.

The referred amounts are not subjected to amortisation as their useful life is undefined (Note 1.6). For valuation purposes, it is considered that brands have an undefined useful life, because it is assumed that it is not possible to determine with an acceptable degree of reliability a time limit for their continuity in the market.

The Group annually tests the impairment of these intangible assets as recommended by IAS 36, using valuations made by a specialised and independent entity, and the recoverable value is determined based on the value in use, according to the discounted cash flow method.

17. PROPERTY, PLANT AND EQUIPMENT

The following movements were registered during the first half of 2018 and year 2017 under the caption Property, plant and equipment, as well as on the respective depreciation and impairment losses accounts:

Amounts in Euro	Land	Buildings and other constructions	Equipments and other tangibles	Assets under construction	Total
Acquisition cost					
Amount as of 1 January 2017	**443,352,555**	**1,144,411,151**	**5,359,019,311**	**111,098,763**	**7,057,881,780**
Change of consolidation perimeter	101,635	855,684	1,927,500	-	2,884,819
Acquisition	5,025,610	334,545	4,200,804	134,445,890	144,006,849
Disposals	(3,909,506)	(3,445,215)	(6,455,507)	(761,500)	(14,571,728)
Adjustments, transfers and write-offs	4,762,923	9,273,845	42,490,915	(57,572,224)	(1,044,541)
Exchange rate adjustment	(20,241,660)	(24,944,987)	(73,621,817)	(1,603,560)	(120,412,024)
Assets held for sale	(1,609,029)	(28,388,030)	(54,512,455)	(924,392)	(85,433,906)
Amount as of 31 December 2017	**427,482,528**	**1,098,096,993**	**5,273,048,751**	**184,682,977**	**6,983,311,249**
Change of consolidation perimeter	-	-	-	-	-
Acquisition	239,307	61,571	443,133	86,505,963	87,249,974
Disposals	(2,414,331)	(693,568)	(2,387,024)	-	(5,494,923)
Adjustments, transfers and write-offs	45,766	2,207,359	20,916,329	(12,330,654)	10,838,800
Exchange rate adjustment	(8,041,596)	(10,540,295)	(23,388,654)	(2,144,092)	(44,114,637)
Amount as of 30 June 2018	**417,311,674**	**1,089,132,060**	**5,268,632,535**	**256,714,194**	**7,031,790,463**
Accumulated depreciation and impairment losses					
Amount as of 1 January 2017	**(64,858,788)**	**(683,635,699)**	**(3,940,830,251)**	**(55,066,728)**	**(4,744,391,466)**
Depreciation and impairment losses	(4,771,360)	(22,886,532)	(197,161,832)	-	(224,819,724)
Disposals	5,685	2,480,044	5,390,442	-	7,876,171
Impairment losses	(5,004,528)	-	-	(4,302,695)	(9,307,223)
Adjustments, transfers and write-offs	29,813	1,986,693	1,039,663	1,829,286	4,885,455
Exchange rate adjustment	3,471,034	7,547,391	35,674,474	356,850	47,049,749
Amount as of 31 December 2017	**(71,128,144)**	**(694,508,103)**	**(4,095,887,504)**	**(57,183,287)**	**(4,918,707,038)**
Depreciation and impairment losses	(2,278,050)	(9,643,802)	(92,974,011)	-	(104,895,863)
Disposals	-	543,076	1,685,474	-	2,228,550
Adjustments, transfers and write-offs	57,325	441,124	904,897	-	1,403,346
Exchange rate adjustment	626,789	1,511,898	6,551,401	826,410	9,516,498
Amount as of 30 June 2018	**(72,722,080)**	**(701,655,807)**	**(4,179,719,743)**	**(56,356,877)**	**(5,010,454,507)**
Net book value as of 1 January 2017	**378,493,767**	**460,775,452**	**1,418,189,060**	**56,032,035**	**2,313,490,314**
Net book value as of 31 December 2017	**356,354,384**	**403,588,890**	**1,177,161,247**	**127,499,690**	**2,064,604,211**
Net book value as of 30 June 2018	**344,589,594**	**387,476,253**	**1,088,912,792**	**200,357,317**	**2,021,335,956**

Commitments related to Property, plant and equipment acquisitions are detailed in Note 39.

During the first half of 2018 and year 2017 no financial charges for loans directly related to the acquisition, construction or production of fixed assets were capitalised.

18. BIOLOGICAL ASSETS

The biological assets of the Group correspond essentially to forests held for the production of wood susceptible to incorporation in the pulp manufacturing process (BEKP), including other species such as pine and cork oak.

As described in notes 1.11 and 3.4, the present value of discounted cash flows method was used in determining the fair value of biological assets (Note 34), in which a number of assumptions were considered, namely forest productivity, sale of timber, cutting costs, rental costs of own and leased forest lands, costs of loading and transport, planting and maintenance costs, and the discount rate (the rate used on 30 June 2018 and 31 December 2017 being 5.35 %).

During the first half of 2018 and year 2017, changes in biological assets were as follows:

Amounts in Euro	30-06-2018	31-12-2017
Amount at the beggining of the period	**129,396,936**	**125,612,948**
Changes in fair value		
Logging in the period	(9,165,007)	(21,192,882)
Growth	3,095,317	12,358,248
New plantations	1,412,246	2,682,277
Other changes in fair value	5,777,100	9,936,345
Total changes in fair value	**1,119,656**	**3,783,988**
	130,516,592	**129,396,936**

Biological assets as of 30 June 2018 and 31 December 2017 are as follows:

Amounts in Euro	30-06-2018	31-12-2017
Eucalyptus (Portugal)	117,035,849	115,198,626
Pine (Portugal)	5,559,054	5,136,610
Cork oak (Portugal)	736,229	2,167,541
Other species (Portugal)	215,968	225,939
Eucalyptus (Mozambique)	6,969,492	6,668,220
	130,516,592	**129,396,936**

The amounts presented under Other fair value changes correspond essentially to the forest management costs foreseen and incurred in the period (forestry costs, structure and income) as well as to the impact arising from changes in expectations incorporated in the model for determining the fair value and are detailed as follows:

Amounts in Euro	30-06-2018	31-12-2017
Costs of asset management		
Forestry	2,092,226	3,278,191
Structure	1,858,791	4,451,938
Fixed and variable rents	5,686,419	10,391,180
	9,637,436	**18,121,309**
Changes in expectations		
Price of wood	-	(683,000)
Cost of capital rate	-	6,012,590
Variations in other species	(1,018,839)	5,709,283
Impact of forest fires in 2017	-	(6,996,837)
Other changes in expectations	(2,841,497)	(12,227,000)
	(3,860,336)	**(8,184,964)**
	5,777,100	**9,936,345**

These values, calculated in accordance with the expected extraction of their productions, correspond to the following future production expectations:

Amounts in Euro	30-06-2018	31-12-2017
Eucalyptus (Portugal) - wood potential extraction k m3ssc	9,978	9,943
Pine (Portugal) - wood potential extraction k ton	412	413
Pine (Portugal) - pinecones potential extraction k ton	n/a	n/a
Cork (Portugal) - cork potential extraction k @	611	644
Eucalyptus (Portugal) - wood potencial extraction h m3ssc (1)	2,057	2,057

1) Valuation for areas with one or more years of age

In addition, as of 30 June 2018 and 31 December 2017, i) there are no amounts of biological assets held and / or pledged as collateral for liabilities, or non-reversible commitments relating to the acquisition of biological assets, and ii) there are no government related subsidies with biological assets recognised in the Group's consolidated financial statements.

19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The following movements were registered in this caption during the first half of 2018 and 31 December 2017:

Amounts in Euro	30-06-2018	31-12-2017
Opening balance	**4,099,421**	**3,885,458**
Acquisitions	300,000	-
Appropriated net profit (Note 9)	449,305	1,047,842
Dividends received	(867,174)	(833,509)
Exchange rate adjustments	(60)	(370)
Closing balance	**3,981,492**	**4,099,421**

As of 30 June 2018 and 31 December 2017 the caption Investments in associates and joint ventures presented in the Interim Consolidated Statement of Financial Position, including goodwill, comprises:

	Book value			
Entities	% held	30-06-2018	% held	31-12-2017
Associated companies				
Setefrete, SGPS, S.A.	25.00%	3,192,518	25.00%	3,577,867
MC - Materiaux de Construction	49.36%	1,637	49.36%	1,698
J.M.J. - Henriques, Lda.	50.00%	374,952	50.00%	375,017
Ave, S.A.	35.00%	112,385	35.00%	144,839
Utis - Ultimate Technology To Industrial Savings, Lda	50.00%	300,000		-
		3,981,492		**4,099,421**

The value of the investment in the associate Setefrete, SGPS, S.A. includes an amount of Euro 2,227,750 of goodwill.

As of 30 June 2018 and 31 December 2017, goodwill included in carrying amount of these investments is detailed as follows:

Amounts in Euro		30 June 2018 Total Assets	Total Liabilities	Equity	Net Profit	Revenue
Ave-Gestão Ambiental e Valorização Energética, S.A.	b)	4,250,384	3,929,274	321,109	260,138	4,172,011
MC- Materiaux de Construction	a)	3,424,595	3,440,807	(5,309)	137,361	1,105,764
J.M.J. - Henriques, Lda.	a)	1,081,473	331,568	749,905	(129)	-
Setefrete, SGPS, S.A.	c)	4,524,432	665,358	3,859,074	1,009,930	34,271
Utis - Ultimate Technology To Industrial Savings, Lda	a)	676,756	63,528	613,228	13,228	708,356

a) 30.06.2018 figures
b) 31.05.2018 figures
c) 30.04.2018 figures - adjusted individual accounts

Amounts in Euro		31 December 2017 Total Assets	Total Liabilities	Equity	Net Profit	Revenue
Ave-Gestão Ambiental e Valorização Energética, S.A.	b)	2,959,114	2,545,287	413,827	352,867	9,305,007
MC- Materiaux de Construction	a)	835,026	820,232	14,794	(78,587)	2,626,184
J.M.J. - Henriques, Lda.	a)	1,081,249	331,215	750,034	(3,472)	-
Setefrete, SGPS, S.A.	c)	5,868,752	468,285	5,400,467	2,829,484	4,336,624

a) 31.12.2017 figures
b) 30.11.2017 figures
c) 30.11.2017 figures - adjusted individual accounts

20. INVESTMENT PROPERTIES

On 30 June 2018, the caption Investment properties has a balance of Euro 384,720 that includes mainly properties held to obtain income or capital appreciation (or both) in accordance with the policy described in Note 1.9.

21. EQUITY INSTRUMENTS AND OTHER NON-CURRENT ASSETS

FINANCIAL ASSETS

This account records the participation held by The Navigator Group in Liaison Technologies, in the amount of Euro 478,032, originally acquired in 2005, by exchange of shares of Express Paper. Until 2012, the Group held a 1.52% stake in this subsidiary, having sold in 2013 shares representing 0.85% of the share capital.

OTHER NON-CURRENT ASSETS

Other non-current assets includes Euro 32,262,359 related to the present value of the amount receivable from the sale of the pellet business (USD 45 million). The nominal interest receivable shall bear interest at the rate of 2.5%.

22. IMPAIRMENT IN NON-CURRENT ASSETS AND CURRENT ASSETS

In the first half of 2018 and year 2017, the following movements were registered under Impairment in non-current assets:

Amounts in Euro	Goodwill	Brands	Other non-current assets	Property, plant and equipment	Investment in associates	Total
1 January 2017	**5,961,236**	**9,996,760**	**1,855,975**	**102,292**	**16,252**	**17,932,515**
Change of consolidation perimeter	-	-	-	-	-	-
Increases (Notes 8 and 16)	-	3,115,678	-	-	-	3,115,678
Reversals	-	(5,439,278)	-	-	-	(5,439,278)
31 December 2017	**5,961,236**	**7,673,160**	**1,855,975**	**102,292**	**16,252**	**15,608,915**
Increases (Notes 8, 15 and 16)	-	-	-	-	-	-
Reversals (Notes 8 and 16)	-	-	-	-	-	-
30 June 2018	**5,961,236**	**7,673,160**	**1,855,975**	**102,292**	**16,252**	**15,608,915**

During the period ended as of 30 June 2018 and 31 December 2017, the following movements were registered on impairments in current assets:

Amounts in Euro	Inventories	Trade receivables	Other receivables	Total
1 January 2017	**14,711,216**	**30,388,724**	**6,263,823**	**51,363,763**
Increases (Note 6)	1,700,810	1,810,800	283,779	3,795,389
Reversals (Note 5)	(982,411)	(1,124,025)	(25,915)	(2,132,351)
Charge-offs	(7,892)	(409,293)	-	(417,185)
Adjustments and transfers	(1,367,839)	(682,144)	(30,608)	(2,080,591)
31 December 2017	**14,053,884**	**29,984,062**	**6,491,079**	**50,529,025**
Increases (Note 6)	626,641	760,989	7,221	1,394,851
Reversals (Note 5)	(1,498,901)	(650,393)	(10,124)	(2,159,418)
Charge-offs	23,890	(1,337,853)	-	(1,313,963)
Adjustments and transfers	(152,880)	(374,021)	(10,275)	(537,176)
30 June 2018	**13,052,634**	**28,382,784**	**6,477,901**	**47,913,319**

23. INVENTORIES

As of 30 June 2018 and 31 December 2017, the caption Inventories comprised:

Amounts in Euro	30/06/2018	31/12/2017
Raw materials	193,316,805	177,126,495
Finished and intermediate products	89,104,130	71,705,124
Work in progress	20,596,783	19,728,115
Goods	8,676,174	6,906,245
By-products and waste	4,459,000	5,287,251
Advance payments	-	3,116
	316,152,892	**280,756,346**

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

During the period ended as of 30 June 2018 and 31 December 2017, movements in Raw materials, Finished products and Goods and Advances to inventories were as follows:

Amounts in Euro	30-06-2018	31-12-2017
Opening balance	189,323,107	191,463,696
Acquisitions	438,963,790	805,006,146
Closing balance	(206,451,979)	(189,323,107)
Cost of inventories sold and consumed (Note 6)	**421,834,918**	**807,146,735**

During the period ended as of 30 June 2018 and 31 December 2017, the movements in Finished Products and Products and Work in Progress were as follows:

Amounts in Euro	30-06-2018	31-12-2017
Opening balance	91,433,239	117,253,999
Adjustments	(1,371,127)	133,658
Closing balance	(109,700,913)	(91,433,239)
Variation in productions (Note 6)	**(19,638,801)**	**25,954,418**

As of 30 June 2018 and 31 December 2017, location of inventories by geographical segment were as follows:

Amounts in Euro	30-06-2018	31-12-2017
Portugal	234,240,531	207,642,193
Rest of Europe	8,950,701	8,576,945
America	25,774,361	19,488,258
Africa	22,234,513	23,860,961
Asia	24,952,786	21,187,989
	316,152,892	**280,756,346**

The amounts presented are deducted from the respective adjustments, in accordance with the policy described in Note 1.15 and detailed in Note 22. The amounts for Portugal include Euro 16,383,945 (31 December 2017: Euro 14,229,243) regarding inventories of The Navigator Group, whose invoices of which have already been issued but the transfer of risks and rewards to customers has not yet been verified, which is why the corresponding revenue was not recognised at the date of the Interim Consolidated Statement of Financial Position.

As of 30 June 2018 and 31 December 2017, there are no inventories whose ownership is restricted and/or pledged as collateral for liabilities.

24. RECEIVABLES AND OTHER CURRENT ASSETS

As of 30 June 2018 and 31 December 2017, the caption Receivables and other current assets is analysed as follows:

Amounts in Euro	30-06-2018	31-12-2017
Trade receivables	286,552,058	245,876,313
Accounts receivable - related parties (Note 35)	546,707	526,632
Derivative financial instruments (Note 34)	3,798,664	4,571,589
Other receivables	63,503,844	50,873,035
Accrued income	16,636,156	20,351,232
Deferred costs	17,951,678	12,668,285
	388,989,107	**334,867,086**

Note: The presented figures are net of impairment losses.

As of 30 June 2018 and 31 December 2017, Other receivables included the following:

Amounts in Euro	30-06-2018	31-12-2017
Other receivables		
Advance payments to suppliers	6,617,605	1,905,594
Advance payments to personnel	1,496,610	1,590,991
Price adjustment | Acquisition of Supremo Cimentos	1,331,449	1,856,983
Financial incentives to be received	7,055,847	42,105
Collateral provided to other parties	285,373	4,632,589
Department of Commerce (USA)	33,879,352	29,846,612
Other	12,837,608	10,998,161
	63,503,844	**50,873,035**

In 2015 the Group was subject to an investigation of alleged dumping practices in UWF exports to the United States of America, and an anti-dumping provisional tax rate was imposed over those sales, of 29.53%. On 11 January 2016, the US Department of Commerce settled the final duty rate at 7.8%. Although the actual rate is substantially lower than the initially determined margin and considering that the North-American authorities informed in April 2018 that the provisional anti-dumping tax rate to be applied retroactively to the period between August 2015 and February 2017 (first revision period) would be 0%, the Navigator Company fully disagrees with any anti-dumping margin, since, in view of the calculation algorithm used by the US authorities and validated by the Navigator Company Group's US lawyers, the Navigator Company Group does not determine any price difference between the domestic (Portugal) and destination (US) markets in the period under review after August 2015 and until at February 2018.

The amount shown as "Advances to suppliers" refers to advanced payments made to wood suppliers. As a way of ensuring the sustainability of the forest value chain to the industry, the Group advances payments to its suppliers upon presentation of guarantees for the wood to be bought throughout the year. Those advances are settled as supplies are delivered.

The amount evidenced in the item Price Adjustment — Acquisition of Supremo Cimentos in 2016 relates to the price adjustment determined in the context of the purchase agreement of this subsidiary celebrated between the parties.

As of 30 June 2018 and 31 December 2017, the items of Accrued income and deferred costs are detailed as follows:

Amounts in Euro	30-06-2018	31-12-2017
Accrued income		
Interest receivable	294,206	1,548,286
Energy sales	14,767,825	15,320,310
Other	1,574,125	3,482,636
	16,636,156	**20,351,232**
Deferred costs		
Insurance	6,691,567	2,001,295
Rents and leases	4,108,872	3,722,992
Other	7,151,239	6,943,998
	17,951,678	**12,668,285**
	34,587,834	**33,019,517**

25. STATE AND OTHER PUBLIC ENTITIES

As of 30 June 2018 and 31 December 2017, there were no arrears debts to the State and other public entities.

As mentioned in Note 11, the tax Group dominated by Semapa, SGPS, S.A., comprises the Portuguese entities (that comply with the conditions laid down in Article 69 of the CIT Code) of Groups Secil and ETSA, the same criteria applying to the Navigator Group. Thus, although those companies ascertain and record the income tax as if they were taxed on an individual basis, the overall corporate income tax, as well as the overall reverse change, is performed by the parent Company.

The balances relating to these entities were as follows:

CURRENT ASSETS

Amounts in Euro	30-06-2018	31-12-2017
Corporate Income Tax - CIT	1,494,351	788,673
Personnel Income Tax - withheld on salaries	46,932	724,018
Value added tax to be recovered	5,902,002	20,047,677
Value added tax - refund requested	26,317,568	59,436,715
Tax over Merchandise and Services Circulation (ICMS)	2,153,085	3,066,066
Tax on Industrialized Products (TIP)	1,190,581	941,465
Contributions for Social Security financing	166,697	128,786
PIS and COFINS credit on fixed assets	12,284,149	14,633,336
Other taxes	9,078,732	12,842,402
	58,634,097	**112,609,138**

CURRENT LIABILITIES

Amounts in Euro	30-06-2018	31-12-2017
Corporate Income Tax - CIT	33,948,547	14,419,036
Personnel Income Tax - withheld on salaries	6,824,804	3,498,938
Value added tax	25,991,625	48,932,097
Social Security	6,883,617	4,542,187
Tax over Merchandise and Services Circulation (ICMS)	772,642	525,815
Company Development Program Catarinense (PRODEC)	1,731,708	2,412,382
Paraná Competitive Program	11,007,825	10,664,028
Contributions for Social Security financing	33,524	44,129
Additional tax settlements	19,058,126	20,145,343
Other	2,179,615	2,287,616
	108,432,033	**107,471,571**

As of 30 June 2018 and 31 December 2017, the caption Corporate Income tax - CIT (net amount of current assets and current liabilities) is detailed as follows:

Amounts in Euro	30-06-2018	31-12-2017
Corporate income tax for the period	44,134,460	57,420,038
Exchange rate differences	42,404	(342,405)
Payments on account and additional payments on account	(1,700,895)	(46,769,853)
Witholding tax	(229,844)	(1,059,968)
Prior years corporate income tax	(9,791,929)	4,382,551
	32,454,196	**13,630,363**

26. SHARE CAPITAL AND TREASURY SHARE

As of 30 June 2018 and 31 December 2017, Semapa's share capital was fully subscribed and paid up, represented by 81,270,000 shares with no par value. The legal persons that held relevant positions in the Company's capital are detailed as follows:

		%	
Description	No. of shares	30-06-2018	31-12-2017
Longapar, SGPS, S.A.	22,225,400	27.35	27.35
Cimo - Gestão de Participações, SGPS, S.A.	16,734,031	20.59	20.59
Sodim, SGPS, S.A.	15,252,726	18.77	18.77
Bestinver Gestión, SGIIC, S.A.	7,166,756	8.82	8.82
Cimigest, SGPS, S.A.	3,185,019	3.92	3.92
Santander Asset Management España, SA	1,981,216	2.44	2.44
Noges Bank (The Central Bank of Norway)	1,699,613	2.09	2.09
Sociedade Agrícola da Quinta da Vialonga, S.A.	625,199	0.77	0.77
Treasury shares	586,329	0.72	0.72
Other shareholders with participation below 2%	11,813,711	14.54	14.54
	81,270,000	**100.00**	**100.00**

Semapa - Sociedade de Investimento e Gestão, SGPS, S.A. held, on 30 June 2018 and 31 December 2017, 586,329 treasury shares.

27. RESERVES AND RETAINED EARNINGS

As of 30 June 2018 and 31 December 2017, the captions Fair value reserve, Translation reserve and Other reserves comprised:

Amounts in Euro	30-06-2018	31-12-2017
Fair value of financial instruments	(3,667,477)	(818,432)
Other fair value reserves	(1,281,742)	(1,281,742)
Total amount of fair value reserve	**(4,949,219)**	**(2,100,174)**
Translation reserve	**(127,806,875)**	**(99,805,648)**
Legal reserve	16,695,625	16,695,625
Other reserves	780,089,232	700,921,321
Total amount of other reserves	**796,784,857**	**717,616,946**
Total	**664,028,763**	**615,711,124**

FAIR VALUE OF FINANCIAL INSTRUMENTS

The amount presented under Fair value of financial instruments (net of deferred taxes), corresponds to the change in the fair value of financial instruments classified as hedges, described in Note 34, and accounted for in accordance with the policy described in Note 1.13.

TRANSLATION RESERVE

The translation reserve corresponds to the accumulated amount related to the Group's appropriation of exchange differences resulting from the translation of the financial statements, of the subsidiaries operating outside the Euro zone, mainly in Brazil, Tunisia, Lebanon, Angola, Mozambique, United States of America (including Net investment hedge), and United Kingdom.

In the first half of 2018, the variation in this reserve was mainly due to the exchange rate devaluation against the Euro in the Brazilian Real (negative impact of Euro 26,197,624) and Tunisian Dinar (negative impact of Euro 2,307,388). See Note 42.

LEGAL RESERVE

Commercial Company law prescribes that at least 5% of annual net profit must be transferred to the legal reserve, until this is equal to at least 20% of the issued capital, which occurs in 30 June 2018. This reserve cannot be distributed, unless in the event of the Company’s liquidation; however, it may be used to absorb losses after the other reserves have been exhausted or it can be incorporated into the share capital.

OTHER RESERVES

This heading includes reserves incorporated through the appropriation of prior year’s earnings.

RETAINED EARNINGS — INCREASE/DECREASE IN THE SHAREHOLDING RATE HELD IN SUBSIDIARIES WITHOUT LOSS OF CONTROL

The Group records in this caption the differences between the group share of net assets acquired/disposed of and the acquisition/disposal amount to non-controlling interest of already controlled entities.

As of 30 June 2018 and 31 December 2017, the accumulated amount of these differences, regarding the increase in shareholdings in subsidiaries, arises to a negative amount of Euro 416,498,687.

RETAINED EARNINGS - REMEASUREMENTS (ACTUARIAL GAINS AND LOSSES)

The remeasures (actuarial deviations) resulting, from the differences between the assumptions used to calculate post-employment benefit liabilities and what actually occurred, are equally recorded under this caption (as well as changes in assumptions and the difference between the expected value of the profitability of the assets of the funds and the actual profitability) according to the policy described in Note 1.22.1. Additionally see Note 29.

28. DEFERRED TAXES

The following movement took place in Deferred tax assets and liabilities, during the first half of 2018:

Amounts in Euro	As of 1 January 2018	Exchange adjustment	Income Statement		Equity	Transfers	Assets held for sale	As of 30 June 2018
			Increases	Decreases				
Temporary differences originating deferred tax assets								
Tax losses carried forward	67,932,564	(8,623,872)	7,155,577	-	-	-	-	66,464,269
Taxed provisions	21,424,472	(122,199)	2,249,334	(1,219)	-	-	-	23,550,388
Harmonisation of depreciation criteria	112,547,708	-	2,862,577	-	-	-	300,000	115,710,285
Pensions and post-employment benefits	4,575,248	(1,141)	4,915	(321,762)	(13,906)	(34,958)	-	4,208,396
Financial instruments	4,088,316	-	-	-	5,593,376	-	-	9,681,692
Deferred accounting gains on inter-group transactions	38,987,515	(6,568)	1,516,721	(2,346,329)	-	-	-	38,151,339
Fiscal investment incentives	12,073,160	-	176,779	(729,369)	146,862	-	-	11,667,432
Fair values of business combinations	1,524,164	43,798	-	-	-	-	-	1,567,962
Conventional capital remuneration	12,320,000	-	-	-	-	-	-	12,320,000
Impairment under IFRS 9	-	-	-	-	3,198,733	-	-	3,198,733
Other temporary differences	4,696,676	(657,447)	4,808,899	(1,779,085)	-	-	-	7,069,043
	280,169,823	**(9,367,429)**	**18,774,802**	**(5,177,764)**	**8,925,065**	**(34,958)**	**300,000**	**293,589,539**
Temporary differences originating deferred tax liabilities								
Revaluation of property, plant and equipment	(52,430,381)	5,886,815	-	876,399	-	-	-	(45,667,167)
Pensions and post-employment benefits	(2,255,443)	107	(116,662)	-	232,921	34,958	-	(2,104,119)
Financial instruments	1,129,914	(55,272)	(1,204,807)	-	-	-	-	(130,165)
Tax incentives	(8,903,131)	-	-	649,077	124,593	-	-	(8,129,461)
Harmonisation of depreciation criteria	(392,075,056)	4,748,557	(5,539,701)	45,691,060	-	-	-	(347,175,140)
Deferred accounting losses on inter-group transactions	(50,039,680)	-	(10,191,596)	49,711,825	-	-	-	(10,519,451)
Valuation of growing forests	(10,246,504)	-	(1,614,822)	-	-	-	-	(11,861,326)
Fair value of intangible assets - brands	(254,157,786)	4,673,821	(5,519,020)	-	-	-	-	(255,002,985)
Fair value of tangible assets	(111,505,041)	-	-	7,635,775	-	-	-	(103,869,266)
Fair value of business combinations	(91,146,903)	(1,701,228)	-	7,938,864	-	-	(15,156)	(84,924,423)
Other temporay differences	(1,340,849)	51,879	(827,493)	428,629	-	-	-	(1,687,834)
	(972,970,860)	**13,604,679**	**(25,014,101)**	**112,931,629**	**357,514**	**34,958**	**(15,156)**	**(871,071,337)**
Deferred tax assets	**80,075,383**	**(3,204,465)**	**5,536,710**	**(1,134,506)**	**2,534,327**	**(8,739)**	**82,500**	**83,881,210**
Deferred tax liabilities	**(265,510,481)**	**4,633,492**	**(2,972,353)**	**26,593,284**	**95,322**	**8,739**	**(3,374)**	**(237,155,371)**

The following movement took place in Deferred tax assets and liabilities during the year ended as of 31 December 2017:

Amounts in Euro	As of 1 January 2017	Exchange adjustment	Income Statement		Retained Earnings	Transfers	Assets held for sale	As of 31 December 2017
			Increases	Decreases				
Temporary differences originating deferred tax assets								
Tax losses carried forward	57,504,185	(9,494,338)	19,922,717	-	-	-	-	67,932,564
Taxed provisions	30,560,249	(1,597,590)	526,881	(8,065,068)	-	-	-	21,424,472
Harmonisation of depreciation criteria	116,353,989	-	2,958,334	(9,964,615)	-	3,500,000	(300,000)	112,547,708
Pensions and post-employment benefits	5,156,848	(15,190)	7,599	(644,075)	70,066	-	-	4,575,248
Financial instruments	10,398,848	-	-	(228,022)	(6,082,510)	-	-	4,088,316
Deferred accounting gains on inter-group transactions	33,270,651	(11,515)	10,064,988	(4,336,609)	-	-	-	38,987,515
Fiscal investment incentives	14,174,165	-	-	(2,101,005)	-	-	-	12,073,160
Fair values of business combinations	1,734,023	(209,859)	-	-	-	-	-	1,524,164
Conventional capital remuneration	-	-	-	(3,080,000)	15,400,000	-	-	12,320,000
Other temporary differences	8,690,053	(524,813)	543,045	(2,302,146)	12,868	(1,722,331)	-	4,696,676
	277,843,011	**(11,853,305)**	**34,023,564**	**(30,721,540)**	**9,400,424**	**1,777,669**	**(300,000)**	**280,169,823**
Temporary differences originating deferred tax liabilities								
Revaluation of property, plant and equipment	(60,835,881)	7,705,627	-	694,230	-	5,643	-	(52,430,381)
Pensions and post-employment benefits	(2,121,065)	-	(104,494)	(428)	(29,455)	-	-	(2,255,443)
Financial instruments	1,769,836	(217,562)	(422,360)	-	-	-	-	1,129,914
Tax incentives	(1,270,679)	-	(7,881,690)	-	249,237	-	-	(8,903,131)
Harmonisation of depreciation criteria	(388,205,374)	9,031,945	(33,943,123)	21,041,495	-	-	-	(392,075,056)
Deferred accounting losses on inter-group transactions	(3,250,619)	-	(49,680,286)	2,891,226	-	-	-	(50,039,680)
Valuation of growing forests	(3,979,927)	-	(6,266,577)	-	-	-	-	(10,246,504)
Fair value of intangible assets - brands	(257,146,542)	5,207,337	(2,218,581)	-	-	-	-	(254,157,786)
Fair value of tangible assets	(126,776,591)	-	-	15,271,550	-	-	-	(111,505,041)
Fair value of business combinations	(180,076,742)	13,210,709	-	75,755,085	-	(5,643)	(30,312)	(91,146,903)
Other temporay differences	(2,027,027)	90,226	(219,502)	815,454	-	-	-	(1,340,849)
	(1,023,920,611)	**35,028,282**	**(100,736,613)**	**116,468,612**	**219,782**	**-**	**(30,312)**	**(972,970,860)**
Deferred tax assets	**78,652,223**	**(3,806,350)**	**7,952,214**	**(5,224,343)**	**2,584,144**	**(5)**	**(82,500)**	**80,075,383**
Deferred tax liabilities	**(276,468,649)**	**9,557,171**	**(4,265,000)**	**5,608,281**	**64,464**	**-**	**(6,748)**	**(265,510,481)**

The Group has operations in several geographies with legal/tax frameworks that are necessarily different from each other and subject to different nominal rates of income tax. Currently, the income tax rates in the main geographies where the Group operates are: i) 22.5% in Portugal (including municipal surcharge and state surcharge), ii) 34% in Brazil, iii) 25% in Tunisia, iv) 17% in Lebanon and v) 30% in Angola.

The deferred tax assets recorded in the consolidated financial statements for reportable tax losses as at 30 June 2018 and 31 December 2017, are fully related to the subsidiary Margem Companhia de Mineração, S.A., a subsidiary of the Group headquartered in Brazil that owns the new Cement plant built by the Group in Adrianópolis, State of Paraná, which began operating in the second quarter of 2015.

As current Brazilian tax legislation does not impose any time limit for its use against future taxable profits, management is convicted that, in accordance with the medium-term business plan, the project will generate taxable profits that will be offset by the tax losses accumulated in these first years of start-up. Additionally, it should be noted that the tax depreciation of Margem Companhia de Mineração, S.A., is more accelerated than the economic depreciation, generating a significant negative impact on the tax result of the subsidiary.

29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS

As referred to in Note 1.22, the Group grants various post-employment benefits to its Employees and their families.

The following is a breakdown of the obligations, assumed and reflected in the Consolidated Statement of financial position as at 30 June 2018 and 31 December 2017:

30 June 2018	Pulp and Paper	Cement and derivatives	Holdings	Total
Group liabilities for past services				
Active	58,567,960	78,173	-	58,646,133
Former employees	20,679,122	-	-	20,679,122
Retirees	74,479,477	21,727,015	1,190,270	97,396,762
Market value of the pension funds	(144,555,051)	(20,012,882)	-	(164,567,933)
Equity	-	177,691	-	177,691
Insurance policies	-	(206,549)	-	(206,549)
Reserve account*	-	(628,262)	-	(628,262)
Unfunded pensions liabilities	**9,171,508**	**1,135,186**	**1,190,270**	**11,496,964**
Other unfunded liabilities				
Healthcare assistance	-	44,500	-	44,500
Retirement and death liabilities	-	96,266	-	96,266
Long-service award liabilities	-	251,346	-	251,346
Total net liabilities	**9,171,508**	**1,527,298**	**1,190,270**	**11,889,076**

** overfunding due to the change to a defined contribution plan*

31 December 2017	Pulp and Paper	Cement and derivatives	Holdings	Total
Group liabilities for past services				
Active	57,986,022	85,451	-	58,071,473
Former employees	20,527,177	-	-	20,527,177
Retirees	72,686,536	22,867,756	1,239,645	96,793,937
Market value of the pension funds	(146,109,493)	(20,990,314)	-	(167,099,807)
Covered capital	-	184,050	-	184,050
Insurance policies	-	(149,093)	-	(149,093)
Reserve account*	-	(646,286)	-	(646,286)
Unfunded pensions liabilities	**5,090,242**	**1,351,564**	**1,239,645**	**7,681,451**
Other unfunded liabilities				
Healthcare assistance	-	45,450	-	45,450
Retirement and death liabilities	-	93,068	-	93,068
Long-service award liabilities	-	303,366	-	303,366
Total net liabilities	**5,090,242**	**1,793,448**	**1,239,645**	**8,123,335**

** overfunding due to the change to a defined contribution plan*

SUB-GROUP NAVIGATOR

RETIREMENT AND PENSION SUPPLEMENTS

Until 2013, several retirement and survivor plans, together with retirement bonus, coexisted within the Group. For certain categories of active Employees, in addition to the plans described below, additional plans also existed, financed through independent funds assigned to cover those additional responsibilities.

Under the prevailing Social Benefits Regulation, permanent Employees of Navigator that chose not to move to the defined contribution plan, together with the retired Employees as of the transition date (1 January 2009) and from 1 January 2014, the former Employees of Navigator Paper Figueira (former Soporcel), Navigator Forest Portugal (former PortucelSoporcel Florestal), RAIZ, Empremédia, and Navigator Lusa (former PortucelSoporcel Lusa), are entitled, after retirement in case of disability, to a monthly retirement pension or disability supplement. This is calculated according to a formula, which considers the beneficiary's gross monthly remuneration updated to the work category at the date of retirement and the number of years of service, up to a limit of 30 (limit of 25 to Navigator Paper Figueira, Navigator Forest Portugal, Empremédia, Navigator Lusa and RAIZ), including a survivor pension to the spouse and direct descendants.

To cover this liability, externally managed pension funds were set up, and the funds' assets are apportioned between each of the companies.

In 2010 and 2013, respectively, the Group completed the necessary procedures to convert the defined benefit plans of its subsidiaries The Navigator Company, Navigator Paper Figueira, Navigator Forest Portugal, Raiz, Empremédia, and Navigator Lusa to defined contribution plans for the current Employees, keeping the acquired benefits as of transition date. The acquired rights attributable to former Employees and retirees, in case they leave the company or in case of a job change or retirement, will remain unchanged.

Notwithstanding, following a negotiation process with its Employees as a result of the aforementioned changes to the pension plans, Navigator Paper Figueira allowed its active Employees as of 1 January 2014 to choose, until 16 January 2015, to choose between the following alternatives:

i) Alternative A: Benefit safeguard plan, or

ii) Alternative B: Pure defined contribution plan.

This possibility to choose between these two alternatives was granted to the Employees in early 2015, aiming to bypass the changes that had been made to the Navigator Paper Figueira pension plan, by simulating that the option had been granted as of 1 January 2014, by the time of the conversion of the defined benefit plan into a defined contribution plan.

<u>Alternative A — benefit safeguard plan</u>

In general terms, Employees who opted for Alternative A maintain the option, at the date of retirement, for the defined benefit plan that was in force until 31 December 2013, based on the seniority at that date, and also after that date, to benefit from a defined contribution plan, up to 25 years in the Company.

From a practical point of view, the option for this alternative guarantees Employees the possibility of benefiting from two autonomous accounts:

- **Account 1:** which includes an initial contribution that corresponds to the amounts paid to the pension fund, under the previous defined benefit plan in the amount of past service liabilities calculated as of 31 December 2013, as well as the monthly contributions made by the Company during the 2014 fiscal year for the defined contribution plan; and,

- **Account 2:** which covers the Company's future monthly contributions, corresponding to 2% of the pensionable salary, to be made until the Employees have completed 25 years of seniority in the Navigator Paper Figueira.

The balance of Account 1 will affect the coverage of liabilities associated with a defined benefit (which translates into the receipt of a pension, corresponding to the liabilities in the previous defined benefit plan, calculated on 31 December 2013), if Employees covered by Alternative A trigger the Safeguard Clause.

Employees who choose to exercise the Safeguard Clause will also benefit from a life annuity that will be acquired from an insurance company, using the balance accumulated in Account 2.

In case Employees do not opt for the Safeguard Clause exercise, the benefit they will receive will correspond to that, resulting from the annuity acquired from an insurance entity, through the delivery of the amounts accumulated in Account 1 and Account 2.

That is, the benefits obtained by Employees who do not opt for the Safeguard Clause will correspond to those that would result in a defined contribution plan, the value of contributions being the sum of contributions deposited in Account 1 and Account 2 any actuarial adjustment/actualisation).

Alternative B – Pure defined contribution plan

Employees who have opted for Alternative B will have access to a defined contribution plan, under which the Company will make monthly contributions, corresponding to 4% of their respective pensionable salary, maintaining these contributions until the retirement or termination of the employment contract, without limitation.

Thus, under this alternative, Employees will benefit from a single account, which will be made up of the accumulated balance of the following contributions:

- Initial contribution, corresponding to liabilities for past services, calculated with reference to 31 December 2013 under the previous defined benefit plan, with a premium of 25%;

- Contributions made by Navigator Paper Figueira during the 2014 fiscal year; and

- Future contributions to be made by Navigator Paper Figueira at the rate of 4%.

The benefit that will be earned by Employees who, by 16 January 2015, have opted for this alternative, will correspond to the value of the lifetime annuity that can be purchased from an insurer, using the total contributions accumulated in each Employee's account at the date of the retirement.

The Group also maintains responsibilities with defined benefit post-employment benefit plans for The Navigator Company Employees, who have chosen not to accept the conversion of their defined contribution plan, representing 13 individuals (31 December 2017: 13 individuals), in addition to the former Employees, retired or, when applicable, with acquired rights.

As of 30 June 2018, the amount of liabilities related to post-employment benefit plans, related to two Directors of the Navigator Group, amounted to Euro 1,601,876 (31 December 2017: Euro 1,701,096).

SUB-GROUP SECIL

PLANS OF DEFINED CONTRIBUTION PENSIONS

There are currently several defined contribution pension plans managed by the Pension Fund of the Secil Group, in which the members make monthly contributions corresponding to 3.75% of the pensionable salary of each participant and which simultaneously allow the possibility of financing by part of them, which are characterised as follows:

- Secil and CMP Plans include all workers who, as of 31 December 2009, had an open-ended employment contract (and who were covered by the defined benefits plan in force in the companies) and who have opted for the transition to these Plans and all the workers admitted under an agreement without term, as of 1 January 2010, also being applicable to the Company Officers;

- Unibetão and Britobetão Plans include all workers who, as of 31 December 2009, had an unlimited contract of employment, executed under the CTE between APEB and FETESE, and all workers admitted under a contract without term, as of 1 January 2010, with the exception of Unibetão Employees who are covered by the CCT entered into between APEB and FEVICCOM, who continue to benefit from the defined benefit Plan, and also apply to members of the Company Officers;

- Beto Madeira Plan includes all workers who as of 31 December 2010 had an open-ended employment contract and were covered by the CCT between APEB — Portuguese Association of Concrete Ready Companies and FETESE — Federation of Workers' Unions of Services and others;

- Secil Britas Plan includes all workers who, as of 31 December 2009, had an open-ended contract of employment and all workers admitted under a permanent contract, as of 1 January 2010, and are also applicable to the members of the Company Officers;

- Plano Cimentos Madeira includes all Employees who, as of 1 January 2012, had an open-ended employment contract (and who were covered by the defined benefits plan in force in the company) and all Employees admitted under a contract without expiration, from that date, and shall also apply to the members of the Company Officers;

- Brimade Plan includes all workers who had as of 1 July 2012 an unlimited contract of employment and all workers who will be admitted to service after that date.

DEFINED-BENEFITS PLANS

(I) DEFINED-BENEFITS PLANS WITH FUNDS MANAGED BY INDEPENDENT ENTITIES

LIABILITIES FOR COMPLEMENTARY RETIREMENT AND SURVIVOR'S PENSIONS

Secil and its subsidiaries CMP — Cimentos Maceira e Pataias, S.A., Unibetão — Indústrias de Betão Preparado, S.A., Cimentos Madeira, Lda., Betomadeira, S.A. and Societé des Ciments de Gabès have assumed the commitment to pay their Employees amounts by way of complementary old age, disability, early retirement and survivor's pensions and a retirement subsidy.

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

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

(II) DEFINED-BENEFITS PLANS MANAGED BY THE GROUP

LIABILITIES FOR COMPLEMENTARY RETIREMENT AND SURVIVOR'S PENSIONS

The responsibilities of Secil's retirees in 31 December 1987 (date of incorporation of the Pension Fund) are guaranteed directly by Secil. Similarly, the liabilities assumed by Secil Martingança, S.A., are guaranteed directly by this entity.

Since 26 June 2012, the responsibilities of Cimentos Madeira, Lda and Betomadeira — Betões e Britas da Madeira, S.A. related to all retirees and pensioners that were receiving a pension, were transferred to Cimentos Madeira defined benefit pension plan, incorporated in Secil's Pension fund.

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

LIABILITIES FOR HEALTHCARE

The subsidiary Cimentos Madeira, Lda. provide to their Employees a healthcare scheme which supplements the official health services and which is available to their families, pre-retired and retired staff and widows, through an insurance contract.

LIABILITIES FOR RETIREMENT AND DEATH BENEFITS

The subsidiary Societé des Ciments de Gabès assumed the commitment to its Employees to pay an **old-age retirement** and disability subsidy and a death subsidy, according to the terms of the General Labour Agreement, article no. 52, representing: (i) 2 months of the last salary if the worker has less than 30 years' service to the company, and (ii) 3 months of the last salary, if the worker has 30 years or more service to the company.

Secil and CMP — Cimentos Maceira e Pataias, S.A., assumed the commitment to its Employees to pay a **subsidy on death** of current Employee, equal to one month's last salary earned.

LIABILITIES FOR LONG-SERVICE AWARDS

Secil and its subsidiaries CMP — Cimentos Maceira e Pataias, S.A., have assumed the commitment to pay their Employees bonuses to those who attain 25 years of service, which are paid in the year that the Employee reaches the number of years of service within the company.

ASSUMPTIONS USED IN THE VALUATION OF LIABILITIES

The actuarial studies conducted by independent entities for the purpose of calculating the liabilities for past services on those dates, were based on the following assumptions:

	30-06-2018	31-12-2017
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	1.00%	1.00%
Technical interest rate	2.00%	2.00%
Pensions growth rate - cement segment	0.45%	0.45%
Pensions growth rate - other segments	0.75%	0.75%
Semapa pensions reversability rate	50.00%	50.00%
Number of Semapa complement annual payments	12	12

The following table presents five-year historical information on the present value of liabilities, funds' market value, non-financed liabilities and net actuarial gains/ (losses). Information related to the last five years were as follows:

Amounts in Euro	2014	2015	2016	2017	1S 2018
Present value of liabilities	100,073,116	168,798,865	175,766,292	176,018,521	177,291,820
Fair value of plan assets and reserve account	99,038,106	167,886,448	165,680,869	167,895,186	165,402,744
Surplus / (deficit)	**(1,035,010)**	**(912,417)**	**(10,085,423)**	**(8,123,335)**	**(11,889,076)**
Net actuarial gains / (losses)	**343,040**	**(10,421,772)**	**(11,626,310)**	**2,657,177**	**(4,696,900)**

FUNDS LINKED TO BENEFIT PLANS' PENSIONS

In the first half of 2018 and year 2017, funds' assets registered the following movements:

	30-06-2018		31-12-2017	
Amounts in Euro	Autonomous fund	Covered capital	Autonomous fund	Covered capital
Opening balance	**167,099,808**	**149,093**	**164,851,307**	**173,075**
Exchange rate adjustment	-	(6,239)	-	(31,276)
Charge for the period	2,000,000	99,709	2,500,400	31,690
Expected return	1,356,285	5,031	3,530,151	8,416
Differences between actual and expected return	(2,929,264)	-	3,564,578	-
Pensions paid	(3,206,496)	-	(6,945,645)	-
Retirements calculated	-	(41,045)	-	(32,812)
Other	247,600	-	(400,983)	-
Closing balance	**164,567,933**	**206,549**	**167,099,808**	**149,093**

During the period, the contributions to the defined benefit plans, presented above as Charge for the period made were fully realised by the Group's subsidiaries and no contributions were made by the participants.

As at 30 June 2018 and 31 December 2017, funds' assets were analysed as follows:

Amounts in Euro	30-06-2018	%	31-12-2017	%
Bonds	114,453,702	69.5%	110,194,349	65.9%
Shares	43,670,223	26.5%	48,752,382	29.2%
Liquidity	3,082,702	1.9%	2,940,755	1.8%
Public Debt	2,881,855	1.8%	3,022,605	1.8%
Real Estate	114,985	0.1%	114,895	0.1%
Other Applications	364,466	0.2%	2,074,822	1.2%
	164,567,933	**100.0%**	**167,099,808**	**100.0%**

The amounts evidenced in the Bonds, Shares and Public Debt categories correspond to the fair values of these assets, fully determined based on observable prices in active liquid (regulated) markets at the reference date of the Interim Consolidated Statement of Financial Position.

EVOLUTION OF LIABILITIES WITH PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS IN THE CONSOLIDATED FINANCIAL POSITION

The evolution of assumed liabilities, as reflected in the consolidated financial position in the first half of 2018, is as follows:

Amounts in Euro	Opening balance	Exchange rate changes	Income and expenses	Actuarial gains and losses	Payments	Closing balance
Post-employment benefits						
Assumed by the group	5,329,710	-	49,407	(14,476)	(367,615)	4,997,026
Autonomous fund	170,062,877	-	2,375,755	2,492,854	(3,206,495)	171,724,991
Insurance policy	184,050	(6,689)	4,047	37,328	(41,045)	177,691
Retirement and death	93,068	(1,112)	4,955	(645)	-	96,266
Healthcare assistance	45,450	-	441	(43)	(1,348)	44,500
Seniority award	303,366	-	14,603	-	(66,623)	251,346
	176,018,521	**(7,801)**	**2,449,208**	**2,515,018**	**(3,683,126)**	**177,291,820**

EXPENDITURE WITH PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The expenses incurred in the first half of 2018 and 2017 with pensions and other post-employment benefits, are detailed as follows:

	30-06-2018					
Amounts in Euro	Current services	Net interest	Expected return of assets	Other expenses	Period contributions	Impact in the profit for the period
Post-employment benefits						
Assumed by the group	-	49,407	-	-	-	49,407
Autonomous fund	980,424	1,594,250	(1,662,073)	637,577	663,540	2,213,718
Insurance policy	2,890	6,188	(5,031)	-	-	4,047
Retirement and death	2,967	1,988	-	-	-	4,955
Healthcare assistance	-	441	-	-	-	441
Seniority award	11,666	2,935	-	-	-	14,601
Contributions to defined contribution plans	-	-	-	-	618,281	618,281
	997,947	**1,655,209**	**(1,667,104)**	**637,577**	**1,281,821**	**2,905,450**

Amounts in Euro	30-06-2017 Current services	Net interest	Expected return of assets	Other expenses	Period contributions	Impact in the profit for the period
Post-employment benefits						
Assumed by the group	-	71,898	-	-	-	71,898
Autonomous fund	1,072,970	1,622,574	(1,642,925)	(309,548)	669,528	1,412,599
Insurance policy	-	-	-	-	-	-
Retirement and death	3,156	2,204	-	-	-	5,360
Healthcare assistance	-	(23,519)	-	-	-	(23,519)
Long service award	12,039	3,224	93,332	-	-	108,595
Contributions to defined contribution plans	-	-	-	-	584,945	584,945
	1,088,165	**1,676,381**	**(1,549,593)**	**(309,548)**	**1,254,473**	**2,159,878**

ACTUARIAL GAINS/ (LOSSES) IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Actuarial gains and losses recognised in the first half of 2018, in the statement of comprehensive consolidated income, are detailed as follows:

Amounts in Euro	Gains and losses	Real vs Plan assets	Gross Value	Deferred taxes	Impact on Equity
Post-employment benefits					
Assumed by the group	14,476	-	**14,476**	(3,981)	**10,495**
Autonomous fund	(1,477,025)	(3,235,039)	**(4,712,064)**	61,172	**(4,650,892)**
Retirement and death	645	-	**645**	-	**645**
Healthcare assistance	43	-	**43**	10	**53**
	(1,461,861)	**(3,235,039)**	**(4,696,900)**	**57,201**	**(4,639,699)**

30. PROVISIONS

During the course of the periods ended as at 30 June 2018 and 31 December 2017, the following movements occurred in Provisions:

Amounts in Euro	Legal claims	Tax claims	Environmental restauration	Other	Total
As of 1 January 2017	**2,221,766**	**27,605,389**	**7,258,993**	**37,485,627**	**74,571,775**
Increases	1,887,989	649,264	12,357	7,512,140	10,061,750
Reversals	-	-	(157,590)	(5,664,037)	(5,821,627)
Charge-offs	-	-	(5,310)	(6,743,671)	(6,748,981)
Exchange rate adjustments	-	-	(1,146)	(1,209,928)	(1,211,074)
Financial discounts	-	-	283,585	-	283,585
Transfers and adjustments	49,402	(1,624,463)	135,310	(14,021,656)	(15,461,407)
31 December 2017	**4,159,157**	**26,630,190**	**7,526,199**	**17,358,475**	**55,674,021**
Increases (Note 6)	826,305	-	383	4,668,448	5,495,136
Reversals (Note 6)	(279,225)	(300,000)	(78,649)	(2,843,724)	(3,501,598)
Charge-offs	-	-	(35,573)	(1,459,764)	(1,495,337)
Exchange rate adjustments	-	-	(910)	(158,018)	(158,928)
Financial discounts	-	-	147,240	-	147,240
Transfers and adjustments	39,984	23,879,759	-	316,040	24,235,783
30 June 2018	**4,746,221**	**50,209,949**	**7,558,690**	**17,881,457**	**80,396,317**

Provisions for Legal claims were established according to the risk assessments carried out internally by the Group with the support of its legal counsels, based on the probability of the decision being favourable or unfavourable to the Group.

The amount of the provisions for tax proceedings arises from an assessment made by the Group, with reference to the date of the Interim Statement of Financial Position, regarding potential differences of understanding with the Tax Administration, considering the developments that are occurring in tax matters.

In addition, it should be noted that the Semapa Group, in relation to the measurement of uncertain tax positions, considers the provisions of IFRIC 23, namely the measurement of risks and uncertainties in the definition of the best estimate of the expense required to settle the obligation, by weighing all the possible results that are controlled by them and their associated probabilities.

As mentioned in Note 1.21, some of the Secil Group subsidiaries are responsible for the environmental and landscape recovery of the quarries affected by the exploration.

The amount presented under Other includes provisions to cover risks related to events of a different nature, the resolution of which may result in outflows of cash, in particular organisational reorganisation processes, complements to the Lebanese social security national fund, risks contractual positions assumed in investments, among others.

According to the management's understanding, the amount recognised in each of the provisions correspond to the most reliable estimate of the amount required to settle the obligation, the amount recognised being equivalent to the maximum amount of loss that the Group considers may be incurred.

31. INTEREST-BEARING LIABILITIES

As of 30 June 2018 and 31 December 2017, the Group’s net debt was as follows:

Amounts in Euro	30-06-2018	31-12-2017
Interest-bearing liabilities		
Non-current	1,509,843,062	1,653,480,805
Current	338,711,936	263,390,200
	1,848,554,998	**1,916,871,005**
Cash and cash equivalents		
Cash	299,903	644,350
Short term bank deposits	169,447,449	188,419,369
Other short term investments	53,390,048	54,123,542
Impairment arising from the adoption of IFRS 9	(3,198,734)	-
	219,938,666	**243,187,261**
Interest-bearing net debt	**1,628,616,332**	**1,673,683,744**

The amount presented under Other short term investments corresponds to amounts invested by the subsidiary Navigator in a portfolio of bonds with appropriate rating.

The amount disclosed under Impairments arising from the application of IFRS 9 reflects the impact of this standard adoption as described in Note 1.34.

Additionally, as of 30 June 2018 and 31 December 2017, there are no significant cash balances and their equivalents that are not available for the Group to use.

NON-CURRENT INTEREST-BEARING LIABILITIES

The fair value of the bond loans, taking into account the date and respective contractual conditions, determined according to level 2 of the fair value hierarchy, does not differ substantially from the reported book value.

As of 30 June 2018 and 31 December 2017, non-current interest-bearing liabilities were as follows:

Amounts in Euro	30-06-2018	31-12-2017
Non-current		
Bond loans	761,000,000	891,000,000
Commercial paper	544,000,000	540,250,000
Bank loans	202,857,021	223,730,194
Expenses with loans issuing	(6,449,272)	(7,920,335)
Interest-bearing bank debt	**1,501,407,749**	**1,647,059,859**
Financial leases	1,508,620	1,724,907
Other loans	6,468,350	4,237,695
Other interest-bearing debts	458,343	458,344
Other interest-bearing debts	**8,435,313**	**6,420,946**
Non current interest-bearing liabilities	**1,509,843,062**	**1,653,480,805**

BOND LOANS

As of 30 June 2018 and 31 December 2017, current and non-current bond loans were as follows:

Amounts in Euro	30-06-2018	31-12-2017	Maturity	Interest Rate
Non-current bond loans				
Portucel 2015 / 2023	200,000,000	200,000,000	September 2023	Variable rate indexed to Euribor
Portucel 2016 / 2021	100,000,000	100,000,000	April 2021	Fixed rate
Portucel 2016 / 2021	45,000,000	45,000,000	August 2021	Variable rate indexed to Euribor
Semapa 2016 / 2023	100,000,000	100,000,000	June 2023	Fixed rate
Semapa 2014 / 2019	150,000,000	150,000,000	April 2019	Variable rate indexed to Euribor
Semapa 2014 / 2020	80,000,000	80,000,000	November 2020	Variable rate indexed to Euribor
Secil 2015 / 2020	60,000,000	60,000,000	June 2020	Fixed rate
Secil 2015 / 2020	80,000,000	80,000,000	May 2020	Fixed rate
Secil 2016 / 2021	26,000,000	26,000,000	January 2021	Fixed rate
Secil 2016 / 2023	30,000,000	30,000,000	February 2023	Fixed rate
Secil 2017 / 2022	20,000,000	20,000,000	October 2022	Fixed rate
Secil 2018 / 2023	20,000,000	-	June 2023	Fixed rate
	911,000,000	**891,000,000**		

COMMERCIAL PAPER

As of 30 June 2018 and 31 December 2017, the current and non-current Commercial Paper Programs are detailed as follows:

30-06-2018	Contracted	Used Amount			Maturity	Interest
Amounts in Euro	Amount	Non-current	Current	Total	Date	Rate
Holdings						
Commercial Paper Programme 100M	100,000,000	9,000,000	-	9,000,000	September 2021	Variable rate indexed to Euribor
Commercial Paper Programme 100M	100,000,000	-	-	-	November 2020	Variable rate indexed to Euribor
Commercial Paper Programme 120M	120,000,000	-	-	-	December 2018	Variable rate indexed to Euribor
Commercial Paper Programme 25M	25,000,000	25,000,000	-	25,000,000	February 2019	Variable rate indexed to Euribor
Commercial Paper Programme 40M	40,000,000	-	-	-	August 2021	Variable rate indexed to Euribor
Commercial Paper Programme 50M	50,000,000	40,000,000	-	40,000,000	October 2023	Variable rate indexed to Euribor
Cement and Derivatives Segment						
Commercial Paper Programme 20M	20,000,000	20,000,000	-	20,000,000	December 2022	Variable rate indexed to Euribor
Commercial Paper Programme 5M	5,000,000	-	-	-	May 2019	Variable rate indexed to Euribor
Commercial Paper Programme 46,5M	46,500,000	-	-	-	January 2019	Variable rate indexed to Euribor
Commercial Paper Programme 30M	30,000,000	-	30,000,000	30,000,000	n.a.	Fixed rate
Commercial Paper Programme 25M	25,000,000	-	-	-	July 2021	Variable rate indexed to Euribor
Commercial Paper Programme 50M	50,000,000	-	-	-	January 2023	Variable rate indexed to Euribor
Commercial Paper Programme 20M	20,000,000	-	-	-	July 2021	Variable rate indexed to Euribor
Commercial Paper Programme 30M	30,000,000	30,000,000	-	30,000,000	April 2021	Fixed rate
Commercial Paper Programme 75M	75,000,000	75,000,000	-	75,000,000	May 2021	Variable rate indexed to Euribor
Pulp and Paper Segment						
Commercial Paper Programme 125M	125,000,000	125,000,000	-	125,000,000	May 2020	Variable rate indexed to Euribor
Commercial Paper Programme 70M	70,000,000	70,000,000	-	70,000,000	April 2021	Fixed rate
Commercial Paper Programme 50M	50,000,000	50,000,000	-	50,000,000	July 2020	Variable rate indexed to Euribor
Commercial Paper Programme 25M	25,000,000	-	25,000,000	25,000,000	December 2018	Variable rate indexed to Euribor
Commercial Paper Programme 100M	100,000,000	-	40,000,000	40,000,000	July 2018	Variable rate indexed to Euribor
Commercial Paper Programme 75M	75,000,000	-	-	-	July 2020	Variable rate indexed to Euribor
Commercial Paper Programme 100M	100,000,000	-	-	-	March 2020	Variable rate indexed to Euribor
Commercial Paper Programme 50M	50,000,000	50,000,000	-	50,000,000	March 2020	Variable rate indexed to Euribor
Commercial Paper Programme 50M	50,000,000	50,000,000	-	50,000,000	March 2020	Variable rate indexed to Euribor
Total	**1,381,500,000**	**544,000,000**	**95,000,000**	**639,000,000**		

31-12-2017	Contracted	Used Amount			Maturity	Interest
Amounts in Euro	Amount	Non-current	Current	Total	Date	Rate
Holdings						
Commercial Paper Programme 100M	100,000,000	88,250,000	-	88,250,000	September 2021	Variable rate indexed to Euribor
Commercial Paper Programme 100M	100,000,000	-	-	-	November 2020	Variable rate indexed to Euribor
Commercial Paper Programme 120M	120,000,000	-	-	-	December 2018	Variable rate indexed to Euribor
Commercial Paper Programme 25M	25,000,000	25,000,000	-	25,000,000	February 2019	Variable rate indexed to Euribor
Commercial Paper Programme 40M	40,000,000	-	-	-	August 2021	Variable rate indexed to Euribor
Commercial Paper Programme 50M	50,000,000	40,000,000	-	40,000,000	October 2023	Variable rate indexed to Euribor
Cement and Derivatives Segment						
Commercial Paper Programme 20M	20,000,000	17,000,000	-	17,000,000	December 2022	Variable rate indexed to Euribor
Commercial Paper Programme 75M	75,000,000	75,000,000	-	75,000,000	May 2021	Variable rate indexed to Euribor
Commercial Paper Programme 10M	10,000,000	10,000,000	-	10,000,000	May 2019	Variable rate indexed to Euribor
Commercial Paper Programme 43M	43,050,000	-	-	-	January 2019	Variable rate indexed to Euribor
Commercial Paper Programme 25M	25,000,000	-	25,000,000	25,000,000	July 2021	Variable rate indexed to Euribor
Commercial Paper Programme 50M	50,000,000	-	-	-	January 2023	Variable rate indexed to Euribor
Commercial Paper Programme 15M	15,000,000	5,000,000	-	5,000,000	June 2018	Variable rate indexed to Euribor
Commercial Paper Programme 20M	20,000,000	20,000,000	-	20,000,000	July 2021	Variable rate indexed to Euribor
Commercial Paper Programme 20M	20,000,000	15,000,000	-	15,000,000	August 2018	Variable rate indexed to Euribor
Pulp and Paper Segment						
Commercial Paper Programme 125M	125,000,000	125,000,000	-	125,000,000	May 2020	Variable rate indexed to Euribor
Commercial Paper Programme 70M	70,000,000	70,000,000	-	70,000,000	April 2021	Fixed rate
Commercial Paper Programme 50M	50,000,000	50,000,000	-	50,000,000	July 2020	Variable rate indexed to Euribor
Commercial Paper Programme 25M	25,000,000	-	25,000,000	25,000,000	December 2018	Variable rate indexed to Euribor
Commercial Paper Programme 75M	75,000,000	-	-	-	July 2020	Variable rate indexed to Euribor
Commercial Paper Programme 100M	100,000,000	-	-	-	March 2020	Variable rate indexed to Euribor
Total	**1,158,050,000**	**540,250,000**	**50,000,000**	**590,250,000**		

MATURITY OF BOND LOANS AND OTHER LOANS

The reimbursement terms relating to the balances of bond loans, commercial paper, bank loans and other medium and long-term loans is shown as follows:

Amounts in Euro	30-06-2018	31-12-2017
1 to 2 years	431,181,826	225,660,658
2 to 3 years	497,066,999	487,244,473
3 to 4 years	167,265,916	481,844,104
4 to 5 years	173,694,689	84,568,925
Above 5 years	245,574,284	380,358,073
	1,514,783,714	**1,659,676,233**

As of 30 June 2018 and 31 December 2017, non-current bank loans were as follows:

Amounts in Euro	30-06-2018	31-12-2017	Index
Non-current			
Holdings			
Banco BIC	10,000,000	10,000,000	Euribor
Abanca	40,000,000	40,000,000	Euribor
Cement and derivatives segment			
BNDES	24,901,970	33,303,234	TJLP/Cesta Moedas/Flat and
Banco Santander (Banco EKF)	26,720,864	32,841,517	CDI
Millennium BCP	9,963,614	11,700,636	Several
Bank Med	3,418,093	3,178,417	Several
ABT- Attijari Bank de Tunisie	3,431,280	4,281,482	Several
Banque Nationale Agricole	1,735,429	1,867,319	TMM
Banco ITAU	1,332,711	3,080,775	CDI
UBCI - Union Bancaire Pour Le Commerce Et L'Industrie	2,357,564	3,066,835	Several
Banco do Brasil	-	923,989	CDI
Other loans	870,496	1,208,213	Several
Paper and pulp segment			
BEI	70,625,000	75,833,333	Several
Environment segment			
Banco BPI	5,000,000	500,000	Euribor 6m
Bankinter	2,500,000	1,000,000	
Banco BIC	-	944,444	Euribor 6m
Total	**202,857,021**	**223,730,194**	

CURRENT INTEREST-BEARING LIABILITIES

As of 30 June 2018 and 31 December 2017, current interest-bearing liabilities were as follows:

Amounts in Euro	30-06-2018	31-12-2017
Current		
Bond loans	150,000,000	-
Commercial paper	95,000,000	50,000,000
Bank loans	88,236,073	209,415,643
Expenses with bond loans issuing	(1,201,802)	(1,415,182)
Interest-bearing bank debt	**332,034,271**	**258,000,461**
Shareholders short-term loans (Note 35)	5,934,505	4,470,475
Financial leases	743,160	919,264
Other interest-bearing debts	**6,677,665**	**5,389,739**
Current interest-bearing liabilities	**338,711,936**	**263,390,200**

As of 30 June 2018 and 31 December 2017, current bank loans were as follows:

Amounts in Euro	30-06-2018	31-12-2017	Index
Current			
Holdings			
Caixa Geral de Depósitos	2,706,089	-	Euribor
Banco do Brasil	-	17,500,000	Euribor
Cement and derivatives segment			
BNDES - Banco Nacional de Desenvolvimento Econômico e Social	12,171,820	13,091,274	TJLP/Cesta Moedas/Flat and US$
BBIC - Banco BIC Português, SA	-	50,000	Euribor
Banque Nationale Agricole	844,105	136,462	TMM
Banco EKF	4,453,477	5,052,541	CDI
Banco Caixa Geral Brasil SA	2,407,432	4,627,095	CDI
Banco do Brasil SA	8,284,626	1,847,978	CDI
BankMed	1,892,443	3,326,381	Several
Attijari Bank	3,772,246	3,255,010	Several
Banco de Fomento Angola SA	823,914	1,197,495	Fixed rate (18%)
Banco Caixa Geral Angola SA	1,361,451	1,978,765	Luibor 3M
Banque Internacionale Arabe de Tunisie	1,637,197	1,697,562	TMM
Millennium - BCP SA	8,629,532	3,427,234	Several
Itaú Unibanco S.A	3,415,058	3,080,775	CDI
Union Bancaire pour le Commerce et l' Industrie	1,917,060	2,086,801	TMM
Banco Millennium Atlântico SA	3,389,623	5,335,461	Luibor 1M
Haitong - Banco de Investimento do Brasil SA	1,421,387	4,713,713	CDI
Other loans	6,085,771	1,541,616	Several
Paper and pulp segment			
BEI	15,059,524	19,702,381	Euribor
Other loans	-	105,503,210	Several
Environment segment			
Banco BIC	2,538,889	4,138,889	Euribor
Banco BPI	3,006,667	3,540,000	Euribor
Banco Popular	-	1,380,000	Euribor
Santander	500,000	-	n.a.
Caixa Geral de Depósitos	462,762	-	Euribor
Novo Banco	1,455,000	1,205,000	Euribor
Total	**88,236,073**	**209,415,643**	

LIABILITIES RELATED TO FINANCIAL LEASING

As of 30 June 2018 and 31 December 2017, the Group's debt-repayment terms relating to finance leases, except for assets resulting from the application of IFRIC 4, are shown as follows:

Amounts in Euro	30-06-2018	31-12-2017
Below 1 year	754,708	930,210
1 to 2 years	227,162	328,999
2 to 3 years	234,700	230,929
3 to 4 years	242,549	238,617
4 to 5 years	241,071	242,882
Above 5 years	563,137	683,481
	2,263,327	**2,655,118**
Future interest	(11,547)	(10,947)
Liabilities present value	**2,251,780**	**2,644,171**

As at 30 June 2018 and 31 December 2017, the Group's assets acquired under financial lease, are as follows:

	30-06-2018			31-12-2017		
Amounts in Euro	Acquisition Value	Accumulated depreciation	Net book value	Acquisition value	Accumulated depreciation	Net book value
Buildings and other constructions	2,000,815	(181,663)	**1,819,152**	2,000,815	(162,719)	**1,838,096**
Machinery and equipment	4,106,721	(3,013,020)	**1,093,701**	6,750,055	(5,377,701)	**1,372,354**
Machinery and equipment - IFRIC 4	14,000,000	(13,243,244)	**756,756**	14,000,000	(12,486,487)	**1,513,513**
Transport equipment	779,813	(92,423)	**687,390**	603,507	(39,358)	**564,149**
Office equipment						
	20,887,349	**(16,530,350)**	**4,356,999**	**23,354,377**	**(18,066,265)**	**5,288,112**

In 2010, with the launch of the new paper mill, the Group recognised as a finance lease contract (IFRIC 4) the cost of the precipitated calcium carbonate production unit, installed by Omya, S.A. at the industry site in Setúbal for the exclusive use of the new mill. This contract foresees the transfer of the assets' ownership to About the Future, S.A., upon its termination, at 2019.

BANK CREDIT FACILITIES GRANTED AND NOT DRAWN

As of 30 June 2018 and 31 December 2017, bank credit facilities granted and not drawn amounted to Euro 815,622,374 and Euro 708,232,606, respectively.

FINANCIAL COVENANTS

For certain types of financing operations, there are commitments to maintain certain financial ratios within previously negotiated limits. The existing covenants are clauses of Cross default, Pari Passu, Negative pledge, Ownership-clause, clauses related to Group's activities maintenance, financial ratios, mainly Net Debt/EBITDA, Interest coverage, Indebtedness and Financial autonomy and fulfilment of regular financial contracts' obligations (operational, legal and tax obligations), common in loan agreements and fully known in the market.

Additionally, as of 30 June 2018 and 31 December 2017, the Group comply with the financial ratios limits imposed under its financing contracts.

32. CURRENT ACCOUNTS PAYABLE AND OTHER NON-CURRENT LIABILITIES

As of 30 June 2018 and 31 December 2017, the caption Payables and other current liabilities comprised:

Amounts in Euro	30-06-2018	31-12-2017
Accounts payable to suppliers	240,083,613	214,176,136
Accounts payable to suppliers of fixed assets	12,223,955	14,800,549
Instituto do Ambiente	10,028,634	12,643,080
Derivative financial instruments (Note 34)	8,691,380	3,777,509
Other creditors	18,304,553	8,226,238
Related parties (Note 35)	4,961,179	7,057,631
Accrued costs	96,571,984	108,022,444
Deferred income	36,935,835	16,895,053
	427,801,133	**385,598,640**

As of 30 June 2018 and 31 December 2017, the captions Accrued costs and Deferred income are detailed as follows:

Amounts in Euro	30-06-2018	31-12-2017
Accrued costs		
Payroll costs	57,303,525	58,744,091
Interest payable	8,054,731	8,753,820
Bonus payable to suppliers	4,897,168	7,761,518
Rent-related Liabilities	7,929,907	7,073,023
Accrual of expenses with energy	2,631,579	2,339,761
Hydric resources rate	1,813,062	2,011,427
Consulting fees	764,053	1,327,535
Bank services	378,994	456,922
Insurance	232	269,675
Transportation Services	136,060	243,176
IT Services	58,877	197,821
Audit fees	91,716	153,877
Other	12,512,080	18,689,798
	96,571,984	**108,022,444**
Deferred income		
Government grants	5,700,894	5,859,834
Grants - CO2 emission allowances	20,757,726	5,454,833
Other incentives	6,552,413	1,655,584
Other deferred income - ISP	3,924,802	3,924,802
	36,935,835	**16,895,053**

OTHER LIABILITIES

As of 30 June 2018 and 31 December 2017, the caption Non-current liabilities was detailed as follows:

Amounts in Euro	30-06-2018	31-12-2017
Other non-current liabilities		
Government grants	26,559,873	25,466,139
Other	359,361	262,141
	26,919,234	**25,728,280**

Government Grants

On 18 June 2014, the Group's subsidiary CelCacia - Celulose de Cacia, S.A., signed two contracts for financial and tax incentives, with AICEP — Agency for Investment and Foreign Trade of Portugal (*Agência para o Investimento e Comércio Externo de Portugal*), to support the investment to increase the capacity of the plant in Cacia. The total estimated investment amounts to Euro 49,3 million. The incentives already approved amount to Euro 9,264 million, as a repayable financial incentive, and Euro 5,644 million, as a tax incentive, to use until 2024. The contract includes an award of achievement, corresponding to the conversion of up to 75% (Euro 6,947,450) of the refundable incentives granted into non-refundable incentives, by meeting the objectives set by the contract.

On 13 December 2017, the Group's subsidiary, Navigator Tissue Cacia, S.A. signed an investment agreement with AICEP - Agência para o Investimento e Comércio Externo de Portugal (*Agency for Investment and Foreign Trade of Portugal*), for the construction of the new tissue factory in Cacia. This agreement comprises a financial incentive under the form of a refundable incentive, which includes a grace period of two years, without payment of interest, up to the maximum amount of Euro 42,166,636, corresponding to 35% on the amount of expenses considered eligible, which are estimated at Euro 120 million. On 20 April 2018, the same entity was also awarded with a tax incentive granted through the compliance of contractually defined requirements, whose maximum amount will be Euro 11,515,870, corresponding to 10% of the expenses associated with the project investment.

33. ASSETS AND LIABILITIES HELD FOR SALE

In December 2017, the subsidiary Navigator entered into a contract to buy and sell its pellet business in the United States with a joint venture managed and operated by an associate of Enviva Holdings, LP, for USD 135 million. The completion of the sale, subject to the verification of certain previous conditions and regulatory authorisations, normal in this type of transactions, was effective on 16 February 2018.

Thus, as at 31 December 2017 these assets where classified as Non-current assets held for sale, which included an amount of Euro 85,433,905 of Tangible fixed assets and Euro 803,143 of inventories, related to the said business of pellets.

The remaining assets and liabilities held for sale are related with the acquisition of Uniconcreto – Betão Pronto, S.A. by the subsidiary Secil. As at this date the Company was unable to conclude the sale of the referred assets.

34. FINANCIAL ASSETS AND LIABILITIES

As its activities are exposed to a variety of financial and operational risk factors, the Group adopts a proactive approach to risk management, as a way to mitigate the potential adverse effects associated with these risks, namely the risk arising from the price of pulp, foreign exchange risk and interest rate risk.

As of 30 June 2018 and 31 December of 2017, 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 2018 Amounts in Euro	Financial instruments - trading Note 24/32	Financial intruments - hedging Note 24/32	Loans and other accounts receivable Note 24	Equity instruments Note 21	Other financial liabilities Notes 31/32	Non financial Assets/Liabilities Note 24/32
Assets						
Equity instruments	-	-	-	522,540	-	-
Other non-current assets	-	-	38,210,103	-	-	-
Current account receivables	2,351,808	1,446,856	367,238,765	-	-	17,951,678
Cash and cash equivalents	-	-	219,938,666	-	-	-
Total assets	**2,351,808**	**1,446,856**	**625,387,534**	**522,540**	**-**	**17,951,678**
Liabilities						
Non-current interest-bearing liabilities	-	-	-	-	1,509,843,062	-
Other liabilities	-	-	-	-	26,919,234	-
Current interest-bearing liabilities	-	-	-	-	338,711,936	-
Current liabilities	2,075,080	6,616,300	-	-	372,145,284	46,964,469
Total liabilities	**2,075,080**	**6,616,300**	**-**	**-**	**2,247,619,516**	**46,964,469**

31 December 2017 Amounts in Euro	Financial instruments - trading Note 24/32	Financial intruments - hedging Note 24/32	Loans and other accounts receivable Note 24	Financial assets at fair value through profit or loss Note 20	Financial assets available for sale Note 21	Other interests - bearing liabilities Note 31/32	Non financial Assets/Liabilities Note 24/32
Assets							
Financial assets at fair value through profit or loss	-	-	-	44,508	-	-	-
Financial assets held-for-sale	-	-	-	-	424,428	-	-
Other non-current assets	-	-	6,244,448	-	-	-	-
Current assets	2,755,315	1,816,274	317,627,212	-	-	-	12,668,285
Cash and cash equivalents	-	-	243,187,261	-	-	-	-
Total assets	**2,755,315**	**1,816,274**	**567,058,921**	**44,508**	**424,428**	**-**	**12,668,285**
Liabilities							
Non-current interest-bearing liabilities	-	-	-	-	-	1,653,480,805	-
Other liabilities	-	-	-	-	-	25,728,280	-
Current interest-bearing liabilities	-	-	-	-	-	263,390,200	-
Current liabilities	304,029	3,473,480	-	-	-	352,282,998	29,538,133
Total liabilities	**304,029**	**3,473,480**	**-**	**-**	**-**	**2,294,882,283**	**29,538,133**

FI - Financial Instruments
FA - Financial Assets

The following table presents the Group´s assets and liabilities measure at fair value as of 31 December 2017, according to the following hierarchic levels:

- Level 1: Fair value of financial instruments is based on prices ruling on active, liquid markets at the date of the statement of financial position;
- Level 2: Fair value of financial instruments is not determined on the basis of active market prices, but rather resorting to valuation models. The main inputs of the models used are observable in the market; and
- Level 3: Fair value of financial instruments is not determined on the basis of active market prices, but rather resorting to valuation models, the main inputs of which are not observable in the market.

ASSETS MEASURED AT FAIR VALUE

Amounts in Euro	30-06-2018	Level 1	Level 2	Level 3
Financial assets at fair value recognised in reserves				
Hedging derivatives	**1,446,856**	-	1,446,856	-
Financial assets at fair value recognised in profit or loss				
Trading derivatives	**2,351,808**	-	2,351,808	-
Equity instruments				
Shares (Note 21)	**522,540**	-	522,540	-
Assets measured at fair value				
Biological assets (Note 18)	**130,516,592**	-	-	130,516,592
	134,837,796	**-**	**4,321,204**	**130,516,592**

Amounts in Euro	31-12-2017	Level 1	Level 2	Level 3
Financial assets at fair value recognised in reserves				
Hedging derivatives	**1,816,274**	-	1,816,274	-
Financial assets at fair value recognised in profit				
Trading derivatives (Note 24)	**2,755,315**	-	2,755,315	-
Financial assets held-for-sale				
Shares (Note 21)	**468,936**	-	468,936	-
Assets measured at fair value				
Biological assets (Note 18)	**129,396,936**	-	-	129,396,936
	134,437,461	**-**	**5,040,525**	**129,396,936**

LIABILITIES MEASURED AT FAIR VALUE

Amounts in Euro	30-06-2018	Level 1	Level 2
Financial liabilities at fair value recognised in reserves			
Hedging derivatives	**6,616,300**	-	6,616,300
Financial liabilities at fair value through profit or loss			
Trading derivatives	**2,075,080**	-	2,075,080
	8,691,380	**-**	**8,691,380**

Amounts in Euro	31-12-2017	Level 1	Level 2
Financial liabilities at fair value recognised in reserves			
Hedging derivatives	**3,473,480**	-	3,473,480
Financial liabilities at fair value through profit or loss			
Trading derivatives	**304,029**	-	304,029
	3,777,509	**-**	**3,777,509**

DERIVATIVE FINANCIAL INSTRUMENTS

In the first half of 2018, details of the fair value of derivative financial instruments were as follows:

Amounts in Euro	Fair value changes (trading)	Fair value changes (hedging)	Total
As of 1 January 2018	**2,451,286**	**(1,657,206)**	**794,080**
New contracts / settlements	(833,647)	3,792,568	2,958,921
Changes in fair value recognised in results (Note 10)	(1,338,771)	(1,711,429)	(3,050,200)
Changes in fair value recognised in equity	-	(5,593,377)	(5,593,377)
Currency Adjustment	(2,140)	-	(2,140)
As of 30 June 2018	**276,728**	**(5,169,444)**	**(4,892,716)**

DETAILS AND MATURITY OF THE DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments is included under the caption Current payables (Note 32), if negative, and in the caption Current receivables (Note 24), if positive. The movement in the balances presented in the period ended as at 30 June 2018 and year 2017, relating to financial instruments, were as follows:

				30-06-2018			31-12-2017
Amounts in Euro	Amount	Currency	Maturity	Positive	Negative	Net	Net
Hedging							
Net investment hedge	-	USD	2018	19,114	-	19,114	114,914
Exchange rate forwards - future sales	162,666,667	USD	2019	686,318	(2,570,962)	(1,884,644)	1,701,360
Exchange rate forwards - future sales	65,166,667	GBP	2019	741,424	(211,924)	529,500	-
Interest and exchange rate swaps	505,000,000	Euro	2020/23	-	(3,833,414)	(3,833,414)	(3,473,480)
				1,446,856	(6,616,300)	(5,169,444)	(1,657,206)
Trading							
Exchange rate forwards	65,250,000	USD	2018	-	(1,361,519)	(1,361,519)	669,733
Exchange rate forwards	11,100,000	GBP	2018	36,966	-	36,966	8,407
Cross currency interest rate swap	17,739,298	USD	2018/2019	1,057,844	-	1,057,844	18,044
Currency Collar	800,000	BRL	2018	6,610	-	6,610	(25,370)
Non Deliverable Forward (NDF)	70,970,456	BRL	2018	586,044	(713,561)	(127,517)	630,491
Cash Anti-Dumping risk hedging	29,250,000	USD	2018	40,520	-	40,520	1,149,981
Non Deliverable Forward (NDF)	6,199,918	Euro	2018/19	623,824	-	623,824	-
				2,351,808	(2,075,080)	276,728	2,451,286
				3,798,664	(8,691,380)	(4,892,716)	794,080

DERIVATIVE FINANCIAL INSTRUMENTS | TRADING

PULP AND PAPER SEGMENT

The Group has a currency exposure on sales invoiced in foreign currencies, namely US dollars (USD) and sterling pounds (GBP). Since the Group's financial statements are translated into Euro, it runs an economic risk on the conversion of these currency flows to the Euro. The Group is also obliged, albeit to a lesser degree, to make certain payments in those same currencies which, for currency exposure purposes, act as a natural hedge. Thus, the hedge is aimed at safeguarding the net value of the Interim Statement of Financial Position items denominated in foreign currencies against the respective currency fluctuations.

The hedging instruments used in this operation are foreign exchange forward contracts, covering the net exposure to other currencies at the time the invoices are issued, for the same maturity dates and the same amounts of these documents. The nature of the risk hedged is the change in the carrying amount of sales and purchases expressed in foreign currencies. At the end of each month, customer and suppliers' balances expressed in foreign currency are updated, with the gain or loss offset against the fair value change of the forwards negotiated.

In addition to the acquisitions made in 2015 and 2016 of 400,000 CO_2 emission licenses for delivery in 2018-2019 and of 100,000 CO2 emission licenses acquired in 2017 also for delivery in 2020, no additional acquisitions where made.

CEMENT AND DERIVATIVES SEGMENT

In July 2016, the subsidiary Supremo Cimentos, S.A., contracted with a Brazilian financial institution for external financing in the amount of USD 9,239,297, maturing on 22 July 2019 and amortised in five equal instalments, beginning on 24 July 2017. On the same date, a cross currency interest rate swap contract was signed with the purpose of covering the exchange rate exposure. This derivative financial instrument allowed Supremo to set the nominal value of the financing in BRL 30,000,000 and the payment of interest at the CDI rate plus a spread, fully replicating the amortisation plan of said financing in USD.

In September 2016, the subsidiary, Supremo Cimentos, S.A., contracted with a Brazilian financial institution for external financing in the amount of USD 8,500,000, maturing at 26 November 2018, amortised in six equal instalments beginning on 28 August 2017. On the same date, a cross-current interest rate swap contract was signed with the purpose of covering an exchange rate summary. This derivative financial instrument allowed Supremo to set the nominal value of the financing in the amount of BRL 27,542,550 and to pay interest on the CDI rate plus a spread, fully replicating the amortisation plan of the USD financing.

In January 2018, the subsidiary Supremo contracted with a financial institution an external finance amounting to approximately EUR 6,000,000 maturing on 11 January 2019, with a single amortisation in January 2019. On that same date, a Non-delivery Forward agreement with the purpose to cover the exposure to the exchange rate in the quarterly payment of interest and the repayment of capital, fully replicating the financing in Euro.

Secil granted intercompany financing in Brazilian Reais (BRL) to the subsidiary Supremo (100% owned by Secil) and then traded the following derivative financial instruments:

a) contracting of Foreign exchange Collar in the amount of 23,894,658 BRL with maturity in October 2018;

b) contracting of several Non-deliverable Forward in the total amount of 92,003,458 BRL with maturities between February and October 2018.

Due to the change in intercompany financing in February 2018, Secil prepaid the remaining amounts through the contracting of two symmetrical Non-delivable Forwards.

DERIVATIVE FINANCIAL INSTRUMENTS | HEDGING

PULP AND PAPER SEGMENT – HEDGE OF INVESTMENT IN FOREIGN OPERATIONS

The Group hedged its foreign currency exposure to the USD associated with its exposure to the investment held in Navigator North America by contracting a maturing forward exchange rate maturing, in May 2018. As of 31 December 2017, the Group had contracted one operation, involving a notional of USD 25,050,000.

Given the nature of the hedged asset, a decision was made not to proceed with the renewal of the product.

PULP AND PAPER SEGMENT – HEDGE OF FUTURE SALES | EXCHANGE RATE RISK EUR/USD

The Navigator Group uses derivative financial instruments to limit the net risk of exchange exposure associated with estimated future sales and purchases in USD.

In this context, during the last quarter of 2017, the Navigator Group contracted a set of financial structures to cover a portion of the net foreign exchange exposure of estimated sales in USD for 2018. The derivative financial instruments, in force since 1 January 2017 are Options and Zero Cost Collar, totalling USD 120,000,000, of which USD 60,000,000 remain in force, maturing on 31 December 2018. As of 2018, the financial instruments were further strengthened by the additional contracting of USD 176,000,000 Options and Zero Cost Collar and GBP 92,000,000 through Option maturing in the first quarter of 2019, of which GBP 65,166,667 remain in force as of the date thereof.

PULP AND PAPER SEGMENT – HEDGE OF CASH FLOWS | INTEREST RATE

The Group hedges a portion of future interest payments on loans, commercial paper and bond loans, by engaging in an interest rate swap, in which it pays a fixed rate and receives a variable rate. The instrument is designated as a cash flow hedge of the interest rate risk, associated with the issued debt and does not cover credit risk. This hedge is designated until the maturity of the hedging instruments.

CEMENT AND DERIVATIVES SEGMENT – HEDGE OF CASH FLOWS | INTEREST RATE

In 2015, Secil contracted a bond loan of Euro 60,000,000 that will be repaid to the pair in June 2020, with semi-annual and in arrears payments. On 23 June 2016, Secil contracted an interest rate hedge derivative, through an interest rate Swap (IRS), with a notional amount of Euro 60,000,000, beginning on 9 December 2016 and maturing on 9 June 2020.

Also in 2015, Secil contracted a bond loan of Euro 80,000,000, with a full repayment at par in May 2020, with semi-annual and in arrears payments. On 23 June 2016, an interest rate hedge derivative was contracted through an interest rate swap (IRS) with a notional amount of Euro 80,000,000, beginning on 25 November 2016 and maturing on 25 May 2020.

On 8 June 2018, Secil contracted a foreign exchange forward for the purchase of USD 800,000 to cover payment to a supplier on 11 July 2018.

EQUITY INSTRUMENTS

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 (Note 31).

35. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

BALANCES WITH RELATED PARTIES AND SHAREHOLDERS

As of 30 June 2018 and 31 December 2017, related parties receivables and shareholders balances are detailed as follows:

	30-06-2018			31-12-2017		
Amounts in Euro	Other receivables (Note 24)	Other payables (Note 32)	Interest-bearing liabilities (Note 31)	Other receivables (Note 24)	Other payables (Note 32)	Interest-bearing liabilities (Note 31)
Shareholders						
Cimigest, SGPS, S.A.	-	-	-	2,763	3,242	-
Cimo SGPS, S.A.	-	-	5,897,570	-	-	4,433,589
Longapar, SGPS, S.A.	-	1,160	36,935	106	-	36,886
Other related entities						
Cimilonga - Imobiliária, S.A.	-	1,421	-	-	31,215	-
Hotel Ritz, S.A.	-	664	-	-	12,487	-
Soc. Agrícola Herdade dos Fidalgos, Lda.	-	-	-	-	504	-
Ave-Gestão Ambiental, S.A.	122,528	162,666	-	128,262	481,578	-
Cotif Sicar	-	112,099	-	-	92,844	-
Enermontijo, S.A.	82,678	38,703	-	54,656	12,551	-
Enerpar, SGPS, S.A.	-	-	-	-	21,598	-
Inertogrande	214,321	-	-	213,993	-	-
J.M.J. Henriques, Lda.	127,180	-	-	126,852	-	-
Refundos, SGFII, S.A.	-	(47,000)	-	-	-	-
Seribo, S.A.	-	-	-	-	324,717	-
Grupo Setefrete - Soc. Tráfego Cargas, S.A.	-	93,174	-	-	183,471	-
Acionistas minoritários da Ciment de Sibli	-	4,378,610	-	-	5,873,015	-
UTIS, Lda	-	200,000	-	-	-	-
Other subsidiaries shareholders	-	19,682	-	-	20,409	-
Total	**546,707**	**4,961,179**	**5,934,505**	**526,632**	**7,057,631**	**4,470,475**

** Allocated dividends pending settlement*

TRANSACTIONS WITH RELATED PARTIES AND SHAREHOLDERS

In the first half of 2018 and 2017, transactions between shareholders and other related parties comprised:

	1S 2018				1S 2017			
Amounts in Euro	Service purchase	Sales and services rendered	Operating income	Net financial costs	Service purchase	Sales and services rendered	Operating income	Net financial costs
Shareholders								
Sodim, SGPS, S.A.	-	-	-	-	-	-	-	-
Cimigest SGPS, S.A.	(53,870)	-	-	-	(53,870)	-	2,502	(1,547)
Cimo SGPS, S.A.	-	-	-	(9,508)	-	-	-	(12,709)
Longapar, SGPS, S.A.	-	-	-	(65)	-	-	-	(1,006)
OEM SGPS, S.A.	-	-	-	-	-	-	-	(5,598)
	(53,870)	**-**	**-**	**(9,573)**	**(53,870)**	**-**	**2,502**	**(20,860)**
Other related entities								
Cimilonga - Imobiliária, S.A.	(487,270)	-	47	-	(509,719)	-	-	-
Hotel Ritz, S.A.	(34,039)	-	134		(34,130)	-	-	-
Soc. Agrícola Herdade dos Fidalgos, Lda.	-	-	-	-	-	-	-	-
Sonagi, SGPS, S.A.	-	-	670	-	-	-	1,200	-
Refundos, SGFII, S.A.	(239,939)	-	-	-	-	-	-	-
Enermontijo, S.A.	(255,409)	176,436	-	-	(85,049)	42,957	-	-
Enerpar, SGPS, S.A.	(17,401)	-	-	-	(115,728)	-	-	-
Ave-Gestão Ambiental, S.A.	(959,113)	26,888	125,347	-	(1,278,369)	24,568	14,581	-
Setefrete, S.A.	(1,406,607)	-	37,011	-	(1,692,422)	-	20,351	-
Other	-	-	-	(167)	(1,277)	-	-	(2,572)
	(3,399,778)	**203,324**	**163,209**	**(167)**	**(3,716,694)**	**67,525**	**36,132**	**(2,572)**

The balances and transactions with Shareholders relate essentially to short-term treasury operations that bear interest at market rates.

In previous years, lease agreements were signed between Semapa and Cimilonga - Imobiliária, S.A., (which also entered into a lease agreement with Navigator Paper Figueira, S.A.) relating to the lease of several office floors in the building which it owns and where are located the headquarters of Semapa, SGPS, S.A., at Av. Fontes Pereira de Melo, no 14, in Lisbon.

In March 2015, the subsidiary The Navigator Company entered into an agreement with Enerpar SGPS, Lda., under which paid the latter a remuneration for the promotion of the pellet project in the United States of America. Enerpar SGPS, Lda. is a company that manages holdings in the renewable energy sector, which holds the entire capital of Enermontijo, S.A., (that has been engaged in the production of wood pellets of forest origin since 2008) and whose shareholders have family ties to a non-executive director of the Group.

In connection with the identification of the related parties, for the purposes of financial reporting, AVE, S.A. and Setefrete, SA were also referred to as related parties, because they are associated companies of the subsidiary Secil, to which the Group acquires waste and alternative fuels, in the first case, and stowage in cargo handling for ships, in the second.

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The short-term benefits/remuneration received by the members of the Board of Directors of Semapa and members of the boards of directors of the Group's other companies are described in Note 7.

In addition, with respect to post-employment benefits and as described in Note 29, as of 30 June 2018, the amount of liabilities related to post-employment benefit plans, related to two administrators of the Navigator Group, amounted to Euro 1,601,876 (31 December 2017: Euro 1,701,096).

As of 30 June 2018 and 31 December 2017, for the members of the Board of Directors of Semapa, there were no (i) additional liabilities related to other long-term benefits, (ii) termination benefits, (iii) share-based payments, (iv) outstanding balances.

36. ENVIRONMENTAL EXPENDITURES

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

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

Expenditures capitalised and recognised as costs, in 2018 and 2017, were as follows:

	1S 2018			1S 2017		
Amounts in Euro	Revenue	Expenses of the period	Capitalisation of the period	Revenue	Expenses of the period	Capitalisation of the period
Atmospheric emissions	-	2,973,293	1,228,769	-	1,067,811	127,898
Management of residual waters	-	7,525,830	43,203	-	5,201,810	95,009
Residual managements	(289,132)	807,759	32,829	(422,476)	1,111,063	-
Protection of nature	-	303,974	7,760	-	253,777	18,440
Energy	-	-	1,089,091	-	-	149,600
Other activities	-	968,939	894,827	-	1,779,534	77,880
	(289,132)	**12,579,795**	**3,296,478**	**(422,476)**	**9,413,996**	**468,827**

37. AUDIT FEES

Following the resolution of the Extraordinary General Meeting, dated 22 September 2017, the Group appointed a new Statutory Auditor, effective as of 1 January 2018, namely KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A. This entity did not issue any invoicing to the Group until 30 June 2018.

38. NUMBER OF EMPLOYEES

As of 30 June 2018 and 31 December 2017, the number of Employees in service of the Group's various companies, was as follows:

Segment	30-06-2018	31-12-2017	Var. 18/17
Pulp and paper	3,210	3,191	19
Cement and derivatives	2,502	2,556	(54)
Environment	270	270	-
Holdings and others	29	28	1
	6,011	**6,045**	**(34)**

39. COMMITMENTS AND CONTINGENCIES

As of 30 June 2018 and 31 December 2017, the guarantees and other financial commitments provided by the Group were as follows:

Amounts in Euro	30-06-2018	31-12-2017
Warranties		
Tax and Customs Authority	26,022,893	26,022,893
IAPMEI	2,991,061	5,762,249
APSS - Admi. dos Portos de Setúbal e Sesimbra	2,605,009	2,605,009
Product Clearance	1,835,250	1,835,250
Agência Estatal de Administ. Tributaria Espanhola	1,033,204	1,033,204
Comissão de Coordenação e Desenv. Regional LVT	925,010	1,000,926
Conselho de Emprego, Indústria e Turismo (Espanha)	954,118	954,118
Direção Geral de Alfândegas de Setúbal	800,000	800,000
APDL - Administração do Porto de Leixões	730,657	711,219
Simria	338,829	338,829
Portuguese Nature Conservation Institute - Arrábida	474,444	406,540
Regional Secretariat of Environment and Natural Resources	274,595	274,595
Institute of Support to Small and Medium Enterprises and Innovation (within the scope of PEDIP)	209,305	209,305
Commission for the Coordination of Regional Development - North	236,403	236,403
Commission for the Coordination of Regional Development - Center	747,825	727,825
Commission for the Coordination of Regional Development - Algarve	534,620	534,620
CCRLVT	298,638	-
Mercedes Benz - Car rental	500,000	500,000
Other	1,900,699	1,695,324
	43,412,560	**45,648,309**
Other commitments		
Of purchase		
Property, plant and equipment - Industrial equipment	112,365,713	109,933,881
Energy supply	25,471,996	26,704,382
Other	4,460,365	5,427,204
Forestry land rents	54,179,672	53,498,715
Mortgage loan guarantees	60,870,329	59,794,669
	257,348,075	**255,358,851**
	300,760,635	**301,007,160**

As part of the fiscal inspection process for 2013, the subsidiary The Navigator Company, S.A., was notified on 4 September 2017 of the Final Tax Inspection Report, which resulted in an additional tax payment in the amount of Euro 20,556,589. In the 2013 tax return, The Navigator Group deducted a significant amount of tax credits relating to the use of tax benefits associated with RFAI generated in previous years and, in its view, subject to reporting. The Tax Administration does not have the same understanding, having corrected the amounts of tax benefits used. The debt in question is guaranteed and its settlement will be contested.

The guarantees provided to IAPMEI correspond essentially to those carried out under the Investment contracts entered into between the Portuguese State and Navigator Pulp Cacia, S.A. (Euro 2,438,132) and Navigator Tissue Ródão, S.A. (Euro 2,771,188), in accordance with the terms and conditions stipulated in the Payment Policy applicable to Projects approved under the NSRF Incentive Systems. In 2018, the guarantee provided by Navigator Tissue Ródão was demobilised.

Other commitments for the purchase of tangible fixed assets refer essentially to the commitments made by the subsidiary Navigator, relating to investments in plant equipment, namely in connection with the design of the new production line of Tissue in Cacia.

The amount related to the item Electric Energy corresponds to the acquisition commitments assumed by the Brazilian subsidiaries of Secil.

As of 30 June 2018 and 31 December 2017, debt's reimbursement plans for operating leases are as follows:

Amounts in Euro	30-06-2018	31-12-2017
Below one year	2,990,953	2,888,414
Above one year and below five years	4,657,526	4,828,374
	7,648,478	**7,716,788**
Costs incurred in the period	**1,865,083**	**3,306,061**

40. OTHER COMMITMENTS OF THE GROUP

INVESTMENT IN A NEW PLANT IN ANGOLA

In October 2007, the Angolan Cabinet approved the Private Investment Project called the Lobito New Cement Factory involving an amount of USD 91,539,000, contracted on December 2007, by Secil Lobito and by ANIP — Agência Nacional para o Investimento Privado, the latter representing the Angolan state.

Furthermore, in 2008, an electric-power generating plant costing USD 18,000,000 was added to the investment.

Secil Lobito adapted the investment project to the reality of Angola's cement market. In this regard, in October 2015, Secil Lobito delivered to U.T.I.P. — Technical Unit for Private Investment, created under the New Private Investment Law, and to merit its acceptance, a draft addendum to the aforementioned Private Investment Agreement approved in December 2007 by the Angolan Council of Ministers. This addendum was prepared following the various contacts maintained with the then ANIP, and includes the review and updating of certain matters and conditions, on which the actual feasibility, realization and implementation of the investment project depends.

In 2016, the last revised version of the Project was sent to the PICU, which includes the adjustment of the latter to the new market conditions, as well as the recommendations issued by the UTIP at the end of 2015.

Secil Lobito has since then been waiting for the Angolan State's position. In this context, future prospects regarding project start-up are not likely to materialise with timely rigor. The difficulties that followed after its adoption have not yet been overcome.

In April 2017, Encime notified Secil Angola of the "highly approved decision to dispose of Encime, UEE shares". Under the terms of the Bylaws and the law, shareholders must be notified of the number, price and conditions of such share transfer, which has not yet happened, and Secil is still waiting for this process to proceed.

SECURITY DEPOSIT

The subsidiary Ciminpart sold its stake in VIROC in 2012. In the context of this proceeding, Secil has lodged a pledge on a bank deposit amounting to Euro 650,000.

41. CONTINGENT ASSETS

NON-TAX MATTERS

INFRASTRUCTURE ENHANCEMENT AND MAINTENANCE RATE

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

This situation regards the amount collected under this levy in the licensing process mentioned above, for the construction of a new paper mill in the industrial site of Mitrena, Setúbal. Navigator disagrees with the amount charged and filled an administrative claim against it on 25 February 2008 (request 2485/08), followed by an appeal in Court against the rejection of the claim on 28 October 2008. At 3 October 2012, this claim had an adverse decision, and in 13 November 2012 an appeal to the Administrative Supreme Court (STA) was performed, which has brought down the action to Central Administrative Court (TCA) on 4 July 2013, whose decision is still pending.

PUBLIC DEBT SETTLEMENT FUND

In addition to the tax matters described below, a second request to the Public Debt Settlement Fund was submitted on 2 June 2010, which called for the reimbursement of various amounts, totalling Euro 136,243,939. These amounts related to adjustments in the financial statements of the group after its privatisation, that had not been considered in formulating the price of such privatisation, as they were not included in the documentation made available for consultation by the bidders.

On 24 May 2014, the Administrative and Fiscal Court of Almada denied the request of the Group to present testimonial proves, requesting written allegations. On 30 June 2014, the Group presented its complaint to the conference about this position, whilst present on the same date the written allegations requested by the Court.

The Court upheld the claims of the Panel in this regard, experts have been appointed by the parties whose report was issued in July 2017 and is in the process of clarification.

TAX MATTERS

FISCAL AND FINANCIAL INCENTIVES

The Navigator Group applied for fiscal and financial incentives, related to the investments in progress in Cacia and Figueira da Foz, with the commitments obtained, tax benefits, respectively of Euro 11,5 million Euro and Euro 14,2 million, a fully repayable at zero rate, from Euro 42,2 million to Cacia and a loan of Euro 5,8 million, with maximum realisation premium of Euro 3,5 million, for Figueira da Foz.

Regarding Cacia, the contracts are already signed dated 13 December 2017 and 20 April 2018, for the financial and fiscal nature, respectively.

PUBLIC DEBT SETTLEMENT FUND

According to Decree-Law No. 36/93 of 13 February, the tax debts of privatised companies, relating to periods prior to the privatisation date (25 November 2006), are the responsibility of the Public Debt Settlement Fund.

Navigator submitted an application to the Public Debt Settlement Fund on 16 April 2008, requesting the payment by the State of the tax debts raised by the tax authorities for periods before that date.

On 13 December 2010, Navigator presented a new application, requesting the payment of debts settled by the tax authorities regarding 2006 and 2003. This application was supplemented on 13 October 2011, with the amounts already paid and uncontested regarding these debts, as well as with expenses directly related to them, pursuant to court ruling dated 24 May 2011 (Case No. 0993A/02), which confirmed the company's position regarding the enforceability of such expenses.

On 13 December 2017, the Navigator Company, SA entered into an extrajudicial agreement with the Portuguese Tax Authorities, in which the Public Debt Settlement Fund (PDSF) was recognised as having responsibility for recovering Euro 5,725,771 relating to the amount of Corporate Income Tax (CIT) unduly paid, resulting from the alleged qualification / incorrect consideration, by the tax administration, of the tax loss accruing as a result of the operations carried out by Soporcel SA in 2003, as well as to return the mentioned amount to Navigator.

In this context, the aforementioned Fund is liable as detailed:

Amounts in Euro	Period	Amounts requested	1st refund	Decreases in the perimeter of RERD	Process in favor of the Group	Extra judicial agreement of 31-12-2017	Outstanding amounts
Carried judicial processes							
VAT - Germany	1998-2004	5,850,000	(5,850,000)	-	-	-	-
CIT	2001	314,340	-	-	(314,340)	-	-
CIT	2002	625,033	(625,033)	-	-	-	-
CIT	2002	18,923	-	-	-	-	18,923
VAT	2002	2,697	(2,697)	-	-	-	-
CIT	2003	1,573,165	(1,573,165)	-	-	-	-
CIT	2003	182,230	(157,915)	-	(24,315)	-	-
CIT	2003	5,725,771	-	5,725,771	-	(5,725,771)	-
CIT (RF)	2004	3,324	-	-	-	-	3,324
CIT	2004	766,395	-	-	(139,023)	-	627,372
Stamp duty	2004	497,669	-	-	(497,669)	-	-
CIT (RF)	2005	1,736	(1,736)	-	-	-	-
Other expenses		314,957	-	-	-	-	314,957
		15,876,240	**(8,210,546)**	**5,725,771**	**(975,347)**	**(5,725,771)**	**964,576**
Non-carried judicial processes							
CIT	2005	11,754,680	-	(1,360,294)	-	-	10,394,386
CIT	2006	11,890,071	-	(1,108,178)	-	-	10,781,893
VAT	2003	2,509,101	-	-	-	-	2,509,101
		26,153,852	**-**	**(2,468,472)**	**-**	**-**	**23,685,380**
		42,030,092	**(8,210,546)**	**3,257,299**	**(975,347)**	**(5,725,771)**	**24,649,956**

TAXES PAID IN LITIGATION

As of 30 June 2018 and 31 December 2017, the additional tax assessments that are paid and disputed, not recognised in assets, refer to the Navigator Group and are summarized as follows:

Amounts in Euro	30-06-2018	31-12-2017
2003 VAT	2,509,101	2,509,101
2005 Aggregate CIT	10,394,386	10,394,386
2006 Aggregate CIT	8,150,146	8,150,146
	21,053,633	**21,053,633**

42. EXCHANGE RATES

The assets and liabilities of the foreign subsidiaries and associated companies were translated to Euro at the exchange rate prevailing as of 30 June 2018.

The income statement transactions were translated at the average rate for the period. 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 in the period, against the Euro, were as follows:

	30-06-2018	31-12-2017	Valuation/ (depreciation)		30-06-2018	31-12-2017	Valuation/ (depreciation)
TND (tunisian dinar)				DKK (danish krone)			
Average exchange rate for the period	2.9895	2.7184	(9.97%)	Average exchange rate for the period	7.4476	7.4386	(0.12%)
Exchange rate at the end of the period	3.0540	2.9454	(3.69%)	Exchange rate at the end of the period	7.4525	7.4449	(0.10%)
LBN (lebanese pound)				HUF (hungarian florim)			
Average exchange rate for the period	1,824.60	1,703.00	(7.14%)	Average exchange rate for the period	314.1133	309.2462	(1.57%)
Exchange rate at the end of the period	1,757.40	1,807.90	2.79%	Exchange rate at the end of the period	329.7700	310.3300	(6.26%)
USD (american dollar)				AUD (australian dollar)			
Average exchange rate for the period	1.2104	1.1297	(7.14%)	Average exchange rate for the period	1.5688	1.4732	(6.49%)
Exchange rate at the end of the period	1.1658	1.1993	2.79%	Exchange rate at the end of the period	1.5787	1.5346	(2.87%)
GBP (sterling pound)				MZM (mozambican metical)			
Average exchange rate for the period	0.8798	0.8763	(0.40%)	Average exchange rate for the period	73.8241	71.4978	(3.25%)
Exchange rate at the end of the period	0.8861	0.8872	0.13%	Exchange rate at the end of the period	69.7600	70.2250	0.66%
PLN (polish zloty)				BRL (brazilian real)			
Average exchange rate for the period	4.2208	4.2573	0.86%	Average exchange rate for the period	4.1439	3.6081	(14.85%)
Exchange rate at the end of the period	4.3732	4.1770	(4.70%)	Exchange rate at the end of the period	4.5021	3.9683	(13.45%)
SEK (swedish krone)				MAD (moroccan dirame)			
Average exchange rate for the period	10.1508	9.6354	(5.35%)	Average exchange rate for the period	10.8811	10.9633	0.75%
Exchange rate at the end of the period	10.4530	9.8438	(6.19%)	Exchange rate at the end of the period	11.0504	11.2210	1.52%
CZK (czech krone)				NOK (norwegian krone)			
Average exchange rate for the period	25.5003	26.3309	3.15%	Average exchange rate for the period	9.5930	9.3294	(2.83%)
Exchange rate at the end of the period	26.0200	25.5350	(1.90%)	Exchange rate at the end of the period	9.5115	9.8403	3.34%
CHF (swiss franc)				AOA (angolan kwanza)			
Average exchange rate for the period	1.1697	1.1115	(5.24%)	Average exchange rate for the period	268.1575	190.6947	(40.62%)
Exchange rate at the end of the period	1.1569	1.1702	1.14%	Exchange rate at the end of the period	295.0180	202.9815	(45.34%)
TRY (turkish lira)				MXN (Mexican Peso)			
Average exchange rate for the period	4.9565	4.1194	(20.32%)	Average exchange rate for the period	23.0807	21.3286	(8.21%)
Exchange rate at the end of the period	5.3385	4.5464	(17.42%)	Exchange rate at the end of the period	22.8817	23.6612	3.29%
ZAR (South African rand)				AED (Emirati Dirham)			
Average exchange rate for the period	14.8917	15.0442	1.01%	Average exchange rate for the period	4.4414	3.9549	(12.30%)
Exchange rate at the end of the period	16.0484	14.8054	(8.40%)	Exchange rate at the end of the period	4.2814	4.1215	(3.88%)

43. COMPANIES INCLUDED IN THE CONSOLIDATION

INSTRUMENTAL COMPANIES INCLUDED IN CONSOLIDATION

Name	Head Office	Direct and indirect % of equity held by Semapa		
		Direct	Indirect	Total*
Parent-Company				
Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.	Lisbon			
Subsidiaries				
Seminv, SGPS, S.A.	Lisbon	100.00	-	100.00
Seinpart, SGPS, S.A.	Lisbon	49.00	51.00	100.00
Seinpar Investments, B.V.	Amsterdam	100.00	-	100.00
Semapa Inversiones S.L.	Madrid	100.00	-	100.00
Celcimo S.L.	Madrid	-	100.00	100.00
Semapa Next, S.A.	Lisbon	100.00	-	100.00
Aphelion, S.A.	Lisbon	100.00	-	100.00

** % held on 31-12-2017 and 31-12-2016*

SUBSIDIARY COMPANIES OF SUB-GROUP ETSA – UNDER FULL CONSOLIDATION

Name	Head Office	Direct and indirect % of equity held in ETSA			% shares held by Semapa*
		Direct	Indirect	Total	
Parent-Company					
ETSA - Investimentos, SGPS, S.A.	Loures	99.99	-	99.99	99.99
Subsidiaries					
ETSA LOG,S.A.	Loures	100.00	-	100.00	100.00
SEBOL – Comércio e Industria de Sebo, S.A.	Loures	100.00	-	100.00	100.00
ITS – Indústria Transformadora de Subprodutos Animais, S.A.	Coruche	100.00	-	100.00	100.00
ABAPOR – Comércio e Industria de Carnes, S.A.	Coruche	100.00	-	100.00	100.00
BIOLOGICAL - Gestão de Resíduos Industriais, Lda.	Loures	100.00	-	100.00	100.00
AISIB – Aprovechamiento Integral de Subprodutos Ibéricos, S.A.	Espanha	100.00	-	100.00	100.00

** % held on 31-12-2017 and 31-12-2016*

SUBSIDIARY COMPANIES OF SUB-GROUP NAVIGATOR – UNDER FULL CONSOLIDATION

		Direct and indirect % equity held in Navigator			% of shares held by Semapa	
Name	Head Office	Direct	Indirect	Total	30-06-2018	31-12-2017
Parent - company:						
The Navigator Company, S.A.	Setúbal	35.71	33.69	69.40	69.40	69.40
Subsidiaries:						
Navigator Paper Figueira, S.A.	Figueira da Foz	100.00	-	100.00	69.40	69.40
Navigator Parques Industriais, S.A.	Setúbal	100.00	-	100.00	69.40	69.40
Navigator Products & Tecnology, S.A.	Setúbal	100.00	-	100.00	69.40	69.40
Enerpulp – Cogeração Energética de Pasta, S.A.	Setúbal	100.00	-	100.00	69.40	69.40
Navigator Pulp Figueira, S.A.	Figueira da Foz	100.00	-	100.00	69.40	69.40
Navigator Pulp Setúbal, S.A.	Setúbal	100.00	-	100.00	69.40	69.40
Navigator Pulp Cacia, S.A.	Aveiro	100.00	-	100.00	69.40	69.40
Navigator International GmbH	Germany	100.00	-	100.00	69.40	69.40
About Balance - SGPS, S.A.	Lisboa	100.00	-	100.00	69.40	69.40
Navigator Tissue Cacia, S.A.	Aveiro	-	100.00	100.00	69.40	69.40
Navigator Tissue Ródão , S.A.	Vila Velha de Ródão	-	100.00	100.00	69.40	69.40
Navigator Internacional Holding SGPS, S.A.	Setúbal	100.00	-	100.00	69.40	69.40
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Mozambique	20.05	60.15	80.20	55.66	55.66
Magellan Holdings Inc.	USA	25.00	75.00	100.00	69.40	69.40
Navigator Financial Services Sp. Z o.o.	Poland	25.00	75.00	100.00	69.40	69.40
Navigator Floresta, SGPS, S.A.	Setúbal	100.00	-	100.00	69.40	69.40
Raiz - Instituto de Investigação da Floresta e Papel	Aveiro	-	97.00	97.00	67.32	65.24
Navigator Forest Portugal, S.A.	Setúbal	100.00	-	100.00	69.40	69.40
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos	Setúbal	-	100.00	100.00	69.40	69.40
Gavião - Sociedade de Caça e Turismo, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Afocelca - Agrupamento complementar de empresas para protecção contra incêndio	Portugal	-	64.80	64.80	44.97	44.97
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	Palmela	-	100.00	100.00	69.40	69.40
Atlantic Forests, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Bosques do Atlantico, SL	Spain	-	100.00	100.00	69.40	69.40
Navigator Paper Holding, SGPS, S.A.	Setúbal	100.00	-	100.00	69.40	69.40
Navigator Fine Paper , S.A.	Setúbal	-	100.00	100.00	69.40	69.40
About the Future - Empresa Produtora de Papel, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Navigator Paper Setúbal, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Navigator North America Inc.	USA	-	100.00	100.00	69.40	69.40
Navigator Sales & Marketing, S.A.	Belgium	25.00	75.00	100.00	69.40	69.40
Navigator Africa, SRL	Italy	-	100.00	100.00	69.40	69.40
Navigator Participações Holding ,SGPS, S.A.	Setúbal	100.00	-	100.00	69.40	69.40
Portucel Florestal, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Arboser – Serviços Agro-Industriais, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
EMA21 - Engenharia e Manutenção Industrial Século XXI, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Ema Cacia - Engenharia e Manutenção Industrial, ACE	Aveiro	-	95.00	95.00	65.93	64.27
Ema Setúbal - Engenharia e Manutenção Industrial, ACE	Setúbal	-	89.91	89.91	62.40	63.36
Ema Figueira da Foz- Engenharia e Manutenção Industrial, ACE	Figueira da Foz	-	90.72	90.72	62.96	61.56
Empremédia - Corretores de Seguros, S.A.	Lisboa	-	100.00	100.00	69.40	69.40
EucaliptusLand, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Headbox - Operação e Controlo Industrial, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Navigator Added Value, S.A.	Setúbal	-	100.00	100.00	69.40	69.40
Navigator Switzerland Ltd.	Switzerland	25.00	75.00	100.00	69.40	69.40
Navigator Afrique du Nord	Morocco	-	100.00	100.00	69.40	69.40
Navigator España, S.A.	Spain	-	100.00	100.00	69.40	69.40
Navigator Netherlands, BV	Holand	-	100.00	100.00	69.40	69.40
Navigator France, EURL	France	-	100.00	100.00	69.40	69.40
Navigator Paper Company UK, Ltd	United Kingdom	-	100.00	100.00	69.40	69.40
Navigator Italia, SRL	Italy	-	100.00	100.00	69.40	69.40
Navigator Deutschland, GmbH	Germany	-	100.00	100.00	69.40	69.40
Navigator Paper Austria, GmbH	Austria	-	100.00	100.00	69.40	69.40
Navigator Paper Poland SP Z o o	Poland	-	100.00	100.00	69.40	69.40
Navigator Eurasia	Turkey	-	100.00	100.00	69.40	69.40
Navigator Rus Company, LLC	Russia	-	100.00	100.00	69.40	69.40
Navigator Paper Mexico	Mexico	-	100.00	100.00	69.40	69.40
Navigator Abastecimento de Madeira, ACE	Setúbal	97.00	3.00	100.00	69.40	69.40

SUBSIDIARY COMPANIES OF SUB-GROUP SECIL – UNDER FULL CONSOLIDATION

		Direct and indirect % equity held in Secil			% of shares held by Semapa	
Name	Head Office	Direct	Indirect	Total	30-06-2018	31-12-2017
Parent Company						
Secil - Companhia Geral de Cal e Cimento, S.A.	Setúbal	99.998	-	99.998	99.998	99.998
Subsidiaries						
Hewbol, S.G.P.S., Lda.	Funchal	100.00	-	100.00	99.998	99.998
Secil Cabo Verde Comércio e Serviços, Lda.	Cape Verde	99.80	0.20	100.00	99.998	99.998
ICV - Inertes de Cabo Verde, Lda.	Cape Verde	37.50	25.00	62.50	62.499	62.499
Florimar- Gestão e Participações, S.G.P.S., Lda.	Funchal	100.00	-	100.00	99.998	99.998
Sociedade de Inertes, Lda	Mozambique	-	100.00	100.00	99.998	99.998
Seciment Investments, B.V.	Holand	100.00	-	100.00	99.998	99.998
Serife - Sociedade de Estudos e Realizações Industriais e de Fornecimento de Equipamento, Lda.	Lisboa	100.00	-	100.00	99.998	99.998
Silonor, S.A.	França	100.00	-	100.00	99.998	99.998
Société des Ciments de Gabés	Tunisia	98.72	-	98.72	98.716	98.716
Sud- Béton- Société de Fabrication de Béton du Sud	Tunisia	-	98.72	98.72	98.716	98.716
Zarzis Béton	Tunisia	-	98.52	98.52	98.519	98.519
Secil Angola, SARL	Angola	100.00	-	100.00	99.998	99.998
Secil - Companhia de Cimento do Lobito, S.A.	Angola	-	51.00	51.00	50.999	50.999
Unibetão - Indústrias de Betão Preparado, S.A.	Lisboa	100.00	-	100.00	99.998	99.998
Secil Britas, S.A.	Lisboa	100.00	-	100.00	99.998	99.998
Lusoinertes, S.A.	Lisboa	-	100.00	100.00	99.998	99.998
Secil Martingança - Aglomerantes e Novos Materiais para a Construção, S.A.	Leiria	51.19	48.81	100.00	99.998	99.998
IRP - Industria de Rebocos de Portugal, S.A.	Santarém	-	75.00	75.00	74.998	74.998
Ciminpart - Investimentos e Participações, S.G.P.S., S.A.	Lisboa	100.00	-	100.00	99.998	99.998
ALLMA - Microalgas, Lda.	Leiria	-	70.00	70.00	69.999	69.999
Allmicroalgae Natural Products, S.A.	Leiria	-	100.00	100.00	99.998	99.998
Argibetão - Sociedade de Novos Produtos de Argila e Betão, S.A.	Lisboa	-	99.53	99.53	99.528	99.528
Secil Brasil Participações, S.A.	Brazil	-	100.00	100.00	99.998	99.998
Supremo Cimentos, SA	Brazil	-	100.00	100.00	99.998	99.998
Margem - Companhia de Mineração, SA	Brazil	-	100.00	100.00	99.998	99.998
I3 Participações e Serviços, Ltda.	Brazil	-	100.00	100.00	99.998	99.998
Secil Brands - Marketing, Publicidade, Gestão e Desenvolvimento de Marcas, Lda. (ex Prescor Produção de Escórias	Lisboa	-	100.00	100.00	99.998	99.998
CMP - Cimentos Maceira e Pataias, S.A.	Leiria	100.00	-	100.00	99.998	99.998
Ciments de Sibline, S.A.L.	Lebanon	28.64	22.41	51.05	51.049	51.049
Soime, S.A.L.	Lebanon	-	51.05	51.05	51.049	51.049
Cimentos Madeira, Lda.	Funchal	100.00	-	100.00	99.998	57.142
Beto Madeira - Betões e Britas da Madeira, S.A.	Funchal	-	100.00	100.00	99.998	57.142
Promadeira - Sociedade Técnica de Construção da Ilha da Madeira, Lda.	Funchal	-	100.00	100.00	99.998	57.142
Brimade - Sociedade de Britas da Madeira, S.A.	Funchal	-	100.00	100.00	99.998	57.142
Madebritas - Sociedade de Britas da Madeira, Lda.	Funchal	-	51.00	51.00	50.999	29.142
Pedra Regional - Industria Transformadora de Rochas Ornamentais, S.A.	Funchal	-	100.00	100.00	99.998	57.142
Uniconcreto - Betão Pronto, S.A.	Lisboa	100.00	-	100.00	99.998	99.998
Secil Cement BV (ex Finlandimmo Holding BV)	Holand	100.00	-	100.00	99.998	99.998
SPB, SGPS, LDA	Setúbal	100.00	-	100.00	99.998	99.998
Secil Prébetão, S.A.	Montijo	-	100.00	100.00	99.998	99.998
Cementos Secil, SLU	Spain	100.00	-	100.00	99.998	99.998

44. SUBSEQUENT EVENTS

Memorandum of Understanding with the Government of Mozambique

As informed to the market by the subsidiary Navigator on 9 July 2018, Portucel Moçambique and the Government of Mozambique signed a memorandum of understanding regarding the redesign of the investment project, which will be developed in two phases. At first, a forestry base of about 40,000 hectares shall be created, which will guarantee the supply of a facility (to be built) for the production of eucalyptus wood chips for export, of nearly 1 million tons per year, in a global investment estimated at USD 140 million.

A joint team was established between Portucel Moçambique and the Government to work, within an estimated time of six months, to ensure compliance with the precedent conditions necessary to move ahead with the investment, including the establishment of the logistic infrastructures necessary for the chip export. The initial phase of the project is therefore conditioned by the good resolution of the previous conditions identified in the Memorandum of Understanding now signed with the Government of Mozambique.

Contract signature with EIB

In July, the Navigator Group contracted a Euro 40 million financing with EIB, associated with the investment to increase the capacity in Figueira da Foz, continuing the permanent effort to optimise its financial structure.

Decision of the Constitutional Court - Appeal Case No. 486/15

In 11 June 2018, the Navigator Group was notified of the Constitutional Court decision regarding the Proceeding No. 486/15 (Notice of Appeal), where the Court considers Article 92 (1) of the CIRC unconstitutional. In this Article, the margin of the income tax that can be used to deduct fiscal benefits related to the RFAI, is decreased to 10%.

This decision will have a very positive impact on the 2013 income tax and it is expected that it will be possible to reduce the bank guarantee for this process in the short term (Note 39), as well as reimbursing the Group for the costs incurred with it.

45. NOTE ADDED FOR TRANSLATION

The accompanying financial statements are a translation of financial statements originally issued in Portuguese. In the event of any discrepancies the Portuguese version prevails.

BOARD OF DIRECTORS

CHAIRMAN:

PEDRO MENDONÇA DE QUEIROZ PEREIRA

MEMBERS:

JOÃO NUNO DE SOTTOMAYOR PINTO DE CASTELLO BRANCO

JOSÉ MIGUEL PEREIRA GENS PAREDES

PAULO MIGUEL GARCÊS VENTURA

RICARDO MIGUEL DOS SANTOS PACHECO PIRES

ANTÓNIO PEDRO DE CARVALHO VIANA BAPTISTA

CARLOS EDUARDO COELHO ALVES

FILIPA MENDES DE ALMEIDA DE QUEIROZ PEREIRA

FRANCISCO JOSÉ MELO E CASTRO GUEDES

JOSÉ ANTÔNIO DO PRADO FAY

LUA MÓNICA MENDES DE ALMEIDA DE QUEIROZ PEREIRA

MAFALDA MENDES DE ALMEIDA DE QUEIROZ PEREIRA

VÍTOR MANUEL GALVÃO ROCHA NOVAIS GONÇALVES

VÍTOR PAULO PARANHOS PEREIRA

PART 5

LIMITED REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
Edifício Monumental - Av. Praia da Vitória, 71 - A, 8º
1069-006 Lisboa - Portugal
+351 210 110 000 | www.kpmg.pt

LIMITED REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(This report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.)

Introduction

We have performed a limited review of the accompanying interim consolidated financial statements of **Semapa – Sociedade de Investimento e Gestão, S.G.P.S., S.A. (the Entity)**, which comprise the interim consolidated statement of financial position as of 30 June 2018 (that presents a total of Euro 3,907,888,469 and total equity attributable to the shareholders of Euro 825,507,929, including a consolidated net profit attributable to the shareholders of 59.141.326), the interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended, and the accompanying explanatory notes to these interim consolidated financial statements.

Management' responsibilities

The management is responsible for the preparation of this interim consolidated financial statements in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union, and for the implementation and maintenance of an appropriate internal control system to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on the accompanying interim consolidated financial statements. Our work was performed in accordance with the international standards on review engagements and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). These standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the interim consolidated financial statements are not prepared in all material respects in accordance with the IAS 34 – Interim Financial Reporting as adopted by the European Union.

A limited review of interim consolidated financial statements is a limited assurance engagement. The procedures that we have performed consist mainly of making inquiries and applying analytical procedures and subsequent assessment of the evidence obtained. The procedures performed in a limited review are substantially less that those performed in an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on these interim consolidated financial statements.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements of **Semapa – Sociedade de Investimento e Gestão, S.G.P.S., S.A.** on 30 June 2018, are not prepared, in all material respects, in accordance with the IAS 34 – Interim Financial Reporting as adopted by the European Union.

Other matter

The consolidated financial statements of the company for the six month period ended on 30 June 2018 were approved by the Board of Directors on 26 July 2018. Subsequently, on 8 August 2018, the subsidiary of the Entity, The Navigator Company, S.A., was notified by the United States Department of Commerce that the final anti-dumping duty on sales rate over sales performed for the American market, in the period between August 2015 and February 2017, will be 37.34%. This might represent an expense of approximately Euro 66 million not recognized in the interim consolidated financial statements.

Lisbon, 25 September 2018

SIGNED IN THE ORIGINAL

KPMG & Associados -
Sociedade de Revisores Oficiais de Contas, S.A.
(registered at CMVM under the nr. 20161489 and at OROC under the nr. 189)
represented by
Paulo Alexandre Martins Quintas Paixão (ROC n.º 1427)