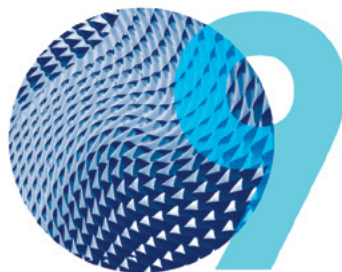
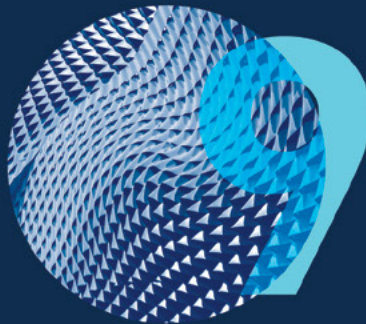


ANNUAL REPORT







FROM EXCELLENCE TRUST IS BORN

# CONTENTS

• 01	<b>THE SEMAPA GROUP</b>	4
	MISSION, STRATEGIC PRINCIPLES AND VALUES	6
	WHO WE ARE	8
	WHAT WE DO	9
	WHERE WE ARE	10
	LEADING INDICATORS OF THE GROUP	12
	MESSAGE FROM THE CHAIRMAN AND CEO	16
	CORPORATE BODIES	20
	BOARD OF DIRECTORS	21
	• 02	<b>MANAGEMENT REPORT</b>
1. OVERVIEW OF SEMAPA GROUP OPERATIONS		26
2. PERFORMANCE OF SEMAPA SHARES		30
3. PERFORMANCE OF THE SEMAPA GROUP BUSINESS UNITS		32
4. SEMAPA GROUP – FINANCIAL AREA		51
5. SUSTAINABILITY		53
6. INNOVATION, RESEARCH AND DEVELOPMENT		55
7. HUMAN CAPITAL AND TALENT		56
8. INVOLVEMENT IN THE COMMUNITY		57
9. OUTLOOK		58
10. EVENTS AFTER THE REPORTING PERIOD		59
11. ACKNOWLEDGEMENTS		59
12. PROPOSED ALLOCATION OF PROFITS		60
• 03	<b>CORPORATE GOVERNANCE REPORT</b>	62
	PART I INFORMATION ON CAPITAL STRUCTURE, ORGANIZATION AND CORPORATE GOVERNANCE	66
	PART II ASSESSMENT OF CORPORATE GOVERNANCE	102
	ANNEX I DISCLOSURES REQUIRED BY ARTICLE 447 OF THE COMPANIES CODE	113
	ANNEX II REMUNERATION POLICY STATEMENT	115
	ANNEX III DECLARATION REQUIRED UNDER ARTICLE 245.1 C) OF THE SECURITIES CODE	121
	• 04	<b>CONSOLIDATED FINANCIAL STATEMENTS</b>
CONSOLIDATED INCOME STATEMENT		124
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		125
CONSOLIDATED STATEMENT OF FINANCIAL POSITION		126
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY		127
CONSOLIDATED STATEMENT OF CASH FLOWS		128
CONTENTS TO THE CONSOLIDATED FINANCIAL STATEMENTS		129

• 05	<b>STATUTORY AUDIT REPORT</b> CONSOLIDATED FINANCIAL STATEMENTS	240
• 06	<b>REPORT AND OPINION OF THE AUDIT BOARD</b> CONSOLIDATED FINANCIAL STATEMENTS	250
• 07	<b>SEPARATE FINANCIAL STATEMENTS</b> SEPARATE INCOME STATEMENT SEPARATE STATEMENT OF COMPREHENSIVE INCOME SEPARATE STATEMENT OF FINANCIAL POSITION SEPARATE STATEMENT OF CHANGES IN EQUITY SEPARATE STATEMENT OF CASH FLOWS CONTENTS TO THE SEPARATE FINANCIAL STATEMENTS	256 258 259 260 261 262 263
• 08	<b>STATUTORY AUDIT REPORT</b> SEPARATE FINANCIAL STATEMENTS	312
• 09	<b>REPORT AND OPINION OF THE AUDIT BOARD</b> SEPARATE FINANCIAL STATEMENTS	320

(translation from the original text in Portuguese)





**THE SEMAPA GROUP**

# MISSION, STRATEGIC PRINCIPLES AND VALUES

## MISSION

To be a **benchmark** for **investment management** in key sectors of the **Portuguese and international economy**, aware of the principles of **sustainable development** and capable of balancing the requirements of creating returns for shareholders with an attractive project for professionals and a deep **social and environmental conscience**.



## STRATEGIC PRINCIPLES

- To achieve growth with added value for shareholders, with a view to sustainable development with a firm social conscience;
- To maintain high standards of environmental responsibility and promote development of local communities;
- To develop its Human Resources, providing them with attractive career opportunities;
- To be ready for business opportunities and to make acquisitions with the potential for generating value.

## SEMAPA VALUES

- Social and environmental awareness;
- Excellence, competence, innovation and entrepreneurship;
- Discretion;
- Respect, trust, collaboration and justice;
- Integrity, ethics and honesty.

## WHO WE ARE



One of the biggest portuguese industrial groups with presence in **4 continents**

---



**Portfolio** that includes Pulp and Paper, Cement and Other Building Materials, Environment and Venture Capital

---



Listed in **Euronext Lisbon** (PSI20) since 1995

---



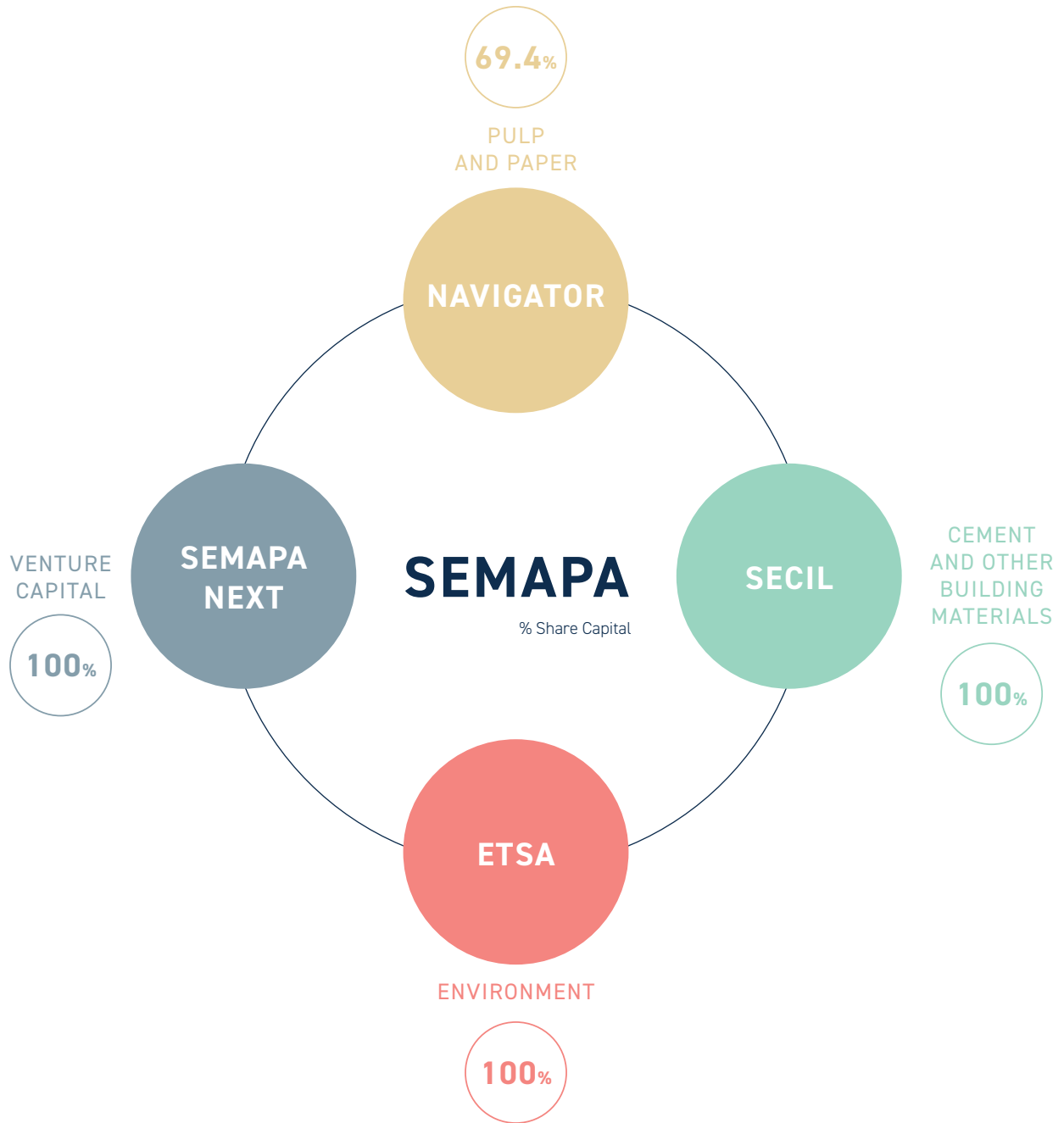
**Queiroz Pereira** family  
- reference investor

---

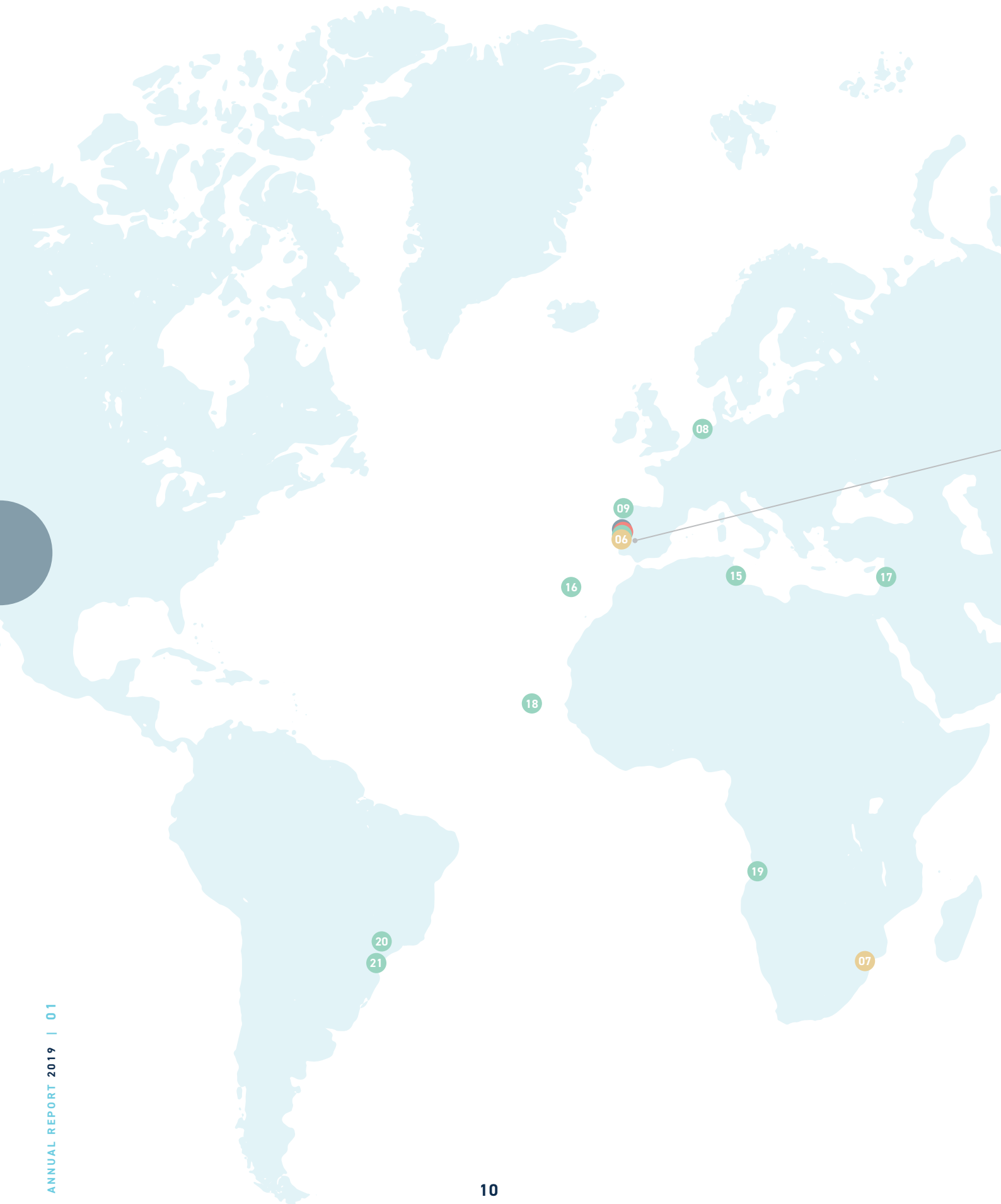


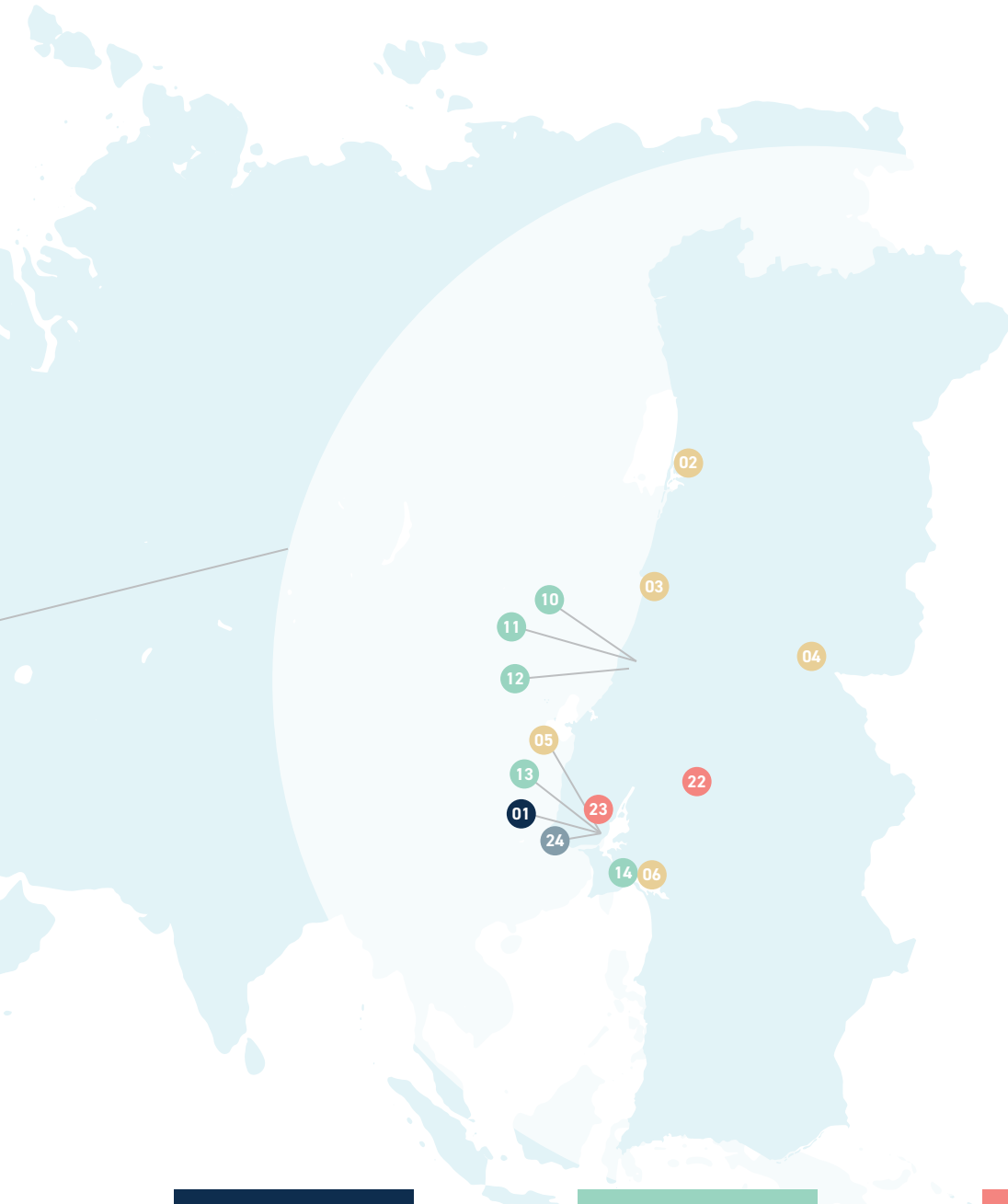
Professional, experienced and diversified **management**

# WHAT WE DO



# WHERE WE ARE





**HOLDING**  
Semapa

01. Lisbon Office

**PULP AND PAPER**  
Navigator

- 02. Cacia Factory
- 03. Figueira da Foz Factory
- 04. Vila Velha de Rodão Tissue Factory
- 05. Lisbon Office
- 06. Setúbal Factory
- 07. Maputo Office

**CEMENT**  
Secil

- 08. Terneuzen Terminal
- 09. Vigo Terminal
- 10. Maceira-Liz Factory
- 11. Cal Maceira Factory
- 12. Cibra-Pataias Factory
- 13. Lisbon Office
- 14. Secil-Outão Factory
- 15. Gabès Factory
- 16. Funchal Terminal
- 17. Siblme Factory
- 18. Praia Terminal
- 19. Lobito Factory
- 20. Adrianópolis PR Factory
- 21. Pomerode SC Factory

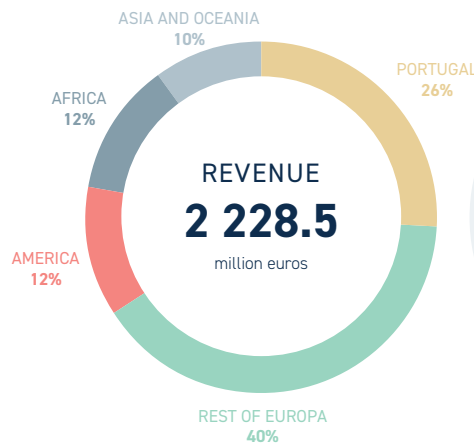
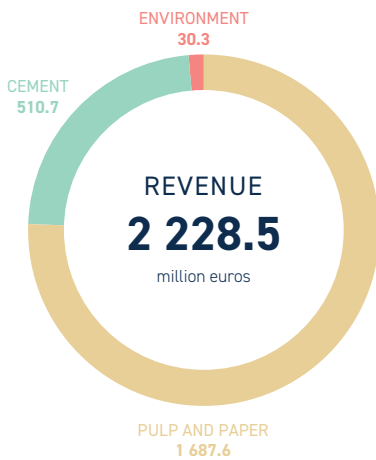
**ENVIRONMENT**  
ETSA

- 22. Coruche Factory
- 23. Santo Antão do Tojal Factory

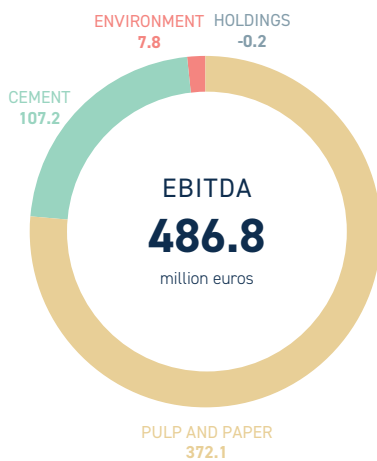
**VENTURE CAPITAL**  
Semapa Next

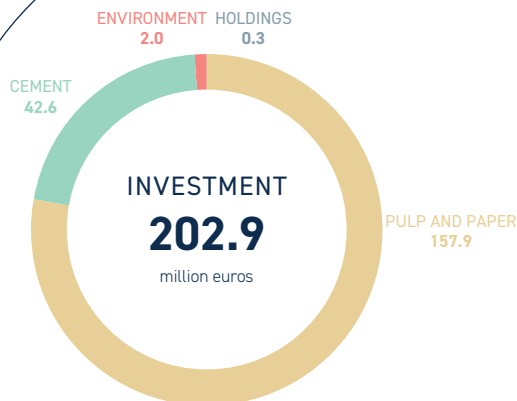
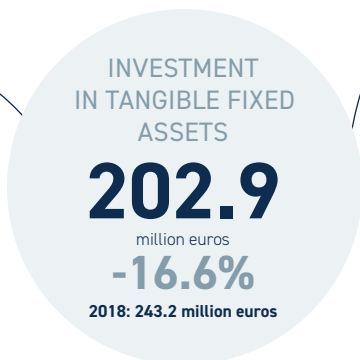
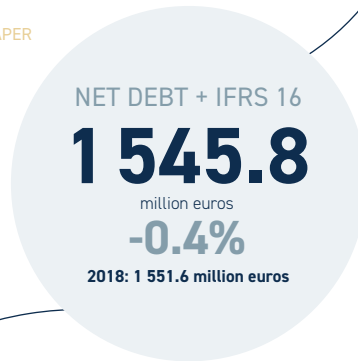
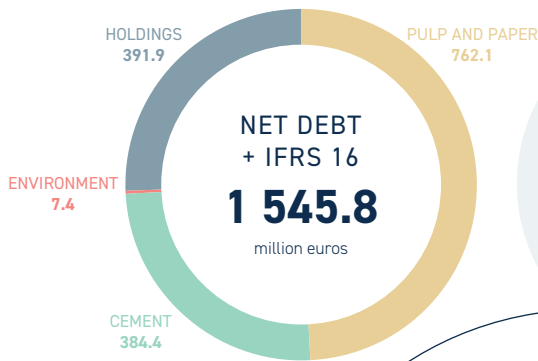
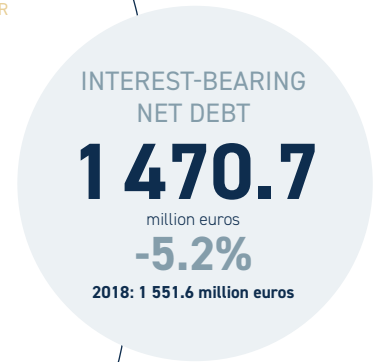
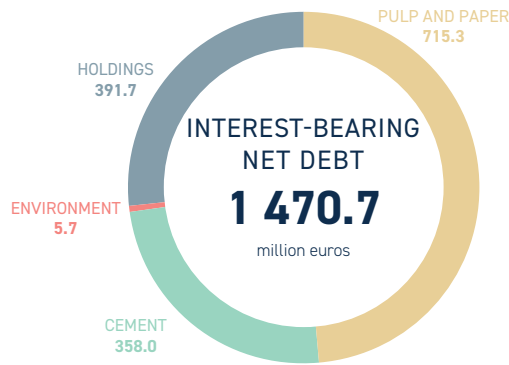
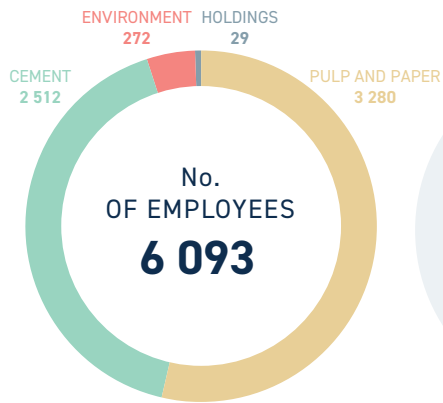
24. Lisbon Office

# LEADING INDICATORS OF THE GROUP



Present in over  
**20 countries**  
 Strong  
 international  
 presence



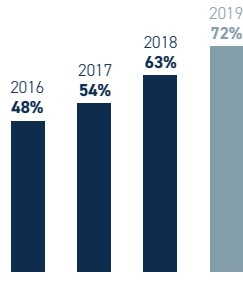


# LEADING INDICATORS OF THE GROUP

% CERTIFIED WOOD

**72%**

2018: 63%



% OF CERTIFIED WOOD RECEIVED IN NAVIGATOR'S INDUSTRIAL COMPLEXES

KG CO<sub>2</sub> PER T/  
CEMENTITIOUS

**-7.2%**

vs. 1990 emissions

## CAPACITY AND No. OF FACTORIES

Product	No.	Capacity
BEKP Pulp	3	1.55 MtAD
UWF Paper	2	1.57 Mt
Cement	8	9.75 Mt

ACCIDENT  
FREQUENCY RATE

**-26%**

vs. 2018 frequency rate

**Navigator**

No. HOURS OF TRAINING/  
EMPLOYEE

**+8%**

vs. 2018 hours of training

ACCIDENT  
FREQUENCY RATE

**-6%**

vs. 2018 frequency rate

**Secil**

No. OF WORK  
ACCIDENTS

**-17%**

vs. 2018 accidents



## BUSINESS INDICATORS

Million euros	2015	2016	2017	2018	2019
<b>Income Statement</b>					
Revenue	2 132.3	2 074.6	2 164.7	2 198.0	2 228.5
EBITDA	478.2	489.1	500.7	548.5	486.8
EBITDA margin (%)	22.4%	23.6%	23.1%	25.0%	21.8%
Operational results	287.9	244.5	272.3	313.7	241.0
EBIT margin (%)	13.5%	11.8%	12.6%	14.3%	10.8%
Profit for the year	130.8	189.3	193.6	201.2	162.7
Attributable to Semapa's Shareholders	81.5	114.9	124.1	132.6	124.1
<b>Per share</b>					
Closing market price, Eur/share	12.695	13.400	17.795	13.100	13.720
Dividends per share, Eur (paid in n+1)	0.329	0.450	0.512	0.512	0.125
Basic earning, per share, Eur	0.850	1.418	1.538	1.643	1.540
<b>Cash flow</b>					
Cash flow	321.1	433.9	422.1	436.0	408.6
<b>Investments</b>					
Capital Expenditures	178.9	186.1	144.0	243.2	202.9
<b>Balance Sheet</b>					
Consolidated shareholder's equity	716.3	817.3	843.4	890.4	960.9
Total equity	1 131.6	1 227.1	1 221.9	1 257.6	1 261.7
Interest-bearing net debt	1 803.0	1 779.7	1 673.7	1 551.6	1 470.7
Interest-bearing net debt + IFRS 16	1 803.0	1 779.7	1 673.7	1 551.6	1 545.8

**Note:** 2019 dividends per share refers to the proposed allocation of profit presented in this report to be paid in 2020.

## MESSAGE FROM THE CHAIRMAN AND CEO



**HEINZ-PETER  
ELSTRODT**

CHAIRMAN OF THE BOARD OF  
DIRECTORS



**JOÃO CASTELLO  
BRANCO**

CEO

Dear Shareholders,

In 2019, the macroeconomic environment was marked by signs of a slowdown in regard to the previous year, negatively affected by a number of uncertainties resulting from the trade wars between the USA and China and the turbulent Brexit process. The latest European Commission estimates point to an average growth in the GDP on the order of 1.4% in the countries of the European Union, a number below the 2018 level and relatively insignificant versus the initial forecasts. This was a result of the economic downturn experienced by Germany, France, Italy and the United Kingdom, countries that were penalised by the uncertainty in the foreign markets, which led to a drop in the export balance. In the USA, growth was on the order of 2.3%, driven by the increase in domestic consumption and a reduction in taxes, but even so, growth was lower than what was recorded in 2018.

The Portuguese economy also experienced a slowdown in 2019, the annual growth rate dropping to 2.2%, which, on the one hand, reflected the worsening conditions in the foreign environment, and on the other, it was evidence of the weakening of the cyclical component of the recovery, as the possibility for growth based on increased employment continues to decline.

The economic downturn in Portugal derived from the drop in the contribution of net exports to the growth of the GDP, in a context of a slowdown of foreign demand that directly affected the country's exporters. The contribution of domestic demand also fell in terms of net imports, with the stronger dynamics of investment at the beginning of the year partially compensating for the deceleration of private consumption.

In this context, the Group once again demonstrated its resilience and ability to deal with highly demanding situations as attested by the main economic-financial indicators for 2019. Revenue amounted to 2 229 million euros, 73.8% of which deriving from exports and foreign sales. The EBITDA came to 487 million euros and net profit was 124 million euros.

In 2019, consolidated net debt, including the impact of the adoption of IFRS 16, dropped to 1 546 million euros, due to the continuing strong generation of the Group's operating cash flow, which registered 409 million euros. It was therefore possible to continue the strategy of reducing the level of indebtedness that has been implemented in recent years, which has translated into an increase in the Group's robustness and low-risk profile and a strengthening of the Group's capacity to meet the future challenges.

“ In this context, the Group once again demonstrated its resilience and ability to deal with highly demanding situations as attested by the main economic-financial indicators for 2019. ”

For the pulp and paper segment, 2019 was a year that was also characterised by an adverse market environment, as pulp prices in Europe fell sharply, as did the demand for pulp and paper both, accompanied by an increase in variable production costs, in particular due to price increases in wood, energy and chemicals.

2019 was also characterized by operational difficulties that were felt on Navigator's industrial sites and by some social instability, which generated stops due to strikes that occurred throughout the year in Setúbal, Figueira da Foz and Vila Velha de Ródão, and that resulted in production volumes below those in previous years.

These difficulties, both external and internal, led to lower Navigator results compared to those of the previous year, with EBITDA of 372 million euros, i.e. about 18% below 2018, and an EBITDA margin of 22%.

Nevertheless, from a sectoral perspective, it should be recognized that these results are quite robust in view of the circumstances and performance of Navigator's counterparts, demonstrating, once again, the great quality of the Company's employees and the resilience of Navigator's integrated pulp and paper business model.

In the pulp business, Navigator was able to increase sales volume by about 24%, the effect of the sharp drop in prices being partially offset by a revenue of about 165 million euros, around 1.2% lower than in 2018.

In the UWF paper business, sales volumes were about 4.4% below 2018 as a reflection of lower production volumes, but paper prices showed great resilience.

As for the tissue business, as a result of the start-up of the new tissue plant in Aveiro, the volume sold registered a significant increase of 52%, totalling 95.7 thousand tonnes, with a revenue of 132 million euros and a growth of 45% compared to 2018.

In the cement segment, Secil's results for 2019 were significantly better than in the previous year, based on the achievement of the global objectives outlined, with a general improvement in the economic and financial indicators and in the operational performance of all the different locations around the world where the company is operating.

Revenue was 511 million euros, with a significant growth of 5.7% compared to 2018, despite the unfavourable impact of 5 million euros from the depreciation of some currencies against the euro in the different countries in which Secil operates. EBITDA was 107 million euros and also had a strong growth of about 19 million euros

compared to 2018, which was due to the operational improvement in all the markets where it operates—with the exception of Angola and Lebanon—, an increase in CO<sub>2</sub> sales (+3.4 million euros), and the positive effect of 9 million euros from the adoption of IFRS 16.

The growth in revenue and EBITDA allowed the return to robust net profit of 18 million euros, much higher than the -3 million euros recorded in 2018, which shows the adequacy of the performance improvement programme RETURN launched in 2017 and scheduled for completion in 2020.

In this context, it should be positively highlighted the good moment of the Cement and Other Building Materials market in Portugal, with revenue of 296 million euros, 12.8% higher than in 2018, and also the growth of volumes and results in Brazil, where revenue rose by 9.3%, totalling 85 million euros. This contrasts with the negative impact of the troubled period in Lebanon and the current situation of the Angolan market.

In addition to these very positive economic and financial results, it should also be noted that Secil continued to invest in improving operational efficiency across all lines of business, as well as placing a particular focus on increasing the consumption of alternative fuels, reducing energy consumption and reducing CO<sub>2</sub> emissions per tonne of cement-based products.

---

“We are a very solid Group with resilient business models that allow us to face the future in a very positive way.”

---

In the environmental segment, the results evolved positively, and 2019 was marked by the favourable variation in the prices of the main finished products, reinforced by the increase in their sales volumes. There was also growth in services rendered. In this context, ETSA's 2019 revenue was 30 million euros, 23% over the previous year, and EBITDA totalled 8 million euros, representing a growth of 45% compared to 2018, highlighting the effort put forth to control the main costs. The EBITDA margin, in turn, stood at 26%, up by around 4 p.p. from the margin in 2018.

2019 was also an important year for Semapa Next, the Group's venture capital business unit, with the completion of the 1st acceleration programme carried out in partnership with the North American company Techstars,

one of the largest start-up accelerators in the world. This programme involved 10 companies from various parts of the world that benefited from all the know-how and expertise of the Group to accelerate and scale their ideas. The strong involvement of all the Group's companies in this type of initiative is extremely important to us, since it allows us to incorporate innovation, new business models and trends from the start-up ecosystem in them, and thereby contribute to the increase in our competitiveness.

The Semapa Group, as a whole, continued its strong commitment to sustainability, a fundamental pillar of Semapa's activity, as is clearly evident and demonstrated in our Sustainability Report. As has been said repeatedly, we not only care about the economic and financial performance of the Group, but we also believe that we should be at the forefront of the fight against climate change, in the commitment to maintain a high level of environmental investment, the development of a policy for the involvement of our activities in local communities and the development of the personal and professional progress of our employees.

It is in this context and following the Group's decisive commitment to the sustainability of the activities it pursues, that 2019 was marked by Navigator's commitment to achieve carbon neutrality in its manufacturing facilities by 2035, thus anticipating the objective already assumed by the European Union and Portugal by 15 years,

unequivocally demonstrating our commitment to go further and be a step ahead of the strictest demands.

At Secil, actions at the level of organizational culture and human capital stand out. The development of the Secil leaders in all the locations around the globe was continued with the carrying out of a broad action to disseminate Secil's Mission, Vision and Values, in order to motivate and align employees and strengthen the Company's external reputation.

Finally, we would like to highlight the decisive contribution that was made in the past year by our employees, customers, suppliers, financial institutions, regulatory and supervisory authorities, the Group's corporate bodies and also by our shareholders, the joint efforts of which made the achieving of these robust and consistent results possible. To all of them we extend our public thanks and recognition.

We are a very solid Group with resilient business models that allow us to face the future in a very positive way. In this ever-changing global world, with immense challenges to overcome, we know that we are able to achieve the best results, because of the knowledge, effort and performance capacity of the thousands of employees that make up the Group.

It is with them that we count on embracing the enormous challenges that await us with optimism.

# CORPORATE BODIES

## BOARD OF DIRECTORS

### CHAIRMAN

Heinz-Peter Elstrodt

### FULL MEMBERS

João Nuno de Sottomayor Pinto de Castello Branco

Ricardo Miguel dos Santos Pacheco Pires

Vítor Paulo Paranhos Pereira

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

## EXECUTIVE BOARD

### CHAIRMAN (CEO)

João Nuno de Sottomayor Pinto de Castello Branco

### FULL MEMBERS

Ricardo Miguel dos Santos Pacheco Pires (CIO)

Vítor Paulo Paranhos Pereira (CFO)

## REMUNERATION COMMITTEE

João do Passo Vicente Ribeiro

João Rodrigo Appleton Moreira Rato

José Gonçalo Ferreira Maury

## GENERAL MEETING

### CHAIRMAN

Francisco Xavier Zea Mantero

### SECRETARY

Luís Nuno Pessoa Ferreira Gaspar

## AUDIT BOARD

### CHAIRMAN

José Manuel de Oliveira Vitorino

### FULL MEMBERS

Gonçalo Nuno Palha Gaio Picão Caldeira

Maria da Graça Torres Ferreira da Cunha Gonçalves

### ALTERNATE MEMBER

Ana Isabel Moraes Nobre de Amaral Marques Tavares da Mata

## STATUTORY AUDITOR

### FULL MEMBER

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. represented by Paulo Alexandre Martins Quintas Paixão

### ALTERNATE

Vítor Manuel da Cunha Ribeirinho

## COMPANY SECRETARY

### FULL MEMBER

Rui Tiago Trindade Ramos Gouveia

### ALTERNATE MEMBER

Joana Esperança Fernandes Lopes Luís

## BOARD OF DIRECTORS



HEINZ-PETER ELSTRODT



JOÃO CASTELLO BRANCO (CEO)



RICARDO PIRES (CIO)



VÍTOR PARANHOS PEREIRA (CFO)



ANTÓNIO VIANA-BAPTISTA



CARLOS ALVES



FILIPA QUEIROZ PEREIRA



FRANCISCO GUEDES



JOSÉ FAY



LUA QUEIROZ PEREIRA



MAFALDA QUEIROZ PEREIRA



VÍTOR NOVAIS GONÇALVES







# MANAGEMENT REPORT

# CONTENTS

<b>1</b>	<b>OVERVIEW OF SEMAPA GROUP OPERATIONS</b>	<b>26</b>
<b>2</b>	<b>PERFORMANCE OF SEMAPA SHARES</b>	<b>30</b>
<b>3</b>	<b>PERFORMANCE OF THE SEMAPA GROUP BUSINESS UNITS</b>	<b>32</b>
	3.1 Pulp and Paper Business Unit	32
	3.2 Cement and Other Building Materials Business Unit	38
	3.3 Environment Business Unit	48
<b>4</b>	<b>SEMAPA GROUP – FINANCIAL AREA</b>	<b>51</b>
	4.1 Indebtedness	51
	4.2 Financial Results	52
	4.3 Risk Management	52
	4.4 Dividends	52
	4.5 Net Profit	52

5	SUSTAINABILITY	53
6	INNOVATION, RESEARCH AND DEVELOPMENT	55
7	HUMAN CAPITAL AND TALENT	56
8	INVOLVEMENT IN THE COMMUNITY	57
9	OUTLOOK	58
10	EVENTS AFTER THE REPORTING PERIOD	59
11	ACKNOWLEDGEMENTS	59
12	PROPOSED ALLOCATION OF PROFITS	60



# 1 OVERVIEW OF SEMAPA GROUP OPERATIONS

## LEADING BUSINESS INDICATORS

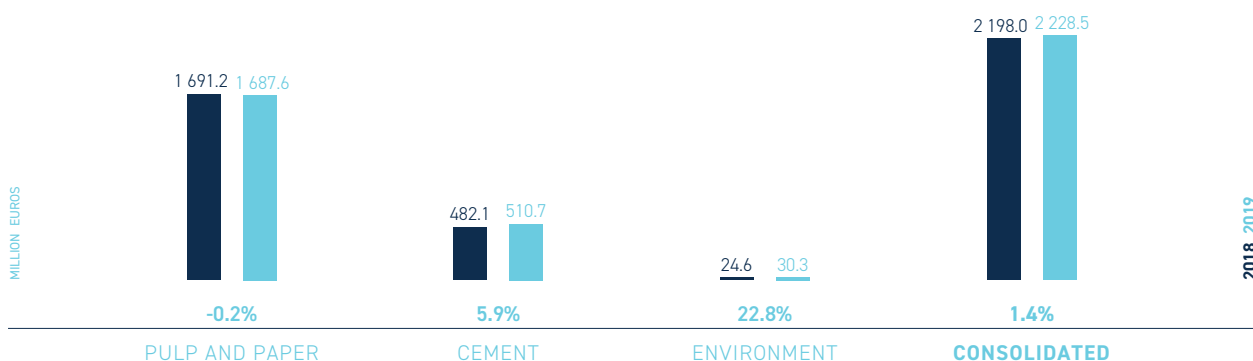
IFRS - accrued amounts (million euros)	2019	2018	Var.
<b>Revenue</b>	<b>2 228.5</b>	<b>2 198.0</b>	<b>1.4%</b>
<b>EBITDA</b>	<b>486.8</b>	<b>548.5</b>	<b>-11.2%</b>
EBITDA margin (%)	21.8%	25.0%	-3.1 p.p.
Depreciation, amortisation and impairment losses	(241.8)	(215.9)	-12.0%
Provisions	(4.1)	(19.0)	78.6%
<b>EBIT</b>	<b>241.0</b>	<b>313.7</b>	<b>-23.2%</b>
EBIT margin (%)	10.8%	14.3%	-3.5 p.p.
Net financial results	(54.4)	(68.8)	21.0%
<b>Profit before taxes</b>	<b>186.6</b>	<b>244.8</b>	<b>-23.8%</b>
Income taxes	(23.9)	(43.7)	45.3%
Net profit for the period	162.7	201.2	-19.1%
<b>Attributable to Semapa shareholders</b>	<b>124.1</b>	<b>132.6</b>	<b>-6.4%</b>
Attributable to non-controlling interests (NCI)	38.6	68.6	-43.7%
<i>Cash flow</i>	408.6	436.0	-6.3%
	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>Dec19 vs. Dec18</b>
Equity (before NCI)	960.9	890.4	7.9%
<b>Interest-bearing net debt</b>	<b>1 470.7</b>	<b>1 551.6</b>	<b>-5.2%</b>
Lease liabilities (IFRS 16)	75.2	0.0	-
<b>Total</b>	<b>1 545.8</b>	<b>1 551.6</b>	<b>-0.4%</b>

### Notes:

- EBITDA = EBIT + Depreciation, amortisation and impairment losses + Provisions
- EBIT = Operating profit
- Operating profit = Earnings before taxes, financial results and results of associates and joint ventures as presented in the Income Statement in IFRS format
- Cash flow = Net profit for the period + Depreciation, amortisation and impairment losses + Provisions
- Interest-bearing net debt = Non-current interest-bearing debt (net of loan issue charges) + Current interest-bearing debt (including debts to shareholders) – Cash and cash equivalents

## REVENUE

In 2019 the Semapa Group recorded consolidated revenue of 2 228.5 million euros, an increase of 1.4% over the previous year. Exports and foreign sales amounted to 1 644.7 million euros, accounting for 73.8% of revenue.



**Pulp and Paper: 1 687.6 million euros ▼ 0.2%**

Revenue in the Pulp and Paper business unit in 2019 stood at 1 687.6 million euros, down by 0.2% year on year. The period was marked by deteriorating market conditions, in particular the fall in pulp prices and the weakening of demand on the European market and the lower volumes available for pulp and paper sales due mainly to production stoppages that occurred during the year.

**Cement: 510.7 million euros ▲ 5.9%**

Revenue of the Cement and Other Building Materials business unit increased 5.9% in 2019 compared to 2018,

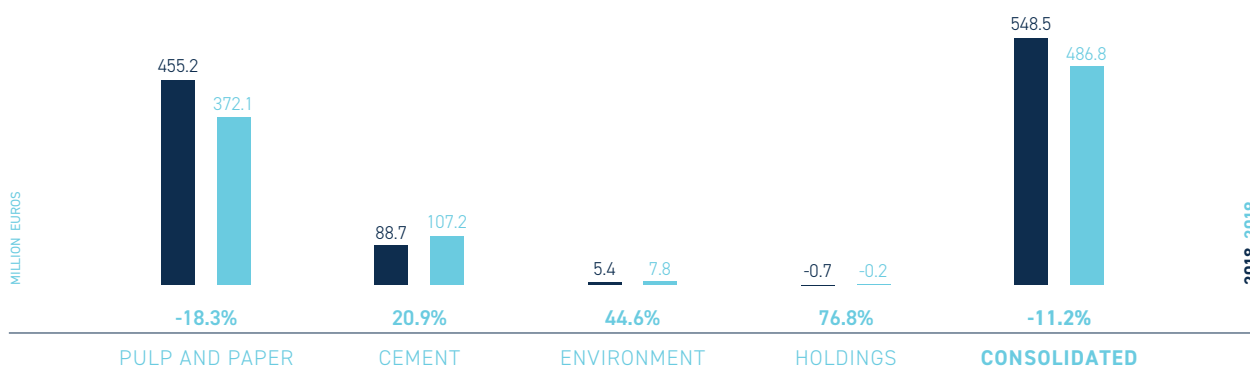
totalling 510.7 million euros. This increase was achieved despite the unfavourable impact of the depreciation of some currencies against the Euro in the countries where Secil operates, causing a negative impact of around 5.3 million euros.

**Environment: 30.3 million euros ▲ 22.8%**

The revenue of the Environment business unit was approximately 30.3 million euros in 2019, up by 22.8% on 2018.

**EBITDA**

In 2019, EBITDA decreased around 11.2% in relation to the previous year, standing at 486.8 million euros. The consolidated margin stood at 21.8%, 3.1 p.p. below that in the same period in the previous year.

**Pulp and Paper: 372.1 million euros ▼ 18.3%**

In 2019 the EBITDA of the pulp and paper business unit totalled 372.1 million euros, 18.3% down on the figure recorded in the previous year. The EBITDA margin fell 4.9 p.p. to 22.0%, caused by the drop in the price of pulp and higher production costs, notably due to the worsening of some exogenous factors, such as energy, wood and chemicals. EBITDA for 2019 includes an impact of around EUR 6.3 million associated with the adoption of IFRS 16.

**Cement: 107.2 million euros ▲ 20.9%**

EBITDA totalled 107.2 million euros, an increase of 18.5 million euros year on year, mainly due to the improvement

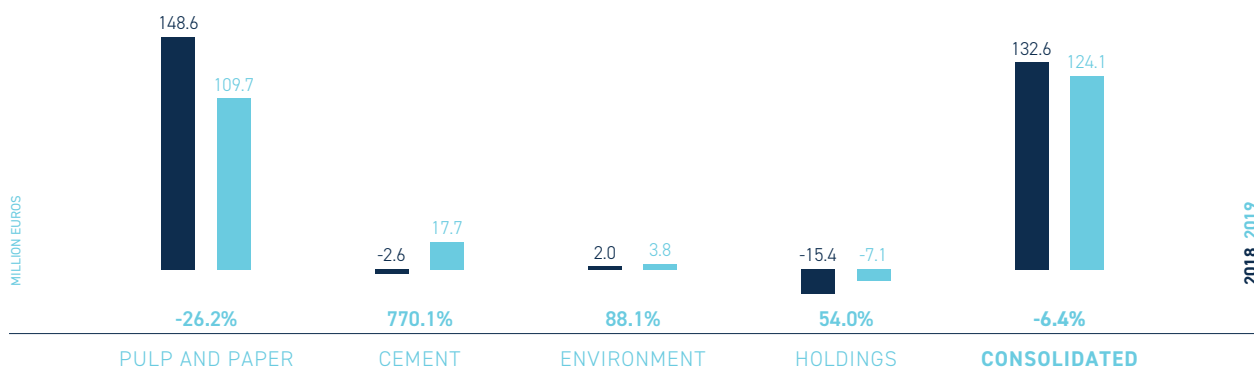
of the markets where Secil operates, with the exception of Lebanon and Angola; an increase in CO<sub>2</sub> sales (+3.4 million euros) and the positive effect of the adoption of IFRS 16 (8.7 million euros).

**Environment: 7.8 million euros ▲ 44.6%**

EBITDA for the Environment business unit totalled approximately 7.8 million euros in 2019, representing a growth of about 44.6% in comparison with 2018, mainly due to the variation in revenue, but also to cost control. The EBITDA margin stood at 25.7%, up by around 3.9 p.p. on the margin in 2018.

## NET PROFIT ATTRIBUTABLE TO SEMAPA SHAREHOLDERS

Net profit attributable to Semapa shareholders stood at 124.1 million euros, down by 6.4% in relation to the previous year.



### Pulp and Paper: 109.7 million euros ▼ 26.2%

Net profit attributable to shareholders of Semapa in the pulp and paper business unit was 109.7 million euros, which represented a decrease of 26.2% against 2018 (148.6 million euros).

### Cement: 17.7 million euros ▲ 770.1%

Net income attributed to shareholders of Semapa in the Cement and other building materials business unit was 17.7 million Euros, well above the -2.6 million euros in 2018.

### Environment: 3.8 million euros ▲ 88.1%

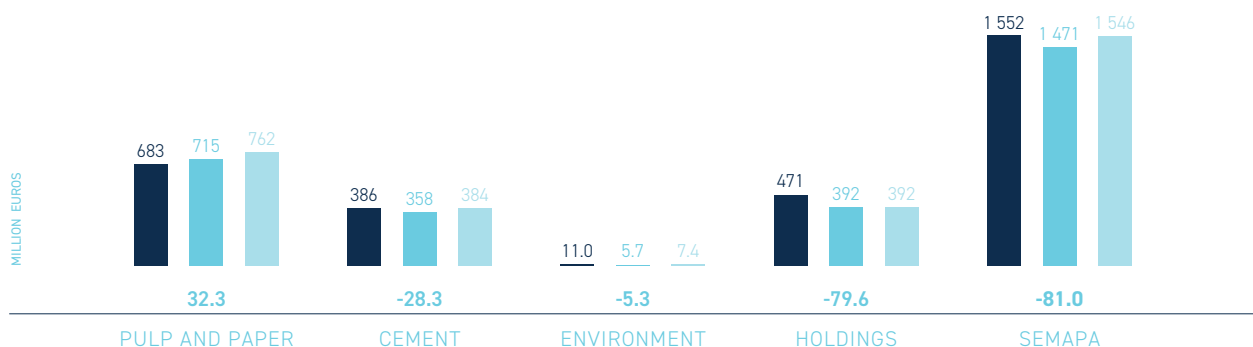
Net profit attributable to Semapa shareholders of the Environment business unit totalled approximately 3.8 million euros in 2019, representing an increase of about 88.1% in comparison with 2018.

## IMPACT OF THE ADOPTION OF IFRS 16

On 1 January 2019, the Group adopted Accounting Standard IFRS 16, although the 2018 results were not restated in accordance with the standard. As a result of the adoption of the standard, net debt increased (lease liabilities), against fixed assets, which are amortised instead of recognizing the cost in external supplies and services.

The main impacts of the adoption of IFRS 16 as of December 2019 were as follows: reduction of external supplies and services of around 15.4 million euros, increase in depreciation, amortization, and impairment losses of around 13.6 million euros, increase in financial charges of around 2.9 million euros, and lease liabilities increase of around 75.2 million euros.

## NET DEBT



31/12/2018 31/12/2019 NET DEBT + IFRS 16

At 31 December 2019, consolidated net debt stood at 1 470.7 million euros, representing a reduction of 81.0 million euros from the figure recorded at year-end 2018. Including the effect of IFRS 16, net debt would have been 1 545.8 million euros, 5.8 million euros below the figure at the end of 2018.

## BREAKDOWN BY BUSINESS SEGMENTS

IFRS - accrued amounts (million euros)	Pulp and Paper		Cement		Environment		Holdings		Consolidated
	2019	19/18	2019	19/18	2019	19/18	2019	19/18	2019
<b>Revenue</b>	<b>1 687.6</b>	<b>-0.2%</b>	<b>510.7</b>	<b>5.9%</b>	<b>30.3</b>	<b>22.8%</b>	-	-	<b>2 228.5</b>
<b>EBITDA</b>	<b>372.1</b>	<b>-18.3%</b>	<b>107.2</b>	<b>20.9%</b>	<b>7.8</b>	<b>44.6%</b>	<b>(0.2)</b>	<b>76.8%</b>	<b>486.8</b>
EBITDA margin (%)	22.0%	-4.9 p.p.	21.0%	2.6 p.p.	25.7%	3.9 p.p.			21.8%
Depreciation, amortisation and impairment losses	(153.8)	0.0%	(84.6)	-43.6%	(3.0)	-3.8%	(0.4)	-83.8%	(241.8)
Provisions	0.0	100.3%	(4.1)	26.2%	(0.0)	138.3%	-	-	(4.1)
<b>EBIT</b>	<b>218.3</b>	<b>-24.2%</b>	<b>18.5</b>	<b>-23.7%</b>	<b>4.7</b>	<b>88.1%</b>	<b>(0.5)</b>	<b>43.8%</b>	<b>241.0</b>
EBIT margin (%)	12.9%	-4.1 p.p.	3.6%	-1.4 p.p.	15.5%	5.4 p.p.			10.8%
Net financial results	(18.9)	15.9%	(24.1)	22.0%	(0.3)	27.4%	(11.0)	26.5%	(54.4)
<b>Profit before taxes</b>	<b>199.4</b>	<b>-24.9%</b>	<b>(5.7)</b>	<b>15.8%</b>	<b>4.4</b>	<b>112.9%</b>	<b>(11.5)</b>	<b>27.5%</b>	<b>186.6</b>
Income taxes	(42.2)	17.8%	14.5	100.2%	(0.6)	<-1000%	4.4	773.7%	(23.9)
Net profit for the period	157.2	-26.6%	8.8	>1000%	3.8	88.1%	(7.1)	54.0%	162.7
<b>Attributable to Semapa shareholders</b>	<b>109.7</b>	<b>-26.2%</b>	<b>17.7</b>	<b>770.1%</b>	<b>3.8</b>	<b>88.1%</b>	<b>(7.1)</b>	<b>54.0%</b>	<b>124.1</b>
Attributable to non- controlling interests (NCI)	47.5	-27.4%	(8.9)	-385.0%	0.0	86.3%	-	-	38.6
<i>Cash flow</i>	311.0	-18.5%	97.5	50.1%	6.8	40.3%	(6.7)	55.7%	408.6
<b>Interest-bearing net debt</b>	<b>715.3</b>		<b>358.0</b>		<b>5.7</b>		<b>391.7</b>		<b>1 470.7</b>
<b>Lease liabilities (IFRS 16)</b>	<b>46.8</b>		<b>26.4</b>		<b>1.7</b>		<b>0.3</b>		<b>75.2</b>
<b>Total</b>	<b>762.1</b>		<b>384.4</b>		<b>7.4</b>		<b>391.9</b>		<b>1 545.8</b>

## Notes:

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

## LEADING OPERATING INDICATORS

	Unit	2019	2018	Var.
<b>Pulp and Paper</b>				
BEKP Sales (pulp)	1 000 t	313.8	253.4	23.8%
UWF Sales (paper)	1 000 t	1 447.0	1 512.9	-4.4%
Total sales of tissue	1 000 t	95.7	63.1	51.6%
<b>Cement</b>				
Sales of Grey cement	1 000 t	5 060	5 096	-0.7%
Sales of Ready-mix	1 000 m <sup>3</sup>	1 743	1 565	11.4%
<b>Environment</b>				
Collection of raw materials - Animal waste	1 000 t	122.1	121.4	0.6%

## 2 PERFORMANCE OF SEMAPA SHARES

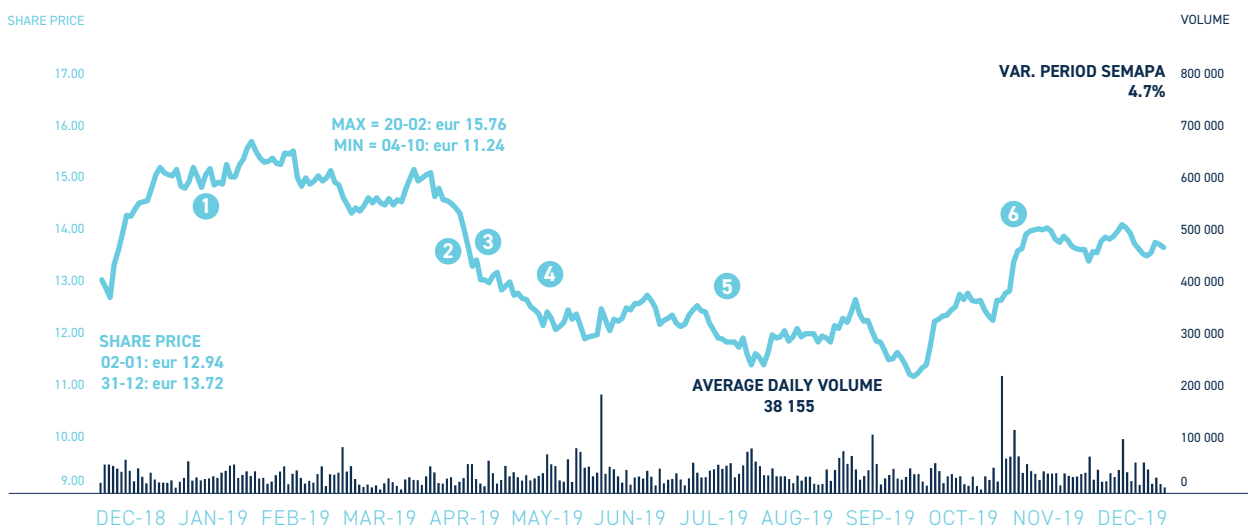
Despite geopolitical tensions and subsequent market turmoil, 2019 turned out to be a positive year for the stock markets, mainly marked by trade tensions between the US and China, Brexit, a slowdown in world growth and the response of major central banks. Already in December, there was a calming down in two of the main areas of tension: the US and China announced a preliminary trade agreement. In Europe, on the other hand, and after the early elections, the UK approved the agreement to leave the European Union. In view of the slowdown in economic growth, the response of the main central banks that adopted accommodative monetary policy measures stood out.

In this economic environment, the main stock exchange indexes around the world moved in a positive direction in 2019, most stocks recording gains of over two digits.

The main indexes of the Milan, Paris and Frankfurt Stock Exchanges stood out for increases above 25%, exceeding even the performance of the Dow Jones.

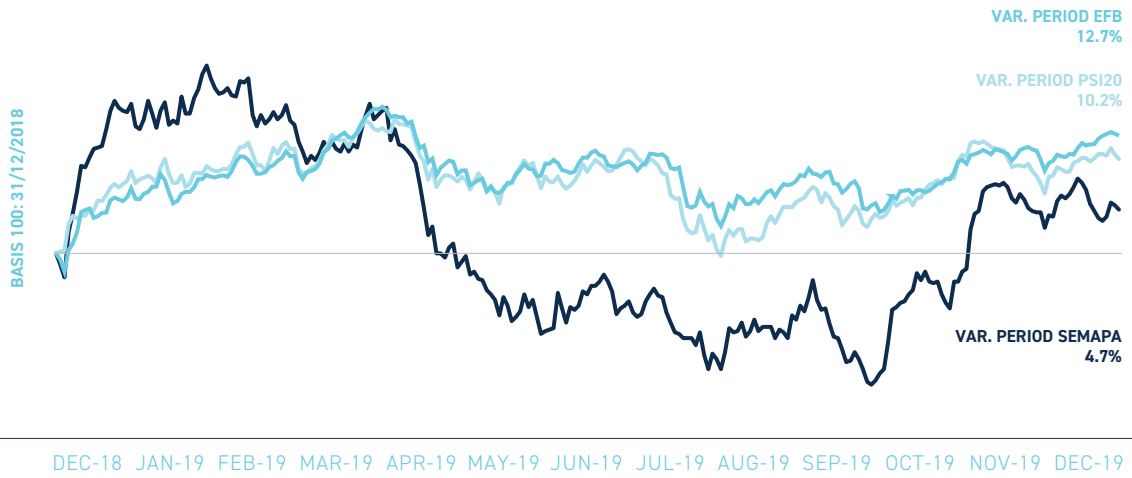
In this context, Semapa stocks increased 4.7% in 2019, which compares with the 10.2% and 12.7% gains of the PSI20 and the Euronext Family Business Index, respectively.

Semapa shares recorded their lowest value of 11.24 euros on 4 October, being quoted at their highest value of 15.76 euros on 20 February. In the year, the accumulated gains in the first quarter were reversed during the following second and third quarters, with the share prices falling more sharply in April and May. The last quarter saw a strong recovery in the share price, culminating in the aforementioned 4.7% appreciation.



- 1 Presentation of 2018 Results
- 2 Announcement of payment of dividends in 2018
- 3 Ex-dividend date
- 4 Presentation of Results: 1st quarter 2019
- 5 Presentation of Results: 1st half 2019
- 6 Presentation of Results of the First 9 Months of 2019

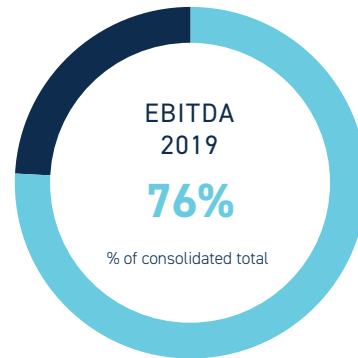
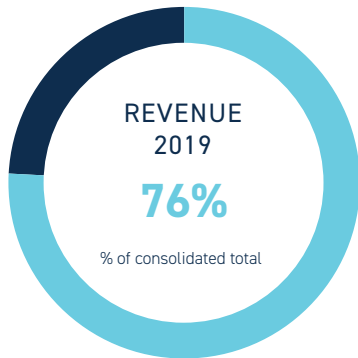




EFB – Euronext Family Business Index  
Note: Closing prices.

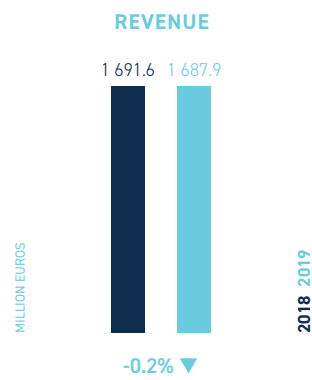
# 3 PERFORMANCE OF THE SEMAPA GROUP BUSINESS UNITS

## 3.1 PULP AND PAPER BUSINESS UNIT

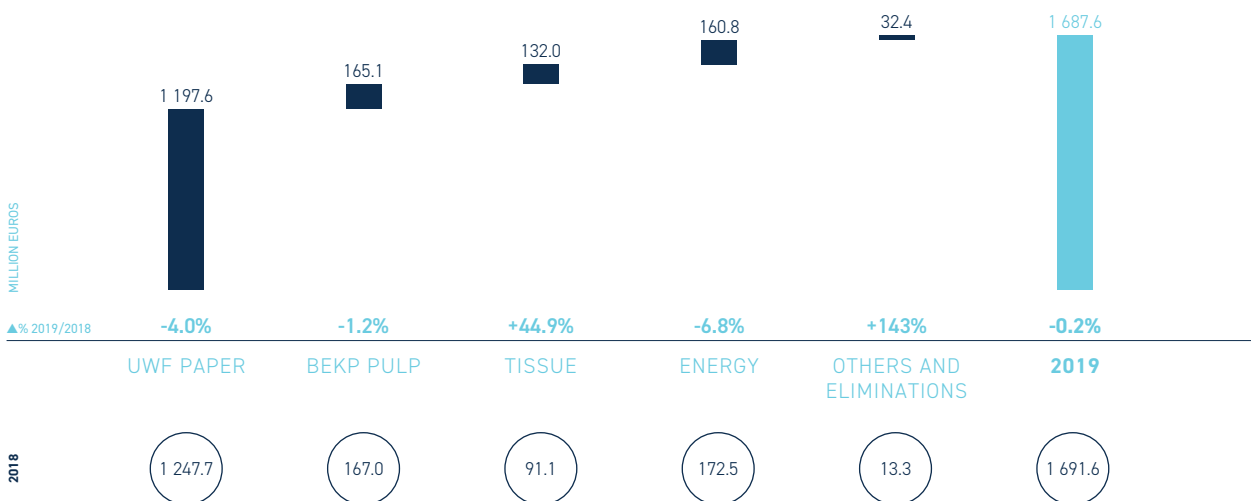


### HIGHLIGHTS IN 2019 (VS. 2018)

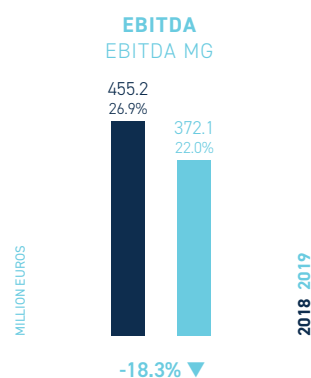
- Revenue amounted to 1 687.9 million euros, 0.2% below the previous year, with an increase in the sales volumes of pulp and tissue compensating lower paper prices and volumes.



### REVENUE BREAKDOWN BY SEGMENT



- EBITDA decreased 18.3% to 372.1 million euros.
- EBITDA margin dropped 4.9 p.p. to 22.0%, prompted by the reduction of pulp prices and higher production costs.



### LEADING BUSINESS INDICATORS

IFRS - accrued amounts (million euros)	2019	2018	Var.
<b>Revenue</b>	<b>1 687.9</b>	<b>1 691.6</b>	<b>-0.2%</b>
<b>EBITDA</b>	<b>372.1</b>	<b>455.2</b>	<b>-18.3%</b>
EBITDA margin (%)	22.0%	26.9%	-4.9 p.p.
Depreciation, amortisation and impairment losses	(153.8)	(153.8)	0.0%
Provisions	0.0	(13.5)	100.3%
<b>EBIT</b>	<b>218.3</b>	<b>287.9</b>	<b>-24.2%</b>
EBIT margin (%)	12.9%	17.0%	-4.1 p.p.
Net financial results	(18.9)	(22.5)	15.9%
<b>Profit before taxes</b>	<b>199.4</b>	<b>265.4</b>	<b>-24.9%</b>
Income taxes	(42.2)	(51.3)	17.8%
Net profit for the period	157.2	214.1	-26.6%
<b>Attributable to Navigator shareholders</b>	<b>157.2</b>	<b>214.1</b>	<b>-26.6%</b>
Attributable to non-controlling interests (NCI)	(0.0)	0.0	-158.9%
<b>Cash Flow</b>	<b>311.0</b>	<b>381.4</b>	<b>-18.5%</b>
	<b>31/12/2019</b>	<b>31/12/2018</b>	
Equity (before NCI)	818.9	989.3	
<b>Interest-bearing net debt</b>	<b>715.3</b>	<b>683.0</b>	
Lease liabilities (IFRS 16)	46.8	0.0	
<b>Total</b>	<b>762.1</b>	<b>683.0</b>	

**Note:**

• Figures for business segment indicators may differ from those presented individually by each Group, as a result of consolidation adjustments. Revenue includes intra-group sales and may differ from those presented by each segment.

## OVERVIEW OF PULP AND PAPER

In 2019, Navigator's revenue totalled 1 687.9 million euros, which includes 1 197.6 million euros of paper sales (71% of revenue), 165.1 million euros of pulp sales and 160.8 million euros of energy sales (each segment being accountable for 10%) and 132.0 million euros of tissue sales (8% of revenue). Revenue in 2019 also covered approximately 32.4 million euros in sales in other businesses (vs. 13.3 million euros in 2018). Pulp market conditions deteriorated in 2019, especially due to the drop in prices and a weakening of the demand in the European market. Significant stock build-up, especially

in China, at the end of 2018 and during the first half of 2019 contributed significantly to the fall in pulp prices.

After BHKP pulp price reached a maximum of 1 050 USD/t in 2018, and remained at this level for more than six months until the end of November, the year 2019 was marked by gradual and ongoing reduction in pulp prices, which reached 680 USD/t at the end of the year, reflecting a 35% drop from the maximum value. The average price of the index in 2019 was 855 USD/t, compared to 1 038 USD/t in 2018, a decrease of 17.7%. However, the change in the EUR/USD exchange rate attenuated the lowering price of pulp in euros, which fell 13.3%, with an average price of 762 €/t.

in 1 000 t	2019	2018	Var.
BEKP Output	1 426	1 452	-1.8%
Aveiro	350	358	
Figueira da Foz	586	575	
Setúbal	490	519	
BEKP Sales	314	253	23.8%
<b>Foex - BHKP USD/t</b>	<b>855</b>	<b>1 038</b>	<b>-17.7%</b>
<b>Foex - BHKP EUR/t</b>	<b>762</b>	<b>880</b>	<b>-13.3%</b>

Pulp production in the year stood at 1 426 thousand tonnes (1.8% below production in 2018), hampered by long maintenance shutdowns that took place in April, May and September, the strike in the Figueira da Foz and Setúbal plants in November, and the stabilization and ramp-up of the capacity expansion project at Figueira da Foz completed in 2018.

Even so, the volume of pulp available for sale in 2019 was greater than that of the previous year, as a result of the increase in installed capacity concluded in 2018, less pulp integrated in paper and rigorous management of outputs

and stocks, in a moment of significant drop in demand for pulp in Europe and substantial price decrease.

Navigator recorded paper pulp sales of 313.8 thousand tonnes, an increase of 24% against a background of stagnant global demand for hardwood pulp and a sharp decline in Western Europe.

The increase in pulp sales, however, was insufficient to offset the impact of price reduction, the value of sales having amounted to approximately 165.1 million euros (vs. 167.0 million euros in 2018). 167.0 million euros in 2018).

in 1 000 t	2019	2018	Var.
UWF Output	1 441	1 535	-6.1%
Figueira da Foz	719	744	
Setúbal	722	791	
UWF Sales	1 447	1 513	-4.4%
<b>FOEX – A4- BCOPY EUR/t</b>	<b>903</b>	<b>873</b>	<b>3.4%</b>

**Paper** sales in the period totalled 1 447 thousand tonnes (-4.4% compared to 2018) and were hampered by a lower level of production.

Navigator's marketable paper production in 2019 totalled about 1 433 thousand tonnes, below the 2018 volumes, due to a set of factors, among which are the labour strikes that took place in the first half of the year at PM4 in Setúbal, and the Figueira da Foz and Setúbal plants in November, alongside programmed production stoppages and one-off operating issues.

Output from paper machine 3 in Setúbal was hampered by a series of tests and trials planned over the course of 2019, needed to optimise operations and the quality of the new high grammage products manufactured on that machine. This pioneering project, entailed expanding operations to include a wide range of products from 75 to 300 g/m<sup>2</sup> and had significant implications for the pace of production, requiring unique and unprecedented adjustments to the machine.

On the market side, the apparent demand (mill sales) for printing and writing paper had in 2019 the worst performance since the financial crisis of 2009, justified by the economic slowdown at a global level, but above all by a global phenomenon of contraction in stock levels in the chain, much associated with the pulp price cycle.

In the current market environment, paper prices show great resilience: the benchmark index for UWF paper - A4

B-copy – recorded at an average value of 903 EUR/t in 2019, 3.4% above the average value in 2018, a sustained evolution in the consecutive price increases in 2018 and in the beginning of 2019. Although the index had a positive annual evolution, paper prices were under pressure throughout the year and the fall was more pronounced in the fourth quarter. The index price fell 2.7% from January to December, of which 2.1% was attributable to the last quarter of the year.

In this context, Navigator's performance reflects a sales strategy that sought to protect the margin in Europe and the US, regions where the Group records most of its sales, with active control over total supply and some volume redirection out of these geographies. Consequently, the average selling price in Europe performed very favourably and the average selling price in the US also improved, in turn also positively impacted by developments in the EUR/USD exchange rate. In the other regions, the mix of products sold includes higher reel sales volume and greater weight of standard and/or economic products, more common in places where demand is in recession and international market prices have deteriorated. However, Navigator still managed to increase its share of the European market and obtain a small gain on own brands in 2019, which accounted for 70% of total sales of sheeted products.

In this context, paper sales value amounted to 1 197.6 million euros vs. 1 247.7 million euros (-4.0% YoY), which was mostly due to lower sales volume.

in 1 000 t	2019	2018	Var.
Reels Output	102	72	42.8%
Output of finished products	73	66	10.3%
Sales of reels and goods	21	2	1 018.5%
Sales of finished products	75	61	21.8%
<b>Total sales of tissue</b>	<b>96</b>	<b>63</b>	<b>51.6%</b>

In the **tissue** business, there was a significant increase of 51.6% in the volume sold, to 95.7 thousand tonnes, as a result of the start-up of the new tissue plant in Aveiro. Revenue stood at 132.0 million euros vs. 91.1 million euros in 2018, up by 44.9%. This increase in volume and in mix reflects the current capacity of tissue, and translates, on the one hand, the growth in sales of finished products of about 22% to 74.5 thousand tonnes, and on the other, strong growth in the sale of reels (x11), totalling 21.1 thousand tonnes, which were marginal in the same period in the last year.

Finished products and reels both recorded increases in prices in comparison with 2018, which were fundamental to compensate for the increased costs, especially chemicals, energy and logistics. However, the faster growth of the reels business, typical in the initial production phase of a new tissue factory, altered the mix of products sold, impacting the average sales price of Navigator.

In 2019, sales of **electrical energy** totalled about 160.8 million euros vs. 172.5 million de euros in 2018, which represents a reduction of 6.8%. This decrease was the

outcome of various stoppages during the year due to strikes and some technical and operational problems at the Setúbal and Figueira da Foz plants, resulting in lower total gross production of electric power.

Globally, total sales of electric power in 2019 were 1 631 GWh, compared to 1 762 GWh in 2018.

EBITDA stood at 372.1 million euros, which compares to 455.2 million euros in 2018, when Navigator achieved record high levels of EBITDA, which had included the positive impact of the sale of the pellets business (+13.3 million euros). The EBITDA margin in 2019 stood at 22.0% (which compares with 26.9% in 2018).

In production costs, energy remained the principal inflationary factor, up by more than 23 million euros, year on year, due to higher purchase prices of electricity and natural gas. The operational instability that was present throughout the year was reflected in the lower amount of energy produced and more purchases of energy at higher prices in comparison with the same period of the previous year. Attention should also be drawn

to an increase in the costs of chemicals, which had an impact of over 10 million euros, resulting basically from developments in the price of the optical brighteners used in the production of paper.

There was also a rise in the unit cost for the procurement of wood, year on year. On the one hand, this increase was due to the increased weight of certified wood (with a better income) in the wood purchased on the domestic market, which rose from 42% to 52% of the total, in an effort of more than 6 million euros that Navigator has been developing to reward the best forest management practices, increasing the producer's income. Also, the increase in Ex Works price of wood sourced from the international market, and the variation in the EUR/USD foreign exchange rate for wood purchased outside the Iberian Peninsula (an unfavourable variation from the point of view of wood supplies) had a significant impact on the increase in the unit cost of wood procurement.

Fixed costs evolved negatively in relation to 2018 (+3%), while the reduction in personnel costs was not sufficient to offset the less favourable evolution in operating and maintenance costs.

However, the increase in expenses was mitigated by the continuation of the M2 programme, oriented towards cost optimisation control in Navigator, which continues to be developed systematically and with the transversal involvement of all the Group's units.

The financial results improved by 3.6 million euros, standing at negative 18.9 million euros (vs. negative 22.5 million euros). There was a positive impact of 3.4 million euros resulting from the variation in the results

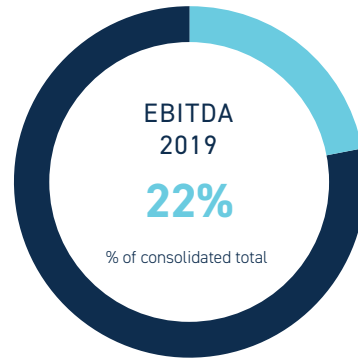
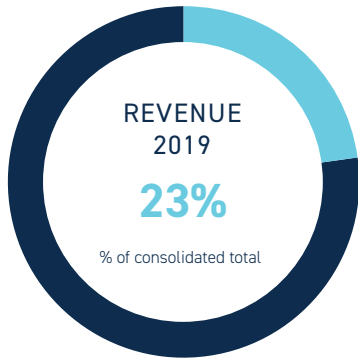
of the investments of surplus liquidity (which were negative in 2018) and of 3.4 million euros due to the effects of interest on the amount of USD 42.5 million still receivable from the sale of the pellets business in 2018. In addition to the interest received on this debt, this amount also includes the variation in the calculation of the present value of the amount receivable. Conversely, the result of the financing operations recorded an increase of around 1.7 million euros, due in large part to a higher level of average indebtedness in the period and the adoption of the IFRS 16, which had a negative impact of 1.8 million euros.

In 2019, Navigator's net profit amounted to 157.2 million euros, down by 26.6%, year on year.

Navigator recorded an overall investment value of 157.9 million euros in 2019, reflecting a significant reduction in the value of investments compared to the previous year (216.5 million euros). This amount includes investments of 118 million euros in maintenance and efficiency improvements (current and non-current), 16 million euros related to the completion of expansion projects carried out in 2018 (new tissue plant in Aveiro, P03 project for increasing pulp capacity and the remaining investment in high grammage papers), as well as 24 million euros in environmental and regulatory investments.

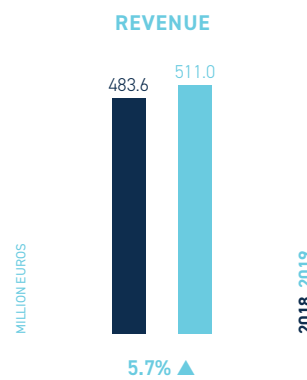
The chief project underway in this last regard is the construction of a new biomass boiler at the Figueira da Foz plant, which will replace the existing boiler and natural gas Combined Cycle Plant and will make it possible to reduce CO<sub>2</sub> fossil emissions at that installation.

### 3.2 CEMENT AND OTHER BUILDING MATERIALS BUSINESS UNIT

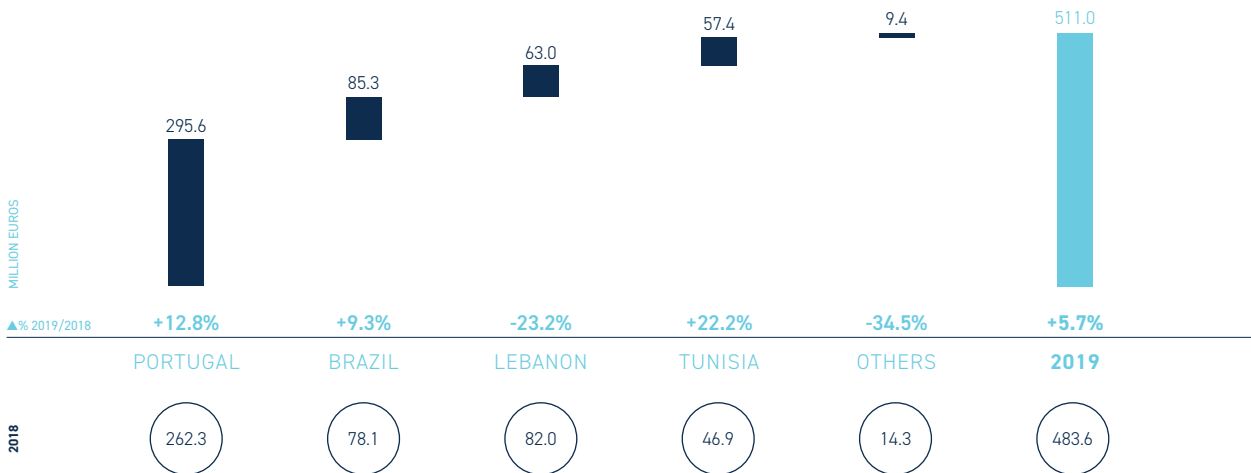


#### HIGHLIGHTS IN 2019 (VS. 2018)

- Secil's revenue in 2019 amounted to 511.0 million euros, 27.4 million euros (5.7%) higher than that in the same period of the previous year.
- This increase was achieved despite the unfavourable impact of the depreciation of some currencies against the Euro in the countries where Secil operates, causing a negative impact of around 5.3 million euros.



#### REVENUE BREAKDOWN BY COUNTRY

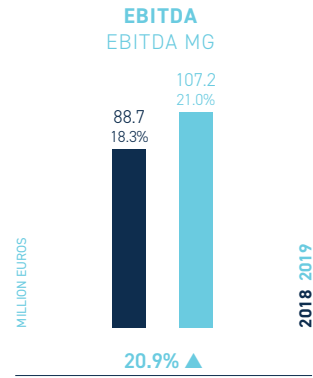


Note: Others includes Angola and others.

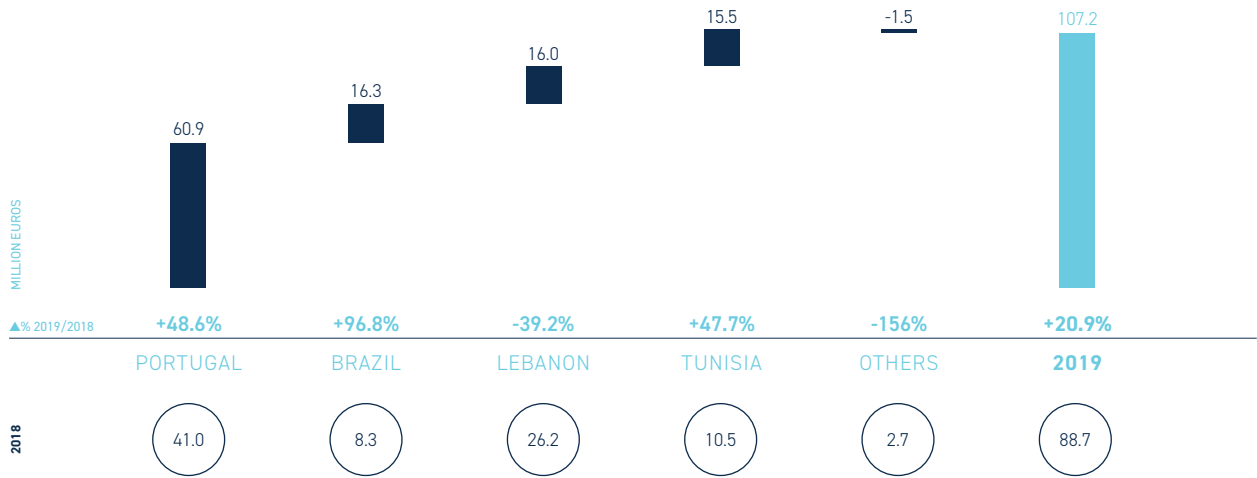


- EBITDA amounted to 107.2 million euros, an increase of 18.5 million euros year on year, essentially due to:

- Improvement of Secil's markets, except Lebanon and Angola;
- Increased CO<sub>2</sub> sales (+3.4 million euros);
- Positive effect from the adoption of IFRS 16 (8.7 million euros).



### EBITDA BREAKDOWN BY COUNTRY



Note: Others includes Angola and others.

Secil's net financial profits amounted to -24.1 million euros, while in the same period of 2018, they were -30.9 million euros. This positive difference year on year is mainly due to the exchange rate differences in accounts receivable and payable in foreign currency for intra-group loans. The adoption of the IFRS 16 had a negative impact of 1.0 million euros on the financial results in 2019. Note that the net financial profit for 2019 includes 4.1 million euros from the impairment record, under IFRS 9, on cash and equivalents of Lebanon which reflects the rating and the current risk of the Lebanese financial system.

The increase in net profit is due to the improvement in EBITDA, in financial results and income taxes, despite a recording of brand impairment of 16.8 million euros (due

essentially to the combined effect of: **i)** impairment of the Secil brand in Lebanon of 18.8 million euros, due to the less positive expectation of cash flows in the future arising from the social-economic instability in this part of the world; and **ii)** the reversal of impairment in the Secil brand in Portugal (amounting to 2 million euros).

Secil recorded an overall investment value of 43.7 million euros in 2019, reflecting an increase in the value of the investment compared to the previous year (29.2 million euros). This amount mainly includes investments related to the cement segment, with emphasis on investments of 19.7 million euros made in Brazil, which essentially include various projects to increase the efficiency of the manufacturing operation.

## LEADING BUSINESS INDICATORS

IFRS - accrued amounts (million euros)	2019	2018	Var.
<b>Revenue</b>	<b>511.0</b>	<b>483.6</b>	<b>5.7%</b>
<b>EBITDA</b>	<b>107.2</b>	<b>88.7</b>	<b>20.9%</b>
EBITDA Margin (%)	21.0%	18.3%	2.6 p.p.
Depreciation, amortisation and impairment losses	(84.6)	(58.9)	-43.6%
Provisions	(4.1)	(5.5)	26.2%
<b>EBIT</b>	<b>18.5</b>	<b>24.2</b>	<b>-23.7%</b>
EBIT Margin (%)	3.6%	5.0%	-1.4 p.p.
Net financial results	(24.1)	(30.9)	22.0%
<b>Profit before taxes</b>	<b>(5.7)</b>	<b>(6.7)</b>	<b>15.8%</b>
Income taxes	14.5	7.2	100.2%
Net profit for the period	8.8	0.5	>1000%
<b>Attributable to Secil shareholders</b>	<b>17.7</b>	<b>(2.6)</b>	<b>770.1%</b>
Attributable to non-controlling interests (NCI)	(8.9)	3.1	-385.0%
<b>Cash flow</b>	<b>97.5</b>	<b>65.0</b>	<b>50.1%</b>
	<b>31/12/2019</b>	<b>31/12/2018</b>	
Equity (before NCI)	377.5	354.7	
<b>Interest-bearing net debt</b>	<b>358.0</b>	<b>386.4</b>	
Lease liabilities (IFRS 16)	26.4	0.0	
<b>Total</b>	<b>384.4</b>	<b>386.4</b>	

**Note:**

• Figures for business segment indicators may differ from those presented individually by each Group, as a result of consolidation adjustments. Revenue includes intra-group sales and may differ from those presented by each segment.

## LEADING OPERATING INDICATORS

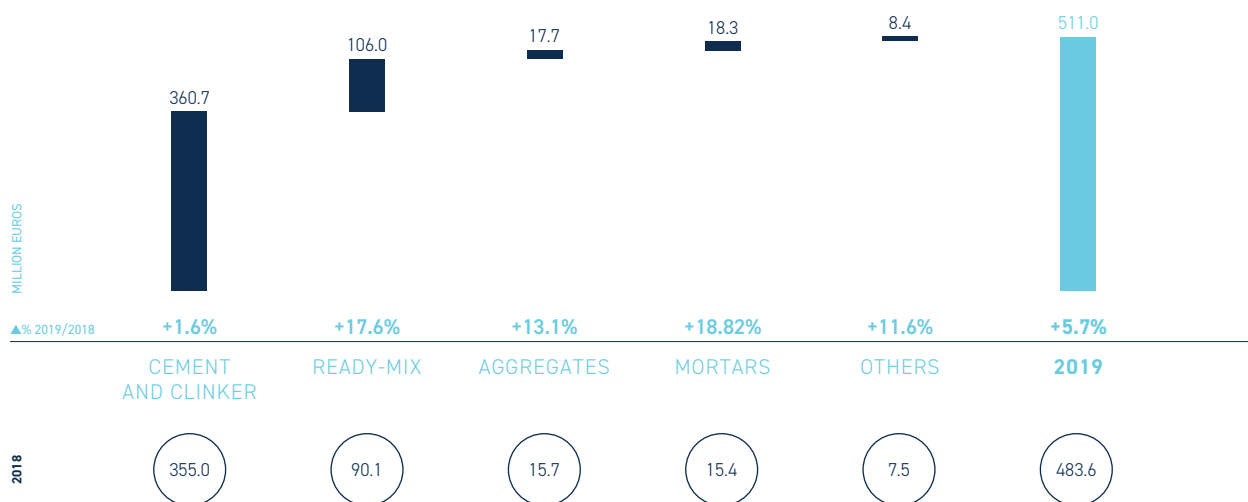
in 1 000 t	2019	2018	Var.
<b>Annual cement production capacity</b>	<b>9 750</b>	<b>9 750</b>	<b>0.0%</b>
<b>Production</b>			
Clinker	4 499	4 688	-4.0%
Cement	5 360	5 271	1.7%
<b>Sales</b>			
Grey cement	5 060	5 096	-0.7%
White cement	70	91	-22.4%
Clinker	279	438	-36.2%
Aggregates	3 276	3 110	5.3%
Precast	162	122	32.9%
Mortars	177	154	15.0%
Hydraulic lime	27	25	7.6%
Mortar fixative	20	19	4.6%
<b>in 1 000 m<sup>3</sup></b>			
Ready-mix	1 743	1 565	11.4%

## Note:

\* Volumes excluding inter-segment sales.

## OVERVIEW OF CEMENT AND OTHER BUILDING MATERIALS

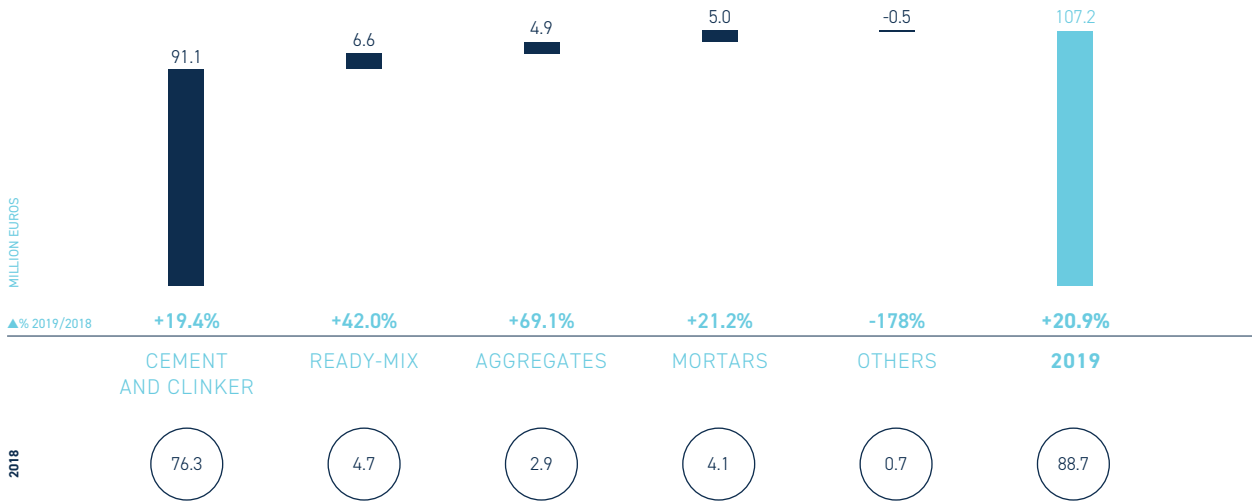
## REVENUE BREAKDOWN BY SEGMENT



Note: Others includes precast and others.

In 2019 revenue increased in all segments, especially in ready-mix concrete.

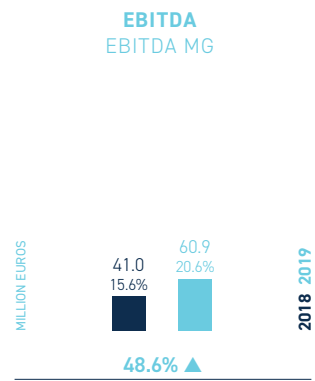
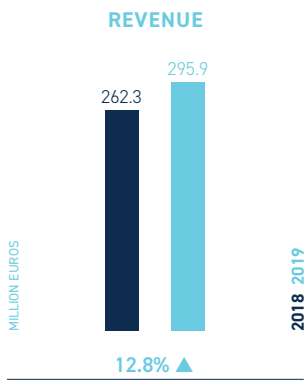
## EBITDA BREAKDOWN BY SEGMENTS



Note: Others includes precast and others.

In 2019, the main segments recorded significant EBITDA growth.

## PORTUGAL



## LEADING OPERATING INDICATORS

	Unit	2019	2018	Var.
Clinker Production	1 000 t	1 815	1 821	-0.3%
Cement Production	1 000 t	1 945	1 700	14.4%
Cement and Clinker Sales				
Internal Market	1 000 t	1 378	1 163	18.5%
Exports**	1 000 t	864	1 016	-15.0%
Total	1 000 t	2 242	2 180	2.9%
Ready-mix Sales*	1 000 m <sup>3</sup>	1 297	1 107	17.1%
Aggregates Sales*	1 000 t	4 344	3 775	15.1%
Mortars Sales*	1 000 t	226	200	13.3%
Precast Sales*	1 000 t	126	115	9.2%

\* Sales volumes concern total sales of each business unit, not excluding intragroup values.

\*\* Includes Terminal sales in the Netherlands, Cape Verde and Spain.

In Portugal, FEPIOP's most recent forecasts (December) for 2019 point to a real growth of 6.0% in the construction sector, growth in the residential construction segment being particularly significant (+12.0% in real terms), but the non-residential building segment (+3.6%) and public investment (+4.0% in real terms) are also expected to grow.

The consumption of cement in Portugal was marked by positive monthly variations year on year in all months of 2019, in line with the dynamics of the construction sector during the year. It is estimated that the market grew around 15% in 2019, year on year.

Revenue for overall operations in Portugal was up by 12.8% compared to 2018, totalling 295.9 million euros.

The Cement business unit in Portugal reached revenue of 169.4 million euros, 8.3% above the same period last year, almost exclusively as a result of the increase in domestic sales volumes.

In the foreign market, the surplus supply in Europe, the Mediterranean and West Africa continued to drive strong competition. This context had a negative effect on volumes sold. Total export revenue decreased approximately 4.1%. The change was due to the 28% drop in cement and clinker sales to markets outside the Group.

In the other business segments with operations based in Portugal (Ready-mix concrete, Aggregates, Mortars and Precast), revenue in 2019 amounted to 126.5 million euros, up by 19.6% year on year.

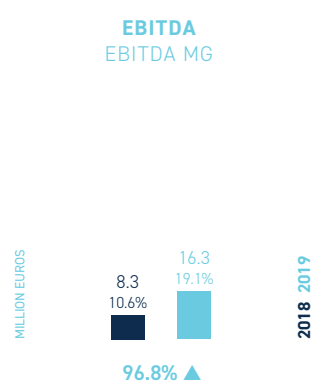
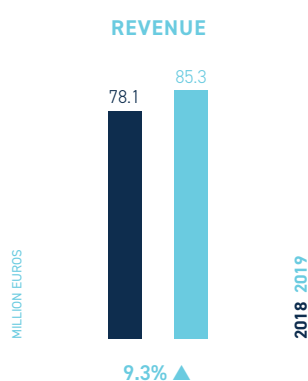
The increase took place in almost all areas of building materials, benefiting from greater dynamics in the building market. The Concrete business unit recorded a 17.2% growth in volumes sold, mostly driven by the Portuguese market.

EBITDA of total operations in Portugal increased by 48.6%, standing at 60.9 million euros vs. 41.0 million euros recorded in 2018.

The Cement business unit had an EBITDA of 44.3 million euros, i.e. 47.8% more than in the same period in 2018. In spite of the increase in variable costs, as a result of the rise in fossil fuel prices and electricity, this performance was driven by the higher revenue in the domestic market and the sale of surplus CO<sub>2</sub> licenses at significantly higher prices than prices in 2018.

The EBITDA of the building materials business units amounted to 16.6 million euros, which compared to 11.0 million euros in 2018 results in an increase of 50.5%. This evolution was mainly due to the increase in revenue, despite the rise in variable production costs due to a lower availability of ash in the concrete segment.

## BRAZIL



### LEADING OPERATING INDICATORS

	Unit	2019	2018	Var.
Clinker Production	1 000 t	1 081	1 018	6.3%
Cement Production	1 000 t	1 458	1 342	8.6%
Cement and Clinker Sales				
Internal Market	1 000 t	1 442	1 330	8.5%
Exports	1 000 t	16	10	57.0%
Total	1 000 t	1 459	1 340	8.8%
Ready-mix Sales*	1 000 m <sup>3</sup>	232	244	-4.7%

\* Sales volumes concern total sales of each business unit, not excluding intragroup values.

It is estimated that the relevant cement market grew 3.4% year on year. Cement consumption in the global market of Brazil increased 3.5%, which translates into the first hike since 2014. The real estate sector was the main driver of the recovery in cement consumption, especially the residential segment, leveraged by lower inflation and the reduction in mortgage interest rates.

The revenue of combined operations stood at approximately 85.3 million euros, representing an increase of 9.3% year on year, despite the depreciation of the Brazilian

real against the Euro, which had a negative impact of approximately 2.1 million euros. If the depreciation had not occurred, revenue would have been 9.4 million euros higher year on year.

In 2019, the EBITDA of activities in Brazil totalled 16.3 million euros, which compares with 8.3 million euros in the previous year. EBITDA for the year includes a gain of 3.4 million euros in tax refunds related to sales and a positive impact of around 1.9 million euros from the adoption of IFRS 16.

## LEBANON



## LEADING OPERATING INDICATORS

	Unit	2019	2018	Var.
Clinker Production	1 000 t	652	929	-29.9%
Cement Production	1 000 t	809	1 121	-27.8%
Cement and Clinker Sales				
Internal Market	1 000 t	801	1 110	-27.9%
Ready-mix Sales*	1 000 m <sup>3</sup>	81	97	-16.1%
Precast Sales*	1 000 t	32	46	-30.6%

\* Sales volumes concern total sales of each business unit, not excluding intragroup values.

In the last quarter of 2019, the economic and political situation in Lebanon deteriorated significantly due to widespread popular protests since late October, which led to the resignation of the Lebanese government. Consequently, economic growth may have been lower than estimated by the IMF. Since the beginning of 2020 political forces have made an effort to ensure social, political and economic-financial stability in the country.

Cement consumption in 2019 is estimated to have been 32% lower compared to 2018, influenced by a slow-down in the construction market, which was even more pronounced in the last quarter of the year, affected by the country's political and economic conditions.

Revenue of combined operations in Lebanon decreased compared with the same period in the previous year, amounting to 63.0 million euros. This amount was positively affected by about 3.3 million euros due to the appreciation of the USD against the EUR.

Revenue in the Cement business decreased year on year, mainly due to the reduction in volumes sold. Sales prices maintained levels similar to those in the 2018.

Concrete revenue dropped 9.5% compared with the previous year to 5.1 million euros, as a result of the decrease of 16.1% in volumes sold due to less construction licenses issued in the country, the competitive environment and the political and economic situation described before.

EBITDA from operations in Lebanon stood at 16.0 million euros, down by 39.2% in relation to the previous year, originating mostly in the Cement unit. This evolution is principally a result of the drop in volumes sold, being partially compensated by cost control measures. The adoption of IFRS 16 had a positive impact of 1.0 million euros on the EBITDA of operations in Lebanon.

## TUNISIA



### LEADING OPERATING INDICATORS

	Unit	2019	2018	Var.
Clinker Production	1 000 t	951	908	4.7%
Cement and Lime Production	1 000 t	1 041	975	6.8%
Cement and Clinker Sales				
Internal Market	1 000 t	805	846	-5.0%
Exports	1 000 t	364	259	40.8%
Total	1 000 t	1 169	1 105	5.8%
Ready-mix Sales*	1 000 m <sup>3</sup>	133	118	12.9%
Precast Sales*	1 000 t	4	6	-36.9%

\* Sales volumes concern total sales of each business unit, not excluding intragroup values.

In Tunisia, it is estimated that the domestic cement market shrank 9% over the previous year. The cement market is still subject to strong competition, due to excess production capacity. However, in 2019 sales prices increased, driven by the overall increase in the purchase prices of relevant materials with a significant weight in the cost structure of cement producers.

Revenue for combined operations in Tunisia stood at approximately 57.4 million euros, up by 10.4 million euros on a year-on-year basis. In the absence of the negative effect of the depreciation of the Tunisian Dinar against the Euro, there would have been a 28.4% increase, the equivalent to 2.9 million euros.

The Cement business unit in Tunisia recorded revenue of 51.9 million euros, up by approximately 22.5%, the increase in average sales prices being the main contributing factor, since the volumes sold in the domestic market dropped 5.6%. The increase in fuel prices and electrical power year on year, and the overall rise in

prices in Tunisia justified an increase in cement prices by the local producers, including Secil.

Despite the limitations on exports mentioned above, it was possible to increase volumes of cement sold and clinker exported to other markets in West Africa, taking advantage of the existing production capacity. The volumes of cement and clinker mix sold rose 40.8%, resulting in an increase of 49.0% in revenue from the foreign market.

Revenue in Concrete grew by 21.3% year on year, mainly due to the increase in volumes sold.

In 2019, EBITDA of activities in Tunisia stood at 15.5 million euros, representing an increase of around 47.7% in relation to 2018. This increase is justified by higher selling prices, which more than offset the increase in production costs, mainly for solid fuels, electricity and packaging. The depreciation of the Tunisian Dinar in relation to the Euro also had a negative impact of 0.8 million euros.



## ANGOLA AND OTHERS

### LEADING OPERATING INDICATORS

	Unit	2019	2018	Var.
Cement Production	1 000 t	107	122	-12.2%
Cement and Clinker Sales	1 000 t	107	127	-16.0%

\* Sales volumes concern total sales of each business unit, not excluding intragroup values.

In 2019, according to the latest figures available, the Angolan cement market was down 7% compared to 2018.

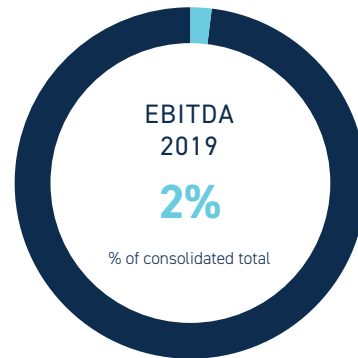
The volume of cement sold fell 16.0% in comparison to sales in 2018. In a context of strong inflation and significant depreciation of the Kwanza vis-à-vis the Euro, Secil Lobito has been implementing a strict price policy that can help it tackle significant increase in costs in the local currency and those arising from necessary imports. Under these conditions, the price of cement increased by about 8% year on year, partially offsetting the fall in volumes sold.

Consequently, revenue totalled 9.4 million euros, an amount below that which was recorded in the previous

year, being affected by the currency depreciation, which produced a negative effect of 3.6 million euros on revenue. EBITDA in 2019 amounted to a negative 1.5 million euros, significantly below the value in the same period of 2018.

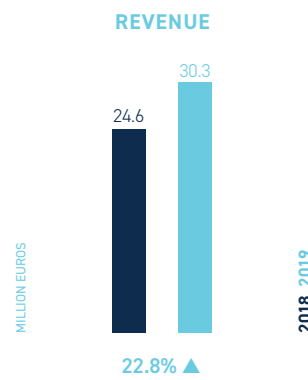
Expenses were substantially affected by the depreciation of the Kwanza vis-à-vis the Euro. Unitary variable costs rose 34%, mostly due to the increase in acquisition costs of clinker in the international market. On the other hand, fixed costs decreased year on year which, considering the inflation in Angola and the acquisition of some conservation materials that are strongly pegged to the exchange rate, illustrate clearly the unit's efforts to control costs.

### 3.3 ENVIRONMENT BUSINESS UNIT

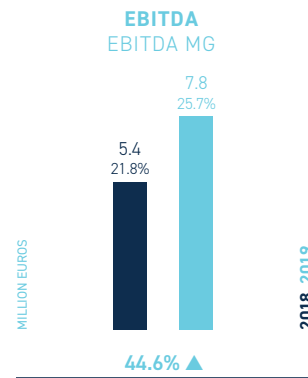


#### HIGHLIGHTS IN 2019 (VS. 2018)

- ETSA recorded revenue of approximately 30.3 million euros in 2019, up by around 22.8% against 2018.



- The EBITDA for ETSA totalled approximately 7.8 million euros in 2019, representing an increase of about 44.6% in comparison with 2018.



## LEADING BUSINESS INDICATORS

IFRS - accrued amounts (million euros)	2019	2018	Var.
<b>Revenue</b>	<b>30.3</b>	<b>24.6</b>	<b>22.8%</b>
<b>EBITDA</b>	<b>7.8</b>	<b>5.4</b>	<b>44.6%</b>
EBITDA margin (%)	25.7%	21.8%	3.9 p.p.
Depreciation, amortisation and impairment losses	(3.0)	(2.9)	-3.8%
Provisions	(0.0)	0.1	-138.3%
<b>EBIT</b>	<b>4.7</b>	<b>2.5</b>	<b>88.1%</b>
EBIT margin (%)	15.5%	10.1%	5.4 p.p.
Net financial results	(0.3)	(0.4)	27.4%
<b>Profit before taxes</b>	<b>4.4</b>	<b>2.1</b>	<b>112.9%</b>
Income taxes	(0.6)	(0.0)	<-1000%
Net profit for the period	3.8	2.0	88.1%
<b>Attributable to ETSA shareholders</b>	<b>3.8</b>	<b>2.0</b>	<b>88.1%</b>
Attributable to non-controlling interests (NCI)	-	-	-
<b>Cash Flow</b>	<b>6.8</b>	<b>4.9</b>	<b>40.3%</b>
	<b>31/12/2019</b>	<b>31/12/2018</b>	
Equity (before NCI)	73.9	70.7	
<b>Interest-bearing net debt</b>	<b>5.7</b>	<b>11.0</b>	
Lease liabilities (IFRS 16)	1.7	0.0	
<b>Total</b>	<b>7.4</b>	<b>11.0</b>	

**Note:**

• Figures for business segment indicators may differ from those presented individually by each Group, as a result of consolidation adjustments. Interest-bearing net debt in 31/12/2018 included 1.7 million euros of lease liabilities.

## LEADING OPERATING INDICATORS

	Unit	2019	2018	Var.
Collection of raw materials - Animal waste (categories 1, 2 and 3)	1 000 t	122.1	121.4	0.6%
Sales - Animal fats and used food oil	1 000 t	18.6	12.6	47.8%
Sales - Meal	1 000 t	22.1	22.0	0.3%

## OVERVIEW OF THE ENVIRONMENT ACTIVITY

ETSA recorded revenue of approximately 30.3 million euros in 2019, up by around 22.8% against the previous year.

This variation stems essentially and cumulatively from (i) an increase in volumes sold in class 3 products (fats and meals) by around 17.2%, (ii) an increase in the average selling price of class 3 meals by about 43.0%, (iii) an increase of around 6.1% in consolidated services rendered, mainly due to the rise in invoicing of services provided to slaughterhouses of approximately 6.1% and the increase in services provided to pig farmers of around 10.6% in relation to the previous year.

EBITDA for the ETSA group totalled approximately 7.8 million euros in 2019, representing a growth of about

44.6% in comparison with 2018, mainly due to the variation in revenue, but also to cost control, particularly under the headings Cost of Goods Sold and External Supplies and Services. The EBITDA margin stood at 25.7%, up by around 3.9 p.p. from the margin in 2018.

Financial results improved by about 27.4% in relation to the same period in the previous year, mostly due to the reduction in average debt.

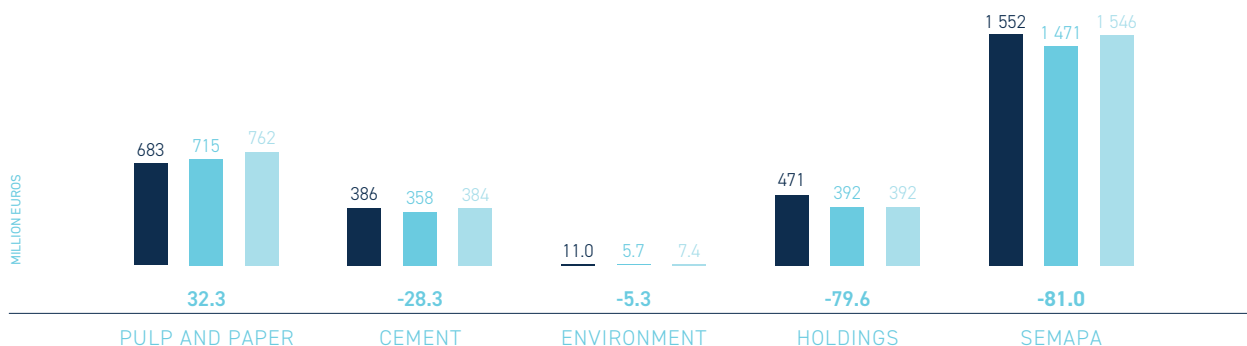
The combined impact of these factors resulted in a Net Profit attributable to ETSA shareholders in 2019 of approximately 3.8 million euros, up by around 88.1% compared to the previous year.

ETSA recorded an overall investment value of 2.0 million euros in 2019.

## 4 SEMAPA GROUP – FINANCIAL AREA

### 4.1 INDEBTEDNESS

#### NET DEBT



31/12/2018 31/12/2019 NET DEBT + IFRS 16

At 31 December 2019, consolidated net debt stood at 1 470.7 million euros, representing a reduction of 81.0 million euros from the figure recorded at year-end 2018. Including the effect of IFRS 16, net debt would have been 1 545.8 million euros, 5.8 million euros below the figure at the end of 2018. Besides the operating cash flow generated, these variations are explained by:

- **Pulp and paper:** +32.3 million euros, including investments of about 158 million euros, the acquisition of own shares in the amount of circa 18 million euros and the payment of dividends of 200 million euros. The impact of adopting IFRS 16 was 46.8 million euros.
- **Cement:** -28.3 million euros, which includes the positive effect of foreign exchange denominated debt of approximately 2.6 million euros, investments

of approximately 43.7 million euros and net working capital variation. The impact of adopting IFRS 16 was 26.4 million euros.

- **Environment:** -5.3 million euros, in spite of the difficulty in collecting the amounts billed to the Government. As at 31 December, the Directorate-General of Animal Feeding and Veterinary Services owed a total of 5.6 million euros, 3.8 million of which are past due and subject to late payment interest. The impact of adopting IFRS 16 was 1.7 million euros; and,
- **Holdings:** -79.6 million euros, resulting namely from dividends received from Navigator (139 million euros) and the payment of dividends (41.3 million euros), plus the acquisition of own shares in the amount of 2.2 million euros. The impact of adopting IFRS 16 was 0.3 million euros.

## 4.2 FINANCIAL RESULTS

In 2019 financial results amounted to a negative figure of 54.4 million euros, representing an improvement by 21.0% in relation to the figure recorded in the previous year.

The following factors that affected the variation in the financial results stand out:

- The change in the results of surplus liquidity investments by 5.6 million euros compared to 2018;
- The impairment record of 4.1 million euros, under IFRS 9, on cash and equivalents of Lebanon which reflects the rating and the current risk of the Lebanese financial system;
- A negative impact of adopting IFRS 16 of 2.9 million euros;
- Differences in accounts receivable and payable in foreign currency for intra-group loans.

## 4.3 RISK MANAGEMENT

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

## 4.4 DIVIDENDS

In April 2019 Semapa distributed dividends with a total value of 41.3 million euros, corresponding to 0.512 euros per share.

In April 2019, Navigator paid dividends and reserves totalling 200.0 million euros, corresponding to 0.27943 euros per share. In December 2019 Navigator approved a reserve distribution of 99.1 million euros (0.1394 euros per share), which was paid in January 2020.

In June 2019, ETSA paid dividends totalling 0.6 million euros.

## 4.5 NET PROFIT

Net profit attributable to Semapa shareholders was 124.1 million euros, which represents a decrease of 8.5 million euros compared to the previous year. The Net Profit variation of 2019 is due essentially to the combined effect of the following factors:

- An improvement in EBITDA from Cement and Other Building Materials (+18.5 million euros) and Environment (+2.4 million euros), which did not manage to offset the reduction of 83.1 million euros from the Pulp and Paper business segment;
- An increase in depreciation, amortisation and impairment losses of 26.0 million euros, mainly due to the impact of IFRS 16, the beginning of the depreciation of recent investments of Navigator and brand impairments of 16.8 million euros from Cement and Other Building Materials. This latter amount results from the combined effect of: **i)** impairment of the Secil brand in Lebanon (18.8 million euros), due to the less positive expectation regarding future cash flows arising from the social-economic instability in this part of the world; and, **ii)** the impairment reversal of the Secil brand in Portugal (2 million euros);
- Reduction of provisions by 14.9 million euros;
- An improvement in net financial results by about 14.5 million euros. The net financial results for 2019 includes 4.1 million euros from the impairment record, under IFRS 9, on cash and equivalents of Lebanon which reflects the rating and the current risk of the Lebanese financial system;
- Decrease of about 19.8 million euros in income taxes.

## 5 SUSTAINABILITY

Without prejudice of the Sustainability Report which will be published, it should be mentioned that sustainability is a fundamental pillar of Semapa Group operations.

The Semapa Group is governed by a set of Criteria for Sustainable Action that are described in its Letter of Commitment. All companies in the Group subscribe to and undertake to comply with this Letter, in addition to each of them adhering to other commitments, such as the United Nations Global Compact (Semapa), the Charter of Principles of the BCSD - Business Council for Sustainable Development Portugal - (Navigator and Secil), and Letter of Commitments of the Global Cement and Concrete Association (Secil).

### PULP AND PAPER

The year 2019 is identified in Navigator's strategy as the one in which the Company has assumed its important contribution to the world as a whole in the fight against climate change. After the European Union set the 2050 target for a carbon-neutral Europe, a deadline that the Portuguese State also adopted, Navigator imposed greater demands upon itself and made a commitment to achieve carbon neutrality at its industrial complexes as early as 2035, becoming the first Portuguese company – and one of the first in the world – to achieve the national and European objectives 15 years in advance.

The announcement was made in October 2019, but the Company's efforts towards a low carbon economy started much earlier, and were even recognised internationally: in early 2019, Navigator was the only Portuguese company to receive the classification of global leader in the fight against climate change from the Carbon Disclosure Project (CDP), achieving a prominent place in the "A" list of this international organisation and thus being recognised for its performance in terms of the reduction of emissions as well as climate risks.

This commitment, which entails an investment of 158 million euros distributed among Navigator's industrial complexes (63 million in the Setúbal unit, 59 million in Figueira da Foz and 36 million in Aveiro), is structured in the "Roadmap for Carbon Neutrality of The Navigator Company", which includes four main objectives of change in the Company's production processes.

It is through these measures that Navigator will, over the next 15 years, reduce its CO<sub>2</sub> emissions by 90% at its industrial complexes, which represents less 694 000 tonnes (kt) between 2018 – the year before the commitment – and 2035.

### FORESTRY AND TIMBER SUPPLY

Forests are at the base of everything Navigator does. As the source of Navigator's raw material, their defence and the protection of forest spaces is fundamental to the Company. Forests occupy one-third of the national territory and play a vital role in the well-being of people and society through their products and services. And they are an important source of economic wealth and rural and regional development. Furthermore, in the context of urgency in the face of climate change, Navigator's know-how in areas such as sustainable forestry and natural resource management is a valuable asset.

In the forests under management of Navigator, which at the end of 2019 totalled 108 269 hectares in 172 municipalities from the north to the south of the country and about 1 000 hectares in Galicia and 13 500 hectares of concession area with stands of eucalyptus in Mozambique (of a total area of 246 000 hectares of concession for planting), the Company assumes its role as a driver of local economies, by promoting the management and valorisation of rural areas, as well as the conservation of biodiversity and fire prevention.

In a country dominated by regional asymmetries and the desertification of the interior, the income derived from forests is essential to safeguard the interests of landowners in managing and caring for the land, counteracting the tendency to abandon the territory and mitigating the risks inherent to forest spaces without active management, plus developing a network of supporting economic activities, indirectly creating thousands of jobs.

In this sense, the commitment to the value of forests can be seen as an element of territorial cohesion, of combating desertification and the ageing of the population in the interior, as well as promoting better, more managed and less abandoned forests, with obvious economic benefit for the communities.

Forest certification is a fundamental pillar of Navigator's sustainable forest management policy, and its forest management model has been certified since 2007 for its all woodland holdings in Portugal, a commitment that it renews annually. The certification criteria imply compliance with good forestry and environmental practices, and it is due to this correct forest management that, on the properties under Company management, wood production is 100% certified.

The programme aimed specifically at encouraging the adoption of forest certification systems in areas not managed by Navigator made 2019 a year that saw

a reinforcement in this area, as wood with certified management acquired in Portugal rose from 42% in 2018 to 51.5%, in an effort of more than 6 million euros that the Group has been putting out.

The "Produtores Florestais" project is a good example of the initiatives carried out by The Navigator Company carried in 2019, with a view to promoting the appreciation of forest certification and promoting its adoption among forest owners. Started in 2018, the initiative has advantages for the owners, who not only benefit from the support provided throughout the certification process, but also from selling the raw material at a higher price. In 2019, the Company took the project to the main agricultural and forestry fairs in Portugal, making thousands of contacts with forest owners who learned about the practices that best suit their properties.

Navigator's pedagogical and commercial focus has translated into a steady growth of national certified wood, so the target was set at 75% for the 2020-2025 period. Already in 2019, due to the fact that 94% of the wood acquired in the Iberian market has the certification seal, and all the wood acquired outside the Iberian market is certified, the overall percentage of certified wood that entered the Company's factories totalled 72%.

Forest management is the main factor in defending forests against fires, minimizing the fire load and constituting a natural barrier to the progression of the flames, reducing the consequences of occurrences and making it possible to create firefighting opportunities to control and extinguish fires. The numbers speak for themselves: between 2008 and 2017, only 1.4% of the total area under management burned on plantations of the Industrial Eucalyptus Companies.

## CEMENT AND OTHER BUILDING MATERIALS

Sustainability is integrated in Secil's various management levels, so that the industrial operation is carried out in conjunction with environmental protection and social responsibility.

Secil has a number of quality, environmental and safety certifications in various units of its operations and is aligned

with international and national guidelines and commitments in sustainability matters, issued by institutions such as CEMBUREAU - European Cement Association, GCCA - Global Cement and Concrete Association, ATIC - Technical Association of the Cement Industry, GRACE - Action and Reflection Group for Corporate Citizenship and BCSO Portugal, of which Secil is an associate member.

As a result of these alignments, Secil is well aware of the need to reduce the carbon intensity of its activity and to incorporate circular economy into its business model, which is why it has been investing in innovative equipment and technologies and in research and development of innovative solutions for the use of concrete.

Efficient management of natural resources, improved energy efficiency, replacement of fossil fuels by alternative fuels, incorporating secondary raw materials into its production process, and promoting biodiversity in the environmental recovery of quarries where it operates are some of the of the best practices that Secil has been consistently pursuing over the years on the road to sustainability.

## ENVIRONMENT

ETSA's operations focus on the recycling of food industry by-products, thus avoiding having to deposit them in a landfill and contributing to circular economy (food loss and waste control). These activities are conducted with state-of-the-art technologies to ensure that the environment is protected, using biomass as thermal fuel replacing fossil fuels. In 2019, and as a result of the tests carried out in 2018, ETSA invested in UC3 (Ultimate Cell Continuous Combustion) technology for the optimization of the continuous combustion process of its biomass boiler installed at the SEBOL unit in Loures, which results in a lower consumption of thermal energy and reduced CO<sub>2</sub> emissions. Several of the companies of the Group hold the ISCC certification (the certification that guarantees sustainability and the reduction of greenhouse gas emissions in the biodiesel production process).

Furthermore, ETSA signed cooperation protocols with QUERCUS - *Associação Nacional de Conservação da Natureza* and ZERO - *Associação Sistema Terrestre Sustentável* in the context of environmental protection and sustainability.



## 6 INNOVATION, RESEARCH AND DEVELOPMENT

The Inpactus project, developed by Navigator and RAIZ in collaboration with leading Portuguese universities, aiming to research innovative products and technologies based on the eucalyptus, reached its cruising speed in 2019. With a total investment of about 15 million euros in 48 months, this year the activity focused on the core business units of Navigator (pulp, UWF, tissue), as well as on the new bioproducts, in the context of the forest-based bioeconomy. These were the main goals achieved in 2019:

- The completion of the acquisition and installation of R&D support infrastructures, in the amount of 2.2 million euros;
- Completion of the Thesis Project (1st year of the PhD) of the 20 PhD students involved in the project;
- 38 publications in scientific journals and presentations at congresses;
- Submission of six patents;
- Implementation of the Navigator Guest Chairs at the University of Coimbra (Professor Thadeus Maloney, Aalto University, Finland) and the University of Aveiro (Professor Falk Liebner, Boku University, Austria).

Secil offers resilient constructive solutions with a sustainable life cycle; technical development areas (CDAC - Cement Applications Development Centre/CTEC - Technical Centre) focused on process and product innovation. Mention should also be made to the Secil Innovation Award, aimed at promoting endogenous innovation.

During 2019, ETSA heightened its focus on Research and Development by further developing the lines of research that were already underway and initiated new lines of work, once again in partnership with various entities of the National Scientific and Technological System in the areas of Chemical Technology, Biotechnology and Agrofood. ETSA has been leading a project to co-promote the programme

Portugal 2020 since 2017, and in 2019 it took the results obtained to a higher level. With these results, it submitted a Project of Productive Innovation of the programme Portugal 2020 for the construction of a new manufacturing unit, which was approved, involving a total investment of 6.7 million euros. This new manufacturing unit will apply an innovative technological process developed at ETSA to produce three new products for animal feed, one of which is of high quality and applied to new animal feed markets. Also during 2019, ETSA continued its execution of a mobilizing project of the programme Portugal 2020, bringing together dozens of private and public entities with the objective of creating networks and interactions between the various domestic players in this sector.

In 2019, ETSA consolidated its position as an innovative company and a market leader for the collection and processing of animal by-products, with a project for a more solid and ambitious internationalization through the development of new products. Looking further ahead, ETSA has started a new line of innovation related to the production of new proteins and fats for animal feed, specifically based on insects. This line of work is aligned with business trends and new European legislation, making it possible, on the one hand, to develop the market of vegetable by-products collection services, and on the other hand, to accentuate and expand its presence in the pet food market and production through new and innovative products. In order to push forward this line of innovation, ETSA again established partnerships with Entities of the National Scientific and Technological System and submitted two new projects of Co-Promotion of the programme Portugal 2020, which are under consideration by the respective intermediary bodies.

These various lines of R&D reinforce the sustainable nature of ETSA, the base industrial activity of which already represents a distinct action in the circular economy, optimizing natural resources, minimizing negative impacts on the environment and giving new life to by-products and waste.

## 7 HUMAN CAPITAL AND TALENT

In 2019, Semapa strengthened its initiatives with regard to Talent Management.

As this is an essential theme in the pursuit of its objectives, with the actions currently underway, Semapa intends to continue to strengthen the skills necessary for its growth as a Group, as a reference employer in the market, which attracts, motivates, develops and recognizes the best professionals in the various areas of knowledge.

With the objective mentioned, during this financial year the Semapa Talent Project entered a new phase, the main purpose of which is to:

- Know and develop its talents;
- Facilitate mobility between group companies by transferring skills and thus creating opportunities for growth;
- Improve performance assessment instruments that favour the best performances and create a culture of feedback;
- Ensure the best compensation practices in the market, from a total reward perspective;
- Intensify the communication dynamics within the Group, favouring synergies and strengthening the foundations of the Semapa culture.

Always favouring the co-creation work (between Semapa and its subsidiaries) and in a collaborative environment, a mapping project was developed in all Group companies that, beginning in 2020, will make it possible to design and implement talent development programmes.

A survey of the HR practices of the Holding and its subsidiary companies was also carried out with regard to talent management. This initiative is now a shared work base available to the Group's companies that can facilitate the transfer of good practices between them.

Fundamental to the success of these initiatives has been the dynamics of contacts and regular meetings with all HR Directorates of the Group, which have functioned as a means of jointly planning all the initiatives in progress.

It was also in this context that the Talent Commission was created, which meets in an advisory character and assesses issues in the area of talent management in any of its aspects.

2019 was used to strengthen the structuring and systematization of resident knowledge, both at the level of our talents and at the level of our talent management practices. The conditions have therefore been created for 2020 to be the year of its development and the growth of our Human Capital.

The total number of employees of the Semapa Group stabilised slightly above 6 000 employees, totalling 6 093 at the end of December 2019, as shown in the following table:

	31/12/2019	31/12/2018	Var.
Pulp and Paper	3 280	3 282	-2
Cement	2 512	2 470	42
Environment	272	270	2
Holdings	29	32	-3
<b>Total</b>	<b>6 093</b>	<b>6 054</b>	<b>39</b>

## 8 INVOLVEMENT IN THE COMMUNITY

The promotion of sustainable development of the communities to which the Semapa Group relates to, is one of the its guiding strategic principles. The Group has always been aware that sustainable growth depends on the well-being of its employees, and on the support and ties it builds with the communities around its production and commercial activities.

In this context, the whole Group is involved in a wide array of initiatives designed in the last instance to improve the quality of life of the communities around its plants and facilities, and to preserve the environment.

In 2019, Semapa Group's total investment in the community amounted to around 2.5 million euros. The following were some of the numerous initiatives and projects supported by the Semapa Group:

- Support to the *Fundação Nossa Senhora do Bom Sucesso*: dedicated to human health and development since 1951, with special focus on children and women's health, delivering excellent services independent of the social and economic status of users;
- Support to the *Associação Salvador*: an Association which works to defend the interests and rights of persons with reduced mobility, especially individuals with physical disability;
- A key driver of community ties, Navigator's forestry project in Mozambique, through Portucel Moçambique, is based on a commitment to social sustainability and economic development, reflected in the Social Development Programme and promotion of forestry. In 2019, the Company's support increased from covering 6 500 families to more than 7 000 of the 25 000 living in the project areas, in the provinces of Zambezia and Manica;
- Given the importance of continuous prevention and the defence of the territory and communities, in 2019 Navigator's total investment in fire protection increased by 25% over the 2018 amount, totalling 4.1 million euros, distributed between fire prevention and firefighting;
- Establishing support and incentive protocols with institutions that promote activities in the areas of social inclusion, sports and culture, near the local communities where the Group operates.

## 9 OUTLOOK

The economy and businesses worldwide face unexpected challenges as a result of the rapid spread of the coronavirus (SARS-CoV-2/COVID-19). This pandemic will necessarily have an impact on the global economy and financial markets in general, as well as on the performance and activity of the various businesses and industries. Mitigation measures are currently being prepared and, in some cases decisions have already been made, notably by the main central banks and governments, the impact of which still appears to be difficult to quantify, taking into account that the duration of this disruptive situation is unknown.

The Semapa Group, through its own corporate bodies, is continuously monitoring the evolution of the coronavirus pandemic. Aiming to minimize the possible risks associated with the outbreak and, following the recent recommendations of the Directorate-General for Health (DGS) and the World Health Organization (WHO), the Semapa Group implemented Contingency Plans with the purpose of ensuring the safety of its employees and th community in general, as well as ensuring the continuity of operations.

In this context, the Group has been communicating and implementing with its employees and the different

stakeholders it has relations with, a set of measures, instructions and recommendations for prevention and strong containment, widely disseminated through different platforms.

To date, the Group's operations have proceeded as usual and free of disruption. We are still unable to estimate with a reasonable degree of confidence what impacts there may be on the activity of the Semapa Group in the face of the current environment of great uncertainty and rapid evolution.

Semapa will continue to monitor the threat and its business implications and renews its commitment to provide the necessary information in the event of a significant change in the impact of the coronavirus pandemic on its operations.

Undoubtedly we are facing a period of unparalleled uncertainty, the Semapa Group is working hard to minimize the impacts of this pandemic on its different activities, with an emphasis, above all, on the health and safety of its employees and other stakeholders.

We are convinced that, with prevention, serenity and together with all our stakeholders, we will be prepared to meet this challenge.

## 10 EVENTS AFTER THE REPORTING PERIOD

On February 2020, Semapa acquired 577 290 of its own shares, and it now holds 1.723% of its share capital.

## 11 ACKNOWLEDGEMENTS

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

- Our Shareholders, who have accompanied our progress and whose trust we believe we continue to deserve;
- Our Employees, whose efforts and dedication have made possible the Company's dynamism and development;
- The support and understanding of our Customers and Suppliers, who have acted as partners in our project;
- The cooperation of the Financial Institutions, and the Regulatory and Supervisory Authorities;
- The collaboration of the Audit Board, the General Meeting and the governing Committees that exist within the Company.

## 12 PROPOSED ALLOCATION OF PROFITS

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

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

It is proposed that the Net Profit for the period in the individual accounts, determined under the IFRS rules, in the amount of 124 053 719.73 euros (one hundred and twenty-four million, fifty-three thousand, seven hundred and nineteen euros and seventy-three cents) be allocated as follows:

Dividends on outstanding shares.....	9 983 671.63 euros*
	(0.125 euros per share)
Free reserves .....	114 070 048.10 euros

\* Excluding own treasury shares held; 1 400 627 own shares were considered; on the payment date, if this amount is changed, the total dividends payable may be adjusted, while the amount payable per share will remain unchanged.

Lisbon, 20 March 2020

## BOARD OF DIRECTORS

### CHAIRMAN

Heinz-Peter Elstrodt

### MEMBERS

João Nuno de Sottomayor Pinto de Castello Branco

Ricardo Miguel dos Santos Pacheco Pires

Vítor Paulo Paranhos Pereira

António Pedro de Carvalho Viana-Baptista

Carlos Eduardo Coelho Alves

Filipa Mendes de Almeida de Queiroz Pereira

Francisco José Melo e Castro Guedes

José António do Prado Fay

Lua Mónica Mendes de Almeida de Queiroz Pereira

Mafalda Mendes de Almeida de Queiroz Pereira

Vítor Manuel Galvão Rocha Novais Gonçalves

**CORPORATE GOVERNANCE  
REPORT**







# CONTENTS

<b>PART I</b>	<b>INFORMATION ON CAPITAL STRUCTURE, ORGANIZATION AND CORPORATE GOVERNANCE</b>	<b>66</b>
<b>A. CAPITAL STRUCTURE</b>		<b>66</b>
I.	Capital structure	66
II.	Holdings of Shares and Bonds	67
<b>B. CORPORATE BOARDS AND COMMITTEES</b>		<b>68</b>
I.	General Meeting	68
II.	Management and Supervision	69
III.	Auditing	85
IV.	Statutory Auditor	90
V.	External Auditor	90
<b>C. INTERNAL ORGANIZATION</b>		<b>91</b>
I.	Articles of Association	91
II.	Notification of Irregularities (Whistleblowing)	91
III.	Internal control and risk management	92
IV.	Investor Support	94
V.	Website (59 to 65)	94
<b>D. REMUNERATION</b>		<b>95</b>
I.	Powers to determine remuneration	95
II.	The Remuneration Committee	95
III.	Remuneration structure	95
IV.	Disclosure of remuneration	97
V.	Agreements with remuneration implications	99
VI.	Stock or stock option plans	99
<b>E. RELATED PARTY TRANSACTIONS CONFLICTS OF INTEREST</b>		<b>99</b>
I.	Control Mechanisms and Procedures	99
II.	Details of transactions	101

PART II	<b>ASSESSMENT OF CORPORATE GOVERNANCE</b>	<b>102</b>
	1 Identification of the Corporate Governance Code adopted	102
	2 Analysis of compliance with the adopted Corporate	102
	3 Additional Information	112
ANNEX I	<b>DISCLOSURES REQUIRED BY ARTICLE 447 OF THE COMPANIES CODE</b>	<b>113</b>
ANNEX II	<b>REMUNERATION POLICY STATEMENT</b>	<b>115</b>
ANNEX III	<b>DECLARATION REQUIRED UNDER ARTICLE 245.1 C) OF THE SECURITIES CODE</b>	<b>121</b>

# PART I INFORMATION ON CAPITAL STRUCTURE, ORGANIZATION AND CORPORATE GOVERNANCE

## A. CAPITAL STRUCTURE

### I. CAPITAL STRUCTURE

**1 Capital structure (share capital, number of shares, distribution of capital between shareholders, etc.), including indication of shares not admitted to trading, different classes of shares, the rights and obligations attaching to these and the percentage of share capital that they represent (article 245-A.1 A)).**

Semapa has a share capital of 81 270 000 euros, represented by a total of 81 270 000 shares without nominal value. All shares are ordinary shares and have the same rights and obligations attached to them, and are admitted for trading.

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

**2 Any restrictions on the transfer of shares, such as clauses on consent for disposal, or limits on the ownership of shares (article 245-A.1 B)).**

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

**3 Number of own shares, corresponding percentage of share capital and percentage of voting rights which would correspond to own shares (article 245-A.1 A)).**

On 31 December 2019, Semapa held 823 337 own shares, corresponding to 1.013% of its share capital. If the voting rights were not suspended, the percentage of voting rights would be the same as the percentage of the total capital.

**4 Significant agreements to which the company is party and which take effect, are amended or terminate in the**

**event of a change in the control of the company as a result of a takeover bid, together with the respective effects, unless, due to its nature, disclosure of such agreements would be seriously detrimental to the company, except if the company is specifically required to disclose such information by other mandatory provision of law (article 245-A.1 J)).**

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

Semapa has not adopted any mechanisms that imply payments or assumption of fees in the case of the change of control or in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.

**5 Rules applicable to the renewal or revocation of defensive measures, in particular those providing for limits on the number of votes which can be held or cast by a single shareholder individually or in a concerted manner with other shareholders.**

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

**6 Shareholders' agreements known to the company or which might lead to restrictions on the transfer of securities or voting rights (article 245-A.1 G)).**

The Company is only aware of the ongoing and open coordination of the exercise of voting rights mentioned in item 7 below, resulting in the allocation to Sodim, SGPS, S.A. on 31 December 2019 of 72.147% of non-suspended voting rights, above the 71.348% arising from the direct and indirect holdings.

## II. HOLDINGS OF SHARES AND BONDS

**7 Identification of persons and organizations who, directly or indirectly, own qualifying holdings (article 245-A.1 C) and D) and article 16), detailing the percentage of the share capital and votes imputable and the respective grounds.**

The owners of qualifying holdings in Semapa on 31 December 2019 are identified in the following table:

Entity	Number of Shares	% capital and voting rights	% non-suspended voting rights
<b>A</b> Sodim, SGPS, S.A.	15 252 726	18.768%	18.960%
Directors of Sodim			
Filipa Mendes de Almeida 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%	3.959%
Cimo - Gestão de Participações, SGPS, S.A.	38 959 431	47.938%	48.429%
Sociedade Agrícola da Quinta da Vialonga, S.A.	625 199	0.769%	0.777%
<b>Total</b>	<b>58 039 639</b>	<b>71.416%</b>	<b>72.147%</b>
<b>B</b> Bestinver Gestión, S.A., S.G.I.I.C.	-	-	-
Bestinver Global, F.P.	362 428	0.446%	0.451%
Bestinver Plan Mixto, F.P.	91 556	0.113%	0.114%
Bestinver Mixto, F.I.	97 233	0.120%	0.121%
Bestinver Bolsa, F.I.	1 095 302	1.348%	1.362%
Bestinver Fond, F.I.	1 016 934	1.251%	1.264%
Bestvalue, F.I.	278 356	0.343%	0.346%
Bestinver Empleo II, F.P.	1 963	0.002%	0.002%
Bestinver Consolidacion EPSV	1 568	0.002%	0.002%
Bestinver Futuro EPSV	8 776	0.011%	0.011%
Bestinver Empleo III, F.P.	1 506	0.002%	0.002%
Bestinver Hedge Value Fund, F.I.L.	932 756	1.148%	1.159%
Bestinver Empleo, F.P.	11 068	0.014%	0.014%
Bestinver Iberian SICAV	89 830	0.111%	0.112%
Bestinver Bestinverfund SICAV	40 613	0.050%	0.050%
Bestinver Crecimiento EPSV	2 162	0.003%	0.003%
<b>Total</b>	<b>4 032 051</b>	<b>4.961%</b>	<b>5.012%</b>
<b>C</b> Norges Bank (the Central Bank of Norway)	1 699 613	2.091%	2.113%

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

The allocation to Sodim by virtue of the open coordination of the exercise of voting rights, under the terms in which they have been announced, according to Article 20. 1 c) and h) of the Securities Code, matches the part identified by the letter A in the table above.

The allocation to Sodim by virtue of the controlling relationship, in accordance with Article 20. 1 b) of the Securities Code, was on 31 December 2019 as follows:

Entity	Allocation	No. shares	% share capital and voting rights	% non-suspended voting rights
Sodim, SGPS, S.A.		15 252 726	18.768%	18.960%
Cimigest, SGPS, S.A.	100% owned by Sodim	3 185 019	3.919%	3.959%
Cimo - Gestão de Participações, SGPS, S.A.	100% owned by Cimigest	38 959 431	47.938%	48.429%
<b>Total</b>		<b>57 397 176</b>	<b>70.625%</b>	<b>71.348%</b>

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

#### **8 Indication of the number of shares and bonds held by members of the management and supervisory bodies.**

This information is provided in Annex I to this Report.

#### **9 Special powers of the management board, in particular concerning resolutions to increase capital (article 245-A.1 I)), indicating, with regard to these, the date on which they were granted, the period during which such powers may be exercised, the upper limit for the increase in share capital, shares already issued under the powers granted and the form taken by these powers.**

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

#### **10 Information on the existence of significant dealings of a commercial nature between qualifying shareholders and the company.**

All transactions taking place in 2019 between the company and qualifying shareholders are described in Note 10.4 of the Annex to the consolidated accounts and Note 10.2 of the annex to the individual financial statements. In 2019, pursuant to the Regulation on Conflict of Interests and Transactions with Related Parties and under the terms and conditions set out therein, as described in paragraphs 89 and following of this report, cash operations took place between the qualifying shareholders Sodim, SGPS, S.A. and Cimo - Gestão de Participações, SGPS, S.A. and the company, as best described in paragraph 90 below. Besides these transactions, there were no significant dealings of a commercial nature between qualifying shareholders and the company during the year ended.

## **B. CORPORATE BOARDS AND COMMITTEES**

### **I. GENERAL MEETING**

#### **A) COMPOSITION OF THE GENERAL MEETING**

##### **11 Officers of the general meeting and their term of office (starting and ending dates).**

The officers of the General Meeting are:

##### **CHAIRMAN:**

Francisco Xavier Zea Mantero (term of office from 24/05/2018 to 31/12/2021)

##### **SECRETARY:**

Luís Nuno Pessoa Ferreira Gaspar (term of office from 24/05/2018 to 31/12/2021)

#### **B) EXERCISE OF VOTING RIGHTS**

##### **12 Any restrictions on voting rights, such as limitations on the exercise of voting rights based on the ownership of a given number or percentage of shares, time limits for exercising voting rights, or systems for detaching voting rights from ownership rights (article 245-A.1 F));**

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

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

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

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

**13 Indication of the maximum percentage of the voting rights which can be exercised by a single shareholder or by shareholders connected in any of the forms envisaged in article 20.1**

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

**14 Identification of shareholder resolutions which, under the articles of association, can only be adopted with a qualified majority, in addition to those provided for in law, and details of the majorities required.**

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

## II. MANAGEMENT AND SUPERVISION

### A) COMPOSITION

**15 Identification of the governance model adopted.**

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

**16 Rules in the articles of association on procedural and material requirements applicable to the appointment and substitution, as the case may be, of members of the board of directors, the Executive Board of Directors and the General and Supervisory Board (article 245-A.1 H)). Policy of diversity.**

Semapa's Articles of Association set no special rules on the appointment and replacement of directors, and the general supplementary rules contained in the Companies Code therefore apply here, i.e. shareholders have the power to appoint the directors (and the supervisory body). The Board of Directors of Semapa adopted in 2019 the Principles of Diversity of the company, which lay down the profile requirements and criteria for new members of the governing bodies. These principles are published on the company website (<https://www.semapa.pt/en/investidores/governo/principiosdiversidade>).

By adopting the aforementioned Principles of Diversity, Semapa has formally recognized the benefits of diversity in its corporate bodies, particularly for ensuring greater balance in its composition, boosting the performance of each member and, together, of each body, improving the quality of decision-making processes and contributing to its sustainable development.

Accordingly and to promote corporate diversity, in addition to the individual features, such as competence, independence, integrity, availability and experience, the company also acknowledged the importance of other requirements and criteria of diversity in the composition of its corporate bodies, such as diversity in gender, qualifications and professional experience, inclusion of members of different ages and life experiences or geographical origins.

The following analysis highlights a fairly reasonable level of diversity:

Diversity factor	Parameter	%
Age	<50	35.71%
	50-65	42.86%
	> 65	21.43%
Gender	Female	21.43%
	Male	78.57%
Education	Econ./Manag.	50.00%
	Engineering	21.43%
	Applied Mathematics	7.14%
	Other	7.14%
	Non graduate	14.29%
Professional background	Professional experience abroad	42.86%
	Different sectors of the group	92.86%

Also in 2019, the company set up a Talent Committee, with powers regarding the appointment of the corporate bodies and, in the exercise of its functions and to the extent of its powers, to help identify potential members of the governing bodies and assess the appropriate profile, knowledge and their curricula, by fostering transparent selection methods and ensuring that the applications chosen present the highest degree of merit, are best suited to the demands of the functions to be carried out, and will best promote suitable diversity in the company, including gender diversity.

The company thus finds that all targets arising from the adoption of the diversity policy have been met, as the reality also shows.

Finally, to reinforce the diversity promotion measures, the company adopted in 2019 the 2020 Plan for Equality, after the Law no. 62/2017, of 1 August was published, adopting the scheme for balanced representation of men and women in the administration and supervisory bodies of state-owned enterprises and listed companies, sets forth for listed companies the obligation to draw up and disclose

annual plans for equality, with a view to effectively enforcing the equal treatment and opportunities between women and men, promoting the elimination of discrimination based on sex and making it possible to reconcile working, family and private life, in accordance with Article 7 of said Law.

The company reported the 2020 Plan for Equality to the Securities Market Commission (CMVM), and also published it on its website.

**17 Composition, as the case may be, of the Board of Directors, the Executive Board of Directors and the General and Supervisory Board, detailing the provisions of the articles of association concerning the minimum and maximum number of directors, duration of term of office, number of full members, the date when first appointed and the end of their terms of office for each member.**

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



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

Members of the Board of Directors	Date of first appointment and end date of term of office
Heinz-Peter Elstrodt	2019-2021
João Nuno de Sottomayor Pinto de Castello Branco	2015-2021
José Miguel Pereira Gens Paredes	2006-2021
Paulo Miguel Garcês Ventura	2006-2021
Ricardo Miguel dos Santos Pacheco Pires	2014-2021
António Pedro de Carvalho Viana-Baptista	2010-2021
Carlos Eduardo Coelho Alves <sup>1</sup>	2015-2021
Filipa Mendes de Almeida de Queiroz Pereira	2018-2021
José António do Prado Fay	2018-2021
Lua Mónica Mendes de Almeida de Queiroz Pereira	2018-2021
Francisco José Melo e Castro Guedes	2002-2021
Mafalda Mendes de Almeida de Queiroz Pereira	2018-2021
Vítor Manuel Galvão Rocha Novais Gonçalves	2010-2021
Vítor Paulo Paranhos Pereira	2014-2021

<sup>1</sup> Held office from 1991 to 2009, and was appointed again in 2015. Therefore, three years have elapsed since the termination of his functions and the new appointment (cooling-off period).

At the Annual General Meeting of the company on 16 April 2019, it was decided to ratify the appointment by co-optation of Heinz-Peter Elstrodt as Chairman of the Board of Directors of the company.

Paulo Miguel Garcês Ventura terminated his duties as Member of the Board of Directors and Member of the Executive Board, by resignation with effect from 31 May 2019.

In 2020, José Miguel Pereira Gens Paredes terminated his duties as Member of the Board of Directors and Member of the Executive Board, by resignation with effect from 29 February 2020.

Vítor Paulo Paranhos Pereira, on the other hand, assumed executive duties from 1 March 2020.

Therefore, since the resignation of José Miguel Paredes and the recomposition of the Executive Board of the company, with the appointment of Vítor Paranhos Pereira, only took effect in the 2020 financial year, these events were not considered in this report.

### **18 Distinction between executive and non-executive members of the board of directors and, in relation to non-executive directors, identification of those who can be regarded as independent or, if applicable, identification of the independent members of the General and Supervisory Board.**

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

In 2019, the Board of Directors of the company was composed of (i) fourteen members until 31 May, and of (ii) thirteen members from then until 31 December, of which four members integrated the Executive Board until 31 May and three members after that date. We therefore consider that the company has an adequate number of non-executive directors, in what regards the company's dimension and complexity of the risks inherent to its activity and sufficient to efficiently ensure the functions assigned to them.

On the basis of the criteria laid down by the corporate governance code adopted, Carlos Eduardo Coelho Alves

may be classified as an independent non-executive director, as he is not associated with any group with specific interests in the company, nor is he under any circumstance likely to affect the impartiality of his analyses or decisions.

On the other hand, directors Heinz-Peter Elstrodt, Filipa Mendes de Almeida Queiroz Pereira, Lua Mónica Mendes de Almeida de Queiroz Pereira, and Mafalda Mendes de Almeida de Queiroz Pereira were not classified as independent in the light of the criteria referred, since they were also members of the Board of Directors of companies owning qualified holdings in Semapa during 2019. José Antônio do Prado Fay, Vítor Manuel Galvão Rocha Novais Gonçalves and Francisco José Melo e Castro Guedes may not be classified as independent in the light of the applicable criteria, since they are directors of companies controlled by or controlling Semapa, and receive remuneration for their duties. The director António Pedro de Carvalho Viana-Baptista is no longer considered independent once commercial ties were established between the company and an entity where he exercises management functions. Finally, Vítor Paulo Paranhos Pereira may also not be considered independent since in 2019 he performed management functions in participated companies or in companies that are controlled by Sodim, SGPS, S.A. and which also established significant commercial relations with Semapa.

Thus, in the course of the 2019 financial year, the Board included only one non-executive director who fulfilled the independence requirements laid down by the corporate governance code adopted, which the company finds adequate and consistent with a fully independent performance of the Board of Directors and sufficient to guarantee the real capacity to supervise, assess and monitor the activity of the other members of the Board of Directors. In fact, considering the profile, age, background and professional experience and, above all, independent judgement and the integrity demonstrated by the members of the Board of Directors, the company finds that the current proportion between non-independent and independent non-executive directors, established through formal criteria of assessment of independence, is perfectly adjusted to the nature and size of the company, considering, in particular, that it is a family-owned company, with a stable capital structure, and taking into account the complexity of the risks inherent to its business.

**19 Professional qualifications and other relevant biographical details of each of the members, as the case may be, of the board of directors, the General and Supervisory Board and the Executive Board of Directors.**

## HEINZ-PETER ELSTRODT

Heinz-Peter Elstrodt has a degree in Business Administration and Industrial Engineering by the University of Karlsruhe and a PhD in Economics by the University of Augsburg. He worked from 1983 until 2015 at McKinsey & Co., Inc., having served as Chairman for Latin America from 2004. He is a Guest Lecturer at the London Business School since 2016, where he teaches family business management. Within this context, Heinz-Peter Elstrodt has lent support to several family businesses in generational transition and management professionalization processes, with acknowledged experience and knowledge in the areas of corporate governance, financial planning, and leadership development and strategy in family businesses. He was a member of the Board of Directors of *Camargo Corrêa S.A.* (Brazil) in 2016 and 2017 and of *Lojas Renner S.A.* (Brazil) from 2016 to 2019. Since 2019, he holds office as Chairman of the Board of Directors of *Semapa* and other related companies in the group.

## JOÃO NUNO DE SOTTOMAYOR PINTO DE CASTELLO BRANCO

João Castello Branco is a graduate in mechanical engineering by *Instituto Superior Técnico* and holds a master degree in management by INSEAD. He holds office, since July 2015, as Chairman of the Executive Board of *Semapa*, and up to that date was Partner-Director of McKinsey & Company at the Iberian Office. He joined McKinsey in 1991, where he practised in several fields, at the service of some of the leading institutions in Portugal and Spain. He also worked in these sectors in Europe, Latin America and the USA. He led teams at McKinsey working in competitiveness, productivity and innovation in Portugal and Spain. Before joining McKinsey, he worked at the engine development centre of *Renault*, in France. In 2017 he was elected member of the General Board of AEM – *Associação de Empresas Emitentes de Valores Cotados em Mercado*. Since 2015, he has been Director of The Navigator Company and *Secil*, having been appointed Chairman of the Board of Directors of both companies at the end of 2018, and was CEO of The Navigator Company from 9 April to 31 December 2019.

## JOSÉ MIGUEL PEREIRA GENS PAREDES

José Miguel Paredes holds a degree in Economics from *Universidade Católica Portuguesa* and initiated his professional activity in 1985, at *Direcção Geral de Concorrência e Preços* (Portuguese Competition Authority). In the following years, he worked at the *Rodoviária Nacional* (Portuguese state-owned bus

transportation company), Trader Interbiz, *Cosec* (Credit Insurance Company) in the External Credit Department, Generale Bank in the Commercial Department and Treasury / Foreign Exchange Trading Room, in Portugal, and United Distillers in the Financial Department in Portugal. In 1994, he became Financial Director of *Semapa* and some of the other related companies in the group. He was Executive Director of *Energis*, a renewable energy company owned by the Semapa Group. From 2004 to 2018 he was *Semapa's* investor relations officer and he has held office as Executive Director of *Semapa* since 2006. In 2008 José Miguel Paredes was appointed Director of *ETSA* and he is Chairman of the Board of Directors since 2010. He also became Director of The Navigator Company and *Secil* in 2011 and 2012, respectively. In 2018 he was appointed Director of *Sonagi*.

#### PAULO MIGUEL GARCÊS VENTURA

Miguel Ventura has a degree in Law and completed the INSEAD IEP '08Jul,' COL '15Dec and IDP '18 Programmes. He also holds a certificate of Corporate Governance of INSEAD. He began practising Law in 1995. In 1997 he became an officer of the General Assemblies in several subsidiaries of *Cimigest*, *Sodim* and *Semapa* and was appointed company Secretary of *Semapa*. From 2005 to 2007 he was a member of the Lisbon District Council of the Bar Association. He held office as Executive Director of *Semapa* and other related companies since 2006, having terminated these functions on 31 May 2019, while remaining as Director of *Sodim* and *Cimigest*. In 2007 Miguel Ventura was appointed Vice-President of the General Meeting of *REN* (until the end of 2014) and of *Infraestruturas de Portugal*. He also became Director of The Navigator Company and *Secil* in 2011 and 2012, respectively, until 31 May 2019. In 2014 he was elected member of the General Board of *AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado*, and remained in office until the end of 2016. In 2017 he was appointed member of the Board of that association, holding this office until July 2019. In 2018 he was appointed Director of *Sonagi*.

#### RICARDO MIGUEL DOS SANTOS PACHECO PIRES

Ricardo Pires holds a degree in Business Administration and Management from *Universidade Católica Portuguesa*, and is specialised in Corporate Finance from *ISCTE*. He also has an MBA in Corporate Management from *Universidade Nova de Lisboa*. He began his career in the field of management consulting, from 1999 to 2002 for BDO Binder and later for *GTE Consultores*. From 2002 to 2008 he held several positions in the Corporate Finance Board at ES Investment, where he developed different M&A and capital

market projects in the Energy, Paper and Pulp and Food & Beverages sectors. He has worked for *Semapa* since 2008, first as Director of Strategic Planning and New Business and afterwards, from 2011, as Chief of Staff of the Chairman of the Board of Directors. In 2014 he was appointed Executive Director of *Semapa*, and he also holds positions in other related companies. Since 2015, he has held positions in the board of The Navigator Company and *Secil*. He is, since 2017, the CEO of *Semapa Next*.

#### ANTÓNIO PEDRO DE CARVALHO VIANA-BAPTISTA

António Viana Baptista has a degree in Economy, a post-graduate degree in European Economy and holds an MBA (INSEAD). From 1984 to 1991, he was Principal Partner of McKinsey & Co. Between 1991 and 1998, he was Director of the *Banco Português de Investimento*. Between 1998 and 2008, he held positions at *Telefonica S.A.*, as Chairman of *Telefonica Internacional* from 1998 to 2002, Chairman of *Telefonica Moviles S.A.* from 2002 to 2006, and Chairman of *Telefonica España* from 2006 to 2008, and he was also Director of *Telefonica S.A.* and *Portugal Telecom*, representing *Telefonica*. From 2011 to 2016 he was CEO of *Crédit Suisse AG* for Spain and Portugal. He held office as non-Executive Director of Jasper Inc, California until 2016 and of *Abertis, S.A.* from 2017 to 2018. At present, he is non-executive Director of *Jerónimo Martins, S.A.* (where he also acted as member of the Audit Committee from 2010 to 2015) and of *Atento S.A.*, in addition to performing duties as Director of Alter Venture Partners G.P., SARL. He has been non-executive Director of *Semapa* since 2010.

#### CARLOS EDUARDO COELHO ALVES

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

#### FRANCISCO JOSÉ MELO E CASTRO GUEDES

Francisco Guedes has a degree in Economic and Financial Sciences and holds an MBA from INSEAD. He initiated

his professional career in 1971 at the *Companhia União Fabril*. He performed military service from 1972 to 1975. In the following years, in 1976 he was Financial Director of *Companhia Rio Moju* and from 1977 to 1987 at the Anglo American Corporation (in Brazil), holding office as Executive Director, the Holding's Financial Director, Director in charge of all (non-gold) mining and industrial companies in Brazil and Financial Director of *Mineração Morro Velho*. Between 1988 and 1989 Francisco Guedes he was in charge of the Ricardo Schedel brokerage. In 1990, he was manager of the Aroeira project at Formentur, and in the following years he was director and manager at Anglo American Corporation Portugal, *Nacional - C.I.T.C.*, *Nutrinveste* and *Sociedade Ponto Verde*. Between 2009 and 2015 he was Director of The Navigator Company. He has occupied, since 2001, management positions at *Secil*, having carried out executive functions in *Semapa* and other group companies from 2001 to 2014.

#### **VÍTOR MANUEL GALVÃO ROCHA NOVAIS GONÇALVES**

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

#### **VÍTOR PAULO PARANHOS PEREIRA**

Vitor Paranhos Pereira holds a degree in Economics by *Universidade Católica Portuguesa* and attended AESE (*Universidade de Navarra*). He began working in 1982 at the company *Gaspar Marques Campos Correia & C<sup>ª</sup>. Lda.* as Financial Director until 1987. From 1987 to 1989 he was Deputy Financial Director of the *Instituto do Comércio Externo de Portugal* (ICEP). Vítor Pereira joined the group in 1989 as Financial Director of *Sodim*, and in 2009 he became member of the Board of Directors of that company and did not leave until May 2018. He also holds directorships in several companies related to *Sodim*, namely *Hotel Ritz* since 1998. From 2001 to 2016, he was Director of the *Hotel Villa Magna*. He has held office as Director of *Sonagi* since 1995. From 2006 to 2015 he was appointed Chairman of the Audit Board of the *Associação da Hotelaria de Portugal (AHP)* and in April 2019 he became Chairman of the General Meeting of this organisation. From 2007 to 2016 he has been Chairman of the General Meeting of the *Associação Portuguesa de Fundos de Investimento*,

*Pensões e Patrimónios (APPFIPP)*. He has served as member of the Audit Board of *Eurovida - Companhia de Seguros, S.A.* and *Popular Seguros - Companhia de Seguros, S.A.* from 2009 to 2018. In 2014 he was appointed member of the Board of Directors of *Semapa* and *Cimigest*, having held positions in the latter until May 2018. He was appointed Director of *Refundos* in 2005, where he has served as Chairman of the Board of Directors since 2018.

#### **FILIPA MENDES DE ALMEIDA DE QUEIROZ PEREIRA**

Filipa Queiroz Pereira has a degree in Applied Mathematics from *Universidade Lusíada* and a post-graduate degree in Information Systems from Harvard Extension School. She completed executive programmes at INSEAD, at London Business School, at Harvard Business School and at Singularity University and she has been involved in IT consultancy and real estate activities. She has been a Director of *Sodim* (the controlling company of *Semapa*) since 2014, also integrating, since 2018, the Board of Directors of *Semapa* and *Hotel Ritz*.

#### **MAFALDA MENDES DE ALMEIDA DE QUEIROZ PEREIRA**

Mafalda Queiroz Pereira completed Secondary Education, together with technical courses in Wood Carving and Carpentry by *Fundação Ricardo Espírito Santo* and in Interior Architecture by *SENAI* (Brazil). She completed executive programmes at Insead, at London Business School and at Harvard Business School and she has been involved in the development of projects in real estate. She has been a Director of *Sodim* (the controlling company of *Semapa*) since 2014, also integrating, since 2018, the Board of Directors of *Semapa* and *Sonagi*, company dedicated to the real estate management and operation.

#### **LUA MÓNICA MENDES DE ALMEIDA DE QUEIROZ PEREIRA**

Lua Queiroz Pereira after completing Secondary Education, attended several schools of management, namely Insead, where she obtained a certificate in Global Management, London Business School, Singularity University and Harvard Business School, where she completed courses for executives. In the past she was a business manager linked to equestrianism. She has been a Director of *Sodim* (the controlling company of *Semapa*) since 2014, also integrating, since 2018, the Board of Directors of *Semapa* and *Semapa Next*, a venture capital company of the Group.

#### **JOSÉ ANTÔNIO DO PRADO FAY**

José Antônio do Prado Fay has a degree in Mechanical Engineering from *Universidade Federal do Rio de Janeiro* and he attended a specific post-graduate course in Equipment Engineering from *Coppe/UFRJ* (*Coordenação de Pós-Graduação e Pesquisa de Engenharia*). He initiated his professional activity at *Copesul* in 1978, where he was manager of the engineering sector until 1986. From 1986 to 1988 he was chief of the Engineering and Maintenance Division

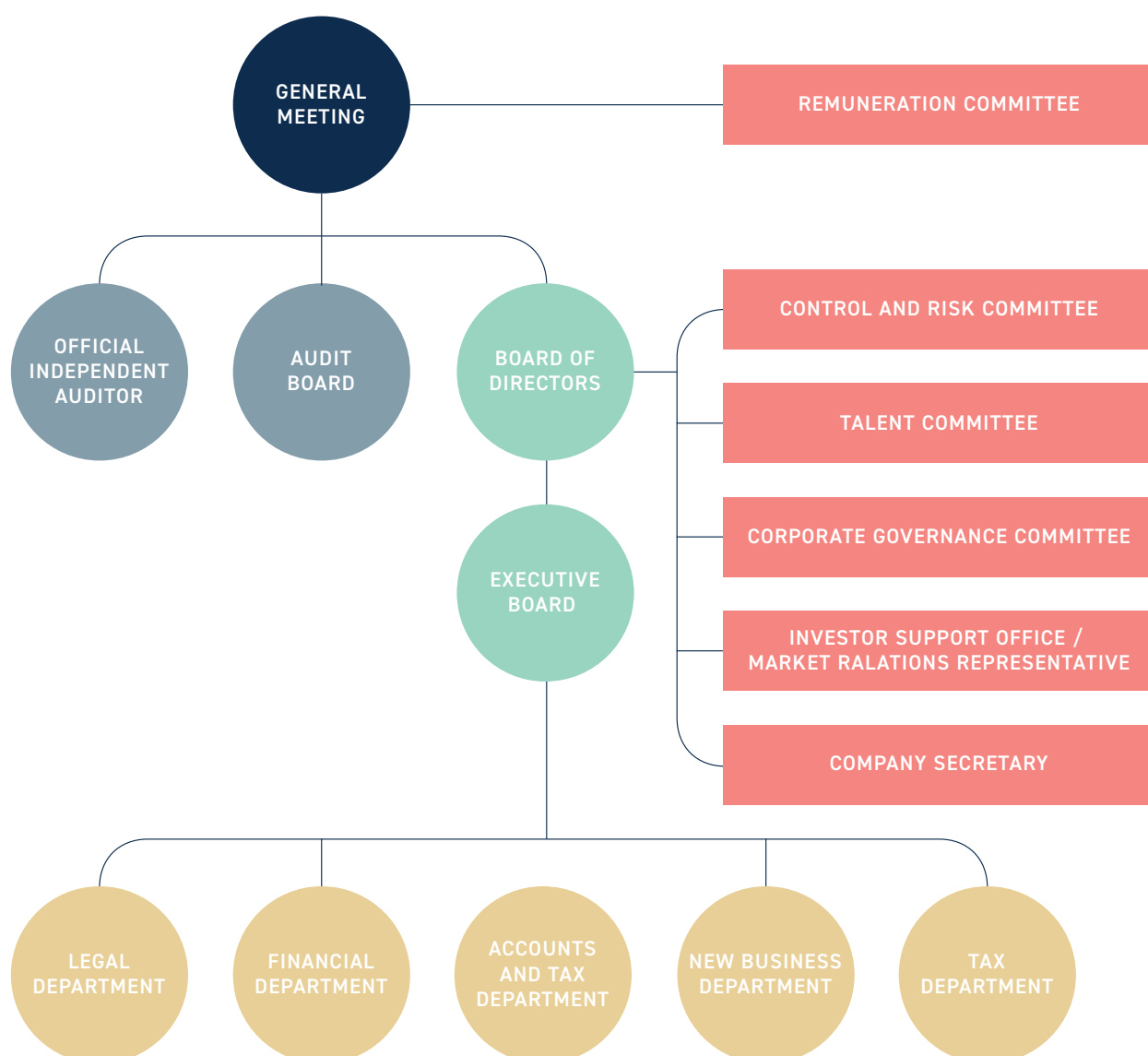
at *Petroquímica Triunfo, S.A.* From 1988 to 2000 he held several management functions at Bounge Group, in the areas of Engineering and Consumption Goods Business. He was in charge of the Commercial and Marketing department at *Electrolux* from 2000 to 2003 and from 2003 to 2007 he served as chairman of *Batavo, S.A.*, which was incorporated in *Perdigão, S.A.* in 2006, acting as Chairman of that company in 2008. He was chairman of *Brasil Foods S.A.* from 2007 to 2013. Since 2014, he is member of several Boards of Directors, namely *Camil, S.A.*, and *Supremo Cimentos (Secil), S.A.*. He is Senior advisor at Mckinzezy & Co. and of the Warburg Pincus fund.

**20** Habitual and significant family, professional or business ties between members, as the case may be, of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors with shareholders to whom a qualifying holding greater than 2% of the voting rights may be allocated.

Besides the directorships held by several Directors in companies which own qualifying holdings in Semapa, namely Sodim and subsidiaries, as described in paragraph 26 below, and the direct and indirect shareholdings of Filipa Mendes de Almeida de Queiroz Pereira, Mafalda Mendes de Almeida de Queiroz Pereira and Lua Mónica Mendes de Almeida de Queiroz Pereira, as heirs to the undivided estate of Pedro Mendonça Queiroz Pereira in Sodim and Vialonga, there are no habitual or significant family, professional or business ties between members of the Board of Directors and shareholders in Semapa which own qualifying holdings.

**21** Organizational or functional charts showing the division of powers between the different corporate boards, committees and/or company departments, including information on delegated powers, in particular with regard to delegation of the day-to-day management of the company.

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



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

The two bodies were coordinated and kept in contact through the close cooperation between the Chairman of the Board and the executive team, through the CEO, João Castello Branco, and through the availability of the members of the Executive Board to convey all relevant or urgent or requested information on the day-to-day management of the company, to the non-executive directors, in order to keep them abreast of the company's life at all times. In addition, meetings of the Board of Directors are called for all strategic decisions regarded as especially important, even if they fall within the scope of the general powers delegated.

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

In order to assure that information is communicated on a regular basis, the Chief Executive Officer also provides the notices and minutes of meetings of the Executive Board to the Chairman of the Audit Board. The remaining committees and corporate governing bodies also ensure information flows in a timely and appropriate manner and in accordance with their respective operating regulations, by delivering notices and minutes in the necessary and appropriate terms for the other bodies and committees to exercise their legal and statutory powers.

Until 31 December 2019, and although duties and responsibilities are not rigidly compartmentalised within the Executive Board, four main areas may be distinguished in the way responsibilities are shared:

- 1st** Strategic planning and investment policy, which are the responsibility of the CEO, João Nuno de Sottomayor Pinto de Castello Branco.
- 2nd** Financial, accounting and audit, which were the responsibility of the director José Miguel Pereira Gens Paredes.
- 3rd** Legal, corporate governance, talent management and IT, which were the responsibility of the director Paulo Miguel Garcês Ventura until 31 May. The legal area was assumed from that date on by José Miguel Gens Paredes, while the Chairman of the Executive Board João Castello Branco took charge of the corporate governance, talent management and IT areas.

**4th** New Business Areas, which are the responsibility of the director Ricardo Miguel dos Santos Pacheco Pires.

Regarding strategic planning and Investments Policy, and without prejudice to the mentioned office, this is an area that naturally entails more intervention on behalf of the non-executive members and that counts on the substantial involvement of the Chairman of the Board. Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.

The Executive Board has been granted broad management powers, largely detailed in the respective act of delegation, and only limited with regard to the matters indicated in article 407.4 of the Companies Code. Powers are specifically delegated for the following:

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

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

The Executive Board is barred from resolving on the following:

- a)** Selection of the Chairman of the Board of Directors;
- b)** Co-opting of directors;
- c)** Call a General Meeting;
- d)** Annual reports and financial statements;
- e)** Provision of bonds and personal or real guarantees by the company;
- f)** Change in registered offices and increases in share capital; and
- g)** Plans to merge, break-up or change the company.

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

At the end of 2018, the new internal regulations of the Board of Directors and Audit Board, and of the internal committees identified below were revised, approved and published, with the exception of the Talent Committee Regulation which was

adopted in 2019, after the constitution of this Committee in July 2019, which lay down rules governing the functioning, duties and collaboration between these bodies and committees. According to these regulations and other applicable rules, these governing bodies and committees draw up complete minutes of their meetings.

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

The main purpose of the Control and Risk Committee (CRC) is to detect and control all relevant risks in the company's affairs, and the Committee enjoys full powers to pursue this aim, as set out in item 29 of this Report.

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

The Talent Committee (TC) is a recommendatory and consultative body, and is heard in matters of appointments and evaluations, as described in paragraph 29 of this report.

The functions of the Investor Support Office are detailed in item 56 of this report.

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

The Remuneration Committee draws up an annual statement on the remuneration policy for members of the Board of Directors and audit board, and conducts analyses and determines the remuneration of directors, in close collaboration with the TC.

The Legal Department provides the company with legal advice and is in charge of legal compliance in order to assure that procedures and proceedings comply with the relevant legislation. The Financial Division is primarily engaged in financial management and planning. The Accounts and Tax Department is mainly responsible for rendering the company's accounts and complying with its tax obligations. As for the New Business directorate, it is in charge of identifying and researching new business opportunities towards their implementation. The Tax directorate, on the other hand, provides tax advice, ensuring compliance with the applicable legislation and preventing unlawful fiscal planning.

The governing bodies and internal committees mentioned above are required to exchange between them, in accordance with the legal statutory requirements,

all necessary information and documents for the exercise of legal and statutory duties of such bodies and committees, the respective directorates and services helping with drawing up, processing and disseminating such information in an appropriate, strict and timely manner.

The regulations of the Board of Directors and the audit body also establish, in particular, mechanisms that ensure, within the limits of the legislation and applicable regulations, access of members to employees of the company and all information that is necessary for assessing the company's performance, status and development prospects, including without limitation, minutes, documentation supporting the decisions taken, notices and files of the meetings of the Board of Directors and its Executive Board, without prejudice to having access to other documents or persons to request clarifications.

## B) FUNCTIONING

### 22 Existence of the rules of procedure of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors, as the case may be, and place where these may be consulted.

The Board of Directors has rules of procedure which are published on the company website ([https://www.semapa.pt/sites/default/files/participacoes/rules\\_of\\_the\\_board\\_of\\_directors.pdf](https://www.semapa.pt/sites/default/files/participacoes/rules_of_the_board_of_directors.pdf)), where they may be consulted.

### 23 Number of meetings held and attendance record of each member of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors, as the case may be.

The Board of Directors met 11 times in 2019, and attendance by each member was as follows:

Members of the Board of Directors	Members present (%)	Members present and represented (%)
Heinz-Peter Elstrodt	100	100
João Nuno de Sottomayor Pinto de Castello Branco	100	100
José Miguel Pereira Gens Paredes	100	100
Paulo Miguel Garcês Ventura	100	100
Ricardo Miguel dos Santos Pacheco Pires	100	100
António Pedro de Carvalho Viana-Baptista	100	100
Carlos Eduardo Coelho Alves	100	100
Francisco José Melo e Castro Guedes	91	91
Vítor Manuel Galvão Rocha Novais Gonçalves	100	100
Vítor Paulo Paranhos Pereira	100	100
Filipa Mendes de Almeida de Queiroz Pereira	100	100
Mafalda Mendes de Almeida de Queiroz Pereira	100	100
Lua Mónica Mendes de Almeida de Queiroz Pereira	100	100
José António do Prado Fay	100	100

The table above specifies the proportion of meetings attended by the directors in the period during which they performed duties.

### 24 Indication of the company bodies empowered to assess the performance of executive directors.

The Remuneration Committee determines how the system will work and prepares the framework for the assessment

of the executive directors. It is also responsible for the final check to the performance factors and their impact in terms of remuneration, as well as guaranteeing overall coherence.

However, assessment in the strict sense, as the specific appraisal of individual performance, is the responsibility of the team supervisor, as is the case of the members of the Executive Board, and of the Chairman of the Board of Directors, as for the Chief Executive Officer, and in both



cases with the participation of other non-executive directors whom the supervisor deems appropriate to involve. Furthermore, the Talent Committee is also involved in this process since it was set up. It is composed of 6 non-executive members of the Board of Directors, and it is responsible for monitoring the management performance assessment system and the allocation of the company's remuneration. Consequently, the additional involvement of the Board of Directors in the assessment of the executive directors is unnecessary.

Thus, in 2020 and in relation to the 2019 financial year, the Talent Committee will give its opinion on the individual performance proposals for the members of the Executive Committee issued by the respective Chairman, and the performance proposals of the Chairman of the Board of Directors for the Chairman of the Executive Committee, communicating its opinion to the Remuneration Committee.

In accordance with the Regulations of the Board of Directors and the Regulation of the Talent Committee, the Board of Directors, for its part, assisted by the Talent Committee, shall annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the implementation of the company's strategic and budget plans, risk management, the internal functioning and the contribution of each member to these objectives, as well as the relationship with the company's other bodies and committees. The TC monitors the overall assessment of the Board of Directors' performance, as provided by its regulation.

The assessment of the performance of the executive directors and the self-assessment of the performance of the Board of Directors and its committees in 2018

was conducted in 2019, and the relevant performances in the 2019 financial year will be assessed in 2020, as described above.

#### **25 Predetermined criteria for assessing the performance of executive directors.**

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

#### **26 Availability of each of the members of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors, as the case may be, indicating office held simultaneously in other companies, inside and outside the group, and other relevant activities carried on by the members of these bodies during the period.**

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

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

#### **HEINZ-PETER ELSTRODT**

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

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

OFFICE HELD IN OTHER COMPANIES:

CIMIGEST, SGPS, S.A.	Chairman of the Board of Directors
LOJAS RENNER, S.A.	Director
SODIM, SGPS, S.A.	Chairman of the Board of Directors

JOÃO NUNO DE SOTTOMAYOR PINTO DE CASTELLO BRANCO

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

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

OFFICE HELD IN OTHER COMPANIES:

AEM - Ass. de Emp. Emitentes de Valores Cotados em Mercado	Member of the General Board
--	-----------------------------

BCSD - Conselho Empresarial para o Desenvolvimento Sustentável	Chairman <sup>2</sup>
CEPI – Confederation of European Paper Industries	Member of the Board in representation of CELPA – Associação da Indústria Papeleira <sup>3</sup>
CIMIGEST, SGPS, S.A.	Director
FOREST SOLUTIONS GROUP	Co-Chair <sup>4</sup>
FÓRUM PARA A COMPETITIVIDADE	Member of the Governing Board
THE NAVIGATOR COMPANY, S.A.	Chairman of the Board of Directors and Chairman of the Executive Board <sup>5</sup>
SECIL - Companhia Geral de Cal e Cimento, S.A.	Chairman of the Board of Directors
SODIM, SGPS, S.A.	Director
WBCSD - World Business Council of Sustainable Development	Member of the Executive Board <sup>6</sup>
CELPA – Associação da Indústria Papeleira	President of the General Council, in representation of Navigator Paper Figueira, S.A. <sup>7</sup>

### JOSÉ MIGUEL PEREIRA GENS PAREDES

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

ABAPOR - Comércio e Indústria de Carnes, S.A.	Chairman of the Board of Directors
APHELION, S.A.	Director
Aprovechamiento Integral de Subproductos Ibéricos, S.A.	Director
BIOLOGICAL - Gestão de Resíduos Industriais, Lda.	Manager
CELCIMO, S.L.	Chairman of the Board of Directors <sup>8</sup>
ETSA - Investimentos, SGPS, S.A.	Chairman of the Board of Directors
ETSA LOG, S.A.	Chairman of the Board of Directors
I.T.S. - Indústria Transformadora de Subprodutos, S.A.	Chairman of the Board of Directors
SEBOL - Comércio e Indústria de Sebo, S.A.	Chairman of the Board of Directors
SEMAPA NEXT, S.A.	Director

OFFICE HELD IN OTHER COMPANIES:

CIMIGEST, SGPS, S.A.	Director
CIMO – Gestão de Participações, SGPS S.A.	Chairman of the Board of Directors
SECIL - Companhia Geral de Cal e Cimento, S.A.	Director
SODIM, SGPS, S.A.	Director
SONAGI, SGPS, S.A.	Director
THE NAVIGATOR COMPANY, S.A.	Director

### RICARDO MIGUEL DOS SANTOS PACHECO PIRES

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

APHELION, S.A.	Director
SEMAPA NEXT, S.A.	Director

OFFICE HELD IN OTHER COMPANIES:

CIMIGEST, SGPS, S.A.	Director
CIMO – Gestão de Participações, SGPS S.A.	Director
PYRUS AGRICULTURAL LLC	Director
PYRUS INVESTMENTS LLC	Director
PYRUS REAL ESTATE LLC	Director
SECIL - Companhia Geral de Cal e Cimento, S.A.	Director
SODIM, SGPS, S.A.	Director
THE NAVIGATOR COMPANY, S.A.	Director
UPSIS, S.A.	Director

<sup>2</sup> Start of the term of office on 20 May 2019.

<sup>3</sup> Start of the term of office on 29 October 2019.

<sup>4</sup> Start of the term of office on 09 April 2019.

<sup>5</sup> The Chairman of the Executive Board was in office from 09 April to 31 December 2019.

<sup>6</sup> Start of the term of office on 14 October 2019.

<sup>7</sup> Start of the term of office on 27 August 2019.

<sup>8</sup> Served as Director until 31 January 2019, having taken office as Chairman after that date.

**ANTÓNIO PEDRO DE CARVALHO VIANA-BAPTISTA**

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

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

OFFICE HELD IN OTHER COMPANIES:

ALTER VENTURE PARTNERS G.P., SARL	Director
ATENTO, S.A.	Director
JERÓNIMO MARTINS SGPS, S.A.	Director

**CARLOS EDUARDO COELHO ALVES**

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

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

OFFICE HELD IN OTHER COMPANIES:

No office held in other companies.

**FRANCISCO JOSÉ MELO E CASTRO GUEDES**

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

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

OFFICE HELD IN OTHER COMPANIES:

CIMENTS DE SIBLINE S.A.L.	Director
SECIL – Companhia Geral de Cal e Cimento, S.A.	Director

**VÍTOR MANUEL GALVÃO ROCHA NOVAIS GONÇALVES**

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

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

OFFICE HELD IN OTHER COMPANIES:

BELDEVELOPMENT, S.A.	Director
EXTRASEARCH, SGPS, S.A.	Director
MAGALHÃES E GONÇALVES – Consultoria e Gestão, Lda.	Manager
QUALQUER PONTO – SOCIEDADE IMOBILIÁRIA, S.A.	Director
QUALQUER PRUMO – Sociedade Imobiliária, Lda.	Manager
THE NAVIGATOR COMPANY, S.A.	Director
VANGUARDINTEGRAL, Lda.	Manager
VRES – Vision Real Estate Solutions, S.A.	Director
ZOOM INVESTMENT, SGPS, S.A.	Director
ZOOM INVESTMENT TURISMO, S.A.	Director
2FOR VENTURE, SGPS, S.A.	Director

**VÍTOR PAULO PARANHOS PEREIRA**

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

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

OFFICE HELD IN OTHER COMPANIES:

ANTASOBRAL - Sociedade Agropecuária, S.A.	Director
CAPITAL HOTELS BV	Director
CAPITAL HOTELS, S.A.	Director <sup>9</sup>
GALERIAS RITZ, S.A.	Chairman of the Board of Directors
HOTEL RITZ, S.A.	Director

<sup>9</sup> In office since 22 October 2019.

PARQUE RITZ, S.A.	Chairman of the Board of Directors
REFUNDOS – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Chairman of the Board of Directors
SOCIEDADE AGRÍCOLA da HERDADE dos FIDALGOS, Unip., Lda	Manager
SONAGI, SGPS, S.A.	Director
SONAGI – Imobiliária, S.A.	Chairman of the Board of Directors
ASSOCIAÇÃO DA HOTELARIA DE PORTUGAL	Chairman of the General Meeting <sup>10</sup>

### FILIPA MENDES DE ALMEIDA DE QUEIROZ PEREIRA

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

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

OFFICE HELD IN OTHER COMPANIES:

ABSTRACTREASON, LDA.	Manager
BESTWEB, LDA.	Manager
CAPITAL HOTELS, S.A.	Chairman of the Board of Directors <sup>11</sup>
CIMIGEST, SGPS, S.A.	Director
ESPAÇO TREZENTOS E QUARENTA, S.A.	Director <sup>12</sup>
FUNDAÇÃO NOSSA SENHORA DO BOM SUCESSO	President of the General Council
HOTEL RITZ, S.A.	Director
LAGUM, LDA.	Manager
SODIM, SGPS, S.A.	Director
REALTRAJE, LDA.	Manager
REPRESENTAÇÕES CARVALHAL, S.A.	Director

### MAFALDA MENDES DE ALMEIDA DE QUEIROZ PEREIRA

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

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

OFFICE HELD IN OTHER COMPANIES:

ESPAÇO TREZENTOS E QUARENTA, S.A.	Director <sup>13</sup>
CIMIGEST, SGPS, S.A.	Director
SOCIEDADE AGRÍCOLA da HERDADE dos FIDALGOS, Unip., Lda	Manager <sup>14</sup>
SODIM, SGPS, S.A.	Director
SONAGI, SGPS, S.A.	Director
REPRESENTAÇÕES CARVALHAL, S.A.	Chairman of the Board of Directors

### LUA MÓNICA MENDES DE ALMEIDA DE QUEIROZ PEREIRA

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

SEMAPA NEXT, S.A.	Director
-------------------	----------

OFFICE HELD IN OTHER COMPANIES:

CIMIGEST, SGPS, S.A.	Director
ECOLUA, LDA.	Manager
ESPAÇO TREZENTOS E QUARENTA, S.A.	Director <sup>15</sup>
SODIM, SGPS, S.A.	Director
REPRESENTAÇÕES CARVALHAL, S.A.	Director

<sup>10</sup> In office since 10 April 2019.

<sup>11</sup> In office since 22 October 2019.

<sup>12</sup> Company dissolved on 11 November 2019.

<sup>13</sup> Company dissolved on 11 November 2019.

<sup>14</sup> In office since 1 October 2019.

<sup>15</sup> Company dissolved on 11 November 2019.

**JOSÉ ANTÔNIO DO PRADO FAY****OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:**

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

**OFFICE HELD IN OTHER COMPANIES:**

CAMIL ALIMENTOS, S.A.	Director
JMACEDO ALIMENTOS, S.A.	Director
SUPREMO CIMENTOS, S.A.	Director
SECIL – Companhia Geral de Cal e Cimento, S.A.	Director <sup>16</sup>

According to the regulation of the Board of Directors adopted in October 2018, the directors of the Executive Board may not perform executive functions in entities outside of the company's group, unless if the activity of such entities is found to be ancillary or complementary to the group's activity or is not very time-consuming, the executive directors not being able to perform duties in other companies that do not fulfil the aforementioned criteria.

The same regulation provides that the directors who are not part of the Executive Board may perform management functions (either executive or not) in entities outside of the company's group, where such companies do not carry out activities that compete with that of the company or of directly or indirectly participated companies, and the Chairman of the Board of Directors must be notified before the start of such functions. The non-executive directors of the company do not perform duties in other companies which do not meet the requirements mentioned above.

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

#### **27 Identification of committees set up by the Board of Directors, the General and Supervisory Board and the Executive Board of Directors, as the case may be, and place where the rules of procedure may be consulted**

The following committees exist in the company within the Board of Directors: Executive Board, Control and Risk Committee (CRC) and Corporate Governance Committee (CGC) and Talent Committee (TC).

The CRC, the CGC and the TC have rules of procedure, which are published on the company website (<https://www.semapa.pt/en/investidores/governo/estatutos>), where they may be looked up.

Given its nature, composition and origin from the Board of Directors, which has its own regulation on autonomous functioning and specific rules on the organisation and

functioning of its Executive Board, the CGC does not have an autonomous regulation. Consequently, the following operating rules provided by said regulation and the act delegating power shall apply:

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

#### **28 Composition, if applicable, of the executive board and/or identification of the managing director(s).**

The following are the current members of the Executive Board, who were appointed by resolution of the Board of Directors on 5 June 2018:

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

As mentioned before, and concerning the changes in 2019, Paulo Miguel Garcês Ventura was executive director until 31 May.

<sup>16</sup> In office since 19 June 2019.

**29 Indication of the powers of each of the committees created and summary of the activities carried on the exercise of these responsibilities.**

**EXECUTIVE COMMITTEE:**

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

The Executive Board is the company's executive body, which has performed its duties in the scope of the powers entrusted to it by the Board of Directors. The Board meets on a regular basis and whenever necessary in the light of ongoing business and monitoring of the company's activity. In 2019 it held 42 meetings. These meetings are attended by the members of the Executive Board, as well as the company Secretary, Rui Gouveia. When the matters to be discussed so require, non-executive directors, directors of the group's companies and some of the company's managers may also take part in the meetings.

**CONTROL AND RISK COMMITTEE:**

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

- a) To monitor the company's business affairs, with integrated and permanent analysis of the risks associated with these affairs;
- b) To propose and follow through the implementation of specific measures and procedures relating to the control and reduction of the company's business risks, with a view to perfecting the internal risk control and management system;
- c) To check implementation of the adjustments to the internal control and risk management system proposed by the Audit Board;
- d) To propose the discussion, alteration and introduction of new procedures to improve the detection, control and management of risks inherent to the company's operations.

The CRC shall prepare for approval by the Board of Directors the company's risk policy for each fiscal year, which shall identify, without limiting:

- a) The main risks to which the company is subject in the development of its activities and the levels of risk considered acceptable to the company;
- b) The likelihood of such risks and their impact on the company's operations; and
- c) The necessary tools and measures for the mitigation of the risks identified as relevant for the company's activities.

The CRC met five times in 2019 and on 31 December 2019 it included Carlos Eduardo Coelho Alves, the Chairman, and José Miguel Pereira Gens Paredes and Gonçalo de Castro Salazar Leite, the Members, being Carlos Alves and José Miguel Paredes as directors of the company as well.

This committee conducted the activities, ensured the monitoring and made all the verifications corresponding to its duties, and held joint meetings with the members of the Audit Board, with the support of the Financial Department and the Accounts and Tax Department.

**CORPORATE GOVERNANCE COMMITTEE:**

The CGC monitors on a continuous basis the company's compliance with the provisions of the law, regulations and articles of association applicable to corporate governance and it is responsible for critical analysis of the company's practices and procedures in the field of corporate governance and for proposing for debate, altering and introducing new procedures designed to improve the structure and governance of the company. The CGC is also required to assess annually corporate governance and submit to the Board of Directors any proposals as it sees fit.

The CGC met four times in 2019. Until 31 May 2019, the CGC had as members Francisco José Melo e Castro Guedes, the Chairman, Paulo Miguel Garcês Ventura and Rui Tiago Trindade Ramos Gouveia, Members and company directors and Secretary respectively. Following the resignation of Miguel Ventura as member of the CGC, Heinz-Peter Elstrodt, Chairman of the Board of Directors of the company, was appointed Member of CGC in July 2019. The CGC conducted its oversight and corporate governance assessment activities throughout the financial year. It also participated actively in the drafting of the Annual Report on Corporate Governance, for which it obtained the necessary information, particularly by keeping in touch and attending the meetings with the Executive Director, Miguel Ventura, and a member of the Legal Department.

**TALENT COMMITTEE:**

A The TC, created in 2019, functions in compliance with the provisions of its regulations and is expected to perform the following duties in relation to the governing bodies:

**a) Concerning appointments:**

- i. Assisting the Board of Directors in identifying and assessing the suitability of the profile, knowledge and curriculum of members of the corporate bodies to be appointed, namely, the appointment by co-option to perform the duties of member of the Board of Directors of the company, and the nomination of directors who will perform executive duties;
- ii. Providing the terms of reference available and fostering, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity;
- iii. Whenever deemed appropriate, to know and monitor the processes of selection of potential candidates for the performance of executive management duties in subsidiaries of the Group, in cases where the company intends to present the respective elective proposal;

**b) Concerning evaluation:**

- i. Monitoring the management performance assessment system and the allocation of the company's remuneration;
- ii. Issuing an opinion on the proposals for the annual individual assessment of the performance of the members of the Executive Committee issued by its Chairman, and on the assessment of the latter by the Chairman of the Board of Directors;
- iii. Monitoring the overall assessment of the performance of the Board of Directors as a body, taking into account compliance with the company's strategic plan and budget, risk management, its internal functioning and the contribution of each member to this end;

The Committee is also responsible, concerning talent management, for: **(i)** Monitoring and issuing recommendations on internal policies and procedures relating to the Group's talent management; and **(ii)** Periodically assess the need and availability of talent in the Group and recommend appropriate actions to ensure the Group's ability to meet the arising challenges.

The TC met twice in the 2019 financial year and is comprised of Heinz-Peter Elstrodt, as Chairman, Carlos Eduardo Coelho Alves, Filipa Mendes de Almeida de Queiroz Pereira, José Antônio do Prado Fay, Lua Mónica Mendes de Almeida de Queiroz Pereira and Mafalda Mendes de Almeida de Queiroz Pereira, as Members, all of whom are non-executive directors of the company.

The remuneration attribution process, which is monitored by the Talent Committee, is in particular the responsibility of the company's Remuneration Committee, created under Article 399 of the Commercial Companies Code, with powers, namely, to prepare the statement on the remuneration policy of the members of the management and supervisory bodies, and to analyse and fix the remuneration of the directors.

The joint activity of both committees concerning remuneration matters is sufficient and appropriate to the size and complexity of the company, thus dispensing with the creation of a Remuneration Committee under the Board of Directors, which would otherwise result in the overlapping and redundancy of powers that would inevitably create unnecessary formal and bureaucratic burdens.

**III. AUDITING****A) COMPOSITION****30 Identification of the supervisory body corresponding to the model adopted.**

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

**31 Composition, as applicable, of the audit board, the audit committee, the General and Supervisory Board or the committee for financial affairs, indicating the minimum and maximum numbers of members and duration of their term of office, as established in the articles of association, number of full members, date of first appointment and end date of the term of office of each member; reference may be made to the item in the report where this information is contained in accordance with paragraph 17.**

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

Members of the Audit Board	Date of first appointment and end date of term of office
José Manuel Oliveira Vitorino (Chairman)	2014-2021
Gonçalo Nuno Palha Gaió Picão Caldeira (Full member)	2006-2021
Maria da Graça Torres Ferreira da Cunha Gonçalves (Full member)	2018-2021
Ana Isabel Moraes Nobre de Amaral Marques (Alternate member)	2016-2021

The company considers that it has a sufficient number of members of the Audit Board for its size and the complexity of the risks inherent in its activity, thus ensuring the efficient performance of its duties.

**32 Identification, as applicable, of the members of the audit board, the audit committee, the General and Supervisory Board or the committee for financial affairs who are deemed independent, in accordance with article 414.5 Of the companies code; reference may be made to the item in the report where this information is contained in accordance with paragraph 18.**

The members of the Audit Board José Manuel Oliveira Vitorino (Chairman) and Maria da Graça Torres Ferreira da Cunha Gonçalves are deemed independent by Semapa, in accordance with criteria laid down in Article 414.5 of the Companies Code. The former is currently in his second term and the latter in her first term in office.

Following the appointment of Gonçalo Nuno Palha Gaió Picão Caldeira by the Annual General Meeting on 24 May 2018 for a fourth term as member of the Audit Board, he became a non-independent member of this governing body, in accordance with Article 414 (5b) of the Portuguese Commercial Companies Code.

**33 Professional qualifications, as applicable, of each of the members of the audit board, the audit committee, the General and Supervisory Board or the committee for financial affairs and other relevant biographical details; reference may be made to the item in the report where this information is contained in accordance with paragraph 21.**

#### JOSÉ MANUEL OLIVEIRA VITORINO

José Manuel Vitorino has a degree in Corporate Organisation and Management by *Instituto Superior de Economia* of Lisbon University. He is a qualified Statutory Auditor and certified by the executive training programme of *Universidade Nova de Lisboa*. He was an Assistant

Professor at the School of Economics of Coimbra University until 1980, after which he joined PricewaterhouseCoopers and performed functions in auditing and financial consultancy, in national and foreign companies and groups, and in projects by taking part in international teams. He had performed Partner duties for several years when he left PricewaterhouseCoopers in 2013, after reaching the default retirement age. He was the Chairman of the Audit Board of *Novo Banco, S.A.* until 2017 and currently is member of the Audit Board of *ANA - Aeroportos de Portugal, S.A.* He is a member of the Audit Board of The Navigator Company since 2015, and of Semapa and Secil since 2016, and became Chairman of these supervisory bodies in 2018.

#### GONÇALO NUNO PALHA GAIÓ PICÃO CALDEIRA

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

#### MARIA DA GRAÇA TORRES FERREIRA DA CUNHA GONÇALVES

Maria da Graça da Cunha Gonçalves holds a Degree in Business Organisation and Management from *Instituto de Ciências do Trabalho e da Empresa* (ISCTE), obtained in 1978. She is a qualified Statutory Auditor. She performed duties in General and Cost Accounting and Planning and Financial Analysis at Magnetic Peripherals Inc. Portugal (Control Data Corporation) until 1985, and Financial Analyst at *Shell Portuguesa, S.A.* from 1985 to 1989. She served as CFO, from 1989 to 1995 at United Distillers Comp.



Velha, Lda. and at ITT Automotive Europe GmbH. She was Back Office Director at Pernod Ricard Portugal from 1995 to 2015. She is a member of the Audit Board of Semapa, The Navigator Company and Secil since 2018.

## B) FUNCTIONING

**34 Existence and place where the rules of procedure may be consulted for the audit board, the audit committee, the General and Supervisory Board or the committee for financial affairs, as the case may be; reference may be made to the item in the report where this information is contained in accordance with paragraph 22.**

The Audit Board has rules of procedure which are published on the company website ([https://www.semapa.pt/sites/default/files/participacoes/regulamento\\_do\\_conselho\\_fiscal\\_FINAL\\_EN\\_0.pdf](https://www.semapa.pt/sites/default/files/participacoes/regulamento_do_conselho_fiscal_FINAL_EN_0.pdf)), where they are made available.

**35 Number of meetings held and rate of attendance at meetings of the audit board, the audit committee, the General and Supervisory Board or the committee**

**for financial affairs, as the case may be; reference may be made to the item in the report where this information is contained in accordance with paragraph 23.**

In the financial year 2019, the Audit Board met 19 times, with members present at all meetings (physical presence) for the period during which they performed duties.

**36 Availability of each of the members of the audit board, the audit committee, the General and Supervisory Board or the committee for financial affairs, as the case may be, indicating office held simultaneously in other companies, inside and outside the group, and other relevant activities carried on by the members of these bodies during the period; reference may be made to the item in the report where this information is contained in accordance with paragraph 26.**

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

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

### JOSÉ MANUEL OLIVEIRA VITORINO

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

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

OFFICE HELD IN OTHER COMPANIES:

ANA Aeroportos de Portugal, S.A.	Member of the Audit Board
SECIL – Companhia Geral de Cal e Cimento, S.A.	Chairman of the Audit Board
THE NAVIGATOR COMPANY, S.A.	Chairman of the Audit Board

### GONÇALO NUNO PALHA GAIÃO CALDEIRA

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

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

OFFICE HELD IN OTHER COMPANIES:

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

### MARIA DA GRAÇA TORRES FERREIRA DA CUNHA GONÇALVES

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

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

OFFICE HELD IN OTHER COMPANIES:

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

## C) POWERS AND RESPONSIBILITIES

### 37 Description of the procedures and criteria applicable to the work of the supervisory body for the purposes of contracting additional services from the external auditor.

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

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

### 38 Other duties of the supervisory bodies and, if applicable, of the committee for financial affairs.

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

- a) To oversee the management of the company, including, hereunder, annual assessment of compliance with the company's strategic plan and budget, risk management, the internal functioning of the Board of Directors and its committees, and the relation between company bodies and committees;
- b) To ensure compliance with the law and the articles of association;
- c) To check that books, accounting records and the respective supporting documents are in order;
- d) To check, as and when it sees fit, the state of cash and inventories of any type of goods or valuables belonging to the company or received by the same as security, deposit or on another basis;
- e) To check the accuracy of financial reporting;
- f) To check that the accounting policies and valuation criteria adopted by the company lead to a correct valuation of the company's assets and profits or loss;
- g) To draw up an annual report on its audit activities and to issue its opinion on the report, accounts and motions submitted by the Directors;
- h) To call the General Meeting, when the respective Chairman fails to do so;
- i) Monitor, evaluate and decide on the strategic lines and the risk policy laid down by the Board of Directors;
- j) To monitor the effectiveness of the risk management system, the internal control system and internal audit system, if applicable, proposing any necessary adjustments;
- k) To decide on the work plans and resources allocated to the internal audit services, including ensuring compliance with the rules applicable to the company and internal audit;
- l) To receive reports of irregularities (whistleblowing) submitted by shareholders, company employees or others;
- m) To contract the provision of services by experts who assist one or more of its members in the exercise of their duties, which experts shall be contracted and remunerated in line with the importance of the matters entrusted to them and the economic situation of the company;
- n) To oversee the suitability of the financial information preparation and disclosure procedure by the Board of Directors, including the adequacy of the accounting policies, estimates, evaluations, relevant disclosure and the coherent implementation thereof from year to year, that shall be fully documented and communicated;
- o) To propose to the general meeting the dismissal of the statutory auditor or the termination of the service provision agreement whenever justifiable grounds are present;
- p) To monitor and oversee the preparation and disclosure of the financial information and submit proposals or recommendations to ensure their integrity;
- q) To select the statutory audit firms to be proposed to the General Meeting and justifiably recommend its preference for such firm and propose the respective fees; the selection process shall begin with invitations addressed by the company to audit firms identified as reference in the provisioning of statutory audit services, which, in turn, submit their bids for the internal analysis of the company, in accordance with the following selection criteria:
  - i. Quality of the bids received;

- ii. Knowledge of the sectors in which the Semapa Group operates;
  - iii. Technical quality and seniority of the experts that make up the proposed teams; and
  - iv. Financial conditions presented by each entity.
- r) To oversee the legal auditing of the individual and consolidated annual accounts, namely the implementation thereof, based on possible remarks and conclusions of the Securities Market Commission;
  - s) To oversee the auditing of the company's financial statements and reports;
  - t) To confirm if the corporate governance's structure and practices report disclosed includes the information listed in the Article 245-A of the Portuguese Securities Market Code;
  - u) To monitor the independence of the Statutory Auditor, namely with regard to the provision of additional services, and assess every year the work conducted by the Statutory Auditor and compliance with the tasks assigned to it;
  - v) To check and monitor the audit firm's independence in the exercise of its statutory audit activity or in the provision of other legally permitted services, by means of
    - i. a Statement, during the audit firm's selection process, ensuring that the company has an internal mechanism guaranteeing independence and prevention of conflicts of interest, which it implements;
    - ii. proof provided regularly by the audit firm that such internal mechanisms are adequate and comply with the applicable laws and regulations, and
    - iii. the delivery of certificates required hereunder, namely those laid down in the law and the regulations that apply to all statutory audits of accounts;
  - w) To check that the proposals for the provision of non-audit services submitted by the audit firm do not fall within the scope of the non-audit services that are not permitted and ensure that the requirements for their delivery are met, including the assessment with regard to the maintenance of independence and the prevention of conflicts of interest and the adequacy of the services to be provided; under the terms and for the purposes of this subparagraph, non-audit services which as such are not allowed under the applicable laws and regulations in this area, in particular Article 77(8) of the Statutes of the Association of Statutory Auditors (approved by Law 140/2015, of 7 September), may not be provided;
  - x) To issue a previous and binding opinion on the Regulation of Conflicts of interests and related party transactions to be written and adopted by the Board of Directors or, in the absence of such Regulation, a Board opinion on the type, scope and minimum amount, separate or aggregate, of related party transactions which (i) must be approved previously by the Board of Directors and (ii) the transactions that, involving higher amounts, are also subject to prior approval by the Audit Board;
  - y) To issue prior opinion on all business with related parties submitted to its approval, including on those which, according to the terms in the end of the previous paragraph, require the Board's prior approval, and
  - z) To perform any other duties established in law or the articles of association.
- The Audit Board is also the main point of contact with the External Auditor and the Statutory Auditor, with direct access to and knowledge of his work. The company believes that this direct supervision by the Audit Board is possible, without interference from the Board of Directors, in relation to the work carried on by the External Auditor and the Statutory Auditor, provided that it does not undermine a prompt and adequate information of the management body, which has ultimate responsibility for the company's affairs and financial statements. Complying with this principle, the External Auditor and Statutory Auditor's reports are addressed to the Audit Board and discussed at joint meetings of this board with a member of the Board of Directors, whom the Audit Board informs about the findings of the accounts audit, and the Audit Board ensures that the necessary conditions are in place in the company for the provision of audit services. The Audit Board is further in charge of suggesting and monitoring, with the support of the company's internal services, the External Auditor and Statutory Auditor's pay.
- The Statutory Auditor also cooperates with the Audit Board to provide, immediately and in accordance with applicable legal and regulatory terms, information on irregularities relevant to the performance of the Audit Board's duties that it has detected, as well as any difficulties arising from the performance of his duties.

Pursuant to the rules of procedure of the Audit Board, the Statutory Auditor and the company shall maintain permanent and adequate channels of communication, namely through regular meetings with the management, the Audit Board and the services and departments with responsibilities in the areas concerned and with the consequent discussion and analysis of all information that may be pertinent in the exercise of the corresponding activity.

#### IV. STATUTORY AUDITOR

##### **39 Identification of the statutory audit firm and the partner and statutory auditor representing the same.**

###### STATUTORY AUDITOR

**FULL:** KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. represented by Paulo Alexandre Martins Quintas Paixão (ROC)

**ALTERNATE:** Vítor Manuel da Cunha Ribeirinho (ROC)

##### **40 Indication of the consecutive number of years for which the statutory audit firm has held office in the company and/or group.**

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. has held office with the company since 2018.

##### **41 Description of other services provided by the statutory auditor to the company.**

In addition to legal auditing services, KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. has provided the company with other authorised services.

#### V. EXTERNAL AUDITOR

##### **42 Identification of the external auditor appointed for the purposes of article 8 and the partner and statutory auditor representing such firm in the discharge of these duties, together with their respective registration number with the securities market commission.**

The company's external auditor and its representative are indicated in item 39, and KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. is registered with the Securities Market Commission under number 20161489.

##### **43 Indication of the consecutive number of years for which the external auditor and the respective partner and statutory auditor representing the same in the discharge of these duties has held office in the company and/or group.**

The external auditor is the statutory auditor KPMG & Associados - Sociedade de Revisores Oficiais de Contas,

S.A., represented by partner Paulo Alexandre Martins Quintas Paixão (ROC), both having held office with the company since 2018.

##### **44 Policy on rotation of the external auditor and the respective partner and statutory auditor representing the same in the carrying out of these duties, and the respective frequency of rotation.**

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

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

As a result of the selection process, the Audit Board recommended and put forward to the shareholders the selection of KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. as external auditor, and the proposal was adopted by the shareholders at the General Meeting

##### **45 Indication of the body responsible for assessing the external auditor and the intervals at which this assessment is conducted.**

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

##### **46 Identification of work, other than audit work, carried out by the external auditor for the company and/or companies in a controlling relationship with it, and indication of the internal procedures for approval of the contracting of these services and indication of the reasons for contracting them.**

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

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

In the framework of the provision of tax consultancy services and services other than auditing, our auditors have set strict internal rules to guarantee their independence, and these rules have been adopted in the provision of these services and monitored by the company, in particular by the Audit Board and the Internal Control Committee.

**47 Indication of the annual remuneration paid by the company and/or controlled, controlling or group entities to the auditor and other individuals or organizations belonging to the same network, specifying the percentage relating to the following services:**

Services	Company		Group entities (including the company itself)	
	Amount	Percentage	Amount	Percentage
Value of auditing services	32 209.00	96%	556 476.00	93%
Value of reliability assurance services	1 500.00	4%	41 150.00	7%
Value of tax consultancy services	-	-	-	-
Value of other services other than auditing services	-	-	-	-
<b>Total</b>	<b>33 709.00</b>	<b>100.00%</b>	<b>597 626.00</b>	<b>100.00%</b>

Note: Amounts in euros

In 2019, services other than audit services contracted by the company or controlling entities from the External Auditor or the Statutory Auditor, including by entities belonging to the same corporate group or service network, represented 7% of the total services provided.

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

## C. INTERNAL ORGANIZATION

### I. ARTICLES OF ASSOCIATION

**48 Rules applicable to amendment of the articles of association (article 245-A.1 H)).**

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

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

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

### II. NOTIFICATION OF IRREGULARITIES (WHISTLEBLOWING)

**49 Whistleblowing - procedures and policy**

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

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

The internal regulations of the company's bodies and committees also provide for the adoption and compliance with that regulation.

Access to the Regulations on Notification of Irregularities is reserved.

The company also has a set of Principles of Professional Conduct, approved by the Board of Directors on 30 December 2002. This document establishes ethical principles and rules applicable to company staff and officers.

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

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

The Ethical Principles were changed in late 2018 to include expressly the commitment to respect and promote the Human Rights, and combat money laundering and corruption.

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

### III. INTERNAL CONTROL AND RISK MANAGEMENT

#### 50 People, bodies or committees responsible for internal audits and/or implementation of internal control systems.

Although the company has no specific independent structure for internal audits, the internal control and risk management are conducted by the Board of Directors and through an organisational unit with special responsibilities in this area - the CRC -, the Audit Board and the External and Statutory Auditors being responsible for oversight and monitoring, including of the efficiency of these systems. These bodies and the CRC shall also identify and

propose all necessary changes. The Audit Board has the knowledge and the chance to deliver an opinion on the activities performed by the Control and Risk Committee and Semapa's departments in this framework, on the resources allocated to the departments that also perform compliance duties, and is the recipient, where available, of the reports and opinions made by these services when they concern matters related to financial reporting, identification or resolution of conflicts of interest and detection of potential illegalities and irregularities.

Additionally, the corporate universe represented by most of the group's workers, and which concerns the holding's main subsidiaries, The Navigator Company and Secil, is covered by separate auditing systems with organisational units having special auditing responsibilities. The company thus considers that these risk management systems and of internal control, implemented by the bodies and Committees mentioned before, are suitable for the company's specificities and size and the complexity of the risks from its activity.

Thus, the decision not to have a special department in this area is due to Semapa's simplified administrative structure as a holding company and the way risk control is carried out in the company's group.

#### 51 Description of the lines of command in this area in relation to other bodies or committees; an organizational chart may be used to provide this information.

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

#### 52 Existence of other departments with responsibilities in the field of risk control.

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

#### 53 Identification of the main risks (economic, financial and legal) to which the company is exposed in the course of its business.

Chapter 11 of the notes to the consolidated financial statements provides a detailed analysis of all strategic and operational risks, including economic and legal risks. Financial risks, on the other hand, are identified in Chapter 8.1 of the notes to the consolidated financial statements.

The strategic risks were identified as a result of the work initiated in 2018 and consolidated in 2019 that aimed at

mapping the strategic risks facing Semapa and the group. This effort resulted in a risk report approved by the company.

Operational risks include, among others, raw material supply, sales price, product demand, competition, environmental legislation, and energy cost risks.

Financial risks include exchange rate, interest rate, liquidity and credit risks.

#### **54 Description of the process of risk identification, assessment, monitoring, control and management.**

The main purpose of the Control and Risk Committee (CGC) is to detect and control all relevant risks in the company's affairs, in particular financial and legal risks, and the Committee is vested with the powers set out in items 21 and 29 of this Report.

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

The external audit to Semapa and the companies controlled by it was conducted by KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. until the end of the year 2019. The company's External and Statutory Auditor checks, in particular, the application of remuneration policies and systems, and the effectiveness and workings of internal control procedures through the information and documents provided by the company, and in particular by the Remuneration Committee and the CRC. The respective conclusions are reported by the External and Statutory Auditor to the Audit Board, which then reports the shortcomings detected, if any.

The implemented internal control and risk management systems have proven to be effective, and no situations have so far arisen which have not been anticipated, duly guarded against or expressly accepted in advance as controlled risks. As stated above, in addition to its own powers in this field and in order to safeguard against the acceptance of excessive risks by the company, the Board of Directors created the CRC which, in accordance with the responsibilities defined by the Board of Directors, is responsible for assuring internal control and risk management. The Audit Board is responsible for overseeing the effectiveness of the risk management system and the internal control system, proposing adjustments to the existing system whenever necessary, and being the CRC responsible for implementing these adjustments. Finally, it should be noted that these systems are monitored and overseen at all times by the

Board of Directors, which has ultimate responsibility for the company's internal activities.

The company approved the Risk Management System (Risk Policy) at a meeting of the Board of Directors held at the beginning of 2019, and also approved at the same meeting the 2018 Risk Report, which, in particular, sets the risk-taking objectives and identifies the probability and impact indices in relation to such risks, which provides for the assessment of the degree of internal compliance and the performance of the risk management system, and addresses changes to the previous risk framework. It also approved the instruments and measures to be adopted with a view to their mitigation, providing the follow-up procedures for monitoring these risks. The Board meeting held in March 2020 also adopted the 2019 Risk Report.

The Audit Board, which plays a particularly important role in this field, with all the powers and responsibilities assigned to it directly by law and by the Rules of Procedure of the Audit Board, looked into, assessed and gave its opinion on these strategic guidelines and the risk policy at Board meetings in 2019 and monitored the progress of the work carried out by the CRC in 2019. In this context, the Audit Board, in conjunction with the CRC and the administration services, is implementing periodic, in house, control mechanisms and procedures to ensure that the real risks of the company are consistent with the objectives set by the Board, since some of these procedures already exist in the company, such as regular meetings held with other governing bodies and committees with competence in this matter and tests requested whenever necessary and appropriate.

#### **55 Main elements of the internal control and risk management systems implemented in the company with regard to the process of disclosure of financial information (article 245-A.1 M)).**

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

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

With regard to internal control procedures for the process of disclosing financial information, the company has

implemented rules, which are intended to assure that disclosures are made in good time and to mitigate the risk of unevenness in the information provided to the market.

#### IV. INVESTOR SUPPORT

##### 56 Office responsible for investor support, composition, functions, information provided and contact details.

The investor support service is provided by an office reporting to the Financial Director of the company, Susana Coutinho. This office is adequately staffed and enjoys swift access to all bodies, committees and departments of the company, and where necessary and according to the procedures laid down and the limits provided by law, of the Group's companies, in order to ensure an effective response to requests, and also to produce, process and transmit relevant information to shareholders, investors and other stakeholders, as well as to financial analysts and to the market in general, in due time and without any inequality, pursuant to applicable legal and regulatory terms.

Susana Coutinho can be contacted through the email address [investors@semapa.pt](mailto:investors@semapa.pt) or on the company's general telephone numbers (+351 21 318 47 00). All public

information regarding the company can be accessed by these means. It should be noted, in any case, that the information most frequently requested by investors is available at the company's website [www.semapa.pt](http://www.semapa.pt), and it generally concerns information about the Semapa group, the company's business, corporate governance and financial information.

##### 57 Market relations officer.

The market relations officer is Susana Coutinho.

##### 58 Information on the number of enquiries received in the period or pending from previous periods, and enquiry response times.

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

#### V. WEBSITE (59 TO 65)

Description	Internet address
59 Semapa website	<a href="https://www.semapa.pt/en">https://www.semapa.pt/en</a>
60 Address where information is provided on the company's name, public company status, registered office and other data required by article 171 of the Companies Code.	<a href="https://www.semapa.pt/en/firmcontacto">https://www.semapa.pt/en/firmcontacto</a>
61 Address where the articles of association and rules of procedures of company boards and/ or committees can be consulted.	<a href="https://www.semapa.pt/en/investidores/governo/estatutos">https://www.semapa.pt/en/investidores/governo/estatutos</a>
62 Address where information is provided on the identity of company officers, market relations officer, the investor support office or equivalent structure, respective powers and responsibilities and contact details.	<a href="https://www.semapa.pt/index.php/en/investidores/governo/os">https://www.semapa.pt/index.php/en/investidores/governo/os</a> <a href="https://www.semapa.pt/en/firmcontacto">https://www.semapa.pt/en/firmcontacto</a>
63 Address for consultation of financial statements and reports, which must be accessible for no less than five years, together with the six-monthly corporate diary, disclosed at the start of each semester, including, amongst other things, general meetings, disclosure of annual, half-yearly and, if applicable, quarterly accounts.	<a href="https://www.semapa.pt/index.php/en/investidores/informacao/demonstracoes">https://www.semapa.pt/index.php/en/investidores/informacao/demonstracoes</a> <a href="https://www.semapa.pt/en/investidores/calendario">https://www.semapa.pt/en/investidores/calendario</a>
64 Address where notice of general meetings is posted, together with all preparatory information and subsequent information related to meetings.	<a href="https://www.semapa.pt/index.php/en/investidores/assembleias">https://www.semapa.pt/index.php/en/investidores/assembleias</a>
65 Address for consultation of historical archives, with resolutions adopted at the company's general meetings, the share capital represented and the results of votes, for the past three years.	<a href="https://www.semapa.pt/index.php/en/investidores/assembleias">https://www.semapa.pt/index.php/en/investidores/assembleias</a>



## D. REMUNERATION

### I. POWERS TO DETERMINE REMUNERATION

#### 66 Indication of powers to set the remuneration of company officers, members of the executive board or managing director and the company managers.

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

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

### II. THE REMUNERATION COMMITTEE

#### 67 Composition of the remuneration committee, including identification of individuals or organizations contracted to provide support, and declaration regarding the independence of each member and adviser.

The Remuneration Committee consists of José Gonçalo Ferreira Maury, João Rodrigo Appleton Moreira Rato and João do Passo Vicente Ribeiro, the latter having been appointed by the Annual General Meeting of 16 April 2019, and nobody has been engaged to assist the Committee. The company may decide freely to hire the services it deems necessary or appropriate, within budget parameters, a right that has been exercised in the past, in which case it must ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.

The company considers the Remuneration Committee to be independent of the Board, since all of its members are independent.

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

The Remuneration Committee provides all information or clarifications to the shareholders of the company in the respective Annual General Meetings or in any other general meeting if its agenda includes a matter related to the remuneration of the members of the corporate bodies and committees or if the shareholders require its presence,

through the presence of at least one of its members. That was the case at the annual General Meeting of 16 April 2019, which was attended by all members.

#### 68 Expertise and experience of the members of the remuneration committee in the field of remuneration policy.

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

### III. REMUNERATION STRUCTURE

#### 69 Description of the remuneration policy for members of the management and supervisory bodies as referred to in article 2 of law no. 28/2009, Of 19 June.

The remuneration policy for members of the management and supervisory bodies is set out in the Remuneration Policy Statement issued by the Remuneration Committee, approved at the beginning of each term and confirmed annually, corresponding to Annex II of this Report, and there is no deviation from the procedures for the application of the approved remuneration policy.

#### 70 Information on how remuneration is structured in order to align the interests of members of the management body with the long term interests of the company, and on how it is based on performance assessment and discourages excessive risk-taking.

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

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

The effect of the alignment of the interests in the long-term results, to some extent, from the fact that one of the KPIs of EBITDA is linked to the medium term plan, albeit in a form that is more limited than that arising from Semapa's de facto situation in relation to the significant

stability of the Executive Board's members. Such stability is naturally linked to longer time lines, including in the wage component, as future results influence future remunerations for which expectations exist.

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

Furthermore, since it was set up, the Talent Committee is one more organic unit with the competencies of monitoring the management performance assessment system and the allocation of the company's remuneration.

**71 Reference, if applicable to the existence of a variable remuneration component and information on any impact on this from performance assessments.**

The remuneration of executive directors includes a variable component, which depends on a performance assessment, as described in the Remuneration Policy Statement, in particular in item 2 of chapter VI. The performance assessment under the variable remuneration, in its individual and qualitative component, accounts for approximately 50% of that remuneration component.

In the case of non-executive directors, it should be noted that although it is only a fixed part, it can be differentiated according to the accumulation of increased responsibilities.

There are no upper limits to remuneration, notwithstanding the limit set by the articles of association on directors' participation in the profits for the year and no mechanism is in place to allow the company to request the reimbursement of variable remuneration paid.

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

**72 Deferred payment of the variable component of remuneration, indicating the deferral period.**

Payment of the variable component of remuneration is not deferred at Semapa, notwithstanding the existence of a specific indicator - one of the components of EBITDA is not measured in relation to the exercise, but rather to a theoretical EBITDA determined by reference to the medium-term plan - which assesses sustainable performance in the medium term.

**73 Criteria applied in allocating variable remuneration in shares and on the continued holding by executive directors of these shares, on any contracts concluded with regard to these shares, specifically hedging or transferring risk, the respective limits and the respective proportion represented of total annual remuneration.**

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

**74 Criteria applied in allocating variable remuneration on options and indication of the deferral period and the price for exercising options.**

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

**75 Main parameters and grounds for any annual bonus system and any other non-cash benefits.**

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

**76 Main features of complementary or early retirement schemes for directors and the date of approval by the general meeting, on an individual basis.**

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

At present, this is the only pension which Semapa pays. It is a lifetime monthly pension paid 12 months per year, for which the following is provided: (i) the transferability of half of its value to the surviving spouse or minor or disabled children and (ii) mandatory deduction from this pension either the value of remunerated services later delivered to Semapa or controlled companies, or the value of pensions that the beneficiary is entitled to receive from the national Social Insurance scheme related to the same period of service. Semapa's liability with this pension is as mentioned in Note 7.3 to the Consolidated Financial Statements and Note 7.2 to the Individual Financial Statements.

#### IV. DISCLOSURE OF REMUNERATION

##### 77 Indication of the annual remuneration earned from the company, on an aggregate and individual basis, by the members of the company's management body, including fixed and variable remuneration and, in relation to the latter, reference to the different components.

Below we indicate the remuneration earned in 2019, paid by Semapa to the members of the company's management body, distinguishing between fixed and variable remuneration, though the variable remuneration was paid in 2019 but refers to the performance of 2018, but without a breakdown of the different components of the latter, insofar as it is set as a whole, taking into account the factors described in the Remuneration Policy Statement issued by the Remuneration Committee, without identifying components.

Board of Directors	Remuneration Fixed		Remuneration Variable	
	Amount	Relative percentage	Amount	Relative percentage
António Pedro de Carvalho Viana-Baptista	128 305.13	100%	-	-
Carlos Eduardo Coelho Alves	77 825.00	100%	-	-
Filipa Mendes de Almeida de Queiroz Pereira	77 825.00	100%	-	-
Francisco José de Melo e Castro Guedes	77 825.00	100%	-	-
Heinz-Peter Elstrodt	347 414.31	100%	-	-
João Nuno de Sottomayor Pinto de Castello Branco	761 199.25	52.50%	688 622.85	47.50%
José Miguel Pereira Gens Paredes	315 969.50	35.75 %	567 863.64	64.25%
José António do Prado Fay	128 816.00	100%	-	-
Lua Mónica Mendes de Almeida de Queiroz Pereira	77 825.00	100%	-	-
Mafalda Mendes de Almeida de Queiroz Pereira	77 825.00	100%	-	-
Paulo Miguel Garcês Ventura	192 012.60	27.24%	512 810.56	72.76%
Ricardo Miguel dos Santos Pacheco Pires	315 969.50	36.17%	557 559.56	63.83%
Vítor Manuel Galvão Rocha Novais Gonçalves	77 825.00	100%	-	-
Vítor Paulo Paranhos Pereira	128 305.13	100%	-	-
<b>Total</b>	<b>2 784 941.42</b>	<b>-</b>	<b>2 326 856.61</b>	<b>-</b>

Note: Amounts in euros

The table above specifies the annual amount paid to the members of the Board of Directors during the performance of their duties.

This information already appears in the proposal for the Remuneration Policy Statement of the Remuneration Committee to be presented at the Annual General Meeting of the company to be held this year.

**78 Amounts paid on any basis by other controlled, controlling or group companies or companies under common control.**

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

The following directors earned remunerations in other controlling companies or companies under common control: Heinz-Peter Elstrodt (98 672.26 euros), Francisco José de Melo e Castro Guedes (80 895.50 euros), Vítor Manuel Galvão Rocha Novais Gonçalves (98 000.00 euros), Vítor Paulo Paranhos Pereira (164 814.54 euros), Filipa Mendes de Almeida de Queiroz Pereira (70 750.00 euros), Mafalda Mendes de Almeida de Queiroz Pereira (70 750.00 euros) and Lua Mónica Mendes de Almeida de Queiroz Pereira (70 750.00 euros). It should be noted that

the members of the Board of Directors did not receive remuneration in other companies in a group relationship, and this information is already included in the proposal for a Remuneration Policy Statement of the Remuneration Committee to be presented at the Annual General Meeting of the company to be held this year.

**79 Remuneration paid in the form of profit sharing and/or payment of bonuses, and the grounds on which these bonuses and/or profit sharing were granted.**

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

**80 Compensation paid or owing to former executive directors in relation to termination of their directorships during the period.**

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

**81 Indication of the annual remuneration earned, on an aggregate and individual basis, by the members of the company's supervisory body, for the purposes of law 28/2009, of 19 June.**

Audit Board	Fixed Remuneration		Variable Remuneration	
	Amount	Relative percentage	Amount	Relative percentage
José Manuel Oliveira Vitorino	22 000.00	100%	-	-
Gonçalo Nuno Palha Gaio Picão Caldeira	15 999.97	100%	-	-
Maria da Graça Torres Ferreira da Cunha	15 999.97	100%	-	-
<b>Total</b>	<b>53 999.94</b>		-	-

Note: Amounts in euros

The table before specifies the annual amount paid to the members of the Audit Board during the performance of their duties.

This information already appears in the proposal for the Remuneration Policy Statement of the Remuneration Committee to be presented at the Annual General Meeting of the company to be held this year.

**82 Indication of remuneration earned in the reporting period by the chairman of the general meeting.**

In 2019, the Chairman of the General Meeting earned a fixed remuneration of 3 000 euros.

This information already appears in the proposal for the Remuneration Policy Statement of the Remuneration Committee to be presented at the Annual General Meeting of the company to be held this year.

## V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

### 83 Contractual limits for compensation payable for the unfair dismissal of directors and the respective relationship with the variable remuneration component.

Semapa has no contract with directors limiting or otherwise altering the supplementary legal rules on fair or unfair termination; the Remuneration Policy approved by Semapa's Remuneration Committee provides that, where directors resign, the supplementary legal rules will apply in this respect.

Therefore, considering the absence of individual contracts with directors in this regard and the provisions of the Remuneration Policy approved by the company's Remuneration Committee, where the removal of a director is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions, the company is obliged to pay compensation in accordance with the general terms of the law, although such compensation shall not exceed the value of the remuneration they would presumably have received through to the end of their term of office.

Dismissal before the expiry of the mandate does not entitle the director, either directly or indirectly, to compensation beyond the statutory amounts.

### 84 Reference to the existence and description of agreements between the company and directors or managers, as defined by article 248-b.3 Of the securities code, which provide for compensation in the event of resignation, dismissal without due cause or termination of employment contract as a result of a change of control of the company, indicating the amounts involved (article 245.-A.1 L)).

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

## VI. STOCK OR STOCK OPTION PLANS

### 85 Identification of plan and beneficiaries.

The company has no stock or stock option plans.

### 86 Description of plan (terms of allocation, non-transfer of share clauses, criteria on the price of shares and the price of exercising options, the period during which the options may be exercised, the characteristics of the shares to be distributed, the existence of incentives to purchase shares and/or exercise options)

Not applicable.

### 87 Stock option rights allocated to company employees and staff.

Not applicable.

### 88 Control mechanisms in an employee ownership scheme insofar as voting rights are not directly exercised by employees (article 245-A.1 E)).

There is no employee ownership scheme in Semapa.

## E. RELATED PARTY TRANSACTIONS CONFLICTS OF INTEREST

### I. CONTROL MECHANISMS AND PROCEDURES

### 89 Procedures implemented by the company for controlling related party transactions (reference is made for this purpose to the concept deriving from ias 24) and conflicts of interest.

On 31 October 2018, the company adopted, with the favourable opinion of the Audit Board, a Regulation of Conflicts of interests and related party transactions, which establishes the rules that govern conflicts of interest and related party transactions to which the company is a party, in addition to the internal mechanisms that the company has in place to ensure compliance with the international accounting standard (IAS) 24 (Related Party Disclosures). It is applicable without prejudice to the company's obligations and of its Directors concerning Inside Information, the legal framework of company business with executive directors and the internal Regulation on the Reporting of Irregularities and other relevant legislation. This regulation was amended by resolution of the Board of Directors on 25 July 2019, with the favourable opinion of the Audit Board and was published again on the Semapa website on 26 July 2019.

This regulation is available on the company's website.

According to the Regulation on Conflicts of interests and related party transactions, the transactions between the company and related parties, qualified as such in accordance with the IAS 24 international accounting standards, are subject to the following approval procedures:

The following Transactions have been approved by the Executive Board:

- a) Loans granted to the company by shareholder companies with a value of less than or equal to one hundred million euros;
- b) Transactions under the taxation regime for company groups, with a value of less than or equal to one hundred million euros;
- c) Transactions with controlled companies that consolidate accounts with the company, with an individual or accumulated annual value of less than or equal to two percent of the controlled company's revenue, assessed according to the latest approved annual accounts;
- d) Loans to controlled companies that consolidate accounts with the Company and, thus, holds their debt, (i) with a maturity of less than six months, (ii) individual or cumulative annual value of less than one fifth of the of the controlled company's revenue, assessed according to the latest approved annual accounts and not exceeding one hundred million euros and (iii) as long as the controlled company ensures credit lines for the reimbursement of the operation, and
- e) All other Transactions with an individual or cumulative annual amount of less than or equal to one million euros.

The Transactions that do not fall within the scope of the previous paragraphs are adopted by the Board of Directors, subject to the prior approval by the Audit Board.

The Board of Directors shall inform the Audit Board, at least every six months, of all transactions with related parties that have taken place, irrespective of whether or not explicit consent of the Audit Board is required.

The Directors of the company who take part in the conclusion of related party transactions must ensure that the transactions are submitted to the approvals provided in the regulation. The Executive Board is responsible for overseeing the formalisation and the implementation of decisions concerning Related Party Transactions.

Until the amendments to the Regulations on Conflicts of Interest and Related Party Transactions were adopted on 25 July 2019, the following rules and criteria were applicable to the transactions between the company and Related Parties:

Significant Transactions are Related Party Transactions which:

- a) Are carried out with companies controlled by the company and that have consolidated accounts with the latter that (i) individually amount to 1% or more of the consolidated turnover of the last consolidated accounts of the company adopted by the shareholders or (ii) amounting, in relation to the same related party and the same fiscal year, to a total amount equal to or above double the amount resulting from the application of the criterion mentioned above; and
- b) Are carried out with entities outside of the Group of companies mentioned in the previous paragraph, with amounts that individually or in accumulated terms are equal to or more than one fifth of the amounts mentioned in the previous paragraph.

All other Related party transactions which are not mentioned in the previous paragraphs are considered Transactions that are not significant, so transactions with Related Parties may be carried out only in full respect of the justified interest of the company.

Significant Transactions must be approved by the Board of Directors, subject to the prior approval of the Audit Board. Non-significant Transactions are not subject to the approval of the Audit Board and are approved by the Board of Directors or the Executive Committee if their amounts do not exceed two hundred and fifty thousand euros, individually or in accumulated terms.

Concerning the procedures applicable to conflicts of interest, the regulation provides for a conflict situation where the decision-maker or someone taking part in a decision (Director) is in a position that, in objective terms, may compromise his independence and influence in his judgement interests distinct from the company's interests, either financial or other, own or other, and for the appropriate prevention, identification and resolution, the Director must:

- a) Report the existence of, real or potential, conflict of interest to their superiors, or, in the case of a member of a collegial body, to the body in question in the terms of the relevant rules of procedure; and
- b) Refrain from interfering or participating in a decision whenever there is a situation of conflict of interest, and have noted such impediment in the minutes or other written document where the decision is laid down, without prejudice to the duty to provide all information and clarification which the relevant company body and its members may request.

Furthermore, all rules of procedures of the governing bodies and internal committees include provisions on conflicts of interest aligned with the rules described before.

## 90 Indication of transactions subject to control during reporting period

In 2019, there were the related party transactions that have been identified in the information on related party transactions in Note 10.4 of the Annex to the consolidated accounts and Note 10.2 of the Annex to the individual financial statements, which were analysed and approved in line with the new Regulation on Conflicts of Interests and Related Party Transactions. According to the regulation mentioned before, the loans from Sodim, SGPS, S.A. and Cimo - Gestão de Participações, SGPS, S.A., specified in Note 10.4 of the Annex to the consolidated accounts and Note 10.2 of the Annex to the individual financial statements are subject to the prior opinion of the Audit Board, which did deliver a favourable opinion on these loans.

The Board of Directors informed the Audit Board about the approval of all related party transactions made pursuant to the Regulation on Conflict of Interests and Transactions with Related Parties.

## 91 Description of the procedures and criteria applicable to intervention by the supervisory body for the purposes of prior assessment of transactions to be carried out between the company and qualifying shareholders or related entities, under article 20 of the securities code.

The procedures and criteria are as described in items 89 and 90 above.

## II. DETAILS OF TRANSACTIONS

### 92 Indication of the place in the financial reports and account where information is available on related party transactions, in accordance with IAS 24, or, alternatively, reproduction of this information.

Information on related party transactions is contained in Note 10.4 of the Annex to the consolidated financial statements and Note 10.2 of the Annex to the individual financial statements.

# PART II ASSESSMENT OF CORPORATE GOVERNANCE

## 1 IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED

Semapa adopted the Corporate Governance Code of the Portuguese Corporate Governance Institute (IPCG), also complying with the Regulation of the Portuguese Securities Market Commission (CMVM Regulation no. 4/2013).

The Code adopted is disclosed by the IPCG and may be consulted on the website.

## 2 ANALYSIS OF COMPLIANCE WITH THE ADOPTED CORPORATE

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

#	Adoption	Text	Reference
<b>I. GENERAL PROVISIONS</b>			
General Principle: Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of investors, employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of the companies.			
<b>I.1 Company's relationship with investors and disclosure</b>			
Principle: Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information.			
I.1.1	Adopted	The company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.	Part I, items 55 to 65 Part I, item 21
<b>I.2 Diversity in the composition and functioning of the company's governing bodies</b>			
Principle: I.2.A - Companies ensure diversity in the composition of its governing bodies, and the adoption of requirements based on individual merit, in the appointment procedures that are exclusively within the powers of the shareholders. I.2.B - Companies should be provided with clear and transparent decision structures and ensure a maximum effectiveness of the functioning of their governing bodies and commissions.			
I.2.1	Adopted	Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	Part I, item 16
I.2.2	Adopted	The company's managing and supervisory boards, as well as their committees, should have internal regulations – namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members –, and detailed minutes of the meetings of each of these bodies should be carried out.	Part I, items 21, 22, 27, 29 and 34
I.2.3	Adopted	The internal regulations of the governing bodies – the managing body, the supervisory body and their respective committees – should be disclosed, in full, on the company's website.	Part I, items 22, 34 and 61



#	Adoption	Text	Reference
I.2.4	Adopted	The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	Part I, items 23, 29 and 35
I.2.5	Adopted	The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.	Part I, items 49 and 54

### I.3 Relationships between the company bodies

#### Principle:

Members of the company's boards, especially directors, should create, considering the duties of each of the boards, the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.

I.3.1	Adopted	The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	Part I, item 21
I.3.2	Adopted	Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.	Part I, item 21

### I.4 Conflicts of interest

#### Principle:

The existence of current or potential conflicts of interest, between members of the company's boards or committees and the company, should be prevented. The non-interference of the conflicted member in the decision process should be guaranteed.

I.4.1	Adopted	The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.	Part I, item 89
I.4.2	Adopted	Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	Part I, item 89

### I.5 Related party transactions

#### Principle:

Due to the potential risks that they may hold, transactions with related parties should be justified by the interest of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.

I.5.1	Adopted	The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.	Part I, items 38, 89 to 91
I.5.2	Adopted	The managing body should report all the transactions contained in Recommendation 1.5.1. to the supervisory body, at least every six months.	Part I, items 89 to 91

#	Adoption	Text	Reference
---	----------	------	-----------

## II. SHAREHOLDERS AND GENERAL MEETINGS

Principles:

II.A - As an instrument for the efficient functioning of the company and the fulfilment of the corporate purpose of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.

II.B - The company should stimulate the personal participation of shareholders in general meetings, which is a space for communication by the shareholders with the company's boards and committees and also of reflection about the company itself.

II.C - The company should also allow the participation of its shareholders in the general meeting through digital means, postal votes and, especially, electronic votes, unless this is deemed to be disproportionate, namely taking into account the associated costs.

II.1	Adopted	The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	Part I, items 12 and 13
II.2	Adopted	The company should not adopt mechanisms that make decision-making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	Part I, item 14
II.3	Adopted	The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.	Part I, item 12
II.4	Not adopted	The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.	Explanation of recommendations not adopted below
II.5	Not applicable	The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution – without increased quorum in comparison to the legally established – and in that resolution, all votes cast will be counted without observation of the imposed limits.	Part I, items 5 and 13
II.6	Adopted	The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.	Part I, items 4 and 84

## III. NON-EXECUTIVE MANAGEMENT, MONITORING AND SUPERVISION

Principles:

III.A - The members of governing bodies who possess non-executive management duties or monitoring and supervisory duties should, in an effective and judicious manner, carry out monitoring duties and incentivise executive management for the full accomplishment of the corporate purpose, and such performance should be complemented by committees for areas that are central to corporate governance.

III.B - The composition of the supervisory body and the non-executive directors should provide the company with a balanced and suitable diversity of skills, knowledge, and professional experience.

III.C - The supervisory body should carry out a permanent oversight of the company's managing body, also in a preventive perspective, following the company's activity and, in particular, the decisions of fundamental importance.

III.1	Not adopted	Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions, and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.	Explanation of recommendations not adopted below
-------	-------------	---	--

#	Adoption	Text	Reference
III.2	Adopted	The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.	Part I, items 18 and 31
III.3	Adopted	In any case, the number of non-executive directors should be higher than the number of executive directors.	Part I, item 18
III.4	Not adopted	<p>Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to:</p> <ul style="list-style-type: none"> <li>i. Having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis;</li> <li>ii. Having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years;</li> <li>iii. Having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person;</li> <li>iv. Having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties;</li> <li>v. Having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons with direct or indirect qualifying holdings;</li> <li>vi. Having been a qualified holder or representative of a shareholder of qualifying holding.</li> </ul>	Explanation of recommendations not adopted below
III.5	Adopted	The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).	Part I, items 17 and 18
III.6	Adopted	Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the fulfilment thereof.	Part I, item 21
III.7	Not applicable	The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	Part I, item 15
III.8	Adopted	The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.	Part I, item 54
III.9	Adopted	Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.	Part I, items 16, 21, 27 and 29
III.10	Adopted	Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.	Part I, item 50
III.11	Adopted	The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.	Part I, items 38, 50 and 54

#	Adoption	Text	Reference
III.12	Adopted	The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.	Part I, item 50

#### IV. EXECUTIVE MANAGEMENT

Principles:

IV.A - As way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the company's objectives and aiming to contribute towards the company's sustainable development.

IV.B - In determining the number of executive directors, it should be taken into account, besides the costs and the desirable agility in the functioning of the executive board, the size of the company, the complexity of its activity, and its geographical spread.

IV.1	Adopted	The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.	Part I, items 26 and 27
IV.2	Adopted	The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: <b>i)</b> the definition of the strategy and main policies of the company; <b>ii)</b> the organisation and coordination of the business structure; <b>iii)</b> matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	Part I, item 21
IV.3	Adopted	In matters of risk assumption, the managing body should set objectives and look after their accomplishment.	Part I, items 50 to 55
IV.4	Adopted	The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.	Part I, item 54

#### V. EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENT

##### V.1 Annual evaluation of performance

Principle:

The company should promote the assessment of performance of the executive board and of its members individually, and also the assessment of the overall performance of the managing body and its specialized committees.

V.1.1	Adopted	The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Part I, items 24 and 25
V.1.2	Adopted	The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Part I, item 38

##### V.2 REMUNERATION

Principle:

The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member's interests with those of the company's shareholders — taking into account the wealth effectively created by the company, its financial situation and the market's — and constitute a factor of development of a culture of professionalisation, promotion of merit and transparency within the company.

V.2.1	Adopted	The remuneration should be set by a committee, the composition of which should ensure its independence from management.	Part I, items 66 and 67
-------	---------	---	-------------------------

#	Adoption	Text	Reference
V.2.2	Adopted	The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.	Part I, items 66, 69 to 75 and Annex II
V.2.3	Adopted	The statement on the remuneration policy for the management and supervisory bodies referred to in Article 2 of Law no. 28/2009 of 19 June, shall also contain the following: <b>i.</b> The total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied;	Part I, items 77, 81, 82 and Annex II
	Not applicable	<b>ii.</b> Remunerations from companies that belong to the same group as the company;	Part I, item 78
	Not applicable	<b>iii.</b> The number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date;	Part I, items 73, 74, 85 and Annex II
	Adopted	<b>iv.</b> Information on the possibility to request the reimbursement of variable remuneration;	Part I, item 71
	Adopted	<b>v.</b> Information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation;	Part I, item 69
	Adopted	<b>vi.</b> Information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.	Part I, items 80, 83, 84 and Annex II
V.2.4	Partially adopted	For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.	Explanation of recommendations not adopted below
V.2.5	Adopted	In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	Part I, item 67
V.2.6	Adopted	Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.	Part I, item 67

#	Adoption	Text	Reference
<b>V.3 Director remuneration</b>			
Principle: Directors should receive compensation: i) that suitably remunerates the responsibility taken, the availability and the competences placed at the disposal of the company; ii) that guarantees a performance aligned with the long-term interests of the shareholders, as well as others expressly defined by them; and iii) that rewards performance.			
V.3.1	Adopted	Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.	Part I, items 70 and 71
V.3.2	Not adopted	A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	Explanation of recommendations not adopted below
V.3.4	Not applicable	When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.	Part I, items 73 and 74
V.3.5	Adopted	The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.	Part I, item 71
V.3.6	Adopted	The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such Director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.	Part I, items 83 and 84
<b>V.4 Appointments</b>			
Principle: Regardless of the manner of appointment, the profile, the knowledge, and the curriculum of the members of the company's governing bodies, and of the executive staff, should be suited to the functions carried out.			
V.4.1	Adopted	The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.	Part I, item 16
V.4.2	Not adopted	The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.	Explanation of recommendations not adopted below
V.4.3	Not adopted	This nomination committee includes a majority of non-executive, independent members.	Explanation of recommendations not adopted below
V.4.4	Adopted	The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.	Part I, item 29

#	Adoption	Text	Reference
<b>VI. RISK MANAGEMENT</b>			
Principle: Based on its mid and long-term strategies, the company should establish a system of risk management and control, and of internal audit, which allow for the anticipation and minimization of risks inherent to the company's activity.			
VI.1	Adopted	The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.	Part I, item 54
VI.2	Adopted	Based on its risk policy, the company should establish a system of risk management, identifying <b>(i)</b> the main risks it is subject to in carrying out its activity; <b>(ii)</b> the probability of occurrence of those risks and their respective impact; <b>(iii)</b> the devices and measures to adopt towards their mitigation; <b>(iv)</b> the monitoring procedures, aiming at their accompaniment; and <b>(v)</b> the procedure for control, periodic evaluation and adjustment of the system.	Part I, item 54
VI.3	Adopted	The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.	Part I, item 54
<b>VII. FINANCIAL STATEMENTS AND ACCOUNTING</b>			
<b>VII.1 Financial information</b>			
Principles: VII.A - The supervisory body should, with independence and in a diligent manner, ensure that the managing body complies with its duties when choosing appropriate accounting policies and standards for the company, and when establishing suitable systems of financial reporting, risk management, internal control, and internal audit. VII.B - The supervisory body should promote an adequate coordination between the internal audit and the statutory audit of accounts.			
VII.1.1	Adopted	The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgements, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	Part I, item 38
<b>VII.2 Statutory audit of accounts and supervision</b>			
Principle: The supervisory body should establish and monitor clear and transparent formal procedures on the form of selection of the company's statutory auditor and on their relationship with the company, as well as on the supervision of compliance, by the auditor with rules regarding independence imposed by law and professional regulations.			
VII.2.1	Adopted	Through the use of internal regulations, the supervisory body should define: <b>i.</b> The criteria and the process of selection of the statutory auditor;	Part I, item 38
	Adopted	<b>ii.</b> The methodology of communication between the company and the statutory auditor;	Part I, item 38
	Adopted	<b>iii.</b> The monitoring procedures destined to ensure the independence of the statutory auditor;	Part I, items 37 and 38
	Adopted	<b>iv.</b> The services, besides those of accounting, which may not be provided by the statutory auditor.	Part I, item 38
VII.2.2	Adopted	The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	Part I, item 38
VII.2.3	Adopted	The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	Part I, item 38

#	Adoption	Text	Reference
VII.2.4	Not applicable	The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.	(We find that monitoring the duties of the Statutory Auditor, and not of the company, is not feasible.)
VII.2.5	Not applicable	The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties.	(We find that monitoring the duties of the Statutory Auditor, and not of the company, is not feasible.)

## EXPLANATION OF RECOMMENDATIONS NOT ADOPTED BELOW:

### RECOMMENDATION II.4

This recommendation states that "The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings."

Whereas until now no shareholders requested or showed interest in the implementation of systems that allow participation in general meetings by telematic means and since the means that allow the vote by electronic correspondence are available and, on the other hand, these meetings benefit from extended disclosure deadlines and flexible participation requirements - *each share corresponding to one vote and the deadlines for providing proof of shareholder quality and the appointment of representatives being short* - the company finds that shareholder right to attend the general meetings is already fully guaranteed in very flexible conditions.

For all of the above reasons, the company believes that the adoption of this recommendation is not justified currently, since its underlying purpose is met and the uncertain outcomes of such a system do not justify the administrative burdening of the company with the installation of one more system.

### RECOMMENDATION III.1

This recommendation states that "Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent

director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1."

Given the size and specificities of the company, namely its family nature and concentration of its capital structure, and the total number of non-executive directors and, among them, independent directors, as well as the characteristics and current position of the Chairman of the Board of Directors, the company considers that the appointment of a lead independent director would be inappropriate and would only aim at the mere formal fulfilment of this recommendation, which the company would not adhere to.

In effect, as has been highlighted in this report, the company has several rules and procedures that provide for close and regular contact between members of the Board of Directors, namely between the chairman and the directors, and provides the conditions and necessary means for the performance of their functions.

This recommendation has therefore not been adopted by the company, although all of its objectives have been met.

### RECOMMENDATION III.4

This recommendation states that "Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence (...)."



In the course of the 2019 financial year, the Board of Directors included only one non-executive director who fulfilled the independence requirement. Consequently, the recommended threshold of one third was not met and recommendation III.4 was not complied with.

However, the company finds that the proportion of independent directors mentioned is adequate and consistent with a fully independent performance of the Board of Directors considering, on the one hand, the family nature of the company and the shareholder structure and the stability thereof and, on the other hand, the history and professional experience and integrity of the members of this body, who ensure real independence of the board, thus meeting the objectives proposed by this recommendation.

#### RECOMMENDATION V.2.4

This recommendation states that "For each term of office, the remuneration committee should also approve the directors' pension scheme, where provided by the articles of association, and the maximum amount of all compensation payable to the member of any corporate body or committee due to the termination of service."

This recommendation has not been fulfilled only in relation to the maximum amount of all compensation payable to the member of any corporate body or committee for termination of service, and is not applicable to the part relating to the directors' pension scheme.

This is a matter for which the Remuneration Committee has never felt the need to create a self-limitation until now. The specific situation which this limitation concerns is not widespread and, when it does occur, it is always such a sensitive and specific issue that a case-by-case assessment is required, even if integrated in the general remuneration scheme and subject to historical consideration. In any case, it is a matter that, in view of the nature of the recommendation that now exists, will still be subject to reassessment of whether it should be adopted or the current situation of non-adoption should be maintained.

#### RECOMMENDATION V.3.2

This recommendation states that "A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation."

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

*"Literature sustains profusely the deferral to a later time of the payment of the variable part of remuneration, which will enable the establishment of a direct link between remuneration and the impact of management on the company over a longer period.*

*We find the principle generally good, but there are two facts that prevent us from adopting that option for the time being, notwithstanding a specific indicator assessing the medium term sustainable performance, as mentioned in paragraph 2 in this chapter. The first fact is historical, meaning the practice that has been followed successfully for years without the element of deferral, and the second are prior history of stability of staff in management positions of the company that, inevitably, binds them to a medium and long term commitment that earnings will continue to condition their remuneration."*

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

It should also be noted that the consolidated result of the Semapa exercise has always been repeatedly and consistently very positive, evidencing the sustainability of performance that the Recommendation seeks to caution. It follows from this background that the possible partial deferral, for a period of not less than three years, of the variable remuneration component, would not have had an impact on the right to the variable component by the directors of Semapa.

However, it is important to clarify that Semapa is analysing the model for the deferred payment of the variable part of remuneration with a view to its possible implementation.

#### RECOMMENDATION V.4.2

Recommendation V.4.2 states that "The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size."

Semapa must be regarded individually as a holding company with a simplified administrative structure and a small number of Departments and employees, which is why the size of the company does not justify the

appointment of a committee for monitoring and supporting the appointment of holders of management positions.

Considering the size of Semapa this task falls under the Executive Board, although the Talent Committee may present recommendations on the Group's managers.

#### **RECOMMENDATION V.4.3**

Recommendation V.4.3 states that "This committee includes a majority of non-executive, independent members", referring to the internal committee for the assessment of the performance.

Semapa's Talent Committee consists entirely of non-executive directors, but only one director is independent. The members of the committee were appointed with an emphasis on the diversity in profiles and backgrounds, while ensuring unbiased analysis and decision capability of all members.

### **3 ADDITIONAL INFORMATION**

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

# ANNEX I

## DISCLOSURES REQUIRED BY ARTICLE 447 OF THE COMPANIES CODE

(With regard to the financial year of 2019)

### 1 Securities issued by the company and held by company officers, in the sense defined in paragraphs 1 and 2 of article 447 of the Companies Code (\*):

- José Miguel Pereira Gens Paredes - 70 "Obrigações SEMAPA 2014/2019";
- Filipa Mendes de Almeida de Queiroz Pereira - 5 488 company shares;
- Mafalda Mendes de Almeida de Queiroz Pereira - 5 888 company shares, and
- Lua Mónica Mendes de Almeida de Queiroz Pereira - 5 888 company shares.

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

### 2 Securities issued by companies controlled by or belonging to the same group as semapa held by company officers, in the sense defined in paragraphs 1 and 2 of article 447 of the companies code:

- 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 - 139 800 shares in Sodim, SGPS, S.A.
- Mafalda Mendes de Almeida de Queiroz Pereira - 139 800 shares in Sodim, SGPS, S.A.
- Lua Mónica Mendes de Almeida de Queiroz Pereira - 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.

### 3 Securities issued by the company and controlled companies held by companies in which directors and auditors hold corporate office:

- Cimigest, SGPS, S.A. - 3 185 019 shares in the company
- Cimo - Gestão de Participações, SGPS, S.A. - 38 959 431 shares in the company, 1 000 shares in Secil - Companhia Geral de Cal e Cimento, S.A. and 5 000 shares in ETSA - Investimentos, SGPS, S.A.
- Sodim, SGPS, S.A. - 15 252 726 shares in the company

### 4 Acquisition, disposal, encumbrance or pledge of securities issued by the company, controlled companies or companies in the same group by company officers and the companies referred to in 3:

There were no acquisitions, disposals, encumbrances or pledges of securities issued by Semapa or by companies in a control or group relationship made by members of the governing bodies or by the companies referred to in number 3 above.

### 5 TRANSACTIONS IN OWN SHARES:

In 2019 Semapa acquired the following shares in its own capital:

	Number of Shares	Average price (euros)	Date
i.	6 000	12.86	02 January 2019
ii.	11 874	12.78	03 January 2019
iii.	8 000	13.05	04 January 2019
iv.	2 000	13.60	07 January 2019
v.	2 000	12.27	29 July 2019
vi.	4 000	12.16	30 July 2019
vii.	4 400	12.05	31 July 2019
viii.	4 300	11.92	01 August 2019
ix.	7 300	11.86	02 August 2019
x.	7 700	11.89	05 August 2019
xi.	3 800	11.98	06 August 2019
xii.	6 800	11.83	07 August 2019
xiii.	8 200	11.84	08 August 2019
xiv.	17 800	11.72	09 August 2019
xv.	19 000	11.43	12 August 2019
xvi.	8 500	11.58	13 August 2019
xvii.	9 000	11.51	14 August 2019
xviii.	8 200	11.51	15 August 2019
xix.	3 000	11.51	16 August 2019
xx.	1 600	12.00	19 August 2019
xxi.	2 388	11.98	21 August 2019
xxii.	3 000	11.96	23 August 2019
xxiii.	2 439	11.87	26 August 2019
xxiv.	2 000	11.98	28 August 2019
xxv.	1 400	11.95	29 August 2019
xxvi.	2 400	11.95	03 September 2019
xxvii.	1 000	11.94	04 September 2019
xxviii.	2 870	11.98	05 September 2019
xxix.	2 100	11.96	06 September 2019
xxx.	600	11.96	09 September 2019
xxxi.	3 500	11.89	23 September 2019
xxxii.	2 000	11.94	24 September 2019
xxxiii.	3 800	11.73	25 September 2019
xxxiv.	4 300	11.74	26 September 2019
xxxv.	5 400	11.64	27 September 2019

The purchase of the shares identified before left Semapa owning 823 337 own shares, corresponding to 1.013% of its share capital.

In 2019 Semapa did not dispose of any shares in its own capital.

## ANNEX II

# REMUNERATION POLICY STATEMENT

Law 28/2009, of 19 June, requires the Remuneration Committee to submit each year for the approval of the General Meeting of shareholders a statement on the remuneration policy for members of the management supervisory bodies. A draft document was accordingly submitted to shareholders in 2019, resulting in approval of a remuneration policy statement as transcribed below:

### "REMUNERATION POLICY STATEMENT - SEMAPA DIRECTORS AND AUDITORS

#### I. INTRODUCTION

The Remuneration Committee of Semapa has been drawing up the remuneration policy statement since 2007, originally in the context of a recommendation from the Securities Market Commission (*Comissão de Mercado de Valores Mobiliários* - CMVM), from 2009 according to Law no. 28/2009 of 19 June, and more recently in line with the recommendations of the 2018 Corporate Governance Code of the Portuguese Corporate Governance Institute.

Although the Committee finds that the statement stability during the entire mandate period is a good policy, the changes to the legal recommendations followed by Semapa have dictated some changes which, although relevant, have not changed the essence of the options followed.

As it is made clear by the several options and explanations that stand out in the text, the final result sought was a compromise, on the one hand, between the new trends of management remuneration options and, on the other hand, the weight of history, previous options and the specific features of the company.

#### II. LEGAL FRAMEWORK AND RECOMMENDATIONS

This statement is issued in the legal framework formed by Law 28/2009 of 19 June mentioned before and the recommendations of the Portuguese Corporate Governance Institute.

In addition to rules on the frequency with which the statement must be issued and approved and on disclosure of its content, this law also stipulates that this content should include information on:

- a) Arrangements for aligning the interests of members of the management body with those of the company;
- b) Criteria for setting the variable component of remuneration;
- c) The existence of share or share option pay schemes for members of the management and supervisory bodies;
- d) The possibility of the variable component of remuneration, if any, being paid, wholly or in part, after the accounts have been finalized for the entire term of office;
- e) Rules limiting variable limitation in the event of the company's results revealing significant deterioration in the company's performance in the last period for which accounts are closed or when such deterioration may be expected in the period underway.

The current recommendations of the Portuguese Corporate Governance Institute make the following requirements:

- V.2.2. The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.
- V.2.3. The statement on the remuneration policy of the managing and supervisory bodies pursuant to Article 2 of Law no. 28/2009 of 19 June, should additionally contain the following:
  - (i) The total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied;

- (ii) Remunerations from companies that belong to the same group as the company;
- (iii) The number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date and any change to such conditions;
- (iv) Information on the possibility to request the reimbursement of variable remuneration;
- (v) Information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation;
- (vi) Information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.

### III. RULES DERIVING FROM LAW AND THE ARTICLES OF ASSOCIATION

Any system for setting remuneration will inevitably have to consider the legal rules, as well as any private rules which may be established in the articles of association.

The legal rules for the directors are basically established in Article 399 of the Companies Code, from which it follows that:

- Powers to fix the remuneration lie with the general meeting of shareholders or a committee appointed by the same.
- The remuneration is to be fixed in accordance with the duties performed and the company's state of affairs.
- Remuneration may be fixed, or may consist in part of a percentage of the profits for the period, but the maximum percentage to be allocated to the directors must be authorized by a clause in the articles of association, and shall not apply to distribution of reserves or any part of the profits for the period which could not, under the law, be distributed to shareholders.

For the members of the Audit Board and the officers of the General Meeting, the law lays down that the remuneration shall consist of a fixed sum, which shall be determined in the same way by the general meeting of shareholders or

by a committee appointed by the same, taking into account the duties performed and the state of the company's affairs.

Semapa's articles of association contain a specific clause, number seventeen, dealing only with the directors and governing also retirement provision. We transcribe the relevant passages:

"2 – The remuneration of the directors [...] is fixed by a Remuneration Committee comprising an uneven number of members, elected by the General Meeting.

3 – The remuneration may consist of a fixed part and a variable part, which shall include a share in profits, which share in profits shall not exceed five per cent of the net profits of the previous period, for the directors as a whole."

This is the formal framework to be observed in defining remuneration policy.

### IV. HISTORICAL FEATURES

Semapa paid directors variable remuneration for the first time in 2002, and has continued to do so ever since, albeit following different formalities. In some years the payment was made through the allocation of profits approved directly by the General Meeting and in other years the shareholders made no decisions concerning the payable amounts, which were set by the Remuneration Committee in line with the legal, regulatory framework and according to this statement.

The most recent procedure, and one that has prevailed, entails having the respective amount, and the amounts of the variable remuneration of other staff, expressly included in the proposed allocation of profits to be voted by the shareholders.

It should be noted that the allocation of a percentage of the profits laid down in the Articles of Association is not applied directly, but rather as an indicator and as a statutory limit of amounts which are determined in a more involving process, taking into account the factors set out in the remuneration policy statement in force and the KPIs mentioned below.

Since the incorporation of the company, members of the Audit Board have received fixed monthly remuneration. In the case of the officers of the General Meeting, since remuneration for these officers was first instituted it has been set on the basis of the number of meetings actually held.

## V. GENERAL PRINCIPLES

The general principles to be observed when setting the remuneration of the company officers are essentially those which in very general terms derive from the law: on the one hand, the duties performed and on the other the state of the company's affairs. If we add to these the general market terms for similar situations, we find that these appear to be the three main general principles:

### a) Duties performed.

It is necessary to consider the duties performed by each company officer not only in the formal sense, but also in the broader sense of the work carried out and the associated responsibilities. Not all the executive directors are in the same position, and the same is also true, for example, for the members of the audit board. Duties have to be assessed in the broadest sense, taking into account criteria as varied as, for example, responsibility, time dedicated, or the added value to the company resulting from a given type of intervention or representation of a given institution.

The fact that time is spent by the officer on duties in other controlled companies also cannot be taken out of the equation, due, on the one hand, to the added responsibility this represents, and, on the other hand, to the existence of another source of income.

It should be noted that Semapa's experience has shown that the directors of this company, contrary to what is often observed in other companies of the same type, have not always been neatly split into executive and non-executive. There are a number of directors with delegated powers and who are generally referred to as executive directors, but some of the directors without delegated powers have been closely involved in the life of the company in a variety of ways.

### b) The state of the company's affairs.

This criterion must also be understood and interpreted with caution. The size of the company and the inevitable complexity of the related management responsibilities are clearly relevant aspects of the state of affairs, understood in the broadest sense. There are implications here for the need to remunerate a responsibility which is greater in larger companies with complex business models and for the capacity to remunerate management duties appropriately.

### c) Market criteria.

It is unavoidably necessary to match supply to demand when setting any level of payment, and the officers of a corporation are no exception. Only respect for market practices makes it possible to retain professionals of a calibre required for the complexity of the duties performed and the responsibilities shouldered, thereby assuring not only their own interests but essentially those of the company, and the generation of value of all its shareholders. In the case of Semapa, in view of its characteristics and size, the market criteria to be considered are those prevailing internationally, as well as those to be observed in Portugal.

## VI. COMPLIANCE WITH LEGAL REQUIREMENTS AND RECOMMENDATIONS

Having described the historical background and the general principles adopted, we shall now consider the issue of compliance by these principles with the relevant legal requirements.

### 1. Article 2 a) of Law 28/2009. Alignment of interests.

The first requirement that Law 28/2009 regards as essential in terms of the information in this statement is for a description of the procedures which assure that the directors' interests are aligned with those of the company.

We believe that the remuneration system adopted in Semapa is successful in assuring such alignment. Firstly, because the remuneration sets out to be fair and equitable in the light of the principles set out, and secondly because it links the directors to results by means of a variable remuneration component which is set primarily in the light of these results.

### 2. Article 2 b) of Law 28/2009. Criteria for the variable component.

The second requirement established by the law is for information on the criteria used to determine the variable component.

The variable component of remuneration is based on the target amount applied to each director and is paid according to the individual's performance and performance of the company that meet the expectations and the criteria previously defined. The target amount is weighted by the aforementioned

principles - market, specific functions, state of the company -, in particular comparable market circumstances in positions equivalent in function. Another important factor taken into account when setting the targets is Semapa's option not to provide any share or share acquisition option plans.

Actual performance compared to the expectations and goals, which determine target variations is weighed against a set of quantitative and qualitative KPIs of the company's performance and of the relevant director, which include in particular EBITDA, net income and cash flow. One of the EBITDA components is not measured against the financial year, but instead a theoretical EBITDA established by reference to the medium term plan. An approach was introduced through this specific indicator which already takes into account the company's medium term performance.

### **3. Article 2 c) of Law 28/2009. Share or option plans.**

The decision whether or not to provide share or option plans is structural in nature. The existence of such a plan is not a simple add-on to an existing remuneration system, but rather an underlying change to the existing system, at least in terms of the variable remuneration.

Although a remuneration system of this type is not incompatible with the company's articles of association, we feel that the wording of the relevant provisions in the articles and the historical background to the existing system argue in favour of maintaining a remuneration system without any share or option component.

This is not to say that we see no merits in including a share or option component in directors' remuneration, nor that we would not be receptive to restructuring directors' remuneration to incorporate such a plan. However, such a component is not essential in order to promote the principles we defend and, as we have said, we do not believe that this was the fundamental intention of the company's shareholders.

### **4. Article 2 d) of Law 28/2009. Date of payment of variable remuneration.**

Several writings sustain profusely the deferral of the payment of the variable part of remuneration to a later time, which will enable the establishment of a direct relation between remuneration and the impact of management on the company over a longer period.

We accept this principle as theoretically sound, but there are two facts that prevent us from adopting that option for the time being, notwithstanding a specific indicator assessing the medium term sustainable performance, as mentioned in paragraph 2 in this chapter. The first fact is historical, regarding the practice that has been followed successfully for years without the element of deferral, and the second are prior history of stability of staff in management positions of the company that, inevitably, binds them to a medium and long term commitment that earnings will continue to condition their remuneration.

### **5. Article 2 e) of Law 28/2009. Procedures limiting variable remuneration.**

Procedures of this kind are designed to limit variable remuneration in the event of the results showing a significant deterioration in the company's performance in the last reporting period or when such deterioration may be expected in the period underway.

This type of provision also reflects a concern that good performance in the short term, which may boost directors' remuneration, could be achieved at the cost of future performance.

For obvious reasons, the arguments presented above also apply here. It should also be noted that a system of this kind would have little practical effect if not combined with significant deferral of remuneration, which is not proposed for Semapa.

### **6. Recommendations V.2.2. and V.2.3. Approval of the Remunerations Policy.**

Recommendation V.2.2 provides for the approval of the remuneration policy of the members of the governing bodies at the beginning of their term, that it should be annually enforced and reviewed, a practice that is followed by Semapa. This recommendation and the following proceed to identify a set of topics to be included in the statement. Some matters mentioned therein have been included in other paragraphs of this statement, while others are included in the Corporate Governance Report that the company publishes every year. For systematization and simplifying reading for stakeholders, reference will be made herein to all matters, referring to other paragraphs in this statement where necessary and repeating the information found in the corporate governance report, where duplication of information is deemed necessary.



The remunerations specified in this statement refer to the past and not the future ones.

Concerning fixed remunerations, this committee believes that it is responsible for setting the remunerations, without prejudice to the shareholder participation principle.

The variable component, which this committee is also responsible for setting, is awarded and calculated according to the criteria laid down in paragraph 2 of chapter VI of this statement. The only mechanism that sets a cap on remuneration is that which results

from the fact that the quantitative part of the variable component depends on the KPIs being minimally met. As mentioned before, there is no deferral of payment of the variable remuneration in this company, nor remuneration mechanisms based on stock or acquisition options of the company's own shares.

(i) The following is the total remuneration of the governing bodies, itemised by different components and the fixed and variable part of remuneration, for 2018, the variable remuneration having been paid in 2018, concerning performance in 2017:

Board of Directors	Fixed Remuneration		Variable Remuneration	
	Amount	Relative percentage	Amount	Relative percentage
António Pedro de Carvalho Viana-Baptista	128 305.13	100%	-	-
Carlos Eduardo Coelho Alves	77 825.00	100%	-	-
Filipa Mendes de Almeida de Queiroz Pereira	47 466.66	100%	-	-
Francisco José de Melo e Castro Guedes	77 825.00	100%	-	-
João Nuno de Sottomayor Pinto de Castello Branco	761 199.25	53.47%	662 411.00	46.53%
José Miguel Pereira Gens Paredes	315 969.50	35.89%	564 464.00	64.11%
José António do Prado Fay	78 259.58	100%	-	-
Lua Mónica Mendes de Almeida de Queiroz Pereira	47 466.66	100%	-	-
Mafalda Mendes de Almeida de Queiroz Pereira	47 466.66	100%	-	-
Manuel Custódio de Oliveira	45 337.50	100%	-	-
Paulo Miguel Garcês Ventura	315 969.50	36.84%	541 667.00	63.16%
Pedro Mendonça de Queiroz Pereira	344 576.14	27.19%	922 866.00	72.81%
Ricardo Miguel dos Santos Pacheco Pires	295 381.25	35.55%	535 403.00	64.45%
Vítor Manuel Galvão Rocha Novais Gonçalves	77 825.00	100%	-	-
Vítor Paulo Paranhos Pereira	128 305.13	100%	-	-
<b>Total</b>	<b>2 789 177.96</b>	<b>-</b>	<b>3 226 811.00</b>	<b>-</b>

Note: Amounts in euros

Audit Board	Fixed Remuneration		Variable Remuneration	
	Amount	Relative percentage	Amount	Relative percentage
José Manuel Oliveira Vitorino	20 303.88	100%	-	-
Miguel Camargo de Sousa Eiró	13 369.21	100%	-	-
Gonçalo Nuno Palha Gaio Picão Caldeira	15 999.97	100%	-	-
Maria da Graça Torres Ferreira da Cunha	9 758.63	100%	-	-
<b>Total</b>	<b>59 431.69</b>	<b>-</b>	<b>-</b>	<b>-</b>

Note: Amounts in euros

The Chairman of the General Meeting exclusively earned a fixed remuneration of 3 000 euros.

Total values were set according to the fulfilment of the principles mentioned before in Chapter V of this statement. On how the remuneration policy contributes to the long-term performance, reference is made to paragraphs 1, 2 and 4 of Chapter VI. Performance criteria mentioned in paragraph 2 of Chapter VI was applied mathematically for its quantitative part, and using value assessments conducted by hierarchical superiors and weighed by the Remuneration Committee.

- (ii) Governing bodies are not remunerated in other companies belonging to the same group as Semapa. Note that the group relationship is used in its technical/legal sense, which explains why some events identified in the corporate governance report of Semapa for controlling companies or companies under common control have not been mentioned.
- (iii) The company has no stock or stock acquisition plans, as outlined in paragraph 3 of Chapter VI.
- (iv) There is no mechanism allowing the company to demand refund of the variable remuneration paid.
- (v) There is no withdrawal of the approved remuneration policy implementation procedure.
- (vi) Neither exist or have ever been fixed by this Committee any agreements on payments by Semapa relating to dismissal or termination of Directors' duties. This fact is the natural result of the particular situations existing in the company, and not a position of principle taken by this Committee against the existence of agreements of this nature. Therefore, the supplementary legal regime applies in this matter.

## VII. SPECIFIC OPTIONS

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

1. The remuneration of the executive members of the Board of Directors, as mentioned in paragraph a) of Chapter V, shall comprise a fixed and variable component.
2. The remuneration of non-executive directors shall comprise only a fixed component that may be complemented according to the piling on of added responsibilities.
3. The fixed component of the remuneration of Directors shall consist of an annual amount payable throughout the year or of a predetermined amount for each meeting of the Board of Directors attended.
4. The procedure for assigning variable remunerations to the executive members of the Board of Directors shall comply with the criteria proposed by the Remuneration Committee, and such remuneration shall not exceed five per cent of the consolidated net profits (IFRS format) as provided by the Articles of Association.
5. In setting all remuneration, including in particular the distribution of the total amount allocated to the variable remuneration of the Board of Directors, the general principles established above shall be observed: the duties performed, the state of the company's affairs and market criteria.
6. The remuneration of the members of the Audit Board and the officers of the General Meeting shall comprise a fixed component only.
7. The fixed remunerations of the members of the Audit Board shall consist in all cases of a predetermined annual amount payable throughout the year.
8. The fixed remuneration of the officers of the General Meeting shall consist in all cases of a predetermined amount for each meeting, the remuneration for second and subsequent meetings being lower than that for the first general meeting of the year.

Lisbon, 13 March 2019

The Remuneration Committee

José Gonalo Ferreira Maury

João Rodrigo Appleton Moreira Rato"

## ANNEX III

### DECLARATION REQUIRED UNDER ARTICLE 245.1 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 statements, as described in this article. In the case of Semapa, a standard statement has been adopted, worded as follows:

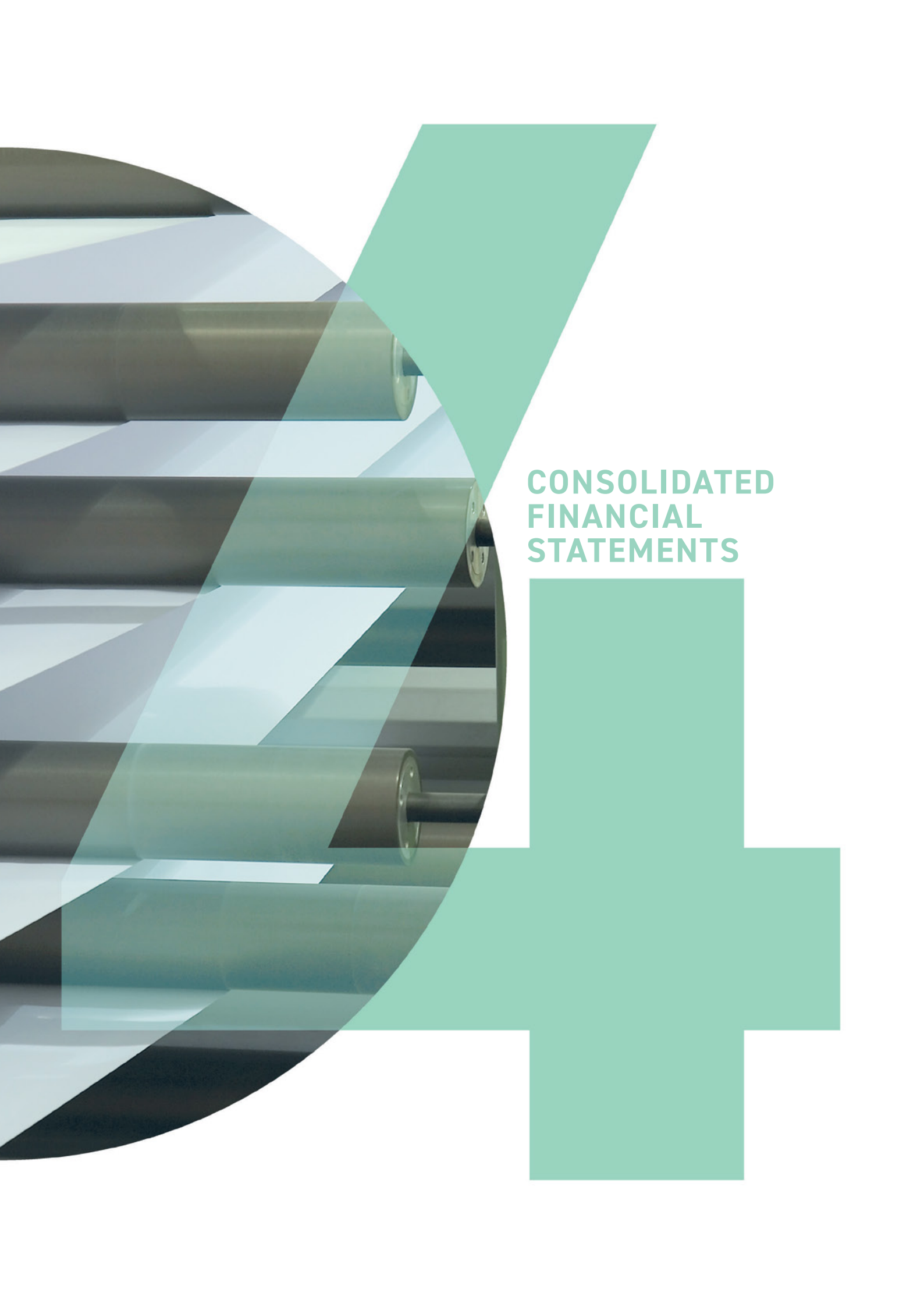
*I hereby declare, under the terms and for the purposes of Article 245.1 c) of the Securities Code that, to the best of my knowledge, the management report, annual accounts, legal accounts certificate and other financial statements of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., for the financial year of 2019, were drawn up in accordance with the relevant accounting rules, and provide a true and fair view of the assets and liabilities, financial affairs and profit or loss of said company and other companies included in the consolidated accounts, and that the management report contains a faithful account of the*

*business, performance and position of said company and other companies included in the consolidated accounts, describing the main risks and uncertainties which they face.*

Considering that the members of the Audit Board and the Statutory Auditor sign an equivalent declaration in relation to the documents for which they are responsible, a separate declaration with the above text was signed by the directors only, as it was deemed that only the company officers fall within the concept of "persons responsible for the issuer". As required by this rule, we provide below a list of the names of the people signing the declaration and their functions in the company:

Name	Function
Heinz-Peter Elstrodt	Chairman of the Board of Directors
João Nuno de Sottomayor Pinto de Castello Branco	Member of the Board of Directors
Ricardo Miguel dos Santos Pacheco Pires	Member of the Board of Directors
Vítor Paulo Paranhos Pereira	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 Almeida de Queiroz Pereira	Member of the Board of Directors
Francisco José Melo e Castro Guedes	Member of the Board of Directors
José António 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
Vítor Manuel Galvão Rocha Novais Gonçalves	Member of the Board of Directors





**CONSOLIDATED  
FINANCIAL  
STATEMENTS**

## CONSOLIDATED INCOME STATEMENT

### FOR THE 2019 AND 2018 PERIODS

Amounts in Euro	Note	2019	2018
Revenues	2.1	2 228 540 107	2 197 967 901
Other operating income	2.2	99 893 242	81 209 271
Changes in the fair value of biological assets	3.7	12 155 274	(9 782 369)
Costs of goods sold and materials consumed	4.1.3	(879 007 442)	(856 669 130)
Variation in production	4.1.4	1 133 891	45 308 827
Supplies and services	2.3	(652 127 457)	(592 401 403)
Payroll costs	7.1	(240 748 321)	(257 155 181)
Other operating expenses	2.3	(82 993 995)	(59 968 790)
Net provisions	9.1	(4 058 529)	(19 007 250)
Depreciation, amortisation and impairment losses in non-financial assets	3.6	(241 828 617)	(215 850 957)
<b>Operating results</b>		<b>240 958 153</b>	<b>313 650 919</b>
Group share of (loss) / gains of associated companies and joint ventures	10.3	1 719 099	1 182 762
Financial income and gains	5.11	9 930 251	3 550 726
Financial expenses and losses	5.11	(66 015 290)	(73 563 049)
<b>Profit before tax</b>		<b>186 592 213</b>	<b>244 821 358</b>
Income tax	6.1	(23 889 129)	(43 650 193)
<b>Net profit for the period</b>		<b>162 703 084</b>	<b>201 171 165</b>
Attributable to Semapa's shareholders		124 053 720	132 554 337
Attributable to non-controlling interests	5.6	38 649 364	68 616 828
<b>Earnings per share</b>			
Basic earnings per share, Euro	5.3	1.540	1.643
Diluted earnings per share, Euro	5.3	1.540	1.643

The following notes form an integral part of these Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE 2019 AND 2018 PERIODS

Amounts in Euro	Note	2019	2018
<b>Net profit for the period without non-controlling interests</b>		<b>162 703 084</b>	<b>201 171 165</b>
<b>Items that may not subsequently be reclassified to the income statement</b>			
Derivative financial instruments			
Fair value changes	8.21	(783 216)	(3 717 385)
Tax on items above	6.2	215 384	1 022 281
Currency translation differences	5.5	9 283 777	(27 146 399)
Group share of (income) / gains of associated companies and joint ventures	10.3		-
Other comprehensive income for the period		3 095 330	(216 779)
Tax on items above		-	216 777
<b>Items that may not subsequently be reclassified to the income statement</b>			
Remeasurements of post-employment benefits			
Remeasurements	7.3.11	(15 257 474)	(13 696 791)
Tax on items above	7.3.11	470 363	221 743
Group share of (income) / gains of associated companies and joint ventures	10.3		-
Other comprehensive income for the period			-
<b>Other comprehensive income (net of taxes)</b>		<b>(2 975 836)</b>	<b>(43 316 553)</b>
<b>Total comprehensive income for the period</b>		<b>159 727 248</b>	<b>157 854 612</b>
Attributable to:			
Semapa's shareholders		124 075 610	91 568 807
Non-controlling interests		35 651 638	66 285 805
		<b>159 727 248</b>	<b>157 854 612</b>

The following notes form an integral part of these Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS OF 31 DECEMBER 2019 AND 2018

Amounts in Euro	Note	2019	2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	3.1	345 172 676	346 170 987
Intangible assets	3.2	310 157 999	292 846 882
Property, plant and equipment	3.3	2 025 009 116	2 043 753 765
Assets under right of use	3.5	75 664 260	-
Biological assets	3.7	131 769 841	119 614 567
Investment in associates and joint ventures	10.3	5 454 286	4 714 744
Investment properties	3.9	373 673	383 513
Other financial investments	8.3	4 066 072	1 450 919
Receivables and other non-current assets	4.2	64 466 459	67 645 781
Deferred tax assets	6.2	89 970 779	108 061 925
		<b>3 052 105 161</b>	<b>2 984 643 083</b>
<b>Current assets</b>			
Inventories	4.1.1	306 397 256	313 892 591
Receivables and other current assets	4.2	369 233 838	486 610 853
Income tax	6.1	27 040 393	15 342 300
Cash and cash equivalents	5.9	259 241 194	183 248 977
		<b>961 912 681</b>	<b>999 094 721</b>
Non-current assets held for sale	3.8	7 809 209	8 534 209
		<b>969 721 890</b>	<b>1 007 628 930</b>
		<b>4 021 827 051</b>	<b>3 992 272 013</b>
<b>Total assets</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	5.2	81 270 000	81 270 000
Treasury shares	5.2	(8 922 980)	(6 740 954)
Translation reserve	5.5	(122 926 540)	(129 296 945)
Fair value reserves	5.5	(3 030 775)	(2 713 976)
Legal reserve	5.5	16 695 625	16 695 625
Other reserves	5.5	868 632 110	780 089 232
Retained earnings	5.5	5 098 854	18 496 568
Net profit for the period		124 053 720	132 554 337
		<b>960 870 014</b>	<b>890 353 887</b>
Equity attributable to Semapa's shareholders			
Non-controlling interests	5.6	300 848 910	367 236 794
		<b>1 261 718 924</b>	<b>1 257 590 681</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	5.7	1 396 732 169	1 401 009 210
Lease liabilities	5.8	62 744 733	-
Pensions and other post-employment benefits	7.3.6	9 495 358	10 777 902
Deferred tax liabilities	6.2	243 892 373	235 715 323
Provisions	9.1	52 086 093	78 479 404
Payables and other current liabilities	4.3	30 837 585	82 324 405
		<b>1 795 788 311</b>	<b>1 808 306 244</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	5.7	333 187 172	333 875 411
Lease liabilities	5.8	12 406 557	-
Payables and other current liabilities	4.3	562 177 462	530 723 672
Income tax	6.1	56 548 625	61 776 005
		<b>964 319 816</b>	<b>926 375 088</b>
		<b>2 760 108 127</b>	<b>2 734 681 332</b>
		<b>4 021 827 051</b>	<b>3 992 272 013</b>
<b>Total liabilities</b>			
<b>Total equity and liabilities</b>			

The following notes form an integral part of these Consolidated Financial Statements.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD BETWEEN 1 JANUARY 2019 AND 31 DECEMBER 2019 AND 1 JANUARY 2018 AND 31 DECEMBER 2018

Amounts in Euro	Note	Share capital	Treasury shares	Translation reserve	Fair value reserves	Legal reserve	Other reserves	Retained earnings	Net profit for the period	Total	Non-controlling interests	Total
<b>Equity as of 31 December 2018</b>		<b>81 270 000</b>	<b>(6 740 954)</b>	<b>(129 296 945)</b>	<b>(2 713 976)</b>	<b>16 695 625</b>	<b>780 089 232</b>	<b>18 496 568</b>	<b>132 554 337</b>	<b>890 353 887</b>	<b>367 236 794</b>	<b>1 257 590 681</b>
Net profit for the period		-	-	-	-	-	-	-	124 053 720	124 053 720	38 649 364	162 703 084
Other comprehensive income (net of taxes)		-	-	6 370 405	(316 799)	-	-	(8 183 944)	-	(2 130 338)	(845 498)	(2 975 836)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>6 370 405</b>	<b>(316 799)</b>	<b>-</b>	<b>-</b>	<b>(8 183 944)</b>	<b>124 053 720</b>	<b>121 923 382</b>	<b>37 803 866</b>	<b>159 727 248</b>
Application of 2018 profit for the period:												
Transfer to other reserves	5.5	-	-	-	-	-	88 542 879	-	(88 542 879)	-	-	-
Dividends paid	5.4	-	-	-	-	-	-	(41 267 948)	(41 267 948)	(41 267 948)	-	(41 267 948)
Bonus to employees		-	-	-	-	-	-	2 743 510	(2 743 510)	-	-	-
Acquisition of treasury shares	5.2	-	(2 182 026)	-	-	-	-	-	-	(2 182 026)	-	(2 182 026)
Dividends paid by subsidiaries to non-controlling interests	5.6	-	-	-	-	-	-	-	-	-	(93 448 367)	(93 448 367)
Acquisitions/Disposals to non-controlling interests	5.6	-	-	-	-	-	-	(7 957 280)	-	(7 957 280)	(10 814 069)	(18 771 349)
<b>Total transactions with shareholders</b>		<b>-</b>	<b>(2 182 026)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88 542 879</b>	<b>(5 213 770)</b>	<b>(132 554 337)</b>	<b>(51 407 254)</b>	<b>(104 262 436)</b>	<b>(155 669 690)</b>
Other movements		-	-	-	(1)	-	(1)	-	-	(1)	70 686	70 685
<b>Equity as of 31 December 2019</b>		<b>81 270 000</b>	<b>(8 922 980)</b>	<b>(122 926 540)</b>	<b>(3 030 775)</b>	<b>16 695 625</b>	<b>868 632 110</b>	<b>5 098 854</b>	<b>124 053 720</b>	<b>960 870 014</b>	<b>300 848 910</b>	<b>1 261 718 924</b>
<b>Amounts in Euro</b>	<b>Note</b>	<b>Share capital</b>	<b>Treasury shares</b>	<b>Translation reserve</b>	<b>Fair value reserves</b>	<b>Legal reserve</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Net profit for the period</b>	<b>Total</b>	<b>Non-controlling interests</b>	<b>Total</b>
<b>Equity as of 1 January 2018</b>		<b>81 270 000</b>	<b>(6 036 401)</b>	<b>(99 805 648)</b>	<b>(2 100 174)</b>	<b>16 695 625</b>	<b>700 921 321</b>	<b>25 682 089</b>	<b>124 093 467</b>	<b>840 720 279</b>	<b>378 426 183</b>	<b>1 219 146 462</b>
Net profit for the period		-	-	-	-	-	-	-	132 554 337	132 554 337	68 616 828	201 171 165
Other comprehensive income (net of taxes)		-	-	(29 491 297)	(1 895 544)	-	-	(9 598 687)	-	(40 985 528)	(2 331 025)	(43 316 553)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>(29 491 297)</b>	<b>(1 895 544)</b>	<b>-</b>	<b>-</b>	<b>(9 598 687)</b>	<b>132 554 337</b>	<b>91 568 809</b>	<b>66 285 803</b>	<b>157 854 612</b>
Application of 2017 profit for the period:												
Transfer to other reserves	5.5	-	-	-	-	-	79 167 911	-	(79 167 911)	-	-	-
Dividends paid	5.4	-	-	-	-	-	-	(41 310 040)	(41 310 040)	(41 310 040)	-	(41 310 040)
Bonus to employees		-	-	-	-	-	-	(3 615 516)	(3 615 516)	(3 615 516)	-	(3 615 516)
Acquisition of treasury shares	5.2	-	(704 553)	-	-	-	-	-	-	(704 553)	-	(704 553)
Dividends paid by subsidiaries to non-controlling interests	5.6	-	-	-	-	-	-	-	-	-	(71 378 025)	(71 378 025)
Acquisitions/Disposals to non-controlling interests	5.6	-	-	-	-	-	-	62 089	-	62 089	(5 889 974)	(5 827 885)
<b>Total transactions with shareholders</b>		<b>-</b>	<b>(704 553)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79 167 911</b>	<b>62 089</b>	<b>(124 093 467)</b>	<b>(65 568 020)</b>	<b>(77 267 999)</b>	<b>(122 836 019)</b>
Other movements		-	-	-	1 281 742	-	-	2 351 077	-	3 632 819	(207 193)	3 425 626
<b>Equity as of 31 December 2018</b>		<b>81 270 000</b>	<b>(6 740 954)</b>	<b>(129 296 945)</b>	<b>(2 713 976)</b>	<b>16 695 625</b>	<b>780 089 232</b>	<b>18 496 568</b>	<b>132 554 337</b>	<b>890 353 887</b>	<b>367 236 794</b>	<b>1 257 590 681</b>

The following notes form an integral part of these Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE 2019 AND 2018 PERIODS

Amounts in Euro	Note	2019	2018
<b>OPERATING ACTIVITIES</b>			
Receipts from customers		2 386 865 531	2 326 828 252
Payments to suppliers		(1 581 829 973)	(1 658 645 314)
Payments to employees		(202 679 063)	(197 037 956)
<b>Cash flow from operations</b>		<b>602 356 495</b>	<b>471 144 982</b>
Income tax received / (paid)		(44 447 387)	(34 909 071)
Other receipts / (payments) relating to operating activities		(69 899 261)	8 453 794
<b>Cash flows from operating activities (1)</b>		<b>488 009 847</b>	<b>444 689 705</b>
<b>INVESTING ACTIVITIES</b>			
<b>Inflows</b>			
Financial investments		412 026	-
Property, plant and equipment		2 480 743	2 704 115
Intangible assets		138 474	-
Investment subsidies	3.4	-	727 005
Interest and similar income		3 988 672	-
Group share of (loss) / gains of associated companies and joint ventures	10.3	979 702	867 174
Other assets		267 104	74 420 121
		<b>8 266 721</b>	<b>78 718 415</b>
<b>Outflows</b>			
Financial investments		(22 125 420)	(7 470 989)
Cash and cash equivalents – changes in consolidation perimeter	10.2	-	(78 058)
Property, plant and equipment		(223 086 299)	(231 509 868)
Intangible assets		(3 506 739)	-
Other assets		-	(24 625)
		<b>(248 718 458)</b>	<b>(239 083 540)</b>
<b>Cash flows from investing activities (2)</b>		<b>(240 451 737)</b>	<b>(160 365 125)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Inflows</b>			
Interest-bearing liabilities	5.1	3 610 912 198	2 464 467 735
Other financing activities		41 359 096	-
		<b>3 652 271 294</b>	<b>2 464 467 735</b>
<b>Outflows</b>			
Interest-bearing liabilities	5.1	(3 643 078 158)	(2 636 390 562)
Amortisation of lease contracts	5.1	(14 585 261)	(917 234)
Interest and similar expense	5.1	(53 476 721)	(53 158 959)
Dividends	5.4	(105 613 553)	(115 495 619)
Acquisition of treasury shares	5.2	(2 182 026)	(704 553)
Other financing activities		(630 979)	-
		<b>(3 819 566 698)</b>	<b>(2 806 666 927)</b>
<b>Cash flows from financing activities (3)</b>		<b>(167 295 404)</b>	<b>(342 199 192)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)</b>		<b>80 262 706</b>	<b>(57 874 612)</b>
Foreign exchange gains / (losses)		(513 685)	(1 088 606)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>5.9</b>	<b>183 248 977</b>	<b>243 187 261</b>
Impairment from the IFRS 9 adoption		(3 756 804)	(1 983 066)
Effect of assets held for sale		-	1 008 000
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>5.9</b>	<b>259 241 194</b>	<b>183 248 977</b>

The following notes form an integral part of these Consolidated Financial Statements.

# CONTENTS TO THE CONSOLIDATED FINANCIAL STATEMENTS

<b>1 INTRODUCTION</b>	<b>130</b>
1.1 Introduction	130
1.2 Relevant events of the period	130
1.3 Subsequent events	130
1.4 Basis of preparation	131
1.5 New IFRS adopted and to be adopted	136
1.6 Main estimates and judgements	138
<b>2 OPERATIONAL PERFORMANCE</b>	<b>139</b>
2.1 Revenue and segment reporting	139
2.2 Other operating income	145
2.3 Other operating expenses	146
<b>3 INVESTMENTS</b>	<b>148</b>
3.1 Goodwill	148
3.2 Intangible assets	151
3.3 Property, plant and equipment	154
3.4 Government grants	157
3.5 Assets under right of use	158
3.6 Depreciation, amortisation and impairment losses	159
3.7 Biological assets	159
3.8 Non-current assets held for sale	162
3.9 Investment properties	163
<b>4 WORKING CAPITAL</b>	<b>164</b>
4.1 Inventories	164
4.2 Receivables and other current assets	166
4.3 Payables and other current liabilities	168
<b>5 CAPITAL STRUCTURE</b>	<b>170</b>
5.1 Capital management	170
5.2 Share capital and treasury shares	170
5.3 Earnings per share	172
5.4 Dividends	172
5.5 Reserves and retained earnings	172
5.6 Non-controlling interests	174
5.7 Interest-bearing liabilities	176
5.8 Lease liabilities	180
5.9 Cash and cash equivalents	181
5.10 Cash flows from financing activities	182
5.11 Net financial results	182
<b>6 INCOME TAX</b>	<b>184</b>
6.1 Income tax for the period	184
6.2 Deferred taxes	187
<b>7 PAYROLL</b>	<b>191</b>
7.1 Short-term employee benefits	191
7.2 Remuneration of corporate bodies	192
7.3 Post-employment benefits	193
<b>8 FINANCIAL INSTRUMENTS</b>	<b>200</b>
8.1 Financial risk management	200
8.2 Derivative financial instruments	208
8.3 Other financial investments	212
8.4 Financial assets and liabilities	213
<b>9 PROVISIONS, COMMITMENTS AND CONTINGENCIES</b>	<b>215</b>
9.1 Provisions	215
9.2 Commitments	217
9.3 Contingent assets and liabilities	218
<b>10 GROUP STRUCTURE</b>	<b>220</b>
10.1 Companies included in the consolidation perimeter	220
10.2 Changes in the consolidation perimeter	224
10.3 Investment in associates and joint-ventures	224
10.4 Transactions with related parties	225
<b>11 RISK MANAGEMENT</b>	<b>227</b>
11.1 Strategic risks	227
11.2 Operational risks	229
<b>12 EXPLANATION ADDED FOR TRANSLATION</b>	<b>239</b>

# 1 INTRODUCTION

The following symbols are used in the presentation of the Notes to the Financial Statements:



## ACCOUNTING POLICIES

This symbol indicates the disclosure of accounting policies specifically applicable to the items in the respective Note.



## MAIN ACCOUNTING ESTIMATES AND JUDGEMENTS

This symbol indicates the disclosure of the estimates and/or judgements made regarding the items in the respective Note. The most significant estimates and judgements are presented in Note 1.6.



## REFERENCE

This symbol indicates a reference to another Note or another section of the Financial Statements where more information about the items disclosed is presented.

## 1.1 INTRODUCTION

The SEMAPA Group (Group) comprises Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. ("Semapa") and its subsidiaries. Semapa located at Av. Fontes Pereira de Melo, 14, 10º Piso, Lisboa was incorporated on 21 June 1991 and its corporate purpose is to manage holdings in other companies as an indirect form of performing economic activities. The Company has been listed on NYSE Euronext Lisbon since 1995 with ISIN PTSEM0AM0004.

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).

During 2018, Semapa launched a new venture capital business unit through its subsidiary Semapa Next, S.A., whose objective is to promote investments in startups and venture capital funds with high growth potential.



A more detailed description of the Group activity in each business line is disclosed in Note 2.1 – Revenue and segment reporting.

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

## 1.2 RELEVANT EVENTS OF THE PERIOD

As of 1 January 2019, the Group adopted the accounting standard IFRS 16 - Leases, and the 2018 results were not restated, under the terms permitted by the standard.



Impact on Note 1.5.1

## 1.3 SUBSEQUENT EVENTS

Between 1 January 2020 and 20 March 2020 (Note 1.4) the following events occurred, without giving rise to adjustments to the 2019 consolidated financial statements:

### CORONAVIRUS

The global economy and businesses face unexpected challenges as a result of the rapid spread of Coronavirus (SARS-CoV-2/COVID-19). This pandemic will necessarily have an impact on the global economy and financial markets in general as well as on the performance and activity of different businesses and industries.

The Semapa Group is permanently monitoring the development of the Coronavirus pandemic through its own corporate bodies. Seeking to minimize the possible risks associated with the outbreak and, following the recommendations of the Portuguese Health Authority (Direção Geral de Saúde – DGS) and the World Health Organization (WHO), the Group has implemented Contingency Plans with the objective

of ensuring the safety of its employees and the general community as well as to maintain its business operations.

So far, the Group's operations have been running smoothly and without disruption, and it is not yet possible to estimate with reasonable degree of confidence any possible impact on the Group's business activity given the current environment of high uncertainty and rapid evolution.

### ACQUISITION OF TREASURY SHARES

Between 1 January 2020 and 20 March 2020, Semapa acquired 577 290 treasury shares representing 0.71% of its share capital, for a total amount of Euro 7 019 846 corresponding an average price per share of Euro 12.16.

### NEW FOREST CONTRIBUTION

As a result of the approval of the State Budget for 2020, a legislative approval to create a new forest contribution in 2020 was upheld. This legislative authorisation is, however, inadequate, as it does not clarify the basic assumptions for its application, namely the tax base, the rate, possible deductions, etc., which indicates real difficulties in its implementation and a lack of clarity on how to define the contribution and the impacts on the results thereof.

The Navigator Group is waiting for the Government to regulate the implementation of this new contribution in order to quantify the resulting impacts.

### ANTI-DUMPING RATE

In October 2018, Navigator Group was notified by the United States Department of Commerce that the final anti-dumping duty to be applied retroactively on sales to the US for the period from August 2015 to February 2017 (the "first period of review") was downgraded to 1.75%. Following a subsequent claim by the plaintiff and Navigator's arguments, the Department of Commerce again revised the rate down in February 2020 to 1.63%, and deadlines for possible appeals in court are still running.

Regarding the second review period, from March 2017 to February 2018, following the audit carried out last August by the Department of Commerce, the final rate was set at 4.37%, against 5.96% previously. Since the plaintiff did not appeal against this decision, the Group initiated in 2020 the procedures for the refund of the amounts corresponding to the guaranteed surplus (approximately USD 100 000), as well as the monitoring of the automatic refund amounts calculated by the US authorities (approximately USD 4 million).

## 1.4 BASIS OF PREPARATION

### AUTHORISATION TO ISSUE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 20 March 2020. However, they are still subject to approval by the General Shareholders' Meeting, in accordance with the Portuguese commercial legislation.

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

### ACCOUNTING FRAMEWORK

The consolidated financial statements for the period ended 31 December 2019 were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), effective 1 January 2019 and as adopted by the European Union.

### BASIS FOR MEASUREMENT

The notes to the consolidated financial statements have been prepared on a going concern basis from the books and accounting records of the companies included in the consolidation perimeter (Note 10.1) and based on historical cost, except for biological assets (Note 3.7) and for financial instruments measured at fair value through profit or loss or at fair value through other comprehensive income (Note 8.3), in which derivative financial instruments are included (Note 8.2).

### BASIS FOR CONSOLIDATION

#### SUBSIDIARIES

Subsidiaries are all the entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, the variable returns generated as a result of its involvement with the entity, and has the ability to affect those variable returns through the power it exercises over the entity's relevant activities.

Shareholder's equity and net profit/(loss) of these companies, 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 shareholder's equity, and in the Consolidated Income Statement. Companies included in the consolidated financial statements are detailed in Note 10.1.

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 the acquisition date.

The identifiable assets acquired and the liabilities and contingent liabilities undertaken in a business combination are initially measured at fair value at acquisition date, regardless of the existence of non-controlling interests. The excess of the acquisition cost, regarding the fair value of the Group's share of identifiable assets and liabilities acquired, is recorded as Goodwill when the Group acquires control, as described in Note 3.1.

Subsidiaries are consolidated using the full consolidation method with effect from the date that control is transferred to the Group. In the acquisition of additional share capital of controlled entities, the excess between the proportion of acquired net assets and respective acquisition cost is directly recognised in Equity under the caption Retained earnings (Note 5.5).

When, at the date of acquisition of the control, the Group already holds a previously acquired interest, the fair value of such interest 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, being that option defined according to each transaction.

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 Equity, in other equity instruments.

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

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

The negative profit/ (loss) 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 below the fair value of the net assets of the subsidiary acquired (Badwill), the difference is recognised directly in the Income statement, under the caption Other operating income. Directly attributable transaction costs are immediately recorded in profit and loss.

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.

## ASSOCIATES

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

In accordance with the equity accounting method, financial investments are recorded at their acquisition cost, adjusted by the amount corresponding to the Group's share of changes in the associates' shareholders' equity (including net income/ (loss) and by dividends received).

The difference between the acquisition cost and the fair value of the associate's identifiable assets, liabilities and contingent liabilities on the acquisition date, if positive, are recognised as Goodwill and recorded under the caption Investments in associates. If these differences are negative, they are recorded as income for the year under the caption Group share of (loss)/gains of associated companies. Transaction costs directly attributable are immediately recorded in profit and loss.

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

When the Group's share in the associate's losses is equal to or exceeds its investment in the associate, the Group ceases to recognise additional losses, except where it has assumed liability or made payments in the associate's name. Unrealised gains on transactions with associates are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated, except if the transaction reveals evidence of impairment of a transferred asset.

Associate's accounting policies are changed whenever necessary to ensure consistency with the policies adopted by the Group. Investments in associated companies are disclosed in Note 10.3.

## JOINT VENTURES

Joint ventures 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 the 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 loss attributable to the Group is equivalent 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 of the transferred asset.

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

## PRESENTATION CURRENCY AND TRANSACTIONS IN A CURRENCY OTHER THAN THE PRESENTATION CURRENCY

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

These consolidated financial statements are presented in Euro.

All the Group's assets and liabilities denominated in currencies other than the reporting currency have been translated to Euro using the exchange rates ruling at the statement of financial position date (Note 8.1.1).

The currency differences arising from differences between the exchange rates ruling at the transaction date and those ruling on collection, payment or at the statement of financial position dates, are recorded as income and expenses (Note 5.11).

The income captions of foreign transactions are 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, are reflected under the Currency translation reserve heading in shareholders' equity (Note 5.5). Whenever a foreign entity is sold, the accumulated exchange difference is recognised in the consolidated income statement as part of the gain or loss on the sale.

## COMPARABILITY

### REVIEW OF THE PRESENTATION OF THE NOTES TO THE FINANCIAL STATEMENTS

During 2019, and as recommended in IAS 1 – Presentation of Financial Statements, the Group revised the presentation of its financial statements, aiming at a more relevant structure and level of disclosure focused on the main elements that determine the Group's performance, supported by the indications published by the International Accounting Standards Board (IASB) within the scope of the projects it has in progress regarding disclosures.

Accordingly, the Notes to the consolidated financial statements are currently organised in 11 blocks, aggregated according to the relevance of their joint reading for the understanding of the Group's performance, financial position and movements in cash flows for the periods presented. The relevant accounting policies and main judgements and estimates for each item of the financial statements are disclosed at the beginning of the respective Note.

Both the terminology and the presentation of amounts for some items in different captions of the statements have also been updated. The following table indicates the main updates of terminology and reallocation of amounts between captions in the financial statements for the comparative period (2018):

### RECLASSIFICATION OF ITEMS INCLUDED IN THE CONSOLIDATED INCOME STATEMENT

Amounts in Euro	Amount disclosed in 2018	Revenues	Other operating Income	Costs of goods sold and materials consumed	Supplies and services	Other operating expenses	Provisions	Depreciation, amortisation and impairment losses in non-financial assets	Income tax
		Note 2.1	Note 2.2	Note 4.1	Note 2.3	Note 2.3	Note 9.1	Note 3.6	Note 6.1
<b>Captions originally disclosed in 2018</b>									
Sales	2 173 912 298	2 173 912 298	-	-	-	-	-	-	-
Services Rendered	24 055 603	24 055 603	-	-	-	-	-	-	-
Gains on disposal of non-current assets	19 759 725	-	19 759 725	-	-	-	-	-	-
Other operating income	66 450 211	-	66 450 211	-	-	-	-	-	-
Cost of inventories sold and consumed	(856 669 130)	-	-	(856 669 130)	-	-	-	-	-
Cost of services and materials consumed	(592 401 403)	-	-	-	(592 401 403)	-	-	-	-
Other costs and losses	(64 969 455)	-	(5 000 665)	-	-	(59 968 790)	-	-	-
Provisions	(19 007 250)	-	-	-	-	-	(19 007 250)	-	-
Depreciation, amortisation and impairment losses	(215 850 957)	-	-	-	-	-	-	(215 850 957)	-
Income tax	(43 650 193)	-	-	-	-	-	-	-	(43 650 193)
<b>Captions disclosed in 2018 as a comparative period:</b>		<b>2 197 967 901</b>	<b>81 209 271</b>	<b>(856 669 130)</b>	<b>(592 401 403)</b>	<b>(59 968 790)</b>	<b>(19 007 250)</b>	<b>(215 850 957)</b>	<b>(43 650 193)</b>



## RECLASSIFICATION OF ITEMS INCLUDED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION - ASSETS

Amounts in Euro	Amount disclosed in 2018	Other financial investments	Receivables and other non-current assets	Inventories	Receivables and other current assets
		Note 8.3	Note 4.2	Note 4.1	Note 4.2
<b>Captions originally disclosed in 2018</b>					
Equity instruments	1 450 919	1 450 919	-	-	-
Other non-current assets	67 645 781	-	67 645 781	-	-
Inventories	313 911 463	-	-	313 892 591	18 872
Receivables and other current assets	404 133 382	-	-	-	404 133 382
State	82 458 599	-	-	-	82 458 599
<b>Captions disclosed in 2018 as a comparative period:</b>		<b>1 450 919</b>	<b>67 645 781</b>	<b>313 892 591</b>	<b>486 610 853</b>

## RECLASSIFICATION OF ITEMS INCLUDED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION - EQUITY AND LIABILITIES

Amounts in Euro	Amount disclosed in 2018	Legal reserve	Other reserves	Provisions	Interest-bearing liabilities (non-current)	Payables and other non-current liabilities	Interest-bearing liabilities (current)	Payables and other current liabilities	Income tax
		Note 5.5	Note 5.5	Note 9.1	Note 5.7	Note 4.3	Note 5.7	Note 4.3	Note 6.1
<b>Captions originally disclosed in 2018</b>									
Other reserves	796 784 857	16 695 625	780 089 232	-	-	-	-	-	-
Provisions	78 479 404	-	-	78 479 404	-	-	-	-	-
Interest-bearing liabilities (non-current)	1 401 009 210	-	-	-	1 401 009 210	-	-	-	-
Other liabilities	82 324 405	-	-	-	-	82 324 405	-	-	-
Interest-bearing liabilities (current)	333 875 411	-	-	-	-	-	333 875 411	-	-
Payables and other current liabilities	460 568 255	-	-	-	-	-	-	460 568 255	-
State	95 094 042	-	-	-	-	-	-	70 155 417	24 938 625
Income tax	36 837 380	-	-	-	-	-	-	-	36 837 380
<b>Captions disclosed in 2018 as a comparative period:</b>		<b>16 695 625</b>	<b>780 089 232</b>	<b>78 479 404</b>	<b>1 401 009 210</b>	<b>82 324 405</b>	<b>333 875 411</b>	<b>530 723 672</b>	<b>61 776 005</b>

## ADOPTION OF IFRS 16 AND IFRIC 23

On 1 January 2019, the accounting standard IFRS 16 – Leases and IFRIC 23 – Uncertainty over income tax treatments, which was adopted by the Group in the preparation of its consolidated financial statements

for 2019, entered into force. Changes in accounting policies and the impact on the financial statements are described in Note 1.5.1.

## 1.5 NEW IFRS ADOPTED AND TO BE ADOPTED

### ADOPTION OF IFRS 16

The Group adopted IFRS 16 - Leases on 1 January 2019 in accordance with the simplified transition approach provided for in paragraphs C3(b), C7 and C8 of IFRS 16, for the transition period, which translates into application on 1 January 2019 without the restatement of comparative figures.

IFRS 16 defines the principles for recognising, measuring and presenting leases, replacing IAS 17 – Leases and its interpretative guidance.

Under this standard, assets under right of use (Note 3.5) in the amount of Euro 69 million were recorded, which were measured by the amount of the lease liability (Note 5.8) on the date of adoption of the standard. In the measurement of lease liabilities and for contracts without an implicit interest rate, an incremental interest rate of 0.25% - 22% was considered.

In applying IFRS 16 for the first time, the Group applied a set of practical expedients for the leases previously considered as operational in accordance to IAS 17, as follows:

- the asset under right of use was measured at the same amount of the lease liability and a discount rate was applied on the transition date;
- applying a single discount rate to a set of leases with reasonably similar characteristics (such as leases with a similar remaining maturity, for a similar underlying class of asset and in a similar economic context); and
- not applying IFRS 16 to short-term (less than 12 months) and low-value (less than Euro 5 000) leases.

The adoption of IFRS 16 by the Group includes the reclassification of previously recorded asset and liability balances related to finance leases in accordance with IAS 17 as assets under right of use and lease liabilities, respectively.

The main impacts resulting from the adoption of IFRS 16 in the 2019 income statement, compared to what would be recognised by application of IAS 17, were the following: reduction of leases in Supplies and services (Note 2.3) of approximately Euro 15.4 million, increase in depreciation (Note 3.6) of about Euro 13.6 million and increase in interest (Note 5.11) of Euro 2.9 million.

As at 31 December 2018, the reconciliation between operating lease commitments and lease liabilities recognised at the initial application date is as follows:

Amounts in Euro	
<b>Operating lease liabilities as at 31 December 2018</b>	<b>90 709 295</b>
(Less): short-term leases recognised on a straight-line basis as expense	(1 633 795)
(Less): low-value leases recognised on a straight-line basis as expense	(10 500)
More/(less): other adjustments resulting from the application of IFRS 16 for the first time	(1 816 176)
<b>Undiscounted lease liabilities recognised as at 1 January 2019</b>	<b>87 248 823</b>
Discounted using the incremental financing rate	(21 225 776)
More: finance lease liabilities recognised as at 31 December 2018	2 943 624
<b>Lease liabilities recognised as at 1 January 2019</b>	<b>68 966 671</b>

## ADOPTION OF IFRIC 23 – UNCERTAINTY OVER INCOME TAX TREATMENTS

On 7 June 2017, the International Accounting Standards Board (IASB) issued Interpretation 23 Uncertainty over income tax treatments of the International Financial Reporting Interpretations Committee's (IFRIC 23).

This Interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments. In these circumstances, an entity should recognise and measure its current or deferred tax asset or liability by applying the requirements of IAS 12 based on the taxable amount (tax loss), taxable

income, unused tax losses, unused tax credits and the tax rates determined in applying this Interpretation.

The Group decided to adopt this interpretation prospectively in the transition, with the cumulative effect of the initial application recognised as of 1 January 2019.

Therefore, this approach to transition does not require the restatement of comparative information.

As a result of the adoption of IFRIC 23, the balances of uncertain tax positions were reclassified from Provisions to Income Tax in the Consolidated Statement of Financial Position for the comparative period, in the amount of Euro 25 077 050.

## OTHER STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED OR TO BE ADOPTED

### STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED IN 2019

Amendment	
Standards and amendments	
IFRS 9 – Financial instruments (amendment)	<p>Financial assets containing negative offsetting prepayment features can now be measured at amortised cost or fair value through comprehensive income (OCI) if they meet the relevant criteria of IFRS 9.</p> <p>IASB also clarified that IFRS 9 requires preparers to recalculate the amortised cost of modifying financial liabilities by discounting the contractual cash flows using the original effective interest rate (EIR) and recognising any adjustment through profit or loss for the period (complying with the procedure already required for financial assets).</p> <p>This amendment was adopted by Commission Regulation EU 2018/498 and is of mandatory implementation for fiscal years beginning on or after 1 January 2019, with early adoption permitted.</p>
IAS 28 – Investments in associates and joint-ventures (amendment)	<p>In October 2017, IASB issued amendments to IAS 28 regarding long-term interests in associates and joint ventures. The amendments clarify that IFRS 9 applies to financial instruments in associates or joint ventures to which the equity method is not applied, including long-term interests.</p> <p>The changes shall be applied retrospectively for annual periods beginning on or after 1 January 2019.</p>
IAS 19 – Employee benefits (amendment)	<p>In February 2018, IASB issued amendments to IAS 19. The amendments clarify the accounting when a change, reduction or settlement takes place in the defined benefit plan.</p> <p>The changes now specify that an entity should use the updated assumptions of rereasuring its net defined benefit liability (asset) to determine the current service cost and net interest for the remainder of the reporting period after the change in plan.</p> <p>The changes result in a different allocation of total comprehensive income between service cost, interest and other comprehensive income.</p> <p>The changes apply prospectively to changes, curtailments or settlements of defined benefit plans that occur on or after the beginning of the first annual reporting period beginning on or after 1 January 2019.</p>
Improvements to standards 2015 – 2017	<p>The improvements of the 2015-2017 cycle, issued by the IASB on 12 December 2017 introduce changes, with effective date for periods beginning on or after 1 January 2019, to IFRS 3 (re-measurement of previously held interests as a joint operation when obtaining control over the business), IFRS 11 (not rereasuring interests previously held in the joint operation when obtaining joint control over the business), IAS 12 (accounting for all tax consequences of dividends), IAS 23 (accounting treatment for borrowing costs originally made to develop an asset when it becomes fit for use or sale).</p>

The above standards, amendments and interpretations had no impact on the financial statements.

## STANDARDS, AMENDMENTS AND INTERPRETATIONS OF MANDATORY APPLICATION ON OR AFTER 1 JANUARY 2020

Amendment	Effective date
<b>Standards and amendments not yet endorsed by the European Union</b>	
IFRS 3 – Business combinations (amendment)	1 January 2020
<p>On 22 October 2018, IASB issued the amendments to its business definition.</p> <p>The amendments clarify that, to be considered a business, an acquired set of activities and assets must include at least one input and one substantive process that, together, contribute significantly to the ability to create outputs.</p> <p>The amendments also clarify that a set of activities and assets can qualify as a business without including all the inputs and processes necessary to create outputs, or including the outputs themselves, by replacing the term "ability to create outputs" with "ability to contribute to the creation of outputs".</p> <p>It is no longer necessary to evaluate if the market players are capable of replacing inputs or missing proceedings (for example, by integrating activities and assets acquired) and continue to create outputs. The amendments focus on whether the acquired inputs and substantive processes together contribute significantly to the ability to create outputs.</p> <p>The amendments shall be applied to transactions for which the acquisition date is on or after the beginning of the first annual reporting period starting on or after 1 January 2020, with early application permitted. If entities implement the amendments in advance, they shall disclose this fact.</p>	
Clarification of requirements for classifying liabilities as current or non-current (amendments to IAS 1 – Presentation of Financial Statements)	1 January 2020
<p>IASB issued on 23 January 2020 an amendment to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current and non-current.</p> <p>The amendments are intended to promote consistency in the application of requirements to help companies determine whether, in the statement of financial position, debt or other liabilities with an uncertain settlement date should be classified as current (to be settled or potentially settled within one year) or non-current. Changes include explanations on the debt classification requirements that a company can settle by converting into equity.</p> <p>This change is effective for periods after 1 January 2022.</p>	

## 1.6 MAIN ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires the use of estimates and judgments that affect the amounts of income, expenses, assets, liabilities and disclosures at the date of the consolidated financial position. To that end, the Board's estimates and judgments are based on:

- the best information and knowledge of present events and in certain cases on the reports of independent experts; and
- the actions that the Group considers it may have to take in the future.

On the date on which the operations are realised, the outcome could differ from those estimates.

### MAIN ESTIMATES AND JUDGEMENTS

Estimates and judgements	Notes
Recoverability of goodwill and brands	3.1 – Goodwill 3.2 – Intangible assets
Uncertainty over the income tax treatment	6.1 – Income tax for the period 6.2 – Deferred taxes
Actuarial assumptions	7.2 – Employee benefits
Fair value of biological assets	3.7 – Biological assets
Recognition of provisions	9.1 – Provisions
Recoverability, useful life and depreciation of property, plant and equipment	3.3 – Property, plant and equipment

## 2 OPERATIONAL PERFORMANCE

### 2.1 REVENUE AND SEGMENT REPORTING



#### ACCOUNTING POLICIES

#### SEGMENT REPORTING

An operating segment is a component of an entity:

- i) business activities that can generate revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity);
- ii) whose operating results are regularly reviewed by the entity'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.

Semapa's Executive Committee and the different subsidiaries are the main responsible for the Group's operational decisions, periodically and consistently analysing the reports on the financial and operating information of each segment. The reports are used to monitor the operational performance of its businesses and decide on the best allocation of resources to the segment, as well as the evaluation of its performance and strategic decision-making.

The information used in segment reporting corresponds to the financial information prepared by the Group. All the inter-segment sales and services are performed at market prices and eliminated on consolidation.

When aggregating the Group's operating segments, the Board of Directors defined as reportable segments those that correspond to each of the business areas developed by the Group:

#### PULP AND PAPER

The Navigator group's main business is the production and sale of writing and printing thin paper (UWF) and domestic consumption paper (Tissue), and it is present in the whole value added chain, from research and development of forestry and agricultural production, to the purchase and sale of wood and the production and sale of bleached eucalyptus kraft pulp – BEKP and electric and thermal energy, as well as its commercialisation.

The Navigator Group has four industrial plants. BEKP, energy and UWF paper are produced in two plants located in Figueira da Foz and Setúbal. BEKP energy and tissue paper are also produced in a plant located in Aveiro and the fourth plant, located in Vila Velha de Ródão, only produces tissue paper.

Wood and cork are produced from woodlands owned or leased by the Group in Portugal and Spain, and also form granted lands in Mozambique. The production of cork and pinewood are sold to third parties while the eucalyptus wood is mainly consumed in the production of BEKP.

A significant portion of the Group's own BEKP production is consumed in the production of UWF and tissue paper in Aveiro. Sales of BEKP, UWF and tissue paper are made to more than 130 countries around the world.

Energy, heat and electricity are mainly produced from bio fuels in three cogeneration plants. Heat production is used for internal consumption while electricity is sold to the national energy grid. The Navigator Group also owns another two cogeneration units using natural gas, integrated in the production of paper in Figueira da Foz and in Setúbal, and two separate units using biofuel. The production of the last two is entirely sold to the national energy grid.

#### CEMENT AND DERIVATIVES

The Cement and derivatives segment is led by Secil – Companhia Geral de Cal e Cimento, S.A., which has a strong presence in the cement industry, being a business group with several operations in Portugal and in several countries around the world (Secil Group).

The main product marketed by the Secil Group is cement. The sale of ready- mixed concrete, aggregates, mortars and precast concrete constitutes a verticalisation of the cement segment allowing the Group to obtain synergies.

Secil Group has 3 cement plants in Portugal, Secil-Outão, Maceira-Liz and Cibra-Pataias, and the cement is sold in its various forms (in bulk or bagged, on pallets or big bags) through the different trading hubs owned by the Group. The Secil Group also owns other factories located in Brazil, Tunisia, Lebanon and Angola.

A significant factor in the marketing of cement is the transportation cost, which is why the Secil Group maintains a private wharf in Secil-Outão, a sea terminal in Spain and a sea terminal in the Netherlands.

With regards to cement "derivatives", the ready-mixed concrete represents the greatest weight in the Group's revenue, with the Secil Group owning several production and marketing centres in Portugal, Spain, Tunisia, Lebanon and Brazil.

Secil Group has also the licence to exploit several quarries, from which it extracts materials for incorporation in cement production or commercialisation as aggregates.

## ENVIRONMENT

The Environment segment is led by ETSA – Investimentos, S.G.P.S., S.A., whose operating activities in Portugal and Spain refer mainly to the rendering of services associated with the cumulative recovery of animal by-products and food products containing animal origin substances, and the sale of the products resulting from this recovery for incorporation in the production of fertilizers, animal feed and biodiesel ("ETSA Group").

The activities developed by the ETSA Group play a very important role in the defense of the population and the environment, providing new life to products that would otherwise be directed to landfills or undifferentiated waste treatment centers.

The main activities developed by the Group are:

- collection, packaging, sorting, unpacking and upgrading of animal by-products (categories 1, 2 and 3), other

foodstuffs and waste oils, from collection sites such as slaughterhouses, cutting plants, butchers, municipal markets and modern retail;

- the sale of animal fats, meal and used cooking oil.

ETSA Group develops its activity through the transformation units located in Coruche and Loures, and the collection network is assured by its own road fleet, duly certified by the Portuguese National Authority for Food and Animal Health (Direção Geral de Alimentação e Veterinária – DGAV).

## HOLDINGS

This segment refers to the management activities of the Semapa Group, that is, the services rendered by Semapa to its subsidiaries in various areas such as strategic planning, legal, financial, accounting, tax, talent management, among others, while incurring in payroll expenses and the contracting of specialised services.

Since 2018, the new venture capital unit has been included in this segment, which is not yet reflected in the Group's financial information.

## REVENUE

Revenue is presented by operating segment and by geographic area, based on the country of destination of the goods and services sold by the Group.

Revenue recognition in each operating segment is described as follows:

### Pulp and paper

Commercial contracts with customers refer essentially to the sale of goods such as paper, pulp, tissue and energy, and to an extent limited to the transportation of those goods, when applicable.

Paper revenue refers to sales made through Retail Stores (B2C) or Commercial Distributors (B2B) which include large distributors, wholesalers or commercial operators. Revenue is recognised at a specific time, when control is transferred in accordance with the agreed incoterm, at the amount of the performance obligation satisfied, and the price of the transaction is a fixed amount invoiced based on quantities sold, less cash discounts and quantity discounts, which are reliably estimated.

Pulp revenue results from sales to international paper producers. Revenue is recognised at a specific time, by the amount of the performance obligation satisfied, the price of the transaction corresponding to a fixed amount invoiced on the basis of quantities sold, less cash discounts and quantity discounts, which are reliably determinable. On the export side, the transfer of control of the products occurs in general when there is a transfer of control to the customer, according to the Incoterms negotiated.

Tissue revenue results from sales of tissue paper produced for the private label of modern national and international retail chains. Revenue is recognised at a specific time by the amount of the performance obligation satisfied, and the price of the transaction corresponds to a fixed amount invoiced according to the quantities sold. Revenue is recognised against the delivery of the product, at which time the transfer of control over the product is deemed to take place.

The revenue from the sale of cork and pine wood to third parties is recognised on the date of delivery of the product to the customer by the amount of the performance obligation satisfied.

## Cement and Derivatives

### Cement

A significant part of Secil Group revenue relates to the sale of grey cement, in bulk or bagged, in pallets or packets. The form of cement packaging and delivery point depends on the size of the customer.

Secil Group's main customers are industrial companies in the area of concrete, prefabricated and civil construction and consortia associated with the construction of highly complex technical works such as dams and bridges. The sale of bagged cement to the end consumer is residual and is assured through local resellers.

Secil supplies its products in its factories and trading hubs and ensures transport to the customer's premises by subcontracting the transport, in which case there are two performance obligations, to which Secil allocates the transaction price based on the sales price.

The revenue recognised for the sale of cement in trading hubs results from the price lists in force adjusted by cash discounts and quantity discounts, granted to customers, depending on whether they are resellers or industrial customers, as described in the general terms and conditions of sale. For large customers and specific projects the prices and discount conditions are fixed by contract, on an individual basis.

The discounts granted are a variable component of the price which is considered in determining the revenue recorded on the date of delivery of the product to the customer, which corresponds to the date of transfer of control of the products.

On the export side, the transfer of control of the products generally takes place when there is a transfer of control to the customer, according to the Incoterms negotiated.

### Materials

The Materials business line concerns cement "derivatives": ready-mixed concrete, aggregates, mortars and prefabricated concrete.

Revenue from Materials is recognised on the date of delivery of the product to the customer, even if the contract involves phased deliveries, due to the different stages of the work and quantities to be moved.

Revenue is recognised by the amount of the performance obligation satisfied, the price of the transaction corresponding to a fixed amount invoiced on the basis of quantities sold, less cash discounts and quantity discounts, which are reliably estimated.

With regards to mortars, the rental of site equipment for the storage, mixing and application of mortars corresponds to a separate performance obligation with a stand-alone sales price less any discounts granted.

Prefabricated concrete essentially refers to the marketing of standard prefabricated materials, and there is no production of prefabricated materials at the specific request of customers. In this business area the Group recognises the revenue of all products with the delivery of the product to the customer.

## Environment

Revenue recorded by the Environment segment refers to the sale of products and the rendering of services.

Product sales are mainly lard, tallow, animal fat, flour (for the feed industry), and oils (for the biodiesel market). Revenue is recognised when the products are delivered to the customer's premises or location designated by the customer, at which time the transfer of control to the customer is considered to occur.

The main customers are national and international animal feed producers.

The services rendered by the ETSA Group refer mainly to the following:

- collection and treatment of Category 1 and 2 material from farmed and domestic animal carcasses, in accordance with the contract with DGAV - Direcção Geral de Alimentação e Veterinária, as well as from slaughterhouses and other conventional collection centres; and
- packing in refrigerated equipment, collection, transport, sorting and unpacking of Category 3 materials (meat and fish) and other foodstuffs (fresh or frozen), in bulk or packaged, in the network of modern retail shops and town markets

Revenue recognition is made on a monthly basis for services rendered on a regular and uniform basis to the modern retail network. As for the contract with DGAV, revenue is recognised for each service rendered, as calculated on a monthly basis.



### SEGMENT REPORTING

When aggregating the Group's operating segments, the Board of Directors defined as reportable segments those that correspond to each of the business areas developed by the Group: Pulp and Paper, Cements and Derivatives, and Environment, consistent with the way the Semapa Group's management team monitors and analyses performance.

### FINANCIAL INFORMATION BY OPERATING SEGMENT IN 2019 AND 2018

2019 Amounts in Euro	Note	Pulp and paper	Cement and derivatives	Environment	Holdings	Within-group eliminations	Total
Revenue		1 687 859 963	510 994 979	30 260 432	19 719 922	(20 295 189)	2 228 540 107
Other operating income (a)	2.2 and 3.7	50 351 100	61 467 040	121 710	140 626	(31 960)	112 048 516
Cost of goods sold and materials consumed	4.1	(716 135 341)	(157 781 405)	(5 090 696)	-	-	(879 007 442)
Supplies and services	2.3	(466 857 759)	(185 699 644)	(8 977 580)	(10 919 623)	20 327 149	(652 127 457)
Other operating expenses (b)	2.3	(183 126 920)	(121 823 026)	(8 546 711)	(9 111 768)	-	(322 608 425)
Depreciation and amortisation	3.6	(153 805 958)	(61 293 059)	(3 040 957)	(350 020)	-	(218 489 994)
Impairment losses	3.6	(1 646)	(23 336 977)	-	-	-	(23 338 623)
Provisions	9.1	36 727	(4 072 256)	(23 000)	-	-	(4 058 529)
Interest and similar expense	5.11	(15 748 671)	(23 363 467)	(194 363)	(10 925 749)	8 195	(50 224 055)
Group share of (loss) / gains of associated companies and joint ventures	10.3	-	1 719 099	-	-	-	1 719 099
Other financial gains and losses	5.11	(3 158 053)	(2 486 460)	(127 513)	(80 763)	(8 195)	(5 860 984)
<b>Profit before tax</b>		<b>199 413 442</b>	<b>(5 675 176)</b>	<b>4 381 322</b>	<b>(11 527 375)</b>	-	<b>186 592 213</b>
Income tax	6.1	(42 196 131)	14 461 174	(599 087)	4 444 915	-	(23 889 129)
<b>Net profit for the period</b>		<b>157 217 311</b>	<b>8 785 998</b>	<b>3 782 235</b>	<b>(7 082 460)</b>	-	<b>162 703 084</b>
<b>Attributable to shareholders</b>		<b>109 679 842</b>	<b>17 674 525</b>	<b>3 781 813</b>	<b>(7 082 460)</b>	-	<b>124 053 720</b>
Non-controlling interests	5.6	47 537 469	(8 888 527)	422	-	-	38 649 364
<b>OTHER INFORMATION</b>							
Total Segment assets		2 529 630 358	1 406 630 218	81 664 460	126 138 845	(122 236 830)	4 021 827 051
Goodwill	3.1	122 907 528	185 842 214	36 422 934	-	-	345 172 676
Intangible assets	3.2	155 994 689	154 163 310	-	-	-	310 157 999
Property, plant and equipment	3.3	1 330 613 540	670 148 857	23 380 740	865 979	-	2 025 009 116
Biological assets	3.7	131 769 841	-	-	-	-	131 769 841
Deferred tax assets	6.2	31 638 565	57 979 935	352 279	-	-	89 970 779
Investments in associates and joint ventures	10.3	-	5 454 286	-	-	-	5 454 286
Cash and cash equivalents	5.9	161 880 403	96 907 045	310 561	143 185	-	259 241 194
Total segment liabilities		1 588 116 994	828 562 184	16 207 146	449 458 633	(122 236 830)	2 760 108 127
Interest-bearing liabilities	5.7	877 131 386	454 922 167	6 040 220	391 951 128	(125 560)	1 729 919 341
Adjustment of property, plant and equipment	3.3	157 943 129	42 611 040	2 005 615	342 295	-	202 902 079

(a) Includes "Other operating income" and "Changes in fair value of biological assets".  
(b) Includes "Variation in production", "Payroll costs" and "other operating expenses".



2018 Amounts in Euro	Note	Pulp and paper	Cement and derivatives	Environment	Holdings	Within-group eliminations	Total
Revenue		1 691 627 494	483 635 512	24 642 787	14 230 158	(16 168 050)	2 197 967 901
Other operating income (a)	2.2 and 3.7	36 968 944	34 010 523	436 817	59 358	(48 740)	71 426 902
Cost of goods sold and materials consumed	4.1	(700 242 350)	(151 416 045)	(5 010 735)	-	-	(856 669 130)
Supplies and services	2.3	(414 924 552)	(179 973 508)	(8 434 667)	(5 285 466)	16 216 790	(592 401 403)
Other operating expenses (b)	2.3	(158 212 004)	(97 598 900)	(6 263 624)	(9 740 616)	-	(271 815 144)
Depreciation and amortisation	3.6	(153 782 198)	(53 089 538)	(2 929 569)	(190 389)	-	(209 991 694)
Impairment losses	3.6	-	(5 859 263)	-	-	-	(5 859 263)
Provisions	9.1	(13 546 948)	(5 520 302)	60 000	-	-	(19 007 250)
Interest and similar expense	5.11	(7 871 768)	(18 730 961)	(298 719)	(12 044 736)	-	(38 946 184)
Group share of (loss)/gains of associated companies and joint ventures	10.3	-	1 182 762	-	-	-	1 182 762
Other financial gains and losses	5.11	(14 615 858)	(13 382 094)	(144 740)	(2 923 447)	-	(31 066 139)
<b>Profit before tax</b>		<b>265 400 760</b>	<b>(6 741 814)</b>	<b>2 057 550</b>	<b>(15 895 138)</b>	-	<b>244 821 358</b>
Income tax	6.1	(51 335 315)	7 222 774	(46 421)	508 769	-	(43 650 193)
<b>Net profit for the period</b>		<b>214 065 445</b>	<b>480 960</b>	<b>2 011 129</b>	<b>(15 386 369)</b>	-	<b>201 171 165</b>
<b>Attributable to Shareholders</b>		<b>148 567 465</b>	<b>(2 637 660)</b>	<b>2 010 901</b>	<b>(15 386 369)</b>	-	<b>132 554 337</b>
Non-controlling interests	5.6	65 497 980	3 118 620	228	-	-	68 616 828
<b>OTHER INFORMATION</b>							
Total Segment assets		2 557 150 559	1 349 743 204	84 316 098	20 360 971	(19 298 819)	3 992 272 013
<i>Goodwill</i>	3.1	122 907 528	186 840 525	36 422 934	-	-	346 170 987
Intangible assets	3.2	154 374 251	138 472 631	-	-	-	292 846 882
Property, plant and equipment	3.3	1 335 242 225	681 103 638	26 685 129	722 773	-	2 043 753 765
Biological assets	3.7	119 614 567	-	-	-	-	119 614 567
Deferred tax assets	6.2	71 006 775	36 765 411	289 739	-	-	108 061 925
Investments in associates and joint ventures	10.3	-	4 714 744	-	-	-	4 714 744
Cash and cash equivalents	5.9	80 859 784	99 443 113	2 751 882	194 198	-	183 248 977
Total segment liabilities		1 445 366 996	784 393 732	22 041 020	502 178 406	(19 298 822)	2 734 681 332
Interest-bearing liabilities	5.7	763 830 678	485 805 619	13 755 439	472 692 952	(1 200 067)	1 734 884 621
Adjustment of property, plant and equipment	3.3	216 459 363	24 680 702	1 647 989	420 614	-	243 208 668

(a) Includes "Other operating income" and "Changes in fair value of biological assets".

(b) Includes "Variation in production", "Payroll costs" and "other operating expenses".

## PROPERTY, PLANT AND EQUIPMENT BY GEOGRAPHIC LOCATION

Amounts in Euro	31/12/2019		31/12/2018	
Portugal	1 617 558 182	79.88%	1 637 093 035	80.1%
Rest of Europe	8 805 829	0.43%	9 371 891	0.5%
America	248 143 420	12.25%	248 239 818	12.1%
Africa	68 985 751	3.41%	63 041 160	3.1%
Asia	81 515 934	4.03%	86 007 861	4.2%
	<b>2 025 009 116</b>	<b>100.00%</b>	<b>2 043 753 765</b>	<b>100.00%</b>

## REVENUE BY BUSINESS SEGMENT, BY GEOGRAPHIC AREA AND BY RECOGNITION PATTERN

2019	Pulp and Paper	Cement and Derivatives	Environment	Total amount	Total
Portugal	327 581 461	236 168 149	20 043 512	583 793 122	26.20%
Rest of Europe	840 598 663	40 075 357	8 964 700	889 638 720	39.92%
America	182 127 117	85 443 880	-	267 570 997	12.01%
Africa	191 840 757	84 964 182	-	276 804 939	12.42%
Asia	145 170 836	64 015 959	1 252 220	210 439 015	9.44%
Overseas	293 314	-	-	293 314	0.01%
	<b>1 687 612 148</b>	<b>510 667 527</b>	<b>30 260 432</b>	<b>2 228 540 107</b>	<b>100%</b>
<b>Measurement standard</b>					
At a specific point in time	1 687 612 148	465 993 402	17 093 014	2 170 698 564	97.40%
Over time	-	44 674 125	13 167 418	57 841 543	2.60%

2018	Pulp and Paper	Cement and Derivatives	Environment	Total amount	Total
Portugal	315 702 850	199 671 051	17 727 099	533 101 000	24.25%
Rest of Europe	851 819 056	34 470 188	6 321 042	892 610 286	40.61%
America	209 484 174	83 397 253	-	292 881 427	13.33%
Africa	194 465 681	81 694 890	46 264	276 206 835	12.57%
Asia	118 938 598	82 905 362	548 382	202 392 342	9.21%
Overseas	776 011	-	-	776 011	0.04%
	<b>1 691 186 370</b>	<b>482 138 744</b>	<b>24 642 787</b>	<b>2 197 967 901</b>	<b>100%</b>
<b>Measurement standard</b>					
At a specific point in time	1 691 186 370	474 506 960	12 231 876	2 177 925 206	99.09%
Over time	-	7 631 784	12 410 911	20 042 695	0.91%

In 2019 and 2018, the revenue presented in different business and geographical segments corresponds to revenue generated with external customers based on the final destiny of the products and services commercialised by the Group, not representing any of them, individually, 10% or more of the overall revenue of the Group.

## 2.2 OTHER OPERATING INCOME



### ACCOUNTING POLICIES

#### OPERATING SUBSIDIES AND SUBSIDIES RELATED TO BIOLOGICAL ASSETS

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 (Note 3.7) 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.

As of 31 December 2019 and 2018, Other operating income is detailed as follows:

Amounts in Euro	2019	2018
Gains on disposal of non-current assets	4 458 633	19 759 725
Grants – CO <sub>2</sub> emission allowances	41 238 972	15 800 680
Disposal of CO <sub>2</sub> emission allowances	13 189 029	9 824 690
Recovery/settlement of uncollectibles	3 788 398	9 772 225
Supplementary income	1 039 925	4 546 709
Operating subsidies	2 697 265	3 858 882
Power interruption - REN	4 160 921	3 438 724
Scrap sales	-	1 144 730
Inventory gains	784 345	950 005
Own work capitalised	625 930	906 566
Income from waste treatment	603 655	479 792
Compensation received	10 522 461	375 729
PIS/COFINS Brazil Process	3 298 422	-
Other operating income	13 485 286	10 350 814
	<b>99 893 242</b>	<b>81 209 271</b>

Gains on the sale of non-current assets includes, in 2018, Euro 15 765 258 related to the capital gain on the sale of the pellets business in the USA as well as Euro 2 617 093 related to the gains from the sale of forest land with poor forestry potential, both obtained by the subsidiary Navigator. In 2019, this caption essentially includes gains realised on the sale of forest land.

The amount shown under Subsidies - CO<sub>2</sub> emission allowances refers to the recognition of the free allocation of emission allowances.

The amount of Euro 3 298 422 presented under the caption PIS/COFINS Brazil Process refers to the gain recognised

by the subsidiary Supremo as a result of the decision rendered by the Brazilian courts towards not being subject to PIS and Confins taxes on the ICMS tax that is applied to sales. The gain corresponding to the refund of tax overpaid in previous years was therefore recognised. This refund will occur by deduction from tax payable in the future.

In 2019, the amount shown under Compensations received consists mainly to insurance compensation related with the losses at the Figueira da Foz plant from the subsidiary Navigator following Hurricane Leslie, as well as losses associated with the breakdown of the biomass boiler and the turbine alternator at the Setúbal plant, both also from the subsidiary Navigator.

## 2.3 OTHER OPERATING EXPENSES

As of 31 December 2019 and 2018, Other operating expenses were detailed as follows:

Amounts in Euro	Note	2019	2018
<b>Cost of goods sold and materials consumed</b>	<b>4.1.3</b>	<b>879 007 442</b>	<b>856 669 130</b>
<b>Variation in production</b>	<b>4.1.4</b>	<b>(1 133 891)</b>	<b>(45 308 827)</b>
<b>Supplies and services</b>			
Energy and fluids		194 426 943	168 245 498
Inventory transportation		175 525 770	169 313 644
Professional fees		126 825 641	98 298 497
Repair and maintenance		55 146 225	47 096 784
Fees		7 995 284	7 914 261
Insurance		16 218 320	14 943 379
Subcontracts		3 602 118	3 993 228
Other		72 387 156	82 596 112
		<b>652 127 457</b>	<b>592 401 403</b>
<b>Payroll costs</b>	<b>7.1</b>	<b>240 748 321</b>	<b>257 155 181</b>
<b>Other operating expenses</b>			
Membership fees		945 172	1 216 036
Donations		2 234 179	2 213 221
Cost with emission allowances		47 797 125	23 439 921
Impairment in receivables	4.2	1 262 145	652 232
Impairment losses in inventories	4.1.5	7 814 410	3 403 673
Other losses on inventories		4 044 086	5 143 878
Indirect taxes		6 036 291	15 228 825
Losses on disposal of non-current assets		3 878 247	1 663 308
Other operating costs		8 982 340	7 007 696
		<b>82 993 995</b>	<b>59 968 790</b>
<b>Provisions</b>	<b>9.1</b>	<b>4 058 529</b>	<b>19 007 250</b>
<b>Total operating expenses</b>		<b>1 857 801 853</b>	<b>1 739 892 927</b>

The increase in 2019 in services and supplies is mainly related to the increase in costs with Energy and fluids (as a result of the increase in the acquisition price of electricity and natural gas), Transportation of goods and Specialised services.

In 2018, indirect taxes includes the amount of Euro 9 240 720 related to costs associated to the anti-dumping

process, of which Euro 3 565 991 refers to the retroactive application of the 1.75% rate in the sales of the first review period between August 2015 and February 2017. The remainder related to the application of an estimated rate for the second review period, which began in March 2017 and ended in February 2018, which the Group prudently decided to reflect in its 2018 results.

## INVOICED FEES REGARDING STATUTORY AUDIT AND AUDIT SERVICES

Amounts in Euro	2019		2018	
	Expenses in the period	Invoiced fees	Expenses in the period	Invoiced fees
<b>KPMG (SROC) and other entities belonging to the same network</b>				
Statutory audit and audit services	630 440	556 476	550 513	235 701
Other reliability assurance services	38 750	41 150	9 000	11 363
Other services	3 000	-	17 800	25 000
	<b>672 190</b>	<b>597 626</b>	<b>577 313</b>	<b>272 064</b>

The services indicated as Other reliability assurance services essentially concern the issue of reports on financial information, certification of R&D expenses for subsidy purposes, specialised support in the scope of sustainability reports of subsidiaries of the Group, reports issued under merger operations between Group companies and the issue of reports for attestation of uncollectable credits.

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

# 3 INVESTMENTS

## 3.1 GOODWILL



### ACCOUNTING POLICIES

Goodwill represents the difference between the fair value of the cost of acquisition and the fair value of 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 to the lower group of CGUs to which it belongs.

<b>Amortisation and impairment</b>	Goodwill is not amortised. The Group annually carries out impairment tests to the goodwill, or where there are signs of impairment. Recoverable amounts of cash flow units are determined, based on the calculation of usage values and fair value less cost of sale. Impairment losses on goodwill cannot be reversed.
<b>Disposals and loss of control</b>	Gains or losses arising from the sale or loss of control over an entity or business to which Goodwill is allocated include the amount of the corresponding goodwill.
<b>Acquisitions in a currency other than the presentation currency</b>	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 under Currency translation reserve (Note 5.5) as other comprehensive income.
<b>Tax deductibility</b>	In accordance with the current tax legislation in Portugal, it is not expected that Goodwill generated and recognised will be tax deductible. In other geographies where the Group operates, a differentiated tax treatment is applied.



### MAIN ACCOUNTING ESTIMATES AND JUDGEMENTS

#### IMPAIRMENT TESTS

For impairment tests of CGUs, the recoverable amount was determined based on the value in use, according to the discounted cash flow method. The recoverable amount of CGUs is derived from assumptions related to the activity, namely sales volumes, average selling prices and variable costs, that in the projection periods result from a combination of economic forecasts for the regions and markets where the Group operates, industry forecasts, including changes

in the markets derived from changes in installed capacity for each operational activity, internal management projections and historical performance.

These projections result from budgets for the following year and estimates of cash flows for a subsequent period of four years, reflected in the approved Medium/ Long-Term Plans, approved by the Board of Directors.

In its analysis, the Group identifies primarily the cash-generating units, which is included in the defined business segments. The goodwill analysis already includes the results of impairment tests of individual assets that are carried out for each of the Group's business segments.

## ASSUMPTIONS ON THE BASIS OF THE BUSINESS PLANS

Assumptions (CAGR 2020-2024)	Pulp and paper	Cement and derivatives*	Environment
<b>Sales in quantity (kt)</b>			
Reference	UWF Paper	Cement and clinker	Fat [3.5]
CAGR sales in quantity (kt)	1.5%	-0.8%-13.3%	-0.2%
<b>Average selling price LC/t</b>			
Reference	UWF Paper	Grey cement in MI	Fat [3.5]
CAGR average selling price LC/t	0.0%	0.5%-7.3%	3.8%
<b>Total cash costs LC</b>			
CAGR total cash costs LC	0.5%	1.4%	1.3%

\*Range corresponding to Portugal, Brazil, Tunisia, Lebanon and Angola geographies.

Assumptions (CAGR 2019-2023)	Pulp and paper	Cement and derivatives*	Environment
<b>Sales in quantity (kt)</b>			
Reference	UWF Paper	Cement and clinker	Fat [3.5]
CAGR sales in quantity (kt)	0.4%	-1.2% e 6.3%	-0.3%
<b>Average selling price LC/t</b>			
Reference	UWF Paper	Grey cement in MI	Fat [3.5]
CAGR average selling price LC/t	0.0%	1.0% a 8.9%	6.4%
<b>Total cash costs LC</b>			
CAGR total cash costs LC	-0.1%	-2.4% a 7.8%	1.2%

\*Range corresponding to Portugal, Brazil, Tunisia, Lebanon and Angola geographies.

## MACROECONOMIC AND FINANCIAL ASSUMPTIONS

The main assumptions considered at macroeconomic level are projections of GDP growth rate and inflation in the markets where the Group operates (Portugal for all CGUs and also Tunisia, Lebanon, Brazil and Angola in the Cement and Derivatives segment). The sources of macroeconomic forecasts are the IMF and the Bank of Portugal (Banco de Portugal).

The perpetuity growth rate reflects the Boards of Directors' vision in the medium and long-term for the different CGUs, bearing in mind the macroeconomic assumptions.

Financial assumptions	31/12/2019				31/12/2018			
	Risk-free interest rate*	WACC rate EUR	Perp. Growth Rate EUR	Income tax rate	Risk-free interest rate	WACC rate EUR	Perp. Growth Rate EUR	Income tax rate
<b>Pulp and paper</b>								
<b>Portugal</b>								
Explicit planning period	0.77%	5.36%	-	27.50%	1.83%	6.59%	-	27.50%
Perpetuity	2.85%	7.31%	0.00%	27.50%	1.83%	6.59%	0.00%	27.50%
<b>Cement and derivatives</b>								
<b>Portugal</b>								
Explicit planning period	0.77%	5.22%	-	27.50%	1.83%	6.43%	-	27.50%
Perpetuity	2.85%	7.12%	1.50%	27.50%	1.83%	6.43%	1.35%	27.50%
<b>Environment</b>								
<b>Portugal</b>								
Explicit planning period	0.77%	4.72%	-	27.50%	1.83%	5.97%	-	27.50%
Perpetuity	2.85%	6.63%	1.25%	27.50%	1.83%	5.97%	1.25%	27.50%

Note: Cements and Derivatives also considered WACC rates in Euro between 6.37% and 18.03% for Brazil, Tunisia, Angola and Lebanon.

\*Country Risk Premium included.

## IMPAIRMENT TESTS

As a result of the impairment tests performed in 2019 and 2018, no impairment loss was identified in goodwill.

## SENSITIVITY ANALYSIS

A sensitivity analysis was performed to the assumptions regarded as key (independently for each assumption), wacc rate and free cash flow, which did not determine any impairment for the goodwill allocated to each CGU.

### VARIATION OF SEMAPA EQUITY BY A CHANGE IN THE WACC RATE

Wacc Rate sensitivity analysis	-50bps	+50bps	-1%	+1%
<b>Pulp and paper</b>				
Explicit planning period	2%	-2%	5%	-5%
Perpetuity	7%	-6%	15%	-11%
Explicit planning and perpetuity	9%	-8%	21%	-15%
<b>Cements and other construction materials</b>				
Explicit planning period	3%	-3%	7%	-6%
Perpetuity	11%	-9%	25%	-17%
Explicit planning and perpetuity	15%	-12%	33%	-23%
<b>Environment</b>				
Explicit planning period	3%	-3%	5%	-5%
Perpetuity	11%	-9%	25%	-16%
Explicit planning and perpetuity	14%	-11%	31%	-20%

### VARIATION OF SEMAPA EQUITY BY A CHANGE IN FREE CASH FLOW

FCF sensitivity analysis	-5%	+5%	-10%	+10%
Pulp and paper	-6%	6%	-12%	12%
Cements and other construction materials	-8%	8%	-15%	15%
Environment	-6%	6%	-12%	12%

## GOODWILL - NET AMOUNT

Goodwill is attributed to the Group's cash generating units (CGU's) that correspond to the operating segments identified in Note 2.1, as follows:

Amounts in Euro	31/12/2019	31/12/2018
Pulp and paper	122 907 528	122 907 528
Cement and derivatives	185 842 214	186 840 525
Environment	36 422 934	36 422 934
	<b>345 172 676</b>	<b>346 170 987</b>



## MOVEMENTS IN THE PERIOD

Amounts in Euro	Note	2019	2018
<b>Net value at the beginning of the period</b>		<b>346 170 987</b>	<b>352 024 516</b>
Acquisitions		-	-
Impairment	3.6	-	-
Exchange rate adjustment		(998 311)	(5 853 529)
<b>Net value at the end of the period</b>		<b>345 172 676</b>	<b>346 170 987</b>

## 3.2 INTANGIBLE ASSETS



## ACCOUNTING POLICIES

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<sub>2</sub> emission rights.

CO<sub>2</sub> EMISSION RIGHTS

Given the absence of accounting standards for the recognition and measurement of CO<sub>2</sub> allowances, the policy defined by the management is as follows:

**Recognition of free allowances and subsequent measurement**

CO<sub>2</sub> emission rights granted to the Group within the European Union Emissions Trading Scheme (EU ETS) for the assignment of CO<sub>2</sub> emission allowances at no cost, gives rise to an intangible asset for the allowances, a government grant and a liability for the obligation to deliver allowances equal to the emissions that have been made during the compliance period.

Emission allowances are only recorded as intangible assets when the Group is able to exercise control. At inception, they are initially measured at fair value (Level 1). When the market value of the emission allowances falls significantly below its carrying amount and such decrease is considered permanent, an impairment loss is recognised for emission allowances which the Group will not use in its operations. The liability to deliver allowances is recognised based on actual emissions (Note 4.3 – Payables and other current liabilities). This liability will be settled using allowances on hand, being measured at the carrying amount of those allowances. Any additional emissions are measured using the market value as at the reporting date.

**Recognition in the income statement**

In the Consolidated Income Statement, the Group recognises as expenses, under Other costs and losses, the emissions recorded at fair value on the grant date, except for acquired allowances, where the expense is measured at their purchase price.

Such costs will offset other operating income resulting from the recognition of the original government grant (also recognised at fair value at grant date) as well as any disposal of excess allowances.

The effect on the income statement will, therefore, be neutral regarding the consumption of granted allowances.

Any net effect on the income statement will result from the purchase of additional allowances to cover excess emissions, from the sale of effective consumption or from impairment losses booked to allowances that are not used at operational level.

## Brands

**Recognition and initial measurement**

Whenever brands are identified in a business combination, the Group records them separately and these are measured at fair value on the acquisition date.

**Subsequent measurement and impairment**

At cost less impairment losses. Brands are not subject to amortisation as their useful life is indefinite

The Group annually carries out impairment tests to the brands, or where there are signs of impairment.

## INTANGIBLE ASSETS DEVELOPED INTERNALLY



### MAIN ACCOUNTING ESTIMATES AND JUDGEMENTS

Development expenses are only recognised as intangible assets to the extent that the technical capacity to complete the development of the asset is demonstrated and that it is available for own use or commercialisation. Expenses that do not meet these requirements, namely research expenses, are recorded as costs when incurred.

### BRANDS - IMPAIRMENT TEST

Annual evaluations are prepared by an independent entity based on the income-split method, an after-tax cash flow model associated with brand influence (difference between the net margin of the brand less marketing investments and the related net margin of the generic brand), discounted to the valuation date based on a specific discount rate, considering the different expected market dynamics.

### PULP AND PAPER - MAIN ASSUMPTIONS USED IN BRAND EVALUATIONS

2019 Brands	Market	Discount rate	Tax rate
Navigator and Soporset	Europe	5.36%	27.5%
	USA	5.36%	27.5%
	Rest of the World	5.36%	27.5%

2018 Brands	Market	Discount rate	Tax rate
Navigator and Soporset	Europe	6.59%	27.5%
	USA	6.59%	27.5%
	Rest of the World	6.59%	27.5%

### CEMENT AND DERIVATIVES - MAIN ASSUMPTIONS USED IN BRAND EVALUATIONS

2019 Brands	Market	Discount rate*	Tax rate
Secil Portugal	Portugal	5.22%	27.5%
Ciments de Sibline	Lebanon	11.70%	17.0%
Supremo Cimentos	Brazil	8.40%	34.0%
Société des Ciments de Gabés	Tunisia	11.84%	25.0%

2018 Brands	Market	Discount rate*	Tax rate
Secil Portugal	Portugal	6.43%	27.5%
Ciments de Sibline	Lebanon	11.63%	17.0%
Supremo Cimentos	Brazil	10.44%	34.0%
Société des Ciments de Gabés	Tunisia	13.44%	25.0%

## IMPAIRMENT TESTS

As a result of the valuations carried out in 2019, the movements occurred through reinforcement or reversal of impairment in the Group's brands were as follows:

- Secil Portugal – Reversal of impairment loss, in the amount of Euro 2 000 000 recorded in 2017 (Note 3.6);
- Secil Líbano – Given the economic and social crisis in this country, which started in the last quarter of 2019, an impairment loss of Euro 18 843 328 was recorded on the total remaining value of this brand (Note 3.6).

## BRANDS – SENSITIVITY ANALYSIS

Sensitivity analyses were performed on the fundamental assumptions considered in the evaluations performed, namely: **1)** reduction of the EVA indicator by 5%, compared to the base scenario; and **2)** a 50 base point increase in the WACC rate in Euro used in the scenario base. These sensitivity analyses were performed independently for each assumption. If these assumptions had been adopted for the brands identified, this sensitivity analysis would not determine any impairment loss.

## MOVEMENTS IN INTANGIBLE ASSETS

Amounts in Euro	Brands	Research and development expenditure	Industrial property and other rights	CO <sub>2</sub> emission allowances	Assets under construction	Total
<b>Gross amount</b>						
<b>Balance as of 1 January 2018</b>	<b>280 219 221</b>	<b>11 737</b>	<b>6 270</b>	<b>17 292 462</b>	<b>11 501</b>	<b>297 541 191</b>
Acquisitions / attributions	-	-	165	26 554 702	3 512	26 558 379
Disposals	-	-	-	(4 035 273)	-	(4 035 273)
Adjustments, transfers and write-offs	-	-	8 201	(13 150 999)	(11 501)	(13 154 299)
Exchange rate adjustment	(2 251 900)	-	-	-	-	(2 251 900)
<b>Balance as of 31 December 2018</b>	<b>277 967 321</b>	<b>11 737</b>	<b>14 636</b>	<b>26 660 892</b>	<b>3 512</b>	<b>304 658 098</b>
Acquisitions / attributions	-	-	-	64 986 846	300 734	65 287 580
Disposals	-	-	-	(5 999 298)	-	(5 999 298)
Adjustments, transfers and write-offs	-	(11 737)	9 194	(23 916 258)	(9 194)	(23 927 995)
Exchange rate adjustment	704 237	-	-	-	-	704 237
<b>Balance as of 31 December 2019</b>	<b>278 671 558</b>	<b>-</b>	<b>23 830</b>	<b>61 732 182</b>	<b>295 052</b>	<b>340 722 622</b>
<b>Amortisations and impairment losses</b>						
<b>Balance as of 1 January 2018</b>	<b>(7 461 039)</b>	<b>(10 844)</b>	<b>(3 850)</b>	<b>(1)</b>	<b>-</b>	<b>(7 475 734)</b>
Amortisation (Note 3.6)	-	-	(17 772)	-	-	(17 772)
Impairment losses (Note 3.6)	(3 931 922)	-	-	-	-	(3 931 922)
Adjustments, transfers and write-offs	(17 007)	-	20 105	-	-	3 098
Exchange rate adjustment	(388 886)	-	-	-	-	(388 886)
<b>Balance as of 31 December 2018</b>	<b>(11 798 854)</b>	<b>(10 844)</b>	<b>(1 517)</b>	<b>(1)</b>	<b>-</b>	<b>(11 811 216)</b>
Amortisation (Note 3.6)	-	-	(13 222)	-	-	(13 222)
Impairment losses (Note 3.6)	(16 843 328)	-	-	(1 782 393)	-	(18 625 721)
Adjustments, transfers and write-offs	-	10 844	34	-	-	10 878
Exchange rate adjustment	(126 419)	-	1 077	-	-	(125 342)
<b>Balance as of 31 December 2019</b>	<b>(28 768 601)</b>	<b>-</b>	<b>(13 628)</b>	<b>(1 782 394)</b>	<b>-</b>	<b>(30 564 623)</b>
<b>Net book value as of 1 January 2018</b>	<b>272 758 182</b>	<b>893</b>	<b>2 420</b>	<b>17 292 461</b>	<b>11 501</b>	<b>290 065 457</b>
<b>Net book value as of 31 December 2018</b>	<b>266 168 467</b>	<b>893</b>	<b>13 119</b>	<b>26 660 891</b>	<b>3 512</b>	<b>292 846 882</b>
<b>Net book value as of 31 December 2019</b>	<b>249 902 957</b>	<b>-</b>	<b>10 202</b>	<b>59 949 788</b>	<b>295 052</b>	<b>310 157 999</b>

## BRANDS

As of 31 December 2019 and 2018, the net value of the brands is detailed as follows:

Amounts in Euro	31/12/2019	31/12/2018
<b>Pulp and paper</b>		
Navigator	107 568 000	107 568 000
Soporset	43 919 000	43 919 000
<b>Cement and derivatives</b>		
Secil Portugal	71 700 000	69 700 000
Supremo (Brazil)*	20 337 644	20 756 925
Sibline (Lebanon)*	-	18 423 035
Gabes (Tunisia)*	6 360 602	5 783 326
<b>Other</b>	<b>17 711</b>	<b>18 181</b>
	<b>249 902 957</b>	<b>266 168 467</b>

\*The value of these brands is subject to exchange rate adjustment.

## CO<sub>2</sub> EMISSION ALLOWANCES

As of 31 December 2019 and 2018, the Group held CO<sub>2</sub> allowances recorded in accordance with the policy described above, as follows:

Amounts in Euro	31/12/2019	31/12/2018
CO <sub>2</sub> allowances (ton)	2 782 955	2 951 742
Average unit value	21.54	9.03
	<b>59 949 788</b>	<b>26 660 891</b>
<b>Market price</b>	<b>24.52</b>	<b>23.74</b>

## 3.3 PROPERTY, PLANT AND EQUIPMENT



### ACCOUNTING POLICIES

#### Recognition and initial measurement

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.

**Depreciation and impairment**

The straight-line method is used from the moment the asset is available for use, using the rates that best reflect its estimated useful life.

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

**Average estimated useful life (years):**

Land	14
Buildings and other constructions	12 - 30
Machinery and Equipment	6 - 25
Transportation equipment	4 - 9
Tools	2 - 8
Administrative equipment	4 - 8
Returnable containers	6
Property, plant and equipment	4 - 10

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 3.6).

**Subsequent costs**

Scheduled maintenance expenses are considered a component of the acquisition cost of property, plant and equipment and are fully depreciated by the next forecasted maintenance date.

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

**Spare and maintenance parts**

Spare parts are considered strategic as they are directly related to production equipment and their use is expected to last for more than two economic years. Maintenance parts considered as "critical spare parts" are recognised in non-current assets, as Property, plant and equipment. 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.

**Borrowing costs**

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

During the years reported, no financial charges for loans directly related to the acquisition or construction of fixed assets were capitalised.

**Write-offs and disposals**

Gains or losses arising from write-offs or disposals are determined by the difference between the proceeds from the disposals when applicable less transaction costs and the carrying amount of the asset, and are recognised in the income statement as Other operating income and gains (Note 2.2) or Operating expenses and losses (Note 2.3).

**MAIN ACCOUNTING ESTIMATES AND JUDGEMENTS****RECOVERABILITY OF PROPERTY, PLANT AND EQUIPMENT**

The recoverability of property, plant and equipment requires the definition of estimates and assumptions by the Management, namely, when applicable, to the determination of the value in use to be considered in the impairment tests to the Group's cash generating units.

**USEFUL LIFE AND DEPRECIATION**

Property, plant and equipment present the most significant component of the Group's total assets. These assets are subject to systematic depreciation for the period that is determined to be their economic useful life. The determination of assets useful lives and the depreciation method to be applied is essential to determine the amount of depreciation to be recognised in the consolidated income statement of each period.

These two parameters are defined according to the best judgement 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 and the development of the economic conditions in which the Group operates.

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

## MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

Amounts in Euro	Land	Buildings	Equipment and other tangibles	Assets under construction	Total
<b>Gross amount</b>					
<b>Balance as of 1 January 2018</b>	<b>427 482 528</b>	<b>1 098 096 993</b>	<b>5 273 048 751</b>	<b>141 075 456</b>	<b>6 939 703 728</b>
Acquisitions	819 863	220 679	13 225 958	228 942 168	243 208 668
Disposals	(3 661 595)	(1 128 772)	(6 342 591)	-	(11 132 958)
Adjustments, transfers and write-offs	1 808 890	29 231 593	230 637 654	(273 387 181)	(11 709 044)
Exchange rate adjustment	(11 645 264)	(11 763 100)	(33 818 103)	(2 830 373)	(60 056 840)
<b>Balance as of 31 December 2018</b>	<b>414 804 422</b>	<b>1 114 657 393</b>	<b>5 476 751 669</b>	<b>93 800 070</b>	<b>7 100 013 554</b>
Changes of perimeter	-	-	7 333 037	-	7 333 037
Acquisitions	340 473	205 806	17 274 659	185 081 141	202 902 079
Disposals	(1 342 670)	(1 765 317)	(13 193 628)	-	(16 301 615)
Adjustments, transfers and write-offs	8 839 881	16 423 831	71 978 004	(124 209 737)	(26 968 021)
Exchange rate adjustment	2 381 379	418 603	7 438 621	(1 188 805)	9 049 798
<b>Balance as of 31 December 2019</b>	<b>425 023 485</b>	<b>1 129 940 316</b>	<b>5 567 582 362</b>	<b>153 482 669</b>	<b>7 276 028 832</b>
<b>Accumulated depreciations and impairment losses</b>					
<b>Balance as of 1 January 2018</b>	<b>(71 128 144)</b>	<b>(694 508 103)</b>	<b>(4 095 887 504)</b>	<b>(13 575 766)</b>	<b>(4 875 099 517)</b>
Depreciation for the period (Note 3.6)	(4 559 244)	(19 063 714)	(194 317 828)	974 095	(216 966 691)
Disposals	-	707 921	4 067 910	-	4 775 831
Impairment losses (Note 3.6)	-	-	-	(1 950 000)	(1 950 000)
Adjustments, transfers and write-offs	216 556	586 749	1 351 102	9 759 089	11 913 496
Exchange rate adjustment	2 263 725	2 879 477	14 760 443	1 163 447	21 067 092
<b>Balance as of 31 December 2018</b>	<b>(73 207 107)</b>	<b>(709 397 670)</b>	<b>(4 270 025 877)</b>	<b>(3 629 135)</b>	<b>(5 056 259 789)</b>
Changes of perimeter	-	-	(735 911)	-	(735 911)
Depreciation for the period (Note 3.6)	(5 374 007)	(21 413 933)	(193 416 433)	-	(220 204 373)
Disposals	7 701	1 625 401	10 286 260	-	11 919 362
Impairment losses (Note 3.6)	(178 598)	40 122	(3 571 994)	(786)	(3 711 256)
Adjustments, transfers and write-offs	(3 505 135)	846 294	28 225 243	-	25 566 402
Exchange rate adjustment	(1 242 805)	(714 784)	(5 636 562)	-	(7 594 151)
<b>Balance as of 31 December 2019</b>	<b>(83 499 951)</b>	<b>(729 014 570)</b>	<b>(4 434 875 274)</b>	<b>(3 629 921)</b>	<b>(5 251 019 716)</b>
<b>Net book value as of 1 January 2018</b>	<b>356 354 384</b>	<b>403 588 890</b>	<b>1 177 161 247</b>	<b>127 499 690</b>	<b>2 064 604 211</b>
<b>Net book value as of 31 December 2018</b>	<b>341 597 315</b>	<b>405 259 723</b>	<b>1 206 725 792</b>	<b>90 170 935</b>	<b>2 043 753 765</b>
<b>Net book value as of 31 December 2019</b>	<b>341 523 534</b>	<b>400 925 746</b>	<b>1 132 707 088</b>	<b>149 852 748</b>	<b>2 025 009 116</b>

As of 31 December 2019, investments in progress include investments associated with ongoing development projects, in particular those related to the paper business segment, where the construction of the new biomass boiler at the Figueira da Foz plant (Euro 25 522 586) and several improvements in the production process (Euro 43 983 254) at the Navigator's subsidiaries manufacturing units, are noteworthy.

In 2019 and 2018, the caption Adjustments, transfers and write-offs refer essentially to the transfer of investments in progress to the remaining items of property, plant and equipment, made effective at the time they were available for the intended use. In 2019, the amount of transfers refers essentially to investments in property, plant and equipment of the subsidiary The Navigator Company that started operating during the year.

During 2019 and 2018, no financial charges for loans directly related to the acquisition, construction or production of fixed assets were capitalised.

As of 31 December 2019 and 2018 there are no property, plant and equipment given as collateral.



The commitments made by the Group for the acquisition of property, plant and equipment are detailed in Note 9.2 - Commitments.

## 3.4 GOVERNMENT GRANTS



### ACCOUNTING POLICIES

Government grants received to offset the Group for investments made in Property, plant and equipment, including those granted as tax credits, are classified as Deferred income (Note 4.3 – Payables and other current liabilities) and are recognised in income over the estimated useful life of the respective subsidised assets, and are associated with the depreciation of the period (Note 3.6), for presentation purposes.

### GOVERNMENT GRANTS REPAYABLE

Government grants, in the form of loans repayable at a subsidised rate, are discounted on the date of initial recognition based on the market interest rate at the date of grant, the value of the discount constituting the value of the grant to be amortised over the period of the loan or asset whose acquisition it is intended to finance, depending on the activities financed. These liabilities are included in Payables and other current liabilities (Note 4.3).

### GOVERNMENT GRANTS - MOVEMENTS

Amounts in Euro	31/12/2019	31/12/2018
<b>Opening balance</b>	<b>56 591 488</b>	<b>31 325 972</b>
Attribution	-	31 426 546
Charge-off (Note 3.6)	(13 936 371)	(5 619 098)
Other	121 455	(541 932)
<b>Closing balance (Note 4.3)</b>	<b>42 776 572</b>	<b>56 591 488</b>
<i>Of a financial nature</i>	<b>18 562 558</b>	<b>26 341 878</b>
<i>Of a fiscal nature</i>	<b>24 214 014</b>	<b>30 249 610</b>

### INCENTIVE TO INCREASE PULP PRODUCTION CAPACITY IN FIGUEIRA DA FOZ

On 27 December 2018, an investment tax contract was signed between the subsidiary Navigator Pulp Figueira, S.A. and AICEP – Agency for Investment and Foreign Trade of Portugal, related to the investment associated with the increase of pulp production capacity in Figueira of Foz, which includes a tax incentive up to the maximum amount of Euro 17 278 657, corresponding to 19.5% of the investment made, by means of the fulfilment of contractually defined objectives, until 31 December 2025.

### INCENTIVES FOR THE EXPANSION PROJECT OF THE CACIA PULP PLANT

As duly disclosed to the Market on 18 June 2014, the subsidiary Navigator Pulp Cacia, SA., signed two financial

and tax incentive agreements with AICEP - Agência para o Investimento e Comércio Externo de Portugal (Agency for Investment and Foreign Trade of Portugal) to support the investment to be promoted by that company in the capacity increase project of Cacia pulp plant, with a total amount of Euro 49.3 million.

The incentives already approved amount to Euro 9.3 million, as a repayable financial incentive, and Euro 5 644 million, as a tax incentive, to use until 2024, in the limit, being however totally used since the end of 2016. 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 agreement.

In 2019, Euro 3 406 384 related to these incentives were recognised in the income statement (2018: Euro 2 299 547).

## GOVERNMENT GRANTS REPAYABLE

As at 13 December 2017, the subsidiary Navigator Tissue Cacia, S.A. entered into an investment agreement with AICEP, for the construction of the new Tissue plant in Cacia. This agreement comprises a financial incentive in the form of a reimbursable incentive, which includes a grace period of two years, without payment of interest, up to a maximum amount of Euro 42 166 636, corresponding to 35% on the amount of expenses considered eligible, which were estimated at Euro 120.5 million. On 20 April 2018, the same entity was also awarded the assignment of a tax incentive granted through the fulfillment of contractually defined objectives, whose maximum amount will be Euro 11 515 870, corresponding to 10% of the expenses associated with the project investment.

## 3.5 ASSETS UNDER RIGHT OF USE



### ACCOUNTING POLICIES

At the date the lease enters into force, the Group recognises an asset under right of use at its cost, which corresponds

### MOVEMENTS IN ASSETS UNDER RIGHT OF USE

Amounts in Euro	Industrial property and other rights	Land	Buildings and other constructions	Equipment and other tangibles	Total
<b>Gross amount</b>					
<b>Balance as of 01 January 2019 (Note 1.5)</b>	<b>1 394 381</b>	<b>48 915 426</b>	<b>7 816 650</b>	<b>10 840 214</b>	<b>68 966 671</b>
Acquisitions	3 763 633	3 871 205	1 020 796	7 324 537	15 980 171
Disposals	-	(478 296)	-	(6 445)	(484 741)
Adjustments, transfers and write-offs	(3 946 051)	1 734 041	1 531 702	5 048 543	4 368 235
Exchange rate adjustment	-	(11 518)	(25 274)	(44 006)	(80 798)
<b>Balance as of 31 December 2019</b>	<b>1 211 963</b>	<b>54 030 858</b>	<b>10 343 874</b>	<b>23 162 843</b>	<b>88 749 538</b>
<b>Accumulated amortisations, depreciations and impairment losses</b>					
<b>Balance as of 01 January 2019</b>	-	-	-	-	-
Impairment losses (Note 3.6)	(233 138)	(4 687 761)	(2 357 804)	(6 302 289)	(13 580 992)
Disposals	-	7 703	-	-	7 703
Adjustments, transfers and write-offs	-	7 698	(221 259)	673 811	460 250
Exchange rate adjustment	-	3 279	11 441	13 041	27 761
<b>Balance as of 31 December 2019</b>	<b>(233 138)</b>	<b>(4 669 081)</b>	<b>(2 567 622)</b>	<b>(5 615 437)</b>	<b>(13 085 278)</b>
<b>Net book value as of 31 December 2019</b>	<b>978 825</b>	<b>49 361 777</b>	<b>7 776 252</b>	<b>17 547 406</b>	<b>75 664 260</b>

The item Land essentially refers to rights to use of land for forestry exploitation existing in the subsidiary Navigator, whose agreements usually have a duration of 24 years, and may be cancelled in advance if the 2<sup>nd</sup> harvest takes place before the 24<sup>th</sup> year of the term.



The impact of the adoption of IFRS 16 "Leases" on 1 January 2019 is presented in Note 1.5.1 – Adoption of IFRS 16.

to the initial amount of the lease liability adjusted for:  
**i)** any prepayments; **ii)** lease incentives received; and **iii)** initial direct costs incurred.

To the asset under right of use, the estimate of removing and/or restoring the underlying asset and/or the location where it is located may be added, when required by the lease agreement.

The right-of-use asset is subsequently depreciated using the straight-line method, from the start date until the lower between the end of the asset's useful life and the lease term. Additionally, the right-of-use asset is reduced of impairment losses, if any, and adjusted for any remeasurement of the lease liability. The useful life considered for each class of assets under right of use is equal to the useful life of Property, plant and equipment (Note 3.3) in the same class when there is a call option and the Group expects to exercise it.

### SHORT-TERM LEASES AND LOW-VALUE ASSET LEASES

The Group recognises payments for leases of 12 months or less and for leases of assets whose individual acquisition value is less than USD 5 000 directly as operating expenses of the year (Note 2.3), on a straight-line basis.



### 3.6 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

As of 31 December 2019 and 2018, the caption Depreciation, amortisation and impairment losses were detailed as follows:

Amounts in Euro	Note	2019	2018
Depreciation of property, plant and equipment for the period	3.3	220 204 373	216 989 350
Investment grants charge-off	3.4	(13 936 371)	(4 645 003)
<b>Depreciation of property, plant and equipment, net of subsidies used</b>		<b>206 268 002</b>	<b>212 344 347</b>
Impairment in property, plant and equipment - losses		3 751 378	1 982 865
Impairment in property, plant and equipment - reversals		(40 122)	(1 029 619)
<b>Impairment in property, plant and equipment for the period</b>	<b>3.3</b>	<b>3 711 256</b>	<b>953 246</b>
<b>Amortisation in intangible assets for the period</b>	<b>3.2</b>	<b>13 222</b>	<b>17 772</b>
Impairment in intangible assets - losses		20 625 721	3 931 922
Impairment in intangible assets - reversals		(2 000 000)	-
<b>Impairment in property, plant and equipment for the period</b>	<b>3.2</b>	<b>18 625 721</b>	<b>3 931 922</b>
<b>Depreciation of assets under right-of-use for the period</b>	<b>3.5</b>	<b>13 580 992</b>	-
Impairment on assets held for sale	3.8	1 000 000	-
Depreciation of investment properties	3.9	766	767
Impairment losses on investment properties	3.9	1 646	1 646
ICMS - Value-added tax on goods and services included in depreciation (Brazil)		(1 372 988)	(1 398 743)
		<b>241 828 617</b>	<b>215 850 957</b>

### 3.7 BIOLOGICAL ASSETS



#### ACCOUNTING POLICIES

Biological assets are measured at fair value less estimated selling expenses at the time 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 or to sell in the market, mainly eucalyptus, also including other species such as pine and cork oak.

**Fair value  
(level 3 of the  
IFRS 13 fair  
value hierarchy)**

When calculating the fair value of forests, the Group used the discounted cash flows method, based on a model developed in house, regularly tested by independent external assessments.

In the model developed, assumptions are considered corresponding to the nature of the assets under evaluation, namely, the development cycle of the different species, the productivity of the forests, the wood sales price (when there is an active market) less the cost of harvesting, the rents of own, leased land, replanting and transport, the costs of planting and maintenance, the cost inherent in leasing the forest land; and the discount rate.

The discount rate corresponds to a market interest rate without inflation, consistent with the structure of projections, determined on the basis of the Group's expected rate of return on its forests, which are intended to be sold intra-group.

<b>Concession areas</b>	All costs incurred in land preparation for first forestation are considered as a fixed asset, depreciated over their estimated useful life, which coincides with the concession period.
<b>Change of estimates</b>	Changes in estimates of growth, growth period, price, cost and other assumptions are recognised in the income statement as fair value adjustments of biological assets.
<b>Harvesting</b>	At the time of harvest, wood is recognised at fair value less estimated costs at point of sale or consumption, which corresponds to the initial carrying amount of the inventory.



## MAIN ACCOUNTING ESTIMATES AND JUDGEMENTS

### ASSUMPTIONS

Assumptions corresponding to the nature of the assets being valued were considered:

- Productivity of forests;
- Wood sales price (when there is an active market) less the cost of harvesting, rents for own, leased and concessioned land, replanting and transport, planting and maintenance costs, the cost inherent in leasing forest land;
- Discount rate for 2019 corresponding to 3.73% (2018: 5.01%). Note that the Group incorporates the fire risk into the model's cash flows. If this risk were incorporated into the discount rate, it would be of 5.24%.

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

	31/12/2019	31/12/2018
Eucalyptus (Portugal) - Potential future of wood extractions k m <sup>3</sup> ssc	9 330	9 571
Pine (Portugal) - Potential future of wood extractions k ton	325	389
Pine (Portugal) - Potential future of pine extractions k ton	n/a	n/a
Cork Oak (Portugal) - Potential future of cork extractions k @	591	611

Regarding Eucalyptus, the most relevant biological asset in the financial statements presented, in 2019, the Group extracted 650 593 m<sup>3</sup>ssc of wood from its owned and explored forests (2018: 596 777 m<sup>3</sup>ssc).

In addition, as of 31 December 2019 and 2018, **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.

## SENSITIVITY ANALYSIS

The Group considers the discount rate used in Portugal and the forward price of wood as the most significant variables.

Changes in assumptions may imply the valuation/depreciation of these assets:

Amounts in Euro	31/12/2019	31/12/2018
<b>1) Increase of 0.5% in the discount rate in Portugal</b>		
Devaluation of forestry assets in Portugal	5 936 000	4 590 452
<b>2) Decrease of 3% in forward price</b>		
Devaluation of forestry assets in Portugal	9 854 000	239 862

## DETAIL OF BIOLOGICAL ASSETS

Amounts in Euro	31/12/2019	31/12/2018
Eucalyptus (Portugal)	123 314 343	112 935 412
Pine (Portugal)	4 201 000	4 590 452
Cork oak (Portugal)	3 883 727	1 848 841
Other species (Portugal)	370 771	239 862
	<b>131 769 841</b>	<b>119 614 567</b>

## MOVEMENTS IN BIOLOGICAL ASSETS

Amounts in Euro	2019	2018
<b>Opening balance</b>	<b>119 614 567</b>	<b>129 396 936</b>
Variation		
Logging	(24 291 586)	(20 580 687)
Growth	11 271 156	14 030 666
New plantations	3 449 682	2 948 334
Other changes in fair value	21 726 022	(6 180 682)
<b>Total variation</b>	<b>12 155 274</b>	<b>(9 782 369)</b>
<b>Closing balance</b>	<b>131 769 841</b>	<b>119 614 567</b>

The amounts shown as "Other changes in fair value" correspond to actual costs of forest asset management foreseen and incurred in the period, changes in the general assessment assumptions (price of wood and cost of capital) and changes in expectations in relation to the annual model:

Amounts in Euro	2019	2018
<b>Costs of assets management</b>		
Forestry	3 056 784	3 648 331
Structure	4 393 318	4 431 804
Fixed and variable rents	9 798 942	10 765 078
Impairment in the Mozambique project	-	(6 969 492)
	<b>17 249 044</b>	<b>11 875 721</b>
<b>Changes in expectations</b>		
Price of wood	267 700	(4 849 200)
Cost-of-capital rate	13 619 600	3 568 300
Variations in other species	1 776 343	(850 935)
Impact of fires	(69 105)	(1 793 848)
Other changes in expectations	(11 117 560)	(14 130 720)
	<b>4 476 978</b>	<b>(18 056 403)</b>
	<b>21 726 022</b>	<b>(6 180 682)</b>

As of 31 December 2018, given that there is no active market for eucalyptus wood in Mozambique and the conditions for the beginning of construction of a chip factory have not yet been created, the Group decided to record an impairment related to the fair value of the biological assets implanted in Zambezia, in the amount of Euro 6 969 492.

### 3.8 NON-CURRENT ASSETS HELD FOR SALE



#### ACCOUNTING POLICIES

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.

This is considered to be the case 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.

<b>Measurement and presentation</b>	From the moment property, plant and equipment is classified as non-current assets held for sale, they are measured at the lower of book value or at fair value less costs to sell and their depreciation ceases. When the fair value less costs to sell is lower than the carrying amount, the difference is recognised in the income statement.
<b>Disposals</b>	Gains or losses on disposals of non-current assets, determined by the difference between the sale price and the respective net book value, are recognised in the income statement as Other operating income and gains (Note 2.2) or Operating expenses and losses (Note 2.3).

As of 31 December 2019, assets held for sale amounting to Euro 7 809 209 (2018: 8 534 209), essentially respect to property, plant and equipment of the Cement and derivatives segment.

## 3.9 INVESTMENT PROPERTIES



### ACCOUNTING POLICIES

The Group classifies the assets held for the purpose of capital appreciation and/or the generation of rental income as investments properties in the consolidated financial statements.

<b>Measurement</b>	An investment property is initially measured by its acquisition or production cost, including the transaction costs that are directly attributable to it. After initial recognition, investment properties are measured at cost less accumulated amortisation and impairment losses.
	Subsequent expenditure is capitalised only when it is probable that it will result in future economic benefits to the entity comparing to those considered in the initial recognition.

### MOVEMENTS IN INVESTMENT PROPERTIES

Amounts in Euro	Note	Land	Buildings	Total
<b>Gross amount</b>				
<b>Balance as of 1 January 2018</b>		<b>680 487</b>	<b>88 768</b>	<b>769 255</b>
Adjustments, transfers and write-offs		-	31 843	31 843
<b>Balance as of 31 December 2018</b>		<b>680 487</b>	<b>120 611</b>	<b>801 098</b>
Disposals		(7 429)	-	(7 429)
<b>Balance as of 31 December 2019</b>		<b>673 058</b>	<b>120 611</b>	<b>793 669</b>
<b>Accumulated amortisation and impairment losses</b>				
<b>Balance as of 1 January 2018</b>		<b>(401 090)</b>	<b>17 761</b>	<b>(383 329)</b>
Amortisation and impairment losses	3.6	-	(2 413)	(2 413)
Exchange rate adjustments		-	(31 843)	(31 843)
<b>Balance as of 31 December 2018</b>		<b>(401 090)</b>	<b>(16 495)</b>	<b>(417 585)</b>
Amortisation and impairment losses	3.6	-	(2 412)	(2 412)
Adjustments, transfers and write-offs		-	1	1
<b>Balance as of 31 December 2019</b>		<b>(401 090)</b>	<b>(18 906)</b>	<b>(419 996)</b>
<b>Net book value as of 1 January 2018</b>		<b>279 397</b>	<b>106 529</b>	<b>385 926</b>
<b>Net book value as of 31 December 2018</b>		<b>279 397</b>	<b>104 116</b>	<b>383 513</b>
<b>Net book value as of 31 December 2019</b>		<b>271 968</b>	<b>101 705</b>	<b>373 673</b>

These assets consist essentially of land and buildings held for rental and/or capital valuation purposes and are not related to the Group's operating activity nor do they have any future use determined.

# 4 WORKING CAPITAL

## 4.1 INVENTORIES



### ACCOUNTING POLICIES

<b>Goods and raw materials</b>	Goods and raw 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.
<b>Finished products and work in progress</b>	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) and their net realisable value. The net realisable value corresponds to the estimated selling price, after deducting estimated completion and selling costs. The difference between production cost and net realisable value, if lower, is recorded as an operational cost.

### 4.1.1 INVENTORIES - DETAIL BY NATURE

#### AMOUNTS NET OF ACCUMULATED IMPAIRMENT LOSSES

Amounts in Euro	31/12/2019	31/12/2018
Raw materials	159 936 079	167 943 676
Goods	15 539 716	9 188 733
Sub-products and waste	1 245 789	4 688 357
	<b>176 721 584</b>	<b>181 820 766</b>
Finished and intermediate products	123 641 384	126 392 069
Work in progress	6 034 288	5 679 756
	<b>129 675 672</b>	<b>132 071 825</b>
<b>Total</b>	<b>306 397 256</b>	<b>313 892 591</b>

#### 4.1.2 INVENTORIES - DETAIL BY SEGMENT AND GEOGRAPHY

Amounts in Euro	31/12/2019	%	31/12/2018	%
<b>Pulp and paper</b>				
Portugal	194 077 253	89.1%	202 177 150	90.9%
Rest of Europe	10 068 303	4.6%	10 123 044	4.6%
America	13 734 144	6.3%	10 076 678	4.5%
	<b>217 879 700</b>	<b>100.0%</b>	<b>222 376 872</b>	<b>100.0%</b>
<b>Cement and derivatives</b>				
Portugal	34 121 463	38.9%	38 255 476	42.6%
Rest of Europe	2 521 564	2.9%	2 182 487	2.4%
America	13 363 902	15.2%	9 903 028	11.0%
Africa	17 073 028	19.5%	18 518 660	20.6%
Asia	20 636 318	23.5%	20 935 858	23.3%
	<b>87 716 275</b>	<b>100.0%</b>	<b>89 795 509</b>	<b>100.0%</b>
<b>Environment - Portugal</b>	<b>801 281</b>		<b>1 720 210</b>	
	<b>306 397 256</b>		<b>313 892 591</b>	

The amount related to Portugal, from Pulp and Paper segment, includes Euro 14 808 269 (2018: Euro 14 857 665) relating to inventories for which invoices have already been issued but whose control has not been transferred to customers.

As of 31 December 2019 and 2018, there are no inventories in which ownership is restricted and/or pledged as collateral for liabilities.

#### 4.1.3 COST OF GOODS SOLD AND MATERIALS CONSUMED IN THE PERIOD

Amounts in Euro	Note	2019	2018
Opening balance		181 839 638	189 323 107
Purchases		873 893 088	849 185 661
Closing balance		(176 725 284)	(181 839 638)
<b>Cost of goods sold and materials consumed</b>	<b>2.3</b>	<b>879 007 442</b>	<b>856 669 130</b>

#### 4.1.4 VARIATION IN PRODUCTION DURING THE YEAR

Amounts in Euro	Note	2019	2018
Opening balance		(132 071 825)	(91 433 239)
Adjustments		3 530 045	4 670 241
Closing balance		129 675 671	132 071 825
<b>Variation in production</b>	<b>2.3</b>	<b>1 133 891</b>	<b>45 308 827</b>

#### 4.1.5 MOVEMENTS IN IMPAIRMENT LOSSES IN INVENTORIES

Amounts in Euro	Note	2019	2018
<b>Opening balance</b>		<b>16 935 199</b>	<b>14 053 884</b>
Increases		10 039 932	7 094 403
Reversals		(2 225 522)	(3 690 730)
<b>Impact on results for the period</b>	<b>2.3</b>	<b>7 814 410</b>	<b>3 403 674</b>
Exchange rate adjustment		165 135	(544 265)
Charge-off		4 121	(4 334)
Other movements		-	26 240
<b>Closing balance</b>		<b>24 918 865</b>	<b>16 935 199</b>

Inventory impairment recorded in 2019 and 2018 refer mainly to other movements to the stock of UWF and Tissue paper.

## 4.2 RECEIVABLES AND OTHER CURRENT ASSETS



### ACCOUNTING POLICIES

#### TRADE RECEIVABLES AND OTHER DEBTORS

<b>Classification</b>	Trade receivables result from the Group's main activities and the business model followed is "hold to collect", although sometimes the Cement and Derivatives segment uses confirming. Balances from other debtors are typically from the "hold to collect" model.
<b>Initial measurement</b>	At fair value
<b>Subsequent measurement</b>	At amortised cost, net of impairment losses.
<b>Impairment from trade receivables</b>	Impairment losses are recorded based on the simplified model established in IFRS 9, recognising the expected losses up to maturity. The expected losses are determined on the basis of the experience of historical actual losses over a statistically significant period and representative of the specific characteristics of the underlying credit risk.
<b>Impairment from other debtors</b>	Impairment losses are recorded on the basis of the general estimated credit loss model of IFRS 9.



As of 31 December 2019 and 2018, Receivables and other current and non-current assets were as follows:

Amounts in Euro	Note	31/12/2019			31/12/2018		
		Non-current	Current	Total	Non-current	Current	Total
<b>Trade receivables</b>							-
Pulp and paper segment	8.14	-	156 030 741	156 030 741	-	225 803 124	225 803 124
Cement and derivatives segment	8.14	-	61 315 517	61 315 517	-	59 693 369	59 693 369
Environment segment	8.14	-	11 336 733	11 336 733	-	8 339 269	8 339 269
		-	<b>228 682 991</b>	<b>228 682 991</b>	-	<b>293 835 762</b>	<b>293 835 762</b>
Receivables - Related parties	10.4	-	873 103	873 103	-	559 493	559 493
State		-	63 505 218	63 505 218	-	82 458 599	82 458 599
Financial incentives receivable		-	-	-	-	51 271 101	51 271 101
Department of Commerce (USA)		25 680 258	4 055 993	29 736 251	25 597 410	-	25 597 410
Enviva Pellets Greenwood, LLC (USA)		32 489 823	-	32 489 823	33 448 788	-	33 448 788
Accrued income		-	21 589 560	21 589 560	-	20 883 159	20 883 159
Deferred costs		-	12 778 784	12 778 784	-	13 129 538	13 129 538
Derivative financial instruments	8.2	-	4 095 499	4 095 499	-	1 722 253	1 722 253
Other		6 296 378	33 652 691	39 949 069	8 599 583	22 750 948	31 350 531
		<b>64 466 459</b>	<b>369 233 838</b>	<b>433 700 297</b>	<b>67 645 781</b>	<b>486 610 853</b>	<b>554 256 634</b>



The amounts above are net of accumulated impairment losses. Analysis of impairment for receivables and other current assets is presented in Note 8.1.4 - Credit risk.

### FINANCIAL INCENTIVES RECEIVABLE

As of 31 December 2018, the balance includes amounts receivable related to the repayable investment subsidy negotiated with AICEP in the amount of Euro 42 166 636 (Note 3.4) and financial incentives within the scope of several research and development projects, namely the Inpactus project (Euro 5 585 300) and others (Euro 3 519 165). The Group expects that all the conditions precedent to its receipt are guaranteed.

### DEPARTMENT OF COMMERCE (USA)

As of 31 December 2019 and 2018, the amount reflected in the Department of Commerce (USA) item corresponds to the amount receivable from this entity following the investigation of alleged dumping of UWF paper exports to the United States of America by the subsidiary Navigator and a definitive rate of 1.75% has been applied in October

2018 for the review period between August 2015 and February 2017.

The Navigator Group is entitled to this amount due to the imposition of higher penalties for the same period of 29.53% and 7.8%. Once the plaintiffs took legal action over the settling of the 1.75% rate, it is expected that the reimbursement will occur more than 12 months after the balance sheet date, which is the reason why this amount was reclassified to non-current assets.

The current balance corresponds to the amount to be reimbursed for the second period of review, from March 2018 to February 2019. Following the audit performed last August by the Department of Commerce, the rate was set at 4.37%. The plaintiffs did not appeal against this decision and it is expected that the corresponding amount of Euro 4 055 993 will be reimbursed shortly.

### ENVIVA PELLETS GREENWOOD, LLC (USA)

Reflects the present value of the amount still to be received from the sale of the pellet business by Navigator (Note 2.2). The nominal receivable shall bear interest at the rate of 2.5% (note 5.11).

As of 31 December 2019 and 2018, State is detailed as follows:

Amounts in Euro	31/12/2019	31/12/2018
Personal income tax withhold (IRS)	-	30 798
Value added tax - recoverable	12 209 136	15 393 473
Value added tax - reimbursement requests	29 540 553	49 431 654
Tax on Goods and Services (ICMS)	2 026 176	1 782 332
Industrialised Products Tax (IPI)	1 249 182	1 291 667
Social Security Financing Contribution (COFINS)	4 081 090	147 084
PIS and COFINS credit on fixed assets	11 947 233	11 981 064
Other taxes	166 997	112 722
Amounts pending reimbursement (tax proceedings decided in favour of the Group)	2 284 851	2 287 805
	<b>63 505 218</b>	<b>82 458 599</b>

As at 31 December 2019 and 2018, Accrued income and deferred costs were detailed as follows:

Amounts in Euro	2019	2018
<b>Accrued income</b>		
Energy sales	13 286 097	15 981 121
Compensations receivable	5 749 999	-
Other	2 553 464	4 902 038
	<b>21 589 560</b>	<b>20 883 159</b>
<b>Deferred costs</b>		
Insurance	1 711 855	2 749 436
Rentals	5 771 218	4 312 477
Other	5 295 711	6 067 625
	<b>12 778 784</b>	<b>13 129 538</b>
	<b>34 368 344</b>	<b>34 012 697</b>

## 4.3 PAYABLES AND OTHER CURRENT LIABILITIES



### ACCOUNTING POLICIES

#### FINANCIAL LIABILITIES AT AMORTISED COST

<b>Initial measurement</b>	At fair value, net of transaction costs incurred.
<b>Subsequent measurement</b>	At amortised cost, using the effective interest rate method. The difference between the repayment amount and the initial measurement amount is recognised in the income statement over the debt period under "Interest on other financial liabilities at amortised cost" (Note 5.11).

As of 31 December 2019 and 2018, Payables and other current liabilities were detailed as follows:

Amounts in Euro	Note	31/12/2019	31/12/2018
Trade payables		268 149 985	253 885 230
Trade payables - Property, plant and equipment		12 304 533	12 025 809
State		47 089 600	70 155 417
<i>Instituto do Ambiente</i>		45 092 015	23 147 741
Related parties	10.4	32 098 312	2 489 285
Other creditors		8 632 475	18 617 163
Derivative financial instruments	8.2.2	7 815 817	5 159 766
Accrued costs - payroll costs		41 588 040	59 441 770
Other accrued costs		54 076 749	47 715 479
Non-repayable grants		42 694 968	34 161 212
Other deferred income - ISP		2 634 968	3 924 800
<b>Payables and other liabilities - current</b>		<b>562 177 462</b>	<b>530 723 672</b>
Non-repayable grants		30 837 585	41 997 203
Repayable grants		-	40 327 202
<b>Payables and other liabilities - Non current</b>		<b>30 837 585</b>	<b>82 324 405</b>
		<b>593 015 047</b>	<b>613 048 077</b>

As of 31 December 2019 and 2018, State is detailed as follows:

Amounts in Euro	31/12/2019	31/12/2018
Personal income tax withhold (IRS)	3 409 983	3 895 681
Value added tax	19 141 854	46 099 282
Social security contributions	4 389 857	4 185 240
Tax on Goods and Services (ICMS)	483 296	488 428
<i>Programa de Desenvolvimento da Empresa Catarinense (PRODEC)</i>	1 043 850	1 299 679
<i>Programa Paraná Competitivo</i>	17 040 791	13 109 455
Social Security Financing Contribution (COFINS)	26 292	34 474
Other	1 553 677	1 043 178
	<b>47 089 600</b>	<b>70 155 417</b>

As of 31 December 2019 and 2018, there were no arrears debts to the State.

#### NON-REPAYABLE GRANTS - DETAIL

Amounts in Euro		31/12/2019	31/12/2018
Investment grants	3.4	11 938 987	14 594 285
Grants - CO <sub>2</sub> emission allowances		26 204 321	11 912 488
Other grants		4 551 660	7 654 439
<b>Non-repayable grants - current</b>		<b>42 694 968</b>	<b>34 161 212</b>
Investment grants	3.4	30 837 585	41 997 203
<b>Non-repayable grants - Non current</b>		<b>30 837 585</b>	<b>41 997 203</b>
		<b>73 532 553</b>	<b>76 158 415</b>

# 5 CAPITAL STRUCTURE

## 5.1 CAPITAL MANAGEMENT

### CAPITAL MANAGEMENT POLICY

The objectives of Semapa Group, 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 considered for the purposes of capital management corresponds to Equity. Equity does not include any financial liabilities.

In order to maintain or adjust its capital structure, the Group can adjust the amount of dividends payable to its shareholders, return capital to its shareholders, issue new shares or sell assets to lower its borrowings.

## 5.2 SHARE CAPITAL AND TREASURY SHARES



### ACCOUNTING POLICIES

Semapa's share capital is fully subscribed and paid up, represented by shares with no nominal value.

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

<b>Recognition</b>	At acquisition value, as a reduction of equity.
<b>Acquisitions by Group company</b>	When any Group company acquires shares of the parent company, the payment, which includes directly-associated 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.
<b>Disposal of treasury shares</b>	When 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 (Note 5.5).
<b>Extinction of treasury shares</b>	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. The differential between those amounts is recorded in Other reserves.

## SEMAPA'S SHAREHOLDERS

As of 31 December 2019 and 2018, Semapa's shareholders are detailed as follows:

Name	31/12/2019		31/12/2018	
	No. of shares	%	No. of shares	%
Shares without par value				
Cimo - Gestão de Participações, SGPS, S.A.	38 959 431	47.94	38 959 431	47.94
Semapa, SGPS, S.A.	15 252 726	18.77	15 252 726	18.77
Bestinver Gestión, SGIIC, S.A.	4 032 051	4.96	7 166 756	8.82
Semapa, SGPS, S.A.	3 185 019	3.92	3 185 019	3.92
Santander Asset Management España, S.A.	-	-	1 981 216	2.44
Norges Bank (the Central Bank of Norway)	1 699 613	2.09	1 699 613	2.09
Sociedade Agrícola da Quinta da Vialonga, S.A.	625 199	0.77	625 199	0.77
Treasury shares	823 337	1.01	640 666	0.79
Other shareholders with less than 2% interest	16 692 624	20.54	11 759 374	14.47
	<b>81 270 000</b>	<b>100.00</b>	<b>81 270 000</b>	<b>100.00</b>

## TREASURY SHARES - MOVEMENTS

The movement in treasury shares, in 2019 and 2018, were as follows:

	2019		2018	
	No. of shares	Book value (Euro)	No. of shares	Book value (Euro)
Treasury shares held at the beginning of the period	640 666	6 740 954	586 329	6 036 401
Acquisition of shares by Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.	182 671	2 182 026	54 337	704 553
Disposals in the period	-	-	-	-
<b>Treasury shares held at the end of the period</b>	<b>823 337</b>	<b>8 922 980</b>	<b>640 666</b>	<b>6 740 954</b>

## 5.3 EARNINGS PER SHARE



### ACCOUNTING POLICIES

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

For the purpose of calculating diluted earnings per share, Semapa 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.

Amounts in Euro	2019	2018
<b>Profit attributable to Company's shareholders</b>	<b>124 053 720</b>	<b>132 554 337</b>
Total number of issued shares	81 270 000	81 270 000
Average treasury shares in the portfolio	(726 322)	(588 174)
<b>Weighted average number of shares</b>	<b>80 543 678</b>	<b>80 681 826</b>
<b>Basic earnings per share</b>	<b>1.540</b>	<b>1.643</b>
<b>Diluted earnings per share</b>	<b>1.540</b>	<b>1.643</b>

## 5.4 DIVIDENDS

Dividends per share presented are calculated based on the number of shares outstanding on the grant date.

### DIVIDENDS DISTRIBUTED IN THE PERIOD

Amounts in Euro	Dates	Amount allocated	Dividends per share
<b>Dividends distributed in 2019</b>			
Approval at the Semapa Annual Shareholders' Meeting of the payment of dividends relating to the 2018 net profit on an individual basis in accordance with IFRS	16 April 2019	41 267 948	0.512
<b>Dividends distributed in 2018</b>			
Approval at the Semapa Annual Shareholders' Meeting of the payment of dividends relating to the 2017 net profit on an individual basis in accordance with IFRS	24 May 2018	41 310 040	0.512

## 5.5 RESERVES AND RETAINED EARNINGS



### ACCOUNTING POLICIES

#### FAIR VALUE RESERVES

Fair value reserve refers to the accumulated change in fair value of derivative financial instruments classified as hedging instruments (Note 8.2), and financial investments measured at fair value through other comprehensive income (Note 8.3), net of deferred taxes.

Changes relating to derivatives are reclassified to profit or loss for the period (Note 5.11) as hedged instruments affect profit or loss for the period. The change in fair value of financial investments recorded under this item is not recycled to profit or loss.

#### CURRENCY TRANSLATION RESERVE

The exchange translation reserve corresponds to the cumulative amount related to the Group's appropriation of exchange rate differences resulting from the translation of the financial statements of the subsidiaries and associates operating outside the Euro zone, mainly in Brazil, Tunisia, Lebanon, Angola, Mozambique, the United States of America, Switzerland and United Kingdom.

## LEGAL RESERVE

The Portuguese 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 share capital. This reserve cannot be distributed, unless in the event of the Company's winding up. However, it may be used to absorb losses after the other reserves have been exhausted or it can be incorporated into the issued capital.

The legal reserve is constituted by its maximum amount in the periods presented.

## OTHER RESERVES

This caption corresponds to reserves available for distribution to shareholders that were constituted through the appropriation of prior year's earnings and other movements. The part of the balance corresponding to the acquisition value of treasury shares held is not distributable (Note 5.2).

Amounts in Euro	31/12/2019	31/12/2018
<b>Foreign exchange reserve</b>	<b>(122 926 540)</b>	<b>(129 296 945)</b>
Fair value of derivative financial instruments	(3 030 775)	(2 713 976)
<b>Fair value reserves</b>	<b>(3 030 775)</b>	<b>(2 713 976)</b>
<b>Legal reserve</b>	<b>16 695 625</b>	<b>16 695 625</b>
<b>Other reserves</b>	<b>868 632 110</b>	<b>780 089 232</b>
<b>Retained earnings</b>	<b>5 098 854</b>	<b>18 496 568</b>
<b>Reserves and retained earnings</b>	<b>764 469 274</b>	<b>683 270 504</b>

## FOREIGN EXCHANGE RESERVE

The impact of exchange rate by currency (see Note 8.1.1 - Exchange rate risk) is as follows:

Amounts in Euro	2019	2018
<b>Opening balance</b>	<b>(129 296 945)</b>	<b>(99 805 648)</b>
Brazilian Real	(3 448 566)	(20 886 260)
Tunisian Dinar	5 231 930	(9 774 118)
Lebanese Pound	1 306 101	3 181 810
American Dollar	833 854	(2 857 933)
Mozambican Metical	1 069 483	(997 120)
Other currencies	1 377 603	1 842 324
<b>Closing balance</b>	<b>(122 926 540)</b>	<b>(129 296 945)</b>

## 5.6 NON-CONTROLLING INTERESTS

### DETAIL OF NON-CONTROLLING INTERESTS, BY SUBSIDIARY

Amounts in Euro	% held	Equity		Net profit	
		31/12/2019	31/12/2018	2019	2018
<b>Pulp and paper</b>					
The Navigator Company, S.A.	30.56%	245 917 318	302 336 582	47 538 598	65 496 065
Raiz - Instituto de Investigação da Floresta e Papel	3.00%	273 817	204 263	(1 129)	1 915
Portucel Moçambique	19.80%	-	-	-	-
<b>Cement and derivatives</b>					
Secil - Companhia Geral Cal e Cimento, S.A.	0.00%	7 745	7 278	363	(54)
Société des Ciments de Gabés	1.28%	731 926	681 172	39 794	28 981
IRP - Indústria de Rebocos de Portugal, S.A.	25.00%	424 600	388 213	213 887	174 318
Secil - Companhia de Cimento do Lobito, S.A.	49.00%	(2 501 785)	(2 025 265)	(1 616 257)	(1 041 672)
Ciments de Sibline, S.A.L.	48.95%	55 426 260	64 252 394	(7 519 650)	3 871 491
Madebritas - Sociedade de Britas da Madeira, Lda.	0.00%	59 970	64 152	(4 182)	(933)
Other	0.00%	500 799	1 320 100	(2 483)	86 492
<b>Environment</b>					
ETSA - Investimentos, SGPS, S.A.	0.01%	8 260	7 905	423	225
		<b>300 848 910</b>	<b>367 236 794</b>	<b>38 649 364</b>	<b>68 616 828</b>

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 19.98% of the capital at that date.

In February 2019, occurred a reduction of the subscribed, underwritten and paid capital of the shareholder

The Navigator Company, S.A. to MZM 456 596 000, which reflect 90.02% of the Company's share capital, and the participation of the IFC was reviewed to MZM 50 620 000, which reflect 9.98% of the Portucel Moçambique's share capital.

The surplus of the share capital reduction previously owned by The Navigator Company, S.A., of MZM 891 404 000 was employed to offset negative retained earnings. The differential between the MZM 332 798 000 previously subscribed by IFC and the MZM 50 620 000 which were paid in February 2019 were included in the share capital of Portucel Moçambique, as share premium.



At the reporting date, 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.

### MOVEMENTS OF NON-CONTROLLING INTERESTS BY OPERATING SEGMENT

Amounts in Euro	Pulp and Paper	Cement and Derivatives	Environment	Total
<b>Balance as of 1 January 2018</b>	<b>305 905 214</b>	<b>72 634 539</b>	<b>7 678</b>	<b>378 547 431</b>
Acquisitions/Disposals	(760 918)	(5 250 304)	-	(6 011 222)
Dividends	(61 197 407)	(10 180 618)	-	(71 378 025)
Translation reserve	(2 021 055)	4 365 953	-	2 344 898
Financial instruments	(799 559)	(3)	-	(799 562)
Actuarial gains and losses	(3 876 220)	(141)	-	(3 876 361)
Other movements in equity	(207 190)	(3)	-	(207 193)
Net profit for the period	65 497 980	3 118 621	227	68 616 828
<b>Balance as of 31 December 2018</b>	<b>302 540 845</b>	<b>64 688 044</b>	<b>7 905</b>	<b>367 236 794</b>
Acquisitions/Disposals	(10 041 989)	(772 080)	-	(10 814 069)
Dividends	(90 725 305)	(2 722 995)	(67)	(93 448 367)
Translation reserve	567 449	2 345 922	-	2 913 371
Financial instruments	(237 943)	3	-	(237 940)
Actuarial gains and losses	(3 520 073)	(856)	-	(3 520 929)
Other movements in equity	70 682	4	-	70 686
Net profit for the period	47 537 469	(8 888 528)	423	38 649 364
<b>Balance as of 31 December 2019</b>	<b>246 191 135</b>	<b>54 649 514</b>	<b>8 261</b>	<b>300 848 910</b>

The decrease in Non-controlling interests in the Pulp and Paper segment results from the acquisition by the subsidiary Navigator of 5 452 882 treasury shares representing 0.76% of its share capital during 2019.

During 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 value and the fair value of the non-controlling interests acquired, in the amount of Euro 617 015, was recorded directly in shareholders' equity.



The accounting policies applicable to non-controlling interests, as well as the information about the Group subsidiaries with significant non-controlling interests are disclosed in Note 10.1 - Companies included in the consolidation.

## 5.7 INTEREST-BEARING LIABILITIES



### ACCOUNTING POLICIES

Interest-bearing liabilities includes Bonds, Commercial Paper, bank loans and other financing.

<b>Initial measurement</b>	At fair value, net of transaction costs incurred.
<b>Subsequent measurement</b>	At amortised cost, using the effective interest rate method.  The difference between the repayment amount and the initial measurement amount is recognised in the Income Statement over the debt period under "Interest expenses on other loans" in Note 5.11 - Financial income and expenses.
<b>Fair value</b>	The carrying amount of short-term interest-bearing liabilities or loans contracted at variable interest rates are close to their fair value.  The fair value of interest-bearing liabilities that are remunerated at a fixed rate is disclosed in Note 8.4 - Financial assets and liabilities.
<b>Presentation</b>	In current liabilities, unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.



### MAIN ACCOUNTING ESTIMATES AND JUDGEMENTS

#### DISCLOSURE BY OPERATING SEGMENT

Given that treasury management is performed autonomously by each business segment, as disclosed in Note 8.1 - Financial Risk Management, the information on interest-bearing liabilities that is disclosed in this Note follows that structure.

#### COMMERCIAL PAPER

The Group has several commercial paper programmes negotiated; agreements with which issues with contractual maturity below one year and with a revolving nature are often made. Where the Group expects to extend these loans (roll over), it classifies them as non-current liabilities.

## INTEREST-BEARING LIABILITIES

Amounts in Euro	31/12/2019			31/12/2018		
	Non-current	Current	Total	Non-current	Current	Total
Bond loans	692 428 571	168 571 429	861 000 000	761 000 000	150 000 000	911 000 000
Commercial paper	492 450 000	26 250 000	518 700 000	460 300 000	100 000 000	560 300 000
Bank loans	181 553 128	130 296 322	311 849 450	182 551 889	81 564 826	264 116 715
Loans related charges	(6 313 867)	(1 486 278)	(7 800 145)	(5 802 745)	(1 354 927)	(7 157 672)
<b>Debt securities and bank debt</b>	<b>1 360 117 832</b>	<b>323 631 473</b>	<b>1 683 749 305</b>	<b>1 398 049 144</b>	<b>330 209 899</b>	<b>1 728 259 043</b>
Short-term shareholder loans (Note 10.4)	-	9 400 521	9 400 521	-	3 209 343	3 209 343
Finance leases (before adoption of IFRS 16)	-	-	-	2 501 723	456 169	2 957 892
Other interest-bearing debts	36 614 337	155 178	36 769 515	458 343	-	458 343
<b>Other interest-bearing liabilities</b>	<b>36 614 337</b>	<b>9 555 699</b>	<b>46 170 036</b>	<b>2 960 066</b>	<b>3 665 512</b>	<b>6 625 578</b>
<b>Total interest-bearing liabilities</b>	<b>1 396 732 169</b>	<b>333 187 172</b>	<b>1 729 919 341</b>	<b>1 401 009 210</b>	<b>333 875 411</b>	<b>1 734 884 621</b>

Other interest-bearing debt mainly includes incentives from AICEP - Agência para o Investimento e Comércio Externo de Portugal, as part of a number of research and development projects, which includes the incentive under the investment agreement entered into with the Navigator Group subsidiary for the construction of the new Tissue plant in Aveiro. This agreement includes a financial incentive in the form of a repayable incentive up to a maximum amount of Euro 42 166 636, without interest, with a two-year grace period and maturing in 2027.

## BOND LOANS

Amounts in Euro	31/12/2019	31/12/2018	Maturity date	Interest rate
<b>Pulp and Paper segment</b>				
Navigator 2016 / 2021	100 000 000	100 000 000	2021	Fixed
Navigator 2016 / 2021	45 000 000	45 000 000	2021	Indexed to Euribor 6M
Navigator 2015 / 2023	200 000 000	200 000 000	2023	Indexed to Euribor 6M
Navigator 2019 / 2025	50 000 000	-	2025	Indexed to Euribor 6M
Navigator 2019 / 2026	50 000 000	-	2026	Fixed
	<b>445 000 000</b>	<b>345 000 000</b>		
<b>Cement and derivatives segment</b>				
Secil 2015 / 2020	140 000 000	140 000 000	2020	Fixed
Secil 2016 / 2021	26 000 000	26 000 000	2021	Fixed
Secil 2017 / 2022	20 000 000	20 000 000	2022	Fixed
Secil 2016 / 2023	30 000 000	30 000 000	2023	Fixed
Secil 2018 / 2023	20 000 000	20 000 000	2023	Fixed
	<b>236 000 000</b>	<b>236 000 000</b>		
<b>Holdings</b>				
Semapa 2014 / 2019	-	150 000 000	2019	Indexed to Euribor 6M
Semapa 2014 / 2020	80 000 000	80 000 000	2020	Indexed to Euribor 6M
Semapa 2016 / 2023	100 000 000	100 000 000	2023	Fixed
	<b>180 000 000</b>	<b>330 000 000</b>		
	<b>861 000 000</b>	<b>911 000 000</b>		

## COMMERCIAL PAPER

As of 31 December 2019, loans in the form of Commercial Paper were detailed as follows:

Contracted amount	Amount used			Maturity date	Interest rate
	Non-current	Current	Total		
<b>Pulp and Paper segment</b>					
70 000 000	70 000 000	-	70 000 000	2021	Fixed
140 000 000	50 000 000	-	50 000 000	2026	Indexed to Euribor 6M
175 000 000	175 000 000	-	175 000 000	2026	Fixed
<b>385 000 000</b>	<b>295 000 000</b>	<b>-</b>	<b>295 000 000</b>		
<b>Cement and derivatives segment</b>					
50 000 000	-	-	-	n.a.	Fixed
140 000 000	35 000 000	-	35 000 000	2021	Indexed to Euribor 6M
30 000 000	15 000 000	15 000 000	30 000 000	2021	Fixed
20 000 000	-	-	-	2022	Indexed to Euribor 6M
50 000 000	-	-	-	2023	Indexed to Euribor 6M
<b>290 000 000</b>	<b>50 000 000</b>	<b>15 000 000</b>	<b>65 000 000</b>		
<b>Environment segment</b>					
1 250 000	-	1 250 000	1 250 000	2020	Indexed to Euribor 6M
3 200 000	3 200 000	-	3 200 000	2022	Indexed to Euribor 6M
<b>4 450 000</b>	<b>3 200 000</b>	<b>1 250 000</b>	<b>4 450 000</b>		
<b>Holdings</b>					
90 000 000	-	-	-	2020	Indexed to Euribor 6M
140 000 000	89 250 000	-	89 250 000	2021	Indexed to Euribor 6M
25 000 000	25 000 000	-	25 000 000	2022	Fixed
50 000 000	30 000 000	10 000 000	40 000 000	2023	Fixed
40 000 000	-	-	-	2024	Indexed to Euribor 6M
80 000 000				2026	Indexed to Euribor 6M
<b>425 000 000</b>	<b>144 250 000</b>	<b>10 000 000</b>	<b>154 250 000</b>		
<b>1 104 450 000</b>	<b>492 450 000</b>	<b>26 250 000</b>	<b>518 700 000</b>		

As of 31 December 2018, loans in the form of Commercial Paper were detailed as follows:

Contracted amount	Amount used			Due date	Interest rate
	Non-current	Current	Total		
<b>Pulp and Paper segment</b>					
100 000 000	-	100 000 000	100 000 000	2019	Indexed to Euribor 6M
350 000 000	175 000 000	-	175 000 000	2020	Indexed to Euribor 6M
70 000 000	70 000 000	-	70 000 000	2021	Fixed
<b>520 000 000</b>	<b>245 000 000</b>	<b>100 000 000</b>	<b>345 000 000</b>		
<b>Cement and derivatives segment</b>					
55 000 000	-	-	-	2019	Indexed to Euribor 6M
50 000 000	-	-	-	n.a.	Fixed
120 000 000	75 000 000	-	75 000 000	2021	Indexed to Euribor 6M
30 000 000	30 000 000	-	30 000 000	2021	Fixed
20 000 000	-	-	-	2022	Indexed to Euribor 6M
50 000 000	20 000 000	-	20 000 000	2023	Indexed to Euribor 6M
<b>325 000 000</b>	<b>125 000 000</b>	<b>-</b>	<b>125 000 000</b>		
<b>Holdings</b>					
100 000 000	-	-	-	2020	Indexed to Euribor 6M
140 000 000	25 300 000	-	25 300 000	2021	Indexed to Euribor 6M
25 000 000	25 000 000	-	25 000 000	2022	Indexed to Euribor 6M
50 000 000	40 000 000	-	40 000 000	2023	Indexed to Euribor 6M
<b>315 000 000</b>	<b>90 300 000</b>	<b>-</b>	<b>90 300 000</b>		
<b>1 160 000 000</b>	<b>460 300 000</b>	<b>100 000 000</b>	<b>560 300 000</b>		

## BANK LOANS

Amounts in Euro	31/12/2019			31/12/2018		
	Non-current	Current	Total	Non-current	Current	Total
Pulp and Paper - variable rate	90 833 334	10 416 666	101 250 000	64 027 778	10 416 667	74 444 445
Pulp and Paper - fixed rate	-	2 777 778	2 777 778	-	1 388 889	1 388 889
Cement and derivatives - variable rate	51 219 794	99 900 985	151 120 779	61 024 111	65 017 320	126 041 431
Cement and derivatives - fixed rate	-	5 439 015	5 439 015	-	671 791	671 791
Environment - variable rate	-	1 131 878	1 131 878	7 500 000	4 070 159	11 570 159
Holdings - variable rate	7 500 000	2 630 000	10 130 000	50 000 000	-	50 000 000
Holdings - fixed rate	32 000 000	8 000 000	40 000 000	-	-	-
	<b>181 553 128</b>	<b>130 296 322</b>	<b>311 849 450</b>	<b>182 551 889</b>	<b>81 564 826</b>	<b>264 116 715</b>

## LOAN REPAYMENT PERIODS

Amounts in Euro	31/12/2019	31/12/2018
1 to 2 years	445 114 674	465 361 686
2 to 3 years	139 780 741	427 612 033
3 to 4 years	456 906 652	91 549 853
4 to 5 years	100 336 335	393 120 427
Above 5 years	264 083 136	26 666 233
<b>Total</b>	<b>1 406 221 538</b>	<b>1 404 310 232</b>

## 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 even considering the impact of the adoption of IFRS 16.

Additionally, as of 31 December 2019 and 2018, the Group comply with the financial ratios limits imposed under its financing contracts.

## 5.8 LEASE LIABILITIES



### ACCOUNTING POLICIES

<b>Initial measurement</b>	<p>At the start date of the lease, the Group recognises lease liabilities measured at the present value of future lease payments, which include fixed payments less any lease incentives, variable lease payments, and amounts expected to be paid as residual value.</p> <p>Lease payments also include the exercise price of call or renewal options reasonably certain to be exercised by the Group or lease termination penalty payments if the lease term reflects the Group's option to terminate the agreement.</p> <p>In calculating the present value of future lease payments, the Group uses its incremental financing rate if the implied interest rate on the lease transaction is not easily determinable.</p>
<b>Subsequent measurement</b>	<p>Subsequently, the value of the lease liabilities is increased by the interest amount (Note 5.11 Financial income and expenses) and decreased by the lease payments.</p>

As of 31 December 2019, lease liabilities comprised the following:

Amounts in Euro	Non-current	Current	Total
Pulp and paper	42 450 825	4 396 971	46 847 797
Cement and derivatives	18 828 825	7 559 023	26 387 848
Environment	1 318 578	345 004	1 663 582
Holdings	146 504	105 559	252 063
	<b>62 744 733</b>	<b>12 406 557</b>	<b>75 151 290</b>



Analysis of lease liabilities by maturity is presented in Note 8.1.3 - Liquidity risk.

## 5.9 CASH AND CASH EQUIVALENTS



### ACCOUNTING POLICIES

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 (Note 5.7).

Amounts in Euro	Notes	31/12/2019	31/12/2018
Cash		479 924	189 067
Short-term bank deposits	8.1.4	223 281 396	142 505 960
Other short-term investments	8.1.4	41 219 744	42 537 016
<b>Cash and cash equivalents in the consolidated cash flow statement</b>		<b>264 981 064</b>	<b>185 232 043</b>
Impairment from the IFRS 9 adoption	8.14	(5 739 870)	(1 983 066)
<b>Cash and cash equivalents</b>		<b>259 241 194</b>	<b>183 248 977</b>

In 2019 and 2018, the amount presented under Other short terms applications corresponds to amounts invested by the subsidiary Navigator in a portfolio of short term financial assets, highly liquid and issuers with appropriate rating.

As of 31 December 2019 and 2018, there are no significant balances of cash and cash equivalents that are subject to restrictions on use by the Group companies.

## 5.10 CASH FLOWS FROM FINANCING ACTIVITIES

### MOVEMENTS IN LIABILITIES FOR GROUP FINANCING ACTIVITIES

In 2019 and 2018, the movements in liabilities for financing activities are detailed as follows:

Amounts in Euro	01/01/2019	Cash flows from financing activities	Transactions not affecting cash and cash equivalents		31/12/2019
			Lease recognition	Accrued interest	
Interest-bearing liabilities (Note 5.7)					
Bond loans	911 000 000	(50 000 000)	-	-	861 000 000
Commercial paper	560 300 000	(41 600 000)	-	-	518 700 000
Bank loans	264 116 715	47 732 735	-	-	311 849 450
Charges with the issue of loans	(7 157 672)	6 751 570	-	(10 569 545)	(10 975 647)
Other interest-bearing liabilities	3 667 686	45 677 852	-	-	49 345 538
Lease liabilities (Notes 1.5 and 5.8)	68 966 671	(14 585 261)	15 980 171	4 789 709	75 151 290
<b>Total</b>	<b>1 800 893 400</b>	<b>(6 023 104)</b>	<b>15 980 171</b>	<b>(5 779 836)</b>	<b>1 805 070 631</b>

Amounts in Euro	31/12/2017	Cash flows from financing activities	Transactions not affecting cash and cash equivalents		31/12/2018
			Lease recognition	Accrued interest	
Interest-bearing liabilities (Note 5.7)					
Bond loans	891 000 000	20 000 000	-	-	911 000 000
Commercial paper	590 250 000	(29 950 000)	-	-	560 300 000
Bank loans	433 145 837	(169 029 122)	-	-	264 116 715
Charges with the issue of loans	(9 335 517)	9 597 231	-	(7 419 386)	(7 157 672)
Other interest-bearing liabilities	9 166 514	(2 540 936)	-	-	6 625 578
<b>Total</b>	<b>1 914 226 834</b>	<b>(171 922 827)</b>	<b>-</b>	<b>(7 419 386)</b>	<b>1 734 884 621</b>

## 5.11 NET FINANCIAL RESULTS



### ACCOUNTING POLICIES

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

The Semapa Group classifies as Financial Income the income and gains resulting from cash-flow management activities such as: **i)** interest earned on surplus cash; and **ii)** changes in the fair value of derivative financial instruments negotiated to hedge interest and exchange rate risks on loans, irrespective of the formal designation of the hedge.



In 2019 and 2018, Net financial results are detailed as follows:

Amounts in Euro	Notes	2019	2018
Interest paid on debt securities and bank debt	5.7	(38 173 526)	(38 946 184)
Interest paid on other borrowings	5.7	(10 571)	(17 169)
Commissions on loans and expenses with credit facilities		(9 165 447)	(9 585 650)
<b>Interest expense by applying the effective interest method</b>		<b>(47 349 544)</b>	<b>(48 549 003)</b>
Interest paid on lease liabilities	5.8	(2 874 511)	-
<b>Financial expenses related to the Group's capital structure</b>		<b>(50 224 055)</b>	<b>(48 549 003)</b>
Financial discount of provisions	9.1	(265 628)	(309 709)
Favourable exchange rate differences		(5 262 245)	(12 727 099)
Losses on hedging derivatives	8.2	(4 926 860)	(6 526 185)
Fair value losses on available-for-sale financial assets		(112 429)	-
Other financial expenses and losses		(5 224 073)	(5 451 053)
<b>Financial expenses and losses (excluding changes in fair value)</b>		<b>(66 015 290)</b>	<b>(73 563 049)</b>
Interest earned on financial assets at amortised cost	4.2	9 030 259	3 401 143
Gains from trading derivatives	8.2	393 309	140 363
Other financial income and gains		506 683	9 220
<b>Financial income and gains</b>		<b>9 930 251</b>	<b>3 550 726</b>
<b>Net financial results</b>		<b>(56 085 039)</b>	<b>(70 012 323)</b>

In 2018, the caption Other financial expenses includes the amount of Euro 2 404 116 resulting from the recognition of the difference between the nominal value and the present value of the amount receivable from the sale of the pellets business (USD 45 million). The nominal value receivable bears interest at a rate of 2.5%, of which Euro 866 218 were recorded under "Interest income from financial assets at amortised cost".

# 6 INCOME TAX

## 6.1 INCOME TAX FOR THE PERIOD



### ACCOUNTING POLICIES

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

According to the legislation in force, the gains and losses relating to associated companies and joint ventures, resulting from the application of the equity method, are deducted from or added to, respectively, to the net profit 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 financial investments are held for less than one year or if they represent less than 10% of the share capital.

### TAXATION GROUP

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

Companies included within the tax business group, calculate and recognise corporate income tax (CIT) as though they were taxed on an individual basis. 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.

In the periods presented, the tax business group led by Semapa comprises Group Secil, and ETSA, as well as all the subsidiaries that meet the legal requirements of the Corporate Income Tax Code.

The companies that comprise The Navigator Group integrate the tax business group led by The Navigator Company, S.A. In 2018, a tax group was also established in Spain, which includes the three subsidiaries of the group based in that country, held by more than 90%, and Bosques do Atlântico, S.L. is the dominant company in the tax group.



### MAIN ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group recognises liabilities for additional settlements that may result from tax authorities' revisions of the different countries where the Group operates. When the final result of these situations is different from the amounts initially recorded, the differences will have an impact on income tax in the period in which they occur.

In Portugal, annual income statements are subject to review and possible adjustment by the tax authorities for a period of 4 years. However, if tax losses are presented they may be subject to review by the tax authorities for a period of 6 years. In other countries in which the Group operates, these periods are different, usually higher.

The Board of Directors considers that any corrections to those declarations as a result of reviews/inspections by the tax authorities will not have a significant impact in the consolidated financial statements as at 31 December 2019, although the years up to and including 2015 have already been reviewed.

### UNCERTAIN TAX POSITIONS

The amount of estimated assets and liabilities recorded on account of tax proceedings arises from an assessment made by the Group, at the date of the Consolidated Statement of Financial Position, regarding potential differences of interpretation against the Portuguese Tax Authorities, considering the developments in tax matters.

With respect to the measurement of uncertain tax positions, the Group takes into consideration the provisions of IFRIC 23 – "Uncertainty over income tax treatments", namely the measurement of risks and uncertainties in defining the best estimate of expenditure required to settle the obligation, by weighting all possible results controlled by the Company and their related probabilities.

## INCOME TAX RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

Amounts in Euro	2019	2018
Current tax	(29 305 731)	(79 134 172)
Variation of uncertain tax positions in the period	32 108 767	6 153 550
Deferred tax (Note 6.2)	(26 692 165)	29 330 429
	<b>(23 889 129)</b>	<b>(43 650 193)</b>

In 2019 and 2018, the caption Variation in uncertain tax positions reflects a series of reversals of tax provisions, as a result of the closure of some tax inspection processes and court decisions favourable to the Group.

## NOMINAL TAX RATE IN THE MAIN GEOGRAPHIES WHERE THE GROUP OPERATES

Amounts in Euro	2019	2018
<b>Portugal</b>		
Income tax treatment	21.0%	21.0%
Municipal surcharge	1.5%	1.5%
	<b>22.5%</b>	<b>22.5%</b>
State surcharge - on taxable income between Euro 1 500 000 Euro and Euro 7 500 000	3.0%	3.0%
State surcharge - on taxable income between Euro 7 500 000 and Euro 35 000 000	5.0%	5.0%
State surcharge - on taxable income above Euro 35 000 000	9.0%	9.0%
<b>Other countries</b>		
Brazil - nominal rate	34.0%	34.0%
Tunisia - nominal rate	25.0%	25.0%
Lebanon - nominal rate	17.0%	17.0%
Angola - nominal rate	30.0%	30.0%

## RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE FOR THE PERIOD

Amounts in Euro	2019	2018
<b>Profit before tax</b>	<b>186 592 213</b>	<b>244 821 358</b>
Expected tax at nominal rate (22.5%)	41 983 248	55 084 806
State surcharge	2 513 144	12 709 698
<b>Tax resulting from the applicable rate</b>	<b>44 496 392</b>	<b>67 794 504</b>
Differences (a)	11 640 944	(7 319 944)
Tax for prior periods	(12 889 980)	(9 520 404)
Recoverable tax losses	(801 069)	(782 117)
Non-recoverable tax losses	2 452 926	5 577 833
Reversal of additional tax liabilities	(1 008 834)	(5 326 546)
Effect of the reconciliation of nominal rates of the different countries	828 679	(2 458 986)
Tax benefits	(20 648 650)	(425 209)
Other tax adjustments	(181 279)	(3 888 938)
	<b>23 889 129</b>	<b>43 650 193</b>
<b>Effective tax rate</b>	<b>12.80%</b>	<b>17.83%</b>

## RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE FOR THE PERIOD

(a) This amount concerns mainly:	2019	2018
Effect of applying the equity method (Note 10.3)	(1 719 099)	(1 182 762)
Gains / (losses) for tax purposes	212 690	51 732 577
(Gains) / losses for accounting purposes	(1 131 956)	(122 921 963)
Impairment and taxed provisions	51 257 015	45 657 100
Tax benefits	(9 213 858)	(7 731 672)
Reduction of impairment and taxed provisions	(6 140 488)	(1 015 677)
Intra-group results subject to taxation	16 269 982	3 249 948
Post-employment benefits	(16 094 227)	(10 235 045)
Net financial expenses from prior periods	2 519 488	2 589 828
Other	15 777 983	7 324 581
	<b>51 737 530</b>	<b>(32 533 085)</b>
<b>Tax effect (22.5%)</b>	<b>11 640 944</b>	<b>(7 319 944)</b>

## TAX RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in Euro	31/12/2019	31/12/2018
<b>Asset</b>		
Corporate Income tax	19 842 307	1 091 659
Amounts pending repayment (tax proceedings decided in favour of the group)	7 198 086	14 250 641
	<b>27 040 393</b>	<b>15 342 300</b>
<b>Liability</b>		
Corporate Income tax	4 057 165	36 837 380
Additional tax liabilities	52 491 460	24 938 625
	<b>56 548 625</b>	<b>61 776 005</b>

## DETAIL OF CORPORATE INCOME TAX - IRC (NET)

Amounts in Euro	31/12/2019	31/12/2018
Income tax for the period	29 073 170	81 632 415
Exchange rate adjustment	63 443	(60 000)
Payments on accounts, Special payments on accounts and Additional payments on account	(42 582 360)	(44 176 994)
Withholding tax recoverable	(1 488 560)	(383 799)
Income tax recoverable from prior years	(850 835)	(1 265 901)
	<b>(15 785 142)</b>	<b>35 745 721</b>

## UNCERTAIN TAX POSITIONS - LIABILITIES

Amounts in Euro	2019	2018
<b>Balance at the beginning of the period</b>	<b>24 938 625</b>	<b>20 145 343</b>
Increases	56 886	10 813 923
Reversals	(10 813 923)	-
Transfers (IFRIC 23)	47 565 601	-
Charge-off	(9 255 729)	(6 020 641)
<b>Balance at the end of the period</b>	<b>52 491 460</b>	<b>24 938 625</b>
<b>Amount recognised in the income statement - (gain) / loss</b>	<b>(32 108 767)</b>	<b>(6 153 550)</b>

## TAXES PAID IN LITIGATION

As of 31 December 2019 and 2018, the additional tax assessments that are already paid and contested, not recognised in assets, refer to the Navigator Group and are summarised as follows:

Amounts in Euro	31/12/2019	31/12/2018
<b>Pulp and Paper segment</b>		
2005 Aggregate corporate income tax	10 394 386	10 394 386
2006 Aggregate corporate income tax	8 150 146	8 150 146
2013 Informal review of NVG Paper Figueira	-	8 621 705
2016 State surcharge	3 761 397	-
2017 State surcharge	8 462 724	-
2018 State surcharge	12 223 705	-
	<b>42 992 358</b>	<b>27 166 237</b>

## 6.2 DEFERRED TAXES



### ACCOUNTING POLICIES

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 an income or expense 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.



### MAIN ACCOUNTING ESTIMATES AND JUDGEMENTS

#### DEFERRED TAXES RECOGNISED RELATING TO UNUSED TAX LOSSES

The deferred tax assets recorded for reportable tax losses with respect to 31 December 2019 and 2018, 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. As the current Brazilian tax legislation does not impose any time limit for its use against future taxable profits, management is convinced

that, in accordance with the medium-term business plan, the project will generate taxable profits that will be offset by the tax losses accumulated in these first years of start-up. Additionally, it should be noted that the tax depreciation of Margem Companhia de Mineração, S.A., is more accelerated than the economic depreciation, generating a significant negative impact on the tax result of that subsidiary.

## MOVEMENTS IN DEFERRED TAXES

Amounts in Euro	As of 01 January 2019	Exchange rate adjustment	Income statement		Equity	Assets held for sale	As of 31 December 2019
			Increases	Decreases			
<b>Temporary differences originating deferred tax assets</b>							
Tax losses carried forward	74 310 650	(1 734 980)	9 222 704	-	-	-	81 798 374
Taxed provisions	19 057 416	300 914	16 723 587	-	-	-	36 081 917
Harmonisation of depreciation criteria	108 230 103	-	27 059	(35 170 963)	-	(1 000 000)	72 086 199
Pensions and other post-employments benefits	4 230 997	4 726	7 821	(500 278)	285 329	-	4 028 595
Financial instruments	7 805 701	-	-	-	783 216	-	8 588 917
Deferred accounting gains on inter-group transactions	41 418 523	(41)	423 318	(20 421 049)	-	-	21 420 752
Investment subsidies	4 305 779	-	-	(541 275)	-	-	3 764 504
Fair value of business combinations	1 596 394	30 731	-	-	-	-	1 627 125
Conventional capital remuneration	9 240 000	-	-	(3 220 000)	3 640 000	-	9 660 000
Other temporary differences	12 124 135	20 644	1 473 506	(1 091 228)	-	-	12 527 057
	<b>282 319 699</b>	<b>(1 378 006)</b>	<b>27 877 995</b>	<b>(60 944 793)</b>	<b>4 708 545</b>	<b>(1 000 000)</b>	<b>251 583 440</b>
<b>Temporary differences originating deferred tax liabilities</b>							
Adjustment of property, plant and equipment	(46 092 976)	880 223	-	531 989	-	-	(44 680 764)
Pensions and other post-employments benefits	(1 302 868)	(1 998)	(2 430 295)	-	1 720 180	-	(2 014 981)
Financial instruments	894 942	(35 308)	-	708 779	-	-	1 568 413
Tax incentives	(7 439 158)	-	-	1 112 930	249 185	-	(6 077 043)
Harmonisation of depreciation criteria	(357 205 626)	(905 368)	(48 913 750)	18 563 645	-	-	(388 461 099)
Deferred accounting losses on inter-group transactions	(10 502 587)	-	(16 269 982)	31 007	-	-	(26 741 562)
Valuation of biological assets	(13 969 979)	-	(12 029 495)	-	-	-	(25 999 474)
Fair value of intangible assets - brands	(251 627 510)	3 877 297	-	10 466 346	-	-	(237 283 867)
Fair value of biological assets	(96 233 491)	-	-	15 271 550	-	-	(80 961 941)
Fair value of business combinations	(77 672 116)	(7 291 882)	-	14 394 594	-	-	(70 569 404)
Other temporary differences	(1 577 326)	5 104	(1 109 206)	1 918 597	-	-	(762 831)
	<b>(862 728 695)</b>	<b>(3 471 932)</b>	<b>(80 752 728)</b>	<b>62 999 437</b>	<b>1 969 365</b>	<b>-</b>	<b>(881 984 554)</b>
<b>Deferred tax assets</b>	<b>108 061 925</b>	<b>(526 167)</b>	<b>23 788 716</b>	<b>(42 371 936)</b>	<b>1 293 241</b>	<b>(275 000)</b>	<b>89 970 779</b>
<b>Deferred tax liabilities</b>	<b>(235 715 323)</b>	<b>(612 190)</b>	<b>(13 086 161)</b>	<b>4 977 216</b>	<b>544 085</b>	<b>-</b>	<b>(243 892 373)</b>

## MOVEMENTS IN DEFERRED TAXES

Amounts in Euro	As of 01 January 2018	Exchange rate adjustment	Income statement		Equity	Transfers	Assets held for sale	Other movements	As of 31 December 2018
			Increases	Decreases					
<b>Temporary differences originating deferred tax assets</b>									
Tax losses carried forward	67 932 564	(7 602 039)	13 980 125	-	-	-	-	-	74 310 650
Taxed provisions	21 424 472	(643 169)	713 803	(1 475 966)	(961 724)	-	-	-	19 057 416
Harmonisation of depreciation criteria	112 547 708	-	22 452 458	(17 963 850)	-	-	(8 806 213)	-	108 230 103
Pensions and other post-employments benefits	4 575 248	(4 600)	9 125	(451 880)	138 062	(34 958)	-	-	4 230 997
Financial instruments	4 088 316	-	-	-	3 717 385	-	-	-	7 805 701
Deferred accounting gains on inter-group transactions	38 987 515	(8 326)	7 805 659	(5 366 325)	-	-	-	-	41 418 523
Investment subsidies	12 073 160	-	-	(7 767 381)	-	-	-	-	4 305 779
Fair value of business combinations	1 524 164	72 230	-	-	-	-	-	-	1 596 394
Conventional capital remuneration	12 320 000	-	-	(3 080 000)	-	-	-	-	9 240 000
Other temporary differences	4 696 676	(192 704)	10 374 404	(2 754 241)	-	-	-	-	12 124 135
	<b>280 169 823</b>	<b>(8 378 608)</b>	<b>55 335 574</b>	<b>(38 859 642)</b>	<b>2 893 723</b>	<b>(34 958)</b>	<b>(8 806 213)</b>	<b>-</b>	<b>282 319 699</b>
<b>Temporary differences originating deferred tax liabilities</b>									
Adjustment of property, plant and equipment	(52 430 381)	5 259 974	-	1 077 431	-	-	-	-	(46 092 976)
Pensions and other employments benefits	(2 255 443)	1 657	(128 004)	319 261	724 703	34 958	-	-	(1 302 868)
Financial instruments	1 129 914	(131 972)	(103 000)	-	-	-	-	-	894 942
Tax incentives	(8 903 131)	-	-	1 214 788	249 185	-	-	-	(7 439 158)
Harmonisation of depreciation criteria	(392 075 056)	6 624 509	(13 469 138)	41 714 058	-	-	-	-	(357 205 626)
Deferred accounting losses on inter-group transactions	(50 039 680)	-	(10 191 596)	49 728 689	-	-	-	-	(10 502 587)
Valuation of biological assets	(10 246 504)	-	(6 996 837)	3 273 362	-	-	-	-	(13 969 979)
Fair value of intangible assets - brands	(254 157 786)	5 000 815	(2 470 539)	-	-	-	-	-	(251 627 510)
Fair value of biological assets	(111 505 041)	-	-	15 271 550	-	-	-	-	(96 233 491)
Fair value of business combinations	(91 146 903)	1 655 344	-	12 107 642	1 477	-	(289 676)	-	(77 672 116)
Other temporary differences	(1 340 849)	48 695	(827 493)	542 321	-	-	-	-	(1 577 326)
	<b>(972 970 860)</b>	<b>18 459 022</b>	<b>(34 186 607)</b>	<b>125 249 103</b>	<b>975 364</b>	<b>34 958</b>	<b>(289 676)</b>	<b>-</b>	<b>(862 728 695)</b>
<b>Deferred tax assets</b>	<b>80 075 383</b>	<b>(2 856 971)</b>	<b>15 191 282</b>	<b>(9 696 196)</b>	<b>1 276 545</b>	<b>(8 739)</b>	<b>(2 421 709)</b>	<b>26 502 330</b>	<b>108 061 925</b>
<b>Deferred tax liabilities</b>	<b>(265 510 481)</b>	<b>5 762 775</b>	<b>(2 691 264)</b>	<b>26 526 607</b>	<b>252 783</b>	<b>8 739</b>	<b>(64 482)</b>	<b>-</b>	<b>(235 715 323)</b>

## UNUSED TAX LOSSES WITHOUT RECOGNISED DEFERRED TAXES

31 December 2019 Amounts in Euro**	Total	2020	2021	2022	2023	2024	2025 and beyond
Tax losses of the Semapa Tax Group (RETGS)	348 412 326	-	-	-	37 435 032	-	310 977 294
Tax losses of companies outside of Semapa RETGS							
ALLMA, Lda.	152 600	-	-	300	20 401	78	131 822
Florimar, SGPS, Lda.	688 919	-	-	20 602	36 965	480 004	151 348
Madebritas, Lda.	11 918	-	-	-	-	-	11 918
Secil Angola, SARL	1 165 620	597 337	568 284	-	-	-	-
Secil Lobito	3 188 954	92 710	655 220	2 441 024	-	-	-
Silonor, S.A.	14 669 847	-	-	-	-	-	14 669 847
Soime, S.A.L.	414 140	260 537	108 098	45 505	-	-	-
Zarzis Béton	64 132	-	-	-	-	-	64 132
Secil Brasil Participações, S.A.	8 170 054	-	-	-	-	-	8 170 054
Supremo Cimentos, SA	46 376 238	-	-	-	-	-	46 376 238
Seinpar BV	86 197	46 661	-	62 692	30 177	-	(53 333)
Semapa Inversiones SL	13 423 439	-	-	-	-	-	13 423 439
Portucel Moçambique	26 005 979	-	335 658	10 707 017	7 529 259	7 434 044	-
Raíz	724 510	-	-	126 708	232 864	107 042	257 896
Navigator International Trading	8 644	-	-	-	-	-	8 644
Navigator Africa	9 005	-	-	-	-	-	9 005
About the Future - Essential Oils	46 021	-	-	-	-	46 021	-
AISIB	291 481	18 789	89 540	88 711	54 904	20 044	19 493
<b>Tax losses carried forward without deferred tax</b>	<b>463 910 025</b>	<b>1 016 034</b>	<b>1 756 800</b>	<b>13 492 560</b>	<b>45 339 602</b>	<b>8 087 232</b>	<b>394 217 796</b>

31 December 2018 Amounts in Euro	Total	2019	2020	2021	2022	2023	2024 and beyond
Tax losses of the Semapa Tax Group (RETGS)	337 514 599	-	-	-	-	-	337 514 599
Tax losses of companies outside of Semapa RETGS							
ALLMA, Lda.	152 523	-	-	-	300	20 401	131 822
Florimar, SGPS, Lda.	231 529	59 579	-	-	-	-	171 950
I3 Participações e Serviços, Ltda.	-	-	-	-	-	-	-
Madebritas, Lda.	10 013	-	-	-	-	-	10 013
Pedra Regional, S.A.	-	-	-	-	-	-	-
Secil Angola, SARL	1 143 631	586 068	557 563	-	-	-	-
Secil Prebetão, S.A.	8 121 614	3 545 712	-	-	-	239 218	4 336 684
Enerpar, SGPS, Lda. (former-Secil Unicon)	28 687	-	-	-	6 268	4 743	17 676
Secil Lobito	1 872 976	706 623	144 576	1 021 777	-	-	-
Secil Cement, B.V. (former Seciment Investments, B.V.)	390 279	-	-	-	-	-	390 279
Silonor, S.A.	14 259 257	-	-	-	-	-	14 259 257
Soime, S.A.L.	511 887	376 630	106 056	29 201	-	-	-
Zarzis Béton	58 311	-	-	-	-	-	58 311
Sociedade de Inertes	369 544	76 586	53 638	27 507	211 813	-	-
Secil Brasil Participações, S.A.	7 917 965	-	-	-	-	-	7 917 965
Supremo Cimentos, SA	44 741 825	-	-	-	-	-	44 741 825
Finholding	-	-	-	-	-	-	-
Seinpar BV	366 985	46 661	-	62 692	30 177	53 334	174 121
Semapa Inversiones SL	13 423 439	-	-	-	-	-	13 423 439
Colombo Energy	-	-	-	-	-	-	-
Portucel Moçambique	17 679 441	-	-	-	335 658	10 211 577	7 132 205
Raíz	389 442	-	-	-	-	126 708	262 734
Navigator North America Inc.	21 895	-	-	-	-	-	21 895
AISIB	365 868	93 880	18 789	89 540	88 711	54 904	20 044
<b>Tax losses carried forward without deferred tax</b>	<b>449 571 710</b>	<b>5 491 739</b>	<b>880 622</b>	<b>1 230 717</b>	<b>672 927</b>	<b>10 710 886</b>	<b>430 584 819</b>



## 7 PAYROLL

### 7.1 SHORT-TERM EMPLOYEE BENEFITS



#### ACCOUNTING POLICIES

#### ENTITLEMENTS - HOLIDAY AND HOLIDAY ALLOWANCE

In accordance with current legislation, employees are entitled to 22 working days leave, annually, as well as to a month's holiday allowance, entitlement to which is acquired in the year preceding its payment.

#### BONUS

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 year 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.

#### TERMINATION BENEFITS

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.

#### PAYROLL COSTS RECOGNISED IN THE PERIOD

Amounts in Euro	Notes	2019	2018
Statutory bodies remuneration	7.2	12 881 440	19 367 639
Other remunerations		160 996 169	176 410 047
Post-employment benefits	7.3.10	5 046 584	4 770 186
Other payroll costs		61 824 128	56 607 309
<b>Payroll costs</b>		<b>240 748 321</b>	<b>257 155 181</b>

The decrease in Other remunerations in 2019 is mainly explained by the reduction in the estimated amounts of bonuses payable to Group employees.

#### OTHER PAYROLL COSTS

Amounts in Euro	2019	2018
Social security contributions	37 794 429	37 816 156
Insurance	4 016 783	4 891 730
Social welfare costs	6 747 523	6 606 781
Compensations	8 211 749	2 675 772
Other payroll costs	5 053 644	4 616 870
	<b>61 824 128</b>	<b>56 607 309</b>

## NUMBER OF EMPLOYEES AT THE END OF THE PERIOD

Amounts in Euro	31/12/2019	31/12/2018	Var. 19/18
Pulp and paper	3 280	3 282	(2)
Cement and Derivatives	2 512	2 470	42
Environment	272	270	2
Holdings and others	29	32	(3)
	<b>6 093</b>	<b>6 054</b>	<b>39</b>

## 7.2 REMUNERATION OF CORPORATE BODIES

Amounts in Euro	Notes	2019	2018
<b>Semapa's Statutory Bodies</b>			
Board of Directors		4 465 668	9 087 933
Audit Board		54 000	58 735
Remuneration Committee		20 500	12 000
General Meeting Board		4 000	4 000
		<b>4 544 168</b>	<b>9 162 668</b>
<b>Board of Directors of other group companies</b>		<b>8 337 272</b>	<b>10 204 971</b>
<b>Total</b>	<b>7.1</b>	<b>12 881 440</b>	<b>19 367 639</b>

### REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

All details of the remuneration policy of the Board members of Semapa's management are detailed in the Company's Corporate Governance Report, Part I - Section D.

With respect to post-employment benefits and as described in Note 7.3, as of 31 December 2019, the amount of liabilities related to post-employment benefit plans, related to one Board Member of the Navigator Group,

amounted to Euro 995 369 (31 December 2018: Euro 1 025 289). In addition, three of Navigator's current directors were participants in Navigator Brands, S.A.'s pension plans, as a subsidiary of the company, before joining management positions.

As of 31 December 2019 and 2018, 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)** any outstanding balances.

## 7.3 POST-EMPLOYMENT BENEFITS



### ACCOUNTING POLICIES

#### DEFINED BENEFIT PLAN

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.

The Group has set up autonomous Pension Funds as a means of funding part of its liabilities. Based on the projected unit credit method, the Group recognises the costs with the granting of these benefits and when services are rendered by the employees. Accordingly, 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.

The calculated liability is presented in the Consolidated statement of financial position, after deducting the fair value of the funds set up, under the caption Pensions and other post-employment benefits.

Actuarial deviations resulting from changes in the value of estimated liabilities, as a consequence of changes in the financial and demographic assumptions used and experience gains, plus the differential between the actual return on plan assets and the estimated share of net interests, are recorded directly in the statement of comprehensive income, under Retained earnings.

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.

The costs relating to past liabilities, which result from the implementation of a new plan or additional benefits granted, are recognised immediately in the income statement.

#### DEFINED CONTRIBUTION PLAN

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.

For this purpose, Pension Funds were set up to capitalise those contributions, to which employees can still make voluntary contributions, but for which the Group does not assume any additional contribution liabilities or a pre-fixed return.

Therefore, the contributions made are recorded as expenses in the income statement in the period to which they relate, regardless of their settlement date.

### 7.3.1 PLANS | NAVIGATOR SUBGROUP

#### Navigator – Defined benefit plans

**Description** The Group has responsibilities with post-employment benefit plans for a reduced group of employees who have chosen to maintain the defined benefit plan or who have chosen to maintain a safeguard clause, the latter following the conversion of their plan into a defined contribution plan.

In effect, the safeguard clause gives the employee the option, at the time of retirement, to pay a pension in accordance with the provisions laid down on the defined benefit plan. For those who choose to activate the Safeguard Clause, the accumulated balance in the defined contribution plan (Conta 1) will be used to finance the liability of the defined benefit plan.

#### Navigator - Defined contribution plans

**Description** As at 31 December 2019, three defined contribution plans were in force, which covered 2 790 employees, excluding employees who chose to maintain a benefit safeguard clause.

## 7.3.2 PLANS | SECIL SUBGROUP

### Secil - Retirement and survivors' pension supplement liabilities (defined benefit plans with funds managed by third parties)

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

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

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

### Secil - Retirement and survivors' pension supplement liabilities (Group defined benefit plans)

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

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

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

### Secil - Liabilities for health care (defined benefit plan)

**Description** The subsidiary Cimentos Madeira, Lda. provides 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.

### Secil - Liabilities for retirement and death (defined benefit plan)

**Description** The subsidiary Societé des Ciments de Gabès (Tunisia) assumed the commitment to its employees to pay an old-age retirement and disability 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.

### Secil - Defined contribution plans

**Secil and CMP Plan** 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 members of the Board of Directors.

**Unibetão and Britobetão Plan** Unibetão and Britobetão plans include all workers who, as of 31 December 2009, had an open-ended employment contract, executed under the CCT 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 the members of the Board of Directors.

**Betomadeira Plan** 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** 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 Board of Directors.

<b>Cimentos Madeira plan</b>	Cimentos Madeira plan 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 Board of Directors.
<b>Brimade plan</b>	Brimade plan includes all workers who had as of 1 July 2012 an open-ended employment contract and all employees who will be admitted to service after that date.
<b>Secil - Liabilities for long-service awards</b>	
<b>Description</b>	Secil and its subsidiary CMP, 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.

### 7.3.3 RISK MANAGEMENT POLICY ASSOCIATED WITH DEFINED BENEFIT PLANS

The Group's exposure to risk is limited to the number of existing beneficiaries and will tend to decrease, since there are no defined benefit plans available to new employees in the Group.

The most significant risks to which the Group is exposed through defined benefit plans include:

- Risk of change in longevity of participants
- Market rate risk - rate changes affects the rate used to discount liabilities (technical interest rate) which is based on yield curves of highly rated bonds with maturities similar to the maturity dates of the liabilities and the fixed rate of return on assets.
- Risk of change in the rate of growth of wages and pensions

The financing level of the fund may vary depending on the risks listed and on the profitability of the fund's financial assets. Despite the fund's conservative profile (consisting mostly of fixed income assets), the verification of the aforementioned risks may lead to the need for additional contributions to the fund considering the nature of the defined benefit.

The Group aims to keep a 90% level of liability coverage.



## MAIN ACCOUNTING ESTIMATES AND JUDGEMENTS

### 7.3.4 ACTUARIAL ASSUMPTIONS

	31/12/2019	31/12/2018
Social Security Benefits Formula	Decree-Law no. 187/2007 of May 10	
Disability table	EKV 80	EKV 80
Mortality table	TV 88/90	TV 88/90
Wage growth rate	1%	1.00%
Technical interest rate - cement segment	1.50%	2.00%
Technical interest rate - other segments	1.75%	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's complement annual payments	12	12

### 7.3.5 SENSITIVITY ANALYSIS

The Group considers the technical interest rate and the expected wage growth rate as the most significant variables in the calculation of liabilities for defined benefit plans.

As at 31 December 2019, a decrease of 0.25 percentage points in the discount rates used to calculate pension liabilities would result in an increase in liabilities of approximately Euro 7.9 million (31 December 2018: a decrease of 0.5 percentage points in the discount rate used would result in an increase in liabilities of approximately Euro 12.1 million).

### 7.3.6 NET PENSION LIABILITIES

Net liabilities reflected in the consolidated statement of financial position and the number of beneficiaries of the defined benefit plans in force in the Group are detailed as follows:

31 December 2019	Pulp and paper		Cement and derivatives		Holdings		Total	
	No. Benefi.	Amount	No. Benefi.	Amount	No. Benefi.	Amount	No. Benefi.	Amount
<b>Group liabilities for past services</b>								
Active	481	75 583 410	64	47 958	-	-	545	75 631 368
Former employees	130	23 358 802	-	-	-	-	130	23 358 802
Retired employees	522	80 938 540	700	19 890 940	1	1 008 908	1 223	101 838 388
Market value of the pension funds	-	(173 292 676)	-	(18 000 254)	-	-	-	(191 292 930)
Capital insured	-	-	-	223 392	-	-	-	223 392
Insurance policies	-	-	-	(163 567)	-	-	-	(163 567)
Reserve account*	-	-	-	(626 266)	-	-	-	(626 266)
<b>Unfunded pension liabilities</b>	<b>1 133</b>	<b>6 588 076</b>	<b>764</b>	<b>1 372 203</b>	<b>1</b>	<b>1 008 908</b>	<b>1 898</b>	<b>8 969 187</b>
<b>Other unfunded liabilities</b>								
Healthcare assistance	-	-	5	44 253	-	-	5	44 253
Retirement and death	-	-	407	99 044	-	-	407	99 044
<b>Total post-employment liabilities</b>	<b>1 133</b>	<b>6 588 076</b>	<b>1 176</b>	<b>1 515 500</b>	<b>1</b>	<b>1 008 908</b>	<b>2 310</b>	<b>9 112 484</b>
Long-service award liabilities (Note 7.3.7)	-	-	407	382 874	-	-	407	382 874
<b>Total net liabilities</b>	<b>1 133</b>	<b>6 588 076</b>	<b>1 583</b>	<b>1 898 374</b>	<b>1</b>	<b>1 008 908</b>	<b>2 717</b>	<b>9 495 358</b>

\*Overfunding due to the change to a defined contribution plan

31 December 2018	Pulp and paper		Cement and derivatives		Holdings		Total	
	No. Benefi.	Amount	No. Benefi.	Amount	No. Benefi.	Amount	No. Benefi.	Amount
<b>Group liabilities for past services</b>								
Active	506	57 373 503	72	124 756	-	-	578	57 498 259
Former employees	125	21 042 206	-	-	-	-	125	21 042 206
Retired employees	506	76 040 531	672	20 809 676	1	1 115 990	1 179	97 966 197
Market value of the pension funds	-	(147 131 961)	-	(18 476 437)	-	-	-	(165 608 398)
Capital insured	-	-	-	142 667	-	-	-	142 667
Insurance policies	-	-	-	(173 804)	-	-	-	(173 804)
Reserve account*	-	-	-	(608 096)	-	-	-	(608 096)
<b>Unfunded pension liabilities</b>	<b>1 137</b>	<b>7 324 279</b>	<b>744</b>	<b>1 818 762</b>	<b>1</b>	<b>1 115 990</b>	<b>1 882</b>	<b>10 259 031</b>
<b>Other unfunded liabilities</b>								
Healthcare assistance	-	-	-	43 164	-	-	-	43 164
Retirement and death	-	-	-	89 851	-	-	-	89 851
<b>Total post-employment liabilities</b>	<b>1 137</b>	<b>7 324 279</b>	<b>744</b>	<b>1 951 777</b>	<b>1</b>	<b>1 115 990</b>	<b>1 882</b>	<b>10 392 046</b>
Long-service award liabilities (Note 7.3.7)	-	-	n.d.	385 856	-	-	-	385 856
<b>Total net liabilities</b>	<b>1 137</b>	<b>7 324 279</b>	<b>744</b>	<b>2 337 633</b>	<b>1</b>	<b>1 115 990</b>	<b>1 882</b>	<b>10 777 902</b>

\*Overfunding due to the change to a defined contribution plan

## HISTORICAL INFORMATION - LAST FIVE YEARS

Amounts in Euro	2014	2015	2016	2017	2018	2019
Present value of liabilities	100 073 116	168 798 865	175 766 292	176 018 521	177 168 200	201 578 121
Fair value of plan assets and reserve account	99 038 106	167 886 448	165 680 869	167 895 186	166 390 298	192 082 763
<b>Surplus / (deficit)</b>	<b>1 035 010</b>	<b>912 417</b>	<b>10 085 423</b>	<b>8 123 335</b>	<b>10 777 902</b>	<b>9 495 358</b>
<b>Remeasurements</b>	<b>343 040</b>	<b>(10 421 772)</b>	<b>(11 626 310)</b>	<b>2 657 177</b>	<b>(13 696 791)</b>	<b>(14 327 157)</b>

## 7.3.7 CHANGES IN PENSION AND OTHER POST-EMPLOYMENT BENEFITS

2019 Amounts in Euro	Opening balance	Exchange rate adjustment	Change in assumptions	Income and expenses	Actuarial deviations (7.2.5)	Payments	Closing balance
<b>Pulp and Paper segment</b>							
Pensions with autonomous fund	154 456 238	-	-	-	-	-	154 456 238
Capital insured	-	-	17 318 638	4 812 772	8 682 165	(5 389 063)	25 424 512
<b>Cement and derivatives segment</b>							
Pensions assumed by the Group	3 697 924	-	-	67 999	225 978	(563 080)	3 428 821
Pensions with autonomous fund	17 236 510	-	-	328 191	848 193	(1 902 816)	16 510 078
Capital insured	142 667	16 393	-	15 074	83 787	(34 529)	223 392
Retirement and death	89 851	2 625	-	6 318	250	-	99 044
Healthcare assistance	43 164	-	-	593	3 301	(2 804)	44 254
Long-service award	385 856	-	-	47 492	-	(50 474)	382 874
<b>Holdings</b>							
Pensions assumed by the Group	1 115 990	-	-	23 431	-	(130 513)	1 008 908
	<b>177 168 200</b>	<b>19 018</b>	<b>17 318 638</b>	<b>5 301 870</b>	<b>9 843 674</b>	<b>(8 073 279)</b>	<b>201 578 121</b>

2018 Amounts in Euro	Opening balance	Exchange rate adjustment	Income and expenses	Actuarial deviations (7.2.5)	Payments	Closing balance
<b>Pulp and Paper segment</b>						
Pensions with autonomous fund	151 199 734	-	4 790 565	3 551 788	(5 085 849)	154 456 238
<b>Cement and derivatives segment</b>						
Pensions assumed by the Group	4 090 065	-	75 381	140 410	(607 932)	3 697 924
Pensions with Autonomous fund	18 863 143	-	358 706	23 757	(2 009 096)	17 236 510
Capital insured	184 050	(27 368)	17 462	16 265	(47 742)	142 667
Retirement and death	93 068	(4 534)	9 136	(7 819)	-	89 851
Healthcare assistance	45 450	-	881	(470)	(2 697)	43 164
Long-service award	303 366	-	149 111	-	(66 621)	385 856
<b>Holdings</b>						
Pensions assumed by the Group	1 239 645	-	23 431	-	(147 086)	1 115 990
	<b>176 018 521</b>	<b>(31 902)</b>	<b>5 424 673</b>	<b>3 723 931</b>	<b>(7 967 023)</b>	<b>177 168 200</b>

In 2019, the subsidiary Navigator changed its methodology for recognising liabilities and now reports the total liabilities on the understanding that the benefit to be attributed under the plans is fully formed.

The average expected duration of the defined benefit liabilities is 7 years for the Cement segment plans and 16 years for the Pulp and Paper segment plans.

### 7.3.8 CHANGES IN FUNDS ALLOCATED TO THE DEFINED BENEFIT PENSION PLANS

Amounts in Euro	2019		2018	
	Autonomous fund	Capital insured	Autonomous fund	Capital insured
<b>Opening balance</b>	<b>165 608 398</b>	<b>173 804</b>	<b>167 099 808</b>	<b>149 093</b>
Exchange rate adjustment	-	16 456	-	(29 026)
Contribution for the period	18 001 328	-	11 495 219	95 389
Interest	4 222 946	7 836	2 926 308	6 090
Expected of the plan assets	10 598 760	-	(9 065 603)	-
Pensions paid	(7 291 874)	-	(7 094 944)	-
Retirements paid	-	(34 529)	-	(47 742)
Other	153 371	-	247 610	-
<b>Closing balance</b>	<b>191 292 930</b>	<b>163 567</b>	<b>165 608 398</b>	<b>173 804</b>

During 2019 and 2018, the contributions to the defined benefit plans presented above as Contributions for the period were fully realised by the Group's subsidiaries and no contributions were made by the participants.

### FUNDS ALLOCATED TO DEFINED BENEFIT PLANS - ESTIMATED CONTRIBUTIONS FOR THE NEXT PERIOD

The expected contributions for the next reporting period depend, among other factors, on the profitability of the funds' assets.

### 7.3.9 COMPOSITION OF THE ASSETS OF THE FUNDS ALLOCATED TO DEFINED BENEFIT PLANS

Amounts in Euro	31/12/2019	%	31/12/2018	%
<b>Listed securities in active market</b>				
Bonds	112 278 950	58.7%	99 732 383	60.2%
Shares	48 474 285	25.3%	37 541 990	22.7%
Public debt	13 724 039	7.2%	10 308 827	6.2%
Liquidity	14 043 616	7.3%	5 211 671	3.1%
Property	2 700 038	1.4%	18 993	0.0%
Other treasury investments	72 002	0.0%	12 794 534	7.7%
	<b>191 292 930</b>	<b>100.0%</b>	<b>165 608 398</b>	<b>100.0%</b>

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



### 7.3.10 EXPENSES INCURRED WITH POST-EMPLOYMENT BENEFIT PLANS

2019 Amounts in Euro	Current services expenses	Interest expenses	Expected return on assets	Other expenses	Period contributions (DC Plans)	Impact in net profit for the period (Note 7.1)
Pensions assumed by the Group	-	91 430	-	-	-	91 430
Pensions with autonomous fund	1 761 503	581 814	1 149 661	-	-	3 492 978
Insurance policies	4 841	10 234	(12 553)	-	-	2 522
Retirement and death	6 513	3 451	-	-	-	9 964
Healthcare assistance	-	835	-	(3 646)	-	(2 811)
Long-service award	26 812	7 749	-	12 931	-	47 492
Contributions to defined contribution plans	-	-	-	-	1 405 009	1 405 009
	<b>1 799 669</b>	<b>695 513</b>			<b>1 405 009</b>	<b>5 046 584</b>

2018 Amounts in Euro	Current services expenses	Interest expenses	Expected return on assets	Other expenses	Period contributions (DC Plans)	Impact in net profit for the period (Note 7.1)
Pensions assumed by the Group	-	98 812	-	-	-	98 812
Pensions with autonomous fund	1 960 845	3 188 426	(3 325 258)	-	-	1 824 013
Insurance policies	5 530	11 932	(9 626)	-	-	7 836
Retirement and death	6 020	3 599	-	-	-	9 619
Healthcare assistance	-	881	-	(483)	-	398
Long-service award	23 334	5 868	-	119 909	-	149 111
Contributions to defined contribution plans	-	-	-	-	2 680 397	2 680 397
	<b>1 995 729</b>	<b>3 309 518</b>	<b>(3 334 884)</b>	<b>119 426</b>	<b>2 680 397</b>	<b>4 770 186</b>

### 7.3.11 REMEASUREMENTS RECOGNISED DIRECTLY IN OTHER COMPREHENSIVE INCOME

2019 Amounts in Euro	Gains and losses	Expected return on plan assets	Gross amount	Deferred tax	Impact on equity
<b>Post-employment benefits</b>					
Pensions assumed by the Group	(225 978)	-	(225 978)	62 108	(163 870)
Pensions with Autonomous fund	(16 098 596)	1 070 651	(15 027 945)	407 431	(14 620 514)
Retirement and death	(250)	-	(250)	147	(103)
Healthcare assistance	(3 301)	-	(3 301)	677	(2 624)
	<b>(16 328 125)</b>	<b>1 070 651</b>	<b>(15 257 474)</b>	<b>470 363</b>	<b>(14 787 111)</b>

2018 Amounts in Euro	Gains and losses	Expected return on plan assets	Gross amount	Deferred tax	Impact on equity
<b>Post-employment benefits</b>					
Pensions assumed by the Group	(140 410)	-	(140 410)	38 580	(101 830)
Pensions with Autonomous fund	(3 591 803)	(9 972 867)	(13 564 670)	184 943	(13 379 727)
Retirement and death	7 819	-	7 819	(1 681)	6 138
Healthcare assistance	470	-	470	(99)	371
	<b>(3 723 924)</b>	<b>(9 972 867)</b>	<b>(13 696 791)</b>	<b>221 743</b>	<b>(13 475 048)</b>

During the period ended 31 December 2019, Navigator revised its estimate of benefit attribution to periods in which the obligation to provide post-employment benefits arises, based on the projected unit credit method. The obligation increases only until such time as the additional service provided by the employee no longer gives rise to a material amount of future benefits. Therefore, this change in estimate was treated as a remeasurement recognised in Other comprehensive income.

# 8 FINANCIAL INSTRUMENTS

## 8.1 FINANCIAL RISK MANAGEMENT

Semapa, as a holding company develops direct and indirect managing activities over its subsidiaries. Accordingly, the fulfilment of the obligations undertaken by the Company depends on the cash flow generated by its subsidiaries, which include the distribution of dividends, the payment of interest, the repayment of loans granted and other cash flows generated by those companies.

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

The Semapa group has a risk-management program, 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 the Financial Management of the holding and main subsidiaries, in accordance with the policies approved by the Board of Directors and monitored by the Risks and Control Committee.

The Group adopts a proactive approach to risk management, as a way to mitigate the potential adverse effects associated with those risks, namely the foreign exchange rate risk and interest rate risk.

### 8.1.1 CURRENCY RISK

#### EXCHANGE RATE RISK MANAGEMENT POLICY

##### PULP AND PAPER

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 cash flows obtained with future sales of the Group, 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, and although there is a partial natural hedge, once a purchase or sale is made in a currency other than in Euro, the Group takes on an exchange risk up to the time it receives the proceeds of that purchase or sale, if no hedging instruments are in place. Therefore, the Group is permanently exposed to currency risk through a significant amount of receivables in its assets and also payables, although with less expression.

##### CEMENT AND DERIVATIVES

The currency risk inherent to the segment of Cement and Derivatives is mainly due to the current investments held 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. This segment also comprises assets located in Tunisia, Angola and Lebanon, therefore any change in these countries' exchange rates could have an impact on Semapa's consolidated statement of financial position.

The segment analyses its currency exposure from a consolidated perspective at the Secil Group level, and its policy is to maximize natural hedging of flows in a currency other than the presentation currency.

##### USE OF FINANCIAL DERIVATIVE INSTRUMENTS

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 payable, which are denominated in currencies other than the Euro. However, when a unit trades in a currency other than the Group's presentation currency or its functional currency, immediate hedging is performed.

In the periods presented, the Group holds derivatives that hedge the foreign exchange risk of future operations in currencies other than the reporting currency (see Note 8.2 - Derivative financial instruments).

## EXPOSURE OF FINANCIAL ASSETS AND LIABILITIES TO FOREIGN EXCHANGE RISK AND SENSITIVITY ANALYSIS

31 December 2019	American Dollar	Sterling Pound	Brazilian Real	Tunisian Dinar	Angolan Kwanza	Other (Euro)	Total (Euro)
<b>Exchange rate at end of the period</b>	<b>1.123</b>	<b>0.851</b>	<b>4.530</b>	<b>3.176</b>	<b>564.241</b>		
Valuation/(devaluation) over the previous year	(1.89%)	(4.89%)	2.06%	(9.08%)	55.94%		
<b>Average exchange rate in the period</b>	<b>1.120</b>	<b>0.878</b>	<b>4.415</b>	<b>3.282</b>	<b>419.996</b>		
Valuation/(devaluation) over the previous year	(5.20%)	(0.81%)	2.46%	5.03%	38.39%		
<b>Amounts in Foreign Currency</b>							
Cash and cash equivalents	75 189 406	278 152	16 187 443	8 547 794	308 715 342	232 148	74 301 514
Receivables	159 594 179	7 691 503	234 262 440	36 270 084	3 494 874 385	2 198 121	222 632 534
Other assets	4 320 324	-	5 141 612	347 732	4 652 000	1 424	5 099 984
<b>Total financial assets</b>	<b>239 103 909</b>	<b>7 969 655</b>	<b>255 591 495</b>	<b>45 165 610</b>	<b>3 808 241 727</b>	<b>2 431 693</b>	<b>302 034 033</b>
Interest-bearing liabilities	(20 910 756)	-	(369 140 562)	(50 311 246)	(1 745 376 394)	(3 435)	(119 044 215)
Payables	(89 115 406)	(177 133)	(490 000 056)	(40 731 841)	(3 634 480 741)	(280 250)	(207 254 576)
<b>Total financial liabilities</b>	<b>(110 026 162)</b>	<b>(177 133)</b>	<b>(859 140 618)</b>	<b>(91 043 087)</b>	<b>(5 379 857 135)</b>	<b>(283 686)</b>	<b>(326 298 791)</b>
<b>Net financial position in foreign currency</b>	<b>129 077 747</b>	<b>7 792 522</b>	<b>(603 549 123)</b>	<b>(45 877 477)</b>	<b>(1 571 615 408)</b>		
<b>Net financial position in EUR</b>	<b>114 899 187</b>	<b>9 159 053</b>	<b>(133 239 685)</b>	<b>(14 445 959)</b>	<b>(2 785 362)</b>	<b>2 148 008</b>	<b>(24 264 758)</b>
Impact of +10% in the foreign exchange rate	(10 445 381)	(832 641)	12 112 699	1 313 269	253 215	(195 273)	2 205 887
Impact of -10% in the foreign exchange rate	12 766 576	1 017 673	(14 804 409)	(1 605 107)	(309 485)	238 668	(2 696 084)
<b>Impact of + 10% change in all exchange rates on the results for the period</b>	<b>(10 445 381)</b>	<b>(832 641)</b>	<b>12 112 699</b>	<b>1 313 269</b>	<b>253 215</b>	<b>(195 273)</b>	<b>2 205 887</b>
<b>Impact of -10% change in all exchange rates on the results for the period</b>	<b>12 766 576</b>	<b>1 017 673</b>	<b>(14 804 409)</b>	<b>(1 605 107)</b>	<b>(309 485)</b>	<b>238 668</b>	<b>(2 696 084)</b>

31 December 2018	American Dollar	Sterling Pound	Brazilian Real	Tunisian Dinar	Angolan Kwanza	Other (Euro)	Total (Euro)
<b>Exchange rate at end of the period</b>	<b>1.145</b>	<b>0.895</b>	<b>4.438</b>	<b>3.493</b>	<b>361.823</b>		
Valuation/(devaluation) over the previous year	4.53%	(0.82%)	(11.84%)	(18.58%)	(78.25%)		
<b>Average exchange rate in the period</b>	<b>1.181</b>	<b>0.885</b>	<b>4.309</b>	<b>3.125</b>	<b>303.491</b>		
Valuation/(devaluation) over the previous year	(4.54%)	(0.96%)	(19.42%)	(14.95%)	(59.15%)		
<b>Amounts in Foreign Currency</b>							
Cash and cash equivalents	77 050 559	203 115	45 545 321	4 994 714	204 613 834	134 900	79 912 423
Receivables	101 278 344	12 485 563	38 052 645	27 198 085	120 116 778	2 576 115	121 679 072
<b>Total financial assets</b>	<b>178 328 903</b>	<b>12 688 678</b>	<b>83 597 966</b>	<b>32 192 799</b>	<b>324 730 612</b>	<b>2 711 015</b>	<b>201 591 495</b>
Interest-bearing liabilities	(18 374 811)	-	(454 212 549)	(52 272 288)	(1 393 883 953)	(3 545)	(137 208 840)
Payables	(23 711 106)	(77 901)	(4 984 966)	(28 059 514)	(230 051 777)	(260 667)	(30 848 656)
<b>Total financial liabilities</b>	<b>(42 085 917)</b>	<b>(77 901)</b>	<b>(459 197 515)</b>	<b>(80 331 802)</b>	<b>(1 623 935 730)</b>	<b>(264 212)</b>	<b>(168 057 496)</b>
<b>Net financial position in foreign currency</b>	<b>136 242 986</b>	<b>12 610 777</b>	<b>(375 599 549)</b>	<b>(48 139 003)</b>	<b>(1 299 205 118)</b>		
<b>Net financial position in EUR</b>	<b>118 989 507</b>	<b>14 097 657</b>	<b>(84 626 895)</b>	<b>(13 782 353)</b>	<b>(3 590 720)</b>	<b>2 446 803</b>	<b>33 533 999</b>
Impact of +10% in the foreign exchange rate	(10 817 228)	(1 281 605)	7 693 354	1 252 941	326 429	(222 447)	(3 048 556)
Impact of -10% in the foreign exchange rate	13 221 056	1 566 406	(9 402 988)	(1 531 373)	(398 969)	271 879	3 726 012
<b>Impact of + 10% change in all exchange rates on the results for the period</b>							<b>6 249 444</b>
<b>Impact of -10% change in all exchange rates on the results for the period</b>							<b>(7 610 363)</b>

## 8.1.2 INTEREST RATE RISK

### INTEREST RATE RISK MANAGEMENT POLICY

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 income statement.

The interest rate risk management strategy is periodically reviewed by the Group. Given the current level of interest rates, the Group has focused on contracting fixed rate debt.

Where the Board considers appropriate, the Group relies on the use of derivative financial instruments (Note 8.2), namely interest rate swaps to manage the interest rate risk, and these tools aim to fix the interest rate on loans it obtains, within certain parameters, considered appropriate by the Group's risk management policies.



### MAIN ACCOUNTING ESTIMATES AND JUDGEMENTS

#### SENSITIVITY ANALYSIS

Semapa carries out sensitivity analysis in order to assess the impact on the income statement and equity caused by an increase or decrease in market interest rates, considering all other factors unchanged. This is a mere illustrative analysis, since changes in market rates rarely occur separately.

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 affect the fair value of derivative financial instruments as well as other financial assets or liabilities;
- iii) Changes in fair value of derivative financial instruments and other financial assets and liabilities are measured discounting future cash flows from net present values, with market interest rates at year end.

Under these assumptions, the impact of a 0.5% increase in market interest rates for all currencies in which the Group has interest-bearing liabilities and assets, and derivative financial instruments as of 31 December 2019 and 2018, is as follows:

Amounts in Euro	31/12/2019	31/12/2018
<b>0.5% increase in market interest rates</b>		
Impact on profit before tax - increase / (decrease)	(2 016 954)	(5 095 274)

## EXPOSURE TO INTEREST RATE RISK

The fixed rate (which does not expose the Company to interest rate risk) and variable rate (which expose the Company to interest rate risk) financial assets and liabilities are detailed as follows:

Amounts in Euro	Below 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
<b>As of 31 December 2019</b>						
<b>Assets</b>						
Non-current						
Other non-current assets	-	-	-	-	-	-
Current						
Cash and cash equivalents	230 032 447	18 452 072	14 887 186	1 609 358	-	<b>264 981 064</b>
<b>Total financial assets</b>	<b>230 032 447</b>	<b>18 452 072</b>	<b>14 887 186</b>	<b>1 609 358</b>	<b>-</b>	<b>264 981 064</b>
<b>Liabilities</b>						
Non-current						
Interest-bearing liabilities	111 750 000	20 000 000	-	991 807 638	243 332 408	<b>1 366 890 046</b>
Other liabilities	-	-	-	18 399 000	20 932 496	<b>39 331 496</b>
Current						
Interest-bearing liabilities	34 485 425	14 685 009	285 503 016	-	-	<b>334 673 450</b>
Other liabilities	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>146 235 425</b>	<b>34 685 009</b>	<b>285 503 016</b>	<b>1 010 206 638</b>	<b>264 264 904</b>	<b>1 740 894 992</b>
<b>Net financial position</b>	<b>83 797 022</b>	<b>(16 232 937)</b>	<b>(270 615 830)</b>	<b>(1 008 597 280)</b>	<b>(264 264 904)</b>	<b>(1 475 913 929)</b>

Amounts in Euro	Below 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
<b>As of 31 December 2018</b>						
<b>Assets</b>						
Non-current						
Other non-current assets	-	-	-	-	-	-
Current						
Cash and cash equivalents	153 017 689	30 032 472	1 686 845	495 037	-	<b>185 232 043</b>
<b>Total financial assets</b>	<b>153 017 689</b>	<b>30 032 472</b>	<b>1 686 845</b>	<b>495 037</b>	<b>-</b>	<b>185 232 043</b>
<b>Liabilities</b>						
Non-current						
Interest-bearing liabilities	130 300 000	-	80 000 000	1 169 597 228	26 914 730	<b>1 406 811 958</b>
Other liabilities	-	-	-	-	-	-
Current						
Interest-bearing liabilities	59 045 215	106 054 000	170 131 124	-	-	<b>335 230 339</b>
<b>Total financial liabilities</b>	<b>189 345 215</b>	<b>106 054 000</b>	<b>250 131 124</b>	<b>1 169 597 228</b>	<b>26 914 730</b>	<b>1 742 042 297</b>
<b>Net financial position</b>	<b>(36 327 526)</b>	<b>(76 021 528)</b>	<b>(248 444 279)</b>	<b>(1 169 102 191)</b>	<b>(26 914 730)</b>	<b>(1 556 810 254)</b>

## 8.1.3 LIQUIDITY RISK

### LIQUIDITY RISK MANAGEMENT POLICY

The Group manages liquidity risk in two ways:

- i) ensuring that its financial debt has a high medium and long-term component with maturities appropriate to the characteristics of the industries in which its subsidiaries operate, and
- ii) through the contracting with financial institutions of credit facilities available at all times, for an amount that guarantees adequate liquidity.

### CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES (UNDISCOUNTED CASH FLOWS, INCLUDING INTEREST)

Amounts in Euro	Below 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Above 5 years	Total
<b>31 December 2019</b>						
<b>Liabilities</b>						
Interest-bearing liabilities (Note 5.7)						
Bond loans	448 252	3 479 102	177 050 259	609 988 107	113 280 733	904 246 454
Commercial paper	-	1 671 880	28 654 280	460 714 930	37 754 022	528 795 112
Bank loans	4 134 965	494 583	138 589 205	201 191 092	41 658 058	386 067 902
Other liabilities	-	9 555 699	-	-	-	9 555 699
Lease liabilities (Note 5.8)	20 939	40 948	12 946 858	24 954 269	41 748 707	79 711 721
Payables and other current liabilities (Note 4.3)						
Derivative financial instruments (Note 8.2)	-	2 090 980	923 276	4 997 846	(16 330)	7 995 772
Other financial liabilities	-	-	-	458 343	-	458 343
<b>Total liabilities</b>	<b>4 604 156</b>	<b>17 333 192</b>	<b>358 163 878</b>	<b>1 302 304 586</b>	<b>234 425 190</b>	<b>1 916 831 003</b>
<b>31 December 2018</b>						
<b>Liabilities</b>						
Interest-bearing liabilities (Note 5.7)						
Bond loans	689 000	2 295 379	166 837 270	797 311 135	-	967 132 784
Commercial paper	104 840	100 738 966	4 987 287	469 178 954	-	575 010 047
Bank loans	10 397 187	7 645 833	69 263 984	185 964 987	20 364 621	293 636 613
Other liabilities	13 073	26 149	482 884	2 790 595	460 328	3 773 029
Payables and other current liabilities (Note 4.3)						
Derivative financial instruments (Note 8.2)	-	851 996	1 391 026	7 124 649	-	9 367 671
Other financial liabilities	163 128 844	16 888 775	24 753 635	26 485 697	-	231 256 951
<b>Total liabilities</b>	<b>174 332 944</b>	<b>128 447 098</b>	<b>267 716 087</b>	<b>1 488 856 017</b>	<b>20 824 949</b>	<b>2 080 177 095</b>



The contractual maturity of interest-bearing liabilities requires the compliance with financial covenants, as detailed in Note 5.7 – Interest-bearing liabilities.

## AVAILABLE AND UNDRAWN CREDIT FACILITIES

Amounts in Euro	31/12/2019	31/12/2018
<b>Undrawn credit facilities</b>		
Holdings	280 370 000	254 450 000
Pulp and paper	110 450 714	195 450 714
Cement and derivatives	284 950 362	205 519 998
Environment	15 668 122	11 374 286
	<b>691 439 198</b>	<b>666 794 998</b>

### 8.1.4 CREDIT RISK



#### ACCOUNTING POLICIES

#### IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses, on a prospective basis, the expected credit losses associated with its financial assets measured at amortised cost as detailed in Note 8.4.1 - Categories of financial instruments of the Group.

#### TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Impairment losses on trade receivables and other current assets are recorded based on the simplified model established in IFRS 9, recognising the expected losses up to maturity. The expected losses are determined on the basis of the experience of historical actual losses over a statistically significant period and representative of the specific characteristics of the underlying credit risk.

The model adopted for the impairment assessment in accordance with IFRS 9 is as follows:

1. Calculate the total credit sales made by the Group during the last 12 months as well as the related total amount of bad debts;
2. Determine the customers' payment profile and other short-term creditors, by setting buckets of receipt frequency;
3. Based on 1 above, estimate the probability of default (i.e., the amount of bad debts calculated at 1 compared to the balance of outstanding sales in each bucket calculated at 2);

4. Adjust the percentages of future projections obtained in 2;
5. Apply the default percentages as calculated in 3 to trade receivables and other current receivables still outstanding at the reporting date.

The Group also recognises impairment on a case-by-case basis, based on specific balances and specific past events, considering the historical information of the counterparties, their risk profile and other observable data in order to assess whether there are objective indicators of impairment for these financial assets.

#### CREDIT RISK MANAGEMENT POLICY

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

The Group has adopted a credit insurance policy for most trade receivables. Accordingly, the Group's effective exposure to credit risk is considered to be mitigated at acceptable levels with respect to sales.

However, the worsening of global economic conditions or adversities affecting only economies on a local scale may lead to deterioration in the ability of the Navigator Group's customers to meet their obligations, leading entities providing credit insurance to significantly decrease the amount of credit facilities that are available to those customers. This scenario may result in limitations on the amounts that can be sold to some customers without directly incurring credit risk levels that are not compatible with the risk policy in this area.

## CASH AND CASH EQUIVALENTS

The Group has a strict policy of approving its financial counterparties, limiting its exposure according to an individual risk analysis and previously approved ceilings.

As of 31 December 2019 and 2018, Trade receivables 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	
				2019	2018
Not overdue	148 565 018	37 770 479	4 140 114	190 475 611	240 767 036
1 to 90 days	7 020 677	21 286 317	3 388 221	31 695 215	47 374 480
91 to 180 days	190 754	1 690 860	1 005 391	2 887 005	3 466 654
181 to 360 days	242 716	1 327 214	1 611 498	3 181 428	2 627 496
361 to 540 days	11 576	925 175	290 528	1 227 279	1 688 534
541 days to 720 days	-	547 069	165 624	712 693	872 952
Above 721 days	-	4 954 646	1 115 514	6 070 160	10 965 939
	<b>156 030 741</b>	<b>68 501 760</b>	<b>11 716 890</b>	<b>236 249 391</b>	<b>307 763 091</b>
Litigation - doubtful debts	1 538 464	19 407 587	-	20 946 051	13 328 021
Impairment	(1 538 464)	(26 593 830)	(380 157)	(28 512 451)	(27 255 350)
<b>Trade receivables balance (Note 4.2)</b>	<b>156 030 741</b>	<b>61 315 517</b>	<b>11 336 733</b>	<b>228 682 991</b>	<b>293 835 762</b>

With regard to the Environment segment, the amounts already due include Euro 3.7 million related to services rendered and Euro 1.45 million related to interest, corresponding to amounts receivable from DGAV - Direcção Geral de Alimentação e Veterinária under the SIRCA - Sistema Integrado de Recolha de Cadáveres Animais contract signed with the ITS subsidiary, that integrates the ETSA Group.

The amounts shown above correspond to the amounts outstanding according to the contracted due dates.

Despite some delays in the settlement of those amounts, that does not result, in accordance with the Group's available information, in the identification of impairment losses other than the ones considered through the respective losses. These are calculated based on the information regularly collected on the financial behaviour of the Group's customers, which enables, together with the experience gathered in the analysis of the portfolio and with effective credit losses, in the portion not attributable to the credit insurer, to quantify the losses to be recognised in the period.

The analysis of the ageing of receivables already overdue is as follows:

Amounts in Euro	31/12/2019		31/12/2018	
	Gross amount	Fair value of credit insurance	Gross amount	Fair value of credit insurance
<b>Account receivables overdue but not impaired</b>				
Overdue - below 3 months	31 628 835	14 308 767	47 305 101	26 900 406
Overdue - above 3 months	6 595 357	978 666	5 821 361	578 947
	<b>38 224 192</b>	<b>15 287 432</b>	<b>53 126 462</b>	<b>27 479 353</b>
<b>Account receivables overdue and impaired</b>				
Overdue - below 3 months	66 379	-	69 378	-
Overdue - above 3 months	28 446 072	-	27 185 972	-
	<b>28 512 451</b>	<b>-</b>	<b>27 255 350</b>	<b>-</b>



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

The table below represents the quality of the Group's credit risk, as of 31 December 2019 and 2018, for financial assets (Cash and cash equivalents and Derivative financial instruments), whose counterparts are financial institutions:

Amounts in Euro	31/12/2019	31/12/2018
AA	-	180 402
AA-	19 875 888	20 182 842
A+	1 533 255	151 506
A	2 140 986	24 997 663
A-	1 032 252	1 206 540
BBB+	23 639 102	30 450 379
BBB	114 302 414	2 786
BBB-	526 065	3 951 222
BB+	502 834	2 085 911
BB	11 148 620	4 222 692
BB-	3 558 995	10 262 679
B+	1 331 790	5 471
B	772 429	601 805
B-	106 958	32 025 283
CCC+	15 991 556	14 766 244
Other	62 298 126	37 966 485
	<b>258 761 270</b>	<b>183 059 910</b>

The caption Others comprise short-term investments in Angola and Mozambique financial institutions, on which it was not possible to obtain the ratings with reference to the presented dates.

The maximum exposure to the credit risk in the Consolidated financial position as at 31 December 2019 and 2018 is detailed as follows:

Amounts in Euro	31/12/2019	31/12/2018
<b>Non-current</b>		
Other financial investments (Note 8.3)	4 066 072	1 450 919
Receivables and other non-current assets (Note 4.2)	64 466 459	67 645 781
<b>Current</b>		
Receivables and other current assets (Note 4.2)	288 850 637	389 281 591
Derivative financial instruments (Note 8.2)	4 095 499	1 722 253
Cash and cash equivalents (Note 5.9)	258 761 270	183 059 910
	<b>620 239 937</b>	<b>643 160 454</b>

## IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

### MOVEMENTS IN ACCUMULATED IMPAIRMENT LOSSES ON TRADE AND OTHER RECEIVABLES

Amounts in Euro	Trade receivables		Other receivables	
	2019	2018	2019	2018
<b>Accumulated impairment at the beginning of the period</b>	<b>27 255 350</b>	<b>29 984 062</b>	<b>6 179 727</b>	<b>6 491 079</b>
Changes due to:				
Increases	2 446 246	1 922 627	51 423	39 540
Reversals	(506 664)	(1 263 075)	(728 860)	(46 860)
<b>Changes recognised in the income statement (Note 2.3)</b>	<b>1 939 582</b>	<b>659 552</b>	<b>(677 438)</b>	<b>(7 320)</b>
Exchange rate adjustment	25 946	(713 209)	16 710	(44 776)
Charge-off	(141 485)	(3 644 573)	(102 586)	(154 946)
Adjustments and transfers	(566 941)	969 518	566 941	(104 310)
<b>Accumulated impairment at the end of the period</b>	<b>28 512 452</b>	<b>27 255 350</b>	<b>5 983 354</b>	<b>6 179 727</b>

## 8.2 DERIVATIVE FINANCIAL INSTRUMENTS



### ACCOUNTING POLICIES

The fair value of derivative financial instruments is included under the caption Payables and other current liabilities (Note 4.3), if negative, and in the caption Receivables and other current assets (Note 4.2), if positive.

According to IFRS 9 – Financial instruments, the Group chose to continue to apply the hedge accounting requirements of IAS 39 – Financial instruments, until there is greater visibility of the Dynamic Risk Management current macro-hedging project.

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 interest rate collars, exchange forwards, among others.

### DERIVATIVE FINANCIAL INSTRUMENTS | TRADING

Although the derivative financial instruments contracted represent effective economic hedging instruments, not all of them qualify as hedging instruments, in accordance with the applicable rules and requirements. Instruments that do not qualify as hedging instruments are recorded in the Consolidated Financial Position at their fair value

and changes in fair value are recognised in Net financial results (Note 5.11), when related to financing operations, or in Supplies and Services (Note 2.3) or Revenue (Note 2.1), when related to foreign exchange risk on the purchase of raw materials or cash flows from sales in currencies other than the reporting currency.

### DERIVATIVE FINANCIAL INSTRUMENTS | HEDGING

The derivative financial instruments, used for hedging purposes, may be classified as hedge instruments provided that they fulfil, cumulatively, with the conditions set out in IAS 39.

### CASH-FLOW HEDGE (INTEREST RATE AND EXCHANGE RATE RISKS)

In order to manage the risk of interest and exchange rates, the Group enters into cash flow hedge.

Those transactions are recorded in the statement of interim financial position at their fair value and, to the extent that they are considered effective hedging, changes in fair value are initially recorded in the statement of other comprehensive income for the year. If hedging transactions are deemed to be ineffective, the gain or loss arising therefrom is recorded directly in profit or loss.

Accumulate amounts recognised in equity are transferred to profit or loss when, the hedged item affects the Income statement (for example, when the hedged future sale materialises). The gain or loss corresponding to the effective component of interest rate swaps that are hedging variable

rate financing is recognised under the caption Net financial results (Note 5.11). However, when the future hedged transaction results in the recognition of a non-financial asset (e.g. inventories or property, plant and equipment), the previously gains and losses deferred in equity are included in the initial measurement of the cost of the asset.

When a hedging instrument matures or is sold, or when it no longer meets the criteria required to be recognised as a hedge, the cumulative gains and losses on equity are recycled to the Income statement, except when the hedged item is a future transaction with related cumulative gains and losses included in equity at that date remain in equity. In such case, they will only be recycled to the income statement when the transaction is recognised in the income statement.

#### NET INVESTMENT HEDGING (EXCHANGE RATE RISK)

In order to manage the exposure of its investments in foreign subsidiaries to fluctuations in the exchange rate (net investment), the Group enters into exchange rate forwards, which are recorded at fair value in the consolidated statement of financial position.

Those exchange rate forwards arranged for investments in foreign operations, are recorded in a similar way to the cash flow hedges. Gains and losses on the hedging instrument related to its effective hedging component are recognised in the comprehensive income for the year. Gains and losses related to the ineffective hedging component are recognised in the Income statement. The accumulated gains and losses on equity are included in the Income statement if and when the foreign subsidiaries are disposed.

#### PULP AND PAPER SEGMENT

##### FOREIGN EXCHANGE TRADING DERIVATIVES

The Navigator 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 is exposed to an economic risk on the conversion of these currency flows to the Euro. The Group is also obliged, albeit to a lesser degree, to make certain payments in those same currencies which, for currency exposure purposes, act as a natural hedge. Thus, the hedge is aimed at safeguarding the net value of the statement of financial position items denominated in a currency other than the presentation currency against the respective currency fluctuations.

The hedging instruments used in this operation are foreign exchange forward contracts, covering the net exposure to other currencies other than the presentation currency, 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 currencies other than the presentation currency. 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.

##### CASH FLOW HEDGE | EXCHANGE RATE RISK EUR/USD AND EUR/GBP

The Group uses derivative financial instruments in order to limit the net exchange risk associated with sales and future purchases estimated at USD and GBP.

##### CASH FLOW HEDGE | INTEREST RATE

The Navigator Group hedges its 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. This instrument is designated as hedge of cash flows from the commercial paper program and the bond loan.

##### CASH FLOW HEDGING | COMMODITIES - BHKP

The Navigator Group uses derivative financial instruments with the purpose of minimising the exposure risk associated with the variation of the pulp price, indexed to PIX, in USD.

#### CEMENT AND DERIVATIVES SEGMENT

##### FOREIGN CURRENCY RISK HEDGING IN THE EXPORT AND PURCHASE OF FUELS

The Secil Group carries out occasionally sales hedging transactions in a currency other than the presentation currency and hedges future fuel acquisitions, particularly petcoke.

##### CASH FLOW HEDGE | INTEREST RATE ON LOANS TO FOREIGN OPERATIONS

When a foreign transaction of the Secil Group takes loans in a currency other than the functional currency in the country of activity of that operation, the Group carries out hedging operations so that the exposure reflects the functional currency.



## MAIN ACCOUNTING ESTIMATES AND JUDGEMENTS

### FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

Whenever possible, the fair value of derivatives is estimated, based on quoted instruments. In the absence of market prices, the fair value of derivatives is estimated based on the discounted cash flow method and option valuation models, in accordance with the assumptions generally used in the market.

### MOVEMENTS IN DERIVATIVE FINANCIAL INSTRUMENTS

Amounts in Euro	2019			2018		
	Trading derivatives	Hedging derivatives	Net total	Trading derivatives	Hedging derivatives	Net total
<b>Opening balance</b>	<b>1 398 288</b>	<b>(4 835 801)</b>	<b>(3 437 513)</b>	<b>2 451 286</b>	<b>(1 657 206)</b>	<b>794 080</b>
New contracts / settlements	(1 112 222)	6 154 470	5 042 248	(1 191 450)	7 064 975	5 873 526
Change in fair value in profit and loss (Note 5.11)	393 309	(4 926 860)	(4 533 550)	140 363	(6 526 185)	(6 385 822)
Change in fair value in other comprehensive income (Note 5.5)	-	(783 216)	(783 216)	-	(3 717 385)	(3 717 385)
Exchange rate adjustment	(25 379)	17 093	(8 286)	(1 911)	-	(1 911)
<b>Closing balance</b>	<b>653 996</b>	<b>(4 374 313)</b>	<b>(3 720 317)</b>	<b>1 398 288</b>	<b>(4 835 801)</b>	<b>(3 437 513)</b>

### DETAIL AND MATURITY OF DERIVATIVE FINANCIAL INSTRUMENTS BY NATURE

31 December 2019 Amounts in Euro	Notional	Currency	Maturity	Positive (Note 4.2)	Negative (Note 4.3)	Net total
<b>Hedging</b>						
Exchange rate forwards (future sales)	224 439 394	USD	2020	1 512 853	(11 549)	1 501 304
Exchange rate forwards (future sales)	97 611 111	GBP	2020	252 153	(217 046)	35 107
Interest rate swaps (SWAP's)	330 000 000	Euro	2025	-	(6 365 558)	(6 365 558)
Non Deliverable Forward (NDF)	(14 404 766)	BRL	2020	5 939	-	5 939
BHKP Pulp	18 960 000	Euro	2020	448 894	-	448 894
				<b>2 219 839</b>	<b>(6 594 153)</b>	<b>(4 374 314)</b>
<b>Trading</b>						
Foreign exchange forwards	105 663 053	USD	2023	740 596	-	740 596
Foreign exchange forwards	8 350 000	GBP	2020	-	(204 561)	(204 561)
Cross currency interest rate swap	41 000 000	USD	2020	979 191	(955 353)	23 838
Currency Collar						
Interest rate swaps (SWAP's)	6 673 340	USD	2020	-	(61 750)	(61 750)
Hedging cash Anti-Dumping						
Non Deliverable Forward (NDF)	15 000 000	Euro	2020	155 873	-	155 873
				<b>1 875 660</b>	<b>(1 221 664)</b>	<b>653 996</b>
				<b>4 095 499</b>	<b>(7 815 817)</b>	<b>(3 720 318)</b>

31 December 2018 Amounts in Euro	Notional	Currency	Maturity	Positive (Note 4.2)	Negative (Note 4.3)	Net total
<b>Hedging</b>						
Exchange rate forwards (future sales)	360 666 667	USD	2019	-	(117 912)	(117 912)
Exchange rate forwards (future sales)	67 166 667	GBP	2019	323 965	-	323 965
Interest rate swaps (SWAP's)	465 000 000	Euro	2020/23	-	(5 024 761)	(5 024 761)
Non Deliverable Forward (NDF)	10 564 866	BRL	2019	-	(17 093)	(17 093)
				<b>323 965</b>	<b>(5 159 766)</b>	<b>(4 835 801)</b>
<b>Trading</b>						
Foreign exchange forwards	69 500 000	USD	2019	113 278	-	113 278
Foreign exchange forwards	12 150 000	GBP	2019	28 582	-	28 582
Cross currency interest rate swap	9 239 298	USD	2019	483 666	-	483 666
Interest rate swaps (SWAP's)	15 900 000	USD	2019	623 793	-	623 793
Non Deliverable Forward (NDF)	6 133 306	Euro	2019	148 969	-	148 969
				<b>1 398 288</b>	<b>-</b>	<b>1 398 288</b>
				<b>1 722 253</b>	<b>(5 159 766)</b>	<b>(3 437 513)</b>

## PULP AND PAPER SEGMENT

### CASH FLOW HEDGE | EXCHANGE RATE RISK EUR/USD

In this context, during the last quarter of the 2019 period and in January 2020, the Group contracted a set of financial structures to cover the total net exchange rate exposure of the estimated sales in USD for 2020. The derivative financial instruments in force since 1 January 2020 are Options and Zero Cost Collar, in an overall amount of USD 221 166 667 and GBP 77 500 000, which expire on 31 December 2020.

Still in 2019, the financial instruments were further strengthened through the additional contracting of USD 73 000 000 in Zero Cost Collar, maturing in December 2020.

## CEMENT AND DERIVATIVES SEGMENT

### DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

In January 2019, the subsidiary Supremo contracted with a Brazilian financial institution for external financing in the amount of EUR 10 000 000 maturing in January 2020, payable quarterly in arrears and with a single repayment at maturity. On the same date, four Non-Deliverable Forwards were contracted in the amount of interest and principal for the respective interest and principal repayment dates.

In February 2019, the subsidiary Margem contracted with a Brazilian financial institution for external financing in the amount of USD 16 000 000 maturing in February

2020, with a single repayment at maturity. On the same date, a cross currency interest rate swap agreement was entered into force with the purpose of hedging exposure to the exchange rate. This derivative allowed Margem to set the nominal value of the financing in BRL and the payment of interest at the Interbank Deposit (ID) rate plus a spread, fully replicating the amortisation plan of the financing in USD.

In October 2019, the subsidiary Margem undertook the following external financing in the amount:

- in Euro equivalent to BRL 30 000 000 with maturity in October 2020, with a single repayment at maturity. On the same date, a cross currency interest rate swap agreement was entered into force to hedge the exchange rate exposure. This derivative allowed Margem to set the nominal value of the financing in BRL and the payment of interest at the ID rate plus a spread, fully replicating the amortisation plan of the financing in EUR;
- of EUR 5 000 000 with maturity in October 2020, with a single repayment at maturity. On the same date, a Non-deliverable Forward in the total amount of EUR 5 000 000 due in October 2020;
- of USD 7 000 000 with maturity in December 2020, with a single repayment at maturity. On the same date, a cross currency interest rate swap agreement was entered into force with the purpose of hedging exposure to the exchange rate. This derivative allowed Margem to set the nominal value of the financing in BRL and the payment of interest at the Interbank Deposit (ID) rate plus a spread, fully replicating the amortisation plan of the financing in USD.

In October 2019, the subsidiary Supremo contracted with a Brazilian financial institution for external financing in the amount of USD 18 000 000 maturing in December 2020, with a single repayment at maturity. On the same date, a cross currency interest rate swap agreement was entered into force with the purpose of hedging exposure to the exchange rate. This derivative allowed Margem to set the nominal value of the financing in BRL and the payment of interest at the ID rate plus a spread, fully replicating the amortisation plan of the financing in USD.

### CASH FLOW HEDGE - INTEREST RATE

In 2015, Secil undertook a bond loan of EUR 80 000 000, with full repayment at par in May 2020, with interest paid semi-annually in arrears. On 23 June 2016, an interest rate hedge derivative was contracted through an interest rate swap (IRS) with a notional amount of EUR 80 000 000, beginning on 25 November 2016 and maturing on 25 May 2020.

Secil granted intercompany financing in Brazilian Reals (BRL) to the subsidiary Supremo and contracted a financial instrument to cover the receipt in Euro of the financing, namely a Non-deliverable Forward in the total amount of BRL 14 404 766 due in February 2020.

## 8.3 OTHER FINANCIAL INVESTMENTS



### ACCOUNTING POLICIES

This Note includes equity instruments held by the Group relating to companies over which it has no control or significant influence. Financial investments are measured at fair value through profit or loss when the Group holds them for trading purposes. The Group records the remaining financial investments as financial assets at fair value through other comprehensive income.

Amounts in Euro	31/12/2019	31/12/2018
<b>Financial assets at fair value through other comprehensive income</b>		
Liaison Technologie	-	229 136
Techstar Corporate	2 144 964	1 048 035
	<b>2 144 964</b>	<b>1 277 171</b>
<b>Financial assets at fair value through profit or loss</b>		
Mor-Online, SA	12 235	5 904
Ynvisible, SA	29 908	4 468
Alter Venture Partners Fund I	1 454 165	163 376
FCR Armilar Venture	424 800	-
	<b>1 921 108</b>	<b>173 748</b>
	<b>4 066 072</b>	<b>1 450 919</b>

The subsidiary Semapa Next, S.A., the Semapa Group's venture capital business unit, has partnered with US Techstars to support and accelerate global startups from Lisbon. This partnership is implemented through an acceleration program that will, presumably, last for 3 years. The objective is to support international and national startups from the areas of Industrial and Environmental Technology, Intelligent Transport and Travel and Leisure Technology.

Also in 2018, the Group, through Semapa Next, S.A., has committed with an investment of up to USD 12 million

in the Alter Venture Partners Fund I, which has as its strategy co-investing in startups with some of the prominent Silicon Valley funds, which involves technology companies focused on B2B and with applications of Artificial Intelligence and Machine Learning in the technology, communication and digital areas.

In 2019, Semapa Next also made investments of Euro 424 800 in the Portuguese Armilar Venture Partners TechTransfer Fund, whose objective is essentially to support business projects developed based on high technology created in the national academic environment.

## 8.4 FINANCIAL ASSETS AND LIABILITIES

### 8.4.1 CATEGORIES OF THE GROUP'S FINANCIAL INSTRUMENTS

The financial instruments included in each caption of the statement of financial position are classified as follows:

Amounts in Euro	Note	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Hedging derivative financial instruments	Derivative financial instruments at fair value through profit and loss	Financial assets outside the scope of IFRS 9	Non-financial assets	Total
<b>31 December 2019</b>								
Other financial investments	8.3	-	2 144 964	-	-	-	-	4 066 072
Receivables and other current assets	4.2	411 076 015	-	2 219 839	1 875 660	-	18 528 783	433 700 297
Cash and cash equivalents	5.9	259 241 194	-	-	-	-	-	259 241 194
<b>Total assets</b>		<b>670 317 209</b>	<b>2 144 964</b>	<b>2 219 839</b>	<b>1 875 660</b>	<b>-</b>	<b>18 528 783</b>	<b>697 007 563</b>
<b>31 December 2018</b>								
Other financial investments	8.3	-	1 277 171	-	-	-	-	1 450 919
Receivables and other current assets	4.2	456 927 372	-	323 965	1 398 288	-	13 129 538	471 779 163
Cash and cash equivalents	5.9	183 248 977	-	-	-	-	-	183 248 977
<b>Total assets</b>		<b>640 176 349</b>	<b>1 277 171</b>	<b>323 965</b>	<b>1 398 288</b>	<b>-</b>	<b>13 129 538</b>	<b>656 479 059</b>

Amounts in Euro	Note	Financial liabilities at amortised cost	Hedging derivative financial instruments	Derivative financial instruments at fair value through profit and loss	Non-financial liabilities	Financial liabilities outside the scope of IFRS 9	Total
<b>31 December 2019</b>							
Interest-bearing liabilities	5.7	1 729 919 341	-	-	-	-	1 729 919 341
Lease liabilities	5.8	-	-	-	-	75 151 290	75 151 290
Payables and other current liabilities	4.3	494 777 275	6 594 153	1 221 664	90 421 955	-	593 015 047
<b>Total Liabilities</b>		<b>2 224 696 616</b>	<b>6 594 153</b>	<b>1 221 664</b>	<b>90 421 955</b>	<b>75 151 290</b>	<b>2 398 085 678</b>
<b>31 December 2018</b>							
Interest-bearing liabilities	8.3	1 734 884 621	-	-	-	-	1 734 884 621
Payables and other current liabilities	5.9	476 499 141	5 159 766	-	61 233 753	-	542 892 660
<b>Total Liabilities</b>		<b>2 211 383 762</b>	<b>5 159 766</b>	<b>-</b>	<b>61 233 753</b>	<b>-</b>	<b>2 277 777 281</b>

## 8.4.2 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES



### ACCOUNTING POLICIES

The fair value of financial instruments is classified in accordance with the fair value hierarchy of IFRS 13 - Fair value measurement:

<b>Level 1</b>	Fair value is based on active markets quotations, at the reporting date
<b>Level 2</b>	Fair value is determined using valuation models, whose main inputs of the models used are observable in the market.
<b>Level 3</b>	Fair value is determined using valuation models, whose main inputs are not observable in the market.



### MAIN ACCOUNTING ESTIMATES AND JUDGEMENTS

#### FAIR VALUE OF INTEREST-BEARING LIABILITIES REMUNERATED AT FIXED INTEREST RATE

The fair value of these liabilities is calculated using the discounted cash flow method at the reporting date, using a discount rate in accordance with the characteristics of each loan, belonging to level 2 of the fair value hierarchy of IFRS 13.

#### FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST

The Group considers that the carrying amount of loans at variable rates, as well as financial assets and liabilities measured at amortised cost in the remaining captions (Note 8.4.1), is close to their fair value.



## 9 PROVISIONS, COMMITMENTS AND CONTINGENCIES

### 9.1 PROVISIONS



#### ACCOUNTING POLICIES

<b>Recognition and initial measurement</b>	Provisions are recognised whenever: <ul style="list-style-type: none"> <li>i) the Company has a legal or constructive obligation, as a result of past events;</li> <li>ii) it is likely that a cash outflow and/or resources will be required to settle the obligation; and</li> <li>iii) and the amount has been reliably estimated.</li> </ul>
<b>Capitalisation of expenditures</b>	The Group incurs expenditures 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 landscape recovery and reduction of environmental impacts to levels that do not exceed those representing a viable application of the best available technologies, on those related to minimising energy consumption, atmospheric emissions, the production of waste and noise) are capitalised when intended to serve the Group's business activity in a sustainable way, and relate to future economic benefits allowing to extend its useful life, increase capacity or improve the safety or efficiency of other assets held by the Group.
<b>Subsequent measurement</b>	Provisions are reviewed on statement of financial position date and are adjusted so as to reflect the best estimate at that date.  Landscape recovery provisions are re-measured according to the effect of the time value of money, against the caption "Financial discount of provisions" in Note 5.11 - Financial income and expenses and consumed by the expenses made by the Group with the recovery, at the date they occur.

#### LANDSCAPE RECOVERY AND OTHER ENVIRONMENTAL EXPENDITURES

Some of the Group's companies are responsible for the environmental and landscape recovery of the quarries affected by the exploration, in accordance with applicable legislation. Rehabilitation works mainly includes cleaning and regularisation of areas for recovery, modelling and preparation of the land, transport and spreading of rejected materials for landfill, fertilisation, execution of the general plan for coating with hydro-sowing and plantation, and maintenance and conservation of the areas recovered after implantation.



#### ESTIMATES AND JUDGEMENTS

##### LEGAL PROCEEDINGS

These provisions were made in accordance with the risk assessments carried out internally by the Group with the support of its legal advisors, based on the likelihood of the decision being favourable or unfavourable to the Group.

The balances of additional liabilities for the Group's uncertainty over income tax are disclosed in Note 6.1 - Income tax.

##### ENVIRONMENTAL RECOVERY

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 judgements 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.

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.

## MOVEMENTS IN PROVISIONS

Amounts in Euro	Legal proceedings	Tax proceedings	Environmental recovery	Other	Total
<b>1 January 2018</b>	<b>4 159 157</b>	<b>26 630 190</b>	<b>7 526 199</b>	<b>17 358 475</b>	<b>55 674 021</b>
Increases	1 111 546	-	515	24 839 520	25 951 581
Reversals	(453 074)	(673 509)	(157 298)	(5 660 450)	(6 944 331)
<b>Impact on profit/(loss) for the period</b>	<b>658 472</b>	<b>(673 509)</b>	<b>(156 783)</b>	<b>19 179 070</b>	<b>19 007 250</b>
Charge-off	-	-	(95 140)	(6 627 543)	(6 722 683)
Exchange rate adjustment	-	-	(800)	(73 924)	(74 724)
Financial discounts (Note 5.11)	-	-	309 709	-	309 709
Transfers and adjustments	(31 654)	10 013 530	-	303 955	10 285 831
<b>31 December 2018</b>	<b>4 785 975</b>	<b>35 970 211</b>	<b>7 583 185</b>	<b>30 140 033</b>	<b>78 479 404</b>
Increases	1 507 622	-	2 475 690	8 402 032	12 385 344
Reversals	(817 625)	-	(1 951 727)	(5 557 463)	(8 326 815)
<b>Impact on profit/(loss) for the period</b>	<b>689 997</b>	<b>-</b>	<b>523 963</b>	<b>2 844 569</b>	<b>4 058 529</b>
Changes in perimeter	-	-	-	28 414	28 414
Charge-off	-	-	(174 450)	(3 669 134)	(3 843 584)
Exchange rate adjustment	-	-	(2 016)	217 879	215 863
Financial discounts (Note 5.11)	-	-	265 628	-	265 628
Transfers and adjustments	30 923	(35 970 211)	8 959 394	(138 267)	(27 118 161)
<b>31 December 2019</b>	<b>5 506 895</b>	<b>-</b>	<b>17 155 704</b>	<b>29 423 494</b>	<b>52 086 093</b>

### ENVIRONMENTAL RECOVERY

As at 31 December 2019, this caption includes the amount of Euro 2 244 062 (31 December 2018: Euro 1 166 672), corresponding to quarries with "continuous and progressive reconstruction of the freed spaces" and refers to quarries exploited by the Secil company in Outão.

From the adjustment in the amount of Euro 8 959 394, Euro 8 762 237 refer to a review of the quarry and landscape recovery plans carried out in 2019, namely costs and interest rate review. This also led to an increase recorded under Assets for landscape recovery in the same amount (Note 3.3).

### OTHER PROVISIONS

The amount presented 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 restructuring processes, complements to the Lebanese social security national fund, risks of contractual positions assumed in investments, among others.

As of 31 December 2018, the increases in Other provisions includes the amount of Euro 12 million related to the Mozambique project of the Navigator subsidiary. As reported to the market on 9 July 2018, Portucel Mozambique and the Government of Mozambique signed a Memorandum of Understanding (MoU) regarding the recasting of the investment project, which will be developed in two phases. Initially, this will involve the setting-up of a forestry base of approximately 40 000 hectares which will guarantee the supply of a unit (to be built) for the production of eucalyptus wood chips for export (approximately 1 million tons per year), in an estimated global investment of USD 140 million.

Although the Memorandum of Understanding (MoU) signed with the Mozambican Government provided for a "best effort" commitment to create the necessary conditions to carry out the investment until 31 December 2018, that was not possible, and both parties continued to work towards that goal. In this context and given the current conditions, Navigator prudently decided, and in addition to the impairment already recorded in previous years, to increase in 2019 the aforementioned provision in the amount of Euro 1 615 000 to meet the current development scenario of the project.

## 9.2 COMMITMENTS

### GUARANTEES PROVIDED TO THIRD PARTIES

Amounts in Euro	31/12/2019	31/12/2018
<b>Guarantees provided</b>		
Navigator collaterals for EIB financing	70 416 667	91 346 000
Tax and Customs Authority	1 063 282	24 053 434
IAPMEI	4 593 908	5 594 650
APSS - Admi. dos Portos de Setúbal e Sesimbra	2 605 009	2 605 009
Customs clearance	1 250	1 835 250
Agência Estatal de Administ. Tributaria Espanhola	1 033 204	1 033 204
Agência de Desenvolvimento e Coesão	1 047 365	-
Comissão de Coordenação e Desenv. Regional LVT	298 638	876 372
Conselho de Emprego, Indústria e Turismo (Spain)	14 547	954 118
APDL - Administração do Porto de Leixões	720 657	720 657
Simria	338 829	338 829
Instituto de Conservação da Natureza - Arrábida	474 444	474 444
Secretaria Regional do Ambiente e Recursos Naturais	274 595	-
IAPMEI (in the perimeter of PEDIP)	209 305	209 305
Comissão de Coordenação e Desenv. Regional Norte	236 403	236 403
Comissão de Coordenação e Desenv. Regional Centro	869 647	745 825
Comissão de Coordenação e Desenv. Regional Algarve	534 620	534 620
CCRLVT	948 840	298 638
Mercedes Benz - Vehicle rentals	-	500 000
Other	3 580 574	2 036 526
	<b>89 261 783</b>	<b>134 393 283</b>
<b>Other commitments</b>		
Mortgages on Land, Real Estate and Equipment	62 943 024	61 893 651
	<b>152 204 807</b>	<b>196 286 934</b>

The guarantees provided to IAPMEI were mostly guarantees made 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 2 407 395), in accordance with the terms and conditions stipulated in the Payment Rule applicable to Projects approved under the NSRF Incentive Systems. In 2018, the guarantee provided by Navigator Tissue Ródão, S.A., was demobilised.

As part of the final tax authority inspection report to the 2013 period, the Navigator Company was notified on 4 September 2017 of the Final Tax Inspection Report which resulted in an additional tax payment of Euro 20 556 589. Not agreeing with the correction identified, Navigator decided to appeal and to present a bank guarantee in the amount of Euro 26 022 893 to suspend the

respective tax enforcement process, following a number of litigation already filed on the subject since 2012.

Following a favourable decision on one of the most relevant proceedings presented and, as a result of Navigator's insistence throughout this litigation and in particular the litigation initiated at the end of 2017, regarding the change of the Portuguese Tax Authorities (AT) internal understanding on one of the key issues under discussion (i.e., the admissibility of the RFAI reporting), at the end of 2018, AT allowed the deduction of the entire RFAI recognised by Navigator during the periods between 2009 and 2013.

On this basis, as early as 2018 the value of the bank guarantee was reduced to Euro 24 053 434, and released in 2019 after the completion of the proceeding.

## PURCHASE COMMITMENTS

Amounts in Euro	31/12/2019	31/12/2018
<b>Purchase commitments</b>		
Property, plant and equipment - Manufacturing equipment	29 055 512	27 842 940
Wood	147 600 000	197 544 779
Energy supply	10 287 430	18 029 651
Raw materials - Petcoque and Coal	6 105 205	13 689 302
Other	3 116 577	5 951 569
	<b>196 164 724</b>	<b>263 058 240</b>

## OTHER COMMITMENTS

The Navigator Group has made a commitment to achieve carbon neutrality by 2035, with a total investment planned of Euro 158 million.

## 9.3 CONTINGENT ASSETS AND LIABILITIES

### TAX MATTERS - CONTINGENT ASSETS

#### PUBLIC DEBT SETTLEMENT FUND

According to Decree-Law No. 36/93 of 13 February, tax debts of privatized companies related to periods prior to the privatization date (25 November 2006) are the responsibility of the Public Debt Regularization Fund (FRDP). On 16 April 2008, The Navigator Company filed an application to the Public Debt Settlement Fund to request payment of tax debts previously paid by

the Portuguese Tax Authorities. On 13 December 2010, it filed a new application requesting the payment of the debts settled by the Tax Authorities related to the years 2006 and 2003, which was supplemented, on 13 October 2011, with the amounts already paid and not disputed relating to these debts, as well as expenses directly related thereto, pursuant to the Judgement 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, S.A. entered into an extra-judicial agreement with the Treasury, in which the FRDP was recognised as having responsibility for recovering the amount of Euro 5 725 771 corresponding to the amount of Corporate Income Tax (CIT) improperly 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 promote restitution to Navigator of said amount.

In this context, FRDP will be responsible for the amounts detailed as follows:

Amounts in Euro	Period	Requested amounts	Decrease due to RERD	Proceedings decided in favour of the Group	Outstanding amount
<b>Proceedings confirmed in court</b>					
Corporate income tax	2002	18 923	-	-	18 923
Corporate income tax (RF)	2004	3 324	-	-	3 324
Corporate income tax	2004	766 395	-	(139 023)	627 372
Expenses		314 957	-	-	314 957
		<b>1 103 599</b>	<b>-</b>	<b>(139 023)</b>	<b>964 576</b>
<b>Proceedings not confirmed in court</b>					
Corporate income tax	2005	11 754 680	(1 360 294)	-	10 394 386
Corporate income tax	2006	11 890 071	(1 108 178)	-	10 781 893
VAT	2003	2 509 101	-	-	2 509 101
		<b>26 153 852</b>	<b>(2 468 472)</b>	<b>-</b>	<b>23 685 380</b>
		<b>27 257 451</b>	<b>(2 468 472)</b>	<b>(139 023)</b>	<b>24 649 956</b>

Regarding the aggregate corporate income tax proceedings of 2005 and 2006, if Courts come to a decision in favour of Navigator Group, the Group will withdraw the request made to FRDP.

In accordance with IFRIC 23, the Group assessed the degree of uncertainty of the tax proceedings related to income tax. Considering the expected and/or most likely value, the Group concluded that these proceedings should remain classified as contingent assets.

## PLEDGES

In 2019, the companies of the Navigator Group took an Administrative Action on Civil Liability against the Ministry of Finance which aims at the recognition of their right and in consequence, convict the Ministry of Finance to pay a compensation for the charges incurred by them, in 2018, related to the collaboration provided to the Portuguese Tax Authorities within the context of pledges in tax enforcement proceedings.

## NON-TAX MATTERS - CONTINGENT ASSETS

### INFRASTRUCTURE ENHANCEMENT AND MAINTENANCE FEE

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 no. 2485/08), followed by an appeal in Court against the rejection of the claim on 28 October 2008. On 3 October 2012, this claim had an adverse decision, and on 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, pending decision.

## PUBLIC DEBT SETTLEMENT FUND

In addition to the tax matters described above, a new application was submitted on 2 June 2010 to the Administrative Court of Almada, requesting the reimbursement of various amounts, totalling Euro 136 243 949. These amounts were related to adjustments made to the financial statements of the group after its privatisation, namely impairments and adjustments in unrecorded assets and liabilities, which have 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 Court denied the Navigator Company Group's proposal to present testimony evidence, alternatively proposing written submissions. On 30 June 2014 Navigator Company Group appealed against this decision, but continuously presented written evidence. The Court subsequently confirmed the Navigator Company Group's views on this matter, both parts appointed experts and the partial expert report was issued on July 2017, being required either by The Navigator Company, S.A. either by the Ministry of Finance, the attendance of both designated experts in court hearing, in order to provide oral explanations on the issued reports. The date of the court hearing is still to be appointed.

# 10 GROUP STRUCTURE

## 10.1 COMPANIES INCLUDED IN THE CONSOLIDATION PERIMETER



### ACCOUNTING POLICIES

#### GROUP-CONTROLLED ENTITIES

Semapa controls an entity (subsidiary) when it is exposed to, or has rights to, the variable returns generated as a result of its involvement with the entity, and has the ability to affect those variable returns through the power it exercises over its relevant activities.

Shareholder's equity and net profit/ (loss) of these companies, corresponding to the third-party investment in such companies, are presented under the caption Non-controlling interests items (Note 5.6).

#### BUSINESS COMBINATIONS

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 the acquisition date.

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are measured at fair value on the acquisition date, regardless 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 (Note 3.1).

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.

If the acquisition cost is lower than the fair value of the net assets of the acquired subsidiary (negative goodwill or badwill), the difference is recognised directly in the income statement under Other operating income and gains (Note 2.2). Transaction costs are immediately recognised in the income statement.

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.

#### INITIAL MEASUREMENT OF NON-CONTROLLING INTERESTS

When the control acquired is lower 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, being that option defined according to each transaction.

#### CONSOLIDATION

Subsidiaries are consolidated using the full consolidation method with effect from the date that control is transferred to the Group. In the acquisition of additional share capital of controlled entities, the excess between the proportion of acquired net assets and respective acquisition cost is directly recognised in Equity (Note 5.5).

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

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.

## SUBSEQUENT TRANSACTIONS OF SUBSIDIARIES

### DISPOSALS WITH LOSS OF CONTROL

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.

## TRANSACTIONS WITHOUT LOSS OF CONTROL

Subsequent transactions of disposal or acquisition of shares with non-controlling interests with no impact in control take place, no gain, loss or goodwill is determined, and the differences between the transaction cost and the book value of the share acquired are recognised in Equity. 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.

### 10.1.1 SEMAPA GROUP SUBSIDIARIES

#### HOLDING COMPANIES INCLUDED IN THE CONSOLIDATION

Company	Head office	Direct and indirect % held by Semapa			
		Directly	Indirectly	31-12-2019	31-12-2018
<b>Parent company</b>					
Semapa	Lisbon				
<b>Subsidiaries</b>					
Seinpar Investments, BV	Amsterdam	100.00	-	100.00	100.00
Semapa Inversiones SL	Madrid	100.00	-	100.00	100.00
Celcimo, S.L.	Madrid	-	100.00	100.00	100.00
Semapa, SGPS, S.A.	Lisbon	100.00	-	100.00	100.00
Aphelion, S.A.	Lisbon	100.00	-	100.00	100.00

## PULP AND PAPER COMPANIES INCLUDED IN THE CONSOLIDATION

Company	Head office	Direct and indirect % held in Navigator			% of equity effectively held by Semapa	
		Directly	Indirectly	Total	31/12/2019	31/12/2018
<b>Parent-company:</b>						
The Navigator Company, S.A.	Portugal	36.00	33.97	69.97	69.97	69.44
<b>Subsidiaries:</b>						
Navigator Brands , S.A.	Portugal	100.00	-	100.00	69.97	69.44
Navigator Parques Industriais, S.A.	Portugal	100.00	-	100.00	69.97	69.44
Navigator Products & Tecnology, S.A.	Portugal	100.00	-	100.00	69.97	69.44
Navigator Paper Figueira, S.A.	Portugal	100.00	-	100.00	69.97	69.44
Pulpchem Logistics, A.C.E.	Portugal	50.00	-	50.00	34.99	-
Raiz - Instituto de Investigação da Floresta e Papel	Portugal	75.00	22.00	97.00	67.87	67.35
Raiz Ventures , S.A.	Portugal	-	97.00	97.00	67.87	-
About the Future - Essencial Oils, S.A.	Portugal	-	97.00	97.00	67.87	-
Enerpulp – Cogeração Energética de Pasta, S.A.	Portugal	100.00	-	100.00	69.97	69.44
Navigator Pulp Figueira, S.A.	Portugal	100.00	-	100.00	69.97	69.44
Navigator Fine Paper , S.A. (a)	Portugal	-	-	-	-	69.44
Arboser – Serviços Agro-Industriais, S.A. (a)	Portugal	-	100.00	100.00	69.97	69.44
Navigator Pulp Setúbal, S.A.	Portugal	100.00	-	100.00	69.97	69.44
Navigator Pulp Aveiro, S.A.	Portugal	100.00	-	100.00	69.97	69.44
Navigator International GmbH	Germany	100.00	-	100.00	69.97	69.44
Navigator Tissue Aveiro, S.A.	Portugal	100.00	-	100.00	69.97	69.44
Navigator Tissue Ródão , S.A.	Portugal	-	100.00	100.00	69.97	69.44
Navigator Tissue Ibérica, S.A.	Spain	-	100.00	100.00	69.97	69.44
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Mozambique	90.02	-	90.02	62.99	55.69
Navigator Internacional Holding SGPS, S.A.	Portugal	100.00	-	100.00	69.97	69.44
Navigator Financial Services Sp. Z o.o.	Poland	25.00	75.00	100.00	69.97	69.44
Navigator Forest Portugal, S.A.	Portugal	100.00	-	100.00	69.97	69.44
EucaliptusLand, S.A.	Portugal	-	100.00	100.00	69.97	69.44
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, S.A.	Portugal	-	100.00	100.00	69.97	69.44
Gavião - Sociedade de Caça e Turismo, S.A.	Portugal	-	100.00	100.00	69.97	69.44
Afocelca - Agrupamento complementar de empresas para proteção contra incêndios, ACE	Portugal	-	64.80	64.80	45.34	45.00
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	Portugal	-	100.00	100.00	69.97	69.44
Atlântic Forests, S.A.	Portugal	-	100.00	100.00	69.97	69.44
Bosques do Atlantico, SL	Spain	-	100.00	100.00	69.97	69.44
Navigator Africa, SRL	Italy	-	100.00	100.00	69.97	69.44
Navigator Paper Setúbal, S.A.	Portugal	100.00	-	100.00	69.97	69.44
Navigator North America Inc.	USA	-	100.00	100.00	69.97	69.44
Navigator Paper World, S.A.	Portugal	-	100.00	100.00	69.97	-
Navigator Afrique du Nord	Morocco	-	100.00	100.00	69.97	69.44
Navigator España, S.A.	Spain	-	100.00	100.00	69.97	69.44
Navigator Netherlands, BV	Netherlands	-	100.00	100.00	69.97	69.44
Navigator France, EURL	France	-	100.00	100.00	69.97	69.44
Navigator Paper Company UK, Ltd	UK	-	100.00	100.00	69.97	69.44
Navigator Italia, SRL	Italy	-	100.00	100.00	69.97	69.44
Navigator Deutschland, GmbH	Germany	-	100.00	100.00	69.97	69.44
Navigator Paper Austria, GmbH	Austria	-	100.00	100.00	69.97	69.44
Navigator Paper Poland SP Z o o	Poland	-	100.00	100.00	69.97	69.44
Navigator Eurasia	Turkey	-	100.00	100.00	69.97	69.44
Navigator Rus Company, LLC	Russia	-	100.00	100.00	69.97	69.44
Navigator Paper Mexico	Mexico	-	100.00	100.00	69.97	69.44
Navigator Middle East Trading DMCC	Dubai	-	100.00	100.00	69.97	69.44
Navigator Participações Holding ,SGPS, S.A.	Portugal	-	-	-	-	69.44
EMA21 - Engenharia e Manutenção Industrial Século XXI, S.A. (a)	Portugal	-	-	-	-	69.44
Ema Cacia - Engenharia e Manutenção Industrial, ACE	Portugal	-	92.20	92.20	64.51	65.97
Ema Setúbal - Engenharia e Manutenção Industrial, ACE	Portugal	-	90.20	90.20	63.11	62.43
Ema Figueira da Foz- Engenharia e Manutenção Industrial, ACE	Portugal	-	90.00	90.00	62.97	62.99
Empremédia - Corretores de Seguros, S.A.	Portugal	-	100.00	100.00	69.97	69.44
Navigator Added Value, S.A. (a)	Portugal	-	-	-	-	69.44
Navigator Abastecimento de Madeira, ACE	Portugal	97.00	3.00	100.00	69.97	69.44

(a) Companies merged into Navigator Pulp Figueira, S.A.

(b) Companies liquidated in 2019



## CEMENT AND DERIVATIVES COMPANIES INCLUDED IN THE CONSOLIDATION

Company	Head office	Direct and indirect % held in Secil			% of equity effectively held by Semapa	
		Directly	Indirectly	Total	31/12/2019	31/12/2018
<b>Parent company:</b>						
Secil - Companhia Geral de Cal e Cimento, S.A.	Portugal	100.00	-	100.00	100.00	100.00
<b>Subsidiaries</b>						
Hewbol, S.G.P.S., Lda.	Portugal	100.00	-	100.00	100.00	100.00
Betotrans - Transportes e Serviços, Lda.	Portugal	-	100.00	100.00	100.00	-
Secil Cabo Verde Comércio e Serviços, Lda.	Cape Verde	99.80	0.20	100.00	100.00	100.00
ICV - Inertes de Cabo Verde, Lda.	Cape Verde	75.00	25.00	100.00	100.00	62.50
Florimar- Gestão e Participações, S.G.P.S., Lda.	Portugal	100.00	-	100.00	100.00	100.00
Sociedade de Inertes, Lda (a)	Mozambique	-	-	-	-	100.00
Secil Cement, B.V. (former Seciment Investments, B.V.)	Netherlands	100.00	-	100.00	100.00	100.00
Serife - Sociedade de Estudos e Realizações Industriais e de Fornecimento de Equipamento, Lda.	Portugal	100.00	-	100.00	100.00	100.00
Silonor, S.A.	France	100.00	-	100.00	100.00	100.00
Société des Ciments de Gabés	Tunisia	98.72	-	98.72	98.72	98.72
Sud-Béton - Société de Fabrication de Béton du Sud	Tunisia	-	98.72	98.72	98.72	98.72
Zarzis Béton	Tunisia	-	98.52	98.52	98.52	98.52
Secil Angola, SARL	Angola	100.00	-	100.00	100.00	100.00
Secil - Companhia de Cimento do Lobito, S.A.	Angola	-	51.00	51.00	51.00	51.00
Unibetão - Indústrias de Betão Preparado, S.A.	Portugal	100.00	-	100.00	100.00	100.00
Secil Britas, S.A.	Portugal	100.00	-	100.00	100.00	100.00
Secil Martingança - Aglomerantes e Novos Materiais para a Construção, S.A.	Portugal	100.00	-	100.00	100.00	100.00
IRP - Indústria de Rebocos de Portugal, S.A.	Portugal	-	75.00	75.00	75.00	75.00
Allmicroalgae - Natural products, S.A.	Portugal	100.00	-	100.00	100.00	100.00
Argibetão - Sociedade de Novos Produtos de Argila e Betão, S.A.	Portugal	99.53	-	99.53	99.53	99.53
Ciminpart - Investimentos e Participações, S.G.P.S., S.A.	Portugal	100.00	-	100.00	100.00	100.00
ALLMA - Microalgas, Lda.	Portugal	-	70.00	70.00	70.00	70.00
Secil Brasil Participações, S.A.	Brazil	-	100.00	100.00	100.00	100.00
Supremo Cimentos, SA	Brazil	-	100.00	100.00	100.00	100.00
Margem - Companhia de Mineração, SA	Brazil	-	100.00	100.00	100.00	100.00
Secil Brands - Marketing, Publicidade, Gestão e Desenvolvimento de Marcas, Lda.	Portugal	100.00	-	100.00	100.00	100.00
CMP - Cimentos Maceira e Pataias, S.A.	Portugal	100.00	-	100.00	100.00	100.00
Ciments de Sibline, S.A.L.	Lebanon	28.64	22.41	51.05	51.05	51.05
Soime, S.A.L.	Lebanon	-	51.05	51.05	51.05	51.05
Cimentos Madeira, Lda.	Portugal	57.14	42.86	100.00	100.00	100.00
Beto Madeira - Betões e Britas da Madeira, S.A.	Portugal	-	100.00	100.00	100.00	100.00
Brimade - Sociedade de Britas da Madeira, S.A.	Portugal	-	100.00	100.00	100.00	100.00
Madebritas - Sociedade de Britas da Madeira, Lda.	Portugal	-	51.00	51.00	51.00	51.00
SPB, SGPS, Lda.	Portugal	100.00	-	100.00	100.00	100.00
Secil Prébetão, S.A.	Portugal	-	100.00	100.00	100.00	100.00
Cementos Secil, SLU	Spain	100.00	-	100.00	100.00	100.00

(a) Company liquidated in 2019

## ENVIRONMENT COMPANIES INCLUDED IN THE CONSOLIDATION

Company	Head office	Direct and indirect % held in ETSA			% of equity effectively held by Semapa	
		Directly	Indirectly	Total	31/12/2019	31/12/2018
<b>Parent company:</b>						
ETSA - Investimentos, SGPS, S.A.	Portugal	99.99	-	99.99	99.99	99.99
<b>Subsidiaries:</b>						
ETSA LOG,S.A.	Portugal	100.00	-	100.00	100.00	100.00
SEBOL - Comércio e Indústria de Sebo, S.A.	Portugal	100.00	-	100.00	100.00	100.00
ITS - Indústria Transformadora de Subprodutos Animais, S.A.	Portugal	100.00	-	100.00	100.00	100.00
ABAPOR - Comércio e Indústria de Carnes, S.A.	Portugal	100.00	-	100.00	100.00	100.00
BIOLOGICAL - Gestão de Resíduos Industriais, S.A.	Portugal	100.00	-	100.00	100.00	100.00
AISIB - Aprovechamiento Integral de Subprodutos Ibéricos, S.A.	Spain	100.00	-	100.00	100.00	100.00

## 10.2 CHANGES IN THE CONSOLIDATION PERIMETER

During the period ended 31 December 2019, the consolidation perimeter was changed against the previous period by the following corporate restructuring operations:

- Merger by incorporation of Arboser, S.A. into Navigator Pulp Figueira, S.A.
- Demerger of paper production in Figueira da Foz from Navigator Paper Figueira, S.A. (later renamed Navigator Brands, S.A.) and merger into Headbox (later renamed Navigator Paper Figueira, S.A.), with effects from 1 March 2019.
- Merger by incorporation of Ema 21, S.A., Navigator Fine Paper, S.A. and Navigator Added Value, S.A. into Navigator Pulp Figueira, S.A., with effects from 1 January 2019.
- Incorporation of Raiz Ventures, S.A.
- Disposal of Eucaliptusland by Navigator Participações Holding, SGPS, S.A. to Navigator Forest Portugal, S.A.

## 10.3 INVESTMENT IN ASSOCIATES AND JOINT-VENTURES



### ACCOUNTING POLICIES

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. Joint ventures are agreements which provide the Group joint control (established contractually) and for which the Group holds an interest in net assets. Investments in associates are equity accounted.

When the Group's share in the associate or joint-venture's losses is equal to or exceeds its investment in the associate, the Group ceases to recognise additional losses, except where it has assumed liability or made payments on their behalf. Unrealised gains on transactions with associates are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated, except if the transaction reveals evidence of impairment of a transferred asset.

Amounts in Euro	31/12/2019		31/12/2018	
	% held	Book value	% held	Book value
<b>Associates</b>				
Setefrete, SGPS, S.A.	25.00%	3 413 276	25.00%	3 625 350
MC - Materiaux de Construction	49.36%	1 578	49.36%	1 432
J.M.J. - Henriques, Lda.	50.00%	364 476	50.00%	373 235
Ave, S.A.	35.00%	212 318	35.00%	172 850
<b>Joint ventures</b>				
Utis - Ultimate Technology To Industrial Savings, Lda	50.00%	1 462 638	50.00%	541 877
		<b>5 454 286</b>		<b>4 714 744</b>

## MOVEMENTS IN ASSOCIATES AND JOINT VENTURES

Amounts in Euro	2019	2018
<b>Opening balance</b>	<b>4 714 744</b>	<b>4 099 421</b>
Acquisitions	-	300 000
Net profit - associates	798 337	940 886
Net profit - joint ventures	920 762	241 876
Other comprehensive income - associates	-	-
Other comprehensive income - joint ventures	-	-
Dividends	(979 701)	(867 174)
Exchange rate adjustment	144	(265)
<b>Closing balance</b>	<b>5 454 286</b>	<b>4 714 744</b>

## 10.4 TRANSACTIONS WITH RELATED PARTIES

## BALANCES WITH RELATED PARTIES

Amounts in Euro	31/12/2019				31/12/2018		
	Receivables (Note 4.2)	Payables (Note 4.3)	Lease liabilities	Interest- bearing liabilities (Note 5.7)	Receivables (Note 4.2)	Payables (Note 4.3)	Interest- bearing liabilities (Note 5.7)
<b>Shareholders (Note 5.2)</b>							
Sodim, SGPS, S.A.	-	-	-	1 913 507	520	-	-
Cimigest, SGPS, S.A.	2 390	-	-	-	5 691	-	-
Cimo SGPS, S.A.	-	1 160	-	7 487 014	-	-	3 209 343
Longapar, SGPS, S.A.	-	-	-	-	-	-	-
OEM SGPS, S.A.	-	-	-	-	-	-	-
<b>Associates and joint-ventures (Note 10.3)</b>							
Grupo Setefrete - Soc. Tráfego Cargas, S.A.	-	394 921	-	-	36 039	187 913	-
Ave-Gestão Ambiental, S.A.	182 785	392 192	-	-	109 264	202 631	-
J.M.J. Henriques, Lda.	131 925	-	-	-	127 533	-	-
<b>Other related parties</b>							
Sonagi - Imobiliária, S.A. (former Cimilonga, S.A.)	85 382	-	-	-	-	-	-
Hotel Ritz, S.A.	-	2 033	-	-	-	-	-
Sonagi, SGPS, S.A.	-	17 062	33 745	-	295	-	-
Refundos, SGFII, S.A.	-	93 430	74 664	-	-	-	-
Cotif Sicar	-	-	-	-	-	78 294	-
Enermontijo, S.A.	-	-	-	-	65 477	20 430	-
Enerpar, SGPS, S.A.	-	-	-	-	-	-	-
Inertogrande	219 303	-	-	-	214 674	-	-
Minority shareholders of Ciment de Sibline	-	1 227 832	-	-	-	1 980 168	-
UTIS, Lda	250 353	-	-	-	-	-	-
Members of governing bodies	965	-	-	-	-	-	-
Other shareholders of subsidiaries	-	29 969 682	-	-	-	19 849	-
	<b>873 103</b>	<b>32 098 312</b>	<b>108 409</b>	<b>9 400 521</b>	<b>559 493</b>	<b>2 489 285</b>	<b>3 209 343</b>

## TRANSACTIONS WITH RELATED PARTIES

Amounts in Euro	31/12/2019				31/12/2018			
	Purchase of services	Sales and services rendered	Other operating income	Net financial results	Purchase of services	Sales and services rendered	Other operating income	Net financial results
<b>Shareholders (Note 5.2)</b>								
Sodim, SGPS, S.A.	-	-	-	-	-	-	423	(1 877)
Cimigest SGPS, S.A.	(107 740)	-	-	-	(107 740)	-	15 596	-
Cimo SGPS, S.A.	-	-	-	(9 560)	-	-	-	(14 958)
Longapar, SGPS, S.A.	-	-	564	(677)	-	-	-	-
OEM SGPS, S.A.	-	-	-	-	-	-	-	-
	<b>(107 740)</b>	<b>-</b>	<b>564</b>	<b>(10 237)</b>	<b>(107 740)</b>	<b>-</b>	<b>16 019</b>	<b>(16 835)</b>
<b>Associates and joint ventures (Note 10.3)</b>								
Ave-Gestão Ambiental, S.A.	(2 635 027)	53 817	197 008	-	(2 030 784)	-	-	-
Grupo Setefrete - Soc. Tráfego Cargas, S.A.	(2 076 051)	-	-	-	(2 778 726)	-	-	-
	<b>(4 711 078)</b>	<b>53 817</b>	<b>197 008</b>	<b>-</b>	<b>(4 809 510)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other related parties</b>								
Sonagi - Imobiliária, S.A. (former Cimilonga, S.A.)	(707 075)	-	-	378	(964 578)	-	1 274	-
Hotel Ritz, S.A.	(97 908)	24	-	-	(72 570)	-	134	-
Sonagi, SGPS, S.A.	-	-	1 316	-	-	-	670	-
Refundos, SGFII, S.A.	(617 899)	-	-	18 766	-	-	-	-
Enermontijo, S.A.	-	-	-	-	(522 676)	409 768	-	-
Enerpar, SGPS, S.A.	-	-	-	-	(17 401)	-	-	-
Bestweb, Lda.	(33 072)	-	-	-	(42 788)	-	-	-
CLA - Caldas, Lopes, Almeida & Associados	(36 000)	-	-	-	(36 000)	-	-	-
UTIS, Lda.	(422 331)	-	204 813	1 000	-	-	-	-
Salvador Pereira Palha Mendes de Almeida	(30 000)	-	-	-	-	-	-	-
Letras Criativas, Unipessoal, Lda.	(30 000)	-	-	-	-	-	-	-
Vagamente - Consultoria e Empreend., Lda.	(1 500 000)	-	-	-	-	-	-	-
José António do Prado Fay	(30 640)	-	-	-	-	-	-	-
Other	-	-	-	(334)	-	-	-	(334)
	<b>(3 504 925)</b>	<b>24</b>	<b>206 129</b>	<b>19 810</b>	<b>(1 656 013)</b>	<b>409 768</b>	<b>2 078</b>	<b>(334)</b>
	<b>(8 323 743)</b>	<b>53 841</b>	<b>403 701</b>	<b>9 573</b>	<b>(6 573 263)</b>	<b>409 768</b>	<b>18 097</b>	<b>(17 169)</b>

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 Sonagi - Imobiliária, S.A. (which also entered into a lease agreement with Navigator Paper Figueira, S.A.) relating to the lease of several office floors in the building which it owns and operates the headquarters of Semapa, SGPS, S.A., at Av. Fontes Pereira de Melo, No. 14, in Lisbon.

In 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.

The entity Vagamente, Lda., currently rendering advisory services to Semapa, SGPS, S.A. is related to a Director of a company in a control relationship with the Company.

### OTHER RELATED PARTY DISCLOSURES

As mentioned in Note 8.3 - Financial investments, in 2018 the Group, through its subsidiary Semapa Next, SA, entered into an agreement to perform an investment of USD 12 million in the "Alter Venture Partners Fund I", entity in which a member of the executive team is also a non-executive board member of Semapa.



The remuneration of the Company's key management personnel is detailed in Note 7.2 - Remuneration of corporate bodies.

# 11 RISK MANAGEMENT

## 11.1 STRATEGIC RISKS

As an economic agent, Semapa is exposed to risks inherent to its activity, which can have a decisive impact on the value of its assets. The performance of Semapa as a holding company is also closely linked to the results of its subsidiaries.

Notwithstanding the objectives and levels of results defined, Semapa promotes autonomy and accountability among its subsidiaries. This combination of demand and autonomy is reflected in the exposure to a set of risks that impact not only each of its subsidiaries, but can also spread to the Holding and other companies in the group.

Regarding risk management, during 2019, Semapa undertook a restructuring of its risk management and control systems based on best practices and methodological references such as COSO, ISO 31000 and follow-up to the recommendations of the Code of Corporate Governance (*Código de Governo*

*das Sociedades*) issued by the Instituto Português de Corporate Governance (IPCG) and the Portuguese Securities Market Commission (CMVM).

In this context, the risk-taking policy approved by Semapa's Board of Directors defines qualitatively the level of risk that Semapa is willing to accept in order to achieve its business objectives and strategy. This policy is also aligned with the main material topics for Semapa, ensuring the consistency of the risk management and control system.

The governance model defined in terms of risk monitoring and management is adjusted to Semapa's structure, defining the main focuses and the allocation of responsibility for the different players in the risk management and control system. The Control and Risk Committee are responsible for controlling and monitoring risks through a system that makes it possible to promote, monitor and evaluate the risk framework and the existing and necessary measures for its mitigation.

In the course of 2019, the risks considered strategic for the Group in this financial year were monitored as follows:

Risk	Description/impact	Risk management
<b>Portfolio</b>	<p>Semapa's mission is to be a benchmark in investment management in core sectors of the economy.</p> <p>Maintaining a diversified portfolio of financial investments is vital to mitigate the level of dependence on certain sectors or activities, which, in adverse context scenarios, may negatively impact the Group's operating and financial performance.</p>	<p>Venture capital investment.</p> <p>Permanent analysis of investment opportunities in different companies and sectors.</p> <p>Plan for monitoring the fundamental variables of existing businesses.</p> <p>Ongoing monitoring of the level of indebtedness to ensure investment capacity.</p> <p>Promotion of the diversification of the subsidiaries' activities.</p>
<b>Business</b>	<p>The Group is exposed to different markets that operate in a competitive environment. Maintaining the consumption levels of the Group's products in markets where it operates and the efficiency of the cost structure necessary for its production are a constant challenge and requires ongoing monitoring.</p> <p>Changes in these components may result in a significant reduction in turnover and respective results generated, as well as negatively impact the operating and financial performance of the Group.</p>	<p>Implementation of measures to make companies more efficient than competitors.</p> <p>Expansion of the business into markets with greater support and growth potential.</p> <p>Diversification of production and marketing of new by-products.</p>

Risk	Description/impact	Risk management
<b>Reputational capital</b>	<p>The maintenance and continued strengthening of the Group's reputation capital is essential to increase the general perception of the market and other stakeholders regarding its reputation and to mitigate the risk of impact produced by potential negative events, both in its operating and financial performance and in the valuation of its assets.</p>	<p>Development of own and joint communication plans with its subsidiaries.</p> <p>Engagement with the communities in which the subsidiaries are present.</p> <p>Strengthening of the positioning and commitment to environmental sustainability matters.</p> <p>Promotion of an organisational climate based on strong values and ethical principles.</p>
<b>Investment decision-making</b>	<p>The objective of generating value through the management, investment and divestiture of interests in subsidiaries should be guaranteed by a strong and efficient investment management process, policy and government.</p> <p>A poor investment decision-making structure may result in an inability to maximise the value of the existing portfolio and value creation.</p>	<p>Analysis by centralised team of the major investment decisions of the Group and its subsidiaries.</p> <p>Presence of a governance model with delegation of powers and definition of the investment decision-making process.</p>
<b>Talent</b>	<p>Maintaining and strengthening an effective people monitoring and management system is crucial to ensure proper implementation of the Group's strategy.</p> <p>Limitations on the ability to retain people and strengthen knowledge and skills in critical areas of the business may jeopardise differentiation against competitors as well as condition the implementation and scope of the strategies set for the Group.</p>	<p>Maintenance of a talent management area of the Group connected with its subsidiaries.</p> <p>Existence of attractive and competitive remuneration policies for key functions.</p> <p>Existence of human resource development and talent management policy.</p> <p>Identification and mapping of critical human resources of the Group.</p> <p>Dissemination of the Group's culture and values</p>
<b>Legal and regulatory framework in Portugal</b>	<p>The Group is exposed to the entire Portuguese regulatory and legal framework to the extent that a significant part of its industrial sites are located in Portuguese territory.</p> <p>Changes that may occur in the legal framework with the implementation of more restrictive measures of a fiscal, environmental, labour or economic nature may negatively impact the Group's operational and financial performance.</p>	<p>Monitoring of the activity and definition of a regulatory agenda by the subsidiaries.</p>
<b>External shock</b>	<p>The Group operates in a global context, with exports accounting for a significant weight in its turnover.</p> <p>The presence of significant or disruptive changes in the external environment, with serious adverse effects on markets (demand, prices), production factors (energy, chemicals and raw materials) or people, may negatively impact the Group's operating and financial performance.</p>	<p>Constant analysis and monitoring of the macroeconomic context both at the level of the geographies where the Group operates as well as at a global level.</p> <p>Contingency plans.</p> <p>Insurance policies and contracts adequate to the operations of the subsidiaries.</p>
<b>Fraud</b>	<p>Due to its size, the Group interacts permanently with a wide range of entities and people, both external and internal, and is therefore exposed to situations or events that may negatively affect its reputation and/or lead to failure to report or losses in its financial position.</p>	<p>Existence of good corporate governance practices.</p> <p>Existence of a code of ethics, integrity and conduct.</p> <p>Existence of internal audit departments at the level of subsidiaries.</p> <p>Existence of policies and manuals of procedures at the level of its subsidiaries.</p>

Risk	Description/impact	Risk management
<b>Access to raw materials</b>	<p>The Group is active in sectors where access to raw materials is a critical variable to maintain its business.</p> <p>The reduction of the raw material available in the domestic and international markets, its availability at prices that are economically impracticable given the cost structure, or restrictions to its access by regulatory or legal enforcement, may negatively impact the operational and financial performance of the Group.</p>	<p>Permanent research and diversification of geographies for the acquisition of raw materials.</p> <p>Ongoing monitoring of own raw material reserves and stock levels.</p>
<b>Cyber security</b>	<p>The Group's production processes depend on IT systems which are essential to the maintenance of its activity.</p> <p>Interruptions in IT systems, security breaches or events leading to the loss of data may negatively impact the Group's operations, expose confidential information and lead to operational, property and reputational damage.</p>	<p>Allocation of responsibilities in the field of security of information management systems.</p> <p>Existence of cyber-security policies and strategies implemented in the subsidiaries.</p> <p>Robust software available to support all information that is handled by the Board of Directors.</p>
<b>Environmental disasters</b>	<p>The Group carries out its activity aware of its environmental responsibility and the principles of sustainable development.</p> <p>The Group's operations are carried out through industrial activities that are prone to events that may have an impact on the environment.</p> <p>The likelihood of a serious environmental event occurring due to causes internal or external to its operations, may lead to significant losses from a financial, reputational, staff, operational and environmental perspective.</p>	<p>Existence of an engagement letter from the Group for a sustainable action.</p> <p>Existence of regular audits of industrial sites and testing to emergency plans.</p> <p>Emergency, protection and action plans available in the event of accidents.</p> <p>Appropriate insurance cover policies.</p> <p>Existence of monitoring processes and compliance with regulatory and environmental obligations.</p> <p>Maintenance plans available for factories, forest areas and quarries available.</p>

## 11.2 OPERATIONAL RISKS

The Group is active in the pulp and paper, cement and derivatives and environmental sectors, which are subject to several risks that may have a significant effect on its activities, operating results, cash flows and financial position.

The operational risk factors analysed in this chapter can be structured as follows:

- i. Risks relating to the pulp and paper segments
- ii. Risks relating to the cement and derivatives segment
- iii. Risks relating to the environment segment
- iv. Risks relating to the entire Group

## RISKS RELATING TO THE PULP AND PAPER SEGMENTS

### RISKS ASSOCIATED WITH THE FORESTRY SECTOR

As at 31 December 2019, the Navigator Group managed approximately 109 thousand hectares distributed in mainland Portugal, Azores and Galicia (Spain), in about 1 300 Management Units in 172 municipalities in Portugal, and 6 Management Units distributed in 9 municipalities in Galicia, Spain, in accordance with the principles expressed in its Forestry Policy. Eucalyptus and areas under ongoing afforestation with these sort of species occupy 74% of this area, namely the Eucalyptus globulus species, deemed to have the perfect fibre for high-quality papers. For the remainder and in addition to conservation areas that account for about 11% of the total area under management, pine and cork oak forests are among the largest privately owned national producers.

The Navigator Group was allocated with 356 210 hectares located in Mozambique, in the provinces of Manica and Zambezia, composed by 50 instalments, made available under an Investment Agreement signed with the Mozambican Government, of which approximately 13.6 thousand hectares are planted. The agreement also provides for the construction of an industrial BEKP production unit meant for the production of BEKP pulp and generation of electric energy in that country. In July 2018, the Mozambican Government and Portucel Mozambique signed a Memorandum of Understanding through which they agreed on a set of preceding requirements necessary for the progress of the investment, which will be developed in two phases. At first, a forestry base of approximately 40 000 hectares will be created, which will guarantee the supply of a unit (to be built) for the production of eucalyptus wood chips for export (approximately 1 million tons per year), in an estimated additional investment of USD 140 million.

The forest management of most of its forest assets located in Portugal and Spain is certified by FSC® (Forest Stewardship Council) and by PEFC (Programme for the Endorsement of Forest Certification schemes), recognition that the management of these areas is done in an environmentally, economically and socially responsible way that follows a strict and internationally recognised criteria.

The main risk factor threatening the eucalyptus forests lies in the low productivity of Portuguese forest and in the worldwide demand for certified products, considering that only a small proportion of the forests are certified. It is expected that this competitive pressure will remain in the future. As an example, at the end of 2019 the forestry area managed by the Navigator Group represented nearly 3% of Portugal's total forested area, 39% of all certified Portuguese forests according with PEFC standards and 23% of all certified Portuguese forests according with FSC standards. However, this area has developed very positively, as a result, among others, of the effort to promote certified forest management in Portugal undertaken with greater intensity by the Company from 2016 onwards. The Company has been increasing the area of certified forest in Portugal between 2016 and 2019 both via FSC® (from 370 000 ha to 473 000 ha) and PEFC (from 260 000 ha to 278 000).

As mentioned, the Group initiated in 2016 a project aiming to promote forest certification in areas owned by private owners, seeking to guarantee that, by 2020, eucalyptus wood processed by the Group will be provided by partners with a certified activity. In 2019, 52% of wood from national sources, excluding self-sufficiency, already came from properties that had their forest management certified (2018: 42%).

The year 2019 was a turning point in which, for the first time, most of the wood delivered by national suppliers to our plants comes from properties with certified forest management. It should also be noted that, within this initiative, the Group has seen a significant increase (to 66% of the total) in the number of wood supplier chain of custody certification, representing a step further on the development of a supplier's portfolio with certificated management forest properties.

In addition, the Group is working to proactively promote good forest management practices to help improve the productivity of third-party forest areas. This effort, which has been developed through CELPA (Associação da Indústria Papeleira, representing the main industrial groups in the industry) with the Best Eucalyptus Program was reinforced in 2018 with additional supporting measures, in addition to the technical support already provided. In 2019, this line of work had the first campaign of the Limpa & Aduba program, under which the CELPA, at their own cost, fertilize the private installments that applied to this program, and clean their eucalyptus forest properties. This measure, empowering productivity, also allows the reduction of fire hazard by the reduction of the fire load in the lands, having been carried out in 6 000ha in 2019. In 2020, the Group will manage a 12 000ha area, and an additional programme, Replantar, is still under development, aimed at providing owners with direct financial support in replanting their eucalyptus forest plots.

The main risks related with the industry are the ones related to the production capacity of the plantations, the risk of wildfires and plant health as well as the 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 afforestation and reforestation with the use of forest species (RJAAR), approved by Decree-Law No. 96/2013, dated 19 July.

The combination of all these factors, in recent years without any strategic measures of the State in the industry, has forced the import of raw material, a process conditioning the profitability of the industry.

The Navigator Group's activity is exposed to risks related to forest fires, including:

- Destruction of current and future wood inventory, belonging to the Navigator Group as well as to third parties;
- Increasing costs of forestry and subsequent land preparation for plantation.

In this respect, the manner in which the Group manages its woodlands is the front line for mitigating this risk.



Among the different management measures undertaken by the Group, the strict compliance with biodiversity rules, a proper planning of the forest facilities to be implemented and the construction and maintenance of roads and access roads to each of the areas under development are particularly relevant in mitigating the fire risk.

In addition, the Navigator Group has a share in the Afocelca grouping – an economic interest grouping between the Navigator Group and the ALTRI Group, whose mission is to provide assistance in the fight against forest fires at the grouped companies' properties, in strict coordination and collaboration with the National Civil Protection Authority (*Autoridade Nacional de Protecção Civil – ANEPC*). This grouping manages an annual budget of about Euro 3 million, without public funds, and has created an efficient and flexible structure which implements practices aimed at reducing protection costs and minimizing the losses caused by forest fires to the ACE companies, which own and manage more than 200 thousand hectares of forests in Portugal.

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

- To improve the productivity of eucalyptus forests;
- To enhance the quality of the fibre produced from that wood;
- To implement a sustained forestry management program from an economic, environmental and social perspectives;
- To foster practices and processes aimed at reducing wood production costs.

## RISKS ASSOCIATED WITH THE PRODUCTION AND SALE OF BEKP PULP, UWF PAPER AND TISSUE PAPER

### SUPPLY OF RAW MATERIALS

Self-supply of wood for BEKP pulp production is only about 15% of the Group's needs. For this reason, there is a regular need for the company to purchase wood on the domestic market (insufficient), using the Spanish market and non-European (outside the Iberian Peninsula) markets, mainly Brazil, Uruguay with an added cost to the domestic market.

The supply of wood from international markets, namely eucalyptus, is subject to price variations mainly due to the exchange rate effect, which consequently has repercussions

on the production cost of Navigator and BEKP pulp companies. In addition, the volatility of the logistic costs of transporting wood to the plants also has impacts essentially due to fuel prices used, the oil price, less scarcity of large ships without optimisation of returns and fluctuation of maritime freight.

The development of new forest plantations are subject to the authorisation of the relevant entities and to a policy of restrictions on area additions, which may limit the national production potential, notwithstanding the many initiatives to help forest producers, including support in wood certification to meet the commercial demand for certified products (pulp and paper), and increase the productivity of existing areas, for greater availability of raw material on the domestic market, the use of imports will always be an unavoidable need in the short, medium and long-term.

Due to insufficient quantities of domestic wood production, in particular certified wood, the Company is required to increase the amount of imported wood, either from Spain or from other more distant markets, in order to ensure unrestricted supplies to the plants over the next decade(s).

It should be noted that, since wood is one of the main costs of pulp production, any increase in the cost of m<sup>3</sup> of eucalyptus wood consumed in the production of BEKP pulp always represents a negative impact on the company's operating results.

On 31 December 2019, a 10% increase in the cost per m<sup>3</sup> of eucalyptus wood consumed in BEKP pulp production would have had a negative impact in the Group's operating results of approximately Euro 31 200 000 (31 December 2018): Euro 29 900 000).

For other raw materials, including chemicals, the main risk identified is the scarcity of products under the growing demand for these products in emerging markets, particularly in Asia and markets supplying them, which can create occasional imbalances of supply and demand.

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

The Group seeks to mitigate these risks through proactive sourcing, by identifying sources of supply geographically dispersed, whilst seeking to secure long-term supply contracts that ensure volume, price and quality levels consistent with its requirements.

At 31 December 2019, a 10% increase in the price of chemical products would have represented a negative impact on the Group's operating results of approximately Euro 12 000 000 (31 December 2018: Euro 11 500 000).

Finally, another resource required for the production process is water. As water is a finite resource and given its relevance to the pulp and paper production process, the Group has taken on a special concern for its preservation and, over the last few years, investments have been made to reduce the use of this important resource. At the same time, as a result of investments in the implementation of BATs in the production processes and in improving the efficiency of its effluent treatment plants (WWTP), it was also possible to significantly improve the quality of the effluent returned to the receiving environment. Between 2005 and 2018 there was a reduction of more than 25% in the specific use of water (cubic metres used for the production of one tonne of product) and in the same period there was a reduction of more than 20% in the load emitted for the vast majority of the parameters monitored, which is reflected in the minimisation of the Group's environmental impact.

#### MARKET PRICE FOR UWF PAPER, BEKP PULP AND TISSUE PAPER

The increase in competition, caused by an imbalance of supply and demand in the BEKP pulp, UWF or Tissue paper markets may have a significant impact on prices and, as a consequence, in the Navigator Group's performance. The market prices of BEKP pulp, UWF and Tissue paper are defined in the world global market in perfect competition and have a significant impact on the Group's revenues and on its profitability. Cyclical fluctuations in BEKP pulp, 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 pulp and UWF paper markets are highly competitive. Significant variations in existing production capacities could have a strong influence on world market prices. These factors have encourage the Group to follow a defined marketing and branding strategy and to invest in relevant capital expenditure to increase productivity and generate high-quality products. It should be noticed that currently the pulp used to produce Tissue paper was mainly acquired to third parties until the end of 2018.

On 31 December 2019, a 10% decrease in the price per ton of BEKP pulp and of 5% in the price per ton of UWF paper and Tissue paper sold by the Navigator Group in the period, would have represented a negative impact on its operating results of approximately Euro 16 500 000 and Euro 66 500 000, respectively (31 December 2018: Euro 16 700 000 and Euro 66 900 000, respectively).

#### DEMAND OF GROUP'S PRODUCTS

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

The demand for uncoated printing and writing paper has been historically related with macroeconomic factors (e.g., GDP growth, employment, particularly in white collar jobs, confidence indices), technological (e.g., penetration of information technology and hardware / software, and demographic (e.g., population, average level of education, age structure of society). The evolution of these factors drives the demand for paper positively or negatively, and in the recent past, the trend of paper consumption is negative in the more developed countries and positive or stable in the emerging / developing countries. Naturally, the performance of the Navigator Group also depends on the evolution of demand in the various markets in which it operates.

The withdrawal of the United Kingdom from the European Union (Brexit) may affect the Group's activity in this market. The potential effect of changes in import/export taxes or delays in the supply chain may have some impact on Group sales to this market. The withdrawal agreement and any new commercial agreement that may be established may also result in changes in the applicable tax laws.

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

Regarding 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 economic changes, 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 low. 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 particular case of UWF and Tissue paper, the Navigator 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 pulp and paper production process is dependent on the constant supply of electric and steam energy. The Group has several cogeneration units, which provide this supply, and redundancies have been planned between the various units in order to mitigate the risk of any unplanned shut-downs.

Part of the electricity production is sold to the supplier of last resort at regulated tariffs, based on a legal framework that lays down the special regime production from renewable

resources and cogeneration. The remuneratory legal framework provides for a progressive tariff reduction over the applicable time period, implying that the central banks will tend to operate in a self-consumption regime. This fact can be proven by both the reduction shown in revenues associated with the electric power generation activity in recent years and by the reduction of electric energy and natural gas consumption.

As at 31 December 2019, a 10% worsening in the market price of electricity would have represented a negative impact on the Group's operating results of approximately Euro 10 500 000 (31 December 2018: Euro 9 000 000).

## COUNTRY RISK - MOZAMBIQUE

Due to the investment in the Mozambican project, the Navigator Group is exposed to the specific risk in this country. This means that the planning of investments, in terms of timing, choice of suppliers / partners and geographic location is made considering this effect. The Group monitors the achievement of each step by reasonably assuming, that there will be no effects arising from that risk conditioning them.

At this moment, the Mozambique project is essentially a forestry project, with an option to develop an industrial project. At this moment, the Mozambique project is essentially a forestry project, with an option to develop an industrial project. The planned investment will be implemented in two phases, the first being a ship production (woodchip) project and a second phase the construction of a large-scale pulp mill. The Group is, however, prepared to move forward with the forestry plan foreseen, once the necessary conditions - most of which are under discussion with the Mozambican authorities - are met.

Until 31 December 2019, the expenditure with this project amounted to Euro 106.4 million (31 December 2018: Euro 98.6 million), mainly related to plantation, land preparation and forest maintenance, to the social development program and the construction of what is now one of Africa's largest forest nurseries.

Nevertheless, the Group's more conservative approach led to the record of several impairments against the investment in Mozambique. Moreover, a provision in the amount of Euro 13 million was also recorded in order to reflect the stage of development of the project.

## COUNTRY RISK - USA

The US market has a significant weight in the total turnover of UWF paper, increasing the exposure to the country's specific risk.

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

Concerning UWF paper imports, together with producers from other countries (Australia, Brazil, China and Indonesia), the Group has been subject to Anti-dumping measures imposed by the US Department of Commerce since 2015. Last September, Navigator Group was notified by the United States Department of Commerce that the final anti-dumping duty to be applied retroactively on sales to the US for the period from August 2015 to February 2017 (the "first period of review") was downgraded to 1.75%, which became applicable through the deposit of the fee corresponding to all exports to the US by the Group after the release date of that decision. Regarding the second review period, from March 2017 to February 2018, following the audit carried out last August by the Department of Commerce, Navigator was notified in December 2019 that the final anti-dumping rate was set at 4.37%. The third and fourth periods of review, between March 2018 and February 2019 and March 2019 and February 2020 are still ongoing.

## COMPETITION

Increased competition in the pulp and paper markets may have a significant impact in price and consequently, in the Group's profitability.

As pulp and paper markets are highly competitive, new capacities may have a relevant impact in prices worldwide.

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

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

Other highlight is the divestment in the papermaker sector in the USA, with announcements by some UWF producers of closure/conversion of installed capacity to take place by 2020, in a clear attempt to adjust supply according to the negative evolution of demand. On the contrary, investments in new UWF capacity in the Middle East and in China and in the short- and medium-term are expected.

The Group has been adjusting its commercial strategy to the evolution of regional consumption patterns. The Group has a significant presence in the US, accounting for about half of European producer sales to this market. The turnover intended to the European markets represented 60% (2018: 60%), achieving particularly strong market shares in Western European countries and relevant market shares in the other main European markets.

## CONCENTRATION OF CUSTOMERS' PORTFOLIO

As at 31 December 2019, the Group's 10 main BEKP customer groups accounted for 12% of the period's production of BEKP pulp (2018: 14%) and 54% of external sales of BEKP pulp (2018: 81%). This asymmetry is a result of the strategy pursued by the Navigator Group, consisting of a growing integration of the BEKP pulp produced into the UWF paper produced and sold. Nevertheless, the Group believes there is little exposure to risks of customer concentration in the marketing of BEKP pulp.

In 2019, the Navigator Group's 10 main customer groups for UWF paper represented 46% of this product's sales during the period (2018: 48%), although the group's 10 main individual customers did not exceed 24% of the UWF paper sales (2018: 25%). The Navigator Group registered 100 new customers with sales in 2019. Also, regarding UWF paper, the Group follows a risk mitigation strategy for its customer concentration. The Navigator Group sells UWF paper to more than 130 countries and to more than 1 000 individual customers, thereby allowing a dispersion of the risk of sales concentration in a reduced number of markets and/or customers.

Tissue sales amounted to Euro 132 million in 2019 (2018: Euro 90.6 million). Commercial activity is mainly focused on the Iberian Peninsula, which represents 70% of its sales, and the French and UK markets, which represent 28% of sales. The 10 main Tissue customers represent about 43% of total sales (2018: 45%), which shows a positive trend of deconcentration of the customer portfolio also in the Tissue business.

The anchoring of the commercial operation after the start-up of the 2nd Tissue paper machine (in 2015) and the 3rd Tissue paper machine in Aveiro (2018) has allowed us to expand our commercial activity to the external market, namely by increasing Navigator's presence in Spain and the rest of Western Europe.

## ENVIRONMENTAL LEGISLATION

In recent years, EU environmental legislation has become more restrictive with regard to the control of environmental emissions. The companies of the Navigator Group comply with the prevailing legislation, in its various parameters (VLEs).

On September 2014, the Commission's implementing decision 2014/687/EU approved the BREF (Best Available Technologies Reference Documents) – Conclusions on Best Available Techniques of the Reference Paper – for the pulp and paper sectors containing the new limits and requirements for these sectors. The companies have four years to promote the required adjustments to its practices and equipment. Furthermore, the technical discussion on the Large Combustion Facilities Reference Document was finalized and published. This document has an impact on the Navigator Group's equipment, particularly in boilers and combustion facilities, which will be covered by the new legislation, therefore requiring new investments, such as particle filters for biomass boilers.

As such, the Group has been following the technical development of this matter, trying to anticipate and plan the necessary improvements to their equipment so to comply with the limits to be published. There is a possibility that the Group may need to perform additional investments in this area in order to comply with any changes in limits and environmental regulations which may be approved.

To date, the legislative changes that are known relate to the evolution of the Scheme for Greenhouse Gas Emission allowance trading of CO<sub>2</sub> emission rights (CELE), established by Directive 2003/87/CE, and amended by Directive 2009/29/CE, which outlines the legal framework of the CELE for the period 2013-2020 and which was transposed into the national law by Decree-Law 38/2013 of 15 March.

Recently, EU Directive 2018/410 of 14 March amending Directive 2003/87/EC was also approved aiming to increase the cost-effectiveness of emission reductions and investment in low-carbon technologies. EU 2018/410 Directive sets out, among other things, the new CELE period to be in force between 2021-2030, which will show a reduction in the amount of CO<sub>2</sub> emission allowances allocated free of charge.

This development will bring increased costs for the transformation industry in general and in particular for the pulp and paper industry, without any compensation for the CO<sub>2</sub> that, annually, is absorbed by the forests of this industry.

In order to mitigate the impact of this change, the Group has long undertaken a series of environmental investments that, among other advantages, have allowed the continuous reduction of CO<sub>2</sub> emissions, despite the fact that, in recent years, there has been a steady increase in production volumes. In addition, the group has a Carbon Neutral Company Program that aims to implement, by 2035, changes in its production processes in order to minimize the use of fossil fuels and consequently reduce their CO<sub>2</sub> emissions.

In 2015, an environmental strategic plan was analysed and established, aiming to adapt Navigator Group to a set of new and future requirements in the environmental area, namely to the reference document for the sector (Conclusions on Best Available Techniques of the Reference Document for the sector - BREF. Commission Implementing Decision 2014/687/EU) and for Large Combustion Facilities. The 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.

The Environmental Strategic Plan aimed for areas other than the environmental covered by this document. It was possible to confirm that Navigator Group is broadly in compliance with this future referential and to identify some areas for improvement as well as technological solutions such as atmosphere emissions from biomass boilers.

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

## RISKS ASSOCIATED WITH THE PRODUCTION OF ENERGY

Energy is an activity of growing importance in the Group allowing the use of endogenous renewable resource which is the biomass generated in the BEKP production. The energy generation assets also allow the Group's wood suppliers to generate additional income from the sale of biomass and contributing to the reduction of the risk of fires in the country.

As a way of boosting the use of forest residual biomass made available by the forestry sector, two biomass thermoelectric plants to produce renewable electric energy were built by the Group in 2009 and are fully operational.

The Group has played a pioneering role and has been developing a market for the sale of biomass for supplying its renewable cogeneration power stations and biomass power plants. The fostering of this market in a phase prior to the start-up of the new power-generating units has enabled it to secure a sustained raw-material supply network.

The incentives in place in Portugal only consider the use of residual forest biomass, rather than the use of wood to produce electrical power.

In addition, there are the following legal provisions:

- Decree-Law 23/2010 and Act 140/2012, revised by Act 325-A/2012, applicable to the ERP system – Special Regime in cogeneration;
- For units powered through residual forestry biomass (CTB), dedicated to the production of electricity, the legal framework is provided by Decree-Law 33-A/2005, revised by Decree-Law 225/2007, that extends from 15 to 25 years the guaranteed tariffs under the PRE (Special Regime Production), which enables some revenue stability to be planned for the near future, there is a risk that the change in energy prices for sale of energy produced from renewable resources will penalize the products produced by the Navigator Group (already occurring, with specific measures over the energy price and the introduction of an Extraordinary Contribution to the Energy Sector affecting cogenerating units with a capacity of more than 20MW). The strong demand for optimisation of production costs and efficiency of generating units and the analysis of new projects to produce energy from renewable sources are the way in which the Group seeks to mitigate this risk.

As a result of the measures taken under the Financial Adjustment Program to which Portugal was subject, the entire remuneration system of the national electricity sector was revised, being the major impact in the electricity produced from cogeneration, recognised as an energy efficiency measure already which represents one of the most efficient forms of energy production.

The Group represents a significant part of the energy produced in Portugal. The units owned and operated by the Group under the Cogeneration regime, supported by a review of the electric energy sales prices, over a period that began temporarily in 2012 and which will end progressively between 2025 - 2030.

The progressive tariff reduction associated with the sale of electricity in special regime, affects the economic sustainability of the sale to the electricity grid, therefore after the applicable legal periods, the cogenerations tended to operate on a self-consumption basis, i.e. directly supplying the units which has already occurred at the natural gas cogeneration plant at Figueira da Foz since February 2016.

## RISKS RELATING TO THE CEMENT AND DERIVATIVES SEGMENT

### SUPPLY OF RAW MATERIALS

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

### SALE PRICE

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

### DEMAND OF 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, which has led to a strong decline in the sector, any excess capacity of national operators together with imports, 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 Secil and its subsidiaries. The Group performs hedges, to a certain degree, against the energy price risk through the usage of alternative fuels at its factories and long-term electric power supply contracts for certain of its energy requirements. However, significant fluctuations in electricity and fuel costs can have a negative impact on the Group's business, financial situation and operating profit.

## COUNTRY RISK - BRAZIL, TUNISIA, LEBANON AND ANGOLA

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

Lebanon's case requires deeper analysis given the severity of its current economic, political and social situation. The existing crisis has given rise to strong social upheavals that have focused on the alleged corruption of its government members and have been leveraged by the influx of Syrian migrants, high unemployment and the cost of living. These upheavals led to the fall of the government in October 2019. On the economic side, performance continued to deteriorate in late 2019 and early 2020.

More recently, the country has taken important steps to stabilise its situation, notably the appointment of a new prime minister, the approval of the state budget by parliament and the principle of agreement with the IMF to obtain technical (rather than financial) support to study and help implement a package of structural economic reforms that hold down inflation and restore confidence and stability to the financing, trade and payments systems.

As a result of the context presented above, the main risks identified by the World Economic Forum for the country are unemployment, the country's lack of governance, fiscal crises and breakdown or crisis of the state.

## ENVIRONMENTAL LEGISLATION

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

In 2013, the BREF (Best Available Technologies Reference Documents) — Conclusions on Best Available Techniques of the Reference Document — for the cement, lime and magnesium oxide sectors containing, the new limits

and requirements for these sectors was approved, with companies being limited to four years, regarding the promotion of the necessary adaptations to their practices and equipment. Such requirements were set out in the Environmental Licenses that regulate the activity of quarrying and cement production.

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

To date, the known legislative changes are also related to the evolution of the European Greenhouse Gas Emission Trading Scheme, established by Directive 2003/87/EC, as amended by Directive 2009/29/EC (new CELE Directive). This scheme presents the legal framework of the CELE for the period 2013-2020 and was transposed into the national legal order by Decree-Law 38/2013 of 15 March, which resulted in reducing the scope of free allocation of CO<sub>2</sub> 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.

Recently, EU Directive 2018/410 of 14 March amending Directive 2003/87/EC was also approved aiming to increase the cost-effectiveness of emission reductions and investment in low-carbon technologies. EU 2018/410 Directive sets out, among other things, the new CELE period to be in force between 2021-2030, which will show a reduction in the amount of CO<sub>2</sub> emission allowances allocated free of charge.

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<sub>2</sub> 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.

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<sub>2</sub>, 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 in 2020 after the disclosure of the CO<sub>2</sub> allowances that will be granted to the installations for the period between 2021 and 2030. In Portugal, a collaborative

laboratory will be created between companies, universities and research centres, with the objective of ensuring the development of lines of research to reduce CO<sub>2</sub> 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.

## 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 with the Portuguese State regarding SIRCA, which in the year of 2017 represented 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.

## RISKS RELATING TO THE ENTIRE GROUP

### TECHNOLOGICAL REPLACEMENT

The Group's industrial units are subject to risks of technological as well as those inherent to any industrial economic activity, such as accidents, breakdowns or natural catastrophes that may lead to losses in the Group's assets or temporary shutdown in the production process.

Likewise, these risks may affect the Group's main customers and suppliers, which would have a significant impact on profitability levels if it were not possible to find other customers in order to guarantee sales levels or suppliers that would make it possible to maintain the same cost structure.

### LEGAL RISKS

It should be noted that legal risks result mainly from tax and regulatory risks which are covered by the analysis of risks of an operational nature, and specific risks of overall responsibility or risks associated with the negotiation and conclusion of contractual arrangements.

These risks are controlled by legal advisory measures which are in place either at Semapa's level as a shareholding or at its subsidiaries' level, and by outsourcing external lawyers whenever the specificity of the matter, its value or other specific factors so recommend.



## 12 EXPLANATION ADDED FOR TRANSLATION

These financial statements are a free translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

### BOARD OF DIRECTORS

#### CHAIRMAN

Heinz-Peter Elstrodt

#### MEMBERS

João Nuno de Sottomayor Pinto de Castello Branco

Ricardo Miguel dos Santos Pacheco Pires

Vítor Paulo Paranhos Pereira

António Pedro de Carvalho Viana-Baptista

Carlos Eduardo Coelho Alves

Filipa Mendes de Almeida de Queiroz Pereira

Francisco José Melo e Castro Guedes

José António do Prado Fay

Lua Mónica Mendes de Almeida de Queiroz Pereira

Mafalda Mendes de Almeida de Queiroz Pereira

Vítor Manuel Galvão Rocha Novais Gonçalves

**STATUTORY AUDIT REPORT**  
**CONSOLIDATED FINANCIAL STATEMENTS**







## STATUTORY AUDITORS' REPORT AND AUDITORS' REPORT

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

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### Opinion

We have audited the accompanying consolidated financial statements of **Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.** (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 (showing a total of Euro 4,021,827,051 and total equity of Euro 1,261,718,924, including a profit for the period attributable to the Navigator Company's shareholders of Euro 124,053,720), and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, and the accompanying notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of **Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.** as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section below. We are independent of the entities that comprise the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas' code of ethics.

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

## Emphasis

As described in Note 1.3, in March 2020 the pandemic resulting from the spread of the new coronavirus (“COVID-19”) was declared by the World Health Organization, which is a non-adjustable event. This situation and its evolution will probably have negative effects on the Group's activity and profitability during 2020; however, at this date it is still not possible to measure it. The Board of Directors believes that, given the information currently available, the liquidity situation and capital levels will be sufficient to continue the operations of the Group. Our opinion is not modified with respect to this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

---

### Recoverability of goodwill, other intangible assets and property, plant and equipment

---

See Note 1.6 Main estimates and judgements and Notes 3.1, 3.2 and 3.3 of the Financial Statements

---

#### The Risk

Recoverability of goodwill (Euro 345,172,676), other intangible assets (Euro 310,157,999) and property, plant and equipment (Euro 2,025,009,116) is a relevant matter due to the materiality of the amounts involved as well as due to the complexity and subjectivity inherent to impairment tests, namely regarding the uncertainty inherent to the financial projections, which are based on the Board of Directors expectations materialised in business plans, which key assumptions such as discount rates, expected margins, short and long term growth rates, investment plans and demand depend on unobservable inputs.

#### Our response to the identified risk

- Our audit procedures included the following, among others:
- We have analysed the budgeting procedures in which the financial projections are based on, comparing the actual performance with estimates performed in prior periods, as well as the integrity of the discounted cash flow model;
  - We compared the internal and external assumptions used, such as current business trends, market performance, inflation, projected economic growth and discount rates and assessed their reasonability;
  - We performed sensitivity analysis to the robustness of assumptions and forecasts;
  - We involved experts in the calculation of the weighted average cost of capital; and
  - We reviewed the disclosures made by the Group in accordance with the applicable accounting standard.
-

---

## Biological assets fair value

---

See Note 1.6 Main estimates and judgements and Note 3.7 of the Financial Statements

---

### The Risk

The fair value of biological assets (Euro 131,769,841) is determined through an internally developed model, based on economic and market projections, whose assumptions, namely the forest productivity, the sales price of wood less the harvesting cost, the value of own and leased land rents, logging and transportation costs, plantation and maintenance costs and the discount rate, require a high degree of estimation and judgment of the Board of Directors.

### Our response to the identified risk

Our audit procedures included the following, among others:

- We tested the model's mathematical accuracy and integrity;
- We analysed the budgeting procedures in which projections are based on;
- We compared the actual performance of variables inherent to the model with the estimates performed in prior periods, namely: forest productivity, the value of own and leased land rents, fixed costs, logging and transportation costs, plantation and maintenance costs;
- We compared the internal and external assumptions used, such as spot price vs expected price and the discount rate with the market data and assessed their sensitivity;
- We reviewed the disclosures made by the Group in accordance with the applicable accounting standard.

---

## Uncertainty regarding income tax treatments

---

See Note 1.6 Main estimates and judgements and Notes 6.1 and 6.2 of the Financial Statements

---

### The Risk

The application of tax law to various transactions and circumstances of uncertain tax treatment has an inherent complexity and requires judgment in determining and measuring the risks and uncertainties in defining the best estimate, by weighing all possible results under its control and their associated probabilities.

The estimate of amounts that may result in future outflows requires a high degree of judgment of the Board of Directors. The Board of Directors evaluate the probability of outcome, based on the opinion of their legal and tax advisors.

### Our response to the identified risk

Our audit procedures included the following, among others:

- We understood and evaluated the processes for monitoring uncertain tax positions regarding the treatment of income tax, including inquiries to the Board of Directors and to the tax managers on the basis of their estimates and judgments;
- We analysed ongoing tax proceedings and potential uncertain tax positions, considering the effect of uncertainty for each uncertain tax treatment, supported by tax experts, and reviewed the existing documentation
- We analysed the responses to the confirmation requests received from external lawyers;
- We assessed the consistency of the criteria followed in the previous periods; and
- We reviewed the disclosures made by the Group in accordance with the applicable accounting standard.



## **Responsibilities of Management and the Supervisory Body for the Consolidated Financial Statements**

Management is responsible for:

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

The supervisory body is responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;





- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and,
- provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the consolidated financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies' Code.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **On the Management Report**

Pursuant to article 451, no. 3, al. (e) of the Portuguese Companies' Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment of the Group, we have not identified any material misstatements.



### **On the Corporate Governance Report**

Pursuant to article 451, no. 4, of the Portuguese Companies' Code, it is our opinion that the corporate governance report includes the information required to the Group to provide under article 245-A of the Securities Code, and we have not identified any material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of that article.

### **On the non-financial information defined in the article 508º-G of the Portuguese Companies' Code**

Pursuant to article 451, no. 6, of the Portuguese Companies' Code, we inform that the Group has prepared a separate report where includes the non-financial information defined in article 508º-G of the Portuguese Companies' Code, having that report being published with the management report.

### **On the additional matters provided in article 10 of the Regulation (EU) no. 537/2014**

Pursuant to article 10 of the Regulation (EU) no. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were first appointed as auditors of **Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.** (parent Entity of the Group) in the shareholders general assembly held on 22 September 2017 for a mandate from 2018 to 2021.
- Management as confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional scepticism, and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the consolidated financial statements due to fraud.
- We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the supervisory body of the Group on 27 March 2020.
- We declare that we have not provided any prohibited services as described in article 77, no. 8 of the Ordem dos Revisores Oficiais de Contas Statutes, and we have remained independent of the Group in conducting the audit.

27 March 2020

---

**KPMG & Associados -  
Sociedade de Revisores Oficiais de Contas, S.A. (no. 189)**  
represented by  
Paulo Alexandre Martins Quintas Paixão (ROC no. 1427)



(Page intentionally left blank)

**REPORT AND OPINION OF THE AUDIT BOARD**  
**CONSOLIDATED FINANCIAL STATEMENTS**





## **SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.**

### **Report and Opinion of the Audit Board Consolidated Financial Statements**

#### **Year 2019**

Dear Shareholders,

1. As laid down by law, established in the articles of association and in carrying out the mandate entrusted to us, we hereby deliver our report on the audit activities carried out in 2019 and issue our opinion on the Management Report and the Consolidated Financial Statements submitted by the Board of Directors of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., for the year ended 31 December 2019.
2. During the year, we monitored the company's activity and that of its main subsidiaries and affiliated companies on a regular basis, with the frequency and to the extent that we deemed appropriate, namely through regular meetings with the Company's Management and Directors. We oversaw the reviewing of the accounting records and the supporting documents, and the efficacy of the risk management, internal control and audit systems. We ensured compliance with the law and the Articles of Association. We did not run up against any obstacles in the exercise of our duties.
3. We met several times with the statutory auditor and the external auditor, KPMG & Associados, SROC, Lda., to monitor the audits conducted and supervise their independence. We have analysed the legal Accounts Certificate and Audit Report, which includes an Emphasis referring aspects resulting from the spread of the new coronavirus that may impact the Group's activity in 2020 and merit our agreement.
4. The Audit Board analysed the proposals that were presented to it for non-audit services by the Statutory and External Auditor, having approved those that related with permitted services, did not affect the independence of the Statutory and External Auditor and fulfilled the other legal requirements.

5. Within the scope of our competences, we found that:
  - a) The Consolidated Income Statement, the Consolidated Financial Statement, the Statement of Comprehensive Income, the Statement of Consolidated Changes in Equity and the Consolidated Cash Flow Statement and its Notes to the Consolidated Financial Statements give a true and fair view of the financial position of the company, in respect of its results, comprehensive income, changes in equity and cash flow;
  - b) The accounting policies and valuation criteria applied are in conformity with the International Financial Reporting Standards (IFRS), as adopted in the European Union, and ensure that a true and fair assessment of the company's assets and results is given, and the findings and recommendations of the external auditor have been followed through;
  - c) The Management Report clearly shows the development of the business and the situation of the company and the subsidiaries included in the consolidation, highlighting key aspects of the activity;
  - d) The Corporate Governance Report covers all of the points referred to in Article 245 A of the Securities Code, and considered the recommendations on the Code of the Portuguese Corporate Governance Institute (IPCG).
6. Consequently, taking into account the information delivered by the Company's Board of Directors and Departments, and the conclusions of the Legal Accounts Certificate and Audit Report, we are of the opinion that:
  - a) The Management Report should be approved;
  - b) The Consolidated Financial Statements should be approved.
7. Finally, the members of the Audit Board are grateful to the Board of Directors, the key supervisors and other company staff, as well as to the statutory auditor KPMG & Associados, SROC, Lda. for their collaboration.

Lisbon, 27 March 2020

The Chairman of the Audit Board

*José Manuel Oliveira Vitorino*

Member of the Audit Board,

*Gonçalo Nuno Palha Gaio Picão Caldeira*

Member of the Audit Board,

*Maria da Graça Torres Ferreira da Cunha Gonçalves*





(Page intentionally left blank)





**SEPARATE FINANCIAL  
STATEMENTS**

## SEPARATE INCOME STATEMENT

Amounts in Euro	Note	2019	2018
Revenue	2.1	17 746 329	13 297 832
Other operating income	2.2	94	30 168
Supplies and services	2.3	(9 112 734)	(4 338 360)
Payroll costs	7.1	(7 759 809)	(9 241 498)
Other operating expenses	2.3	(975 658)	(428 616)
Depreciation, amortisation and impairment losses on non-financial assets	3.3	(349 838)	(190 390)
<b>Operating results</b>		<b>(451 616)</b>	<b>(870 864)</b>
Share of profit/(losses) of subsidiaries	10.1	130 930 236	147 842 004
Financial income and gains	5.10	55 167	46 224
Financial expenses and losses	5.10	(10 925 752)	(14 972 053)
<b>Profit before tax</b>		<b>119 608 035</b>	<b>132 045 311</b>
Income tax	6.1.1	4 445 685	509 026
<b>Net profit for the period</b>		<b>124 053 720</b>	<b>132 554 337</b>
<b>Earnings per share</b>			
Basic earnings per share	5.3	1.540	1.643
Diluted earnings per share	5.3	1.540	1.643

The following notes form an integral part of these Separate Financial Statements.

## SEPARATE STATEMENT OF COMPREHENSIVE INCOME

Amounts in Euro	Note	2019	2018
<b>Net profit for the period</b>		<b>124 053 720</b>	<b>132 554 337</b>
<b>Items that may be reclassified to the income statement</b>			
Other comprehensive income from subsidiaries	5.5	6 040 512	(31 379 718)
<b>Items that may not subsequently be reclassified to the income statement</b>			
Other comprehensive income from subsidiaries	5.5	(8 170 850)	(9 605 810)
<b>Total other comprehensive income net of tax</b>		<b>(2 130 338)</b>	<b>(40 985 528)</b>
<b>Total comprehensive income</b>		<b>121 923 382</b>	<b>91 568 809</b>

The following notes form an integral part of these Separate Financial Statements.

## SEPARATE STATEMENT OF FINANCIAL POSITION

Amounts in Euro	Note	2019	2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3.1	864 772	722 773
Assets under right of use	3.2	249 216	-
Investments in subsidiaries	10.1	1 284 660 569	1 375 391 926
Other financial investments	8.2	42 143	10 372
Receivables and other non-current assets	4.1	13 553	15 339
		<b>1 285 830 253</b>	<b>1 376 140 410</b>
<b>Current assets</b>			
Receivables and other current assets	4.1	84 277 160	13 444 032
Cash and cash equivalents	5.8	85 020	105 675
		<b>84 362 180</b>	<b>13 549 707</b>
<b>Total assets</b>		<b>1 370 192 433</b>	<b>1 389 690 117</b>
<b>EQUITY AND LIABILITY</b>			
<b>Equity</b>			
Share capital	5.2	81 270 000	81 270 000
Treasury shares	5.2	(8 922 980)	(6 740 954)
Reserves by application of the equity method	5.5	(323 706 762)	(313 619 142)
Legal reserve	5.5	16 695 625	16 695 625
Other reserves	5.5	984 866 417	896 323 538
Retained earnings		86 613 994	83 870 483
Net profit for the period		124 053 720	132 554 337
<b>Total Equity</b>		<b>960 870 014</b>	<b>890 353 887</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	5.6	281 795 047	318 283 541
Lease liabilities	5.7	146 504	-
Pension and other post-employment benefits	7.2.1	1 008 908	1 115 990
Deferred tax liabilities	6.2	418 082	880 331
		<b>283 368 541</b>	<b>320 279 862</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	5.6	110 156 081	154 409 411
Lease liabilities	5.7	105 559	-
Payables and other current liabilities	4.2	11 294 353	11 460 745
Income tax	6.1.2	4 397 885	13 186 212
		<b>125 953 878</b>	<b>179 056 368</b>
<b>Total liabilities</b>		<b>409 322 419</b>	<b>499 336 230</b>
<b>Total equity and liabilities</b>		<b>1 370 192 433</b>	<b>1 389 690 117</b>

The following notes form an integral part of these Separate Financial Statements.

## SEPARATE STATEMENT OF CHANGES IN EQUITY

Amounts in Euro	Note	Share Capital	Treasury Shares	Reserves by application of the EM	Legal Reserve	Other Reserves	Retained Earnings	Net profit for the period	Total
<b>Equity as of 1 January 2019</b>		81 270 000	(6 740 954)	(313 619 142)	16 695 625	896 323 538	83 870 483	132 554 337	890 353 887
Net profit for the period		-	-	-	-	-	-	124 053 720	124 053 720
Other comprehensive income (net of tax)		-	-	(2 130 338)	-	-	-	-	(2 130 338)
<b>Total comprehensive income for the period</b>		-	-	(2 130 338)	-	-	-	124 053 720	121 923 382
Appropriation of 2018 profit:									
Transfer to reserves	5.5	-	-	-	-	88 542 879	-	(88 542 879)	-
Dividends	5.4	-	-	-	-	-	-	(41 267 948)	(41 267 948)
Bonus to employees		-	-	-	-	-	2 743 510	(2 743 510)	-
Acquisition of treasury shares	5.2	-	(2 182 026)	-	-	-	-	-	(2 182 026)
Other operations		-	-	-	-	-	1	-	1
<b>Total transactions with shareholders</b>		-	(2 182 026)	-	-	88 542 879	2 743 511	(132 554 337)	(43 449 973)
Intra-group acquisition differences of equity shares	5.5	-	-	(7 957 280)	-	-	-	-	(7 957 280)
Other movements in equity of subsidiaries	5.5	-	-	(2)	-	-	-	-	(2)
<b>Total other operations</b>		-	-	(7 957 282)	-	-	-	-	(7 957 282)
<b>Equity as of 31 December 2019</b>		81 270 000	(8 922 980)	(323 706 762)	16 695 625	984 866 417	86 613 994	124 053 720	960 870 014

Amounts in Euro	Note	Share Capital	Treasury Shares	Reserves by application of the EM	Legal Reserve	Other Reserves	Retained Earnings	Net profit for the period	Total
<b>Equity as of 1 January 2018</b>		81 270 000	(6 036 401)	(227 438 036)	16 695 625	817 155 627	34 979 997	124 093 467	840 720 279
Net profit for the period		-	-	-	-	-	-	132 554 337	132 554 337
Other comprehensive income (net of tax)		-	-	(40 985 528)	-	-	-	-	(40 985 528)
<b>Total comprehensive income for the period</b>		-	-	(40 985 528)	-	-	-	132 554 337	91 568 809
Appropriation of 2017 profit:									
Transfer to reserves	5.5	-	-	-	-	79 167 912	-	(79 167 912)	-
Dividends	5.4	-	-	-	-	-	-	(41 310 039)	(41 310 039)
Bonus to employees		-	-	-	-	-	3 615 516	(3 615 516)	-
Acquisition of treasury shares	5.2	-	(704 553)	-	-	-	-	-	(704 553)
Other operations		-	-	-	-	(1)	(1)	-	(2)
<b>Total transactions with shareholders</b>		-	(704 553)	-	-	79 167 911	3 615 515	(124 093 467)	(42 014 594)
Transfer to retained earnings by subsidiary liquidation	5.5	-	-	(45 274 971)	-	-	45 274 971	-	-
Intra-group acquisition differences of equity shares	5.5	-	-	62 089	-	-	-	-	62 089
Other movements in equity of subsidiaries	5.5	-	-	17 304	-	-	-	-	17 304
<b>Total other operations</b>		-	-	(45 195 578)	-	-	45 274 971	-	79 393
<b>Equity as of 31 December 2018</b>		81 270 000	(6 740 954)	(313 619 142)	16 695 625	896 323 538	83 870 483	132 554 337	890 353 887

The following notes form an integral part of these Separate Financial Statements.

## SEPARATE STATEMENT OF CASH FLOWS

Amounts in Euro	Note	2019	2018
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers		16 623 306	12 765 222
Payments to suppliers		(9 430 306)	(10 270 396)
Payments to personnel		(8 556 883)	(9 673 766)
<b>Cash flows from operations</b>		<b>(1 363 883)</b>	<b>(7 178 940)</b>
Income tax received/(paid)		(9 520 029)	(2 390 836)
Other receipts/(payments)		4 203 969	8 477 277
<b>Cash flows from operating activities (1)</b>		<b>(6 679 943)</b>	<b>(1 092 499)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Inflows:</b>			
Financial investments	10.1	3 500 000	30 883 500
Effect of liquidation of subsidiaries	10.1	-	10 014
Property, plant and equipment		50	30 000
Interest and similar income		27 621	44 335
Dividends	10.1	139 617 793	113 329 771
		<b>143 145 464</b>	<b>144 297 620</b>
<b>Outflows:</b>			
Financial investments	10.1	(880 000)	(2 974 251)
Property, plant and equipment		(374 522)	(452 830)
		<b>(1 254 522)</b>	<b>(3 427 081)</b>
<b>Cash flows from investing activities (2)</b>		<b>141 890 942</b>	<b>140 870 539</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Inflows:</b>			
Interest-bearing liabilities	5.9	2 779 861 000	1 653 713 000
Other financing operations		1 300 000	496 301
		<b>2 781 161 000</b>	<b>1 654 209 301</b>
<b>Outflows:</b>			
Interest-bearing liabilities	5.9	(2 860 672 618)	(1 734 425 450)
Amortisation of leases	5.9	(148 084)	-
Interest and similar expenses		(12 121 976)	(16 193 096)
Dividends	5.4	(41 267 948)	(41 310 039)
Acquisition of treasury shares	5.2	(2 182 026)	(704 553)
Other financing operations		-	(1 300 000)
		<b>(2 916 392 652)</b>	<b>(1 793 933 138)</b>
<b>Cash flows from financing activities (3)</b>		<b>(135 231 652)</b>	<b>(139 723 837)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)</b>		<b>(20 653)</b>	<b>54 203</b>
Effect of exchange rate differences		(2)	-
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	5.8	<b>105 675</b>	<b>51 472</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5.8	<b>85 020</b>	<b>105 675</b>

The following notes form an integral part of these Separate Financial Statements.



# CONTENTS TO THE SEPARATE FINANCIAL STATEMENTS

<b>1 INTRODUCTION</b>	<b>264</b>
1.1 Introduction	264
1.2 Relevant events of the period	264
1.3 Subsequent events	264
1.4 Basis of preparation	265
1.5 IFRS adopted and to be adopted	266
1.6 Main estimates and judgments	269
<b>2 OPERATIONAL PERFORMANCE</b>	<b>270</b>
2.1 Revenue	270
2.2 Other operating income	270
2.3 Other operating expenses	271
<b>3 INVESTMENTS</b>	<b>272</b>
3.1 Property, plant and equipment	272
3.2 Assets under right of use	274
3.3 Depreciation, amortisation and impairment losses	274
<b>4 WORKING CAPITAL</b>	<b>275</b>
4.1 Receivables and other assets	275
4.2 Payables and other liabilities	276
<b>5 CAPITAL STRUCTURE</b>	<b>277</b>
5.1 Capital management	277
5.2 Share capital and treasury shares	277
5.3 Earnings per share	278
5.4 Dividends	279
5.5 Reserves and retained earnings	279
5.6 Interest-bearing liabilities	281
5.7 Lease liabilities	283
5.8 Cash and cash equivalents	283
5.9 Cash flows from financing activities	284
5.10 Net financial results	285
<b>6 INCOME TAX</b>	<b>286</b>
6.1 Income tax for the period	286
6.2 Deferred taxes	288
<b>7 PAYROLL</b>	<b>290</b>
7.1 Payroll costs	290
7.2 Employee benefits	291
7.3 Remuneration of corporate bodies	292
<b>8 FINANCIAL INSTRUMENTS</b>	<b>293</b>
8.1 Financial risk management	293
8.2 Other financial investments	297
8.3 Financial assets and liabilities	298
<b>9 PROVISIONS, COMMITMENTS AND CONTINGENCIES</b>	<b>300</b>
9.1 Provisions	300
9.2 Commitments	300
9.3 Contingent assets and liabilities	300
<b>10 GROUP STRUCTURE</b>	<b>301</b>
10.1 Investments in subsidiaries	301
10.2 Transactions with related parties	306
<b>11 NOTE ADDED FOR TRANSLATION</b>	<b>311</b>

# 1 INTRODUCTION

The following symbols are used in the presentation of the Notes to the Financial Statements:



## ACCOUNTING POLICIES

This symbol indicates the disclosure of accounting policies specifically applicable to the items in the respective Note.



## ACCOUNTING ESTIMATES AND JUDGEMENTS

This symbol indicates the disclosure of the estimates and/or judgments made regarding the items in the respective Note. The most significant estimates and judgments are presented in Note 1.6.



## REFERENCE

This symbol indicates a reference to another Note or another section of the Financial Statements where more information about the items disclosed is presented.

## 1.1 INTRODUCTION

Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., ("Semapa" or "Company") located at Av. Fontes Pereira de Melo, 14, 10º Piso, Lisboa was incorporated on 21 June 1991, and its corporate purpose is to manage holdings in other companies as an indirect form of performing economic activities. The Company is listed on NYSE Euronext Lisbon since 1995, with ISIN PTSEM0AM0004.

Semapa is the parent company of the Semapa Group (Group), comprising Semapa and Subsidiaries, as presented in the consolidated financial statements. The Group is active in three different business areas: pulp and paper, cement and derivatives, and environment, developed, respectively, through its subsidiaries The Navigator Company (former Portucel, S.A. referred to herein as "Navigator" or "Navigator Group"), of Secil - Companhia Geral de Cal e Cimento, S.A. ("Secil" or "Secil Group") and ETSA - Investimentos, SGPS, S.A. ("ETSA" or "ETSA Group").

In 2018 the Group created a new venture capital business unit through its subsidiary Semapa Next, S.A., whose purpose is to promote investments in startups and venture capital funds with high growth potential.



A more detailed description of Semapa's activity in the context of equity management is disclosed in Note 2.1 – Revenue.

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

## 1.2 RELEVANT EVENTS OF THE PERIOD

From 1 January 2019 onwards, SEMAPA adopted the accounting standard IFRS16 – Leases. 2018 balances were not restated as allowed by the standard.

## 1.3 SUBSEQUENT EVENTS

Between 1 January 2020 and 20 March 2020 (Note 1.4) the following events have occurred without giving rise to adjustments to the 2019 financial statements:

### CORONAVIRUS

The global economy and businesses face unexpected challenges as a result of the rapid spread of Coronavirus (SARS-CoV-2 / COVID-19). This pandemic will necessarily have an impact on the global economy and financial markets in general, as well as on the performance and activity of different businesses and industries.

The SEMAPA Group is permanently monitoring the evolution of the Coronavirus pandemic through its own corporate bodies. Seeking to minimize the possible risks associated with the outbreak and, following the recent recommendations of the Portuguese Health Authority (Direção Geral de Saúde - DGS) and the World Health Organization (WHO), the Group has implemented Contingency Plans with the objective of ensuring the safety of its employees and community in general, as well as to maintain its business operations.

So far, the Group's operations have been running smoothly and without disruption, however it is not yet possible to estimate with a reasonable degree of confidence, any possible impact on the Group's business activity given the current environment of high uncertainty and rapid evolution.

## ACQUISITION OF TREASURY SHARES

Between 1 January 2020 and 20 March 2020, Semapa acquired 577 290 of its treasury shares, representing 0.71% of its share capital for a total amount of Euro 7 019 846 corresponding to an average price per share of Euro 12.16.

## 1.4 BASIS OF PREPARATION

### AUTHORISATION TO ISSUE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 20 March 2020. However, they are still subject to approval by the General Shareholders' Meeting, in accordance with the Portuguese commercial legislation.

The Company's senior management, i.e. the members of the Board of Directors who sign this report, declare that, to the best of their knowledge, the information contained herein was prepared in accordance with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial position and results of the Company.

### ACCOUNTING FRAMEWORK

The separate financial statements for the period ended 31 December 2019 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), effective 1 January 2019 and as adopted by the European Union.

### PRESENTATION CURRENCY AND TRANSACTIONS IN A CURRENCY OTHER THAN THE PRESENTATION CURRENCY

The Company's functional currency is the Euro. These separate financial statements are presented in Euro.

All monetary assets and liabilities (cash amounts and assets and liabilities receivable or payable in fixed or determinable amounts of units of a currency) of the Company expressed in currencies other than the functional currency have been converted to Euros using the exchange rates prevailing at the date of the financial position (Note 8.1.1).

Exchange differences arising from differences between the exchange rates in force on the date of the transactions and those in force on the date of collection, payment or the date of the financial position were recorded as income and expenses for the period (Note 5.10).

The income statement and other comprehensive income of the foreign subsidiaries (Note 10.1) were translated at the average exchange rate for the period, and the assets, liabilities and goodwill balances of the foreign subsidiaries were translated at the exchange rate at the Financial Position date. The exchange differences calculated were reflected in Reserves by use of the equity method (Note 5.5).

### BASIS FOR MEASUREMENT

The notes to the separate financial statements have been prepared on a going concern basis from the books and accounting records of the Company and based on historical cost, except for financial instruments measured at fair value through profit or loss or at fair value through other comprehensive income (Note 8.2).

### COMPARABILITY

#### REVIEW OF THE PRESENTATION OF FINANCIAL STATEMENTS

During 2019 and as recommended in IAS 1 - Presentation of Financial Statements, the Semapa Group and the main subsidiaries revised the presentation of its financial statements, aiming at a more relevant structure and level of disclosure and focused on the main elements that determine the performance of the Group, supported by the indications published by IASB within the scope of the projects it has in progress regarding disclosures.

In 2019, Semapa Group and its main subsidiaries started a project to reshape the presentation of their financial statements, aiming at a more relevant structure and level of disclosure focused on the main elements that determine the Group's performance, supported by the indications published by the International Accounting Standards Board (IASB) within the scope of the projects it has in progress regarding disclosures.

Accordingly, the Notes to the separate financial statements are currently organised in 10 blocks, aggregated according to the relevance of their joint reading for the understanding of the Company's performance, financial position and movements in cash flows for the periods presented. The relevant accounting policies and main judgments and estimates for each item of the financial statements are disclosed at the beginning of the respective Note.

Both the terminology and the presentation of amounts for some items in different captions of the statements have also been updated. The following table indicates the main updates of terminology and reallocation of amounts between captions in the financial statements for the comparative period (2018):

#### RECLASSIFICATION OF ITEMS INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

Amounts in Euro	Amount disclosed in 2018	Other financial investments	Receivables and other non-current assets	Reserves by application of the EM	Payables and other current assets	Income tax
		Note 8.2	Note 4.1	Note 5.5	Note 4.2	Note 6.1
<b>Captions originally disclosed in 2018</b>						
<b>Non-current assets</b>						
Equity instruments at fair value	10 372	10 372	-	-	-	-
Other financial assets	15 339	-	15 339	-	-	-
<b>Equity</b>						
Adjustments in other financial assets	(313 619 142)	-	-	(313 619 142)	-	-
<b>Liabilities</b>						
Provisions	12 800 000	-	-	-	-	12 800 000
State	600 851	-	-	-	600 851	-
Payables	10 859 894	-	-	-	10 859 894	-
Income tax	386 212	-	-	-	-	386 212
<b>Captions disclosed in 2018 as a comparative period:</b>		<b>10 372</b>	<b>15 339</b>	<b>(313 619 142)</b>	<b>11 460 745</b>	<b>13 186 212</b>

#### RECLASSIFICATION OF ITEMS INCLUDED IN THE CASH FLOW STATEMENT

The following reclassifications were made in the comparison period presented for the year ended 31 December 2018:

- i) Receipts from services rendered to subsidiaries, in the amount of Euro 12 765 222, were reclassified from Other receipts from operating activities to Receipts from customers.
- ii) The acquisition of treasury bonds, in the amount of Euro 1 300,000, was reclassified from Payments relating to interest-bearing liabilities to Payments relating other financing operations.

#### ADOPTION OF IFRS 16

On 1 January 2019, the accounting standard IFRS 16 - Leases, which was adopted by the Company in the preparation of its separate financial statements for 2019, entered into force. Changes in accounting policies and the impact on the financial statements are described in Note 1.5.1.

## 1.5 IFRS ADOPTED AND TO BE ADOPTED

### 1.5.1 ADOPTION OF IFRS 16

The Company adopted IFRS 16 - Leases on 1 January 2019 in accordance with the simplified transition approach provided for in the paragraphs of IFRS 16: C3(b), C7 and C8 for the transition period, which translates into application on 1 January 2019 without the restatement of comparative amounts.

IFRS 16 defines the principles for recognition, measurement and presentation of leases, replacing IAS 17 – Leases and its interpretative guidance.

Under this standard, assets under right of use (Note 3.2) in the amount of Euro 358 thousand were measured by the amount of the lease liability (Note 5.9) calculated on the date of adoption of the standard. An incremental interest rate was considered in the measurement of lease liabilities and for contracts without an implicit interest rate.

In applying IFRS 16 for the first time, the Company applied a set of practical expedients for the leases previously considered as operational in accordance to IAS 17, as follows:

- the asset under right of use was measured at the same amount of the lease liability and a discount rate was applied on the date of first application;
- applying a single discount rate to a set of leases with reasonably similar characteristics (such as leases with a similar remaining maturity, for a similar underlying class of asset and in a similar economic context); and

- not applying IFRS 16 to short-term (less than 12 months) and low-value (less than Euro 5 000) leases.

The main impacts resulting from the adoption of IFRS 16 in the 2019 income statement, compared to what would be recognised by application of IAS 17, were the following: reduction of leases in Supplies and services (Note 2.3) of approximately Euro 159 thousand, increase in depreciation (Note 3.3) of about Euro 151 thousand, increase in interest (Note 5.10) of Euro 8 thousand and reduction in income from subsidiaries (Note 10.1) by application of the equity method of about Euro 1.1 million.

The reconciliation between the operating lease commitments disclosed by the Company in the Notes to the separate financial statements of the previous year and the lease liabilities recognised at the initial application date is as follows:

Amounts in Euro	
<b>Operating lease liabilities disclosed at 31 December 2018 (*)</b>	<b>799 088</b>
(Less): short-term leases recognised on a straight-line basis as expenses	(370 363)
(Less): low-value leases recognised on a straight-line basis as expenses	(2 580)
More/(less): other adjustments resulting from the application of IFRS 16 for the first time	(54 112)
<b>Undiscounted lease liabilities recognised as of 1 January 2019</b>	<b>372 033</b>
Discounted using the incremental financing rate	(14 268)
<b>Lease liabilities recognised as of 1 January 2019</b>	<b>357 765</b>

\*Net of VAT.

The commitments undertaken by the Company under operating leases as of 31 December 2018 is detailed as follows:

Amounts in Euro	
Below 1 year	535 891
1 to 2 years	122 058
2 to 3 years	82 407
3 to 4 years	48 238
4 to 5 years	10 494
	<b>799 088</b>

### 1.5.2 ADOPTION OF IFRIC 23

SEMAPA, with regard to the measurement of uncertain tax positions, takes into account the provisions of IFRIC 23, namely in the measurement of risks and uncertainties in the definition of the best estimate of the expense required to settle the obligation, by considering all possible results

controlled by the company and respective associated probabilities. Therefore, there were no changes to the estimates previously made by the Board of Directors, except for the reclassification of the provisions for tax proceedings to the Income tax caption (Notes 1.4 and 6.1.2). Thus, SEMAPA retrospectively applied IFRIC 23 to additional tax liabilities as of 1 January 2018.

### 1.5.3 OTHER STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED OR TO BE ADOPTED

#### STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED IN 2019

Amendment	
<b>Standards and amendments</b>	
IFRS 9 – Financial instruments (amendment)	Options for accounting treatment of financial assets with negative compensation.
IAS 28 – Investments in associates and joint-ventures (amendment)	Clarification regarding long-term investments in associates and joint ventures that are not being measured using the equity method.
IAS 19 – Employee Benefits (amendment)	Requirement that an entity: <b>i)</b> use updated assumptions to determine current service cost and net interest for the remaining period after the plan is changed, reduced or liquidated; and <b>ii)</b> recognise in profit or loss for the period as part of the cost of past service, or as a gain or loss on liquidation any reduction in the surplus of coverage, even if has not previously been recognised due to the impact of the asset ceiling. The impact on the asset ceiling is always recorded under Other Comprehensive Income and cannot be recycled as a result of the period.
Improvements to standards 2015-2017	Several clarifications: IAS 23, IAS 12, IFRS 3 and IFRS 11.

#### STANDARDS, AMENDMENTS AND INTERPRETATIONS OF MANDATORY APPLICATION ON OR AFTER 1 JANUARY 2020

Amendment	Effective date
<b>Standards and amendments not yet endorsed by the European Union</b>	
IFRS 3 – Business Combinations (amendment)	1 January 2020
<p>On 22 October 2018, IASB issued the amendments to its business definition.</p> <p>The amendments clarify that, to be considered a business, an acquired set of activities and assets must include at least one input and one substantive process that, together, contribute significantly to the ability to create outputs.</p> <p>The amendments also clarify that a set of activities and assets can qualify as a business without including all the inputs and processes necessary to create outputs, or including the outputs themselves, by replacing the term "ability to create outputs" with "ability to contribute to the creation of outputs".</p> <p>It is no longer necessary to evaluate if the market players are capable of replacing inputs or missing proceedings (for example, by integrating activities and assets acquired) and continue to create outputs. The amendments focus on whether the acquired inputs and substantive processes together contribute significantly to the ability to create outputs.</p> <p>The amendments shall be applied to transactions for which the acquisition date is on or after the beginning of the first annual reporting period starting on or after 1 January 2020, with early application permitted. If entities implement the amendments in advance, they shall disclose this fact.</p>	

Amendment	Effective date
<b>Standards and amendments not yet endorsed by the European Union</b>	
Clarification of requirements for classifying liabilities as current or non-current (amendments to IAS 1 - Presentation of Financial Statements)	IASB issued on 23 January 2020 an amendment to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current and non-current.  The amendments are intended to promote consistency in the application of requirements to help companies determine whether, in the statement of financial position, debt or other liabilities with an uncertain settlement date should be classified as current (to be settled or potentially settled within one year) or non-current. Changes include explanations on the debt classification requirements that a company can settle by converting into equity.
	1 January 2022

## 1.6 MAIN ESTIMATES AND JUDGMENTS

The preparation of financial statements requires that the Company's Board of Directors make judgments and estimates that affect the amount of revenue, costs, assets, liabilities and disclosures at the date of the consolidated statement of financial position. To that effect, the Company's Board of Directors is based on:

- i) the best information and knowledge of current events and in certain cases on the reports of independent experts; and
- ii) the actions that the Company considers it may have to take in the future.

On the date on which the operations are realised, the outcome could differ from those estimates.

### MOST SIGNIFICANT ESTIMATES AND JUDGMENTS

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:

Estimates and judgements	Notes
Recoverable amount of investments in subsidiaries	10.1 - Investments in subsidiaries
Income tax	6.1 - Income tax for the period 6.2 - Deferred taxes
Actuarial assumptions	7.2 - Employee Benefits
Recognition of provisions	9.1 - Provisions

## 2 OPERATIONAL PERFORMANCE

### 2.1 REVENUE



Semapa's revenue results from the Group's centralised management activities, corresponding to the services provided by the Company to its subsidiaries in the areas of strategic planning, legal, financial, accounting, tax, information systems and talent management, among others.

In services rendered to Group companies, Semapa includes mainly costs with personnel and with the hiring of specialised services (Note 2.3).

Revenue recognition is performed in accordance with the provisions of IFRS 15 on a monthly basis for services provided on a regular basis, throughout the contractual period.

Revenue is presented by disaggregating the business lines of the subsidiaries and by geographic area, based on the country of destination of the services rendered by the Company.

#### REVENUE BY BUSINESS SEGMENT, BY GEOGRAPHIC AREA AND BY RECOGNITION PATTERN

2019	Pulp and Paper	Cement and Derivatives	Environment	Total amount	Total %
Portugal	12 811 123	4 630 057	305 149	17 746 329	100%
	<b>12 811 123</b>	<b>4 630 057</b>	<b>305 149</b>	<b>17 746 329</b>	<b>100%</b>
<b>Measurement standard</b>					
Over time	12 811 123	4 630 057	305 149	<b>17 746 329</b>	100%

2018	Pulp and Paper	Cement and Derivatives	Environment	Total amount	Total %
Portugal	9 038 263	3 984 459	275 110	<b>13 297 832</b>	100%
	<b>9 038 263</b>	<b>3 984 459</b>	<b>275 110</b>	<b>13 297 832</b>	<b>100%</b>
<b>Measurement standard</b>					
Over time	9 038 263	3 984 459	275 110	13 297 832	100%

### 2.2 OTHER OPERATING INCOME

In 2019 and 2018, Other operating income is detailed as follows:

Amounts in Euro	2019	2018
Gains on disposal of non-current assets	94	30 000
Other operating income	-	168
	<b>94</b>	<b>30 168</b>



## 2.3 OTHER OPERATING EXPENSES

In 2019 and 2018, Other operating expenses is detailed as follows:

Amounts in Euro	2019	2018
<b>Supplies and services</b>		
Specialised services - related parties (Note 10.2)	3 803 856	1 235 679
Specialised services - other	3 880 633	1 346 159
Travel and accommodation	399 264	496 995
Energy and fluids	100 215	91 890
Materials	53 669	50 942
Real Estate expenditure - related parties (Note 10.2)	625 499	757 656
Other services	249 598	359 039
	<b>9 112 734</b>	<b>4 338 360</b>
<b>Payroll costs (Note 7.1)</b>	<b>7 759 809</b>	<b>9 241 498</b>
<b>Other operating expenses</b>		
Taxes	247 260	252 133
Donations	57 588	87 903
Membership fees	45 768	45 768
Non-competition agreement	600 000	-
Other expenses	25 042	42 812
	<b>975 658</b>	<b>428 616</b>
<b>Total operating expenses</b>	<b>17 848 201</b>	<b>14 008 474</b>

In 2019, the amount related to short-term lease payments was Euro 653 668 and the lease payments of low value assets amounted to Euro 14 604.

### INVOICED FEES REGARDING STATUTORY AUDIT AND AUDIT SERVICES

In the years ended 31 December 2019 and 2018, the amount of invoiced fees, as well as related period expenses with statutory audits and audit services were as follows:

Amounts in Euro	2019		2018	
	Expenses in the year	Invoiced fees	Expenses in the year	Invoiced fees
<b>KPMG (SROC) and other entities belonging to the same network</b>				
Statutory audit and audit services	39 605	32 209	28 290	12 731
Other reliability assurance services	1 500	1 500	4 500	4 500
	<b>41 105</b>	<b>33 709</b>	<b>32 790</b>	<b>17 231</b>

The services mentioned as Other reliability assurance services essentially relates to the issuance of reports on financial information.

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

## 3 INVESTMENTS

### 3.1 PROPERTY, PLANT AND EQUIPMENT



The Company's property, plant and equipment include Buildings and other constructions, consisting essentially of works on third-party property, administrative equipment, mainly furniture and IT equipment and Other property, plant and equipment.

<b>Recognition and initial measurement</b>	Property, plant and equipment are stated at acquisition cost less depreciation and impairment losses.								
<b>Depreciation and impairment</b>	We use the straight-line method from the moment the asset is available for use and using the rates that best reflect their estimated useful life. <table><thead><tr><th colspan="2"><b>Estimated average useful life (years):</b></th></tr></thead><tbody><tr><td>Buildings and other constructions</td><td>8 – 10</td></tr><tr><td>Administrative equipment</td><td>3 – 10</td></tr><tr><td>Other property, plant and equipment</td><td>8</td></tr></tbody></table> <p>Semapa does not apply residual values to its assets. The useful lives are reviewed and adjusted, if necessary, on the date of the Financial Position. 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 recognised (Note 3.3).</p>	<b>Estimated average useful life (years):</b>		Buildings and other constructions	8 – 10	Administrative equipment	3 – 10	Other property, plant and equipment	8
<b>Estimated average useful life (years):</b>									
Buildings and other constructions	8 – 10								
Administrative equipment	3 – 10								
Other property, plant and equipment	8								
<b>Subsequent costs</b>	Expenses with major repairs are considered as a component of the acquisition cost of the fixed asset and are fully depreciated over the estimated useful life. Other expenses with repairs and maintenance are recognised as an expense in the period in which they are incurred.								
<b>Write-offs and disposals</b>	Gains or losses arising from 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 (Note 2.2) or Other operating expenses (Note 2.3).								

## MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

Amounts in Euro	Buildings and other constructions	Equipment and other assets	Assets under construction	Total
<b>Gross amount</b>				
<b>Balance as of 1 January 2018</b>	<b>1 872 176</b>	<b>1 337 019</b>	<b>106 167</b>	<b>3 315 362</b>
Acquisitions	-	67 633	352 981	420 614
Disposals	-	(137 988)	-	(137 988)
Settlements, transfers and write-offs	3 308	-	(3 308)	-
<b>Balance as of 31 December 2018</b>	<b>1 875 484</b>	<b>1 266 664</b>	<b>455 840</b>	<b>3 597 988</b>
Acquisitions	-	43 901	297 005	340 906
Disposals	-	(2 262)	-	(2 262)
Settlements, transfers and write-offs	613 856	36 697	(650 553)	-
<b>Balance as of 31 December 2019</b>	<b>2 489 340</b>	<b>1 345 000</b>	<b>102 292</b>	<b>3 936 632</b>
<b>Accumulated depreciation and impairment losses</b>				
<b>Balance as of 1 January 2018</b>	<b>(1 519 455)</b>	<b>(1 201 067)</b>	<b>(102 292)</b>	<b>(2 822 814)</b>
Depreciation for the period (Note 3.3)	(106 311)	(84 079)	-	(190 390)
Disposals	-	137 988	-	137 988
Settlements, transfers and write-offs	544	(543)	-	1
<b>Balance as of 31 December 2018</b>	<b>(1 625 222)</b>	<b>(1 147 701)</b>	<b>(102 292)</b>	<b>(2 875 215)</b>
Depreciation for the period (Note 3.3)	(142 814)	(56 093)	-	(198 907)
Disposals	-	2 262	-	2 262
<b>Balance as of 31 December 2019</b>	<b>(1 768 036)</b>	<b>(1 201 532)</b>	<b>(102 292)</b>	<b>(3 071 860)</b>
<b>Book value as of 1 January 2018</b>	<b>352 721</b>	<b>135 952</b>	<b>3 875</b>	<b>492 548</b>
<b>Book value as of 31 December 2018</b>	<b>250 262</b>	<b>118 963</b>	<b>353 548</b>	<b>722 773</b>
<b>Book value as of 31 December 2019</b>	<b>721 304</b>	<b>143 468</b>	<b>-</b>	<b>864 772</b>

## 3.2 ASSETS UNDER RIGHT OF USE



At the date the lease enters into force, the Group recognises an asset under right of use at its cost, which corresponds to the initial amount of the lease liability adjusted for: **i)** any prepayments; **ii)** lease incentives received; and **iii)** initial direct costs incurred.

To the asset under right of use, the estimate of removing and/or restoring the underlying asset and/or the location where it is located may be added, when required by the lease agreement.

The asset under right of use is subsequently depreciated using the straight-line method, from the start date until the lower between the end of the asset's useful life and the lease term. Additionally, the asset under right of use reduced of impairment losses, if any, and adjusted for any remeasurement of the lease liability. The useful life considered for each class of assets under right of use is equal to the useful life of Property, plant and equipment (Note 3.1) in the same class when there is a call option and the Group expects to exercise it.

### SHORT-TERM LEASES AND LOW-VALUE ASSET LEASES

The company recognises payments for leases of 12 months or less and for leases of assets whose individual acquisition value is less than USD 5 000 directly as operating expenses of the period (Note 2.3), on a straight-line basis.

### MOVEMENTS IN ASSETS UNDER RIGHT OF USE

Amounts in Euro	Equipment and other assets
<b>Gross amount</b>	
<b>Balance as of 1 January 2019</b>	<b>357 765</b>
Acquisitions	42 382
Settlements, transfers and write-offs	(27 799)
<b>Balance as of 31 December 2019</b>	<b>372 348</b>
<b>Accumulated amortisation, depreciation and impairment losses</b>	
<b>Balance as of 1 January 2019</b>	-
Depreciation	(150 931)
Settlements, transfers and write-offs	27 799
<b>Balance as of 31 December 2019</b>	<b>(123 132)</b>
<b>Book value as of 31 December 2019</b>	<b>249 216</b>

The assets under the Company's right of use correspond essentially to vehicles.



The impact of the adoption of IFRS 16 "Leases" on 1 January 2019 is presented in Note 1.5.1 – Adoption of IFRS 16.

## 3.3 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

Amounts in Euro	2019	2018
Depreciation of property, plant and equipment (Note 3.1)	198 907	190 390
Depreciation of assets under right of use for the period (Note 3.2)	150 931	-
	<b>349 838</b>	<b>190 390</b>

## 4 WORKING CAPITAL

### 4.1 RECEIVABLES AND OTHER ASSETS



#### AMOUNTS RECEIVABLE FROM RELATED PARTIES AND OTHER DEBTORS

<b>Classification</b>	The amounts receivable from related parties result mainly from services provided to the Company's subsidiaries (Note 2.1), from amounts receivable from subsidiaries in the tax consolidation (Note 6.1) and loans granted to subsidiaries. The business model followed is "hold to collect". Balances from other debtors follow the "hold to collect" model.
<b>Initial measurement</b>	At fair value.
<b>Subsequent measurement</b>	At amortised cost, less impairment losses.
<b>Impairment</b>	Impairment losses are recorded based on the general model of estimated credit losses in IFRS 9.

As of 31 December 2019 and 2018, Receivables and other assets are detailed as follows:

Amounts in Euro	31/12/2019			31/12/2018		
	Non-current	Current	Total	Non-current	Current	Total
Receivables - current operations with related parties (Note 10.2)	-	7 033 685	7 033 685	-	4 840 747	4 840 747
Share of profit/(losses) - related parties (Note 10.2)	-	69 336 179	69 336 179	-	-	-
Tax consolidation - related parties (Note 10.2)	-	7 694 383	7 694 383	-	7 140 656	7 140 656
Bonds Semapa 2014/2019 bonds (treasury)	-	-	-	-	1 316 496	1 316 496
Accrued income	-	53 739	53 739	-	-	-
Deferred expenses	-	97 588	97 588	-	81 390	81 390
Other	13 553	61 586	75 139	15 339	64 743	80 082
	<b>13 553</b>	<b>84 277 160</b>	<b>84 290 713</b>	<b>15 339</b>	<b>13 444 032</b>	<b>13 459 371</b>

The amount receivable of Euro 69 336 179 refers to the share of profit attributed by the subsidiaries The Navigator Company, S.A. and Seinpar Investments, B.V., whose payment occurred in January 2020.



The amounts above are net of accumulated impairment losses. Analysis of impairment for receivables is presented in Note 8.1.4 - Credit risk.

## 4.2 PAYABLES AND OTHER LIABILITIES



### FINANCIAL LIABILITIES AT AMORTISED COST

<b>Initial measurement</b>	At fair value, net of transaction costs incurred.
<b>Subsequent measurement</b>	At amortised cost, using the effective interest rate method. The difference between the repayment amount and the initial measurement value is recognised in the income statement over the period of the debt under "Interest on other financial liabilities at amortised cost" (Note 5.10).

As of 31 December 2019 and 2018, Payables and other liabilities are detailed as follows:

Amounts in Euro	31/12/2019	31/12/2018
Payables - current operations with related parties (Note 10.2)	15 278	1 161 757
Tax consolidation - related parties (Note 10.2)	2 019 818	2 683 455
Suppliers - current account	64 426	122 502
Investment suppliers	23 974	27 038
State i)	1 159 626	600 851
Accrued expenses ii)	7 975 676	6 864 222
Deferred income	2 748	-
Other creditors	32 807	920
	<b>11 294 353</b>	<b>11 460 745</b>

i) State is detailed as follows:

Amounts in Euro	31/12/2019	31/12/2018
Income tax withholdings	110 322	115 415
Value Added Tax (VAT)	952 883	377 147
Contributions to Social Security	96 070	107 766
Other taxes	351	523
	<b>1 159 626</b>	<b>600 851</b>

As of 31 December 2019 and 2018, there were no outstanding debts with the State.

ii) The caption Accrued expenses is detailed as follows:

Amounts in Euro	31/12/2019	31/12/2018
Payroll costs	3 503 866	4 303 238
Interest payable	1 132 752	2 144 066
Bank services	262 573	283 469
Supplies and services	3 058 166	106 193
Other	18 319	27 256
	<b>7 975 676</b>	<b>6 864 222</b>

## 5 CAPITAL STRUCTURE

### 5.1 CAPITAL MANAGEMENT

#### CAPITAL MANAGEMENT POLICY

For capital management purposes, the Company defines capital as comprising equity and net debt.

The Company manages the Group's corporate debt, with the main holdings in each line of business having autonomous Treasury management.

The objectives of the Company regarding capital management are:

- i. To safeguard its ability to continue in business and thus provide returns for shareholders and benefits for its remaining stakeholders;
- ii. To maintain a solid capital structure to support the development of the Group's activity; and
- iii. To maintain an optimal capital structure that enables it to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Company can adjust the amount of dividends payable to its shareholders, return capital to its shareholders, issue new shares or sell assets to lower its debt.

### 5.2 SHARE CAPITAL AND TREASURY SHARES



Semapa's share capital is fully subscribed and paid up, and is fully represented by shares with no par value. 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 or options for a business acquisition are included in the acquisition cost, as part of the purchase price.

#### TREASURY SHARES

<b>Recognition</b>	At acquisition value, as a reduction of equity.
<b>Disposal of treasury shares</b>	When treasury 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 (Note 5.5).
<b>Extinction of treasury shares</b>	The extinction of treasury shares is reflected in the financial statements, as a reduction of share capital and in the caption Treasury shares at its nominal and acquisition cost, respectively. The differential between those amounts is recorded in Other reserves.

## SEMAPA'S SHAREHOLDERS

Description	31/12/2019		31/12/2018	
	No. of shares	%	No. of shares	%
<b>Shares without par value</b>				
Cimo - Gestão de Participações, SGPS, S.A.	38 959 431	47.94	38 959 431	47.94
Sodim, SGPS, S.A.	15 252 726	18.77	15 252 726	18.77
Bestinver Gestión, SGIIC, S.A.	4 032 051	4.96	7 166 756	8.82
Cimigest, SGPS, S.A.	3 185 019	3.92	3 185 019	3.92
Santander Asset Management España, S.A.	-	-	1 981 216	2.44
Norges Bank (the Central Bank of Norway)	1 699 613	2.09	1 699 613	2.09
Sociedade Agrícola da Quinta da Vialonga, S.A.	625 199	0.77	625 199	0.77
Treasury shares	823 337	1.01	640 666	0.79
Other shareholders with less than 2% shareholdings	16 692 624	20.54	11 759 374	14.47
	<b>81 270 000</b>	<b>100.00</b>	<b>81 270 000</b>	<b>100.00</b>

## TREASURY SHARES - MOVEMENTS

	2019		2018	
	No. of shares	Book value (euro)	No. of shares	Book value (euro)
Treasury shares held at beginning of the period	640 666	6 740 954	586 329	6 036 401
Acquisition of shares by Semapa	182 671	2 182 026	54 337	704 553
<b>Treasury shares at the end of the period</b>	<b>823 337</b>	<b>8 922 980</b>	<b>640 666</b>	<b>6 740 954</b>

## 5.3 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 by the weighted average number of common shares outstanding during the period. For the purpose of calculating diluted earnings per share, the Company 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.

Amounts in Euro	2019	2018
<b>Net profit attributable to the Shareholders of Semapa</b>	<b>124 053 720</b>	<b>132 554 337</b>
Total number of shares issued	81 270 000	81 270 000
Average number of treasury shares in the portfolio	(726 322)	(588 174)
<b>Weighted average number of shares</b>	<b>80 543 678</b>	<b>80 681 826</b>
<b>Basic earnings per share</b>	<b>1.540</b>	<b>1.643</b>
<b>Diluted earnings per share</b>	<b>1.540</b>	<b>1.643</b>



## 5.4 DIVIDENDS

### COMPANY'S DIVIDEND DISTRIBUTION POLICY

The Company focuses on a dividend policy that minimises the volatility of the annual value returned to shareholders per share (Dividend policy).

Dividends per share are calculated based on the number of shares outstanding on the grant date.



The distribution of dividends to shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the shareholders and up until the time of their payment.

### DIVIDENDS DISTRIBUTED IN THE PERIOD

Amounts in Euro	Date	Amount allocated	Dividends per share
<b>Dividends distributed in 2019</b>			
Approval at the Semapa Annual Shareholders' Meeting of the payment of dividends relating to the 2018 net profit on an individual basis in accordance with IFRS.	16 April 2019	41 267 948	0.512
<b>Dividends distributed in 2018</b>			
Approval at the Semapa Annual Shareholders' Meeting of the payment of dividends relating to the 2017 net profit on an individual basis in accordance with IFRS.	24 May 2018	41 310 039	0.512

## 5.5 RESERVES AND RETAINED EARNINGS



### RESERVE BY APPLICATION OF THE EQUITY METHOD

This refers to the accumulated variation in the equity of the Company's subsidiaries whose investment is measured by the equity method (Note 10.1). In accordance with the Portuguese Commercial Companies Code, these reserves are not distributable.

### FAIR VALUE RESERVE

It corresponds to the accumulated change in fair value of financial investments measured at fair value through other comprehensive income (Note 8.2), net of deferred taxes. The change in fair value of financial investments recorded under this caption is not recycled to the income statement.

### LEGAL RESERVE

The Portuguese 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. This reserve cannot be distributed, unless in the event of the Company's winding up. However, it may be used to absorb losses after the other reserves have been exhausted or it can be incorporated into the issued capital.

The legal reserve is comprised by its maximum limit in the periods presented.

### OTHER RESERVES

This caption corresponds to reserves constituted through the transfer of results from previous periods and other movements. The portion of the balance corresponding to the acquisition value of treasury shares held is not distributable (Note 5.2).

Amounts in Euro	31/12/2019	31/12/2018
<b>Reserves by application of the EM</b>	<b>(323 706 762)</b>	(313 619 142)
Legal reserve	16 695 625	16 695 625
Other reserves	984 866 417	896 323 538
Retained earnings	86 613 994	83 870 483
<b>Reserves and retained earnings</b>	<b>764 469 274</b>	683 270 504

#### RESERVE BY APPLICATION OF THE EQUITY METHOD - MOVEMENTS

Amounts in Euro	2019	2018
<b>Balance at the beginning of the period</b>	<b>(313 619 142)</b>	<b>(227 438 036)</b>
Other comprehensive income		
Items that may be reclassified to the income statement		
Fair value of financial instruments	(329 893)	(1 895 544)
Currency translation reserve	6 370 405	(29 484 174)
	<b>6 040 512</b>	<b>(31 379 718)</b>
Items that may not be reclassified to the income statement		
Actuarial gains and losses	(8 183 944)	(9 598 687)
Exchange differences in equity instruments	13 094	(7 123)
	<b>(8 170 850)</b>	<b>(9 605 810)</b>
Transfer to retained earnings due to liquidation of subsidiaries		
Seinpart - Participações, SGPS, S.A.	-	(35 857 480)
Seminv - Investimentos, SGPS, S.A.	-	(9 417 491)
Intra-group acquisition differences of equity shares	(7 957 280)	62 089
Other movements	(2)	17 304
	<b>(7 957 282)</b>	<b>(45 195 578)</b>
<b>Balance at the end of the period</b>	<b>(323 706 762)</b>	<b>(313 619 142)</b>

#### RESERVE BY APPLICATION OF THE EQUITY METHOD - PER SUBSIDIARY

Amounts in Euro	31/12/2019	31/12/2018
ETSA Investimentos, SGPS, S.A.	(9 227 390)	(9 227 390)
Secil - Companhia Geral de Cal e Cimento, S.A.	(189 285 061)	(194 367 627)
Seinpar Investments, B.V.	(42 971 424)	(35 600 253)
Semapa Inversiones, S.L.	(36 764 962)	(36 764 962)
Semapa Next, S.A.	5 971	(7 123)
The Navigator Company, S.A.	(45 463 896)	(37 651 787)
	<b>(323 706 762)</b>	<b>(313 619 142)</b>

## 5.6 INTEREST-BEARING LIABILITIES



Interest-bearing liabilities includes Bonds, Commercial Paper, bank loans and other financing.

<b>Initial measurement</b>	At fair value, net of transaction costs incurred.
<b>Subsequent measurement</b>	At amortised cost, using the effective interest rate method. The difference between the reimbursement amount and the initial measurement amount is recognised in the Separate Income Statement throughout the debt period under "Interest expenses on other loans" in Note 5.10 - Financial income and expenses.
<b>Fair value</b>	The carrying amount of short-term interest-bearing liabilities or loans contracted at variable interest rates are close to their fair value. The fair value of interest-bearing liabilities that are remunerated at a fixed rate is disclosed in Note 8.3 - Financial assets and liabilities.
<b>Presentation</b>	In current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.



### COMMERCIAL PAPER

The Company has several commercial paper programmes negotiated, under which is frequent to occur issues with contractual maturity below one year but with a revolving nature. Where the Company expects to extend these loans (roll over), it classifies them as non-current liabilities.

As of 31 December 2019 and 2018, Interest-bearing liabilities are detailed as follows:

Amounts in Euro	31/12/2019			31/12/2018		
	Non-current	Current	Total	Non-current	Current	Total
Bond loans	100 000 000	80 000 000	180 000 000	180 000 000	150 000 000	330 000 000
Commercial paper	144 250 000	10 000 000	154 250 000	90 300 000	-	90 300 000
Bank loans	39 500 000	10 630 000	50 130 000	50 000 000	-	50 000 000
Loans-related charges	(1 954 953)	-	(1 954 953)	(2 016 459)	-	(2 016 459)
<b>Debt securities and bank debt</b>	<b>281 795 047</b>	<b>100 630 000</b>	<b>382 425 047</b>	<b>318 283 541</b>	<b>150 000 000</b>	<b>468 283 541</b>
Short-term shareholder loans (Note 10.2)	-	9 400 521	9 400 521	-	3 209 343	3 209 343
Short-term loans from subsidiaries (Note 10.2)	-	125 560	125 560	-	1 200 068	1 200 068
<b>Other interest-bearing liabilities</b>	<b>-</b>	<b>9 526 081</b>	<b>9 526 081</b>	<b>-</b>	<b>4 409 411</b>	<b>4 409 411</b>
<b>Total interest-bearing liabilities</b>	<b>281 795 047</b>	<b>110 156 081</b>	<b>391 951 128</b>	<b>318 283 541</b>	<b>154 409 411</b>	<b>472 692 952</b>



The maturity analysis of the interest-bearing liabilities is disclosed in Note 8.1.3 - Liquidity risk.

## BOND LOANS

Amounts in Euro	31/12/2019	Quotation	31/12/2018	Quotation	Maturity	Interest rate
Semapa 2014 / 2019	-		150 000 000		April 2019	Variable rate indexed to Euribor
Semapa 2014 / 2020	80 000 000	102.5	80 000 000	102.50	November 2020	Variable rate indexed to Euribor
Semapa 2016 / 2023	100 000 000		100 000 000		June 2023	Fixed rate
	<b>180 000 000</b>		<b>330 000 000</b>			

As of 31 December 2019 and 2018, the quotation price of the Semapa 2014/2020 bond loan amounted to Euro 102.5.

As of 31 December 2018, the Company held treasury bonds, presented under Receivables and other assets (Note 4.1).

## COMMERCIAL PAPER

### 31 DECEMBER 2019

Contracted amount	Amount used			Maturity date	Interest rate
	Non-current	Current	Total		
90,000,000	-	-	-	November 2020	Variable rate indexed to Euribor
40,000,000	-	-	-	August 2021	Variable rate indexed to Euribor
100,000,000	89 250 000	-	89 250 000	September 2021	Variable rate indexed to Euribor
25 000,000	25 000 000	-	25 000 000	February 2022	Fixed rate
50,000,000	30 000 000	10 000 000	40 000 000	October 2023	Fixed rate
40,000,000	-	-	-	May 2024	Variable rate indexed to Euribor
80,000,000	-	-	-	July 2026	Variable rate indexed to Euribor
<b>425 000,000</b>	<b>144 250 000</b>	<b>10 000 000</b>	<b>154 250 000</b>		

### 31 DECEMBER 2018

Contracted amount	Amount used			Maturity date	Interest rate
	Non-current	Current	Total		
100,000,000	-	-	-	November 2020	Variable rate indexed to Euribor
40,000,000	-	-	-	August 2021	Variable rate indexed to Euribor
100,000,000	25 300 000	-	25 300 000	September 2021	Variable rate indexed to Euribor
25 000,000	25 000 000	-	25 000 000	February 2022	Variable rate indexed to Euribor
50,000,000	40 000 000	-	40 000 000	October 2023	Variable rate indexed to Euribor
<b>315 000,000</b>	<b>90 300 000</b>	<b>-</b>	<b>90 300 000</b>		

## BANK LOANS

Interest rate	31/12/2019			31/12/2018		
	Non-current	Current	Total	Non-current	Current	Total
Fixed rate	32 000 000	8 130 000	40 130 000	40 000 000	-	40 000 000
Variable rate	7 500 000	2 500 000	10 000 000	10 000 000	-	10 000 000
	<b>39 500 000</b>	<b>10 630 000</b>	<b>50 130 000</b>	<b>10 000 000</b>	<b>-</b>	<b>10 000 000</b>

## FINANCIAL COVENANTS

Given the contractual limits, in 2019 and 2018 the Company is in compliance with the covenants negotiated.

## 5.7 LEASE LIABILITIES



Lease liabilities includes Bonds, Commercial Paper, bank loans and other financing.

**Initial measurement** At the start date of the lease, the Company recognises lease liabilities measured at the present value of future lease payments, which include fixed payments less any incentives, variable lease payments, and amounts expected to be paid as residual value. Lease payments also include the exercise price of call or renewal options reasonably certain to be exercised by the Company or lease termination penalty payments if the lease term reflects the Company's option to terminate the agreement. In calculating the present value of future lease payments, the Company uses its incremental financing rate if the implied interest rate on the lease transaction is not easily determinable.

**Subsequent measurement** Subsequently, the value of lease liabilities is increased by the interest amount (Note 5.10 Financial income and expenses) and decreased by lease payments (rents).

Amounts in Euro	Non-current	Current	Total
Vehicles	146 504	105 559	252 063
	<b>146 504</b>	<b>105 559</b>	<b>252 063</b>



The maturity analysis of the lease liabilities is presented in Note 8.1.3 – Liquidity risk.

## 5.8 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 (Note 5.7).

Amounts in Euro	31/12/2019	31/12/2018
Cash	4 377	4 535
Bank deposits available on demand	80 643	101 140
<b>Cash and cash equivalents in the cash flow statement</b>	<b>85 020</b>	<b>105 675</b>

As of 31 December 2019 and 2018, there are no cash and cash equivalent balances that are subject to restrictions on use by the Company.

## 5.9 CASH FLOWS FROM FINANCING ACTIVITIES

### CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

Amounts in Euro	01/01/2019	Cash flows from financing activities	Transactions not affecting cash and cash equivalents			31/12/2019
			Leases recognition	Amortisation costs	Accrued interest	
Interest-bearing liabilities (Note 5.6)						
Bond loans	330 000 000	(150 000 000)	-	-	-	180 000 000
Commercial paper	90 300 000	63 950 000	-	-	-	154 250 000
Bank loans	50 000 000	130 000	-	-	-	50 130 000
Borrowing costs	(2 016 459)	-	-	(1 568 890)	1 630 396	(1 954 953)
Other interest-bearing liabilities	4 409 411	5 108 382	-	-	8 288	9 526 081
Lease liabilities (Notes 5.7 and 1.5.1)	357 765	(148 084)	42 382	-	-	252 063
<b>Total</b>	<b>473 050 717</b>	<b>(80 959 702)</b>	<b>42 382</b>	<b>(1 568 890)</b>	<b>1 638 684</b>	<b>392 203 191</b>

Amounts in Euro	01/01/2018	Cash flows from financing activities	Transactions not affecting cash and cash equivalents			31/12/2018
			Leases recognition	Amortisation costs	Accrued interest	
Interest-bearing liabilities (Note 5.6)						
Bond loans	330 000 000	-	-	-	-	330 000 000
Commercial paper	153 250 000	(62 950 000)	-	-	-	90 300 000
Bank loans	67 500 000	(17 500 000)	-	-	-	50 000 000
Borrowing costs	(2 998 339)	-	-	(1 158 375)	2 140 255	(2 016 459)
Other interest-bearing liabilities	4 663 771	(262 450)	-	-	8 090	4 409 411
<b>Total</b>	<b>552 415 432</b>	<b>(80 712 450)</b>	<b>-</b>	<b>(1 158 375)</b>	<b>2 148 345</b>	<b>472 692 952</b>

## 5.10 NET FINANCIAL RESULTS



The Company classifies as "Financial income" the income and gains resulting from cash-flow management activities such as: **i)** interest earned on surplus cash; and **ii)** changes in fair value of financial investments measured at fair value through profit or loss.

During 2019 and 2018, financial income and expenses are detailed as follows:

Amounts in Euro	2019	2018
Interest on debt securities and bank debt (Note 5.6)	(8 478 370)	(12 044 735)
Interest on other interest-bearing liabilities (Note 5.6)	(10 847)	(18 486)
Commissions on loans and expenses with credit facilities	(2 428 867)	(2 908 273)
<b>Interest expense by applying the effective interest method</b>	<b>(10 918 084)</b>	<b>(14 971 494)</b>
Other fees and commissions	-	(1)
Interest expense on lease liabilities (Note 5.7)	(7 665)	-
<b>Financial expenses related to the capital structure</b>	<b>(10 925 749)</b>	<b>(14 971 495)</b>
Unfavourable exchange differences	(2)	(51)
Other financial expenses and losses	(1)	(507)
<b>Financial expenses and losses</b>	<b>(10 925 752)</b>	<b>(14 972 053)</b>
Interest income from financial assets at amortised cost (Notes 4.1 and 5.8)	22 324	41 679
Favourable exchange differences	63	-
Fair value gains on other financial investments (Note 8.2)	31 770	4 468
Other financial income and gains	1 010	77
<b>Financial income and gains</b>	<b>55 167</b>	<b>46 224</b>
<b>Financial results</b>	<b>(10 870 585)</b>	<b>(14 925 829)</b>

## 6 INCOME TAX

### 6.1 INCOME TAX FOR THE PERIOD



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

According to the legislation in force, the gains and losses relating to group and associated companies resulting from the application of the equity method are deducted from or added to, respectively, to the net income of the year for the purpose of calculating taxable income. Dividends are considered when determining the taxable income in the year in which they are received, if the instruments are held for less than one year or if investments represent less than 10% of the share capital.

#### TAXATION GROUP

Semapa Group is subject to the special tax regime for groups of companies, 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 tax business group, 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 Company'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 periods presented, the tax group includes the companies of the Secil and ETSA groups as well as all other subsidiaries that comply with the legal requirements defined by the Corporate Tax Income Code.

The Company's amounts receivable or payable from or to other companies of the tax group relating to their liabilities are presented under Receivables and other assets (Note 4.1) and Payables and other liabilities (Note 4.2).



The Company recognises liabilities for additional settlements that may result from tax authorities' revisions.

When the final result of these situations is different from the amounts initially recorded, the differences will have an impact on income tax and tax provisions in the period in which they occur.

In Portugal, annual income statements are subject to review and possible adjustment by the tax authorities for a period of 4 years. However, if tax losses are presented they may be subject to review by the tax authorities for a greater period.

The Board of Directors considers that any corrections to those declarations as a result of reviews/inspections by the Portuguese tax authorities will not have a significant impact in the separate financial statements as at 31 December 2019, although the years up to and including 2016 have already been reviewed.

#### ADDITIONAL TAX LIABILITIES FOR UNCERTAIN TAX POSITIONS

The amount of estimated assets and liabilities recorded on account of tax proceedings arises from an assessment made by the Company at the date of the statement of financial position, regarding potential differences of interpretation against the Portuguese Tax Authorities and the application of tax rules and their recent developments. With respect to the measurement of uncertain tax positions, the Company takes into consideration the provisions of IFRIC 23 - 'Uncertainty over income tax treatments', namely in the measurement of risks and uncertainties in defining the best estimate of expenditure required to settle the obligation, by weighting all possible results controlled by the Company and their related probabilities.



### 6.1.1 INCOME TAX RECOGNISED IN THE INCOME STATEMENT

Amounts in Euro	2019	2018
Current tax	3 983 436	778 444
Deferred tax (Note 6.2)	462 249	(269 418)
	<b>4 445 685</b>	<b>509 026</b>

### NOMINAL TAX RATE

Amounts in Euro	2019	2018
Portugal		
Nominal rate of income tax	21.0%	21.0%
Municipal surcharge	1.5%	1.5%
	<b>22.5%</b>	<b>22.5%</b>
State surcharge - on taxable income between euro 1 500,000 and euro 7 500,000	3.0%	3.0%
State surcharge - on taxable income between euro 7 500,000 and euro 35 000,000	5.0%	5.0%
State surcharge - on taxable income above euro 35 000,000	9.0%	9.0%

### RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE FOR THE PERIOD

Amounts in Euro	2019	2018
<b>Profit before tax</b>	<b>119 608 035</b>	<b>132 045 311</b>
Expected tax at nominal rate (22.5%)	26 911 808	29 710 195
<b>Tax resulting from the applicable rate</b>	<b>26 911 808</b>	<b>29 710 195</b>
Differences (a)	(29 462 105)	(33 260 611)
Tax for prior years	(5 226 228)	(2 420 280)
Non-recoverable tax losses	2 088 048	3 819 834
Autonomous taxation	1 242 792	1 641 836
	<b>(4 445 685)</b>	<b>(509 026)</b>
<b>Effective tax rate</b>	<b>-3.72%</b>	<b>-0.39%</b>
<b>(a) This value essentially refers to:</b>	<b>2019</b>	<b>2018</b>
Effect of application of the equity method (Note 10.1)	(130 930 236)	(147 842 004)
Capital gains/(losses) for tax purposes	94	30 000
Capital (gains)/losses for accounting purposes	(94)	(30 000)
Employee benefits (Note 7.2.1)	23 431	23 431
Employee benefits - pensions paid (Note 7.2.1)	(130 514)	(147 086)
Other	94 631	140 720
	<b>(130 942 688)</b>	<b>(147 824 939)</b>
<b>Tax effect (22.5%)</b>	<b>(29 462 105)</b>	<b>(33 260 611)</b>

## 6.1.2 TAX RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

Amounts in Euro	31/12/2019	31/12/2018
<b>Liabilities</b>		
Corporate income tax (IRC)	4 397 885	13 186 212
	<b>4 397 885</b>	<b>13 186 212</b>

### DETAIL OF CORPORATE INCOME TAX - IRC (NET)

Amounts in Euro	31/12/2019	31/12/2018
Income tax for the period	(1 242 792)	(1 641 836)
Income tax for the period of subsidiaries	(53 210)	(2 172 154)
Payments on account, Special payments on account and Additional payments on account	1 240 548	3 224 041
Withholding tax recoverable	25 421	18 485
Income tax recoverable from prior years	185 252	185 252
Additional tax liabilities	(4 553 104)	(12 800 000)
	<b>(4 397 885)</b>	<b>(13 186 212)</b>

### ADDITIONAL TAX LIABILITIES

Amounts in Euro	2019	2018
<b>Balance at the beginning of the period</b>	<b>12 800 000</b>	<b>12 800 000</b>
Charge-offs	(8 246 896)	-
<b>Balance at the end of the period</b>	<b>4 553 104</b>	<b>12 800 000</b>

During the year ended 31 December 2019 and following a tax inspection of the first tax period of 2015, Semapa paid the amount of Euro 8 246 896, resulting from an additional income tax assessment. However, the Company had previously recorded an additional tax liability for its uncertain tax position and therefore decided to charge it off in the period.

## 6.2 DEFERRED TAXES



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 an income or expense 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.

Deferred tax liabilities are not recognised for temporary taxable differences related to investments in subsidiaries to the extent that: **i)** the Company has the ability to control the reversal period of the temporary difference; and **ii)** it is likely that the temporary difference will not reverse in the near future.



### DEFERRED TAXES RECOGNISED RELATING TO UNUSED TAX LOSSES OF SUBSIDIARIES

The Company records deferred tax liabilities on tax losses and tax benefits to subsidiaries within the special taxation regime for group companies (RETGS), which are reportable intra-group, whenever their future use is expected by these same subsidiaries on an individual basis.

### CHANGES IN DEFERRED TAXES

Amounts in Euro	As of 1 January 2019	Income Statement		As of 31 December 2019
		Increases	Decreases	
<b>Temporary differences that give rise to deferred tax liabilities</b>				
Intra-group tax losses carry forward	(445 450)	-	445 450	-
Intra-group tax benefits carry forward	(786 787)	(223 115)	591 820	(418 082)
	<b>(1 232 237)</b>	<b>(223 115)</b>	<b>1 037 270</b>	<b>(418 082)</b>
<b>Deferred tax liabilities</b>	<b>(880 331)</b>	<b>(223 115)</b>	<b>685 364</b>	<b>(418 082)</b>

Amounts in Euro	As of 1 January 2018	Income Statement		As of 31 December 2018
		Increases	Decreases	
<b>Temporary differences that give rise to deferred tax liabilities</b>				
Intra-group tax losses carry forward	(2 909 114)	-	2 463 664	(445 450)
Intra-group tax benefits carry forward	-	(1 229 931)	443 144	(786 787)
	<b>(2 909 114)</b>	<b>(1 229 931)</b>	<b>2 906 808</b>	<b>(1 232 237)</b>
<b>Deferred tax liabilities</b>	<b>(610 914)</b>	<b>(1 229 931)</b>	<b>960 513</b>	<b>(880 331)</b>

### UNUSED TAX LOSSES OF SUBSIDIARIES WITHOUT RECOGNISED DEFERRED TAXES

31 December 2019 Amounts in Euro	Total	2023	2025	2027	2028
Tax losses of the Tax Group (RETGS) Semapa	384 957 308	37 435 032	230 446 890	117 075 386	-
	<b>384 957 308</b>	<b>37 435 032</b>	<b>230 446 890</b>	<b>117 075 386</b>	<b>-</b>

31 December 2018 Amounts in Euro	Total	2025	2027	2028
Tax losses of the Tax Group (RETGS) Semapa	337 514 599	216 909 597	117 075 386	3 529 616
	<b>337 514 599</b>	<b>216 909 597</b>	<b>117 075 386</b>	<b>3 529 616</b>

## 7 PAYROLL

### 7.1 PAYROLL COSTS



#### SHORT-TERM EMPLOYEE BENEFITS

##### ENTITLEMENTS – HOLIDAY AND HOLIDAY ALLOWANCE

In accordance with current legislation, employees are entitled to 22 working days leave, annually, as well as to a month's holiday allowance, entitlement to which is acquired in the year preceding its payment.

##### BONUS

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 year in which the employees acquire the respective right, irrespective of the date of payment, whilst the balance payable at the date of the statement of financial position is shown under Payables and other current liabilities.

##### TERMINATION BENEFITS

The benefits arising from termination of employment are recognised when the Company can no longer withdraw the offer of such benefits or in which the Company 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.

Amounts in Euro	2019	2018
Statutory Bodies remuneration (Note 7.3)	4 365 272	5 724 823
Other remunerations	2 315 101	2 313 001
Post-employment benefits (Note 7.2.2)	23 431	23 431
Charges on remuneration	927 250	1 027 277
Other payroll costs	128 755	152 966
<b>Payroll costs</b>	<b>7 759 809</b>	<b>9 241 498</b>
<b>Number of employees at the end of the period</b>	<b>27</b>	<b>30</b>

## 7.2 EMPLOYEE BENEFITS



### POST-EMPLOYMENT BENEFITS - DEFINED BENEFIT PLANS

The Company has undertaken the commitment to pay its directors cash benefits as supplementary retirement pension, and set up a defined benefit plan to that purpose.

In the reported periods, the amount of the liability reflected in the statement of financial position, under the caption "Responsibilities for post-employment benefits", corresponds to Semapa's responsibility regarding a single beneficiary, a retired who did not adhere to the revocation of the pension plan of the Board of Directors, which occurred in December 2012. The Company did not record any liability regarding this situation.

Actuarial deviations resulting from changes in the value of estimated liabilities, as a consequence of changes in the financial and demographic assumptions used and experience gains, are recorded directly in the statement of comprehensive income, under Retained earnings.

Net interest corresponds to the application of the discount rate to the value of net liabilities and is recognised in the income statement Payroll costs.

The gains and losses generated by a curtailment or settlement of a defined-benefit plan are recognised in the income statement for the period when the curtailment or settlement occurs.



### ACTUARIAL ASSUMPTIONS

The liabilities for defined benefit employee plans are calculated based on certain actuarial assumptions. Changes in these assumptions may have a material impact on those liabilities.

As of 31 December 2019 and 2018, the actuarial assumptions were as follows:

	31/12/2019	31/12/2018
<b>Social Security Benefits Formula</b>	<b>Decree-Law no. 187/2007 of 10 May</b>	
Mortality table	TV 88/90	TV 88/90
Disability table	EKV 80	EKV 80
Pension growth rate	1.00%	1.00%
Technical interest rate	2.00%	2.00%
Income rates	2.00%	2.00%
Wage growth rate	1.00%	1.00%
Return rate on plan assets	50.00%	50.00%
Number of Semapa complement annual payments	12	12

### 7.2.1 PENSION LIABILITIES

Amounts in Euro	2019		2018	
	No. of benef.	Amount	No. of benef.	Amount
<b>Pension liabilities</b>				
Retired employees	1 008 908	1	1 115 990	1 115 990
<b>Unfunded pension liability</b>	<b>1 008 908</b>	<b>1</b>	<b>1 115 990</b>	<b>1 115 990</b>

### CHANGES IN PENSION LIABILITIES

Amounts in Euro	Opening balance	Net interest (Note 7.1)	Payments	Closing balance
2019	1 115 990	23 431	(130 513)	1 008 908
2018	1 239 645	23 431	(147 086)	1 115 990

## 7.3 REMUNERATION OF CORPORATE BODIES

The remunerations of the members of the corporate bodies, including the estimate for the management bonus for the years ended 31 December 2019 and 2018, were as follows:

Amounts in Euro	2019	2018
<b>Board of Directors</b>		
Remunerations	2 793 262	2 723 277
Management premium	1 493 510	2 926 811
Supervisory Board and other statutory bodies	78 500	74 735
<b>Total (Note 7.1)</b>	<b>4 365 272</b>	<b>5 724 823</b>

### REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

All details of the remuneration policy of the Board Members of Semapa's management are detailed in the Company's Corporate Governance Report, Part I - Section D.

As of 31 December 2019 and 2018, 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)** any outstanding balances.

## 8 FINANCIAL INSTRUMENTS

### 8.1 FINANCIAL RISK MANAGEMENT

Semapa, as a holding company develops direct and indirect managing activities over its subsidiaries. Accordingly, the fulfilment of the obligations undertaken by the Company depends on the cash flow generated by its subsidiaries, which include the distribution of dividends, the payment of interest, the repayment of loans granted and the payment for services rendered by the Company. The ability of Semapa's subsidiaries to generate positive cash flows and to make funds available will depend on their results, available reserves and financial structure.

The Semapa group has a risk-management program, which focuses its analysis on the activity and performance of financial markets with a view to mitigate the potential adverse effects on its financial performance. Risk management is undertaken by the Company's Financial Management and main subsidiaries, in accordance with the policies approved by the Board of Directors and monitored by the Company's Risks and Control Committee/ Internal Control Committee.

The Group adopts a proactive approach to risk management, as a way to mitigate the potential adverse effects associated with those risks, namely the foreign exchange rate risk and interest rate risk.

In the context of the separate financial statements, the Company's exposure to financial risk arising from the Group's activity is mainly associated with financing obtained externally (Note 5.6).

#### 8.1.1 CURRENCY RISK

##### FOREIGN EXCHANGE RISK MANAGEMENT POLICY

In the context of the separate financial statements, the foreign exchange risk to which the Company is directly exposed in terms of financial assets and liabilities is not significant.

However, an unfavourable change in exchange rates associated with the relevant geographies for its subsidiaries may lead to a significant decrease in the value of assets and results of the subsidiaries and the distribution of dividends to the Company. The Group seeks to mitigate this risk by constantly monitoring the exposure to each currency and by using natural hedges, as well as by contracting derivative financial instruments with exchange hedges, as presented in the consolidated financial statements.

#### 8.1.2 INTEREST RATE RISK

##### INTEREST RATE RISK MANAGEMENT POLICY

A significant share of the Company'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 income statement.



#### SENSITIVITY ANALYSIS

Semapa carries out sensitivity analysis in order to assess the impact on the income statement and equity caused by an increase or decrease in market interest rates, considering all other factors unchanged. This is a mere illustrative analysis, since changes in market rates rarely occur separately.

Amounts in Euro	31/12/2019	31/12/2018
<b>0.5% increase in market interest rates</b>		
Impact on profit before tax - increase /(decrease)	(944 530)	(1 873 547)

## EXPOSURE TO INTEREST RATE RISK

The fixed rate (which does not expose the Company to interest rate risk) and variable rate (which expose the Company to interest rate risk) financial assets and liabilities are detailed as follows:

As of 31 December 2019 Amounts in Euro	Fixed rate		Variable interest rate - next rate reset date				Total interest-bearing	
	Amount	%	Below 3 months	3-12 months	1-5 years	Total		%
<b>Assets</b>								
<b>Non-current</b>								
Receivables (Note 4.1)	-	0%	13 553	-	-	13 553	100%	13 553
<b>Current</b>								
Receivables (Note 4.1)	84 277 160	100%	-	-	-	-	0%	84 277 160
Cash and cash equivalents (Note 5.8)	85 020	100%	-	-	-	-	0%	85 020
<b>Total financial assets</b>	<b>84 362 180</b>	<b>100%</b>	<b>13 553</b>	<b>-</b>	<b>-</b>	<b>13 553</b>	<b>0%</b>	<b>84 375 733</b>
<b>Liabilities</b>								
<b>Non-current</b>								
Interest-bearing liabilities (Note 5.6)	197 000 000	69%	79 250 000	-	7 500 000	86 750 000	31%	283 750 000
Lease liabilities (Note 5.7)	146 504	100%	-	-	-	-	0%	146 504
<b>Current</b>								
Interest-bearing liabilities (Note 5.6)	8 130 000	7%	20 776 081	81 250 000	-	102 026 081	93%	110 156 081
Lease liabilities (Note 5.7)	105 559	100%	-	-	-	-	0%	105 559
Payables (Note 4.2)	11 294 353	100%	-	-	-	-	0%	11 294 353
<b>Total financial liabilities</b>	<b>216 676 416</b>	<b>53%</b>	<b>100 026 081</b>	<b>81 250 000</b>	<b>7 500 000</b>	<b>188 776 081</b>	<b>47%</b>	<b>405 452 497</b>
<b>Net financial position</b>	<b>(132 314 236)</b>		<b>(100 012 528)</b>	<b>(81 250 000)</b>	<b>(7 500 000)</b>	<b>(188 762 528)</b>		<b>(321 076 764)</b>

As of 31 December 2018 Amounts in Euro	Fixed rate		Variable interest rate - next rate reset date				Total interest-bearing	
	Amount	%	Below 3 months	3-12 months	1-5 years	Total		%
<b>Assets</b>								
<b>Non-current</b>								
Receivables (Note 4.1)	-	0%	15 339	-	-	15 339	100%	15 339
<b>Current</b>								
Cash and cash equivalents (Note 5.8)	105 675	100%	-	-	-	-	0%	105 675
<b>Total financial assets</b>	<b>105 675</b>	<b>87%</b>	<b>15 339</b>	<b>-</b>	<b>-</b>	<b>15 339</b>	<b>13%</b>	<b>121 014</b>
<b>Liabilities</b>								
<b>Non-current</b>								
Interest-bearing liabilities (Note 5.6)	140 000 000	44%	35 300 000	80 000 000	65 000 000	180 300 000	56%	320 300 000
<b>Current</b>								
Interest-bearing liabilities (Note 5.6)	-	0%	1 200 068	153 209 343	-	154 409 411	100%	154 409 411
Payables (Note 4.2)	11 460 745	100%	-	-	-	-	0%	11 460 745
<b>Total financial liabilities</b>	<b>151 460 745</b>	<b>31%</b>	<b>36 500 068</b>	<b>233 209 343</b>	<b>65 000 000</b>	<b>334 709 411</b>	<b>69%</b>	<b>486 170 156</b>
<b>Net financial position</b>	<b>(151 355 070)</b>		<b>(36 484 729)</b>	<b>(233 209 343)</b>	<b>(65 000 000)</b>	<b>(334 694 072)</b>		<b>(486 049 142)</b>



### 8.1.3 LIQUIDITY RISK

#### LIQUIDITY RISK MANAGEMENT POLICY

The Company manages liquidity risk in two ways:

i) ensuring that its financial debt has a high medium and long-term component with maturities appropriate to the characteristics of the industries in which its subsidiaries operate, and;

ii) through the contracting with financial institutions of credit facilities available at all times, for an amount that guarantees adequate liquidity.

#### AVAILABLE AND UNDRAWN CREDIT FACILITIES

The Company's policy is to maintain credit facilities at appropriate levels to meet i) potential business acquisitions and ii) cash requirements for scheduled repayments of financing in accordance with the cash budget and actual execution.

#### CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES (UNDISCOUNTED FLOWS INCLUDING INTEREST)

Amounts in Euro	Below 1 month	1-3 months	3-12 months	1-5 years	Total
<b>As of 31 December 2019</b>					
<b>Liabilities</b>					
<b>Interest-bearing liabilities (Note 5.6)</b>					
Bond loans	-	-	84 866 427	106 700 000	191 566 427
Commercial paper	22 560	435 069	10 760 886	146 235 198	157 453 714
Bank loans	1 465 049	-	9 972 075	40 724 739	52 161 863
Other loans	-	-	9 532 273	-	9 532 273
Lease liabilities (Note 5.7)	10 129	20 259	80 149	150 386	260 923
Payables (Note 4.2)	3 188 996	2 581 673	5 523 684	-	11 294 353
<b>Total liabilities</b>	<b>4 686 734</b>	<b>3 037 001</b>	<b>120 735 494</b>	<b>293 810 323</b>	<b>422 269 552</b>
<b>Of which interest (at the rates prevailing )</b>	<b>107 609</b>	<b>435 069</b>	<b>6 355 580</b>	<b>9 909 937</b>	<b>16 808 195</b>
<b>As of 31 December 2018</b>					
<b>Liabilities</b>					
<b>Interest-bearing liabilities (Note 5.6)</b>					
Bond loans	-	-	157 209 111	191 652 453	348 861 564
Commercial paper	-	452 764	749 573	93 479 474	94 681 811
Bank loans	99 667	-	1 068 131	52 678 257	53 846 055
Other loans	-	-	4 409 411	-	4 409 411
Payables (Note 4.2)	1 418 628	3 055 424	6 986 693	-	11 460 745
<b>Total liabilities</b>	<b>1 518 295</b>	<b>3 508 188</b>	<b>170 422 919</b>	<b>337 810 184</b>	<b>513 259 586</b>
<b>Of which interest (at the rates prevailing )</b>	<b>99 667</b>	<b>452 764</b>	<b>9 026 815</b>	<b>17 510 184</b>	<b>27 089 430</b>

The undiscounted cash flows of interest-bearing financial liabilities included above are detailed as follows:

Amounts in Euro	31/12/2019	31/12/2018
<b>Below 12 months</b>	<b>128 459 230</b>	<b>175 449 402</b>
1 to 2 years	114 153 721	107 727 588
2 to 3 years	49 440 349	50 310 193
3 to 4 years	130 216 253	49 518 232
4 to 5 years	-	130 254 172
<b>1 to 5 years</b>	<b>293 810 323</b>	<b>337 810 184</b>
<b>Total</b>	<b>422 269 553</b>	<b>513 259 586</b>



The contractual maturity of interest-bearing liabilities requires the compliance with financial covenants, as detailed in Note 5.6 – Interest-bearing liabilities.

#### AVAILABLE AND UNDRAWN CREDIT FACILITIES

Amounts in Euro	31/12/2019	31/12/2018
<b>Undrawn credit facilities</b>		
Commercial paper	270 750 000	224 700 000
Other credit facilities	9 620 000	29 750 000
	<b>280 370 000</b>	<b>254 450 000</b>
Commercial paper used (Note 5.6)	154 250 000	90 300 000
Other credit facilities used (Note 5.6)	50 130 000	50 000 000
<b>Contracted credit facilities (nominal value)</b>	<b>484 750 000</b>	<b>394 750 000</b>

#### 8.1.4 CREDIT RISK



##### IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses, on a prospective basis, the expected credit losses associated with its financial assets measured at cost as detailed in Note 8.3.1 – Categories of financial instruments of the Company.

##### RECEIVABLES FROM SUBSIDIARIES

Receivables from subsidiaries are subject to the general impairment model of IFRS 9 (three-step model).

Since the credit risk of the subsidiaries is considered low, due to the low uncollectability risk and their ability to repay on demand, the estimate of impairment corresponds to the first step of the model with the assessment of the uncollectability risk of the cash flows for the next 12 months.

##### OTHER RECEIVABLES AND OTHER FINANCIAL ASSETS

Financial assets are derecognised when there is no actual expectation of receipt. The Company classifies an amount receivable to be derecognised when the debtor fails with the contractual payments due.

Upon derecognition, the Company continues to take measures to recover the amounts due. When the amounts are recovered successfully, those are recognised in the income for the period.

## CREDIT RISK MANAGEMENT POLICY

Semapa has no significant commercial activity in addition to the management of the Group's financial holdings and the rendering of services to subsidiaries.

Within the context of the separate financial statements, the credit risk related to financial assets to which the Company is directly exposed to arises mainly from loans granted to subsidiaries and other receivables thereof (Note 4.1), and cash and cash equivalent balances (Note 5.8).



### AMOUNTS RECEIVABLE FROM SUBSIDIARIES

In relation to services rendered and loans granted by the Company to subsidiaries, the Company did not record impairment losses in the amounts receivable from subsidiaries in the reported periods.

### OTHER RECEIVABLES

Receivables are initially recorded at fair value and are subsequently measured at amortised cost, less impairment losses, necessary to bring them to their expected net realisable value.

Impairment losses are recorded as a result of expected credit losses over the respective duration whenever, on each reporting date, there is a significant increase in credit risk since the initial recognition of the receivables.

It is considered as default the payments after a delay of 180 days or more, resulting from the experience of actual historical losses over the period considered statistically relevant.

## MAXIMUM EXPOSURE TO CREDIT RISK

Amounts in Euro	31/12/2019	31/12/2018
<b>Non-current</b>		
Other financial investments (Note 8.2)	42 143	10 372
Receivables (Note 4.1)	13 553	15 339
<b>Current</b>		
Cash and cash equivalents (Note 5.8)	85 020	105 675
	<b>140 716</b>	<b>131 386</b>

## 8.2 OTHER FINANCIAL INVESTMENTS



This Note includes equity instruments held by the Company relating to companies over which it has no control or significant influence. Other financial investments are measured at fair value through profit or loss when the Company holds them for trading purposes. The Company designates the remaining financial investments as financial assets at fair value through other comprehensive income.

Amounts in Euro	31/12/2019	31/12/2018
<b>Financial assets at fair value through profit or loss</b>		
Mor-Online, SA	12 235	5 904
Ynvisible, SA	29 908	4 468
	<b>42 143</b>	<b>10 372</b>

## 8.3 FINANCIAL ASSETS AND LIABILITIES

### 8.3.1 CATEGORIES OF THE COMPANY'S FINANCIAL INSTRUMENTS

The financial instruments included in each caption of the statement of financial position are classified as follows:

Amounts in Euro	Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets outside the scope of IFRS 9	Non-financial assets	Total
<b>31 December 2019</b>						
Other financial investments	8.3	-	42 143	-	-	42 143
Receivables	4.1	84 125 833	13 553	53 739	97 588	84 290 713
Cash and cash equivalents	5.8	85 020	-	-	-	85 020
<b>Total assets</b>		<b>84 210 853</b>	<b>55 696</b>	<b>53 739</b>	<b>97 588</b>	<b>84 417 876</b>
<b>31 December 2018</b>						
Other financial investments	8.2	-	10 372	-	-	10 372
Receivables	4.1	13 362 642	15 339	-	81 390	13 459 371
Cash and cash equivalents	5.8	105 675	-	-	-	105 675
<b>Total assets</b>		<b>13 468 317</b>	<b>25 711</b>	<b>-</b>	<b>81 390</b>	<b>13 575 418</b>

Amounts in Euro	Note	Financial liabilities at amortised cost	Non-financial liabilities	Total
<b>31 December 2019</b>				
Interest-bearing liabilities	5.6	391 951 128	-	391 951 128
Lease liabilities	5.7	252 063	-	252 063
Payables	4.2	10 131 979	1 162 374	11 294 353
<b>Total liabilities</b>		<b>402 335 170</b>	<b>1 162 374</b>	<b>403 497 544</b>
<b>31 December 2018</b>				
Interest-bearing liabilities	5.6	472 692 952	-	472 692 952
Payables	4.2	10 859 894	600 851	11 460 745
<b>Total liabilities</b>		<b>483 552 846</b>	<b>600 851</b>	<b>484 153 697</b>

### 8.3.2 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES



The fair value of financial instruments is classified in accordance with the fair value hierarchy of IFRS 13 - Fair value measurement:

<b>Level 1</b>	Fair value is based on active markets quotations, at the reporting date.
<b>Level 2</b>	Fair value is determined using valuation models, whose main inputs of the models used are observable in the market.
<b>Level 3</b>	Fair value is determined using valuation models, whose main inputs are not observable in the market.



#### FAIR VALUE OF INTEREST-BEARING LIABILITIES REMUNERATED AT FIXED INTEREST RATE

The fair value of these liabilities is calculated using the discounted cash flow method at the reporting date, using a discount rate in accordance with the characteristics of each loan, belonging to level 2 of the fair value hierarchy of IFRS 13.

#### FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST

The Company considers that the carrying amount of loans at variable rates, as well as financial assets and liabilities measured at amortised cost in the remaining captions (Note 8.3.1), is close to their fair value.

# 9 PROVISIONS, COMMITMENTS AND CONTINGENCIES

## 9.1 PROVISIONS



### Recognition and initial measurement

Provisions are recognised whenever:

- i) the Company has a legal or constructive obligation, as a result of past events;
- ii) it is likely that a cash outflow and/or resources will be required to settle the obligation; and
- iii) the amount has been reliably estimated.

### Subsequent measurement

Provisions are reviewed on the statement of financial position date and are adjusted so as to reflect the best estimate at that date.

### INVESTMENTS IN SUBSIDIARIES

Provisions are recognised for liabilities that the Company undertakes for losses on investments in subsidiaries (Note 10.1), after the carrying amount has been reduced to nil, to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of those subsidiaries.

### TAX PROCEEDINGS

The balances of the additional tax liabilities due to the Company's uncertain income tax positions are disclosed in Note 6.1 - Income Tax.



### LEGAL AND TAX PROCEEDINGS

These provisions were made in accordance with the risk assessments carried out internally by the Company with the support of its legal advisors, based on the likelihood of the decision being favourable or unfavourable to the Company.

## 9.2 COMMITMENTS

In the periods ended 31 December 2019 and 2018, Semapa has no commitments in addition to those already disclosed above.

## 9.3 CONTINGENT ASSETS AND LIABILITIES

In the periods ended 31 December 2019 and 2018, Semapa did not identify any reportable contingent assets and liabilities.

## 10 GROUP STRUCTURE

### 10.1 INVESTMENTS IN SUBSIDIARIES



Subsidiaries are all entities over which the Company has control, which occurs when the Company is exposed or entitled to the variable returns resulting from its involvement with the entities and has the capacity to affect that return through the exercise of power over the entities, regardless of the percentage they hold over equity. The existence and the effect of potential voting rights which are currently exercisable or convertible are considered when the Group assesses whether it has control over another entity.

#### MEASUREMENT

Investments in associates are equity accounted.

According to the equity method, financial investments are recorded at their acquisition cost, subsequently adjusted by the amount corresponding to the participation in the net profit of the subsidiary companies against "Gains / (losses) from subsidiaries - equity method", for the dividends received and for other variations in its equity, against "Other comprehensive income". Additionally, interests in subsidiaries may also be adjusted by recognizing impairment losses.

The subsidiaries' accounting policies are adjusted whenever necessary so as to ensure consistency with the policies adopted by the Company.

When the Company's share of losses in subsidiaries exceeds its investment in these companies, the Company ceases to recognise additional losses, unless it has incurred liabilities or made payments on their behalf, as presented in Note 9.1 - Provisions. If the subsidiaries subsequently report profits, the Company recognises its share of those profits only after its share of profits equals the share of losses not recognised.



#### RECOVERABLE AMOUNT OF INVESTMENTS IN SUBSIDIARIES

The Company carries out impairment tests to investments in subsidiaries on an annual basis and at dates when it determines there is evidence that the investments may be impaired.

In the separate financial statements, the Goodwill included in the measurement of the financial investments is not presented separately, and the impairment analyses have as reference the total book amount of the investment tested. These projections result from the budgets for the following year and the estimated cash flows for a subsequent period of four years reflected in the approved Medium Long Term Plans.

Cash flows are discounted at the WACC - Weighted Average Cost of Capital rates - calculated according to the CAPM model (Capital Asset Pricing Model) and based on weighted average debt and equity costs, estimated according to the segments where the CGU are inserted. The risk-free interest rate considered results from market information on sovereign debt over the medium to long term. The beta and sector leverage are based on information from a wide range of comparable companies subject to an annual review. All of this information is collected from international and independent sources, among others, through Reuters and rating agencies (S&P, Moody's and Fitch).

The growth rate in perpetuity reflects the vision of Management in the medium to long term for the different CGUs, bearing in mind the inflation objectives of the respective Central Banks, future inflation rate estimates,

the macroeconomic perspectives, as well as the predictable evolution of the Markets where the Group operates.

The sources of macroeconomic forecasts are the IMF and Banco de Portugal.

The assumptions used in the business plans were as follows:

Financial assumptions	31/12/2019				31/12/2018			
	Risk free interest rate*	WACC Rate EUR	Growth rate in perp. EUR	Income tax rate	Risk free interest rate*	WACC Rate EUR	Growth rate in perp. EUR	Income tax rate
<b>Pulp and Paper</b>								
<b>Portugal</b>								
Explicit Planning Period	0.77%	5.36%	-	27.50%	1.83%	6.59%	-	27.50%
Perpetuity	2.85%	7.31%	0.00%	27.50%	1.83%	6.59%	0.00%	27.50%
<b>Cement and Derivatives</b>								
<b>Portugal</b>								
Explicit Planning Period	0.77%	5.22%	-	27.50%	1.83%	6.43%	-	27.50%
Perpetuity	2.85%	7.12%	1.50%	27.50%	1.83%	6.43%	1.35%	27.50%
<b>Environment</b>								
<b>Portugal</b>								
Explicit Planning Period	0.77%	4.72%	-	27.50%	1.83%	5.97%	-	27.50%
Perpetuity	2.85%	6.63%	1.25%	27.50%	1.83%	5.97%	1.25%	27.50%

Note: In Cements and derivatives, WACC rates in euros were also considered, ranging from 6.37% to 18.03% for Brazil, Tunisia, Angola and Lebanon.

\*Includes Country Risk Premium.

Macroeconomic assumptions	31/12/2019					31/12/2018				
	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023
<b>Pulp and Paper</b>										
<b>Portugal</b>										
GDP growth rate	1.6%	1.6%	1.5%	1.5%	1.5%	1.9%	1.7%	1.4%	1.4%	1.4%
Inflation EUR	1.2%	1.3%	1.4%	1.5%	1.7%	1.5%	1.4%	1.9%	2.1%	2.1%
<b>Cement and other materials</b>										
<b>Portugal</b>										
GDP growth rate	1.6%	1.6%	1.5%	1.5%	1.5%	1.9%	1.7%	1.4%	1.4%	1.4%
Inflation EUR	1.2%	1.3%	1.4%	1.5%	1.7%	1.5%	1.4%	1.9%	2.1%	2.1%
<b>Tunisia</b>										
GDP growth rate	3.5%	2.9%	3.8%	3.9%	4.4%	2.9%	3.4%	3.6%	4.0%	4.2%
Inflation TND	5.6%	5.2%	4.6%	4.2%	4.0%	6.1%	5.9%	4.9%	4.3%	4.0%
<b>Lebanon</b>										
GDP growth rate	2.5%	2.3%	2.6%	3.1%	2.7%	1.4%	2.0%	2.4%	2.9%	2.9%
Inflation LBP	2.3%	2.4%	2.4%	2.4%	2.4%	3.0%	2.4%	2.4%	2.4%	2.4%
<b>Brazil</b>										
GDP growth rate	2.2%	2.4%	2.4%	2.4%	2.3%	2.4%	2.3%	2.2%	2.2%	2.2%
Inflation BRL	3.9%	3.8%	3.6%	3.5%	3.5%	4.1%	4.1%	4.0%	4.0%	4.0%
<b>Angola</b>										
GDP growth rate	2.2%	2.9%	3.3%	4.1%	3.8%	3.1%	3.2%	3.2%	3.7%	3.8%
Inflation USD	2.3%	2.4%	2.3%	2.3%	2.3%	2.1%	2.3%	2.2%	2.2%	2.2%
Inflation AOA	11.1%	9.8%	6.9%	6.0%	6.0%	17.0%	10.9%	8.9%	7.5%	6.5%
<b>Environment</b>										
<b>Portugal</b>										
GDP growth rate	1.6%	1.6%	1.5%	1.5%	1.5%	1.9%	1.7%	1.4%	1.4%	1.4%
Inflation EUR	1.2%	1.3%	1.4%	1.5%	1.7%	1.5%	1.4%	1.9%	2.1%	2.1%



Assumptions (CAGR 2020-2024)	Pulp and Paper	Cement and Derivatives					Environment
		Portugal	Tunisia	Lebanon	Brazil	Angola*	
<b>Quantity sales (kt)</b>							
Reference	Paper UWF						Fat [3.5]
CAGR Quantity sales (kt)	0.5%	-0.8%	-0.1%	5.1%	2.3%	13.3%	-0.2%
<b>Average sales price LC/t</b>							
Reference	Paper UWF						Fat [3.5]
CAGR Average sales price LC/t	0.0%	1.5%	2.4%	0.5%	5.3%	7.3%	3.8%
<b>Total Cash Costs LC</b>							
CAGR Total Cash Costs LC	0.5%	1.8%	3.8%	5.8%	5.7%	13.5%	2.2%

LC: Local Currency.

\*In Angola the Average Selling Price CAGR is in AOA but the Total Cash Costs CAGR is in USD.

As of 31 December 2019 and 2018, financial investments recorded using the equity method in the statement of financial position, including goodwill, had the following composition:

Company name	Head Office	31/12/2019			31/12/2018		
		Equity	% held	Balance	Equity	% held	Balance
Aphelion, S.A.	Portugal	44 488	100.00%	44 488	45 313	100.00%	45 313
ETSA Investimentos, SGPS, S.A.	Portugal	65 456 369	99.99%	65 449 053	62 274 132	99.99%	62 267 172
Secil - Companhia Geral de Cal e Cimento, S.A.	Portugal	385 761 124	100.00%	519 918 513	366 503 636	100.00%	500 661 421
Seinpar Investments, B.V.	Netherlands	360 448 114	100.00%	360 448 114	415 751 490	100.00%	415 751 490
Semapa Inversiones, S.L.	Spain	140 028	100.00%	140 028	147 556	100.00%	147 556
Semapa Next, S.A. (former Inspiredplace, S.A.)	Portugal	3 741 059	100.00%	3 741 059	2 985 234	100.00%	2 985 234
The Navigator Company, S.A. *	Portugal	818 915 102	36.00%	334 919 314	989 254 857	35.73%	393 533 740
				<b>1 284 660 569</b>			<b>1 375 391 926</b>

\*Semapa has an indirect interest of 33.71% in The Navigator Company, S.A. through Seinpar Investments, B.V.

As of 31 December 2019, the fair value of the Company's investment in Navigator, a company listed on NYSE Euronext Lisbon, was Euro 918 651 011 (31 December 2018: Euro 921 723 422).

### SUMMARY OF FINANCIAL INFORMATION OF SUBSIDIARIES

31 December 2019	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue in the period	Net profit	Comprehensive income
Aphelion, S.A.	45 546	-	1 058	-	-	(825)	(825)
ETSA Investimentos, SGPS, S.A.	18 899 627	62 764 833	10 781 658	5 425 490	30 260 432	3 782 236	3 782 236
Secil - Companhia Geral de Cal e Cimento, S.A.	299 935 130	894 067 795	432 877 479	399 312 947	30 260 432	17 674 888	22 419 637
Seinpar Investments, B.V.	33 708 725	360 402 915	33 663 525	-	-	53 186 996	45 815 824
Semapa Inversiones, S.L.	2 566 807	-	733	2 426 048	-	(7 528)	(7 528)
Semapa Next, S.A. (former Inspiredplace, S.A.)	99 429	4 030 876	389 245	-	1 973 593	(137 269)	(124 175)
The Navigator Company, S.A.	634 366 835	1 754 991 991	462 070 494	1 108 099 415	1 687 859 963	157 218 440	146 744 636

31 December 2018	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue in the period	Net profit	Comprehensive income
Aphelion, S.A.	45 864	-	552	-	-	(1 561)	(1 561)
ETSA Investimentos, SGPS, S.A.	20 918 296	63 397 802	12 074 286	9 966 735	24 642 786	2 011 129	2 011 128
Secil - Companhia Geral de Cal e Cimento, S.A.	296 873 780	840 113 889	373 739 576	410 654 156	483 635 512	(2 637 714)	(33 952 688)
Seinpar Investments, B.V.	52 514	415 708 981	10 005	-	-	72 073 129	64 435 649
Semapa Inversiones, S.L.	2 545 250	-	-	2 397 694	-	(6 509)	(6 509)
Semapa Next, S.A. (former Inspiredplace, S.A.)	2 200 684	1 215 589	431 039	-	932 326	3 034	(4 090)
The Navigator Company, S.A.	690 738 775	1 744 087 339	526 381 173	918 985 823	1 691 627 494	214 063 530	191 982 594

### RECONCILIATION BETWEEN THE EQUITY OF RELEVANT SUBSIDIARIES WITH THE BALANCE OF THE FINANCIAL INVESTMENT

31 December 2019 Amounts in Euro	Aphelion, S.A.	ETSA Investimentos, SGPS, S.A.	Secil - Companhia Geral de Cal e Cimento, S.A.	Seinpar Investments, B.V.	Semapa Inversiones, S.L.	Semapa Next, S.A.	The Navigator Company, S.A.
<b>Equity of subsidiary</b>	<b>44 488</b>	<b>65 456 369</b>	<b>385 761 124</b>	<b>360 448 114</b>	<b>140 028</b>	<b>3 741 059</b>	<b>818 915 102</b>
% held	100.00%	99.99%	100.00%	100.00%	100.00%	100.00%	36.00%
	<b>44 488</b>	<b>65 449 053</b>	<b>385 753 208</b>	<b>360 448 114</b>	<b>140 028</b>	<b>3 741 059</b>	<b>294 819 085</b>
Goodwill			134 165 305				40 100 229
<b>Financial shareholding in the subsidiary</b>	<b>44 488</b>	<b>65 449 053</b>	<b>519 918 513</b>	<b>360 448 114</b>	<b>140 028</b>	<b>3 741 059</b>	<b>334 919 314</b>

31 December 2018 Amounts in Euro	Aphelion, S.A.	ETSA Investimentos, SGPS, S.A.	Secil - Companhia Geral de Cal e Cimento, S.A.	Seinpar Investments, B.V.	Semapa Inversiones, S.L.	Semapa Next, S.A.	The Navigator Company, S.A.
<b>Equity of subsidiary</b>	<b>45 313</b>	<b>62 274 132</b>	<b>366 503 636</b>	<b>415 751 490</b>	<b>147 556</b>	<b>2 985 234</b>	<b>989 254 857</b>
% held	100.00%	99.99%	100.00%	100.00%	100.00%	100.00%	35.73%
	<b>45 313</b>	<b>62 267 172</b>	<b>366 496 116</b>	<b>415 751 490</b>	<b>147 556</b>	<b>2 985 234</b>	<b>353 433 511</b>
Goodwill		-	134 165 305	-		-	40 100 229
<b>Financial shareholding in the subsidiary</b>	<b>45 313</b>	<b>62 267 172</b>	<b>500 661 421</b>	<b>415 751 490</b>	<b>147 556</b>	<b>2 985 234</b>	<b>393 533 740</b>

## CHANGES IN INVESTMENTS IN SUBSIDIARIES

Amounts in Euro	2019	2018
<b>Opening balance</b>	<b>1 375 391 926</b>	<b>1 409 749 905</b>
<b>Acquisitions</b>		
Acquisition of the remaining 51% of the share capital of Seinpart - Participações, SGPS, S.A.	-	24 251
<b>Additional capital contributions</b>		
Semapa Next, S.A. (former Inspiredplace, S.A.)	880 000	2 950 000
<b>Acquisitions and capital increases</b>	<b>880 000</b>	<b>2 974 251</b>
<b>Repayment of share premium</b>		
Seinpar Investments, B.V.	-	(27 383 500)
<b>Repayment of additional capital contributions</b>		
Secil - Companhia Geral de Cal e Cimento, S.A	(3 500 000)	(3 500 000)
<b>Liquidations</b>		
Seminv - Investimentos, SGPS, S.A. e Seinpart - Participações, SGPS, S.A..	-	(54 828)
<b>Capital decreases, disposals and liquidations</b>	<b>(3 500 000)</b>	<b>(30 938 328)</b>
<b>Share of profits - equity method</b>		
Aphelion, S.A.	(825)	(1 561)
ETSA Investimentos, SGPS, S.A.	3 781 813	2 010 903
Secil - Companhia Geral de Cal e Cimento, S.A.	17 674 525	(2 637 660)
Seinpar Investments, B.V.	53 186 996	72 073 129
Seinpart - Participações, SGPS, S.A.	-	(576)
Semapa Inversiones, S.L.	(7 528)	(6 509)
Semapa Next, S.A. (former. Inspiredplace, S.A.)	(137 269)	3 034
Seminv - Investimentos, SGPS, S.A.	-	(39 529)
The Navigator Company, S.A.	56 432 524	76 440 773
<b>Net profit</b>	<b>130 930 236</b>	<b>147 842 004</b>
<b>Dividends</b>		
The Navigator Company, S.A.	(107 234 839)	(71 417 924)
ETSA Investimentos, SGPS, S.A.	(599 933)	-
Seinpar Investments, B.V.	(101 119 200)	(39 950 000)
Seminv - Investimentos, SGPS, S.A.	-	(1 961 847)
<b>Dividends attributed</b>	<b>(208 953 972)</b>	<b>(113 329 771)</b>
Other comprehensive income	(2 130 338)	(40 985 528)
Intra-group acquisition differences of equity shares	(7 957 280)	62 089
Other movements	(3)	17 304
<b>Other equity changes of subsidiaries</b>	<b>(10 087 621)</b>	<b>(40 906 135)</b>
<b>Closing balance</b>	<b>1 284 660 569</b>	<b>1 375 391 926</b>

The effect from the liquidation in 2018 of the subsidiaries Seminv - Investimentos, SGPS, S.A. and Seinpart - Participações, SGPS, S.A. includes the transfer to the Company of cash and cash equivalents in the total amount of Euro 10,014.

## 10.2 TRANSACTIONS WITH RELATED PARTIES

### BALANCES WITH RELATED PARTIES

Amounts in Euro	31/12/2019					
	Receivables (Note 4.1)	Receivables - RETGS (Note 4.1)	Allocation of profits (Note 4.1)	Payables (Note 4.2)	Payables - RETGS (Note 4.2)	Interest-bearing liabilities (Note 5.6)
<b>Shareholders (Note 5.2)</b>	i)					
Cimigest, SGPS, S.A.	2 390	-	-	-	-	-
Cimo - Gestão de Participações, SGPS, S.A.	-	-	-	-	-	7 487 014
Sodim, SGPS, S.A.	-	-	-	-	-	1 913 507
<b>Subsidiaries - direct shareholdings (Note 10.1)</b>	i)					
Aphelion, S.A.	480	-	-	-	328	44 912
ETSA Investimentos, SGPS, S.A.	-	-	-	-	61 308	-
Secil - Companhia Geral de Cal e Cimento, S.A.	408	388 409	-	-	-	-
Seinpar Investments, B.V.	-	-	33 645 000	-	-	-
Semapa Inversiones, S.L.	-	-	-	-	-	80 648
Semapa Next (former Inspiredplace, S.A.)	145 708	-	-	12 803	2 398	-
The Navigator Company, S.A.	4 294 550	2 851 033	35 691 179	-	-	-
<b>Other subsidiaries of the Semapa Group</b>						
Abapor - Comércio e Indústria de Carnes, S.A.	-	-	-	-	52 416	-
About The Future - Empresa Produtora de Papel, S.A.	-	894 938	-	-	-	-
Aboutbalance, SGPS, S.A.	-	-	-	-	500	-
Allmicroalgae - Natural Products, S.A.	4	2 749	-	-	-	-
Arboser - Serviços Agro-Industriais, S.A.	-	61 694	-	-	-	-
Argibetão - Soc. de Novos Prod. de Argila e Betão, S.A.	-	1 629	-	-	-	-
Atlantic Forests - Comércio de Madeiras, S.A.	-	337	-	-	-	-
Biological - Gestão de Resíduos Industriais, Lda.	-	4 328	-	-	-	-
Ciminpart - Investimentos e Participações, SGPS, S.A.	-	-	-	-	6 640	-
CMP - Cimentos Maceira e Pataias, S.A.	2 035 502	337 635	-	-	-	-
EMA21 - Eng. e Manutenção Industrial Século XXI, S.A.	-	-	-	-	7 351	-
Empremédia - Corretores de Seguros, S.A.	-	-	-	-	825	-
ETSA Log, S.A.	-	28 674	-	-	-	-
Headbox - Operação e Controlo Industrial, S.A.	-	-	-	-	12 149	-
Hewbol - SGPS, Lda.	-	-	-	-	999	-
ITS - Indústria Transformadora de Subprodutos, S.A.	-	-	-	-	101 298	-
Navigator Added Value, S.A.	-	27 698	-	-	-	-
Navigator Floresta, SGPS, S.A.	-	-	-	-	500	-
Navigator Forest Portugal, S.A.	-	-	-	-	904	-
Navigator Lusa, Unipessoal, Lda.	-	4 712	-	-	-	-
Navigator Paper Setúbal, S.A.	-	342 917	-	-	-	-
Navigator Pulp Cacia, S.A.	-	359 456	-	-	-	-
Navigator Pulp Figueira, S.A.	-	1 851 898	-	-	-	-
Navigator Pulp Holding, SGPS, S.A.	-	-	-	-	243 411	-
Navigator Pulp Setúbal, S.A.	-	-	-	-	484	-
Navigator Tissue Cacia, S.A.	-	698	-	-	-	-
Navigator Tissue Ródão, S.A.	-	-	-	-	26 520	-
Sebol - Comércio e Indústria de Sebo, S.A.	-	187 629	-	-	-	-
Secil - Britas, S.A.	119 845	-	-	-	318 314	-
Secil Brands - Marketing, Publicidade, Gestão e Desenvolv. de Marcas, Lda.	-	2 495	-	-	-	-
Secil Martingança - Aglomerantes e Novos Materiais para a Construção, S.A.	185 856	-	-	-	261 873	-
Secil Prebetão - Prefabricados de Betão, S.A.	-	-	-	-	38 881	-
Serife - Soc. de Estudos e Realizações Industriais e de Fornec. de Equip., Lda.	-	-	-	-	3 178	-
Sociedade de Vinhos da Herdade de Espirra - Produção e Com. de Vinhos, S.A.	-	-	-	-	610	-
SPB, SGPS, Lda.	-	-	-	-	4 700	-
SPCG - Sociedade Portuguesa de Co-Geração Eléctrica, S.A.	-	-	-	-	35	-
Unibetão - Indústrias de Betão Preparado, S.A.	247 978	-	-	-	874 196	-
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	-	345 454	-	-	-	-
<b>Other related parties</b>						
Hotel Ritz, S.A.	-	-	-	2 475	-	-
Members of the Board of Directors	964	-	-	-	-	-
	<b>7 033 685</b>	<b>7 694 383</b>	<b>69 336 179</b>	<b>15 278</b>	<b>2 019 818</b>	<b>9 526 081</b>

## BALANCES WITH RELATED PARTIES

Amounts in Euro	31/12/2018				
	Receivables (Note 4.1)	Receivables - RETGS (Note 4.1)	Payables (Note 4.2)	Payables - RETGS (Note 4.2)	Interest-bearing liabilities (Note 5.6)
<b>Shareholders (Note 5.2)</b>	i)				
Cimigest, SGPS, S.A.	5 691	-	-	-	-
Cimo - Gestão de Participações, SGPS, S.A.	-	-	-	-	3 209 343
Sodim, SGPS, S.A.	520	-	-	-	-
<b>Subsidiaries - direct shareholdings (Note 10.1)</b>	i)				
Aphelion, S.A.	275	-	-	328	44 853
ETSA Investimentos, SGPS, S.A.	65 612	-	-	61 847	-
Secil - Companhia Geral de Cal e Cimento, S.A.	115 816	368 415	-	-	-
Semapa Inversões, S.L.	-	-	-	-	119 009
Semapa Next (former Inspiredplace, S.A.)	4 338	-	1 146 761	2 921	1 036 206
The Navigator Company, S.A.	2 647 383	2 851 033	-	-	-
<b>Other subsidiárias of the Semapa Group</b>					
Abapor - Comércio e Indústria de Carnes, S.A.	59 932	-	-	14 879	-
About The Future - Empresa Produtora de Papel, S.A.	-	894 938	-	-	-
Aboutbalance, SGPS, S.A.	-	-	-	500	-
Allmicroalgae - Natural Products, S.A.	-	-	-	1 799	-
Arboser - Serviços Agro-Industriais, S.A.	-	61 694	-	-	-
Argibetão - Soc. de Novos Prod. de Argila e Betão, S.A.	-	5 484	-	-	-
Atlantic Forests - Comércio de Madeiras, S.A.	-	337	-	-	-
Biological - Gestão de Resíduos Industriais, Lda.	3 931	-	-	11 793	-
Ciminpart - Investimentos e Participações, SGPS, S.A.	-	-	-	6 685	-
CMP - Cimentos Maceira e Pataias, S.A.	1 294 621	-	-	498 723	-
EMA21 - Eng. e Manutenção Industrial Século XXI, S.A.	-	-	-	7 351	-
Empremédia - Corretores de Seguros, S.A.	-	-	-	825	-
ETSA Log, S.A.	2 205	25 922	-	-	-
Headbox - Operação e Controlo Industrial, S.A.	149	-	-	12 149	-
Hewbol - SGPS, Lda.	-	-	107	999	-
ITS - Indústria Transformadora de Subprodutos, S.A.	98 164	-	-	87 433	-
Navigator Added Value, S.A.	-	27 698	-	-	-
Navigator Floresta, SGPS, S.A.	-	-	-	500	-
Navigator Forest Portugal, S.A.	-	-	-	904	-
Navigator Lusa, Unipessoal, Lda.	-	4 712	-	-	-
Navigator Paper Setúbal, S.A.	-	342 917	-	-	-
Navigator Pulp Cacia, S.A.	-	359 456	-	-	-
Navigator Pulp Figueira, S.A.	-	1 851 898	-	-	-
Navigator Pulp Holding, SGPS, S.A.	-	-	-	243 411	-
Navigator Pulp Setúbal, S.A.	-	-	-	484	-
Navigator Tissue Cacia, S.A.	-	698	-	-	-
Navigator Tissue Ródão, S.A.	-	-	-	26 520	-
Sebol - Comércio e Indústria de Sebo, S.A.	64 581	-	-	212 572	-
Secil - Britas, S.A.	117 051	-	-	325 368	-
Secil Brands - Marketing, Publicidade, Gestão e Desenvolv. de Marcas, Lda.	-	-	-	1 880	-
Secil Martingança - Aglomerantes e Novos Materiais para a Construção, S.A.	147 234	-	-	398 319	-
Serife - Soc. de Estudos e Realizações Industriais e de Fornec. de Equip., Lda.	-	-	-	3 178	-
Sociedade de Vinhos da Herdade de Espirra - Produção e Com. de Vinhos, S.A.	-	-	-	610	-
SPCG - Sociedade Portuguesa de Co-Geração Eléctrica, S.A.	-	-	-	35	-
Unibetão - Indústrias de Betão Preparado, S.A.	212 949	-	-	758 264	-
Uniconcreto - Betão Pronto, S.A.	-	-	-	3 178	-
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	-	345 454	-	-	-
<b>Other related parties</b>					
Hotel Ritz, S.A.	-	-	10 887	-	-
Sociedade Agrícola da Herdade dos Fidalgos, Unipessoal, Lda.	-	-	1 482	-	-
Sonagi - Imobiliária, S.A. (ex. Cimilonga - Imobiliária, S.A.)	-	-	2 520	-	-
Sonagi, SGPS, S.A.	295	-	-	-	-
	<b>4 840 747</b>	<b>7 140 656</b>	<b>1 161 757</b>	<b>2 683 455</b>	<b>4 409 411</b>

i) As of 31 December 2019 and 2018, interest-bearing liabilities from shareholders and subsidiaries refers to short-term investments which bear interest at market rates, charged quarterly.

## TRANSACTIONS OF THE PERIOD WITH RELATED PARTIES

Amounts in Euro	2019					
	Purchases of goods and services	Sales and services rendered	External services recharge	Financial income/ (expenses)	Amount of loans granted	Amount of loans obtained
<b>Shareholders (Note 5.2)</b>						
Cimigest, SGPS, S.A.	(107 740)	-	-	-	-	-
Cimo - Gestão de Participações, SGPS, S.A.	-	-	-	(9 560)	-	14 623 170
Sodim, SGPS, S.A.	-	-	564	(677)	-	2 670 507
	<b>(107 740)</b>	<b>-</b>	<b>564</b>	<b>(10 237)</b>	<b>-</b>	<b>17 293 677</b>
<b>Subsidiaries - direct shareholdings (Note 10.1)</b>						
Aphelion, S.A.	-	-	-	(59)	-	44 913
ETSA Investimentos, SGPS, S.A.	-	305 149	3 760	-	-	-
Secil - Companhia Geral de Cal e Cimento, S.A.	-	-	13 912	7 509	261 800 000	-
Semapa Inversões, S.L.	-	-	-	(123)	-	123
Semapa Next, S.A. (former Inspiredplace, S.A.)	(1 973 593)	-	-	(428)	-	1 100 432
The Navigator Company, S.A.	-	12 811 123	14 288	-	-	-
	<b>(1 973 593)</b>	<b>13 116 272</b>	<b>31 960</b>	<b>6 899</b>	<b>261 800 000</b>	<b>1 145 468</b>
<b>Other subsidiaries of the Semapa Group</b>						
CMP - Cimentos Maceira e Pataias, S.A.	-	4 630 057	-	-	-	-
	-	4 630 057	-	-	-	-
<b>Other related parties</b>						
Bestweb, Lda.	(33 072)	-	-	-	-	-
CLA - Caldas, Lopes, Almeida & Associados	(36 000)	-	-	-	-	-
Hotel Ritz, S.A.	(93 451)	-	-	-	-	-
Salvador Pereira Palha Mendes de Almeida	(30 000)	-	-	-	-	-
Letras Criativas, Unipessoal, Lda.	(30 000)	-	-	-	-	-
Vagamente - Consultoria e Empreendimentos, Limitada	(1 500 000)	-	-	-	-	-
Sonagi - Imobiliária, S.A. (former Cimilonga - Imobiliária, S.A.)	(625 499)	-	-	-	-	-
Sonagi, SGPS, S.A.	-	-	1 316	-	-	-
	<b>(2 348 022)</b>	<b>-</b>	<b>1 316</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>(4 429 355)</b>	<b>17 746 329</b>	<b>33 840</b>	<b>(3 338)</b>	<b>261 800 000</b>	<b>18 439 145</b>

## TRANSACTIONS OF THE PERIOD WITH RELATED PARTIES

Amounts in Euro	2018						
	Purchases of goods and services	Sales and services rendered	External services redebit	Financial income/ (expenses)	Acquisition of capital goods	Amount of loans granted	Amount of loans obtained
<b>Shareholders (Note 5.2)</b>							
Cimigest, SGPS, S.A.	(107 740)	-	-	-	-	-	-
Cimo - Gestão de Participações, SGPS, S.A.	-	-	-	(14 958)	-	-	7 315 467
Sodim, SGPS, S.A.	-	-	423	(1 877)	-	-	17 940 000
	<b>(107 740)</b>	<b>-</b>	<b>423</b>	<b>(16 835)</b>	<b>-</b>	<b>-</b>	<b>25 255 467</b>
<b>Subsidiaries - direct shareholdings (Note 10.1)</b>							
Aphelion, S.A.	-	-	-	(280)	-	-	280
ETSA Investimentos, SGPS, S.A.	-	275 110	2 820	121	-	-	-
Secil - Companhia Geral de Cal e Cimento, S.A.	-	-	10 434	40 425	-	518 650 000	-
Semapa Inversiones, S.L.	-	-	-	(262)	24 251	-	23 262
Semapa Next, S.A. (former Inspiredplace, S.A.)	(932 326)	-	-	(1 109)	-	-	2 201 109
The Navigator Company, S.A.	-	9 274 577	12 321	-	-	-	-
	<b>(932 326)</b>	<b>9 549 687</b>	<b>25 575</b>	<b>38 895</b>	<b>24 251</b>	<b>518 650 000</b>	<b>2 224 651</b>
<b>Other subsidiaries of the Semapa Group</b>							
CMP - Cimentos Maceira e Pataias, S.A.	-	3 984 459	-	-	-	-	-
Navigator Paper Figueira, S.A.	-	(236 314)	-	-	-	-	-
	<b>-</b>	<b>3 748 145</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other related parties</b>							
Bestweb, Lda.	(42 788)	-	-	-	-	-	-
CLA - Caldas, Lopes, Almeida & Associados	(36 000)	-	-	-	-	-	-
Hotel Ritz, S.A.	(51 825)	-	134	-	-	-	-
Salvador Pereira Palha Mendes de Almeida	(65 000)	-	-	-	-	-	-
Sonagi - Imobiliária, S.A. (former Cimilonga - Imobiliária, S.A.)	(757 656)	-	1 274	-	-	-	-
Sonagi, SGPS, S.A.	-	-	670	-	-	-	-
	<b>(953 269)</b>	<b>-</b>	<b>2 078</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>(1 993 335)</b>	<b>13 297 832</b>	<b>28 076</b>	<b>22 060</b>	<b>24 251</b>	<b>518 650 000</b>	<b>27 480 118</b>

In previous years, leasing contracts were signed between Semapa and Sonagi - Imobiliária, SA (former: Cimilonga - Imobiliária, SA), relating to the lease of several office floors in the building that it owns and where Semapa's headquarters operates, at Av. Fontes Pereira de Melo, nº 14, in Lisbon.

The entity Vagamente, Lda., currently providing consultancy services to Semapa, is related to an Director of a company in a controlling relationship with the Company.

## AMOUNTS RECEIVABLE AND PAYABLE - TAX CONSOLIDATION (RETGS)

The balances receivable and payable to the subsidiaries included in the Company's tax group, related with the RETGS operations (Note 6.1), are of the following nature:

Amounts in Euro	31/12/2019		31/12/2018	
	Receivable	Payable	Receivable	Payable
Income tax on subsidiaries	4 349 580	(725 190)	803 184	(1 220 132)
CIT receivables	(3 375 096)	2 465 382	(395 849)	3 599 397
Withholding tax recoverable	(20 938)	4 483	(7 516)	10 899
CIT from prior years	6 740 837	275 143	6 740 837	293 291
	<b>7 694 383</b>	<b>2 019 818</b>	<b>7 140 656</b>	<b>2 683 455</b>

## OTHER RELATED PARTY DISCLOSURES

In 2018 the Group, through its subsidiary Semapa Next, SA, entered into an agreement to perform an investment of USD 12 million in the "Alter Venture Partners Fund I", entity in which a member of the executive team is also a non-executive Director of Semapa.



The remuneration of the Company's key management personnel is detailed in Note 7.3 - Remuneration of corporate bodies.



## 11 NOTE ADDED FOR TRANSLATION

These financial statements are a free translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

### CERTIFIED ACCOUNTANT

Paulo Jorge Morais Costa

### BOARD OF DIRECTORS

#### CHAIRMAN

Heinz-Peter Elstrodt

#### MEMBERS

João Nuno de Sottomayor Pinto de Castello Branco

Ricardo Miguel dos Santos Pacheco Pires

Vítor Paulo Paranhos Pereira

António Pedro de Carvalho Viana-Baptista

Carlos Eduardo Coelho Alves

Filipa Mendes de Almeida de Queiroz Pereira

Francisco José Melo e Castro Guedes

José António do Prado Fay

Lua Mónica Mendes de Almeida de Queiroz Pereira

Mafalda Mendes de Almeida de Queiroz Pereira

Vítor Manuel Galvão Rocha Novais Gonçalves

**STATUTORY AUDIT REPORT  
SEPARATE FINANCIAL STATEMENTS**







## STATUTORY AUDITORS' REPORT AND AUDITORS' REPORT

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

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the accompanying financial statements of **Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.** (the Entity), which comprise the separate statement of financial position as at 31 December 2019 (showing a total of Euro 1,370,192,433 and total equity of Euro 960,870,014, including a profit for the period of Euro 124,053,720), and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the period then ended, and the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the consolidated financial position of **Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.** as at 31 December 2019 and of its financial performance and its cash flows for the period then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the applicable law and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics for Professional Accountants of the Portuguese Institute of Statutory Auditors.

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



## Emphasis

As described in Note 1.3, in March 2020 the pandemic resulting from the spread of the new coronavirus (“COVID-19”) was declared by the World Health Organization, which is a non-adjustable event. This situation and its evolution will probably have negative effects on the Entity's activity and profitability during 2020, and it is not possible to quantify it at this time. The Board of Directors believes that, given the information currently available, the liquidity situation and capital levels will be sufficient to continue the operations of the Entity. Our opinion is not modified with respect to this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

---

## Valuation of financial investments

---

See Note 1.6 Main estimates and judgements and Note 10.1 of the Financial Statements

---

### The Risk

The assessment of risk on the valuation of the Entity's financial investments requires a high degree of estimation and judgement by the Board of Directors, namely with regard to the determination of the recoverable value of the investments made when impairment signs are identified.

### Our response to the identified risk

Our audit procedures included the following, among others:

- We have analysed the budgeting procedures in which the financial projections are based on, comparing the actual performance with estimates performed in prior periods, as well as the integrity of the discounted cash flow model;
  - We compared the internal and external assumptions used, such as current business trends, market performance, inflation, projected economic growth and discount rates and assessed their reasonability;
  - We performed sensitivity analysis to the robustness of assumptions and forecasts;
  - We involved experts in the calculation of the weighted average cost of capital; and
  - We reviewed the disclosures made by the Entity in accordance with the applicable accounting standard.
-

## **Responsibilities of Management and the Supervisory Body for the Financial Statements**

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the Entity's financial position, financial performance and the cash flows, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union;
- the preparation of the management report and the corporate governance report in accordance with applicable laws and regulations;
- the implementation and maintenance of an appropriate internal control system to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud;
- the adoption of accounting policies and principles appropriate in the circumstances; and,
- assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters that may cast significant doubt on the going concern of the operations.

The supervisory body is responsible for overseeing the Entity's financial reporting process.

### **Auditor's responsibilities for the Audit of the financial statements**

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

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

- identify and assess the risks of material misstatement of the financial statements due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and,
- provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies' Code.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### On the Management Report

In compliance with article 451 (3), al. e) of the Portuguese Commercial Companies Code, in our opinion the management report has been prepared in accordance with the applicable legal and regulatory requirements and the financial information contained therein is consistent with the audited financial statements, and no material inconsistencies have been identified

### On the Corporate Governance Report

Pursuant to article 451, no. 4, of the Portuguese Companies' Code, it is our opinion that the corporate governance report includes the information required to the Entity to provide under article 245-A of the Securities Code, and we have not identified any material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of that article.



### **On the additional matters provided in article 10 of the Regulation (EU) no. 537/2014**

Pursuant to article 10 of the Regulation (EU) no. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were first appointed as auditors of the Entity in the shareholders general assembly held on 22 September 2017 for a mandate from 2018 to 2021.
- Management as confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional scepticism, and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the financial statements due to fraud.
- We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the supervisory body of the Entity on 27 March 2020.
- We declare that we have not provided any prohibited services as described in article 77, no. 8 of the Ordem dos Revisores Oficiais de Contas Statutes, and we have remained independent of the Entity in conducting the audit.

27 March 2020

---

**KPMG & Associados -  
Sociedade de Revisores Oficiais de Contas, S.A. (no. 189)**  
represented by  
Paulo Alexandre Martins Quintas Paixão (ROC no. 1427)





(Page intentionally left blank)

**REPORT AND OPINION OF THE AUDIT BOARD  
SEPARATE FINANCIAL STATEMENTS**





## **SEMAPA - Sociedade de Investimento e Gestão, SGPS, S.A.**

### **Report and Opinion of the Audit Board Separate Financial Statements**

#### **Year 2019**

Dear Shareholders,

1. As laid down by law, established in the articles of association and in carrying out the mandate entrusted to us, we hereby deliver our report on the audit activities carried out in 2019 and issue our opinion on the Management Report and the Separate Financial Statements submitted by the Board of Directors of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., for the year ended 31 December 2019.
2. During the year, we monitored the company's activity on a regularly basis, with the frequency and to the extent that we deemed appropriate, namely through regular meetings with the Company's Management and Directors. We oversaw the reviewing of the accounting records and the supporting documents, and the efficacy of the risk management, internal control and audit systems. We ensured compliance with the law and the Articles of Association. We did not run up against any obstacles in the exercise of our duties.
3. We met several times with the Statutory Auditor and the External Auditor, KPMG & Associados, SROC, Lda., to monitor the audits conducted and supervise their independence. We have analysed the legal Accounts Certificate and Audit Report, which includes an Emphasis referring aspects resulting from the spread of the new coronavirus that may impact the Group's activity in 2020 and merit our agreement.
4. The Audit Board analysed the proposals that were presented to it for non-audit services by the Statutory and External Auditor, having approved those that related with permitted services, did not affect the independence of the Statutory and External Auditor and fulfil the other legal requirements.

5. Within the scope of our competences, we find that:
  - a) The separate Income Statement, the separate Financial Statement, the separate Statement of Comprehensive Income, the separate Statement of Changes in Equity and the separate Cash Flow Statement and its Notes to the separate financial statements give a true and fair view of the financial position of the company, in respect of its results, comprehensive income, changes in equity and cash flow;
  - b) The accounting policies and valuation criteria applied are in conformity with the International Financial Reporting Standards (IFRS), as adopted in the European Union, and ensure that a true and fair assessment of the company's assets and results is given, and the findings and recommendations of the external auditor have been followed through;
  - c) The Management Report clearly shows the development of the business and the situation of the company, highlighting key aspects of the activity;
  - d) The Corporate Governance Report covers all of the points required under the terms of Article 245 A of the Securities Code, and considered the recommendations to the Code of the Portuguese Corporate Governance Institute (IPCG).
6. We are of the opinion that the allocation of profits as proposed by the Board of Directors does not run counter to the applicable legal or statutory provisions.
7. Consequently, taking into account the information delivered by the company's Board of Directors and Departments, and the conclusions of the legal Accounts Certificate and Audit Report, we are of the opinion that:
  - a) The Management Report should be approved;
  - b) The separate Financial Statements should be approved;
  - c) The allocation of results as proposed by the Board of Directors should be approved.
8. Finally, the members of the Audit Board are grateful to the Board of Directors, the key supervisors and other company staff, as well as to the statutory auditor KPMG & Associados, SROC, Lda. for their collaboration.

Lisbon, 27 March 2020

The Chairman of the Audit Board

*José Manuel Oliveira Vitorino*

Member of the Audit Board,

*Gonçalo Nuno Palha Gaio Picão Caldeira*

Member of the Audit Board,

*Maria da Graça Torres Ferreira da Cunha Gonçalves*



(Page intentionally left blank)



SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A.  
PUBLIC LIMITED COMPANY

Av. Fontes Pereira de Melo, No. 14, 10º, 1050-121 Lisboa  
Tel (351) 213 184 700 | Fax (351) 213 521 748

[WWW.SEMAPA.PT](http://WWW.SEMAPA.PT)

Company Registration and Corporate Taxpayer Number: 502 593 130 | Share Capital: EUR 81 270 000  
ISIN: PTSEM0AM0004 | LEI: 549300HNGOW85KIOH584 | Ticker: Bloomberg (SEM PL); Reuters (SEM.LS)

DESIGN AND DEVELOPMENT  
GetBrand





[WWW.SEMAPA.PT](http://WWW.SEMAPA.PT)

