Semapa

ANNUAL REPORT 2016

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Semapa

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BOARD OF DIRECTORS

CHAIRMAN
PEDRO MENDONÇA DE QUEIROZ PEREIRA

DIRECTORS
JOÃO NUNO DE SOTTOMAYOR PINTO DE CASTELLO BRANCO
JOSÉ MIGUEL PEREIRA GENS PAREDES
PAULO MIGUEL GARCÊS VENTURA
RICARDO MIGUEL DOS SANTOS PACHECO PIRES
ANTÓNIO PEDRO DE CARVALHO VIANA-BAPTISTA
CARLOS EDUARDO COELHO ALVES
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MANUEL CUSTÓDIO DE OLIVEIRA
VÍTOR MANUEL GALVÃO ROCHA NOVAIS GONÇALVES
VÍTOR PAULO PARANHOS PEREIRA

EXECUTIVE COMMITTEE

CHAIRMAN
JOÃO NUNO DE SOTTOMAYOR PINTO DE CASTELLO BRANCO

MEMBERS
JOSÉ MIGUEL PEREIRA GENS PAREDES
PAULO MIGUEL GARCÊS VENTURA
RICARDO MIGUEL DOS SANTOS PACHECO PIRES

REMUNERATION COMMITTEE

FREDERICO JOSÉ DA CUNHA MENDONÇA E MENESES
JOSÉ GONÇALO FERREIRA MAURY
JOÃO RODRIGO APPLETON MOREIRA RATO

GENERAL MEETING

CHAIRMAN
FRANCISCO XAVIER ZEA MANTERO

SECRETARY
RITA MARIA PINHEIRO FERREIRA SOARES DE OLIVEIRA

AUDIT BOARD

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MIGUEL CAMARGO DE SOUSA EIRÓ

FULL MEMBERS
GONÇALO NUNO PALHA GAIO PICÃO CALDEIRA
JOSÉ MANUEL OLIVEIRA VITORINO

OFFICIAL AUDITOR

FULL MEMBER
PRICEWATERHOUSECOOPERS & ASSOCIADOS – SROC, LDA, REPRESENTADA POR JORGE MANUEL SANTOS COSTA (ROC) OU POR ANTÓNIO ALBERTO HENRIQUES ASSIS (ROC)

ALTERNATE
VACANT

COMPANY SECRETARY

FULL MEMBER
RUI TIAGO TRINDADE RAMOS GOUVEIA

ALTERNATE
JOANA ESPERANÇA FERNANDES LOPES LUÍS

EXECUTIVE COMMITTEE

JOÃO CASTELLO BRANCO

JOSÉ MIGUEL PAREDES

MIGUEL VENTURA

RICARDO PIRES

ANTÓNIO VIANA-BAPTISTA

CARLOS ALVES

FRANCISCO GUEDES

MANUEL DE OLIVEIRA

VÍTOR NOVAIS GONÇALVES

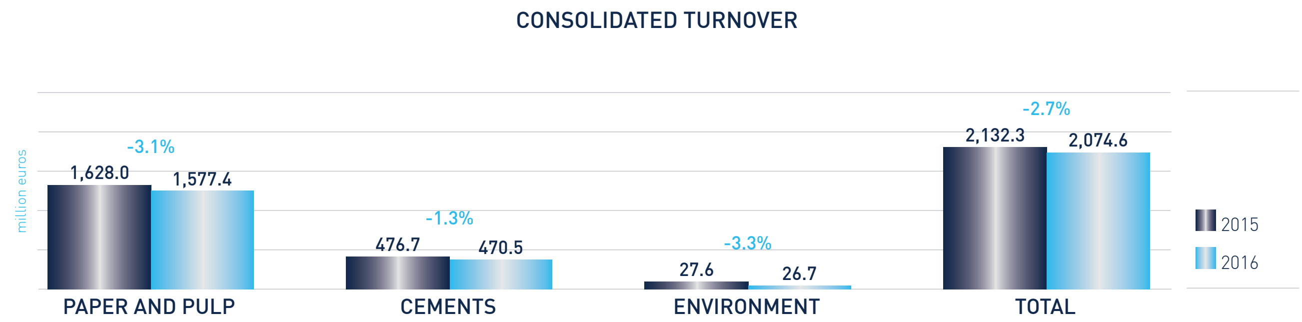
VÍTOR PARANHOS PEREIRA

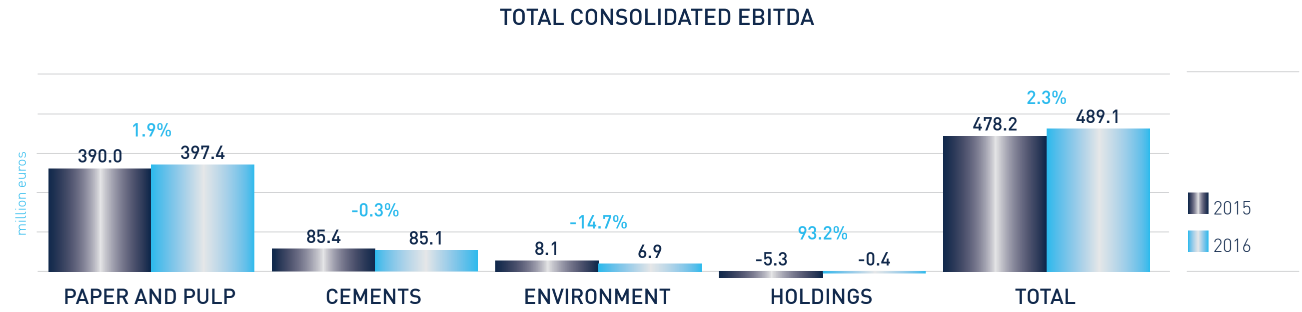
ORGANISATION CHART

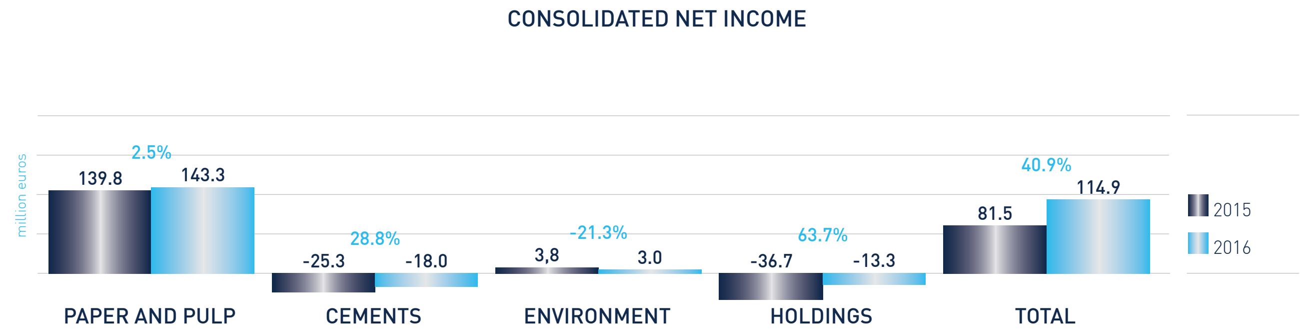
SEMAPA GROUP (Main shareholder capital participations)

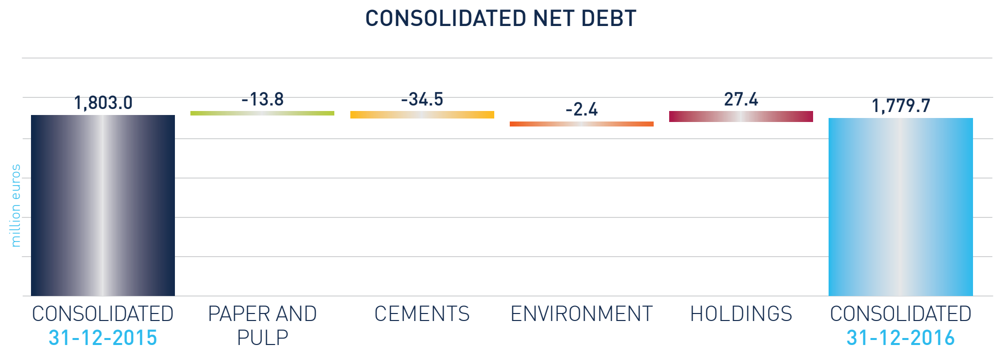
% of voting rights

LEADING
FINANCIAL INDICATORS









MESSAGE
FROM THE CHAIRMAN AND THE CEO

PEDRO QUEIROZ PEREIRA
CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholders:

The year of 2016 marked the 25th anniversary of the Semapa Group, incorporated in 1991 with an initial goal of taking part in the second privatisation of the companies "Secil – Companhia Geral de Cal e Cimento, S.A." and "CMP – Cimentos Maceira e Pataias, S.A.". Ever since, the Group has been on a remarkable journey and in 2016 the operating soundness and efficiency of the group stood out.

The year was characterized by a very demanding and uncertain world economy, including changes in consumption patterns, technological disruptions, regulatory uncertainties, and other issues impacting the markets we operate in, requiring ongoing adjustment efforts and progress by the Group.

In this context, although the flat performance of turnover, resulting on a 2.7% drop of 2015 revenues to 2,074.6 million euros, EBITDA increased around 2.3% year on year, standing at 489.1 million euros, and net profit stood at 114.9 million euros, a 40.9% growth in relation to the previous year.

The operating cash flow generation was in line with the positive trend, featuring a significant growth of 35.1% in 2016, which allowed Semapa to continue to act conservatively and reduce its consolidated net debt to 1,779.7 million euros.

In this context, Semapa shares had a positive out turn in the year, as it increased by 5.6%, above the PSI20 average (-11.9%).

These results were sustained by Navigator in particular, which, while operating in a challenging context, revealed a remarkable capacity to react. In a year of lower paper consumption, tighter pricing competition and changes in regulation, Navigator reached maximum levels of production and UWF paper sales, standing at 1,586 thousand tons. Similarly, it performed well in terms of paper pulp volume sales, with a growth of approximately 15%, and the Tissue business area grew 30% in volume and 21% in amount of sales, in its first full year in the group.

Higher volumes and greater operating efficiency contributed to mitigate the effects of lower prices during the year. Therefore, in spite of the 3.1% drop in revenue from 1,577.4 million euros, the ambitious cost reduction brought the EBITDA up by 1.9%, to 397.4 million euros.

This was also a year of ongoing investment in growth: AMS in Tissue, the new pellet plant that started operating and the Mozambique project where the plantation and forest management work is well underway. Furthermore, the approved new investment in the Tissue business, which initiated the construction of an integrated line in Cacia, and the development of the pulp capacity expansion the plant in Figueira da Foz provide proof of the above.

Showing strong dynamics and conveying a modern and attractive image as one of the largest Portuguese corporate groups, a special note to the change of the corporate brand from Portucel Soporcel to The Navigator Company. Based on its core paper brand, the new identity is intended to represent the connection between all of the Group's companies and the ongoing projection of the entrepreneurial and innovative spirit worldwide.

Also with a renovated image in 2016, and in a very adverse market context, the turnover of Secil stood at 470.5 million euros, down by 1.3% compared with 2015, largely due to the decrease in the turnover of the business in Portugal and Tunisia, while the turnover in Brazil grew. In this context EBITDA was in line with the previous year, standing at 85.1 millions euros.

The Cement business unit in Portugal recorded EBITDA of 28.3 million euros, slightly down on the figure recorded in 2015. EBITDA of the business units Mortars, Ready-mix Concrete and Aggregates and Others was approximately 3.6 million euros, against 6.1 million euros over the same period in the last year. In Lebanon, total EBITDA stood at 32.7 million euros, down by 7.4% in relation to the previous year. EBITDA from business operations in Tunisia stood at 10.5 million euros, down by 8.4% in comparison with the previous year. In Brazil, EBITDA stood at 6.4 million euros, compared to a negative figure of 1.9 million euros in the same period of the previous year.

In the environment business area, the ETSA Group recorded a turnover of approximately 26.7 million euros, down by around 3.3% year on year. The reduction is the result of a decrease in services rendered, mostly due to the Government's decision to cancel temporarily SIRCA collection, and of the effect of the higher price competition. As a result, EBITDA of the ETSA Group decreased 14.7% in 2016, and stood at 6.9 million euros.

The demanding and uncertain context of 2016 is expected to continue to frame the times that lie ahead. Aware of the enormous challenges before us, we must be in step with the times and foster innovation and the will to undertake and progress further. It is in demanding times like these that we are required to seize new trends and create new sources of wealth.

A final word of thank you to all who have helped make Semapa successful - our customers, staff, suppliers, the Group's governing bodies, financial institutions and other partners and, last but not least, to our shareholders we wish to express our heartfelt gratitude. We will keep up the spirit and the modus operandi of the past 25 years to honour our history and to be able to generate a prosperous future for the coming generations.

JOÃO CASTELLO BRANCO
CEO

DIRECTOR'S REPORT

01

1. ECONOMIC BACKGROUND

Almost 10 years after the collapse of Lehman Brothers in 2008 and after the 2011 sovereign debt crisis, the global economy seems to be on a track of ongoing low growth. Consequently, the IMF estimates that in 2016 the world economy grew 3.1% vs. 3.2% in 2015, (World Economic Outlook, IMF, January 2017), performing differently according to the geographic areas.

In Europe, the economy experienced moderate growth, with positive signs, though facing challenges posed by political events, in particular the United Kingdom's decision to exit the European Union after the referendum. After increase of 2% in GDP in 2015 in the Euro Zone, growth slowed down in 2016 (1.7% according to the latest IMF estimates), followed by a drop in the unemployment rate.

According to the same source, Germany, the engine of the European economy, grew slightly more compared to the previous year, estimated at 1.7%. Positive economic data for the fourth quarter point to economic growth in the Euro Zone at the quickest pace since 2011. However, the progress of the European economy will continue to depend greatly on the political events in 2017, including the elections that will be held in several countries. The ECB has continued its policy of quantitative easing, having lowered its policy rates again in March 2016.

In 2016, the rate of economic growth in North America slowed down (2.6% in 2015 vs. 1.6% estimated for 2016, World Economic Outlook, IMF, January 2017). On the other hand, the Federal Reserve raised its reference rate, albeit only slightly compared with what was expected, taking into account the economic performance in the year and the management of future expectations of the market. A better performance was recorded in the second half of the year; the markets reacted positively to the election of Donald Trump, whose office raises uncertainties for both the American and global economies, e.g. possible implementation of strong protectionist measures.

China's growth rate continued to slow down, with less exports and imports, partly based on less investment and industrial activity, nonetheless at significantly high level and playing a proportionally decisive part in overall growth. The performance of the Chinese economy is reflected particularly in the commodities market (except for oil), with China as one of the core players, whose prices fell significantly across the board.

In particular, the price of oil doubled in 2016, standing at USD 56 year end. The meetings held between OPEP and the non-member countries resulted in output limitation, and at the end of the year it was agreed that production in OPEP countries and Russia would be reduced.

Regarding the exchange market, in 2016 the dollar appreciated against the euro and other main market currencies, and continued to function as a safe currency. The North American currency is not expected to depreciate, whereas the currencies of countries that depend on US policies and economy may encounter difficulties.

After a 1.5% growth in GDP in 2015, the Portuguese economy is expected to grow 1.2% in 2016 (Bank of Portugal – Projections for the Portuguese economy: 2016-2019). So the Portuguese economy has followed a path of moderate recovery since 2013 sustained by dynamic exports; it recovered access to markets in the aftermath of the sovereign debt crisis, and the level of unemployment, while high, has been decreasing sustainably. However, economic growth still faces several constraints, namely the high level of debt, high long-term unemployment rate, low volume of investment and vulnerable banking and financial sectors.

2. OVERVIEW OF SEMAPA GROUP OPERATIONS

LEADING BUSINESS INDICATORS

IFRS - accrued amounts (million euros)	2016	2015	Var
Turnover	**2 074.6**	**2 132.3**	**-2.7%**
Total EBITDA	**489.1**	**478.2**	**2.3%**
EBITDA margin (%)	23.6%	22.4%	1.2 p.p.
Depreciation and impairment losses	(247.0)	(199.3)	-23.9%
Provisions (increases and reversals)	2.4	9.0	-73.4%
EBIT	**244.5**	**287.9**	**-15.1%**
EBIT margin (%)	11.8%	13.5%	-1.7 p.p.
Net financial profit	(74.3)	(122.3)	39.2%
Profit before tax	**170.2**	**165.6**	**2.8%**
Income tax	19.1	(34.8)	>100%
Retained profits for the year	189.3	130.8	44.7%
Attributable to Semapa shareholders	**114.9**	**81.5**	**40.9%**
Attributable to non-controlling interests (NCI)	74.4	49.3	51.1%
Cash-flow	433.9	321.1	35.1%
	31/12/2016	**31/12/2015**	**Dec16 vs. Dec15**
Equity (before NCI)	817.3	716.3	14.1%
Net debt	**1 779.7**	**1 803.0**	**-1.3%**

Notes:
- Total EBITDA = operating profit + depreciation and impairment losses + provisions (increase and reversal)
- Cash flow = retained earnings for the period + depreciation and impairment losses + provisions (increase and reversal)
- Net debt = non-current interest bearing debt (net of loan issue charges) + current interest-bearing debt (including debts to shareholders) – cash and cash equivalents
- In comparison with the same period of the previous year, it was impacted by the full consolidation of the Supremo Group on 1 July 2015, the change in The Navigator Company stake from 81.19% to 69.4% in July 2015; the latter only impacts the retained profits for the period attributable to Semapa shareholders

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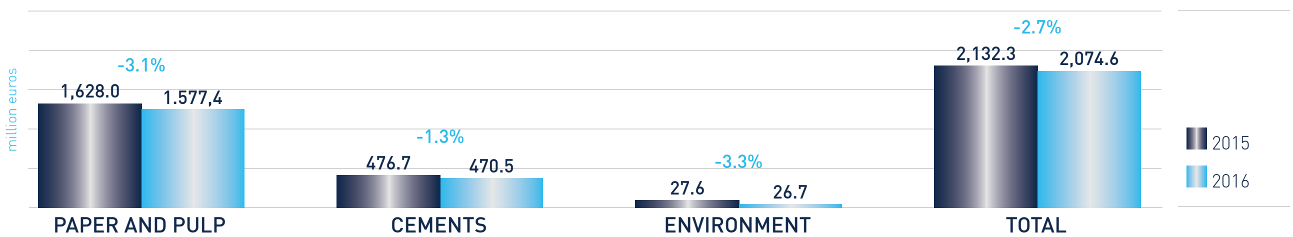
TURNOVER

In 2016 the consolidated turnover of the Semapa Group stood at 2,074.6 million euros, a decrease of 2.7% on 2015. Exports and foreign sales amounted to 1,606.0 million euros: 77.4% of turnover.



Paper and Pulp: 1,577.4 million euros ▼ 3.1%

Turnover in the paper and pulp business area in 2016 stood at 1,577.4 million euros, approximately 3.1% below the previous year's figure. The decrease arises mainly from less energy sales, after the sales price to the grid from the natural gas co-generation plant in Figueira da Foz were reviewed and overall paper and pulp prices fell in 2016.

Cement[1]: 470.5 million euros ▼ 1.3%

In 2016, the cement unit recorded turnover of 470.5 million euros, 1.3% below that recorded in the previous financial year. The drop was mostly due to fall in turnover of all operations conducted in Portugal and Tunisia, while turnover in Brazil grew.

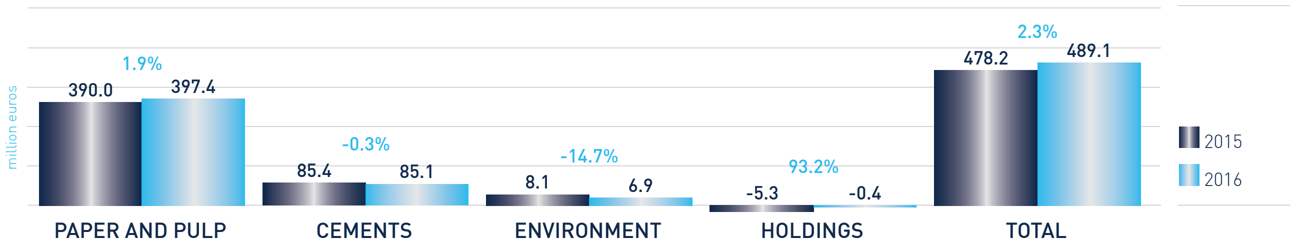
[1] The integration of the Supremo Group in the Semapa consolidated financial statements for 2015, taking into account that the acquisition of the remaining 50% of the Group that forced the full consolidation occurred at the end of the month of June, had the following impact: 50% of the results of the first half were integrated using the equity method, the balance sheet position was fully consolidated (100%) with reference to 30 June 2015 and the results in the second half (July to December) were also fully consolidated (100%).

Environment: 26.7 million euros ▼ 3.3%

The environmental area recorded turnover of approximately 26.7 million euros in 2016, down by around 3.3% against 2015.

EBITDA

EBITDA for 2016 increased by approximately 2.3% in relation to the previous year, standing at 489.1 million euros. The consolidated EBITDA margin stood at 23.6%, 1.2 p.p. higher than that in the previous year.



Paper and Pulp: 397.4 million euros ▲1.9%

EBITDA in the Paper and Pulp business area in 2016 stood at 397.4 million euros, which represents an increase of 1.9% in relation to the previous year. The EBITDA margin stood at 25.2% in 2016, 1.2 p.p. up from the previous year. The progress reflects the effect of the effort of cost reduction.

Cement: 85.1 million euros ▼ 0.3%

EBITDA in the cement business area stood at 85.1 million euros, which translated into a decrease of 0.3% in relation to 2015. EBITDA decreased essentially as a result of operations in Portugal, where this indicator decreased 2.6 million euros, and in Lebanon, where it also dropped 2.6 million euros. In 2016, the EBITDA margin stood at 18.1%, 0.2 p.p. up from that recorded in the previous year.

Environment: 6.9 million euros▼ 14.7%

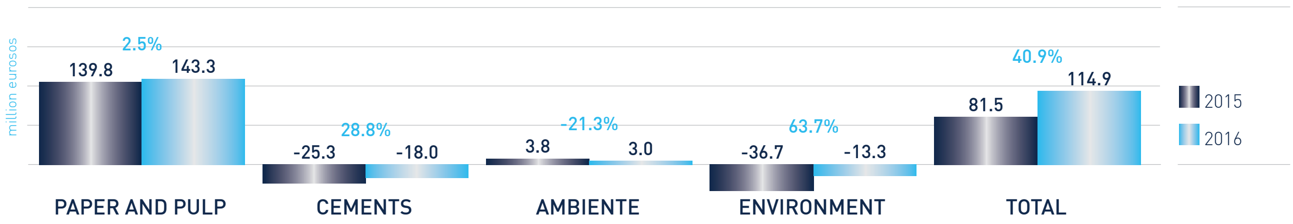
The EBITDA of the environmental area recorded in 2016 approximately 6.9 million euros, which represented a drop of around 14.7% against 2015, but an increase of 78.9% compared to 2014. The EBITDA margin stood at 25.8%, down by around 3.4 p.p. over the margin in 2015.

Holdings (Semapa SGPS and instrumental sub-holdings) ▲93.2%

In 2016, EBITDA of the holdings amounted to -0.4 million euros, comparing favourably with the negative amount of 5.3 million euros in the previous year. Note that in the same period in 2015, EBITDA had been negatively impacted by the reclassification of balance sheet gratuities referred to 2014, paid after the decision adopted at the Annual General Meeting in 2015, for personnel costs by virtue of the accounting standards in force.

NET INCOME

Net income totalled 114.9 million euros, up by 40.9% over the previous year. The increase in the EBITDA, improved financial results and income tax comparing favourably, more than offset the effects of increase of depreciation, impairment losses and provisions and the decrease in Navigator's stake after July 2015.



BREAKDOWN BY BUSINESS SEGMENTS

IFRS - accrued amounts (million euros)	Paper and Pulp		Cement		Environment		Holdings		Consolidated
	2016	16/15	**2016**	16/15	**2016**	16/15	**2016**	16/15	**2016**
Sales	**1 577.4**	**-3.1%**	**470.5**	**-1.3%**	**26.7**	**-3.3%**	**-**	**-**	**2 074.6**
Total EBITDA	**397.4**	**1.9%**	**85.1**	**-0.3%**	**6.9**	**-14.7%**	**(0.4)**	**93.2%**	**489.1**
EBITDA margin (% Sales)	25.2%	1.2 p.p.	18.1%	0.2 p.p.	25.8%	-3.4 p.p.			23.6%
Depreciation and impairment losses	(181.9)	-32.8%	(61.9)	-4.7%	(2.9)	0.6%	(0.2)	12.7%	(247.0)
Provisions (increases and reversals)	(0.4)	-102.9%	2.8	197.8%	-	100.0%	-	100.0%	2.4
EBIT	**215.1**	**-19.6%**	**26.1**	**11.2%**	**4.0**	**-21.1%**	**(0.6)**	**93.1%**	**244.5**
EBIT margin (% Sales)	13.6%	-2.8 p.p.	5.5%	0.6 p.p.	14.8%	-3.3 p.p.			11.8%
Net financial profit	(20.8)	58.6%	(37.2)	10.8%	(0.6)	26.8%	(15.7)	46.8%	(74.3)
Pre-tax profits	**194.3**	**-10.6%**	**(11.2)**	**38.9%**	**3.3**	**-19.9%**	**(16.2)**	**56.8%**	**170.2**
Tax on profits	11.5	136.3%	5.1	237.7%	(0.4)	7.0%	2.9	232.2%	19.1
Retained profits for the year	205.8	10.8%	(6.1)	72.3%	3.0	-21.3%	(13.3)	63.7%	189.3
Attributable to Semapa equity holders	**143.3**	**2.5%**	**(18.0)**	**28.8%**	**3.0**	**-21.3%**	**(13.3)**	**63.7%**	**114.9**
Attributable to minority interests	62.5	36.2%	11.9	253.8%	0.0	-21.4%	-	-	74.4
Cash-flow	388.1	26.0%	53.0	32.4%	5.9	-13.6%	(13.1)	61.3%	433.9
Net debt	**640.7**	**-2.1%**	**422.9**	**-7.5%**	**15.7**	**-13.4%**	**700.4**	**4.1%**	**1 779.7**

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

The Navigator Company ("Navigator") is listed and publishes its Annual Report. The following are the highlights of that disclosure.

The Secil and ETSA Groups, which are not listed, will not publish their results. Therefore, their operations are described in more detail.

3. PAPER AND PAPER PULP BUSINESS AREA

3.1. LEADING BUSINESS INDICATORS

IFRS - accrued amounts (million euros)	2016	2015	Var
Turnover	**1 577.4**	**1 628.0**	**-3.1%**
EBITDA	**397.4**	**390.0**	**1.9%**
EBITDA margin (%)	25.2%	24.0%	1.2 p.p.
Depreciation and impairment losses	(181.9)	(137.0)	-32.8%
Provisions (increases and reversals)	(0.4)	14.6	-102.9%
EBIT	**215.1**	**267.6**	**-19.6%**
EBT margin (%)	13.6%	16.4%	-2.8 p.p.
Net financial profit	(20.8)	(50.3)	58.6%
Profit before tax	**194.3**	**217.3**	**-10.6%**
Tax on profts	11.5	(31.6)	136.3%
Retained profits for the year	205.8	185.7	10.8%
Attributable to Navigator shareholders	**206.4**	**185.3**	**11.4%**
Attributable to non-controlling interests (NCI)	(0.7)	0.4	-285.9%
Cash-Flow	**388.1**	**308.1**	**26.0%**
	31/12/2016	**31/12/2015**	**Dec16 vs. Dec15**
Equity (before NCI)	1 056.0	1 041.7	1.4%
Net debt	**640.7**	**654.5**	**-2.1%**

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

3.2. OVERVIEW OF OPERATIONS OF THE PAPER AND PAPER PULP AREA

In 2016, the turnover of Navigator stood at 1,577.4 million euros, compared to 1,628.0 million euros in the previous year. The drop in total sales arises mainly from less energy sales, after the sales price to the grid from the natural gas co-generation plant in Figueira da Foz were reviewed and overall paper and pulp prices fell in 2016. Navigator mitigated the downward trend in paper and pulp prices by increasing its sales volumes, and also through an effort to reduce costs.

In Europe, conditions in the **paper** business (UWF) deteriorated during 2016, and estimates point to a reduction in apparent consumption of 3.8% (-0.3% in 2015) and growth in total imports of more than 18%. Paper imports from Asia grew significantly, particularly in office paper, having driven global prices down. In this adverse context, Navigator sales of UWF paper stood at 1,586.8 thousand tons, a 2.0% increase compared to 2015, thus reaching a new peak in terms of volume. The Group succeeded in placing additional volumes of paper in this context by increasing its sales both in Europe and in International markets. In European sales, the average price was 1.2% lower than recorded in the previous year, which compares with an increase in the price index for Europe (PIX A4 Copy-B) of 0.3%; this was due to a negative change in the product group and geography sales mix. Navigator's average sales price for all markets was down by 2.4% in relation to the previous year, also due to the change in product and market mix.

Falling **pulp** prices were a key feature of the previous year, in a descent which started in late 2015 and continued throughout 2016. The benchmark index for hardwood pulp (PIX – BHKP) dropped by around 16% in USD and 13% in Euros in relation to the start of 2016. However, Navigator had a sound operating performance, with volume of pulp placed on the market amounting to 290.6 thousand tons, raising sales by 15.1% due to the capacity expansion at the Cacia mill in 2015, which has resulted in increased availability of pulp for the market. The increase in the sales volume fell short of wholly offsetting the reduction in prices, and the value of pulp sales ended the year at around 1.6% below the figure recorded in 2015.

In the **energy** business, Navigator suffered the impact of a series of negative factors over the course of the year, most significantly the fact that, as anticipated, natural gas cogeneration at Figueira da Foz switched to an own-consumption only basis, reducing the volume of power sales to the national grid, while reducing purchases of electricity and natural gas for one of the paper mills. Operations were also constrained by repairs on the turbogenerators at the Cacia and Setúbal pulp mills, as well as other planned maintenance, in particular at the natural gas co-generation plant at the Setúbal industrial complex and at the Setúbal biomass power station.

As a result, total gross power output for the period as a whole was down by 8% on 2015 and the sales volume (quantity of power sold in MWh) fell by 16.3%. The total value of power sales to the national grid stood at around 50 million euros below the figure recorded in 2015. However, the reduction in the volume of electricity and gas purchases and lower purchase prices for fuel, essentially natural gas, significantly softened the impact of the drop in power sales, resulting in a net negative impact of around 6.0 million euros in EBITDA in relation to 2015.

In the **tissue** business unit, sales volume of goods and merchandise from the Vila Velha de Ródão plant grew approximately 30% in 2016 (in tons sold), driven by the rise in output capacity of reels and product finishing in 2015. The increase in amounts sold, together with the slight decrease in average sales price due to changes in the product mix (greater sales of reels), resulted in tissue sales close to 67.5 million euros, rising by 21% over the previous year.

The EBITDA of Navigator for 2016 totalled 397.4 million euros, up from the figure of 390.0 million in the previous year, reflecting a margin of 25.2%, compared to 24.0% recorded in 2015.

On the cost side, Navigator recorded an increase in the volume of wood supplied to mills, sourced essentially from the Spanish and import market. Despite an improvement in specific consumption, increased use of imported wood pushed up the overall acquisition cost. Imports from Spain and beyond continue to be necessary to make up for shortfalls in supply on the Portuguese market.

As observed in the first nine months of 2016, logistical costs for paper and pulp were brought down due to falling oil prices, different destination market mix, increased use of ports closer to the mills (Setúbal and Figueira) and improvements in cross-cutting procedures and greater efficiency in the Group's trade operations. These factors made it possible to bring down logistical costs by 8.2 million euros in relation to the previous year.

In the case of chemicals used in paper manufacture, Navigator achieved a reduction in overall costs estimated at about 2 million euros. In addition, Navigator has been working hard to cut maintenance costs at all its industrial sites, resulting in an overall reduction in 2016 of around 5%, corresponding to 3.6 million euros.

Personnel costs show a reduction of approximately 10.2 million euros against the previous year. On the one hand, in 2015 this item included non-recurrent costs, namely consisting of allocations to the pension fund, additional costs relating to the rejuvenation programme under way and the estimated cost of the performance bonus. On the other hand, expenses in 2016 were hit by growth in the workforce due to the recruitment by new businesses (in Mozambique and the USA) and integration of services which were outsourced before, in particular at the Figueira da Foz mill. Consequently, personnel costs in 2016 stayed in line with those in 2015, excluding the impact of the workforce in new business areas and of insourcing, as well as other non-recurrent impacts which inflated costs in the previous year.

In addition to the operating performance described above, EBITDA in the period is also the result of several non-recurrent elements, with an overall positive value of 7.5 million euros, namely:

- Revaluation of biological assets in Portugal, reflecting essentially the review of the assumptions underlying the discount rate and a number of adjustments to the valuation model: net increase of 7.3 million euros;

- Reversal of anti-dumping amount on the 2015 EBITDA: positive impact of 3.8 million euros;

- Receipt of compensation for breakdowns in TG3 and TG4 in Cacia in 2015 and 2016, less the estimated overall impact of the breakdowns: positive impact of approximately 1 million euros;

- Impairment of biological assets in Mozambique: negative impact of 3.5 million euros;

- The impact of the fire at the tissue mill in Vila Velha de Ródão in May less the partial insurance receipt: negative effect on EBITDA of 1.1 million euros;

Without these non-recurrent items, the figure for EBITDA in 2016 would have been broadly equivalent to that recorded in 2015.

Operating income in 2015 amounted to 215.1 million euros, which compares with 267.6 million euros in 2015. This item was hit by an increase of 45 million euros in Depreciation and impairments, reflecting essentially increased impairment on tangible fixed assets in Mozambique associated with field works (45.5 million euros, on top of the 3.5 million euros of biological assets in Manica), which reflect a conservative approach to the project, considering the country´s current economic and political context. This item also includes the write-off of tangible fixed assets, following the fire in Vila Velha de Ródão (1.9 million euros).

The financial results in 2015 amounted to negative 20.8 million euros, which compares favourably with a negative value of 50.3 million euros in 2015. The Group recorded a reduction of 16.6 million euros in interest expense due to the significant restructuring of its debt over the past twelve months and also positive trends in interest income and net foreign exchange gains. The results also reflect the impact of non-recurrent items, in particular (i) a cost of 6 million euros relating to the premium on the option exercised in May 2016 to repay 150 million euros for Portucel Senior Notes 5.375%, a cost nonetheless 8.6 million euros lower than the repayment premium recorded in September 2015 for repayment of 200 million euros; (ii) a reversal of provisions for compensatory interest with a value of 3.2 million euros.

The account for taxes reflects a series of reversals of tax provisions in the final quarter of 2016, as a result of closure of the tax inspection of Navigator in relation to the financial year of 2013 and favourable court decisions adding up to 23 million euros, and also the positive impact of adoption of the revaluation rules published in Decree-Law 66/2016, of 3 November, with a net effect of 16 million euros. In 2015 the account for taxes was impacted negatively by the tax gain generated on disposal inside the group of assets allocated to pulp manufacture in Setúbal (16 million euros).

The consolidated net income for the year stood at 206.4 million euros, representing growth of +11.4% in relation to the same period in 2015.

3.3. BUSINESS REVIEW

3.3.1. PAPER

3.3.1.1. MARKET BACKGROUND

In 2016 the framework was adverse, as a result of the 3.8% decrease in apparent consumption of UWF in Europe and an increase of around 18% of the volume of European low cost imports, particularly from countries affected by the anti-dumping taxes imposed by the USA, like Indonesia and China. The negative effect of these two factors was offset by the closing of total production capacity in Europe of 300.000 tons, which meant that the operating rate dropped only 1.4 p.p. against 2015, standing at 91%.

Paper market price, pressured by the drop in the price of pulp, remained at 2015 levels, on average, in spite of the variation of 29.6 euro/t between the beginning and the end of the year. The main UWF benchmark price index (PIX A4- Copy B) increased 0.3% year on year.

In the USA, the drop in apparent consumption of UWF paper of 3.7% was in line with the European market. The imposition of anti-dumping measures and the appreciation of the dollar brought the international flows down significantly, imports decreasing by 12% and exports by 10.5%. The capacity utilization rate stood at 92% (-0.6 p.p. vis a vis 2015). The leading price index for the sector (Risi 20lb A4) fell by 1.9% in relation to the same period in the previous year, in line with the trend since 2010.

3.3.1.2. OPERATIONAL PERFORMANCE

(000 tons)	2016	2015	Var.
UWF Output	1 587	1 571	1.0%
UWF Sales	1 587	1 555	2.0%
FOEX – A4- BCopy Euros/ton	824	822	0.3%

Despite this environment, Navigator recorded in 2016 its highest ever figure for the volume of paper sales, up by more than 2% on 2015. In addition to the 2.4% increase in sales in Europe, this growth was sustained by ongoing expansion into new geographical regions, especially in the Middle East and Africa, and sales in markets outside Europe stood at their highest ever level. This growth in countries outside Europe consisted largely of an increase in the volume of sales of standard products, altering the share represented by these products in the total volume of paper sales and impacting average sales price negatively. However, it is important to note that, because of the Group's positioning and foreign exchange rate trends, these sales are more profitable than selling equivalent products in Europe. Despite the less advantageous mix of products sold, the Group has maintained its position as leader in the premium segment, with a market share of more than 50% in Europe.

As a result, the Group continued to operate, as usual, at 100% of its capacity, with order books at record levels.

3.3.1.3. BRANDING

In 2016 the Navigator Company Group continued to focus on its own brands, in particular the following:

The Navigator brand continued to lead the market in the premium office paper segment in 2016, especially sales in Eastern Europe, the Nordic and Baltic countries and England, as well as Africa, thus expanding its geographical presence in over 110 countries worldwide.

For the first time, Navigator brand was number one on the Brand Equity Index, an initiative of Opticom. The 2016 survey highlighted Navigator as the most popular, top selling brand, with the highest loyalty rate and quality perception index. The annual EMGE – Paper Industry Consultants study conducted among wholesale professionals rated Navigator again as the leading brand in Europe.

Discovery, European leader brand in low grammage office paper, continues to prove that it is possible to strike a balance between environmental results and grammage reduction, thus ensuring high performance levels, by combining top raw materials, innovation, state-of-the-art technology and a strong position at the level of eco-efficiency.

Discovery is today a world reference in its segment; it can be found in more than 60 countries, and in 2016 it continued to grow in important markets, like the Italian, where sales increased by more than 5%.

In 2016, Pioneer, the premium office paper brand with the female universe as its target, consolidated its position in terms of sales and market share, both in Europe and in other international markets, the performance in North Africa standing out in particular.

The Pioneer brand also managed to be in the top-20 brands with more spontaneous knowledge in the annual study conducted by EMGE– Paper Industry Consultants with merchants, besides the fact that it came in fourth as far as Brand Performance is concerned.

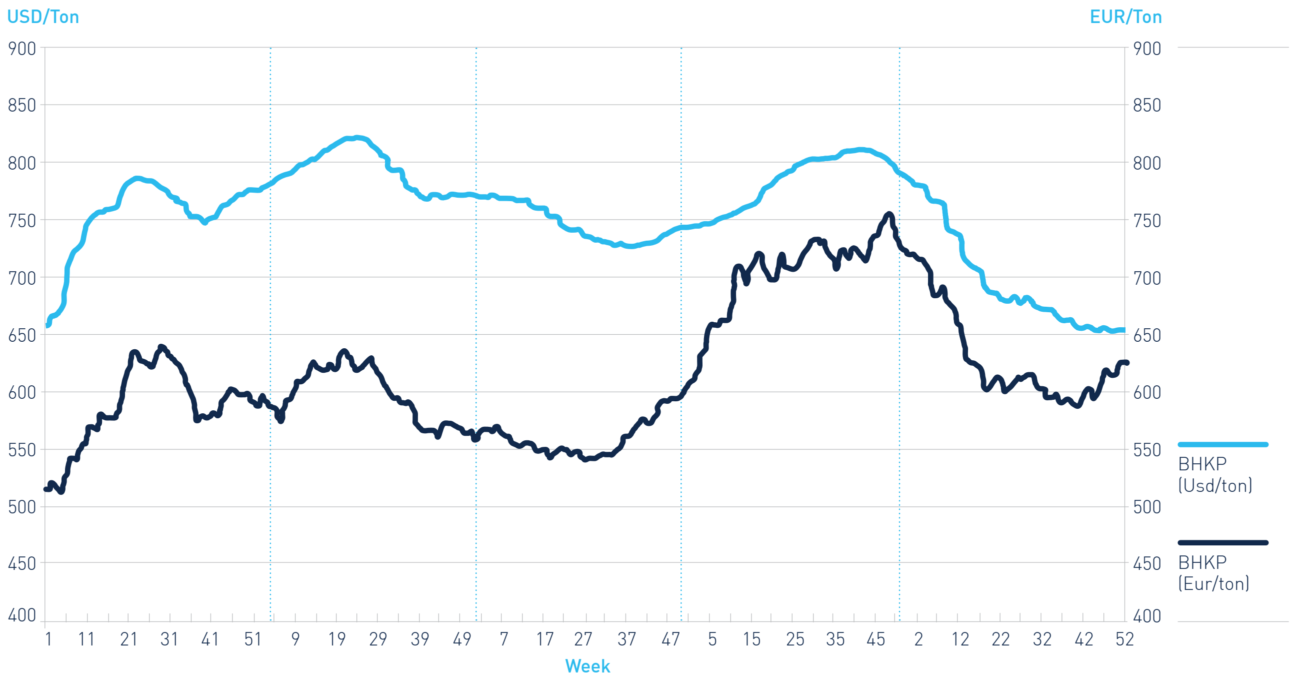
3.3.2. PULP

3.3.2.1. MARKET BACKGROUND

After a start to the year when Chinese buyers significantly scaled down their purchases of BEKP, demand for pulp picked up, with gains of 5.7% (accrued) in 2016. The Chinese market has accounted for 98% of this increase. The global capacity utilization rate for BEKP stood at 93% in 2016.

However, fears persist as to the impact of new production capacity expected to come on line in late 2016 and in the next few years, and the industry's benchmark price, which started the year at a high level, followed a sharp downward course, dropping around 16% in USD and 13% in EUR since the start of the year.

Monthly variation of the PIX Price Europe – BHKP



3.3.2.2. OPERATIONAL PERFORMANCE

(000 tons)	2016	2015	Var.
BEKP Output	1 470	1 423	3.3%
BEKP Sales	291	253	15.1%
Foex – BHKP Euros /ton	628	705	-10.9%

In spite of this trend and, due to the expansion of capacity in 2015, the Group ´s sales increased to 291 thousand tons, approximately 15.1% up on the previous year.

3.3.3. TISSUE

3.3.3.1. MARKET BACKGROUND

The Tissue market, one of Navigator's focus under the expansion plan, has evolved favourably in terms of apparent consumption in Western Europe. In 2016 it is believed to have grown 2.2% compared to the previous year.

3.3.3.2. OPERATIONAL PERFORMANCE

(000 tons)	2016	2015	Var.
Output of reels	47	33	44.2%
Output of finished products	42	35	18.1%
Sale of finished products	9	2	315.7%
Sale of reels other goods	42	37	13.0%
Sale of tissue total	**51**	**39**	**29.7%**

In this context, considering the increase in capacity completed in 2015, Navigator presented accumulated growth of 29.7% in the volume of tissue sales (tons). This growth occurred in particular in the away-from-home segment, in Portugal and Spain. Sales on the Portuguese market stood at around 43.5 million euros, accounting for 65% of total volume. Practically all the Group's other tissue sales were to Spain, totalling approximately 23.2 million euros. Total tissue sales in 2016 stood at 67.5 million euros, representing growth of approximately 21%.

3.4. INDUSTRIAL OPERATIONS

In 2016 1.5 million tons of air dry Paper Pulp and 1.6 million tons of UWF paper were produced, representing growth of 3.2% and 1.0% respectively, compared to the previous year. The production plants of Navigator were 100% occupied in the year.

The Figueira da Foz plant achieved a new record in pulp production, 6,000 tAD more than the previous peak in 2015.

The expansion project implemented in 2015 at the Cacia plant resulted in more Pulp production at the unit in 2016, of more than 45,000 tAD (13.2%).

Paper output at the two plants in Setúbal increased again, 14,000 t more finished product than in the previous year, with particular focus on the new industrial unit About the Future.

	2016	2015	2014
Pulp ('000 tAD)			
Cacia	341	296	302
Figueira da Foz	586	580	565
Setúbal	543	548	551
Total	**1 470**	**1 424**	**1 418**
Paper ('000 t)			
Figueira da Foz	767	770	765
Setúbal	820	806	794
Total	**1 587**	**1 576**	**1 559**

The unit costs for wood, the main input cost of pulp, behaved favourably on 2015, down by 1.0 %.

In paper production, the variable unit costs dropped significantly on the previous year: 15.6% less in Fibres and Calcium Carbonate overall, 2.3% less in Chemicals and 14.3% less in Electricity.

The maintenance costs of Navigator's industrial assets decreased 5.1% vis-à-vis 2015. The unit costs of maintaining the Paper Plants remained at the same level, while these costs in the Pulp Plants dropped significantly by 11.4%, as a result of less spending and a greater volume of pulp production.

Under the expansion policy for the production capacities of the Navigator plants, 2016 involved the preparatory engineering work and negotiations with the suppliers of the industrial equipment for the project PO3 (Optimisation Project 3), which is intended for enhancing the capacity of the Pulp Plant in Figueira da Foz to 650,000 tAD/year.

In Figueira da Foz, building started on the infrastructure designed to house a new pile of wood chips with a 170.000 m3 capacity and due to come into use in May 2017.

To improve the operational efficiency of the Navigator Pulp and UWF Paper plants, two pilot projects of Lean Manufacturing will be implemented, one at the Figueira da Foz Pulp Plant and another at the About the Future Paper Plant in Setúbal.

These experiments are intended to help draw the necessary lessons for expanding the Lean methodology to all of the Navigator Plants. Also in this regard, the 5S+Safety methodology was consolidated throughout the industrial area, having visibly impacted a cultural change oriented towards the Safety of People, greater operational efficiency and, consequently, waste reduction.

Regarding tissue production in 2016, Vila Velha de Ródão reached 46,940 tons of paper and 41,700 tons of finished goods in total, which translate an increase of 44% and 18%, respectively, against 2015.

2016 was a good year in terms of asset use: 86% of paper machines (figure affected negatively by the fire in May, otherwise offset by an excellent internal response plan) and 77% of processing.

Furthermore, unit costs performed well, due to a nominal reduction on 2015 in all of the main items, mostly arising from the scaling up of operations and the cost reduction activities.

The core equipment set up at Colombo Energy was concluded in 2016.

In the second half of 2016, the facilities, startup and entry into service tests were commissioned.

The production of industrial grade Pellets began in Q4, alongside product quality testing, and the first shipment left the Port of Willmington, NC to the end customer.

Colombo Energy, with annual production capacity of 500 thousand tons of industrial and domestic grade Pellets, is located in Greenwood, in the state of South Carolina, in the centre of one of the greatest forests on the East Coast of the USA, guaranteeing a supply of wood in exceptional conditions.

3.5. DEVELOPMENT

Over the course of 2016, the Navigator Group pressed ahead with developing the various growth opportunities set out in its strategic plan. Investment totalled 138.6 million euros, including 38 million euros in pulp, paper and tissue business, 8.9 million euros in the project in Mozambique, and 81.6 million euros in the pellets mill in the United States.

PELLETS

Colombo Energy Inc., in South Carolina, USA, commenced operations in the last quarter of the year and has begun to export to Europe. The output points to premium quality, high calorific value, low ash content and good durability.

The company has obtained certification by SFI, PEFC (CoC), FSC (CoC) and SBP, for the industrial segment, and certification by PFI as needed to sell to the residential market in the USA.

Colombo Energy Inc. has secured sales to the industrial segment in Europe, representing 40% of the mill's capacity over the next ten years. In addition, the market research into the residential segment in the US is pressing ahead, aimed at channelling 10 to 20% of the output into the American domestic market.

MOZAMBIQUE

As referred previously, the Group has been monitoring carefully the economic and political developments occurring in Mozambique, permanently reassessing the situation, and has decided to scale down the rhythm of investment in its operations.

Indeed, 2016 was a year marked by political and economic instability, resulting in restrictions on travel and safety for employees and service providers involved in the venture.

Nonetheless, the resulting operations point to the planting of around 5.3 thousand ha, bringing the total planted area to date up to approximately 10 thousand ha in Zambezia and 1.7 thousand ha in Manica. In terms of plant supply, the vast majority of the area planted was supplied from the nurseries in Luá, and a total of 7.1 million plants produced in the year were used.

The year was also marked by the completion of important activities under the environmental and social actions plan that was part of the commitment to the IFC - International Finance Corporation, which acquired a stake in the capital in July.

A pilot project involving the export of 2 thousand tons of eucalyptus wood from the Port of Nacala was conducted, aiming at acquiring insight into the legal and administrative procedures, logistics and operational channels of institutions.

TISSUE

In late 2015, the Group announced its intention of implementing a development project in the tissue segment in Cacia, consisting of the construction of a production line for tissue paper and the respective converting facilities. The project would create nominal annual capacity of 70 thousand tons and involve total investment of 121 million euros. The decision to go ahead with construction of the new line was conditional on a series of factors, in particular on the company securing a package of fiscal and financial incentives, which has now been finalized.

Navigator estimates that the necessary conditions have been met for implementing this investment plan and, once the incentives were contracted, the Board of Directors pressed ahead with the project. The new production and converting lines for tissue are expected to be completed in the second half of 2018, and the capital disbursements are planned to be split between 2017 (approximately 40%) and 2018.

EXPANSION OF PULP CAPACITY

Navigator also intends to develop a project to improve competitiveness at the Figueira da Foz Industrial Complex, involving a total investment estimated at 85 million euros. The Group has submitted applications for a series of financial and tax incentives, still pending decision from AICEP and expecting additional visibility at the end of the first quarter. This project aims to improve production efficiency and to increase the annual capacity by 70 thousand tons, to a total of 650 thousand tons of BEKP pulp.

However, Navigator is concerned at the Government's intention to approve new legislation for the forestry sector which prohibits the planting of new areas with eucalyptus, permitting plantations in new areas only on the basis of swaps with existing plantations in marginal and low-yield areas. This proposal, which lacks any technical or environmental rationale, fails to take into account the importance of eucalyptus to the Portuguese economy and will add to the difficulties experienced in a sector where supply and demand are already mismatched, and which already has to rely on imports of wood costing approximately 200 million euros each year.

It is important to enhance, that the Group has been working in a constructive manner, both individually and through the pulp and paper industry association, in order to deliver the necessary inputs to reduce the impact of the more negative aspects of this legislation.

3.6. RESOURCES AND SUPPORTING FUNCTIONS

3.6.1. SUSTAINABILITY

In 2016, Navigator consolidated, in a structured and lasting fashion, its Sustainable practices. In economic terms, it fostered employment and the development of the country and the regions; environmentally, through the fine-tuning of policies and practices for the preservation of the environment and minimisation of the impacts of its activities; at the social level, by creating opportunities for the development and well-being of its employees and the Community.

The Company delivered two sessions at the Sustainability Forum, providing a platform for dialogue and cooperation with the main stakeholders. The event had more than 200 participants and addressed topics like the contribution of the Navigator Group to the economic and social development of the country and the regions around its production units, and forest certification as the pillar of an industry based on forest products coming from sustainably managed plantations.

The investment project in Mozambique completed successfully the first year of the Social Development Plan, which included several family and community-support initiatives.

In the context of its external activities, in 2016 Navigator was co-Chairman of the Forest Solutions Group, a global platform of strategic cooperation for promoting sustainable forest management, under the WBCSD - World Business Council for Sustainable Development.

Domestically, the Navigator Group remained actively present in the BCSD Portugal, lending support to the project MEET 2030 for the development of corporate scenarios and solutions for 2030 against the backdrop of climate change and carbon neutrality.

Internally Navigator conducted a training module on sustainability for more than 800 of the company's operational staff. The activity aimed at raising awareness to the importance of social and environmental challenges that the World faces, while highlighting Navigator's sustainable management.

It published the 2014-2015 Sustainability Report based on the G4 version of the GRI - Global Reporting Initiative. Stakeholders were also heard for their opinions on the relevant issues for the business, and the core challenges and actions to be implemented for sustainability.

It is also worth highlighting that Navigator is among the top 3 companies with the Best Sustainability Performance in 2016 as assessed by Lyreco, a key customer of Navigator for the office paper business.

Navigator's core sustainability challenges include aligning its priorities with the UN's objectives on sustainable development, involving business partners in the effort of integrating sustainable practice along the value chain, reinforcing social responsibility and citizenship practices in the community, promoting staff participation, and sustaining investment in circular economy and low carbon technologies.

3.6.2. FORESTRY AND TIMBER SUPPLY

SUSTAINABLE MANAGEMENT

Sustainable forest management is one of the fundamental pillars of Navigator's business model. In 2016, the company developed its active policy of renewing Portugal's woodlands and increasing the returns obtained from own forest land and rented properties, over a total area of 118 thousand hectares, in 168 municipalities and 603 parishes in the country; 55% of the forest is on property owned by the company.

In 2016 Navigator also produced cork (14 th. arrobas), wine (109 th. litres), resinous wood (28 th. tons), pinecones, eucalyptus branch, game and pasture, among others, as a result of its diversified activity.

Forestation activity levels in 2016 were lower than in 2015, due to issues with the approval of the forestation projects by the ICNF (Forest and Nature Conservation Institute) on time to authorise planting in the right weather conditions. Therefore, a total of 1,8 thousand hectares were forested or reforested and 2 million selected eucalyptus saplings were planted out.

With a focus on its responsible management of forest holdings, over 12.6 thousand hectares were controlled for spontaneous vegetation and around 7 thousand hectares of stem cuttings selected. Fertilisation measures were also conducted on approximately 8 thousand hectares and around 4,900 km of tracks and paths were maintained or improved.

In 2016, approximately 607 thousand m3 of eucalyptus timber was extracted from forests belonging to Navigator and shipped (99% of which was certified wood).

The regular production of nursery plants in three nurseries of Viveiros Aliança, S.A. yielded production and sales of 8.9 million plants, of which 408 thousand were native or protected species and 84 thousand were ornamental plants or shrubs.

In 2016, investment in fire prevention amounted to around 3 million euros, with emphasis being placed on prevention, mitigation measures and Research & Development.

Assuming forest certification as a means to enhance its presence in the increasingly demanding international market regarding the origin of the raw materials of its products and to respond to society's legitimate worries, in 2016 Navigator managed to secure its certificates under two internationally acknowledged programmes, the FSC® and the PEFCTM. These certificates cover products like eucalyptus wood for paper and pulp production (Navigator's main output) and cork. Navigator's certified area includes all holdings on mainland Portugal and corresponds to a significant share of all certified Portuguese forests (32% FSC and 46% PEFC).

TIMBER SUPPLY

Wood supply in 2016 grew 156 thousand m3 compared with 2015, arising from higher levels of consumption by plants. Since the supply of eucalyptus wood on the Portuguese market fell short of the consumption needs, wood was imported, especially from the Spanish market that contributed the most to the rise in supply (+33%), reflecting an increase in the cost of production when compared to 2015.

Therefore, supply amounted to 4.5 million m3, 72% of which from Portugal, including self-supply, 14% from Spain and 14% from outside the Iberian market: Uruguay and Brazil. Navigator has maintained its position as a strong player in the Atlantic woodchip market.

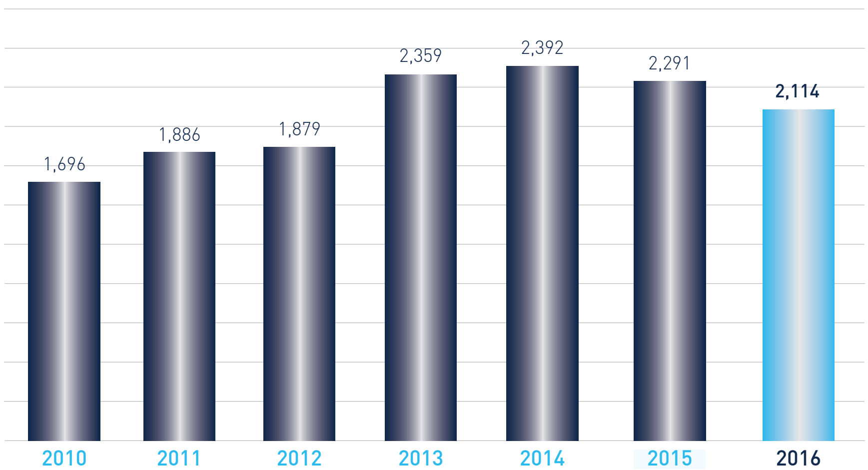
Of all timber supplied to the plants, 45% was certified and 55% was of protected origin. In Spain, where the supply of certified wood is strong, 88% of the timber supplied was certified. Navigator enhanced its focus on promoting forest certification measures and of the Custody Chain with suppliers and owners' associations, aiming at achieving 20% of all national purchase of certified timber in 2017.

3.6.3. ENERGY

The electricity generated by Navigator accounts for approximately 4% of annual gross production on mainland Portugal.

In 2016 Navigator produced 2,114 GWh in total, 7.7% less than in the previous year.

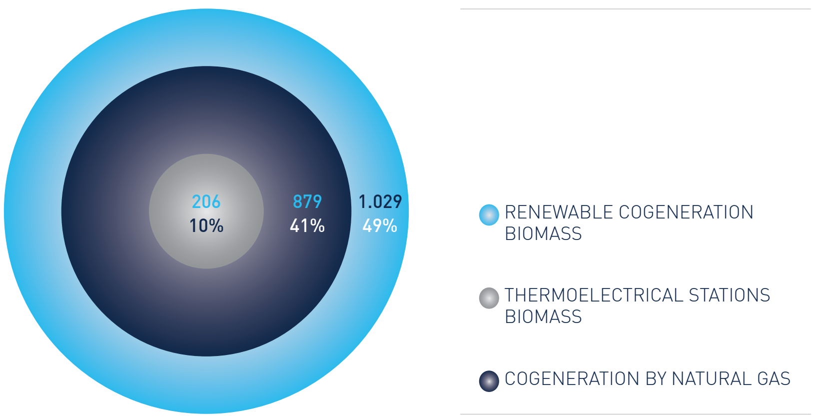
GROSS POWER OUTPUT NVG (GWH)



Electric power production was impacted mostly by two factors: On the one hand, malfunction of the turbogenerators at the Cacia and Setúbal mills; on the other hand, the fact that from November 2015, the combined-cycle natural gas power station in Figueira da Foz switched to an own-consumption only basis using one turbogroup only.

In 2016, electricity generated by biomass power plants totalled 1,235 GWh, amounting to approximately 59% of Navigator's total production and around 50% of the estimated total national production from this renewable resource. Four renewable cogeneration plants fuelled by biomass and the two thermoelectrical stations fuelled by biomass in Cacia and Setúbal contributed to the output.

PRODUCTION ELECTRIC POWER NVG 2016 (GWH)



Compared to 2015, electricity generated by biomass power plants increased 1.5%, benefiting from a more favourable production framework for renewable cogeneration. It is important to highlight the role of cogeneration technology that, by optimising simultaneous production of electric and thermal power, helps save significant amounts of primary energy, compared to producing the same amount of power using separate equipment.

On the other hand, the electric power produced by the two combined-cycle natural gas power stations in Setúbal and Figueira da Foz accounted for approximately 41% of Navigator's total production in 2016. The production of electric power by natural gas power stations decreased around 18% compared to 2015, in virtue of the combined-cycle natural gas power station in Figueira da Foz being switched to an own-consumption basis using one turbogroup only.

In 2016, the solar power facility of Navigator began operating, signalling the Group's focus on one of the world's emerging sources of renewable energy. With 2,288 kWp of installed power, the solar power facility will support the production of around 3,100 MWh/year of renewable electric power supplied to paper machine 4 on own-consumption only basis.

The increase in power generation from renewable sources, reducing where possible the exposure to fossil fuels remains an important goal of Navigator's activity in the field of energy.

FOREST BIOMASS FOR ENERGY PURPOSES

The year 2016 maintained high biomass supply, particularly leftovers from the forest activities. The biomass power stations of Cacia and Setúbal were supplied with approximately 314 thousand tons of biomass, not including bark of eucalyptus from the plants.

3.6.4. ENVIRONMENT

The environmental performance of Navigator is still very much guided by ongoing improvement, taking into account technological development and the implementation of best practices. It is in this context that in 2016 the activities under the Environmental Strategic Plan of Navigator were first implemented, and will continue until 2026.

Following a year of intense environmental investment in the Cacia Industrial Complex, in 2016 a new Optimisation Project (PO3) with a strong environmental focus was started at the Figueira da Foz unit. The project seeks to address the implementation of the Best Available Techniques (BAT) and the Emission Levels Associated to the BAT (ELA-BAT), laid down in Commission Decision 2014/687/EU of 26 September.

The environmental indicators for 2016 illustrate the good performance that all industrial units have kept up with in all areas: air, water, waste, power and materials. Compared to 2015, atmospheric emissions of particles and NOx improved, while SO2 emissions increased. The latter will be significantly reduced after the implementation of the PO3 project.

Improvements in procedures and the minimisation of loss helped to reduce total waste per ton of product by 47% compared to 2010. The waste recovery rate in the last decade remained above 80%.

The odour emission study conducted on all of Navigator's Industrial units, in partnership with accredited external entities, will help to minimise this important environmental feature by outlining improvement/mitigation measures.

3.6.5. INNOVATION, RESEARCH AND DEVELOPMENT

The Group is known for focusing on the development of innovative products, not only in terms of intrinsic quality, but also of consumer segmentation, which continued to receive particular attention in 2016.

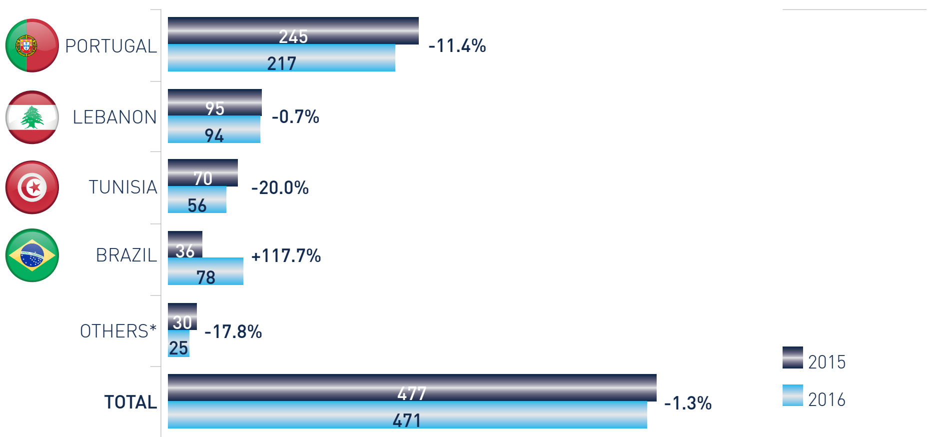
In 2016, the Group continued to invest in research in forestry, pulp and paper, through the work of its forestry and paper research institute, RAIZ, conducted in close cooperation with the Group's respective business sectors and a range of bodies in the national and international science and technology sector.

4. CEMENT AND DERIVATIVES BUSINESS AREA

4.1. LEADING BUSINESS INDICATORS

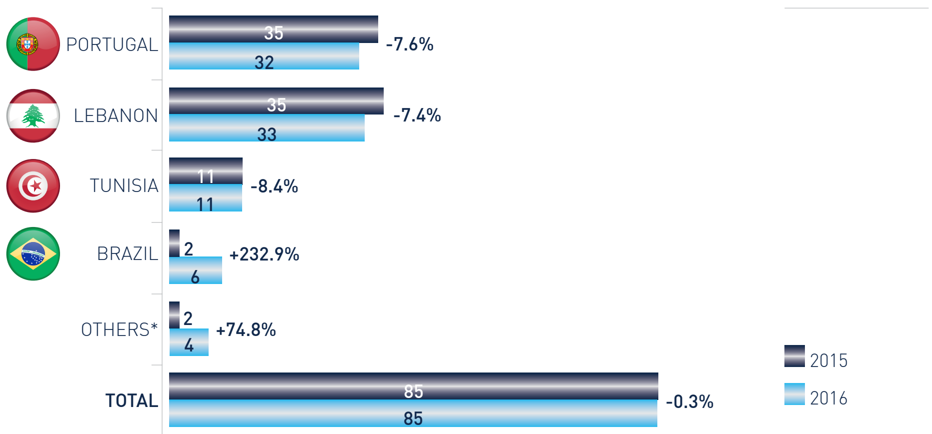
IFRS - accrued amounts (million euros)	2016	2015	Var.
Sales	**470.5**	**476.7**	**-1.3%**
EBITDA	**85.1**	**85.4**	**-0.3%**
EBITDA Margin (%)	18.1%	17.9%	0.2 p.p.
Depreciation and impairment losses	(61.9)	(59.1)	-4.7%
Provisions (increases and reversals)	2.8	(2.9)	197.8%
EBIT	26.1	**23.4**	**11.2%**
EBIT Margin (%)	5.5%	4.9%	0.6 p.p.
Net financial profit	(37.2)	(41.7)	10.8%
Pre-tax profit	(11.2)	(18.3)	38.9%
Tax on profits	5.1	(3.7)	237.7%
Retained profits for the year	(6.1)	(21.9)	72.3%
Attributable to Secil equity holders	**(18.0)**	**(25.3)**	**28.8%**
Attributable to non-controlling interests (NCI)	11.9	3.4	253.8%
Cash-flow	**53.0**	**40.0**	**32.4%**
	31/12/2016	**31/12/2015**	**Dec16 vs. Dec15**
Equity (before NCI)	444.9	426.1	4.4%
Net debt	**422.9**	**457.4**	**-7.5%**

TURNOVER (million euros)



* includes Angola and Cape Verde

EBITDA (million euros)



* includes Angola and Cape Verde

Notes:
- Figures for business segment indicators may differ from those presented individually by each Group, as a result of consolidation adjustments.
- The integration of the Supremo Group in the Semapa consolidated financial statements for 2015, taking into account that the acquisition of the remaining 50% of the Group that forced the full consolidation occurred at the end of the month of June, had the following impact: 50% of the results of the first half were integrated using the equity method, the balance sheet position was fully consolidated (100%) with reference to 30 June 2015 and the results in the second half (July to December) were also fully consolidated (100%).

4.2. LEADING OPERATING INDICATORS

in 1 000 t	2016	2015	Var.
Annual cement production capacity	9 750	9 750	0.0%
Sales			
Grey cement	4 988	4 731	5.4%
White cement	84	80	5.1%
Clinker	418	482	-13.1%
Aggregates	2 547	2 179	16.9%
Precast concrete	200	29	581.8%
Mortars	102	100	2.3%
Hydraulic lime	24	26	-6.8%
Mortar fixative	16	15	5.4%
in 1 000 m3			
Ready-mixed	1 214	1 389	-12.6%

4.3. OVERVIEW OF THE CEMENT AND DERIVATIVES BUSINESS AREA

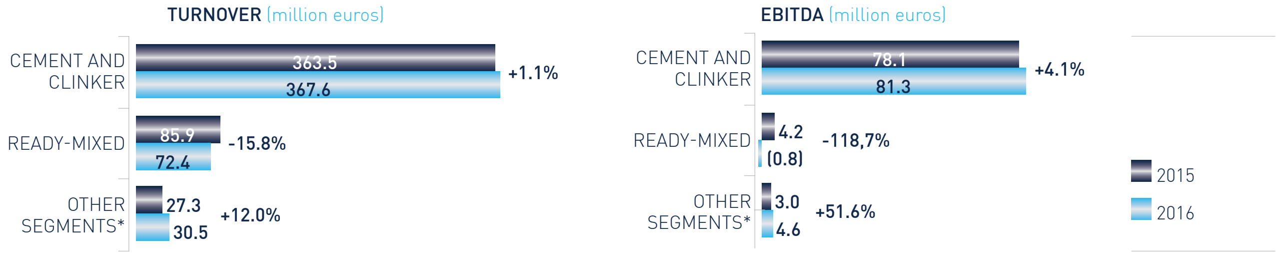
In 2016, the cement unit recorded turnover of 470.5 million euros, 1.3% below that recorded in the previous year. The drop was mostly due to fall in turnover of all operations conducted in Portugal and Tunisia, while turnover in Brazil grew.

EBITDA stood at 85.1 million euros, which translated into a decrease of around 0.3 million euros in relation to 2015. EBITDA decreased essentially as a result of operations in Portugal, where this indicator decreased 2.6 million euros, and in Lebanon, where it also dropped 2.6 million euros. In 2016, the EBITDA margin stood at 18.1%, 0.2 p.p. up from that recorded in the previous year.

Operating income stood at 26.1 million euros, up from 23.4 million euros in the previous year as a result of the improved provisions.

The financial results experienced a positive a development, having increased from a negative figure of 41.7 million euros in 2015 to minus 37.2 million euros in 2016. In spite of the integration of the Supremo Group with high financing costs (due to the investment made in the new Adrianópolis plant and the high interest rates charged in Brazil), these results were less negative, especially as a result of exchange rate appreciation of around 4 million euros.

Consolidated net income in 2016 totalled a loss of 18.0 million euros.



* includes Angola and Cape Verde

Turnover in the Cement and Clinker segment grew by 1.1% in relation to 2015. The Ready-Mixed concrete segment dropped by 15.8%, especially due to the completion of the construction of the Marão Tunnel in Portugal. The Other Segments together (Aggregates, Mortar and Pre-cast) increased against the previous year's figure, which stood at 12.0%.

EBITDA in the Cement and Clinker segment grew by 4.1% in 2016 in relation to 2015 and the Other Segments were up by 51.6%. The EBITDA of the Ready-Mixed Concrete was negative as a result of the drop in turnover and the rise in transportation cost.

4.4. BUSINESS REVIEW

4.4.1. PORTUGAL

4.4.1.1. MARKET BACKGROUND

The projections for Portugal in 2016-2019 suggest continued moderate growth of the economic activity, slightly below projections for the Euro Zone. After a 1.5% growth in GDP in 2015, a 1.2% rise is seen for 2016 (Bank of Portugal – Projections for the Portuguese economy: 2016-2019). The Construction Production Index (INE – Indices of Production, Employment and Remuneration in Construction – November 2016) was down by 2% in November 2016, on a year on year basis.

According to the latest figures available, cement consumption in mainland Portugal was down by 3.6% year on year. It is estimated that the market reached approximately 2.7 million tons.

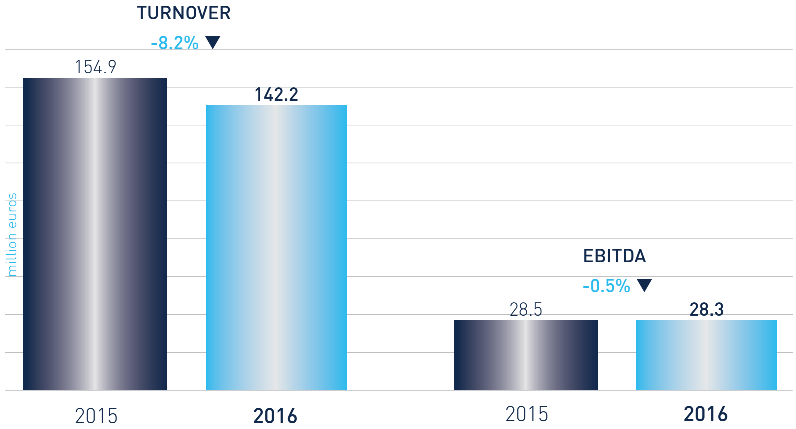
In this environment, the Secil Group presented the following overall indicators for its operations in Portugal in 2016 and 2015.

Portugal (million euros)	Turnover			EBITDA			Quantities Sold			
	2016	2015	Var.	**2016**	2015	Var.	Unid.	**2016**	2015	Var.
Cement and clinker	142.2	154.9	-8.2%	28.3	28.5	-0.5%	1.000 t	2 085	2 346	-11.1%
Ready-mixed	46.0	64.4	-28.5%	-0.6	3.3	-119.0%	1.000 m^3	737	1 027	-28.3%
Aggregates	12.8	12.0	7.3%	2.3	1.4	61.9%	1.000 t	2 437	2 096	16.3%
Mortars	11.6	10.8	7.1%	2.5	1.9	33.0%	1.000 t	143	141	1.0%
Precast	4.2	2.5	68.7%	-0.1	0.1	-205.9%	1.000 t	188	20	832.6%
Others	0.6	1.0	-35.6%	-0.4	-0.5	23.8%				
Total	**217.5**	**245.5**	**-11.4%**	**32.0**	**34.6**	**-7.6%**				

4.4.1.2. CEMENT AND CLINKER

According to the latest figures available, cement consumption in mainland Portugal was down by 3.6% year on year. It is estimated that the market reached approximately 2.7 million tons. Although the performance picked up in the second half of the year, the improvement was not enough to make up for the low consumption at the beginning of the year. The figures were brought down mostly by the public works sector.

INDICATORS



In the Cement business in Portugal, including sales in Portugal and exports, although the amounts sold in the domestic market increased 4.4% in relation to figures in 2015, the quantities sold for export dropped around 21.6% year on year. Consequently, the turnover of the whole unit dropped 8.2%, resulting in 142.2 million euros in 2016. This was mostly the result of the negative developments of cement and clinker exports, due to excess supply in the Mediterranean and less demand in countries dependent on revenues from fossil fuels, namely Algeria.

The Cement business unit in Portugal recorded EBITDA of 28.3 million euros, slightly down on the figure recorded in 2015. The drop in activity was partially offset by CO_2 sales licenses (2016 recorded 3.6 million euros of gains, whereas in the previous year sales amounted to 1.6 million euros) and the decrease in production costs, as thermal energy costs dropped significantly, influenced positively by overall reduction in fuel prices. The optimization of the alternative fuel mix helped improve the fossil fuel replacement rate.

INDUSTRIAL OPERATIONS

Cement output from the Secil Group mills in Portugal stood at 1,804 thousand tons in 2016, representing a reduction of 9.6% in relation to 2015 and lower demand in export markets.

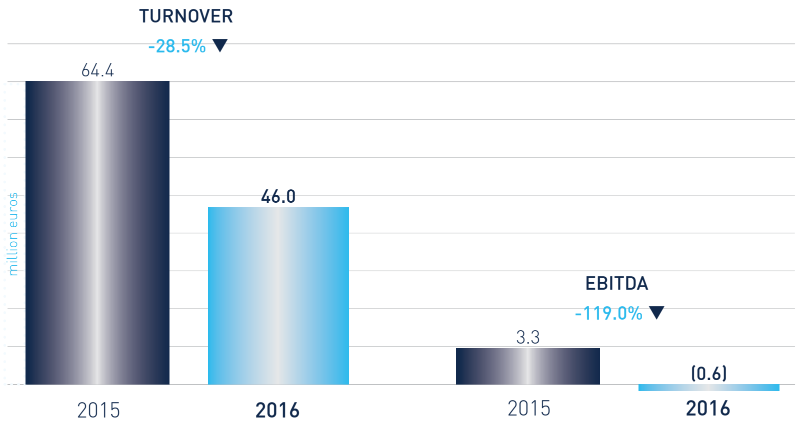
CEMENT OUTPUT

		2016	2015	Var.
Grey Cement	1.000 t	1 716	1 913	-10.3%
White Cement	1.000 t	88	82	7.3%
Total	**1.000 t**	**1 804**	**1 995**	**-9.6%**

CAPITAL EXPENDITURE

Investment in fixed tangible assets in Portugal totalled 30,4 million euros. Most of the investments were made in the Cement business. They include the replacement of the coolers in the kilns in the Outão plant, refurbishment of the CDR facilities in Outão and of the raw feed mill in Maceira and Outão.

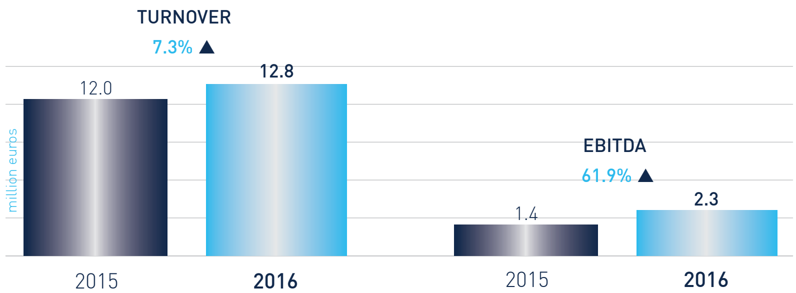
4.4.1.3. READY-MIXED CONCRETE



The turnover of the Ready-mix concrete business unit totalled 46.0 million euros in 2016, which dropped 28.5% in comparison with 2015, resulting from less amounts sold once the Marão Tunnel project was completed. The Marão tunnel aside, although sales in the first quarter of 2016 decreased year on year (due to weather conditions), in the following quarters they picked up, which brought sales in 2016 up by approximately 4% against 2015.

EBITDA of this business unit stood at a loss of around 0.6 million euros, against 3.3 million euros in the previous year. The EBITDA was brought down by the decrease in turnover and the increase in transportation costs.

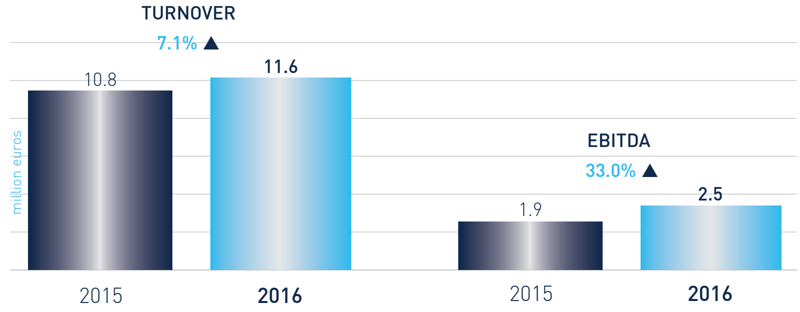
4.4.1.4. AGGREGATES



The aggregates business grew; sales volume was up by 16.3%, arising from greater dynamics in all of the regions where it operates, especially in Lisbon and the Algarve that recorded a significant rise in road maintenance works. The northern region had the lowest dynamics due to the completion of the Marão tunnel project. Turnover in this business unit stood at around 12.8 million euros, up by about 7.3% compared with the previous year.

More amounts sold and lower operation costs helped this unit to achieve an EBITDA of 2.3 million euros, 61.9% above that in the same period of the previous year.

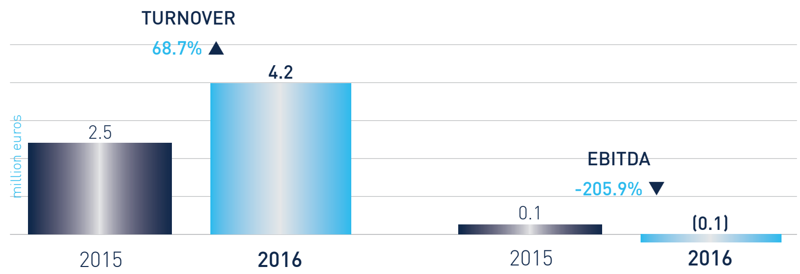
4.4.1.5. MORTARS



The Mortar business unit was impacted by the rise in sales volumes in the domestic market (+2.7%) and a drop in the external market (-12.7%). This was a challenging year at the international level, especially concerning the main market (UK). However, turnover grew by 7.1% to 11.6 million euros, due to a more favourable product mix.

As a result of the increase in turnover driven by the sale of more valuable products, EBITDA grew 33%, standing at 2.5 million euros.

4.4.1.6. PRE-CAST CONCRETE



In July 2016 Secil Prebetão became fully consolidated, with an impact of 2.3 million euros on turnover and a loss of 140 thousand euros on EBITDA.

The Pre-cast unit, which has been most affected by the ongoing downturn in the market and the deteriorating commercial performance over the past years, showed a negative development in terms of tile and block sales, compared to 2015. Tile sales dropped in the external market (-2%) and in the domestic market (-15%), and the sale of blocks decreased 12%.

EBITDA recorded a loss of 13 thousand euros in 2016, below the 77 thousand euros positive in 2015.

4.4.2. LEBANON

4.4.2.1. MARKET BACKGROUND

Lebanon is still feeling the impact of the global slowdown and regional instability, especially with the situation in Syria. The political environment remained relatively unstable in 2016, notwithstanding the new elected president and a new government in place at the end of the year. Nonetheless, there are expectations of modest economic growth. According to the latest figures published by the IMF, the Lebanese economy is expected to grow by 1% in 2016, as was the case in 2015 (World Economic Outlook, IMF October 2016).

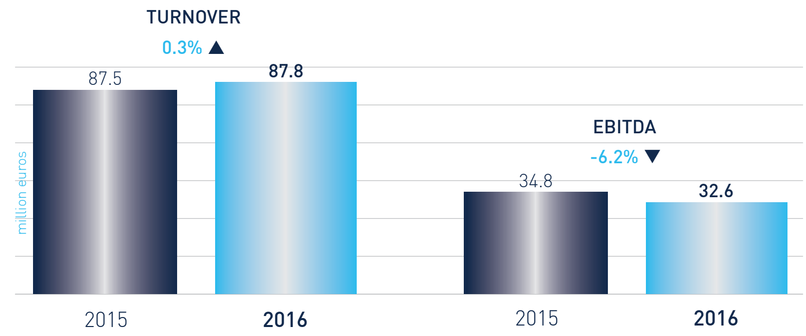
Regarding cement consumption in 2016, the market grew 4.3% against 2015, standing at 5.3 million tons. This happened because weather conditions were more favourable than in 2015 (weather conditions in the first quarter of 2015 were rather adverse) and the completion of some projects that continued from 2015. However, consumption dropped in the fourth quarter of 2016.

The following table presents overall indicators for the Secil Group's business operations in Lebanon in 2016 and 2015:

Lebanon (million euros)	Turnover			EBITDA			Quantities Sold			
	2016	2015	Var	**2016**	2015	Var	Unid	**2016**	2015	Var.
Cement and clinker	87.8	87.5	0.3%	32.6	34.8	-6.2%	1.000 t	1 116	1 134	-1.6%
Ready-mixed	6.6	7.6	-12.2%	0.1	0.5	-87.5%	1.000 m^3	107	113	-5.2%
Total	**94.4**	**95.1**	**-0.7%**	**32.7**	**35.3**	**-7.4%**				

4.4.2.2. CEMENT AND CLINKER

INDICATORS



The sales of Cement and Clinker totalled 1,116 thousand tons, down by 1.6% year on year. The competitive nature of the market has been challenging, reflecting a 2.6% fall of average prices in local currency. Turnover dropped by approximately 0.3%, totalling 87.8 million euros.

The Cement unit recorded EBITDA of 32.6 million euros, down by 6.2% over the figure recorded in 2015. The drop resulted from a decrease in the amounts sold, enhanced competitiveness, the pressure on sales prices and the need to purchase cement from third parties for sale, partly offset by lower input costs.

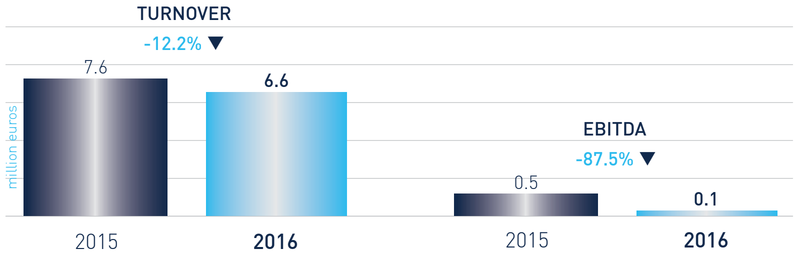
INDUSTRIAL OPERATIONS

Clinker production was below production in 2015, with 871 thousand tons produced (vs. 1,007 thousand tons in 2015). Production was down due to the programmed shut down of line 2 in Q1 to fit in the bag filter. Due to some constraints in cement production (shut downs of the main cement mill), less cement was produced compared to 2015, having produced 1,103 thousand tons (vs. 1,162 thousand tons of cement in 2015).

CAPITAL EXPENDITURE

Investments in 2016 amounted to 3.4 million euros; the installation of the bag filter on line 2 (initiated at the end of 2015 and involving investment of 1.3 million euros in 2016) was completed and the raw material silo was modified (420 thousand euros).

4.4.2.3. READY-MIXED CONCRETE



The turnover of the Concrete business unit in 2016 dropped 12.2% to 6.6 million euros, with a performance below that of the same period in the previous year, as a result of the decrease in the amounts sold by around 5.2% and the drop in sales price. The concrete market remained competitive, with special focus on this unit's practice areas, and reflecting on the sales prices that dropped around 8% in the local currency.

Therefore, EBITDA of this unit stood at 65 thousand euros, representing a drop of 87.5% in relation to 2015. The figure was brought down by the decrease in turnover, which was partly offset by lower maintenance and fuel expenses, and the recording of impairments on customers.

4.4.3. TUNISIA

4.4.3.1. MARKET BACKGROUND

In Tunisia, after the end of the process of political transition, the economic transformation required to ensure sustained growth remains to be concluded. According to the latest figures published by the IMF, the Tunisian economy is expected to have grown by 1.5% in 2016, above the 0.8% figure recorded in 2015 (World Economic Outlook, IMF October 2016).

The climate of uncertainty impacted cement consumption, which dropped about 4% in 2016, compared to 2015. Competition in the Tunisian market has grown, with many competitors and strong pressure on sales prices, which dropped. The competition was also felt in exports, aggravated by the occasional shut down of the Libyan borders and the constraints of cement exports from Tunisia to Algeria.

The following table presents overall indicators for the Secil Group's business operations in Tunisia in 2016 and 2015:

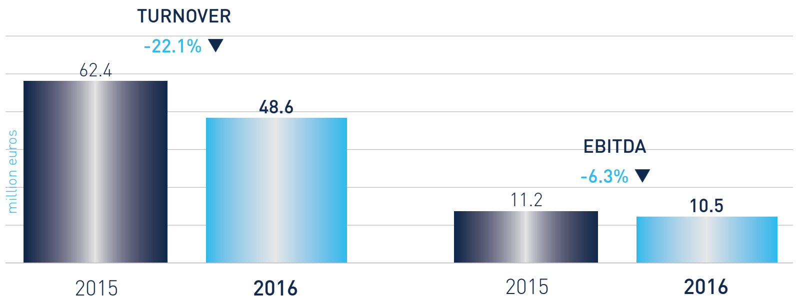
Tunisia (million euros)	Turnover			EBITDA			Quantities Sold			
	2016	2015	Var.	**2016**	2015	Var.	Unid.	**2016**	2015	Var.
Cement and clinker	48.6	62.4	-22.1%	10.5	11.2	-6.3%	1.000 t	962	1 139	-15.5%
Ready-mixed	7.1	7.4	-3.9%	0.0	0.3	-90.0%	1.000 m^3	154	147	4.7%
Precast	0.3	0.2	24.5%	0.0	0.0	-86.8%	1.000 t	11	8	40.2%
Total	56.0	70.0	-20.0%	10.5	11.5	-8.4%				

4.4.3.2. CEMENT AND CLINKER

Sales performance of the Cement and Clinker segment dropped in comparison with 2015, and sales volume decreased 15.5%. Domestic market sales were down by 6.2%, as a result of a reduction in the market and pressure on the sales price. In spite of strong competition, unit prices grew approximately 1.7% in the domestic market against 2015, partly due to the product mix.

Sales for export were also down by 43.2% on 2015. The reduction is due to some limitations to imports in Algeria and the closure of the Libyan border several times. Export sales prices are down due to the aforementioned constraints and greater competition (as a result of the situation in the domestic market), which also hindered the sales of this unit.

INDICATORS



The turnover dropped approximately 22.1%, and stood at 48.6 million euros, due to the decrease in turnover in the domestic market, and in the external market in particular.

EBITDA in 2016 stood at around 10.5 million euros, down by about 6.3% compared to the previous year.

Production performed better in 2016 than in 2015. The variable costs of clinker and cement production decreased in relation to the same period of the previous year. Decrease in thermal energy costs, as a result of overall drop in fuel prices impacted the reduction in production costs significantly. Electricity costs also decreased, as a result of less specific consumptions and energy price. The price of electric power in Tunisia reduced significantly in June, which also impacted quite positively input costs in the third and fourth quarter.

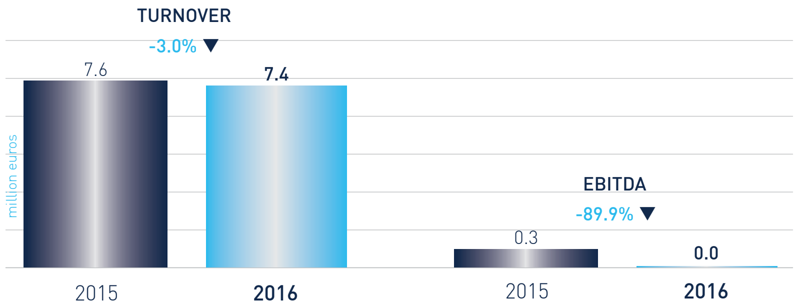
INDUSTRIAL OPERATIONS

Less clinker was produced in 2016 than in 2015, due to the reduction in cement output, arising from the drop in cement sales.

CAPITAL EXPENDITURE

Investment amounted to 2.2 million euros, the equivalent to 2015, mainly intended for investments in replacement, health and safety.

4.4.3.3. READY-MIXED AND PRE-CAST CONCRETE



The Ready-mixed and Pre-cast concrete unit performed less strongly than in 2015. As far as sales volume is concerned, concrete sales grew by 4.7%. However, enhanced competition brought sales prices slightly down. Turnover was lower than in 2015, but it is under the negative effect of the depreciation of the Tunisian dinar against the euro by approximately 500 thousand euros.

EBITDA of this business unit stood at 29 thousand euros, lower than the figure for the same period of the previous year, as a result of the drop in the EBITDA margin due to the rise in the purchase price of some raw materials, transportation costs and the recording of some impairments on customers.

4.4.4. BRAZIL[2]

For a more suitable comparative analysis, the main economic and financial indicators of the Supremo Group are provided separately.

IFRS - accrued amounts (million euros)	2016	2015	Var.
Sales	**77.6**	**60.0**	**29.3%**
EBITDA	**6.4**	**(1.4)**	**>100%**
EBITDA Margin (%)	8.2%	-2.3%	10.5 p.p.
Depreciation and impairment losses	(11.6)	(7.0)	-66.4%
Provisions (increases and reversals)	(0.2)	(0.2)	17.4%
EBIT	**(5.4)**	**(8.6)**	**37.0%**
EBIT Margin (%)	-7.0%	-14.3%	7.3 p.p.
Net financial profit	(16.2)	(25.5)	36.5%
Profit before tax	(21.6)	(34.1)	36.6%
Tax on profits	3.4	9.6	-64.4%
Retained profits for the year	(18.2)	(24.4)	25.7%
Attributable to Supremo equity holders	**(18.2)**	**(24.4)**	**25.7%**
Attributable to minority interests (MI)	-	-	
Cash-flow	**-6.4**	**-17.2**	**63.0%**
	31/12/2016	**31/12/2015**	**Dec16 vs. Dec15**
Equity (before MI)	176.2	151.1	16.6%
Net debt	**146.7**	**121.0**	**21.2%**

4.4.4.1. MARKET BACKGROUND

In Brazil, recent IMF projections point to a contraction of the economy of 3.5% in 2016 (World Economic Outlook, IMF, October 2016).

The economy of Brazil is still significantly affected by the political instability, tax adjustments and a number of proceedings/ inquiries which received plenty of media coverage. The combination of these events produced a great deal of uncertainty about which way the economy would go, making expectations difficult to manage.

In this context, the construction industry was naturally affected: less works and projects, with an impact on cement consumption. Recent information (SNIC – January 2017) about the cement market in Brazil suggest a drop in the market in the first half of 2016 of around 11.7% year on year. In the south of Brazil, the core market of the Supremo Group, the decrease amounted to 5.8%.

4.4.4.2. CEMENT, CLINKER AND READY-MIXED CONCRETE

INDICATORS

Brazil (million euros)	Turnover			EBITDA			Quantities Sold			
	2016	2015	Var.	**2016**	2015	Var.	Unid.	**2016**	2015	Var.
Cement and clinker	64.9	46.0	41.0%	6.6	-1.7	483.2%	1.000 t	1 132	716	58.0%
Ready-mixed	12.7	14.0	-9.1%	-0.3	0.4	-171.5%	1.000 m^3	216	215	0.6%
Total	**77.6**	**60.0**	**29.3%**	**6.4**	**-1.4**	**566.9%**				

[2] The integration of the Supremo Group in the Semapa consolidated financial statements for 2015, taking into account that the acquisition of the remaining 50% of the Group, which forced the full consolidation, occurred at the end of the month of June, and had the following impact: 50% of the results of the first half were integrated using the equity method, the balance sheet position was fully consolidated (100%) with reference to 30 June 2015 and the results in the second half (July to December) were also fully consolidated (100%).

In 2016, total operations by the Supremo Group generated turnover of 77.6 million euros, of which 64.9 million euros from cement and clinker and 12.7 million euros from ready-mixed concrete. It should be noted that the Adrianópolis plant began production only in late April 2015 and, consequently, the average daily sales volume increased. In 2016, while the market slowed down, the unit managed to raise sales significantly, having sold 1,132 thousand tons of cement and clinker and 216.3 thousand m3 of ready-mixed concrete.

Although the start-up of the new plant was successful, sales prices behaved rather negatively in 2016, under the strong impact of competition. The market contraction, combined with the increase in the capacity of one of the competitors, lead to increased competition, causing prices to drop. Average sales price dropped about 8% on 2015, which naturally affected EBITDA margin.

In 2016, EBITDA stood at 6.4 million euros, compared to a negative figure of 1.4 million euros in the previous year. When the Adrianópolis plant went into operation, variable input costs decreased significantly, due to less thermal and electric consumption by the new equipment. The variable costs of cement production were down (although they are not directly comparable with the previous year, as there are a new range of products), as a result of the reduction in the cost of fuel purchased and the cost control activities. The fixed costs increased compared with costs in 2015, due to growing operations in Brazil, arising from reinforcement of the sales team, the opening of new distribution centres and fixed costs concerning a new industrial unit.

INDUSTRIAL OPERATIONS

The levels of clinker and cement production in Brazil were significantly higher in 2016 than in 2015. The new plant began operating in April 2015, which is why the figures cannot be compared, as 2016 was the first complete year of activity of the new plant. The Adrianópolis plant showed good industrial performance, energy consumption (thermal and electric) was less than in the previous year, which also helped to maintain variable costs down.

CAPITAL EXPENDITURE

Investments in 2016 stood at 4.9 million euros, and included the completion of the plant construction, the purchase of two concrete plants (intended to expand the cement sales channels), the opening of eight cement distribution centres and the strategic centre in Curitiba.

4.4.5. ANGOLA

4.4.5.1. MARKET BACKGROUND

According to the IMF, the Angolan economy is not expected to grow in 2016 (World Economic Outlook, IMF October 2016). Given the heavy dependence of the economy on the revenues from the oil sector, this situation is limiting its economic performance and making its presence felt in the major economic and financial variables. In 2016 the value of the Kwanza continued to deteriorate, inflation was up (to around 33.7% according to the IMF) and the country faced difficulties in foreign payments.

The following table presents overall indicators for the Secil Group's business operations in Angola in 2016 and 2015:

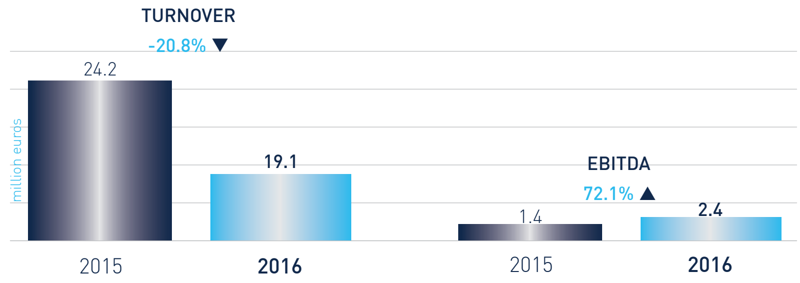
Angola (million euros)	Turnover			EBITDA			Quantities Sold			
	2016	2015	Var.	**2016**	2015	Var.	Unid.	**2016**	2015	Var.
Cement and clinker	19.1	24.2	-20.8%	2.4	1.4	72.1%	1.000 t	155	200	-22.6%
Total	**19.1**	**24.2**	**-20.8%**	**2.4**	**1.4**	**72.1%**				

4.4.5.2. CEMENT AND CLINKER

The cement market in Angola was not immune to these difficulties and in 2016 it dropped around 25.5%, standing at approximately 3.9 million tons. The decrease was justified by the halt in a great many public works, and by the private building sector that was adversely affected by the overall rise in the prices of goods intended for current consumption.

This situation disturbed national cement manufacturers, who were impacted by the cost of clinker imports and all incoming materials and services that was raised by currency depreciation. The availability of foreign exchange reduced, creating difficulties in foreign payments and exposing companies to exchange losses.

INDICATORS



The amount of cement sold decreased 22.6% in relation to the same period of the previous year, amounting to 154.7 thousand tons of cement sold. This decrease was due to market contraction, considering the aforementioned conditions of the Angolan economy. Turnover amounted to 19.1 million euros in total, down by 20.8% compared to 2015. The decrease was negatively affected by the depreciation of the Kwanza against the Euro by 6.9 million euros. The exchange rate effect aside, the turnover would have been 5.7% more than in 2015, as the sales price increased significantly (+44.8%), thus offsetting the drop in quantities.

The Group has done its best to reduce total costs through adjustments to its manufacturing structure. The fixed costs dropped, due to staff costs that decreased as a result of workforce cuts. Such improvement helped to offset the rise in variable unit costs due to: i) higher clinker import cost (arising from the devaluation of the Kwanza); and ii) significantly higher energy and fuel costs.

The combined effect of the factors previously mentioned resulted in the EBITDA improvement, which reached 2.4 million euros in 2016, compared to 1.4 million euros in the previous year.

CAPITAL EXPENDITURE

Investments in 2016 totalled 120 thousand euros (down by 82% against 2015), due to no relevant investments having been made.

4.5. RESOURCES AND SUPPORTING FUNCTIONS

4.5.1. SUSTAINABILITY

Sustainability is a strategic issue for the management of the Secil Group, which is why it is committed to participate in the CSI – Cement Sustainability Initiative, under the WBCSD – World Business Council for Sustainable Development, namely through the measures for redesigning the priority goals and establishing the most suitable structure for their fulfilment, in the context of the rejuvenation of the CSI.

Furthermore, Secil's CEO participated in the drafting of and outspokenly supported the Low Carbon Partnership Initiative for the cement industry, the WBCSD's input to the Paris Agreements.

The following steps have been taken in the cement business unit in Portugal:

- The alternative fuel substitution rate rose to 47%, allowing further substitution of fossil fuels;
- The rate of clinker incorporation in cement was 74.9%, slightly below 75.5% in 2015;
- Carbon emissions went down from 620 kg of CO2 released per ton of cement products in 2015, to 601 kg of CO2 per ton of cement products in 2015, lower than the set target (629 kg of CO2 per ton of cement products), reflecting the lower proportion of clinker incorporated in cement and the reduced specific emission factor at the Secil-Outão plant;

- Carbon emissions of all 3 plants remained below the licences granted by the Portuguese Government under the NIMs – National Implementing Measures for Allocations 2013-2020.

4.5.2. ENVIRONMENT

The cement industry has proven its commitment by reducing carbon emissions. It was the first industry to deliver a roadmap of progress towards the targets for a low carbon economy (Cement Technology Roadmap – Carbon emissions reductions up to 2050), jointly published by the Cement Sustainability Initiative (CSI) and the International Energy Agency (IEA) in 2009.

In 2013, the European Cement Association (CEMBUREAU) published a roadmap of the European cement industry, titled "The role of Cement in the 2050 Low Carbon Economy".

Secil participated actively in the drafting of these two documents as member of the CSI and the CEMBUREAU.

In the latter of the two documents mentioned above, the CEMBUREAU proposed to reduce CO2 emissions by 32% compared to a 1990 baseline, using proven conventional technologies. Such reduction may increase to 80%, as soon as ground breaking technologies, such as the Carbon Capture and Storage/Use (CCS/U), become technically and economically viable.

In July 2015 the European Commission (CE) tabled a proposal to revise the Directive on the European Carbon Dioxide Emissions Market (EU-ETS), which will have to be adopted in co-decision with the European Parliament and the European Council.

The EU-ETS should be an incentive for investment, growth and the creation of jobs, allowing the cement industry and the equivalent to foster innovative solutions in shaping the Europe of tomorrow. Therefore, the proposal submitted should protect the more efficient facilities in the European market from competition by non-European manufacturers, which are not subject to proportionate restrictions for reducing CO2 emissions, and foster competition between European producers for exporting outside Europe. Consequently, it should ensure technically viable emission reduction rates, while guaranteeing affordable energy prices.

However, the proposal of the EC does not provide for these two situations and, if it is not changed, it will burden the more efficient facilities with undue costs, up to 30% of the Gross Value Added.

The EP and the European Council assessed the proposal in 2016; the EP adopted the changes on 15 February 2017 and the Council adopted its changes at the European Council of Environment Ministers held on 28 February 2017. This will be followed by a discussion between the three entities: the European Council, the European Parliament and the European Commission. It is believed that EC is also available to discuss its details. Either individually or as a member of the ATIC and CEMBUREAU, Secil undertakes to ensure that it is reviewed fairly and realistically by the relevant entities.

Nevertheless, we recall that under the Paris Agreements the negotiating conditions are expected to deteriorate further for the sectors covered by the EU-ETS. We believe that a greater effort is needed to support those areas that are not included, namely the carbon efficiency of buildings and infrastructures, to which the cement industry can contribute significantly, by providing concrete construction solutions of proven sustainability.

4.6. ORGANIZATION

Work continued in 2016 on prioritising procedure optimization and improvement. As in previous years, improved efficiency remains one of the Group's main priorities and focal points in all geographical regions. The units continued to implement several of previous years' initiatives, and in 2016 a set of structural projects were laid out (some of which cut across several regions), with the aim at all times to improve profitability and to streamline procedures.

5. ENVIRONMENT BUSINESS AREA

5.1. LEADING BUSINESS INDICATORS

IFRS - accrued amounts (million euros)	2016	2015	Var.
Turnover	**26.7**	**27.6**	**-3.3%**
EBITDA	**6.9**	**8.1**	**-14.7%**
EBITDA margin (%)	25.8%	29.2%	-3.4 p.p.
Depreciation and impairment losses	(2.9)	(3.0)	0.6%
Provisions (increases and reversals)	-	(0.1)	100.0%
EBIT	**4.0**	**5.0**	**-21.1%**
EBIT margin (%)	14.8%	18.1%	-3.3 p.p.
Net financial profit	(0.6)	(0.9)	26.8%
Profit before tax	**3.3**	**4.2**	**-19.9%**
Tax on profits	(0.4)	(0.4)	7.0%
Retained profits for the year	3.0	3.8	-21.3%
Attributable to ETSA shareholders	**3.0**	**3.8**	**-21.3%**
Attributable to non-controlling interests (NCI)	-	-	-
Cash-Flow	**5.9**	**6.8**	**-13.6%**
	31/12/2016	**31/12/2015**	**Dec16 vs. Dec15**
Equity (before NCI)	65.5	62.5	4.7%
Net debt	**15.7**	**18.1**	**-13.4%**

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

5.2. LEADING OPERATING INDICATORS

The following table sets out the main operating indicators for the ETSA Group in the financial years of 2016 and 2015:

	Unit	2016	2015	Var.
Collection of raw materials - Animal waste (categories 1 and 2)	1 000 t	42.6	43.3	-1.7%
Collection of raw materials - Animal waste (category 3)	1 000 t	76.2	73.0	4.3%
Collection of used food oil	1 000 t	1.6	1.7	-4.5%
Sales - animal fats	1 000 t	15.1	12.7	18.8%
Sales - meal	1 000 t	21.7	21.3	1.7%
Sales - used food oil	1 000 t	1.4	1.9	-24.2%

5.3. OVERVIEW OF THE ENVIRONMENT BUSINESS AREA

The ETSA Group recorded turnover of 26.7 million euros in 2016, down by around 3.3% in comparison with the previous year.

The reduction is the result of less 4.5% of consolidated services delivered, mostly due to the Government's decision to cancel temporarily and exceptionally the official SIRCA collection from 26 August to 4 October, but also to the drop in sales by around 2.4%, fundamentally arising from the price reduction.

This activity is cyclical. Therefore, EBITDA of the ETSA Group, which amounted to around 6.9 million euros in 2016, was down by 14.7% against 2015, but up by 78.9% compared with 2014.

Such variation is explained cumulatively through: i) the suspension of the SIRCA service, and ii) narrower commercial margins of sales, caused by lower meal prices and the rise in the cost of raw materials year on year.

The EBITDA margin stood at 25.8%, down by around 3.4 p.p. over the margin for the same period of 2015.

Financial results were up around 26.8% on the same period in the previous year, resulting from the average net debt in the year, and the repricing of the applicable debt remuneration terms.

The combined impact of these factors resulted in Net Income attributable to equity holders of the ETSA Group for 2016 of approximately 3.0 million euros.

6. SEMAPA GROUP HUMAN RESOURCES

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

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

The Workforce of the Semapa Group went from 5,621 at the end of December 2015 to 6,028 at the end of December 2016, as shown in the following table:

	31-12-2016	31-12-2015	Var.
Pulp and Paper	3 111	2 662	449
Cement	2 615	2 647	-32
Environment	275	287	-12
Holdings	27	25	2
Total	**6 028**	**5 621**	**407**

The increase in the Paper and Paper Pulp areas is essentially the product of staff hired for the new businesses and the incorporation of activities that were previously outsourced, particularly at the plant in Figueira da Foz.

7. SOCIAL RESPONSIBILITY IN THE SEMAPA GROUP

Helping to sustainably develop its local communities is one of the strategic principles guiding the Semapa Group. The Group has been aware at all times that sustainable growth depends on the well-being of its Workforce, and on the support and ties it builds with the communities around its production units and commercial premises.

The Group is accordingly involved in a wide array of projects designed in the last instance to improve the quality of life of the communities around its plants and facilities, and to preserve the environment.

Taken together, donations by the Semapa Group to welfare charities totalled approximately 2.2 million euros in 2016.

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

- "Dá a Mão à Floresta": The 6th edition of this initiative , which is already an ex-libris of the annual agenda of the CSR of Navigator, mobilised a total of 2,400 primary and pre-primary school children from north to south of the country. This activity, that includes the celebrations of the World Forest Day and World Environment Day, is conducted in partnership with the town halls and the local communities welcome it with open arms. It is intended to raise the awareness of people to the need to protect and cherish the national forest. More than 5,000 plants were distributed in 2016 under this initiative;

- Support to the school meal reinforcement programme (PERA): In 2015/2016 Navigator granted daily breakfasts to more than 252 pupils with food shortage, which totalled 24,933 meals. The aid is delivered under a partnership programme with the Ministry of Education and covers schools in the catchment areas of the plants;

- Cooperation agreements with institutions working in the fields of social inclusion, sport and the arts, with programmes in the local communities around the Group's facilities.

- Paper grants: in 2016 grants were given out to schools and charities in the plants' catchment areas; social, educational and cultural projects were donated up to 24 tons of paper. Furthermore, ongoing aid is provided to the boards of schools of the communities around the Group's plants and facilities, which is translated into fundamental support for the educational communities;

- Aid to the Fundação Nossa Senhora do Bom Sucesso foundation: Founded in 1951, the Foundation has worked towards health and human development, in particular child and women's health, by delivering top quality services irrespective of the social and economic background of users;

- Support to the Salvador Association: An Association that works to defend the interests and rights of persons with reduced mobility, especially individuals with physical disability;

- Support to the Quinta Essência Association: A charity that helps people with intellectual disabilities to achieve independence through the integrated development of their personal, social and vocational skills.

- Support to MDV Projecto Família: A pioneering project in Portugal, seeking to work with families with children at risk. The aim is to keep the family together through intensive, immediate and individualised support;

- Support to Cáritas Portuguesa;

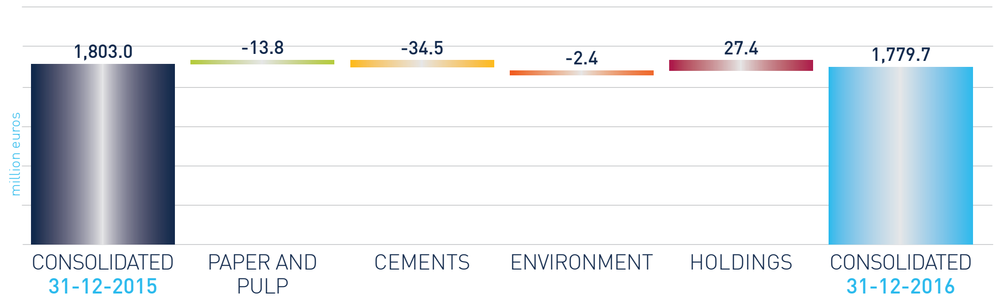
- Support to the Ronald McDonald Foundation in Lisbon and Porto.

8. SEMAPA GROUP – FINANCIAL AREA
8.1. INDEBTEDNESS

CONSOLIDATED NET DEBT

(million euros)	31-12-2016	31-12-2015	Var
Pulp and Paper	640.7	654.5	-13.8
Cement	422.9	457.4	-34.5
Environment	15.7	18.1	-2.4
Holdings	700.4	673.0	27.4
Total	**1 779.7**	**1 803.0**	**-23.3**

EVOLUTION



On 31 December 2016, consolidated net debt stood at 1,779.7 million euros, representing a decrease of 23.3 million euros over the figure recorded at year-end 2015, positively influenced by the creation of operating cash flow and:

- Pulp and paper: -13.8 million euros, resulting from the payment of dividends of 170 million euros (118 million euros paid to Semapa) and investments of about 138.6 million euros, including 38 million euros in pulp, paper and tissue business, 8.9 million euros in the project in Mozambique, and 81.6 million euros in the pellets mill in the United States;
- Cement: -34.5 million euros, reflecting the supplementary capital payment of 140 million euros made by Semapa in December 2016. These developments also include investments of 23 million euros, the settlement of 30.25 million euros payable to Semapa, contribution paid to the sellers of Supremo (35 million euros), and the effect of the foreign currency denominated debt by approximately +23.9 million euros;
- Environment: -2.4 million euros; and
- Holdings: +27.4 million euros, resulting namely from the withdrawal of funds for the supplementary capital payments to be made in Secil, dividends received from Navigator, the purchase of own shares, advance corporate income tax (IRC) payments and dividend payments (26.7 million euros).

8.2. FINANCIAL RESULTS

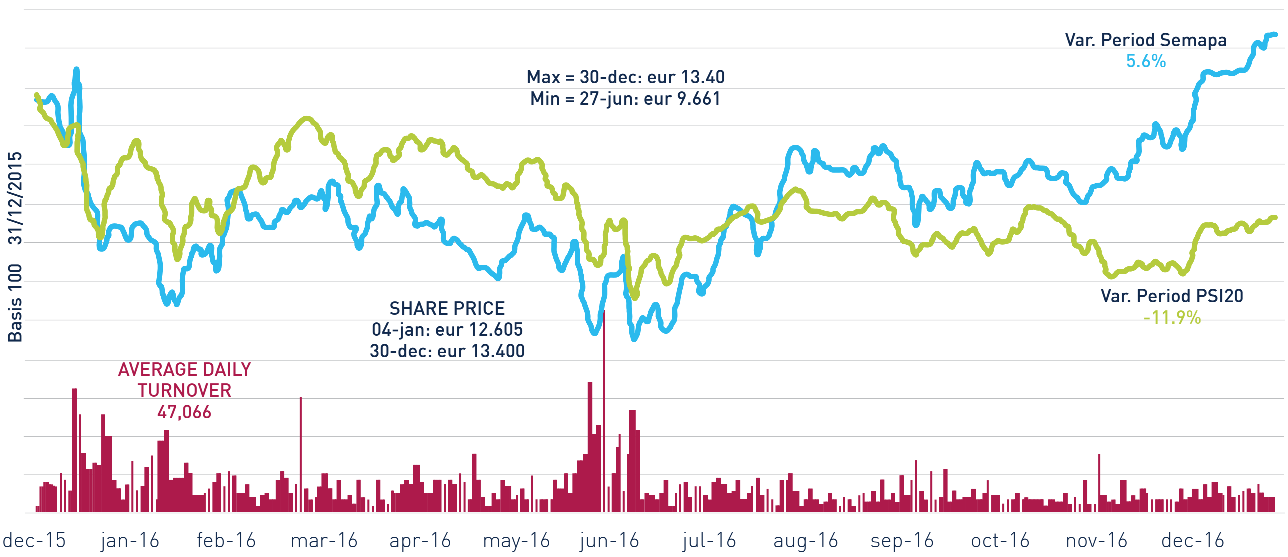
In 2016 financial results amounted to a negative figure of 74.3 million euros, improving 39.2% in relation to the figure recorded in the previous year. The positive variation of 48.0 million euros was primarily the result of:

- Positive effect arising from a decrease in interest rates, debt repayment and debt renegotiation in more favourable conditions;
- Interest accrued as a result of the integration of the Supremo Group;
- The recording of the non-recurrent cost of around 7.9 million euros concerning the early repayment of the final tranche of Portucel Senior Notes 5.375%, amounting to 150 million euros. In September 2015, Navigator had already repaid 200 million euros of the bonds issued, of which 16.2 million euros in costs were recorded in the third quarter of 2015.

8.3. RISK MANAGEMENT

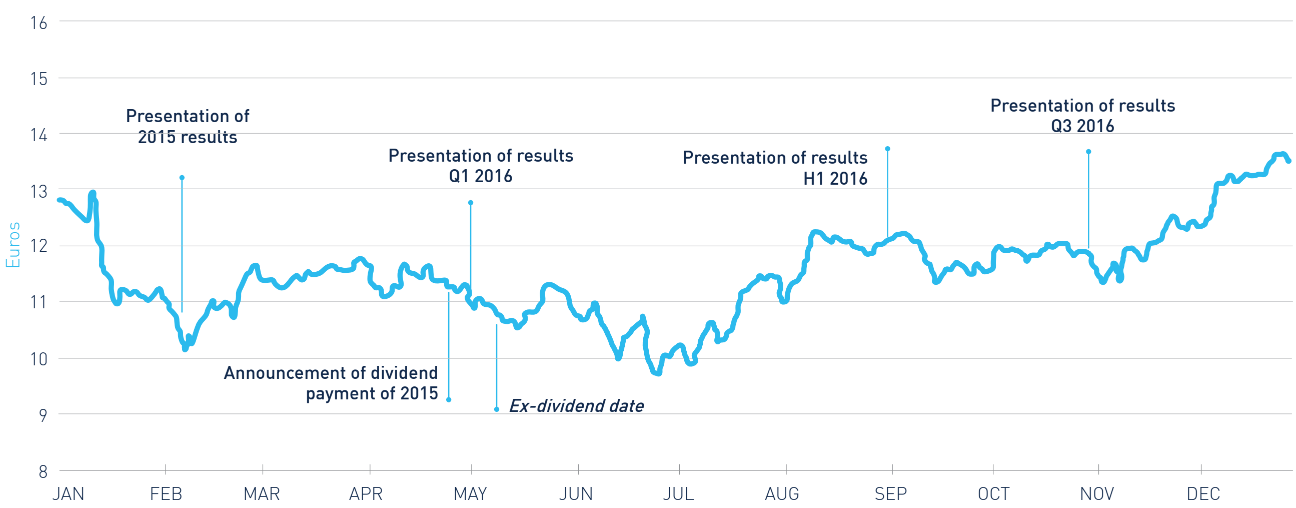
Details of risk management may be consulted in the relevant section of the Notes to the Consolidated Financial Statements (Semapa Group).

8.4. LISTED SHARE PRICE



Note: Closing market prices

EVOLUTION OF AVERAGE PRICE OF SEMAPA SHARES IN 2016



In 2016 the capital markets behaved in an extremely risk-averse way and were highly volatile. The PSI20 was down by 11.9%. Prices were hit by fears of slower growth in the Portuguese economy and doubts concerning budgetary execution. London was the best performing stock market exchange: despite the instability generated by Brexit, it once again confounded expectation with a 14% gain for the year in the FTSE. On the other side of the Atlantic, performance was positive, for both the US DJI and the Brazilian Bovespa indexes.

In this context, the value of Semapa shares had a positive out turn in the period, as it increased by 5.6%, above PSI20 average (-11.9%). The Semapa share value reached a high of 13.40 euros on 30 December and a low of 9.661 euros on 27 June.

8.5. DIVIDENDS

In May 2016 Semapa distributed dividends with a total value of 26.7 million euros, corresponding to 0.329 euros per share.

In May 2016, Navigator paid dividends and distributed reserves totalling 170 million euros, corresponding to 0.159 euros per share and 0.0781021 euros per share, respectively.

8.6. NET INCOME

Consolidated net income in 2016 attributable to shareholders of Semapa was 114.9 million euros, which represents an improvement of 40.9% compared to the same period in the previous year. Net income per share stood at 1.42 euros/share.

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

- An increase in total EBITDA of approximately 10.9 million euros;
- An increase in depreciation and impairment losses of 47.7 million euros, arising namely from:
    - The depreciation, for the first time, of the new capital projects in Cacia, Vila Velha de Ródão and Colombo (Pellets), and the full consolidation of Supremo;
    - Non-recurrent adjustments resulting from the write-off of fixed assets after the fire in Vila Velha de Ródão (1.9 million euros), the revaluation of fixed assets in Mozambique which resulted in impairment losses associated with field works (45.5 million euros), which reflects a conservative approach to the ongoing project, considering the country´s current context. Additionally, Secil recorded impairments, net of deferred taxes in the total amount of 6.8 million euros.
- Change in provisions amounting to 6.6 million euros, due essentially to the release of provisions in the previous year, which proved to be unnecessary;
- An improvement of net financial results by about 48.0 million euros, in relation to the previous year;
- The improvement of income taxes by about 53.9 million euros, reflecting a series of reversals of tax provisions in the final quarter of 2016, as a result of closure of the tax inspection of the Navigator Company in relation to the financial year of 2013, favourable court decisions adding up to 23 million euros and also the positive impact of adoption of the revaluation rules published in Decree-Law 66/2016, of 3 November, with a net effect totalling 16 million euros. In 2015, income taxes were negatively affected by the reversal of deferred taxes on the tax losses incurred by Semapa;
- The appropriation of lower results from Navigator in the first half of 2016 vs. the previous year (69.40% versus 81.19%, respectively), following the Public Exchange Offer completed in July 2015.

9. HIGHLIGHTS IN 2016

- At the Annual Meeting of Semapa Shareholders held on 20 April 2016, the following was implemented as adopted by the Shareholders:

  - The decrease of the share capital from 81,645,523.00 euros to 81,270,000.00 euros, in the amount of 375,523.00 euros, by the cancellation of 375,523 own shares, according to Article 463 of the Companies Code, with the resulting amendment to the Articles of Association, namely to no. 1 of Article 4, regarding the composition of the share capital;

  - The increase of the share capital from 81,270,000.00 euros to 117,028,800.00 euros, in the amount of 35,758,800.00 euros, by incorporation of reserves, with the proportional increase of the nominal value of all Company shares of 0.44 euro per share to 1.44 euro per share, with the resulting amendment to the Articles of Association, namely to no. 1 of Article 4, regarding the composition of the share capital;

  - The decrease of the share capital from 117,028,800.00 euros to 81,270,000.00 euros, in the amount of 35,758,800.00 euros, aimed at releasing the excess capital, transferring to free reserves the released amount of share capital and by proportionally reducing the nominal value of all Company shares from 0.44 euro per share, to the nominal value of 1.00 euro per share, with the resulting amendment to the Articles of Association, namely to no. 1 of Article 4, regarding the composition of the share capital, and no. 4 of Article 9, regarding the number of shares that shall correspond to one vote;

  - The payment of dividends arising from 2015 income of approximately 26.7 million euros (32.9 cents per outstanding share).

- At the end of July the International Financial Corporation – IFC – acquired a stake in Portucel Moçambique, by subscribing the initial amount of 5 million USD.

- ETSA, through the ITS/LLF consortium, concluded in August with the Food and Veterinary Directorate General (DGAV), for the duration of 3 years, the service acquisition contract for the collection of dead animals on the farm, transport to the slaughterhouse and stables, and processing and elimination, amounting to 35.993 million euros.

- In December, Semapa made supplementary capital payments of 140 million euros to its subsidiary Secil, 30.25 million euros of which was used to repay Semapa's debt.

- In 2016 Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. purchased 956,322 own shares, an investment of approximately 10 million euros. Semapa completed the year with 586,329 own shares in the portfolio, representing 0.721% of its share capital.

SUBSEQUENT EVENTS

- Last 27 January, Secil signed a purchase contract of assets in Spain, currently belonging to the LafargeHolcim group. The assets include a cement terminal, two quarries and thirteen ready-mix concrete plants in the Spanish regions of Astúrias, Galiza and Castilla and León. This acquisition will enable Secil to expand its activity to a new geography and increase its cement sales from Portugal. This transaction is dependent on several preliminary conditions that need to be met, as is usual in similar operations.

10. OUTLOOK

This was another difficult year for the world economy: the key features of 2016 were the stagnation of global trade, the low level of investment and growing political uncertainty. In Europe, the economy experienced moderate growth over the year, with positive signs undermined by political events, in particular the United Kingdom's decision to exit the European Union. After growth of 2% in GDP in 2015 in the Euro Zone, growth is expected to slow down in 2016-2018, with estimates pointing to figures between 1.5% and 1.7%. However, fiscal stimulus and growth-oriented policies in place in some of the major economies, in particular the US, have the potential to unlock new dynamics in the economy.

PAPER AND PULP

After an especially poor third quarter for the paper market, demand showed signs of improving at the end of the year, and Navigator recorded an increase in sales to Europe and other markets (excluding the United States). In December, Navigator announced a price increase for UWF paper in the North Africa, Middle East and Turkish markets, implemented in early 2017. Since then Navigator has continued to observe improving market conditions, visible in a robust level of orders, encouraging it to announce a price rise for its UWF products in Europe of approximately 4%, with effect from 24 February 2017.

In the short fibre pulp market, the end of the year saw a recovery in sales, as demand picked up from Chinese buyers. New capacity has come onto the market, albeit at lower levels than originally anticipated, and the Chinese authorities have continued to close down obsolete capacity; the combination of these two factors was largely responsible for the recovery in demand. Sales price rose in Asia in the final quarter of 2016, and greater upward pressure could also be observed on pulp prices in Europe at the start of 2017. Nonetheless, despite these positive signs, there are still concerns about the rapid growth in pulp supply anticipated for 2017 and 2018, and fears that the growth in demand will fail to keep pace with the increase in new capacity expected on the market. At the same time, foreign exchange trends will be a fundamental factor in determining the competitiveness of pulp manufacturers.

Tissue remains one of the main driving forces in global demand for pulp, with annual growth in output estimated at around 1 million tons. In Europe, estimates point to growth in tissue of around 2.2% in 2016, with the away-from-home segment expansion sustained by improvements in employment and disposable income. The prospects for 2017 appear to be in line with the previous year, constrained by the general state of the economy and in particular by the level of employment and growth in earnings.

Concerning the Colombo Energy Inc. project in the pellet business unit, expectations for 2017 point to a difficult year, whilst prospects appear more positive as from 2018 in Europe, and as from 2020-2021 in Japan, due to large-scale investment plans for this period: Colombo Energy is already turning the focus of its sales efforts in this direction. In addition, the company is pressing ahead with market research into the residential segment in the US, and aspires in the future to channelling 10 to 20 % of its output into the American domestic market.

The Group has been monitoring carefully the economic and political developments in Mozambique, permanently reassessing the situation, and has decided to scale down the pace of its operations locally. The country's political and economic environment remains unstable, translating into movement restrictions and safety concerns for staff and the service providers involved in the project.

CEMENT

For Portugal, GDP growth outlooks for 2017 are still moderate; according to the latest projections of the Bank of Portugal, it is expected to increase 1.4%. The increase in some of the building sector's indicators in 2016, like employment, the sale of dwellings, the number of new licensed dwellings and the amount of public works contracts awarded create moderately positive expectations in the national market. Regarding exports, the outlook is moderately negative.

In Lebanon 2017 should not be very different to 2016. The changes which have occurred in the Middle East have not helped to preserve macroeconomic stability. Despite the slowdown that is expected in residential construction and lower investor confidence, caused by the lingering uncertain political situation in the country and region, the cement market should be flat or drop slightly in 2017. The competitive environment is expected to remain challenging. Block sales should rise in the coming months, since orders increased.

A 2.8% growth of the economy is the forecast for Tunisia (World Economic Outlook, IMF October 2016) 1.5% above 2016. However, economic growth prospects remain uncertain due to recent events and the unstable environment. Competition should continue to be intense and increased pressure on sales prices is expected (in the domestic and foreign markets).

The IMF is forecasting 1.5% economic growth in Angola for 2017. Government programmes to diversify the economy in 2016, the upward trend of oil prices on the international markets and the elections in 2017 are expected to foster growth of the economy and cement consumption.

Brazil is expected to grow modestly by 0.5% in 2017 (World Economic Outlook, IMF October 2016), which foretells the continuation of the difficulties in economic activity and especially in the activities tied to the construction sector, due to the difficulty in investments coming to fruition. The political framework is still the greatest threat to economic growth, which is largely dependent on the government's capacity to pass the necessary reforms to improve the expectations of public and private economic agents. In line with falling inflation, interest rates are expected to go down sending out a positive sign, thus driving the expenses of companies and households down, possibly driving consumption and investment. The government has announced a public-private partnership program for infra-structure development, but that will only produce effect in the beginning of the second half of the year, hereby improving the context of the civil construction sector.

In this unstable macroeconomic framework and in spite of some improvement signs, the cement market is expected to drop again. Notwithstanding, the performance of Brazilian companies is expected to improve and sales should grow, driven by product quality, technology used, low production costs and marketing dynamic. The opening of new distribution centres and the purchase of concrete units will help to mitigate the market slowdown and complement the trade dynamics.

ENVIRONMENT

Considering the current macroeconomic, financial and sector environment, current conditions are envisaged to remain unchanged in the medium term in the sector operated by the ETSA group, insofar as consumption of foodstuffs are maintained (due to actual increase or simply to changes in the average shopping basket), the animal slaughter rate remains stable, after a period of reinvestment in the main collection centres and especially after the implementation of gradual import replacement mechanisms which, consequently, will allow the volume of by-products generated to be maintained. However, the competition between operators in arranging raw material, which is scanty, will remain intense, because of the pronounced overcapacity of industrial processing.

The ETSA group's prime objectives in the short term include (i) concentrating on the horizontal expansion of its production and destination markets (exports accounted for around 52.5% of total sales in 2016), (ii) identifying fresh opportunities for vertical growth, channelling its investments to improving operational efficiency, extracting maximum value from the channels operated and retaining the loyalty of the main conventional and alternative collection centres, (iii) the gradual and progressive recovery of balanced sales margins in the market, and (iv) focus on sustained innovation and research and development addressed at ensuring new profit thresholds for the business.

11. ACKNOWLEDGEMENTS

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

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

12. PROPOSED ALLOCATION OF PROFITS

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

Since the Remuneration Committee and the company's Executive Board have taken a stance on the amounts which, in their view, may be paid to the members of the Board of Directors and the Company's Employees, respectively, for the financial year 2016, the total approximate amount of which is known,

It is proposed:

1. That the Net Profits for the individual period, determined under the SNC rules, in the amount of 89,520,902.81 euros (eighty-nine million, five hundred and twenty thousand nine hundred and two euros and eighty-one cents) be allocated as follows:

Dividends on shares in circulation	36,307,651.95 euros* (45 cents per share)
Free reserves	48,813,250.86 euros
Share of the Employees and Directors in the profits of the financial year up to	4,400,000.00 euros

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

2. That the individual distribution of the share in profits be made by the Executive Board in that which relates to the Employees and by the Remuneration Committee in that which relates to the directors and, since this amount was already reflected in the financial statements, it shall be transferred to item Free Reserves.

3. That the amount regarding the participation of Employees and Directors in the annual profits which in accordance with applicable accounting standards has been specialized in personnel costs, is reversed by the respective amount of credit in free reserves.

Lisbon, 07 March 2017

THE BOARD OF DIRECTORS

CHAIRMAN
Pedro Mendonça de Queiroz Pereira

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

CORPORATE GOVERNANCE

CONTENT

PART I INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. CAPITAL STRUCTURE

I. CAPITAL STRUCTURE

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

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

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

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

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

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

On 31 December 2016, Semapa held 586,329 own shares, corresponding to 0.721% of its share capital. If the voting rights were not suspended, the percentage of voting rights would be the same as the percentage of the total capital.

4. Significant agreements to which the company is party and which take effect, are amended or terminate in the event of a change in the control of the company as a result of a takeover bid, together with the respective effects, unless, due to its nature, disclosure of such agreements would be seriously detrimental to the company, except if the company is specifically required to disclose such information by other mandatory provision of law (Article 245-A.1 j)).

Semapa is not a party to any loan agreement, other debt instruments or any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a Public Offer.

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 2016 of 71.935% of non suspended voting rights, above the 70.475% arising from the direct and indirect holdings.

II. HOLDINGS OF SHARES AND BONDS

7. Identification of persons and organisations who, directly or indirectly, own qualifying holdings (Article 245-A.1 c) and d) and Article 16), detailing the percentage of the share capital and votes imputable and the respective grounds.

The owners of qualifying holdings in Semapa on 31 December 2016 are identified in the following table:

	Entity	No. shares	% capital and voting rights	% non--suspended voting rights
A	Sodim, SGPS, S.A.	15,252,726	18.768%	18.904%
	Directors of Sodim			
	Filipa Mendes de Almeida de Queiroz Pereira Rocha Páris	5,488	0.007%	0.007%
	Mafalda Mendes de Almeida de Queiroz Pereira Sacadura Botte	5,888	0.007%	0.007%
	Lua Mendes de Almeida de Queiroz Pereira	5,888	0.007%	0.007%
	Cimigest, SGPS, S.A.	3,185,019	3.919%	3.948%
	Cimo - Gestão de Participações, SGPS, S.A.	16,199,031	19.932%	20.077%
	Longapar, SGPS, S.A.	22,225,400	27.348%	27.546%
	OEM - Organização de Empresas, SGPS, S.A.	535,000	0.658%	0.663%
	Sociedade Agrícola da Quinta da Vialonga, S.A.	625,199	0.769%	0.775%
	Total:	**58,039,639**	**71.416%**	**71.935%**
B	Bestinver Gestión, S.A., S.G.I.I.C.	-	-	-
	Bestinver Empleo, F.P.	13,930	0.017%	0.017%
	Bestinver Bolsa, F.I.M.	2,319,127	2.854%	2.874%
	Bestinfond Ahorro Fondo de Pensiones	198,347	0.244%	0.246%
	Bestinver Empleo III Fondo de Pensiones	2,221	0.003%	0.003%
	Bestinver Hedge Value Fund, FIL	1,503,046	1.849%	1.863%
	Bestinver Global F.P.	405,052	0.498%	0.502%
	Bestinver Mixto, F.I.M.	195,019	0.240%	0.242%
	Bestvalue F.I.	519,214	0.639%	0.644%
	Bestinver Prevision, F.P.	38,849	0.048%	0.048%
	Divalsa de Inversiones SICAV	13,543	0.017%	0.017%
	Bestinver SICAV – Bestinfund	79,928	0.098%	0.099%
	Bestinver Empleo II, F.P.	3,571	0.004%	0.004%
	Bestinver Futuro EPSV	6,607	0.008%	0.008%
	Bestinver SICAV Iberian	229,426	0.282%	0.284%
	Bestinver Renta F.I.M.	177,186	0.218%	0.220%
	Bestinver Consolidacion EPSV	1,975	0.002%	0.002%
	Bestinfond, F.I.M.	1,459,715	1.796%	1.809%
	Total:	**7,166,756**	**8.818%**	**8.883%**
C	Santander Asset Management España, S.A., S.G.I.I.C.			
	Laredo Fondo, F.I.	3,000	0.004%	0.004%
	Santander Acciones Españolas, F.I.	2,072,457	2.550%	2.569%
	Santander Small Caps España, F.I.	192,889	0.237%	0.239%
	Total:	**2,268,346**	**2.791%**	**2.811%**

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 2016 as follows:

Entity	Allocation	No. shares	% capital and voting rights	% non--suspended voting rights
Sodim, SGPS, S.A.		15,252,726	18.768%	18.904%
Cimigest, SGPS, SA	100% owned by Sodim	3,185,019	3.919%	3.948%
Cimo - Gestão de Participações, SGPS, S.A.	100% owned by Cimigest	16,199,031	19.932%	20.077%
Longapar, SGPS, S.A.	100% owned by Cimigest	22,225,400	27.348%	27.546%
	Total:	**56,862,176**	**69.967%**	**70.475%**

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.

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

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

In 2016 there were no significant dealings of a commercial nature between qualifying shareholders and the company, on the basis of the criteria set out in item 91 below.

B. CORPORATE BOARDS AND COMMITTEES

I. GENERAL MEETING

a) Composition of the General Meeting

11. Officers of the General Meeting and their term of office (starting and ending dates).

The officers of the General Meeting are:

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

b) Exercise of voting rights

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

In 2016 the statutory provision laying down the exercise of voting rights based on the ownership of 83 shares was eliminated, and now the articles of association of Semapa establish that each share in the company carries one vote.

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

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

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

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

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

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

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

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

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Identification of the governance model adopted

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

16. Rules in the Articles of Association on procedural and material requirements applicable to the appointment and substitution of members, as the case may be, of the Board of Directors, the Executive Board of Directors and the General and Supervisory Board (Article 245-A.1 h).

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.

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

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

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

Members of the Board of Directors:	Date of first appointment and end date of term of office
Pedro Mendonça de Queiroz Pereira	1991-2017
João Nuno de Sottomayor Pinto de Castello Branco	2015-2017
José Miguel Pereira Gens Paredes	2006-2017
Paulo Miguel Garcês Ventura	2006-2017
Ricardo Miguel dos Santos Pacheco Pires	2014-2017
António Pedro de Carvalho Viana-Baptista	2010-2017
Carlos Eduardo Coelho Alves	2015-2017
Francisco José Melo e Castro Guedes	2001-2017
Manuel Custódio de Oliveira	2014-2017
Vítor Manuel Galvão Rocha Novais Gonçalves	2010-2017
Vítor Paulo Paranhos Pereira	2014-2017

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

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

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

Given that, on 31 December 2016, the company's Board of Directors comprised eleven members, only four of which sat on the Executive Board, it is considered that Semapa has a sufficient number of non-executive directors, which assures they are effectively able to oversee, assess and monitor the work of the other directors.

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

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

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

PEDRO MENDONÇA DE QUEIROZ PEREIRA

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

JOÃO NUNO DE SOTTOMAYOR PINTO DE CASTELLO BRANCO

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

JOSÉ MIGUEL PEREIRA GENS PAREDES

José Miguel Paredes holds a degree in Economics and initiated his professional activity in 1985, at the Direcção Geral de Concorrência e Preços. The following years, he worked at the Rodoviária Nacional, Interbiz, Cosec, Direcção de Crédito Externo, General Bank, Tesouraria / Sala de Câmbios and United Distillers. In 1994, he became Financial Director of Semapa and some of the other related companies in the group. Since 2004 he is the market relations officer for Semapa and was elected Executive Director of Semapa in 2006. In 2008 José Paredes was appointed Director of ETSA. He also became Director of The Navigator Company and Secil in 2011 and 2012, respectively.

PAULO MIGUEL GARCÊS VENTURA

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

RICARDO MIGUEL DOS SANTOS PACHECO PIRES

Ricardo Pires holds a degree in Business Administration and Management from Universidade Católica Portuguesa, and he 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.

ANTÓNIO PEDRO DE CARVALHO VIANA-BAPTISTA

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

CARLOS EDUARDO COELHO ALVES

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

FRANCISCO JOSÉ MELO E CASTRO GUEDES

Francisco Guedes holds a degree in Economic and Financial Sciences and holds an MBA from INSEAD. He initiated his professional career in 1971 at Companhia União Fabril. He performed military service from 1972 to 1975. In the following years, in 1976 he was Financial Director of Companhia Rio Moju and from 1977 to 1987 of the Anglo American Corporation (in Brazil). He held office as Director-General, 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 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 and other group companies.

MANUEL CUSTÓDIO DE OLIVEIRA

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

VÍTOR MANUEL GALVÃO ROCHA NOVAIS GONÇALVEs

Vítor Novais Gonçalves holds a degree in Business Management by ISC-HEC, in Brussels. 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 held office as Business Manager in the Venture Capital Area at Citibank Portugal and later he was responsible for the area of Corporate Finance and member of the Management Committee. Between 1992 and 2000, he carried out duties in the financial area of Grupo José de Mello, having held directorships in several companies and having been, among other things, Strategic Marketing and Development Director of Banco Mello and General Manager of Companhia de Seguros Império. Between 2001 and 2009 he carried out duties in the telecommunications area at SGC Group as Director of SGC Comunicações, being responsible for the Strategic Marketing and Business International Development. He is Director of Zoom Investment since 2009, of Semapa since 2010 and of The Navigator Company since 2015.

VÍTOR PAULO PARANHOS PEREIRA

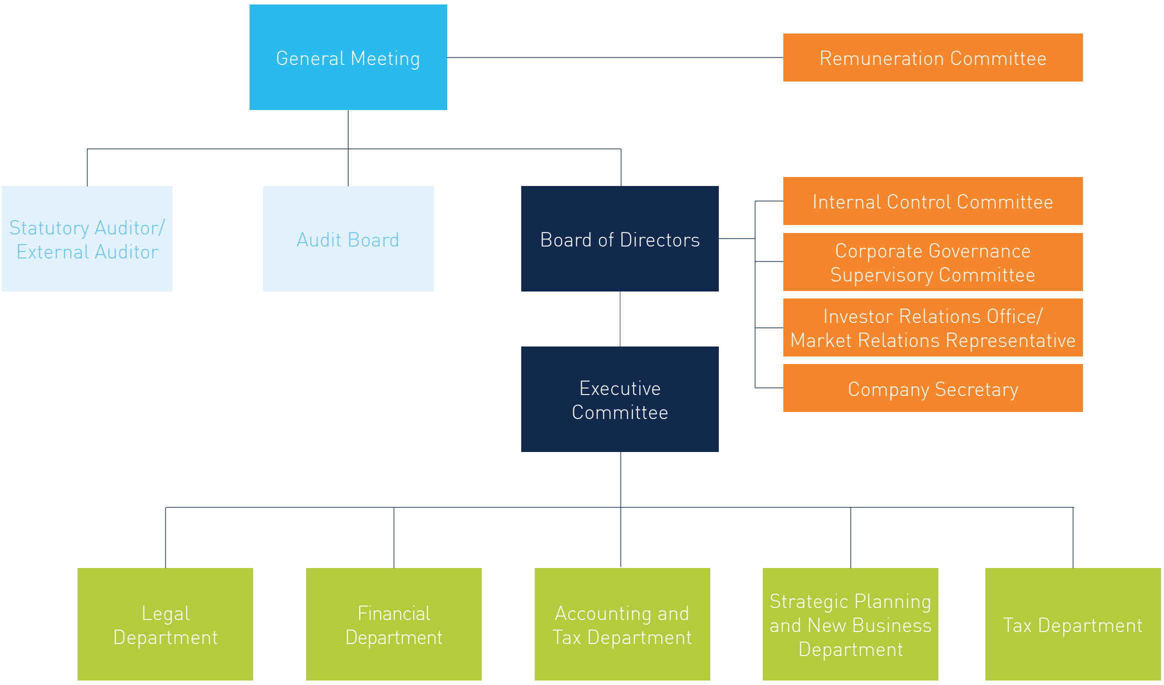
Vítor Paranhos Pereira holds a degree in Economics by Universidade Católica Portuguesa and attended AESE (Universidade de Navarra). He began working in 1982 at the company Gaspar Marques Campos Correia & Cª. Lda. as Financial Director until 1987. From 1987 to 1989 he was Deputy Financial Director of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

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

Besides the directorships held by several Directors in companies which own qualifying holdings in Semapa, namely Sodim and subsidiaries, as described in paragraph 26 below, and Pedro Mendonça Queiroz Pereira's shareholdings in Sodim, OEM 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 are coordinated and kept in contact through the close cooperation between the Chairman of the Board and the executive team and, in particular with the CEO, through the availability of the members of the Executive Board to convey all relevant or urgent or requested information on the day-to-day management of the company to the non-executive directors, in order to keep them abreast of the company's life at all times. In addition, meetings of the Board of Directors are called for all decisions regarded as especially important, even if they fall within the scope of the powers delegated to the Executive Board, and the Chairman of the Board and the non-executive members often attend the meetings of the company's Executive Board.

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

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

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

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

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

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

a) To negotiate and resolve to enter into any commercial or civil contract, by public or private act, on the terms and conditions it deems most appropriate, and to take all decisions it sees fit in the performance of these contracts;
b) To resolve to issue, sign, draw, accept, endorse, guarantee, protest or carry out any other act in connection with the use of bills or credit instruments;
c) To resolve on all routine banking operations, with Portuguese or foreign financial institutions, namely opening, consulting and establishing the form of effecting movements in bank accounts, in all the legally admissible forms;
d) To negotiate and resolve, to contract and amend loan agreements, with financial institutions or other entities, including the provision of the respective guarantees in cases where the law permits such delegation as it sees fit;
e) To resolve to acquire, dispose of and encumber assets of all kinds, on the terms and conditions it sees fit, negotiating and resolving on the conclusion for such purposes, by public or private document, of any contractual instrument, and carrying out any accessory or complementary acts which may be necessary for the performance of these contracts;
f) To take all decisions and carry out all acts in connection with the exercise by the company of its position as shareholder, namely by appointing its representatives at the General Meetings of companies in which it has holdings and adopting unanimous resolutions in writing;
g) To draft the company reports, balance sheets, financial statements and proposals for allocation of profits;
h) To take all steps necessary or appropriate in connection with the company's industrial relations with its employees, namely contracting, dismissing, transferring, defining terms of employment and pay, and revising and amending the same;
i) To resolve on representation of the company before any court or mediation or arbitration body, taking all decisions as may be necessary or appropriate in connection with any proceedings pending before the same or to bring the same, and namely to withdraw, confess or settle;
j) To appoint attorneys for the company within the powers delegated to it;
k) To take all steps necessary or appropriate in connection with existing or planned issues of bonds and commercial paper, including the actual decision to issue; and
l) In general, to carry out all acts of day-to-day management in the company, 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:

i) Selection of the Chairman of the Board of Directors;
ii) Co-opting of directors;
iii) Call a General Meeting;
iv) Annual reports and financial statements;
v) Provision of bonds and personal or real guarantees by the company;
vi) Change in registered office and increases in share capital; and
vii) Plans to merge, break-up or change the company.

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

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

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

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

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

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

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

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

b) Functioning

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

The Board of Directors has rules of procedure which are published on the company website (http://www.semapa.pt/en/rules-corporate-members), 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 9 times in 2016, and attendance by each member was as follows:

Members of the Board of Directors	Members present (%)	Members present and represented (%)
Pedro Mendonça de Queiroz Pereira	100	100
João Nuno de Sottomayor Pinto de Castello Branco	100	100
José Miguel Pereira Gens Paredes	100	100
Paulo Miguel Garcês Ventura	100	100
Ricardo Miguel dos Santos Pacheco Pires	100	100
António Pedro de Carvalho Viana-Baptista	89	89
Carlos Eduardo Coelho Alves	100	100
Francisco José Melo e Castro Guedes	100	100
Manuel Custódio de Oliveira	100	100
Vítor Manuel Galvão Rocha Novais Gonçalves	100	100
Vítor Paulo Paranhos Pereira	100	100

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

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

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

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

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

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

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

PEDRO MENDONÇA DE QUEIROZ PEREIRA

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

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

Office held in other companies:

CIMIGEST, SGPS, S.A.	Chairman of the Board of Directors
CIMINPART - Investimentos e Participações, SGPS, S.A.	Chairman of the Board of Directors
CMP - Cimentos Maceira e Pataias, S.A.	Chairman of the Board of Directors[1]
COSTA DAS PALMEIRAS – Turismo e Imobiliário, S.A.	Chairman of the Board of Directors[2]
ECOVALUE – Investimentos Imobiliários, Lda.	Manager
HOTEL RITZ, S.A.	Chairman of the Board of Directors
Portucel Soporcel Switzerland Ltd.	Chairman of the Board of Directors
SECIL - Companhia Geral de Cal e Cimento, S.A.	Chairman of the Board of Directors
SODIM, SGPS, S.A.	Chairman of the Board of Directors
TERRAÇOS D'AREIA – SGPS, S.A.	Chairman of the Board of Directors[3]
THE NAVIGATOR COMPANY, S.A.	Chairman of the Board of Directors
VILLA MAGNA S.L.	Chairman of the Board of Directors[4]

JOÃO NUNO DE SOTTOMAYOR PINTO DE CASTELLO BRANCO

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.

[1] In office until 29 June 2016
[2] In office until 14 February 2017
[3] In office until 13 February 2017
[4] In office until 01 March 2016

Office held in other companies:

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

JOSÉ MIGUEL PEREIRA GENS PAREDES

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

ABAPOR - Comércio e Indústria de Carnes, S.A.	Chairman of the Board of Directors
Aprovechamiento Integral de Subprodutos Ibéricos, S.A.	Director
BIOLOGICAL - Gestão de Resíduos Industriais, Lda.	Manager
CELCIMO, S.L.	Director
ETSA - Investimentos, SGPS, S.A.	Chairman of the Board of Directors
ETSA LOG, S.A.	Chairman of the Board of Directors
INSPIREDPLACE, S.A.	Director
I.T.S. - Indústria Transformadora de Subprodutos, S.A.	Chairman of the Board of Directors
SEBOL - Comércio e Indústria de Sebo, S.A.	Chairman of the Board of Directors
SEINPART - Participações, SGPS, S.A.	Director
SEMINV - Investimentos, SGPS, S.A.	Director

Office held in other companies:

CIMIGEST, SGPS, S.A.	Director
CIMINPART - Investimentos e Participações, SGPS, S.A.	Director[5]
CIMIPAR – Sociedade Gestora de Participações Sociais, S.A.	Director
CIMO – Gestão de Participações, SGPS S.A.	Chairman of the Board of Directors
CMP - Cimentos Maceira e Pataias, S.A.	Director[6]
HOTEL RITZ, S.A.	Director
LONGAPAR, SGPS, S.A.	Chairman of the Board of Directors
MOR ON-LINE – Gestão de Plataformas de Negociação de Resíduos On-Line, S.A.	Director
OEM – Organização de Empresas, SGPS, S.A.	Director
SECIL - Companhia Geral de Cal e Cimento, S.A.	Director
SODIM, SGPS, S.A.	Director
THE NAVIGATOR COMPANY, S.A.	Director
VILLA MAGNA S.L.	Director[7]

PAULO MIGUEL GARCÊS VENTURA

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

ABAPOR - Comércio e Indústria de Carnes, S.A.	Director
Aprovechamiento Integral de Subprodutos Ibéricos, S.A.	Director
BIOLOGICAL - Gestão de Resíduos Industriais, Lda.	Manager
CELCIMO, S.L.	Director
ETSA - Investimentos, SGPS, S.A.	Director
ETSA LOG, S.A.	Director
INSPIREDPLACE, S.A.	Director
I.T.S. - Indústria Transformadora de Subprodutos, S.A.	Director
SEBOL - Comércio e Indústria de Sebo, S.A.	Director
SEINPART - Participações, SGPS, S.A.	Director
SEMAPA Inversiones, S.L.	Director
SEMINV - Investimentos, SGPS, S.A	Director

Office held in other companies:

AEM - Ass. de Emp. Emitentes de Valores Cotados em Mercado	Member of the General Board
CIMIGEST, SGPS, S.A.	Director

[5] In office until 28 December 2016
[6] In office until 29 June 2016
[7] In office until 01 March 2016

CIMINPART - Investimentos e Participações, SGPS, S.A.	Director[8]
CIMIPAR – Sociedade Gestora de Participações Sociais, S.A	Chairman of the Board of Directors
CIMO – Gestão de Participações, SGPS S.A.	Director
CMP - Cimentos Maceira e Pataias, S.A.	Director[9]
HOTEL RITZ, S.A.	Director
LONGAPAR, SGPS, S.A.	Director
OEM - Organização de Empresas, SGPS, S.A.	Chairman of the Board of Directors
SECIL - Companhia Geral de Cal e Cimento, S.A.	Director
SODIM, SGPS, S.A.	Director
THE NAVIGATOR COMPANY, S.A.	Director
VILLA MAGNA S.L.	Director[10]
ANTASOBRAL - Sociedade Agropecuária, S.A.	Chairman of the General Meeting
BEIRA-RIO – Sociedade Construtora de Armazéns, S.A.	Chairman of the General Meeting
CIMILONGA – Imobiliária, S.A.	Chairman of the General Meeting
GALERIAS RITZ – Imobiliária, S.A.	Chairman of the General Meeting
INFRAESTRUTURAS DE PORTUGAL, S.A.[11]	Vice-Chairman of the General Meeting
LONGAVIA – Imobiliária, S.A.	Chairman of the General Meeting
PARQUE RITZ – Imobiliária, S.A.	Chairman of the General Meeting
REFUNDOS – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Chairman of the General Meeting
SONAGI – Imobiliária, S.A.	Chairman of the General Meeting
SONAGI, SGPS, S.A.	Chairman of the General Meeting
VALUELEGEND – SGPS, S.A.	Chairman of the General Meeting[12]
VÉRTICE – Gestão de Participações, SGPS, S.A.	Chairman of the General Meeting
Sociedade Agrícola da Quinta da Vialonga, S.A.	Chairman of the General Meeting

RICARDO MIGUEL DOS SANTOS PACHECO PIRES

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

INSPIREDPLACE, S.A.	Director
SEINPART - Participações, SGPS, S.A.	Director
SEMINV - Investimentos, SGPS, S.A.	Director

Office held in other companies:

CIMIGEST, SGPS, S.A.	Director
CIMIPAR – Sociedade Gestora de Participações Sociais, S.A.	Director
CIMO – Gestão de Participações, SGPS S.A.	Director
HOTEL RITZ, S.A.	Director
LONGAPAR, SGPS, S.A.	Director
OEM - Organização de Empresas, SGPS, S.A.	Director
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
VIEZNADA S.L.	Director[13]
VILLA MAGNA S.L.	Director[14]
WOM INTERNATIONAL, S.A.	Director

[8] In office until 28 December 2016
[9] In office until 29 June 2016
[10] In office until 01 March 2016
[11] Previously called Estradas de Portugal, S.A.
[12] In office until 30 November 2016
[13] In office until 01 March 2016
[14] In office until 01 March 2016

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:

ARICA B.V.	Director
CREDIT SUISSE AG (para Espanha e Portugal)	CEO[15]
JASPER WIRELESS Inc.	Director
JERÓNIMO MARTINS SGPS, S.A.	Director
LARGO Ltd	Chairman of the Board of Directors

CARLOS EDUARDO COELHO ALVES

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

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

Office held in other companies:

No office held in other companies

FRANCISCO JOSÉ MELO E CASTRO GUEDES

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

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

Office held in other companies:

CIMENT DE SIBLINE S.A.L.	Director
CIMIGEST, SGPS, S.A.	Director
CMP- Cimentos Maceira e Pataias, S.A.	Director[16]
SECIL – Companhia Geral de Cal e Cimento, S.A.	Director
SODIM, SGPS, S.A.	Director

MANUEL CUSTÓDIO DE OLIVEIRA

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

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

Office held in other companies:

ANTASOBRAL - Sociedade Agropecuária, S.A.	Chairman of the Board of Directors
CIMIGEST, SGPS, S.A.	Director
CIMILONGA – Imobiliária, S.A.	Chairman of the Board of Directors
ESFORÇO - Investimentos Imobiliários, S.A.	Director
HOTEL RITZ, S.A.	Director
LONGAVIA – Imobiliária, S.A.	Chairman of the Board of Directors
REFUNDOS – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Chairman of the Board of Directors
SODIM, SGPS, S.A.	Director
SONAGI, SGPS, S.A.	Chairman of the Board of Directors
SONAGI – Imobiliária, S.A.	Chairman of the Board of Directors
SOUSA CAMPILHO - Investimentos, SGPS, S.A.	Director
VIEZNADA S.L.	Director[17]
VILLA MAGNA S.L.	Director[18]
Zona de Caça e Pesca da Herdade Sobral e Mergulhos, Lda.	Manager

[15] In office until 31 May 2016
[16] In office until 29 June 2016
[17] In office until 01 March 2016
[18] In office until 01 March 2016

VÍTOR MANUEL GALVÃO ROCHA NOVAIS GONÇALVES

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

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

Office held in other companies:

BELDEVELOPMENT, S.A.	Director
EXTRASEARCH SGPS S.A.	Director
MAGALHÃES e GONÇALVES - Consultoria e Gestão, Lda.	Manager
QUALQUER PRUMO – Sociedade Imobiliária, Lda.	Manager
TCARE - Conhecimento e Saúde, S.A.	Director[19]
THE NAVIGATOR COMPANY, S.A.	Director
VRES – Vision Real Estate Solutions, S.A.	Director
ZOOM INVESTMENT, SGPS, S.A.	Director
ZOOM INVESTMENT TURISMO, S.A.	Director

VÍTOR PAULO PARANHOS PEREIRA

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

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

Office held in other companies:

ANTASOBRAL - Sociedade Agropecuária, S.A.	Director
CAPITAL HOTELS BV	Director
CIMIGEST, SGPS, S.A.	Director
CIMILONGA – Imobiliária, S.A.	Director
GALERIAS RITZ, S.A.	Chairman of the Board of Directors
HOTEL RITZ, S.A.	Director
LONGAVIA – Imobiliária, S.A.	Director
PARQUE RITZ, S.A.	Chairman of the Board of Directors
REFUNDOS – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Director
SOCIEDADE AGRÍCOLA DA HERDADE DOS FIDALGOS, Unip., Lda.	Manager
SODIM, SGPS, S.A.	Director
SODIMPARQUE – Parqueamento e Garagens, Lda.	Manager
SONAGI, SGPS, S.A.	Director
SONAGI – Imobiliária, S.A.	Director
VALUELEGEND – SGPS, S.A.	Director[20]
VIEZNADA S.L.	Director[21]
VILLA MAGNA S.L.	Director[22]

c) Committees belonging to the management or supervisory bodies and managing directors

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

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

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

[19] In office until 25 May 2016
[20] In office until 30 November 2016
[21] In office until 01 March 2016
[22] In office until 01 March 2016

The following are the Executive Board's operating rules:

a) The Executive Board shall meet when convened by its 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 CEO has a casting vote;
d) Absent members may cast written votes, and
e) The CEO is particularly responsible for reporting and communicating with the Board of Directors.

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

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

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

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

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

The Executive Board is the company's executive body, which has performed its duties in the scope of the powers entrusted to it by the Board of Directors. The Board meets on a regular basis and whenever necessary in the light of ongoing business and monitoring of the company's activity. In 2016 it held eighty four meetings. These meetings are attended by the members of the Board, and regularly by the non-executive directors, as well as the company secretary, Rui Gouveia. When the matters to be discussed so require, the directors of the group's companies and some of the company's managers may also take part in the meetings.

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

a) To ensure compliance by the company with the regulatory framework applicable to it, deriving both from law and regulations;
b) To monitor the company's business affairs, with integrated and permanent analysis of the risks associated with these affairs;
c) To propose and follow through the implementation of specific measures and procedures relating to the control and reduction of the company's business risks, with a view to perfecting the internal risk control and management system;
d) To check implementation of the adjustments to the internal control and risk management system proposed by the Audit Board; and
e) To monitor the quality control of financial and accounting information, taking steps to ensure that it is reliable.

The ICC met twice in the financial year 2016 and is composed of Joaquim Martins Ferreira do Amaral, Jaime Alberto Marques Sennfelt Fernandes Falcão and Margarida Isabel Feijão Antunes Rebocho. This committee conducted the activities, ensured the monitoring and implemented all the verifications which correspond to its duties, and held joint meetings with the Executive Director, José Miguel Paredes and the members of the Audit Board. The fact that Margarida Rebocho is the Tax and Accounting Director of Semapa has made reporting and access to the company's everyday activities easier, without jeopardising the required impartiality, which is guaranteed by a majority of members who do not take part in the daily activities.

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

The CGSC met three times in the financial year 2016 and is composed of Jorge Manuel de Mira Amaral, Gonçalo Allen Serras Pereira and Francisco José Melo e Castro Guedes, who was appointed member of this Committee after he resigned from office as Executive Director. The CGSC conducted its oversight and corporate governance assessment activities throughout the financial year. It also participated actively in the drafting of the Annual Report on Corporate Governance, for which it obtained the necessary information, particularly by keeping in touch and attending the meetings with the Executive Director, Miguel Ventura, and a member of the Legal Department.

III. AUDITING

a) Composition

30. Identification of the supervisory body corresponding to the model adopted.

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

31. Composition, as applicable, of the Audit Board, the Audit Committee, the General and Supervisory Board or the Committee for Financial Affairs, indicating the minimum and maximum numbers of members and duration of their term of office, as established in the Articles of Association, number of full members, date of first appointment and end date of the term of office of each member; reference may be made to the item in the report where this information is contained in accordance with paragraph 17.

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

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

José Manuel Oliveira Vitorino was appointed full member by the General Meeting on 20 April 2016 (since 2 July 2015 he had acted as alternate member).

32. Identification, as applicable, of the members of the Audit Board, the Audit Committee, the General and Supervisory Board or the Committee for Financial Affairs who are deemed independent, in accordance with Article 414.5 of the Companies Code; reference may be made to the item in the report where this information is contained in accordance with paragraph 18.

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

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

The understanding that fulfilling a third term does not compromise the status of independence was reinforced by the opinion of the Securities Market Commission of 12 November 2011, which concluded that only the third "re-election" of members of the audit board, for a fourth term of office, causes them not to meet the independence criterion.

However, in the request for prior registration of the General and Voluntary Public Tender Offer in 2015, as an exchange offer proposed, the Portuguese Securities Market Commission reported that it did not considered Gonçalo Picão Caldeira as an independent member of the Audit Board of Semapa. The Securities Market Commission founded its qualification of non-independence of the aforementioned member on the fact that he took up office as advisor to the Board of Directors of Semapa, from April 2002 and February 2004. The Securities Market Commission views of non-independence of the member of the Audit Board are not shared by Semapa, nor by the member himself.

33. Professional qualifications, as applicable, of each of the members of the Audit Board, the Audit Committee, the General and Supervisory Board or the Committee for Financial Affairs and other relevant biographical details; reference may be made to the item in the report where this information is contained in accordance with paragraph 21.

MIGUEL CAMARGO DE SOUSA EIRÓ

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

GONÇALO NUNO PALHA GAIO PICÃO CALDEIRA

Gonçalo Picão Caldeira holds 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 Picão Caldeira has performed management and property development functions in family-owned companies since 2004. He collaborated previously with BCP Group (1992-1998) and Sorel Group (October 1998 to March 2002). He also worked for Semapa from April 2002 to February 2004. He has been a member of the Audit Board of Semapa, The Navigator Company and Secil since 2006, 2007 and 2013, respectively.

JOSÉ MANUEL OLIVEIRA VITORINO

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

b) Functioning

34. Existence and place where the rules of procedure may be consulted for the Audit Board, the Audit Committee, the General and Supervisory Board or the Committee for Financial Affairs, as the case may be; reference may be made to the item in the report where this information is contained in accordance with paragraph 22.

The audit board has rules of procedure which are published on the company website (http://www.semapa.pt/en/rules-corporate-members), where they may be consulted.

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 2016, the Audit Board met twelve times, all members having attended all of the meetings (physical presence).

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

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

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

MIGUEL CAMARGO DE SOUSA EIRÓ

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

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

Office held in other companies:

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

GONÇALO NUNO PALHA GAIO PICÃO CALDEIRA

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

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

Office held in other companies:

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

JOSÉ MANUEL OLIVEIRA VITORINO

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

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

Office held in other companies:

ANA Aeroportos de Portugal, S.A.	Member of the Audit Board
NOVO BANCO, S.A.	Chairman of the Audit Board
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 additional services and proposals submitted by the external auditor for provision of the same as transmitted to them by the directors, seeking to safeguard, essentially, that the independence and impartiality of the external auditor needed for the provision of audit services is not undermined and that the additional services are provided to a high standard of quality and independence.

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

38. Other duties of the supervisory bodies and, if applicable, of the Committee for Financial Affairs.

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

- To oversee the management of the company;
- To ensure compliance with the law and the articles of association;
- To check that books, accounting records and the respective supporting documents are in order;
- To check, as and when it sees fit, the state of cash and inventories of any type of goods or valuables belonging to the company or received by the same as security, deposit or on another basis;
- To check the accuracy of financial reporting;
- To check that the accounting policies and valuation criteria adopted by the company lead to a correct valuation of the company's assets and profits or losses;
- To draw up an annual report on its audit activities and to issue its opinion on the report, accounts and motions submitted by the directors;
- To call the General Meeting, when the respective Chairman fails to do so;
- To monitor the effectiveness of the risk management system, the internal quality control and internal audit systems, if applicable, with regard to the financial information preparation and disclosure procedure, without violating its independence;
- To receive reports of irregularities (whistle-blowing) submitted by shareholders, company employees or others;
- To contract the provision of services by experts who assist one or more of its members in the exercise of their duties, which experts shall be contracted and remunerated in line with the importance of the matters entrusted to them and the economic situation of the company;
- To perform any other duties established in law or the articles of association;
- To inform the management board of the statutory audit results and explain how this has contributed to the integrity of the process of financial information disclosure, as well as the role that the supervisory body played in this process;
- To audit and oversee the process of drafting and disclosure of financial information and make recommendations or proposals to ensure the soundness of the accounts;
- To choose the statutory auditor to be submitted to the approval and election by the General Meeting and to present the grounds for such choice;
- To oversee the legal auditing of the, individual and consolidated, annual accounts, namely the implementation thereof, based on possible remarks and conclusions of the Securities Market Commission;
- To oversee the auditing of the company's financial statements and reports;
- To check, monitor and oversee the Auditor's independence, namely with regard to the provision of additional services and, in particular, look into its appropriateness and approve the provision of other services, in addition to the audit services;

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

The Audit Board is also the prime point of contact with the External Auditor, with direct access to and knowledge of his work. The company believes that this direct supervision by the Audit Board is possible, without interference from the Board of Directors, in relation to the work carried out by the External Auditor, provided that it does not undermine 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's reports are addressed to the Audit Board and discussed at joint meetings of this board with a member of the Board of Directors, whom the Audit Board informs about the findings of the accounts audit, and the Audit Board ensures that the necessary conditions are in place in the company for the provision of audit services. The Audit Board is further in charge of suggesting and monitoring, with the support of the company's internal services, the External Auditor's pay.

IV. STATUTORY AUDITOR

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

STATUTORY AUDITOR	
Full:	PricewaterhouseCoopers & Associados – SROC, Lda, represented by Jorge Manuel Santos Costa (ROC) or by António Alberto Henriques Assis (ROC)
Alternate:	(Vacant)

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

PricewaterhouseCoopers has held office with the company for 14 consecutive years.

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

In addition to legal auditing services, PricewaterhouseCoopers provides the company with the authorised tax consultancy and reliability assurance 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 PricewaterhouseCoopers is registered with the Securities Market Commission under number 20161485.

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

The external auditor is the statutory auditor which has held office in the company for 14 years, as stated in item 40. The actual representative of the external auditor, Jorge Manuel Santos Costa (ROC), has held office in the company since 05 December 2016.

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

The new Regulation of the Register of Auditors, as adopted by Law no. 140/2015 of 7 September, entered into force on 1 January 2016, and governs the new applicable laws that require the rotation of the auditors in companies of interest for society, like Semapa, which the Company will comply with.

Previously, the company had no policy that required the rotation of the external auditor or its representative. However, if the Audit Board decided to retain the external auditor for more than two terms of office it should issue a recommendation in favour of such continued appointment.

This was the case in 2013 when the Statutory Auditor of Semapa terminated his term. The Audit Board heard the Board of Directors and asked the internal services to prepare a restricted tender by invitation, addressed to four Audit Firms, for the selection of the external auditor and the Statutory Auditor of Semapa and its subsidiaries for the period of four years starting in 2014. The bids were analysed by a Selection Committee, the process was overseen by the Audit Board.

Finally, the Audit Board submitted to the shareholders a proposal for retaining the External Auditor, issuing its opinion in a report in which it argued the pros and cons of maintaining the same Audit Firm for a new term, it underscored that the quality of the work performed by PricewaterhouseCoopers and the firm's accrued experienced in the sectors in which Semapa invests outweighed the drawbacks of retaining it. Nonetheless, in line with best international practices and in view of enhancing PricewaterhouseCoopers's independence, rotation of the partner representing the firm was proposed. The proposal submitted by the Audit Board was adopted by the shareholders at the General Meeting of 23 May 2014.

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

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

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

The services delivered by the external auditor other than audit work include permitted tax consultancy and reliability assurance services. All additional work has been approved by the Audit Board, in compliance with the applicable laws and internal procedures set up for this purpose.

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

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

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

	Company		Group entities (including the company itself)	
Services	Amount	Percentage	Amount	Percentage
Value of auditing services	43,765.00	94.62%	767,919.00	76.86%
Value of reliability assurance services	690.00	1.49%	119,741.00	11.99%
Value of tax consultancy services	1,800.00	3.89%	111,412.00	11.15%
Value of other services other than auditing services	-	-	-	-
Total:	**46,255.00**	**100.00%**	**999,072.00**	**100.00%**

NOTE: Figures in Euros

In 2016, services other than audit services contracted by the company or controlling entities from the External Auditor, including by entities belonging to the same corporate group or service network, represented 23% of the total services provided, which percentage is below the recommended 30%.

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.

II. NOTIFICATION OF IRREGULARITIES (WHISTLE-BLOWING)

49. Whistle-blowing - procedures and policy

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

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

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

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

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

Access to the "Regulations on Notification of Irregularities" is reserved.

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

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

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

III. INTERNAL CONTROL AND RISK MANAGEMENT

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

Although the company has no specific independent structure for internal audits, internal control and risk management are conducted by the Board of Directors and through an organizational unit with special responsibilities in this area, the Internal Control Committee (ICC), the Audit Board and the External Auditor being responsible for oversight and monitoring.

It should be clearly noted that in consolidated terms the company has 6,028 employees in total and the holding, individually, only has 27. The corporate universe represented by most of the group's workers, and which concerns the holdings main subsidiaries, The Navigator Company and Secil, is covered by separate auditing systems with organisational units with special auditing responsibilities.

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

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

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

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

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

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

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

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

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

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

Independent audits of Semapa and the companies it controls are carried out by PricewaterhouseCoopers. The company's External Auditor checks, in particular, the application of remuneration policies and systems, and the effectiveness and workings of internal control procedures through the information and documents provided by the company, and in particular by the Remuneration Committee and the Internal Control Committee. The respective conclusions are reported by the External Auditor to the Audit Board, which then reports the shortcomings detected, if any.

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

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

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

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

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

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

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

IV. INVESTOR SUPPORT

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

The investor support service is provided by an office reporting to the Director José Miguel Paredes. This office is adequately staffed and enjoys swift access to all sectors of the company, in order to ensure an effective response to requests, and also to transmit relevant information to shareholders and investors in due time and without any inequality.

The Director José Miguel Paredes can be contacted through his email address (jmparedes@semapa.pt) or on the company's general telephone numbers (+351 21 318 47 00). All public information regarding the company can be accessed by these means. It should be noted, in any case, that the information most frequently requested by investors is available at the company's website at www.semapa.pt, and it generally concerns information about the Semapa group, the company's business, corporate governance and financial information.

57. Market relations officer.

The market relations officer is José Miguel Paredes.

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

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

V. WEBSITE (59 to 65)

Description	Internet address
59. Semapa Website	http://www.semapa.pt/en/home
60. Address where information is provided on the company's name, public company status, registered office and other data required by Article 171 of the Companies Code.	http://www.semapa.pt/en/location
61. Address where the articles of association and rules of procedures of company boards and/or committees can be looked up.	http://www.semapa.pt/en/laws http://www.semapa.pt/en/rules-corporate-members
62. Address where information is provided on the identity of company officers, market relations officer, the Investor Support Office or equivalent structure, respective powers and responsibilities and contact details.	http://www.semapa.pt/en/company-officers http://www.semapa.pt/en/investor-support-office
63. Address for consultation of financial statements and reports, which must be accessible for no less than five years, together with the six-monthly corporate diary, disclosed at the start of each semester, including, amongst other things, General Meetings, disclosure of annual, half-yearly and, if applicable, quarterly accounts.	http://www.semapa.pt/en/demonstracoes-financeiras http://www.semapa.pt/en/eventos

Description	Internet address
64. Address where notice of general meetings is posted, together with all preparatory information and subsequent information related to meetings.	http://www.semapa.pt/en/extraordinary-general-meeting-december-30-2016
65. Address for consultation of historical archives, with resolutions adopted at the company's General Meetings, the share capital represented and the results of votes, for the past three years.	http://www.semapa.pt/en/ag-arquivo

D. REMUNERATION

I. POWERS TO DETERMINE REMUNERATION

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

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

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

II. THE REMUNERATION COMMITTEE

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

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

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

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

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

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

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

III. REMUNERATION STRUCTURE

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

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

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

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

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

The effect of the alignment of the interests in the long-term results, to some extent, from an existing KPI of the value of the company over time, the TSR, albeit in a form that is more limited than that arising from Semapa's de facto situation in relation to the significant stability of the Executive Board's members. Such stability is naturally linked to longer time lines, including in the wage component, as future results influence future remunerations for which expectations exist.

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

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

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

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

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

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

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

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

73. Criteria applied in allocating variable remuneration in shares and on the continued holding by executive directors of these shares, on any contracts concluded with regard to these shares, specifically hedging or transferring risk, the respective limits and the respective proportion represented of total annual remuneration.
At Semapa, the variable remuneration has no component consisting of shares.

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

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

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

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

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

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

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

IV. DISCLOSURE OF REMUNERATION

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

Below we indicate the remuneration earned in 2016, paid by Semapa to the members of the company's management body, distinguishing between fixed and variable remuneration, but without a breakdown of the different components of the latter, insofar as it is set as a whole, taking into account the factors described in the Remuneration Policy Statement issued by the Remuneration Committee, without identifying components.

Board of Directors	Fixed Remuneration	Variable Remuneration
António Pedro de Carvalho Viana Baptista	128,305.13	-
Carlos Eduardo Coelho Alves	90,892.00	-
Francisco José de Melo e Castro Guedes	77,825.00	-
João Nuno de Sottomayor Pinto de Castello Branco	749,950.00	370,970.00
José Miguel Pereira Gens Paredes	311,300.00	545,178.00
Manuel Custódio de Oliveira	128,305.13	-
Paulo Miguel Garcês Ventura	311,300.00	527,882.00
Pedro Mendonça de Queiroz Pereira	430,308.43	885,576.00
Ricardo Miguel dos Santos Pacheco Pires	247,625.00	528,075.00
Vítor Manuel Galvão Rocha Novais Gonçalves	81,392.50	-
Vítor Paulo Paranhos Pereira	128,305.13	-
TOTAL	**2,658,508.32**	**2,857,681.00**

NOTE: Figures in Euros

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

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

The following directors earned remunerations in other controlling or group companies or companies under common control: Pedro Mendonça de Queiroz Pereira, Francisco José de Melo e Castro Guedes, Vítor Manuel Galvão Rocha Novais Gonçalves and Vítor Paulo Paranhos Pereira, amounting to 2,959,164.23 euros, 86,213.25 euros, 124,818.13 euros and 590,628.00 euros, respectively.

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

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

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

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

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

Audit Board	Fixed Remuneration	Variable Remuneration
Miguel Camargo de Sousa Eiró	21,278.65	-
Gonçalo Nuno Palha Gaio Picão Caldeira	15,383.77	-
José Manuel Oliveira Vitorino	15,383.77	-
TOTAL	**52,046.19**	**-**

NOTE: Figures in Euros

82. Indication of remuneration earned in the reporting period by the Chairman of the General Meeting.

During the financial year of 2016, the Chairman of the General Meeting earned 3,000.00 euros.

V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

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

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

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

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

The company does not enter into any contracts with directors with the effect of mitigating the risk inherent to the variability of the remuneration set by the company. With regard to the conclusion of contracts of this type by directors with third parties, the company does not encourage this, nor is there any director who has done so.

VI. STOCK OR STOCK OPTION PLANS

85. Identification of plan and beneficiaries.

The company has no stock or stock option plans.

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

Not applicable.

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

Not applicable.

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

There is no employee ownership scheme in Semapa.

E. RELATED PARTY TRANSACTIONS

I. CONTROL MECHANISMS AND PROCEDURES

89. Procedures implemented by the company for controlling related party transactions (reference is made for this purpose to the concept deriving from IAS 24).

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

90. Indication of transactions subject to control during reporting period

In 2016, no transactions were subject to control given that, through application of the criteria referred to in item 91 below, none of the company's transactions with the qualifying shareholders, or with entities in any way related to such shareholders, as defined in Article 20 of the Securities Code, were subject to prior clearance from the Audit Board. There were no transactions between the company and qualifying shareholders outside of regular market conditions.

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

The Board of Directors must subject to review and prior opinion of the Audit Board the transactions between the company and qualifying shareholders or entities in any way related to these shareholders, as defined in Article 20 of the Securities Code, whenever one of the following criteria is met with regard to each period:

a) When each such transaction has a value greater than or equal to 1% of the company's consolidated turnover in the previous year;
b) When the accrued value, with regard to the same qualifying shareholder, or entity related to the same in any way, as defined in Article 20 of the Securities Code, is greater than or equal to double the amount resulting from application of the criteria referred to in the preceding sub-paragraph.

II. DETAILS OF TRANSACTIONS

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

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

PART II ASSESSMENT OF CORPORATE GOVERNANCE

1. IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED

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

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

2. ANALYSIS OF COMPLIANCE WITH THE ADOPTED CORPORATE GOVERNANCE CODE

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

#	Adoption	Text	Reference
I. VOTING AND CORPORATE CONTROL			
I.1	Adopted	Companies shall encourage shareholders to attend and vote at General Meetings and shall not set an excessively large number of shares required for the entitlement to one vote, and implement the means necessary to exercise the right to vote by mail and electronically.	Part I, items 12 and 13
I.2	Adopted	Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law.	Part I, item 14
I.3	Adopted	Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.	Part I, item 12
I.4	Adopted	The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a single shareholder, either individually or in concert with other shareholders, shall also provide for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails – without increased quorum requirements in addition to those required by law – and that in said resolution, all votes issued be counted, without applying said restriction.	Part I, item 13
I.5	Adopted	Measures shall not be adopted that require payment or acceptance of charges by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members.	Part I, item 4
II. SUPERVISION, MANAGEMENT AND OVERSIGHT			
II.1 Supervision and Management			
II.1.1	Adopted	Within the limits established by law, and except due to the small size of the company, the Board of Directors shall delegate the day-to-day management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.	Part I, items 21, 28 and 29
II.1.2	Adopted	The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its responsibilities as regards the following: i) define the strategy and general policies of the company, ii) define business structure of the group, iii) decisions considered strategic due to the amounts, risk or particular characteristics involved.	Part I, item 21

#	Adoption	Text	Reference
II.1.3	Not applicable	The General and Supervisory Board, in addition to its supervisory duties, shall take full responsibility at corporate governance level, and a requirement shall therefore be enshrined, in the articles of association or by equivalent means, that this body shall pronounce on the strategy and major policies of the company, the definition of the corporate structure of the group and the decisions that are to be considered strategic due to the amounts or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the company.	Part I, item 15
II.1.4 a)	Not adopted	Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to: a) Ensure competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees.	Explanation of Recommendations not adopted below
II.1.4 b)	Adopted	b) Reflect on the governance system, structure and practices adopted, verify their effectiveness and propose to the competent bodies measures to be implemented with a view to their improvement.	Part I, items 21, 27, 28 and 29
II.1.5	Adopted	The Board of Directors or the General and Supervisory Board, depending on the applicable model, shall set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	Part I, items 50 to 55
II.1.6	Adopted	The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the board.	Part I, item 18
II.1.7	Adopted	Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed in accordance with the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to: a. Having been an employee at the company or at a related or group company in the past three years; b. Having, in the past three years, provided services or established a significant commercial relationship with the company or a related or group company, either directly or as a partner, board member, manager or director of a legal person; c. Being the beneficiary of remuneration paid by the company or by a related or group company, other than the remuneration deriving from a directorship; d. Living with a life partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings; e. Being a qualifying shareholder or representative of a qualifying shareholder.	Part I, item 18
II.1.8	Adopted	Directors who exercise executive duties shall respond to enquiries from other company officers by providing the information requested in a timely and appropriate manner.	Part I, item 21
II.1.9	Adopted	The Chairman of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chairman of the Board of Directors, the Chairman of the Supervisory Board, the Chairman of the Audit Committee, the Chairman of the General and Supervisory Board and the Chairman of the Financial Matters Board, the convening notices and minutes of the relevant meetings.	Part I, item 21
II.1.10	Not applicable	If the Chairman of the board of directors exercises executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that these can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.	Part I, items 18, 21 and 28

#	Adoption	Text	Reference
II.2 Oversight			
II.2.1	Adopted	Depending on the applicable model, the Chairman of the Supervisory Board, the Audit Committee or the Financial Matters Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.	Part I, item 32
II.2.2	Adopted	The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, in particular, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	Part I, item 38
II.2.3	Adopted	The supervisory board shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract for provision of their services when there is a valid basis for such dismissal.	Part I, item 38
II.2.4	Adopted	The supervisory board shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	Part I, items 50, 54 and 55
II.2.5	Not adopted	The Audit Committee, the General and Supervisory Board and the Audit Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and shall be recipients of reports made by these services at least when they concern matters related to financial reporting, identification or resolution of conflicts of interest and detection of potential illegalities.	Explanation of Recommenda-tions not adopted below
II.3 Remuneration setting			
II.3.1	Adopted	All members of the Remuneration Committee or equivalent shall be independent from the executive board members and include at least one member with knowl-edge and experience in matters of remuneration policy.	Part I, items 67 and 68
II.3.2	Adopted	No natural or legal person that provides or has provided services in the past three years, to any structure under the board of directors, the board of directors of the company itself or who has a current relationship with the company or consult-ant of the company, shall be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.	Part I, item 67
II.3.3 a)	Adopted	The statement on the remuneration policy for the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall also contain the following: a) Identification and details of the criteria for determining the remuneration paid to the company officers;	Annex II to the Corporate Gov-ernance Report
II.3.3 b)	Not adopted	b) Information regarding the maximum potential amount, in individual terms, and the maximum potential amount, in aggregate form, to be paid to members of cor-porate bodies, and identify the circumstances in which these maximum amounts may be payable;	Explanation of Recommenda-tions not adopted below
II.3.3 c)	Adopted	c) Information on whether payments are due for the dismissal or termination of appointment of board members.	Annex II to the Corporate Gov-ernance Report
II.3.4	Not applicable	Approval of stock and/or option plans or plans based on share price variation for company officers shall be submitted to the General Meeting. The proposal shall contain all the necessary information for a correct assessment of said plan.	Part I, items 73 and 74
II.3.5	Not applicable	Any retirement benefit scheme established for company officers shall be sub-mitted to the General Meeting for approval. The proposal shall contain all the necessary information in order to correctly assess said system.	Part I, item 76
III. REMUNERATIONS			
III.1	Adopted	The remuneration of the executive directors shall be based on actual performance and shall discourage excessive risk-taking.	Part I, items 69 and 70
III.2	Adopted	The remuneration of non-executive directors and the remuneration of the members of the supervisory board shall not include any component whose value depends on the performance of the company or of its value.	Part I, item 71

#	Adoption	Text	Reference
III.3	Not adopted	The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and upper limits shall be set for all components.	Explanation of Recommenda-tions not adopted below
III.4	Not adopted	A significant part of the variable remuneration should be deferred for a period of not less than three years, and the right to payment shall depend on the continued positive performance of the company during that period.	Explanation of Recommenda-tions not adopted below
III.5	Adopted	Members of the board of directors shall not enter into contracts either with the company or with third parties which have the effect of mitigating the risk inherent in the variability of their remuneration as fixed by the company.	Part I, item 84
III.6	Not applicable	Executive directors shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on earnings from said shares, until the end of their term of office.	Part I, items 73 and 74
III.7	Not applicable	When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period of no less than three years.	Part I, items 73 and 74
III.8	Adopted	When the removal of a director is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is even so attributa-ble to inadequate performance, the company shall be endowed with the adequate and necessary legal instruments to ensure that no damages or compensation, beyond those legally due, are payable.	Part I, item 83
IV. AUDIT COMMITTEE			
IV.1	Adopted	The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems for company officers as well as the efficien-cy and effectiveness of the internal control mechanisms and report any shortcom-ings to the supervisory body of the company.	Part I, item 54
IV.2	Adopted	The company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that belongs to the same network, for services other than audit services. If there are reasons for contracting such services - which must be ap-proved by the supervisory board and explained in its Annual Report on Corporate Governance - these services shall not account for more than 30% of the total value of services rendered to the company.	Part I, item 47
IV.3	Adopted	Companies shall rotate auditors after two or three terms, depending on whether the terms are four or three years, respectively. Retention of the auditor beyond this period must be based on a specific opinion of the supervisory board that explicitly considers the conditions of auditor's independence and the benefits and costs of its replacement.	Part I, item 44
V. CONFLICTS OF INTERESTS AND RELATED PARTY TRANSACTIONS			
V.1	Adopted	The company's transactions with qualifying shareholders, or entities with which they are in any type of relationship pursuant to article 20 of the Securities Code, shall be conducted on regular market conditions.	Part I, items 89 to 91
V.2	Adopted	The supervisory or audit board shall establish the procedures and criteria nec-essary to define the relevant level of significance of transactions with qualifying shareholders - or entities with which they are in any of the relationships described in Article 20.1 of the Securities Code –, and the execution of transactions of signif-icant relevance requires clearance from such body.	Part I, item 91
VI. INFORMATION			
VI.1	Adopted	Companies shall provide, via their websites in both the Portuguese and English languages, access to information on the course of their affairs, as regards eco-nomic, financial and governance issues.	Part I, items 59 to 65
VI.2	Adopted	Companies shall ensure the existence of an investor support and market relations office, which responds to enquiries from investors in a timely fashion and records shall be kept of the submittal and handling of enquiries.	Part I, item 56

EXPLANATION OF RECOMMENDATIONS NOT ADOPTED:

Recommendation II.1.4 a)

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

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

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

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

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

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

Recommendation II.2.5

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

The company does not have internal departments solely dedicated to audit or compliance and these functions are assigned essentially to the Internal Control Committee, the Audit Board and to other of Semapa's departments, in particular the Legal Department for the detection of potential illegalities. The decision not to have departments with special functions in this area is due to Semapa's simplified administrative structure as a holding company, without prejudice to the existence of departments of this type in its subsidiaries, as described in item 50.

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

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

Recommendation II.3.3 b) and Recommendation III.3

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

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

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

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

Recommendation III.4

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

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

"Specialists in this field have drawn attention to significant advantages in deferring payment of the variable component of remuneration to a date when the entire period corresponding to the term of office can in some way be appraised.

We accept this principle as theoretically sound, but it appears to us to offer few advantages in the specific case of Semapa and other similar companies.

One of the main arguments supporting this system is that directors should be committed to achieving sustainable medium-term results, and that the remuneration system should support this, avoiding a situation where remuneration is pegged simply to one financial year, which may not be representative, and which may present higher profits at the cost of worse results in subsequent years.

However, whilst this danger is real and is worth safeguarding against by means of systems such as this in companies where the capital is completely dispersed and the directors may be tempted to take a short term view, maximizing quick results by sacrificing long term potential, this does not correspond to the situation in a company such as Semapa, with a stable shareholder structure and management, where these concerns are inherently less of an issue."

In substance, a director whose remuneration is not deferred, but who is paid over a longer period of time according to the results achieved in a given year is more in line with long-term management than a director who holds an office for 3 or 4 years and whose remuneration is deferred for that period. The recommended three-year period must be weighed against the executive directors' time with Semapa since these powers were first awarded to an executive board: Pedro Queiroz Pereira - 13 years, João Castello Branco - 2 years (elected in 2015) and still in office, Carlos Alves – 7 years, José Honório - 12 years, Gonçalo Serras Pereira - 4 years, Carlos Horta e Costa – 6 years, Francisco Guedes - 11 years, Miguel Ventura – 11 years and still in office, José Miguel Paredes – 11 years and still in office, Ricardo Pires – 3 years (elected in 2014) and still in office.

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

3. ADDITIONAL INFORMATION

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

ANNEX I TO THE CORPORATE GOVERNANCE REPORT

DISCLOSURES REQUIRED BY ARTICLES 447 AND 448 OF THE COMPANIES CODE AND PARAGRAPHS 6 AND 7 OF ARTICLE 14 OF SECURITIES MARKET COMMISSION REGULATION 5/2008 (with regard to financial year 2016)

1. SECURITIES ISSUED BY THE COMPANY AND HELD BY COMPANY OFFICERS, IN THE SENSE DEFINED IN PARAGRAPHS 1 AND 2 OF ARTICLE 447 OF THE COMPANIES CODE (*):

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

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

2. Securities issued by companies controlled by or belonging to the same group as Semapa held by company officers, in the sense defined in paragraphs 1 and 2 of Article 447 of the Companies Code:

- Carlos Eduardo Coelho Alves - 578,309 shares in The Navigator Company, S.A.
- Undivided estate of Maria Rita de Carvalhosa Mendes de Almeida de Queiroz Pereira – 1,000 shares in The Navigator Company, S.A.

3. SECURITIES ISSUED BY THE COMPANY AND CONTROLLED COMPANIES HELD BY COMPANIES IN WHICH DIRECTORS AND AUDITORS HOLD CORPORATE OFFICE:

- Cimigest, SGPS, S.A. - 3,185,019 shares in the company
- Cimo - Gestão de Participações, SGPS, S.A. - 16,199,031 shares in the company
- Longapar, SGPS, S.A. – 22,225,400 shares in the company, 1,000 shares in Secil – Companhia Geral de Cal e Cimento, S.A. and 5,000 shares in ETSA – Investimentos, SGPS, S.A.
- OEM - Organização de Empresas, SGPS, S.A. - 535,000 shares in the company
- 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 (**):

José Miguel Pereira Gens Paredes no longer holds 1 bond of The Navigator Company, S.A. as a result of the reimbursement of the bond loan on 17 May 2016.

Besides the reimbursement, in 2016 there were no acquisitions, transfers, encumbrances or pledge of securities issued by Semapa, controlled companies or companies in the same group by company officers and the companies referred to in 3 above.

(**) The company bonds of The Navigator Company, S.A. referred to in this item correspond to bonds named "Obrigações Portucel € 350,000,000 5.375% Senior Notes due 2020".

5. TRANSACTIONS IN OWN SHARES:

In 2016, Semapa acquired the following amount of equity (the details of the transactions, including price, can be found in the information system of the Securities Market Commission:

18 January 2016	14,681 shares
19 January 2016	18,785 shares
20 January 2016	17,788 shares
21 January 2016	35,005 shares
22 January 2016	21,463 shares
25 January 2016	8,500 shares
8 February 2016	40,499 shares
9 February 2016	43,337 shares
10 February 2016	2,501 shares
11 February 2016	18,385 shares
12 February 2016	18,959 shares
15 February 2016	24,143 shares
16 February 2016	34,022 shares
18 February 2016	6,303 shares
19 February 2016	5,428 shares
22 February 2016	8,000 shares
23 February 2016	11,500 shares
24 February 2016	26,847 shares
25 February 2016	6,043 shares
26 February 2016	12,810 shares
9 March 2016	1,923 shares
15 March 2016	2,500 shares
5 April 2016	5,500 shares
6 April 2016	2,000 shares
7 April 2016	11,500 shares
8 April 2016	4,000 shares
11 April 2016	3,014 shares
20 April 2016	490 shares
22 April 2016	5,000 shares
2 May 2016	1,000 shares
3 May 2016	6,000 shares
4 May 2016	7,200 shares
5 May 2016	225 shares
6 May 2016	12,404 shares
9 May 2016	10,000 shares
10 May 2016	5,000 shares
11 May 2016	19,500 shares
12 May 2016	11,000 shares
13 May 2016	4,500 shares
16 May 2016	1,000 shares
17 May 2016	5,500 shares
18 May 2016	3,446 shares
19 May 2016	1,400 shares
20 May 2016	8,190 shares
24 May 2016	2,954 shares
2 June 2016	2,600 shares
3 June 2016	12,504 shares
6 June 2016	8,000 shares
7 June 2016	13,500 shares
9 June 2016	7,500 shares
10 June 2016	21,200 shares
13 June 2016	21,000 shares
14 June 2016	50,000 shares
15 June 2016	30,000 shares
16 June 2016	19,893 shares
17 June 2016	44,454 shares
21 June 2016	13,000 shares
22 June 2016	16,000 shares
23 June 2016	1,071 shares
24 June 2016	24,499 shares
27 June 2016	72,593 shares
28 June 2016	22,501 shares
29 June 2016	3,334 shares
5 July 2016	5,550 shares
6 July 2016	10,000 shares
7 July 2016	1,461 shares
12 July 2016	7,192 shares
13 July 2016	6,000 shares
14 July 2016	9,000 shares
15 July 2016	4,592 shares
19 July 2016	2,308 shares
20 July 2016	11,000 shares
21 July 2016	3,725 shares
22 July 2016	1,600 shares

Note that, on 20 April 2016, a Semapa reduced its share capital by cancelling 375,523 of its own shares, corresponding to approximately 0.49 % of its share capital.

ANNEX II TO THE CORPORATE GOVERNANCE REPORT

REMUNERATION POLICY STATEMENT

Law 28/2009, of 19 June, requires the Remuneration Committee to submit each year for the approval of the General Meeting of shareholders a statement on the remuneration policy for members of the management supervisory bodies. A draft document was accordingly submitted to shareholders in 2016, resulting in approval of a remuneration policy statement as transcribed below:

"REMUNERATION POLICY STATEMENT - SEMAPA DIRECTORS AND AUDITORS

I. INTRODUCTION

Semapa's Remuneration Committee drew up a remuneration policy statement for the first time in early 2007, successfully submitting it for approval by the company's general meeting that year. The statement was drawn up under the terms of the relevant recommendation of the Securities Market Commission then in force.

At that time, the Remuneration Committee stated its view that the options defended should be maintained until the end of the term of office of the company officers. The term of office in question ran from 2006 to 2009.

The statement was due for review in 2010, not only because a fresh term of office had started, but also because of the entry into force of Law 28/2009, of 19 June, requiring remuneration committees to submit a remuneration policy statement annually for the approval of the general meeting.

This Committee is still of the view that a remuneration policy, due to its nature as a set of principles, should be generally stable for the duration of a mandate.

In view of the changes to recommendations resulting from publication by the Securities Market Commission of the 2013 Corporate Governance Code, the Remuneration Committee adjusted in 2014 this Statement to the new recommendations.

This year it has been decided to propose once more the approval of a statement similar in content to that currently in force with small changes arising from the work done in 2015 on the assessment system and the KPIs.

The two most common possibilities for setting the remuneration of company officers are significantly different from each other. The first is for such remuneration to be set by the general meeting; this solution is rarely adopted, being rather impractical for a variety of reasons. The second is for remuneration to be set by a Committee, which decides in keeping with criteria on which the shareholders have not had the opportunity to pronounce.

The solution now before us amounts to an intermediate system whereby the shareholders can appraise a remuneration policy to be followed by the Committee. This seeks to draw on the best features of both theoretical systems, as we propose to do in this document, reasserting the position we have previously defended whilst also including the contribution from the additional experience and expertise acquired by the company, and complying with the legal requirements in this field as referred to above.

II. LEGAL FRAMEWORK AND RECOMMENDATIONS

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

In addition to requiring annual statements, approved by the general meeting and duly disclosed, the new law requires the statement on remuneration policy to include information on:

a) Procedures to permit directors' interests to be aligned with those of the company;
b) The criteria for setting the variable component of remuneration;
c) The existence of share bonus or share option plans for directors and auditors;
d) The possibility of the variable component of remuneration, if any, being paid, wholly or in part, after the accounts have been finalized for the entire term of office;

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

The recommendations from the Securities Market Commission advise that:

II.3.3. The statement on the remuneration policy for the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall also contain the following:

a) Identification and details of the criteria for determining the remuneration paid to the company officers;
b) Information regarding the maximum potential amount, in individual terms, and the maximum potential amount, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances in which these maximum amounts may be payable;
c) Information on whether payments are due for the dismissal or termination of appointment of board members.

III. RULES DERIVING FROM LAW AND THE ARTICLES OF ASSOCIATION

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

The legal rules for the board of directors are essentially established in Article 399 of the Companies Code, and may in practice be summarised as follows:

- Powers to fix the remuneration lie with the general meeting of shareholders or a committee appointed by the same.
- The remuneration fixed shall take into account the duties performed and the state of the company's affairs.
- The remuneration may be fixed or else consist in part of a percentage of the profits of the period, but the maximum percentage for distribution to directors must be authorized by a clause in the articles of association, and shall not apply to the amounts allocated to reserves or to any portion of the profits not legally available for distribution to the shareholders.

For the members of the Audit Board and the officers of the General Meeting, the law lays down that the remuneration shall consist of a fixed sum, which shall be determined in the same way by the general meeting of shareholders or by a committee appointed by the same, taking into account the duties performed and the state of the company's affairs.

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

"2 – The remuneration of the directors [...] is fixed by a Remuneration Committee comprising an uneven number of members, elected by the General Meeting.
3 – The remuneration may consist of a fixed part and a variable part, which shall include a share in profits, which shall not exceed five per cent of the net profits of the previous period, for the directors as a whole."

This is the formal framework to be observed in defining the remuneration policy.

IV. HISTORICAL BACKGROUND

Since the incorporation of Semapa and up to 2002, all directors of Semapa received remuneration comprising a fixed component, paid fourteen times a year, and fixed by the Remuneration Committee, then called the *Comissão de Fixação de Vencimentos*.

In 2003, the resolution on the distribution of profits from 2002 included, for the first time, a part of the profits to be directly paid as remuneration to the directors, divided between the directors as decided by the Remuneration Committee.

This procedure was repeated through to 2005, with regard to the profits from 2004.

In 2006, the allocation of profits from 2005 did not provide for any amount for directors' remuneration. The variable component of the remuneration was fixed in 2006 by the Remuneration Committee, also with reference to the profits, in accordance with the articles of association.

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

It should be noted that the allocation of a percentage of profits is not applied directly, but rather as an indicator, and also as a limit, in line with the articles of association, on amounts which are determined in a more involved process, taking into account the factors set out in the remuneration policy statement in force and the KPIs mentioned below.

There has therefore been a constant procedure since 2003, with the directors' remuneration comprising a fixed component and a variable component.

Since the incorporation of the company, the members of the Audit Board have received fixed monthly remuneration. Since the officers of the general meeting started to receive remuneration, this has been set in accordance with the number of meetings actually held.

V. GENERAL PRINCIPLES

The general principles to be observed when setting the remuneration of the company officers are essentially those which in very general terms derive from the law: on the one hand, the duties performed and on the other the state of the company's affairs. If we add to these the general market terms for similar situations, we find that these appear to be the three main general principles:

a) Duties performed.

It is necessary to consider the duties performed by each company officer not only in the formal sense, but also in the broader sense of the work carried out and the associated responsibilities. Not all of the executive directors are in the same position, and the same is also true, for example, of the members of the audit board. Duties have to be assessed in the broadest sense, taking into account criteria as varied as, for example, responsibility, time dedicated, or the added value to the company resulting from a given type of intervention or representation of a given institution.

The fact that time is spent by the officer on duties in other controlled companies also cannot be taken out of the equation, due, on the one hand, to the added responsibility this represents, and, on the other hand, to the existence of another source of income.

It should be noted that Semapa's experience has shown that the directors of this company, contrary to what is often observed in other companies of the same type, have not always been neatly split into executive and non-executive. There are a number of directors with delegated powers and who are generally referred to as executive directors, but some of the directors without delegated powers have been closely involved in the life of the company in a variety of ways. In this context, namely for awarding the variable remuneration, it is particularly relevant to highlight the position of the Chairman of the Board of Directors, who is not a member of the Executive Board, but remains very close to the relevant decisions of daily corporate management.

b) The state of the company's affairs.

This criterion must also be understood and interpreted with care. The size of the company and the inevitable complexity of the associated management responsibilities are clearly the relevant aspects of the state of affairs, understood in the broadest sense. There are implications here for the need to remunerate a responsibility which is greater in larger companies with complex business models and for the capacity to remunerate management duties appropriately.

c) Market criteria.

It is unavoidably necessary to match supply to demand when setting any level of pay, and the officers of a corporation are no exception. Only respect for market practices makes it possible to keep professionals of a calibre required for the complexity of the duties performed and the responsibilities shouldered, thereby assuring not only their own interests but essentially those of the company, and the generation of value of all its shareholders. In the case of Semapa, in view of its characteristics and size, the market criteria to be considered are those prevailing internationally, as well as those to be observed in Portugal.

VI. COMPLIANCE WITH LEGAL REQUIREMENTS AND RECOMMENDATIONS

Having described the historical background and the general principles adopted, we shall now consider the issue of compliance by these principles with the relevant legal requirements.

1. Article 2 a) of Law 28/2009. Alignment of interests.

The first requirement that Law 28/2009 regards as essential in terms of the information in this statement is for a description of the procedures which assure that the directors' interests are aligned with those of the company.

We believe that the remuneration system adopted in Semapa is successful in assuring such alignment. Firstly, because the remuneration sets out to be fair and equitable in the light of the principles set out, and secondly because it links the directors to results by means of a variable remuneration component which is set primarily in the light of these results.

2. Article 2 b) of Law 28/2009. Criteria for the variable component.

The second requirement established by the law is for information on the criteria used to determine the variable component.

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

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

3. Article 2 c) of Law 28/2009. Share or option plans.

The decision whether or not to provide share or option plans is structural in nature. The existence of such a plan is not a simple add-on to an existing remuneration system, but rather an underlying to change to the existing system, at least in terms of the variable remuneration.

Although a remuneration system of this type is not incompatible with the company's articles of association, we feel that the wording of the relevant provisions in the articles and the historical background to the existing system argue in favour of maintaining a remuneration system without any share or option component.

This is not to say that we see no merits in including a share or option component in directors' remuneration, nor that we would not be receptive to restructuring directors' remuneration to incorporate such a plan. However, such a component is not essential in order to promote the principles we defend and, as we have said, we do not believe that this was the fundamental intention of the company's shareholders.

4. Article 2 d) of Law 28/2009. Date of payment of variable remuneration.

Specialists in this field have drawn attention to significant advantages in deferring payment of the variable component of remuneration to a date when the entire period corresponding to the term of office can in some way be appraised.

We accept this principle as theoretically sound, but it appears to us to offer few advantages in the specific case of Semapa and other similar companies.

One of the main arguments supporting this system is that directors should be committed to achieving sustainable medium-term results, and that the remuneration system should support this, avoiding a situation where remuneration is pegged simply to one financial year, which may not be representative, and which may present higher profits at the cost of worse results in subsequent years.

However, whilst this danger is real and is worth safeguarding against by means of systems such as this in companies where the capital is completely dispersed and the directors may be tempted to take a short term view, maximizing quick results by sacrificing long term potential, this does not correspond to the situation in a company such as Semapa, with a stable shareholder structure and management, where these concerns are inherently less of an issue.

5. Article 2 e) of Law 28/2009. Procedures limiting variable remuneration.

Procedures of this kind are designed to limit variable remuneration in the event of the results showing a significant deterioration in the company's performance in the last reporting period or when such a deterioration may be expected in the period underway.

This type of provision also reflects a concern that good performance in the short term, which may boost directors' remuneration, could be achieved at the cost of future performance.

For obvious reasons, the arguments presented above also apply here. It should also be noted that a system of this kind would have little practical effect if not combined with significant deferral of remuneration, which is not proposed for Semapa.

6. Recommendation II.3.3. a). Criteria for determining the remuneration paid.

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

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

7. Recommendation II.3.3. b). Maximum potential, individual and aggregate remuneration.

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

8. Recommendation II.3.3. c). Payments for the dismissal or termination of duties.

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

This fact is the natural result of the particular situations existing in the company, and not a position of principle taken by this Committee against the existence of agreements of this nature.

The supplementary legal rule in this matter apply here.

VII. SPECIFIC OPTIONS

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

I The remuneration of executive directors and the Chairman of the Board referred to in paragraph a) of Chapter V shall comprise a fixed component and a variable component.
II The remuneration of non-executive directors shall comprise only a fixed component that may be complemented according to the piling on of added responsibilities.
III The remuneration of the members of the Audit Board and the officers of the General Meeting shall comprise a fixed component only.
IV The fixed component of the remuneration of directors shall consist of a monthly amount payable fourteen times a year or of a pre-set amount for each meeting of the Board of Directors attended.
V A monthly rate shall be set for the fixed component of the remuneration of directors for all those who are members of the Executive Board and those who, although not members of such Board, perform duties or carry out specific work of a repeated or ongoing nature.
VI The pre-set amount for participation in meetings of the Board of Directors shall be fixed for those who have duties which are essentially advisory and supervisory.
VII The fixed remuneration of the members of the Audit Board shall consist in all cases of a pre-set amount paid fourteen times a year.
VIII The fixed remuneration of the officers of the General Meeting shall consist in all cases of a pre-set amount for each meeting, the remuneration for second and subsequent meetings being lower than that for the first general meeting of the year.
IX The procedure for assigning variable remuneration to the executive members of the Board of Directors shall comply with the criteria proposed by the Remuneration Committee, and the total such remuneration shall not exceed five per cent of the consolidated net profits (IFRS format).
X In setting all remuneration, including in particular the distribution of the total amount allocated to the variable remuneration of the Board of Directors, the general principles established above shall be observed: the duties performed, the state of the company's affairs and market criteria.

Lisbon, 11 March 2016

THE REMUNERATION COMMITTEE

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

ANNEX III TO THE CORPORATE GOVERNANCE REPORT

DECLARATION REQUIRED UNDER ARTICLE 245.1 C) OF THE SECURITIES CODE

Article 245.1 c) of the Securities Code requires that each of the persons responsible for the issuers make a number of declarations, as described in this article. In the case of Semapa, a uniform declaration has been adopted, worded as follows:

I hereby declare, under the terms and for the purposes of Article 245.1 c) of the Securities Code that, to the best of my knowledge, the management report, annual accounts, legal accounts certificate and other financial statements of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., for the financial year of 2016, were drawn up in accordance with the relevant accounting rules, and provide a true and fair view of the assets and liabilities, financial affairs and profit or loss of said company and other companies included in the consolidated accounts, and that the management report contains a faithful account of the business, performance and position of said company and other companies included in the consolidated accounts, describing the main risks and uncertainties which they face.

Considering that the members of the Audit Board and the Official Auditor sign an equivalent declaration in relation to the documents for which they are responsible, a separate declaration with the above text was signed by the directors only, as it was deemed that only the company officers fall within the concept of "persons responsible for the issuer". As required by this rule, we provide below a list of the persons signing the declaration and their office in the company:

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

CONSOLIDATED FINANCIAL STATEMENTS

03

CONSOLIDATED INCOME STATEMENT

FOR THE PERIODS ENDED AS AT 31 DECEMBER 2016 AND 2015

Amounts in Euro	Notes	2016	2015	4th Q 2016 (Unaudited)	4th Q 2015 (Unaudited)
Revenues					
Sales	4	**2 054 279 950**	2 099 937 636	**539 418 877**	553 449 796
Services rendered	4	**20 334 993**	32 398 054	**5 716 480**	8 045 228
Other Income					
Gains on disposal of non-current assets	5	**3 408 483**	2 863 693	**1 491 874**	2 426 073
Other operating income	5	**71 056 601**	55 484 421	**25 133 015**	15 861 516
Change in fair value of biological assets		**8 616 021**	3 027 505	**(1 963 125)**	5 152 474
Costs, expenses and losses					
Cost of inventories sold and consumed	6	**(806 886 005)**	(849 960 294)	**(199 190 101)**	(207 364 005)
Variation in production	6	**(2 292 741)**	22 301 850	**(16 774 301)**	(10 458 670)
Cost of materials and services consumed	6	**(579 963 094)**	(596 557 719)	**(164 889 403)**	(157 079 620)
Payroll costs	6	**(242 091 505)**	(244 824 037)	**(64 229 441)**	(77 846 242)
Other costs and losses	6	**(37 355 667)**	(46 512 766)	**(9 935 439)**	(15 126 876)
Provisions	6	**2 387 895**	8 990 627	**4 735 367**	(2 866 360)
Depreciation, amortisation and impairment losses	8	**(246 959 406)**	(199 260 701)	**(70 768 049)**	(58 157 017)
Operational results		**244 535 525**	287 888 269	**48 745 754**	56 036 297
Group share of (loss) / gains of associated companbies and joint ventures	9	**3 067 090**	(4 287 184)	**1 757 396**	25 484
Net financial results	10	**(77 373 279)**	(117 975 536)	**(19 078 665)**	(18 170 396)
Profit before tax		**170 229 336**	165 625 549	**31 424 485**	37 891 385
Income tax expense	11	**19 076 034**	(34 839 050)	**41 753 557**	(8 478 949)
Profit for the year		**189 305 370**	130 786 499	**73 178 042**	29 412 436
Profit for the year					
Attributable to Semapa's Shareholders		**114 862 812**	81 530 041	**43 308 328**	15 674 556
Attributable to non - controlling interests	13	**74 442 558**	49 256 458	**29 869 714**	13 737 880
Earnings per share					
Basic earnings pershare, Eur	12	**1.418**	0.850	**0.538**	0.660
Diluted earnings pershare, Eur	12	**1.418**	0.850	**0.538**	0.660

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

FOR THE PERIODS ENDED AS AT 31 DECEMBER 2016 AND 2015

Amounts in Euro	Notes	2016	2015	4th Q 2016 (Unaudited)	4th Q 2015 (Unaudited)
Retained earnings for the year without non - controlling interests		**189 305 370**	130 786 499	**73 178 042**	29 412 436
Items that may subsquently be reclassified to the income statement					
Derivative financial instruments					
Fair value changes	34	**(4 393 945)**	4 232 105	**3 652 636**	4 125 131
Tax on items above when applicable	28	**1 507 615**	(405 180)	**(1 239 677)**	(1 093 598)
Currency thanslation differences	27	**34 614 409**	(9 423 201)	**23 957 855**	14 385 089
Other comprehensive income of Associates recognized to MEP		**3 737 176**	-	**5 931 910**	-
Items that may not subsquently be reclassified to the income statement					
Remeasurements					
Remeasurements positive / (negative)	29	**(11 626 310)**	(10 421 772)	**(10 874 180)**	4 968 687
Tax on items above when applicable	28	**(1 929 213)**	2 747 201	**(1 430 897)**	1 872 758
Other comprehensive income recognised in equity		**21 909 732**	(13 270 847)	**19 997 647**	24 258 067
Total comprehensive income for the year		**211 215 102**	117 515 652	**93 175 689**	53 670 503
Attributable to:					
Semapa's Shareholders		**141 256 579**	60 499 002	**60 766 610**	35 617 904
Non - controlling interests		**69 958 523**	57 016 650	**32 409 079**	18 052 599
		211 215 102	117 515 652	**93 175 689**	53 670 503

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2016 AND 2015

Amounts in Euro	Notes	31-12-2016	31-12-2015
ASSETS			
Non - currents assests			
Goodwill	15	**352 812 897**	335 643 370
Other intangible assets	16	**296 621 604**	296 675 604
Property, plant and equipment	17	**2 313 490 314**	2 336 937 941
Investment properties		**958 112**	978 621
Biological assets	18	**125 612 948**	116 996 927
Investment in associates and joint ventures	19	**3 885 458**	3 403 708
Financial asstes at fair value through profit or loss	20	**47 258**	342 968
Available-for-sale financial assets	21	**342 122**	229 136
Deferred tax assets	28	**78 652 223**	74 480 542
Other non - current assets		**6 744 351**	6 777 734
		3 179 167 287	3 172 466 551
Current assets			
Inventories	23	**308 717 695**	309 759 678
Receivables and other current assets	24	**304 904 426**	309 595 216
State and other public entities	25	**97 489 849**	65 373 297
Income tax	25	**13 059 045**	3 639 642
Non-current Assets held for sale	33	**1 036 774**	1 199 597
Cash and cash equivalents	2.1.3 and 31	**184 101 274**	206 255 764
		909 309 063	895 823 194
Total assets		**4 088 476 350**	4 068 289 745
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	26	**81 270 000**	81 645 523
Treasury shares	26	**(6 036 401)**	(53 116)
Share premiums		**-**	3 923 459
Translation reserve	27	**(31 600 075)**	(65 903 206)
Fair value reserve	27	**(6 062 513)**	(4 921 087)
Other reserve	27	**717 616 946**	665 696 408
Retained earnings	27	**(52 720 971)**	(45 580 416)
Profit for the year		**114 862 812**	81 530 041
Consolidated shareholders' equity		**817 329 798**	716 337 606
Non - controlling interests	13	**409 754 207**	415 289 455
Total equity		**1 227 084 005**	1 131 627 061
Non - current liabilities			
Deferred tax liabilities	28	**276 468 649**	305 515 909
Pensions and other post-employment benefits	29	**10 085 423**	4 667 743
Provisions	30	**74 571 775**	104 230 815
Interest-bearing liabilities	31	**1 697 565 380**	1 497 214 815
Other non-current liabilities		**33 301 140**	43 480 192
		2 091 992 367	1 955 109 474
Current liabilities			
Interest-bearing liabilities	31	**266 268 367**	512 032 570
Payables and other current liabilities	32	**379 782 809**	358 185 023
State and other pubic entities	25	**76 253 728**	73 909 165
Income tax	25	**47 023 845**	37 348 475
Non-current Liabilities held for sale	33	**71 229**	77 977
		769 399 978	981 553 210
Total liabilities		**2 861 392 345**	2 936 662 684
Total equity and liabilities		**4 088 476 350**	4 068 289 745

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIODS ENDED AS AT 31 DECEMBER 2016 AND 2015

Amounts in Euro	Notes	Share Capital	Treasury Shares	Share Premiums	Fair value reserve	Other reserves	Translation reserve	Retained earnings	Profit for the year	Total	Non-controlling interests	Total
Equity as of 1 January 2016		81 645 523	(53 116)	3 923 459	(4 921 087)	665 696 408	(65 903 206)	(45 580 416)	81 530 041	**716 337 606**	415 289 455	**1 131 627 061**
Application of 2015 profit of the year:												
- Transfer to oyher reserves	27	-	-	-	-	51 586 337	-	-	(51 586 337)	**-**	-	**-**
- Dividends paid / Reserves paid	14, 26 and 27	-	-	-	-	11 822	-	-	(26 736 183)	**(26 724 361)**	-	**(26 724 361)**
- Profit-sharing bonuses	14	-	-	-	-	-	-	-	(3 207 520)	**(3 207 520)**	-	**(3 207 520)**
Treasury shares aquisitions	26 and 27	-	(9 959 889)	-	-	-	-	-	-	**(9 959 889)**	-	**(9 959 889)**
Treasury shares cancellations	26 and 27	(375 523)	3 976 604	-	-	(3 601 081)	-	-	-	**-**	-	**-**
Share capital increase	26 and 27	35 758 800	-	(3 923 459)	-	(31 835 341)	-	-	-	**-**	-	**-**
Share capital reduction	26 and 27	(35 758 800)	-	-	-	35 758 800	-	-	-	**-**	-	**-**
Dividends paid by subsidiaries to non-controlling interests	13	-	-	-	-	-	-	-	-	**-**	(69 682 071)	**(69 682 071)**
Other comprehensive income for the year*		-	-	-	(1 141 426)	-	34 303 134	(6 767 941)	-	**26 393 767**	(4 484 035)	**21 909 732**
Acquisitions / Disposals to non-controlling interests		-	-	-	-	-	-	(3 550 701)	-	**(3 550 701)**	-	**(3 550 701)**
Changes in the consolidation perimeter		-	-	-	-	-	-	-	-	**-**	(133 592)	**(133 592)**
Other movements		-	-	-	-	-	-	3 178 085	-	**3 178 085**	(5 678 108)	**(2 500 024)**
Profit for the year		-	-	-	-	-	-	-	114 862 812	**114 862 812**	74 442 558	**189 305 370**
Equity as of 31 December 2016		81 270 000	(6 036 401)	-	(6 062 513)	717 616 945	(31 600 072)	(52 720 973)	114 862 813	**817 329 799**	409 754 207	**1 227 084 005**

*Net of deferred taxes

Amounts in Euro	Notes	Share Capital	Treasury Shares	Share Premiums	Fair value reserve	Other reserves	Translation reserve	Retained earnings	Profit for the year	Total	Non-controlling interests	Total
Equity as of 1 January 2015		118 332 445	(108 444 835)	3 923 459	(10 076 983)	1 033 462 267	(46 975 997)	(202 619 762)	112 797 846	**900 398 440**	336 424 414	**1 236 822 854**
Application of 2014 profit of the year												
- Transfer to other reserves	27	-	-	-	-	70 256 068	-	-	(70 256 068)	**-**	-	**-**
- Dividends paid / Reserves paid	14 and 27	-	-	-	-	(61 229 995)	-	-	(39 939 176)	**(101 169 171)**	-	**(101 169 171)**
- Profit-sharing bonuses	14	-	-	-	-	-	-	2 602 602	(2 602 602)	**-**		**-**
Treasury shares aquisitions and cancellations	26 and 27	(36 686 922)	108 391 719	-	-	(376 791 932)	-	(765 799)	-	**(305 852 934)**	-	**(305 852 934)**
Dividends paid by subsidiaries to non-controlling interests	13	-	-	-	-	-	-	-	-	**-**	(111 374 797)	**(111 374 797)**
Other comprehensive income for the year*		-	-	-	3 420 469	-	(17 160 530)	(7 290 978)	-	**(21 031 039)**	7 760 192	**(13 270 847)**
Acquisitions / Disposals to non-controlling interests		-	-	-	-	-	-	162 465 205	-	**162 465 205**	125 313 863	**287 779 068**
Changes in the consolidation perimeter		-	-	-	-	-	-	-	-	**-**	6 925 242	**6 925 242**
Other movements		-	-	-	1 735 427	-	(1 766 679)	28 316	-	**(2 936)**	984 083	**981 147**
Profit for the year		-	-	-	-	-	-	-	81 530 041	**81 530 041**	49 256 458	**130 786 499**
Equity as of 31 December 2015		81 645 523	(53 116)	3 923 459	(4 921 087)	665 696 408	(65 903 206)	(45 580 416)	81 530 041	**716 337 606**	415 289 455	**1 131 627 061**

*Net of deferred taxes

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIODS ENDED AS AT 31 DECEMBER 2016 AND 2015

Amounts in Euro	Notes	2016	2015	4th Q 2016 (Unaudited)	4th Q 2015 (Unaudited)
OPERATING ACTIVITIES					
Receipts from customers		2 247 986 059	2 271 981 574	585 250 028	651 151 072
Payments to suppliers		(1 673 772 759)	(1 728 521 435)	(387 937 115)	(456 862 163)
Payments to personnel		(186 524 335)	(191 152 511)	(52 435 169)	(62 940 042)
Cash flow from operations		387 688 965	352 307 628	144 877 744	131 348 867
Income tax received / (paid)		(43 000 778)	13 187 329	(22 250 275)	11 810 360
Other receipts / (payments) relating to operating activities		14 852 816	6 831 019	(33 852)	13 316 193
Cahs flow from operating activities (1)		359 541 003	372 325 976	122 593 617	156 475 420
INVESTING ACTIVITIES					
Inflows					
Financial investments		4 707 612	727 951	-	-
Property, plant and equipment		1 204 058	1 444 055	945 652	613 682
Government grants		-	14 123 184	-	14 123 184
Interest and similar income		4 907 962	1 338 465	1 515 323	910 000
Dividends	19	868 685	1 505 827	1	-
		11 688 317	19 139 482	2 460 976	15 646 866
Outflows					
Financial investments		(42 054 559)	(148 415 802)	(12 476 026)	(365 065)
Cash and cash equivalents - changes in consolidation perimeter		-	15 078 447	(42 149)	-
Property, plant and equipment		(105 025 077)	(145 130 325)	(24 452 620)	(58 681 332)
Other assets		(2 323 068)	-	(2 323 068)	-
		(149 402 704)	(278 467 680)	(39 293 863)	(59 046 397)
Cash flow from investing activities (2)		(137 714 387)	(259 328 198)	(36 832 887)	(43 399 531)
FINANCING ACTIVITIES					
Inflows					
Proceeds from borrowings		4 278 824 205	4 770 991 799	(147 325 983)	1 312 945 759
		4 278 824 205	4 770 991 799	(147 325 983)	1 312 945 759
Outflows					
Repayments of borrowings		(4 336 509 532)	(4 960 702 683)	107 265 881	(1 281 805 936)
Repayment of financial leases		(1 001 434)	(821 710)	(286 887)	(241 454)
Interest and similar expenses		(81 460 114)	(122 862 869)	(20 719 692)	(19 630 186)
Dividends	13 and 14	(93 881 566)	(212 075 465)	(6 904 691)	(109 024 767)
Treasury shares aquisitions	26	(9 959 889)	-	-	-
		(4 522 812 535)	(5 296 462 727)	79 354 611	(1 410 702 343)
Cash flow from financing activities (3)		(243 988 330)	(525 470 928)	(67 971 372)	(97 756 584)
CHANGE IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		(22 161 714)	(412 473 150)	17 789 358	15 319 305
EXCHANGE GAINS / (LOSSES) ON CASH AND CASH EQUIVALENTS		7 225	15 757 142	3 169 501	1 220 722
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	31	206 255 763	602 971 772	163 142 415	189 715 737
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	184 101 274	206 255 764	184 101 274	206 255 764

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TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

(Translation of a report originally issued in Portuguese)

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

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

Head Office:	Av. Fontes Pereira de Melo, 14, 10º Piso, Lisboa
Share Capital:	Euro 81,270,000
Corporate body no.:	502 593 130

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

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

These consolidated financial statements were approved by the Board of Directors on 07 March 2017. However, they are still subject to approval by the General Shareholders' Meeting, in accordance with the Portuguese commercial legislation.

The Group's senior management, that 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.

1. SUMMARY OF THE PRINCIPAL ACCOUNTING POLICIES

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

1.1 BASIS OF PREPARATION

The Group's consolidated financial statements as of 31 December 2016 have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS – formerly referred to as the International Accounting Standards - IAS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC) in force on the date of preparation of the mentioned financial statements.

The accompanying consolidated financial statements were prepared on the going concern basis from the accounting books and records of the companies included in the consolidation (Note 43), and under the historic cost convention, except for: biological assets, financial assets at fair value through profit and loss, available-for- sale financial assets, derivative financial instruments which are recorded at fair value (Notes 18, 20, 21 and 34). Tangible assets acquired until 1 January 2004 have been recorded at revaluated cost.

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

1.2 ADDITIONAL DISCLOSURES

Comparability

Acquisition of 50% of the subsidiary Supremo Cimentos

At the end of June 2015, the Brazilian subsidiary, NSOSPE, S.A., acquired 50% of the share capital of Supremo Cimentos S.A. and obtained control of 100% of this subsidiary (until then the control was jointly shared with three Brazilian shareholders). Thus, the Group assessed the acquisition differences as at 30 June 2015. Therefore, the financial position of Supremo was incorporated in the Consolidated Statement of Financial Position as of 30 June 2015 using the full consolidation method. In the consolidated income statement, the results of operations of this subsidiary (50%), for the six months period between January and June were incorporated under equity accounting method, being recognized under the full consolidation method as from 1 July 2015.

Public exchange offer (OPT)

As of 30 July 2015, following the closure of the public exchange offer, Semapa acquired 24,864,477 shares, which were cancel through a share capital decrease after proper settlement of the tender offer. As a result of the shares exchanged under the mentioned OPT, the Semapa Group reduced its participation in Navigator from 75.85% to 64.84% of the share capital (from 81.19% to 69.40% of the voting rights which have not been suspended).

1.3 BASIS OF CONSOLIDATION

1.3.1 SUBSIDIARIES

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

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

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

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

The subsidiaries are consolidated using the full consolidation method with effect from the date that control is transferred to the Group. In the acquisition of additional share capital of controlled entities, the excess between the proportion of acquired net assets and respective acquisition cost is directly recognised in Equity under the caption Retained earnings (Note 27).

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

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

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

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

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

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

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

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

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

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

1.3.2 ASSOCIATES

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

In conformity with the equity accounting method, financial investments are recorded at their acquisition cost, adjusted by the amount corresponding to the Group's share of changes in the associates' shareholders' equity (including net income/loss) and by dividends received.

The difference between the acquisition cost and the fair value of the associate's identifiable assets, liabilities and contingent liabilities on the acquisition date, if positive, are recognised as Goodwill and recorded under the caption Investments in associates. If these differences are negative, they are recorded as income for the period under the caption Group share of (loss)/gains of associated companies. Transaction costs directly attributable are immediately expensed.

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

When the Group's share in the associate's losses is equal to or exceeds its investment in the associate, the Group ceases to recognise additional losses, except where it has assumed liability or made payments in the associate's name. Unrealised gains on transactions with associates are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated, except if the transaction reveals evidence of impairment of a transferred asset.

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

1.3.3 JOINT VENTURES

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

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

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

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

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

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

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

1.4 SEGMENTAL REPORTING

An operating segment is a component of an entity:

i) that engages in business activities that may earn revenues and incur in expenses (including revenues and expenses relating to transactions with other components of the same entity);
ii) whose operating results are regularly reviewed by the chief operating decision maker of the entity for the purposes of making decisions about allocating resources to the segment and assessing its performance; and
iii) for which separate financial information is available.

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

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

Pulp and Paper

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

Cement and Derivatives

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

The Group holds a 100% interest in Supremo Cimentos, S.A., a cement company operating in southern Brazil, with a fully integrated factory of clinker and cement placed in Adrianópolis, as well as aggregate and concrete operations.

Environment

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

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

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

1.5 FOREIGN CURRENCY TRANSLATION

1.5.1 FUNCTIONAL AND REPORTING CURRENCY

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

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

1.5.2 BALANCES AND TRANSACTIONS EXPRESSED IN FOREIGN CURRENCIES

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

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

1.5.3 GROUP COMPANIES

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

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

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

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

1.6 INTANGIBLE ASSETS

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

1.6.1 CO_2 EMISSION RIGHTS

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

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

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

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

1.6.2 BRANDS

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

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

1.7 GOODWILL

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

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

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

1.8 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

1.9 INVESTMENT PROPERTIES

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

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

1.10 IMPAIRMENT OF NON-CURRENT ASSETS

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

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

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

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

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

1.11 BIOLOGICAL ASSETS

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

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

All costs incurred in land preparation for first forestation are considered as a tangible asset, depreciated over their estimated useful life.

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

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

At the time of harvest, wood is recognised at fair value less estimated costs since that point and the point of sale, as at this stage the power plants.

1.12 FINANCIAL INVESTMENTS

The Group classifies its financial investments in the following categories: financial assets at fair value through profit and loss, loans granted and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the intention motivating the investment's acquisition. Management determines the classification at the moment of initial recognition of the instruments and reappraises this classification on each reporting date.

All acquisitions and disposals of these investments are recognised at the date of the respective purchase and sale contracts, irrespective of the financial settlement date.

Financial investments are initially recorded at the acquisition cost, and the fair value is equal to the price paid, plus transaction expenses, except for the assets at fair value through profit and loss. The subsequent measurement depends on the category the investment falls under, as follows:

Loans granted and receivables

Loans granted and accounts receivable are non-derivative financial assets with fixed or determinable payments and which are not quoted in an active market. They are originated when the Group advances money, goods or services directly to a debtor without any intention of negotiating the debt. These investments for the purpose are included in current assets, except when their maturity exceeds 12 months after the statement of financial position date, in which case they are classified as non-current assets. Loans granted and accounts receivable are reported as part of receivables and other current assets in the consolidated statement of financial position (Note 24).

Financial assets at fair value through profit and loss

A financial asset is classified under this category if it is primarily acquired with propose of being sold in the short-term or if so designated by management. Assets in this category are classified as current if held for trading or if they are realisable in a period of up to 12 months of the statement of financial position date. These investments are measured at fair value through the income statement (Note 20).

Investments held to maturity

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

Available for sale financial assets

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

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

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

Incomes arising from interest and dividends are recognized in the consolidated income statement of the period in which the right is effective.

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

At each reporting date the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. If a prolonged decline in fair value of the available-for-sale financial assets takes place, then the cumulative loss – measured as the difference between acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement- is removed from equity and recognised in the income statement.

An impairment loss recognised on available-for-sale financial assets is reversed if the loss was caused by specific external events of an exceptional nature that are not expected to recur but which subsequent external events have reversed. For equity investments hold by third parties classified under this category, the reversal does not affect the income statement and the assets subsequent increase in value is thus taken to the fair value reserve.

Derecognition of financial investments

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

The Group derecognises financial liabilities only when the corresponding obligation is settled, cancelled or expired.

1.13 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments

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

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

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

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

i) At acquisition date, there is formal designation and documentation of the hedging relationship, namely regarding the hedged item, the hedging instrument and the company's evaluation of the hedging effectiveness;
ii) There is an expectation that the hedge will be highly effective, at the inception of the hedging relation and along its duration;
iii) The effectiveness of the hedge may be measured at the beginning of the operation and while it is running;
iv) For cash flow hedges, the realization of the cash flows must be highly probable.

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

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

Coverage of cash flows (interest rate and exchange risk rate)

In order to manage the risk of interest and exchange rates, the Group enters into cash flow hedge.

Those transactions are recorded in the statement of financial positions at their fair value and, to the extent that they are considered effective hedging's, changes in fair value are initially recorded in shareholder's equity and recycled to financial results under the caption gains / (losses) in derivative financial instruments at the settlement date.

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is recycled to the income statement when the hedge instrument is also recognised in the income statement.

Net investment hedging (exchange rate risk)

In order to manage the exposure of its investments in foreign subsidiaries to fluctuations in the exchange rate (net investment), the group enters into exchange rate forwards.

Those exchange rate forwards, hired as hedging derivative financial instruments over foreign subsidiaries, are recorded at their fair value in the statement of financial position. As long as they meet the conditions to be considered effective, changes in fair value of the exchange rate forwards are recorded directly on equity, as translation reserves. Gains and losses accumulated in those reserves are recycled to the income statement when the foreign subsidiaries are disposed.

1.14 CORPORATE INCOME TAX

Corporate income tax includes current and deferred tax.

Current tax

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

Deferred tax

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

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

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

Tax business group

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

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

1.15 INVENTORY

Inventories are valued in accordance with the following criteria:

- Goods and raw materials

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

- Finished products and work in progress

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

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

1.16 RECEIVABLES AND OTHER CURRENT ASSETS

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

Impairment losses are recorded when there is objective evidence that the Group will not receive the full amount outstanding in accordance with the original conditions of the accounts receivables.

1.17 CASH AND CASH EQUIVALENTS

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

1.18 SHARE CAPITAL AND TREASURY SHARES

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

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

The cost directly attributable to the issue of new shares options for a business acquisition are included in the acquisition cost as part of the purchase price. Treasury shares are recorded at their acquisition amount as a decrease in shareholders' equity, in the caption.

Treasury shares, while the gains or losses inherent in their disposal are recorded under Other reserves.

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

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

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

1.19 INTEREST-BEARING LIABILITIES

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

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

1.20 BORROWING COSTS

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

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

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

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

1.21 PROVISIONS

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

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

The Group incurs expenditure and assumes liabilities of an environmental nature. Accordingly, expenditures on equipment and operating techniques that ensure compliance with applicable legislation and regulations (as well as on the reduction of environmental impacts to levels that do not exceed those representing a viable application of the best available technologies, on those related to minimizing energy consumption, atmospheric emissions, the production of residues and noise), are capitalised when they are intended to serve the Group's business in a durable way, as well as those associated with future economic benefits and which serve to prolong life expectancy, increase capacity or improve the safety or efficiency of other assets owned by the Group (Notes 30 and 37).

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

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

1.22 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

1.22.1 PENSIONS OBLIGATIONS – DEFINED BENEFIT PLANS

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

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

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

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

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

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

1.22.2 PENSION OBLIGATIONS – DEFINED CONTRIBUTION PLANS

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

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

Therefore, the responsibility with these plans corresponds to the contribution made to the funds based on the percentage of the employees' salaries defined in the respective agreements. These contributions are recognized as a cost in the income statement in the period to which they refer, regardless of the date of the settlement of the liability.

1.22.3 HOLIDAY PAY, ALLOWANCES AND BONUSES

Under the terms of the prevailing legislation, employees are entitled annually, if hired until 2003, to 25 working days leave (22 days if hired after 2003), as well as to a month's holiday allowance, entitlement to which is acquired in the year preceding its payment.

According to the current Performance Management System ("Sistema de Gestão de Desempenho"), employees have the right to a bonus based on annually-defined objectives. The entitlement of this bonus is usually acquired in the year preceding its payment.

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

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

1.23 PAYABLES AND OTHER CURRENT LIABILITIES

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

1.24 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

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

1.25 GOVERNMENT GRANTS

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

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

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

1.26 LEASES

Property, plant and equipment acquired under leasing contracts, as well as the corresponding liabilities, are recorded using the financial method. According to this method, the asset's cost is recorded in property, plant and equipment and the corresponding liability is recognised under the caption interest- bearing liabilities- financial leases, while the interest included in the instalments and the asset's depreciation, calculated as described in Note 1.8, are recorded as costs in the income statement of the period to which they relate.

Leases, under which a significant part of the risks and benefits of the property is assumed by the lessor, with the Group being the lessee, are classified as operating leases. Payments made under operating leases, net of any incentives received by the lessee, are recorded in the income statement during the period of the lease (Note 39).

Leases included in contracts according to IFRIC 4

The Group recognises an operating or financial lease whenever it enters into an agreement, encompassing a transaction or a series of related transactions which even if not in the legal form of a lease, transfers a right to use an asset in return for a payment or a series of payments (Note 17).

1.27 DIVIDENDS DISTRIBUTION

The distribution of dividends to shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the shareholders and up until the time of their payment.

1.28 REVENUE RECOGNITION AND ACCRUAL BASIS

Revenue

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

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

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

Accrual accounting principle

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

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

1.29 CONTINGENT ASSETS AND LIABILITIES

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

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

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

1.30 SUBSEQUENT EVENTS

Events after statement of financial position date which provide additional information about the conditions prevailing at the date of the statement of financial position are reflected in the consolidated financial statements. Subsequent events which provide information about conditions which occur after the statement of financial position date are disclosed in the notes to the consolidated financial statements, if material (Note 45)

1.31 NEW STANDARDS, CHANGES AND INTERPRETATION OF EXISTING STANDARDS

The application of the interpretations and amendments to the standards mentioned below, are mandatory by the IASB for the financial years that begin on or after 1 January 2016:

1. Amendments that became effective, on or after January 1st 2016	Changes	Effective date *
IAS 1 – Presentation of financial statements	Review of Disclosures under the IASB Disclosure Initiative Project	January 1st, 2016
IAS 16 and IAS 38 – Amortization / depreciation calculation methods	Depreciation / amortization methods based on revenue, are not allowed.	January 1st, 2016
IAS 16 e IAS 41 – Agriculture: Plants that produce biological consumables	Plants that only produce consumable biological assets are included under IAS 16 and are measured by the cost model or the revaluation model.	January 1st, 2016
IAS 19 – Defined benefit plans	Accounting for Employee Contributions or Other Entities	January 1st, 2015
IAS 27 – Separate financial statements	Option to measure by equity method, in separate DFs, investments in subsidiaries, joint ventures and associates.	January 1st, 2016
Amendments IFRS 10, 12 and IAS 28: Investment entities - application of the exemption to do the consolidation	Exemption from consolidation applied to investment entities, extendable to a parent company which does not qualify as investment entity but is a subsidiary of an investment entity.	January 1st, 2016
IFRS 11 – Joint agreements	Accounting for the acquisition of an interest in a joint transaction that is a business	January 1st, 2016
Improvements to standards 2010 – 2012	Several Clarifications: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 24	January 1st, 2015
Improvements to standards 2012 – 2014	Several clarifications:: IFRS 5, IFRS 7, IAS 19 and IAS 34	January 1st, 2016

* Exercises started on or after

2. Standards and amendments that became effective, on or after January 1st, 2017, endorsed by the EU	Changes	Effective date *
IFRS 9, 'Financial instruments'	New standard for the accounting treatment of financial instruments	January 1st, 2018
IFRS 15, 'Revenue from contracts with customers'	Recognition of revenue related to the delivery of assets and provision of services by applying the 5-step method	January 1st, 2018

* Exercises started on or after

3. Standards and amendments that became effective, on or after January 1st, 2017, not yet endorsed by the EU	Changes	Effective date *
IAS 7 – Cash flow statement	Reconciliation of changes in financing liabilities with cash flows from financing activities.	January 1st, 2017
IAS 12 – Income Tax	Recording of deferred tax assets on assets measured at fair value, the impact of deductible temporary differences in the estimate of future taxable income and the impact of the restrictions on the ability to recover deferred tax assets	January 1st, 2017
IAS 40 – Investment Properties	Clarification that evidence of change of use is required to effect the transfer of assets to and from the investment property category	January 1st, 2018
IFRS 2 – Share-based payments	Measurement of financially settled share-based payment plans, accounting for changes, and classification of share-based payment plans as liquidated in equity, when the employer is required to withhold tax.	January 1st, 2018
IFRS 4 – Insurance contracts (application of IFRS 4 and IFRS 9)	Temporary exemption of the application of IFRS 9 for insurers for the years beginning before January 1, 2021. Specific regime for assets under IFRS 4 that qualify as financial assets at fair value through profit and loss in IFRS 9 and As financial assets at amortized cost in IAS 39, being allowed to classify the measurement difference in Other comprehensive income.	January 1st, 2018
Changes to IFRS 15 - Revenue from contracts with customers	Identification of performance obligations, recognition of PI license revenue, revision of the indicators for the classification of the main versus agent relationship, and new regimes for the simplification of the transition.	January 1st, 2018
IFRS 16 - Leases	New lease definition. New accounting of lease contracts for lessees. There are no changes to the booking of rentals by lessors.	January 1st, 2019
Improvement to standards 2014 - 2016	Several clarifications: IFRS 1, IFRS 12 and IAS 28	January 1st, 2017 / January 1st, 2018
IFRIC 22 – Transactions in foreign currency and advanced consideration	Exchange rate to be applied when consideration is received or paid in advance.	January 1st, 2018

* Exercises started on or after

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

2. RISK MANAGEMENT
2.1 FINANCIAL RISK FACTORS

Semapa, as a holding company develops direct and indirect managing activities over its subsidiaries. Therefore the fulfilment of the assumed obligations depends on the cash flow generated by its subsidiaries. Thus, the company depends on the eventual dividends distribution by subsidiaries, interests' payment, loans reimbursement and other cash-flows generated by those companies.

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

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

2.1.1 CURRENCY RISK

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

Regarding the Pulp and Paper segment a significant portion of its sales is denominated in currencies other than Euro. Thus, its development could have a significant impact on future sales of the Company mainly regarding USD exposure. Also sales in Sterling Pound (GBP), Polish Zloty (PLN) and Swiss Franc (CHF) have some expression, as sales in other currencies are less significant.

Purchases of certain raw materials are made in USD, particularly the share of imports of wood pulp and softwood; therefore variations in this currency may have an impact on acquisition values.

Furthermore, once a sale is made in a currency other than the Euro, the Group takes on an exchange risk up to the time it receives the proceeds of that sale, if no hedging instruments are in place. Therefore, the Group is permanently exposed to currency risk trough a significant amount of receivables and albeit with lesser significance payables. This segment also includes subsidiaries located in Poland, Mozambique and United States of America, though the currency variation in these countries may impact the consolidated financial position of Semapa.

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

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

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

The Group's exposure to foreign exchange rate risk as of 31 December 2016, based on the financial assets and liabilities that amounted to a net amount of Euro 445,353,056, passive position (31 December 2015: 173,402,678, passive position) converted at the exchange rate as of that date is detailed as follows:

Amounts in Foreign Currency	American Dollar	Sterling Pound	Polish Zloti	Swedish Krone	Turkish Lira	Swiss Franc	Danish Krone	Brazilian Real
As of 31 December 2016								
Assets								
Cash and cash equivalents	72 473 313	70 164	226 768	(84)	46 752	97 653	255 068	22 570 621
Receivables	47 507 920	12 597 188	4 442 934	686 382	-	1 004 182	128 029	31 259 538
Other assets	446 698	-	-	-	-	-	-	-
Total financial assets	**120 427 931**	**12 667 352**	**4 669 702**	**686 298**	**46 752**	**1 101 834**	**383 097**	**53 830 159**
Liabilities								
Interest-bearing liabilities	(23 474 788)	-	-	-	-	-	-	(467 071 692)
Payables	(24 191 169)	16 293	(2 044)	16 516	-	5 290	-	(145 494 148)
Total financial liabilities	**(47 665 957)**	**16 293**	**(2 044)**	**16 516**	**-**	**5 290**	**-**	**(612 565 840)**
Derivative financial instruments	**(322 689 298)**	**(14 600 000)**	**-**	**-**	**-**	**-**	**-**	**(60 298 712)**
Net financial position	**(249 927 325)**	**(1 916 355)**	**4 667 657**	**702 814**	**46 752**	**1 107 124**	**383 097**	**(619 034 393)**
As of 31 December 2015								
Total financial assets	145 379 592	10 835 495	4 997 111	746 810	(56 556)	2 457 480	740 683	80 986 209
Total financial liabilities	(22 045 186)	(23 374)	(2 044)	(2 434 317)	-	-	(49 623)	(791 220 734)
Derivative financial instruments	**(110 050 000)**	**(8 700 000)**	**-**	**-**	**-**	**-**	**-**	**-**
Net financial position	**13 284 406**	**2 112 121**	**4 995 067**	**(1 687 507)**	**(56 556)**	**2 457 480**	**691 060**	**(710 234 525)**

Amounts in Foreign Currency	Australian Dollar	Norwegian Krone	Mozambican Metical	Lebanese Pound	000 Lebanese Pounds	Tunisian Dinar	Angolan Kwanza
As of 31 December 2016							
Assets							
Cash and cash equivalents	-	628	96 618 610	55 223	21 371 964	9 446 968	213 515 669
Receivables	58 572	1 141 336	3 625 677	-	26 927 502	30 053 336	19 934 673
Other assets	-	-	-	-	173 089	28 060	-
Total financial assets	**58 572**	**1 141 964**	**100 244 286**	**55 223**	**48 472 555**	**39 528 364**	**233 450 342**
Liabilities							
Interest-bearing liabilities	-	-	-	-	(11 171 029)	(61 188 895)	(1 740 488 319)
Payables	(3 000)	-	(49 774 779)	(88 539)	(28 141 330)	(26 621 303)	(114 300 968)
Total financial liabilities	**(3 000)**	**-**	**(49 774 779)**	**(88 539)**	**(39 312 359)**	**(87 810 198)**	**(1 854 789 287)**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net financial position	**55 572**	**1 141 964**	**50 469 508**	**(33 316)**	**9 160 196**	**(48 281 834)**	**(1 621 338 945)**
As of 31 December 2015							
Total financial assets	170 763	1 026 457	30 364 361	487 365	52 638 357	49 015 285	1 059 447 798
Total financial liabilities	-	-	(53 389 395)	(131 017)	(39 377 524)	(90 634 968)	(1 905 161 199)
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net financial position	**170 763**	**1 026 457**	**(23 025 034)**	**356 348**	**13 260 833**	**(41 619 683)**	**(845 713 401)**

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

As of 31 December 2016, a devaluation/valuation of 10% in all currency rates when compared to Euro, would have an impact on results amounting to Euro (15,537,856)/16,262,257, respectively (31 December 2015: Euro (15,931,232)/13,214,930), and on equity before taxes of Euro (2,858,345)/1,915,053 (31 December de 2015: Euro (2,066,930)/2,574,030), considering the effect of exchange rate hedging contracts in place.

2.1.2 INTEREST RATE RISK

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

On 31 December 2016 and 2015, the detail of the financial assets and liabilities with interest rate exposure, taking in consideration the maturities and the next repricing date was as follows:

Amounts in Euro	Up to 1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As of 31 December 2016						
Assets						
Non-current						
Other non-current assets	-	-	-	-	-	**-**
Current						
Cash equivalents	113 912 982	49 741 548	20 446 744	-	-	**184 101 274**
Total financial assets	**113 912 982**	**49 741 548**	**20 446 744**	**-**	**-**	**184 101 274**
Liabilities						
Non-current						
Interest bearing liabilities	283 926 672	162 855 092	316 426 475	589 911 336	348 506 708	**1 701 626 283**
Other liabilities	-	-	-	-	-	**-**
Current						
Interest bearing liabilities	98 810 642	14 313 560	154 622 953	-	-	**267 747 155**
Total financial liabilities	**382 737 314**	**177 168 652**	**471 049 428**	**589 911 336**	**348 506 708**	**1 969 373 438**
Difference	**(268 824 332)**	**(127 427 104)**	**(450 602 684)**	**(589 911 336)**	**(348 506 708)**	**(1 785 272 164)**

Amounts in Euro	Up to 1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As of 31 December 2015						
Assets						
Non-current						
Other non-current assets	-	-	-	-	-	**-**
Current						
Cash equivalents	162 079 058	44 176 706	-	-	-	**206 255 764**
Total financial assets	**162 079 058**	**44 176 706**	**-**	**-**	**-**	**206 255 764**
Liabilities						
Non-current						
Interest bearing liabilities	276 906 487	51 675 729	420 971 141	516 704 815	241 154 223	**1 507 412 395**
Other liabilities	-	-	-	-	-	**-**
Current						
Interest bearing liabilities	230 121 217	10 583 188	275 401 058	1 923 764	-	**518 029 227**
Total financial liabilities	**507 027 704**	**62 258 917**	**696 372 199**	**518 628 579**	**241 154 223**	**2 025 441 622**
Difference	**(344 948 646)**	**(18 082 211)**	**(696 372 199)**	**(518 628 579)**	**(241 154 223)**	**(1 819 185 858)**

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

The sensitivity analysis is based on the following assumptions:

i) Changes in market interest rates affect interest income and expenses arising from financial instruments subject to floating rates;
ii) Changes in market interest rates only lead to interest income and expenses regarding fixed rate financial instruments if those are measured at their fair value;
iii) Changes in market interest rates affect the fair value of derivative financial instruments as well as other financial assets or liabilities;
iv) Changes in fair value of derivative financial instruments and other financial assets and liabilities are measured using the discounted cash flows method, with market interest rates at year end;

Under these assumptions, an increase of 0.5% on the interest rates for all currencies where the Group has interest-bearing liabilities or derivative financial instruments as of 31 December 2016 would have a negative impact in the profit before tax of approximately Euro 5,359,089 (31 December 2015: down by Euros 7,440,907), and would have a positive impact in equity of approximately Euro 10,918,338 (31 December de 2015: up by Euro 6,029,220).

2.1.3 CREDIT RISK

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

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

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

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

As of 31 December 2016 and 31 December 2015, accounts receivable from customers showed the following ageing structure, considering the due dates for the open balances, before impairment charges:

Amounts in Euro	Pulp and paper	Cement	Environment	Total 31-12-2016	Total 31-12-2015
Not overdue	167 860 949	37 715 411	3 351 039	**208 927 399**	205 959 785
1 to 90 days	12 874 055	15 252 670	1 902 863	**30 029 588**	40 060 551
91 to 180 days	80 375	2 145 724	1 182 978	**3 409 077**	3 777 444
181 to 360 days	408 779	1 143 049	520 635	**2 072 463**	2 122 311
361 to 540 days	37 158	628 721	90 590	**756 469**	1 745 921
541 to 720 days	170 667	753 039	32 505	**956 211**	1 087 220
more than 721 days	99 565	13 633 489	577 276	**14 310 330**	14 122 000
	181 531 548	71 272 103	7 657 886	**260 461 537**	268 875 232
Litigation - doubtful debts	2 395 281	12 444 915	-	**14 840 196**	12 770 974
Impairments (Note 22)	(2 395 281)	(27 439 533)	(553 910)	**(30 388 724)**	(28 055 768)
Net receivables balance (Note 24)	**181 531 548**	**56 277 485**	**7 103 976**	**244 913 009**	**253 590 438**

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

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

The ageing analysis of receivables already overdue is as follows:

Amounts in Euro	31-12-2016		31-12-2015	
	Gross amount	**Fair value of credit insurance**	Gross amount	Fair value of credit insurance
Accounts receivables overdue but not impaired				
Overdue - less than 3 months	**29 918 626**	**13 007 396**	38 820 000	17 589 634
Overdue - more than 3 months	**6 279 142**	**1 259 196**	6 706 832	1 329 127
	36 197 768	**14 266 592**	45 526 832	18 918 761
Accounts receivable overdue and impaired				
Overdue - less than 3 months	**110 962**	**-**	275 416	-
Overdue - more than 3 months	**30 277 762**	**-**	27 780 352	-
	30 388 724	**-**	28 055 768	-

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

The table below represents the quality of the Group's credit risk, as of 31 December 2016 and 2015, for financial assets (Cash and cash equivalents and Derivative financial instruments), whose counterparts are financial institutions:

Amounts in Euro	31-12-2016	31-12-2015
AA-	**13 134 247**	12 843 478
A+	**-**	48 921
A	**26 837 653**	24 811 095
A-	**101 500**	435 555
BBB+	**2 906 665**	5 100 033
BBB	**440 751**	1 008
BBB-	**14 529 642**	-
BB+	**1 206 409**	9 317 115
BB	**1 665 819**	24 767
BB-	**22 556 276**	27 405 274
B+	**1 081 139**	33 382 179
B-	**29 729 965**	-
Others	**69 231 783**	92 525 634
	183 421 849	205 895 059

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

The maximum exposure to the credit risk as at 31 December 2016 and 2015 is detailed in the following schedule:

Amounts in Euro	31-12-2016	31-12-2015
Non-current		
Available-for-sale financial assets (Note 21)	**342 122**	229 136
Other non-current assets	**6 744 351**	6 777 734
Current		
Receivables and other current assets (Note 24)	**292 240 424**	285 359 246
Derivative financial instruments (Note 24)	**942 139**	3 650 428
Cash and cash equivalents	**183 421 849**	205 895 059
	483 690 885	501 911 603
Credit risk exposures relating to off balance sheets itens		
Warranties (Note 39)	**33 074 932**	22 148 954
	33 074 932	22 148 954

2.1.4 LIQUIDITY RISK

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

The liquidity of the agreed financial liabilities will generate the following not discounted cash flows, including interests till maturity at statement of financial position date::

Amounts in Euro	up to 1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As of 31 December 2016						
Liabilities						
Interest-bearing liabilities						
Bond loans	700 483	3 379 104	60 343 996	638 991 968	319 158 888	**1 022 574 439**
Commercial paper	412 563	390 392	101 221 608	524 298 577	-	**626 323 140**
Bank loans	15 928 494	15 682 428	106 450 995	275 349 444	84 493 050	**497 904 411**
Financial leases	59 755	119 511	751 228	1 631 277	662 515	**3 224 286**
Derivatives financial instruments	-	-	1 268 804	1 190 187	-	**2 458 991**
Accounts payable and other liabilities	139 708 112	23 761 395	1 187 462	15 312 774	-	**179 969 743**
Total liabilities	**156 809 407**	**43 332 830**	**271 224 093**	**1 456 774 227**	**404 314 453**	**2 332 455 009**
As of 31 December 2015						
Liabilities						
Interest-bearing liabilities						
Bond loans	-	-	190 602 303	657 831 362	212 780 375	**1 061 214 040**
Commercial paper	242 107	467 671	160 935 884	450 142 272	-	**611 787 933**
Bank loans	34 133 474	26 019 892	84 375 685	262 152 840	70 680 329	**477 362 219**
Financial leases	78 224	156 448	838 361	2 493 065	790 274	**4 356 372**
Other loans	-	281 840	2 555 471	601 846	-	**3 439 156**
Derivatives financial instruments	-	-	640 982	3 837 017	-	**4 477 999**
Accounts payable and other liabilities	87 226 762	69 458 027	914 187	3 301 559	-	**160 900 535**
Total liabilities	**121 680 567**	**96 383 878**	**440 862 871**	**1 380 359 961**	**284 250 978**	**2 323 538 255**

As of 31 December 2016 and 2015, bank loans granted and not withdrawn amount to Euro 695.258.377 and Euro 736.308.629 respectively.

2.1.5 CAPITAL RISK

The objectives of Semapa when managing capital are to safeguard the Group´s ability to continue as a going concern and value creation for shareholders, through a conservative dividend policy based on principles of financial strength. The aim has been to maintain a financial structure compatible with the Group´s sustained growth and different business areas, whilst maintaining sound solvency and financial autonomy indicators. Accordingly, capital for the purposes of capital management corresponds to the shareholders equity and it is not considered any financial liability as an integral part thereof.

2.2 OPERATIONAL RISK FACTORS

2.2.1 RISKS RELATING TO THE PULP AND PAPER SEGMENTS

Risks relating to the forestry sector

At the end of 2016, Navigator Group managed an area of more than 118 thousand acres of land, from north to south of Portugal and Azores, divided in 1,400 Management Units in 168 counties, according to the principles laid down in its Forestry Policy. Eucalyptus trees and the forestation areas in progress with similar kind of species occupy 74% of this area, namely the Eucalyptus globulus, the species that is universally acknowledged as the tree with the ideal fibre for producing high quality paper. In the remaining, there are pine and cork oak forest areas. The group is the largest private national pine producer and one of the country's largest cork oak producers.

The Group manages 356,210 acres located in Mozambique of which 42 thousand acres were ready to plant and 11.7 thousand acres were already planted in the provinces of Manica and Zambézia under a concession agreement reached with the Mozambique government which provides for the installation of an industrial unit destined to the production of BEKP pulp and electric energy in that country.

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

The main risk factor threatening the eucalyptus forests lies in the low productivity of Portuguese forests and in the worldwide demand for certified products, considering that only a small proportion of the Portuguese forests is certified. It is expected that this competitive pressure will remain in the future. As an example, the forestry area managed by the Group represents near 3% of Portugal's total forested area, 45% of all certified Portuguese forests according with PECF standards and 31% of all certified Portuguese forests according with FSC standards.

In order to respond to these questions, in 2016 the Group initiated a project aimed at promoting forest certification in areas owned by private individuals, so in 2020, all the eucalyptus wood processed by the Group is expected to come from partners with certified activity.

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

The main risks associated with the sector are the ones related to the productive capacity of the plantations, the risk of wildfires as well as the regulatory risk, given the review announced by the Government of the legal regime applicable to forestation and reforestation with resort to forestry species, as established in Decree-Law No. 96/2013, of 19 July. The combination of all these factors has forced the importation of raw materials, which determines the profitability of the sector.

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

- The destruction of current and future wood, stocks of owned by the Group and by third parties;
- Increase exploration costs and subsequent preparation for planting costs

The manner in which the Group manages its woodlands constitutes the front line for mitigating this risk.

Amongst the various management measures to which the Group has committed under this program, the strict compliance for the biodiversity rules and the construction and maintenance of access roads and routes to each of the operational areas assume particular importance in mitigating the risk of wild fires.

Moreover, the Group has a stake in the Afocelca grouping – a complementary corporate grouping (CCG) between the Navigator Group and the ALTRI Group, whose mission is to provide assistance to the fight against forest fires at the grouped companies' land holdings, in close coordination and collaboration with the National Civil Protection Authority (Autoridade Nacional de Protecção Civil – ANPC). This grouping manages an annual budget of some 3 million euro, and has created an efficient and flexible structure which implements practices aimed at reducing protection costs and minimizing the losses by forest fires for the members of the grouping, which own and manage more than 210 thousand acres of forests in Portugal.

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

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

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

i. To improve the productivity of the eucalyptus forests
ii. To enhance the quality of the fibre produced from the eucalyptus specie
iii. To implement a sustained forestry management program from an economic, environmental and social perspectives
iv. To enhance practices and processes that reduce wood production costs

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

Supply of raw materials

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

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

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

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

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

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

As at 31 December 2016, an increase of 10% on the cost of a cubic meter of the eucalyptus wood consumed in the production of BEKP, would have had an impact in Group's earnings of some Euro 31.200.000 (2015: Euro 29,700,000).

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

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

Finally, another resource required for the production process is water. The concern with the use of this resource that the Group assumes as finite is significant. Over the past few years investments have been made aimed at reducing the use of water in the process, which decreased more than 20% between 2005 and 2015. In addition, the quality levels achieved in the effluent treatment are among the highest and effluent volumes between 2005 and 2015 have been reduced by more than 24% as a result of investment in process improvement, aimed at minimizing the environmental impact of the Group.

Market price for UWF paper and BEKP

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

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

On 31 December 2016, a 10% drop in the price per ton of BEKP and of 5% in the price per ton of UWF paper and Tissue paper sold by the Group in the period, would have represented an negative impact on its earnings of about Euro 13,800,000 (2015: Euro 13,900,000) and Euro 63,900,000 (2015: Euro 63,300,000), respectively.

Demand for Group products

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

The demand for printing and writing paper has been historically related with macroeconomic factors and the increasing use of copy and print material. A breakdown of the global economy and the increase of unemployment can cause a slowdown or decline in demand for printing and writing paper, thus affecting the performance of the Group.

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;
- Substitution effects.

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

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

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

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

Due to the evolution of the world energy matrix, demand for alternative and renewable energy sources has been a constant, making forest biomass and its by-products an extremely important outlet. One such product is wood pellets, a type of firewood, usually produced from refined and dried wood sawdust, or sawdust, which is then compressed.

As far as pellets are concerned, their main applications are:

- In the industrial segment, it is used as fuel for the generation of electric power in thermoelectric power plants (reducing or replacing, for example, the consumption of coal or fuel in such plants);
- In the residential segment, in domestic heating, but also in the heating of commercial or public spaces;

New uses have also been given for this product (such as acting as a kind of "bed" for animals, such as horses).

Currently, in the world scenario, the greatest demand and production of pellets are located in the Northern Hemisphere, namely in Europe and the USA. The European Union is the driving force behind the market for wood pellets, and this market is expected to grow steadily. Estimates point to a consumption of 24 million tonnes of wood pellets by 2020, of which 11 million tonnes will be imported.

Currently, wood pellets are mainly imported from the USA, Canada, Russia and the Baltic States. Emerging exporters are Australia, South Africa and countries in South America.

The growth of this market is driven by the competitiveness of wood pellets compared to conventional fossil fuels such as natural gas and oil.

In fact, the prices of wood pellets are more stable than oil or natural gas. Even with the price of a barrel of oil well below average, biofuels pellets find their niche market for simple issues of (i) price stability and (ii) being a renewable fuel.

It is estimated that production of this product will continue to grow despite the availability of cheap oil and natural gas. Extending this growth will determine the requirements of the United Kingdom and the European Union for sustainable biomass and actions to meet greenhouse gas reduction targets.

Energy

The process is dependent on the constant supply of electricity and steam energy. Responding to that, Group has several cogeneration units, which provide this supply, and redundancies were planned between the generating units in order to mitigate the risk of any unplanned stops of those units to pulp and paper mills. The excess production from the consumption needs is sold in the market at regulated tariffs. After this period, units began to operate in self-consumption regime, which can be proven by the reduction shown in the revenues arising from this segment, as well as from reduction in consumption of electricity and natural gas.

Country risk – Mozambique

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

The exposure to this risk means that the planning of investments in terms of timing, choice of suppliers / partners and geographic location is made considering this effect. The Group monitories the achievement of each step in a way that can assume with reasonable certainty that no risk that there will be effects due to condition them.

At the moment, the Mozambique project is essentially a forestry project, with an option to develop an industrial project involving the construction of a large scale pulp mill. The Group is currently developing a process of reflection on the pace of evolution of the project in Mozambique, mainly dictated by the evolution of the current socio-political context, which, being unstable, brings greater challenges to the project, in terms of the safety of all Those who are involved in it and guaranteeing the supply of the necessary products, materials and services. The pressure on the Metical is felt in the inflation of prices, which has been notorious since 2015 and that continues to increase.

By the end of 2016, expenses incurred in this project amounted to 76 million Euros (31 December 2015: 54 million Euros), mainly associated with planting activities, land preparation, with the construction of what is now the largest Nursery of Africa and with the identification of species of eucalyptus with industrial viability in the areas concessioned to the Group by the Mozambican State.

However, as a result of the aforementioned, the Group prudently carried out a reassessment of the value of its assets in Mozambique, having recognized in the year an impairment loss of 49 million Euros, of which 3.2 million Euros affecting EBITDA.

Country risk – USA

The Colombo Energy Inc. project for the new pellet plant in the USA (in Greenwood, South Carolina) has already begun its start-up on July 18, and went into continuous operation in September. The value of the investment is USD 121 million, subject to the specific risk of the country despite the fact that it is considered to be negligible.

Competition

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

As paper and pulp markets are highly competitive, new capacities may have a relevant impact in prices worldwide.

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

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

The Group sells more than 63% (2015: 70%) of its paper production in Europe, holding significant market shares in Southern European countries and relevant market shares in the other major European markets. Overall sales in 2016 were boosted by ongoing expansion into new geographical regions, especially in the Middle East and Africa. The Group also has an important presence in the USA, nearly half of all the other markets (Overseas), despite the imposition of anti-dumping duties resulting from its strength in the domestic market.

Concentration of customer portfolio

As at 31 December 2016, the Group's 10 main BEKP customer groups accounted for 15% (2015: 14%) of the period's production of BEKP and 76% (2015: 76%) of external sales of BEKP. This asymmetry is a result of the strategy pursued by the Group, consisting of a growing integration of the BEKP produced into the UWF paper produced and sold.

As such, the Group considers its exposure to the risk of customer concentration regarding the sale of BEKP, as small.

As at 31 December 2016, the Group's 10 main customer groups for UWF paper represented 52% (2015: 53%) of this product's sales during the period, although the Group's 10 main individual costumer did not exceed 26% of the UWF paper sales. Also regarding UWF paper, the Group follows a strategy of mitigating the risk of customer concentration. The Group sells UWF paper to about 130 countries (2015: 123 countries) and 1100 individual costumers (2015: 700 individual costumers), thereby allowing a dispersion of the risk of sales concentration in a reduced number of markets and/or customers.

Tissue sales amounted to Euro 67.4 million (2015: Euro 53.7 million). Its commercial activity is mainly focused in the Iberian markets, representing 99 % of its sales. The 10 main customers represent about 47% of total sales (2015: 56%).

With the new production equipment's in place, given the investment in the second Tissue paper machine made in 2015, the group believes it will be able to expand its commercial activity to external markets, namely to Spain and Western Europe.

The Colombo Energy Inc. project for the new pellet plant in the USA (in Greenwood, South Carolina) began its start-up process on July 18th, 2016 and produced its first pellets on July 21st.

The commercial activity began in December. Up To date, a contract has been concluded with a single customer that guarantees the sale of 40% of the factory's production, for a period of 10 years.

The group intends to expand the commercial activity of the pellet business to the European market and to the American market, both in the industrial and residential segments

Environmental legislation

In recent years, environmental legislation in the EU has become increasingly restrictive regarding the control of effluents. The companies of the Group comply with the prevailing legislation.

On September 2014, BREF (Best available techniques Reference document – Commission executive decision 2014/687 / EU) was approved for the paper and pulp sector, with redefined limits and requirements for these sectors. The companies have four years to promote the required adjustments to its practices and equipment's. Furthermore, the technical discussion on the Large Combustion Facilities Reference Document was finalized, being the formal and political approval expected for early 2017. The publication of this document will have an impact on the group's equipment, particularly in boilers and combustion facilities, which will be covered by the new legislation to be published, therefore requiring new investments.

As such, the group has been monitoring the technical development of this matter, trying to anticipate and plan the necessary improvements to their equipment so to comply with the limits to publish. There is a possibility that the group may need to perform additional investments in this area in order to comply with any changes in limits and environmental rules which may be approved.

Up to date, the legislative changes that are known relate to the evolution of the system of allocation of EU emission trading of CO_2 emission rights (CELE), established by Directive 2003/87/CE, and recently amended by Directive 2009 / 29/CE (new CELE Directive), which outlines the legal framework of the CELE for the period 2013-2020 and which was transposed into national law by Decree-Law 38/2013 of 15 March, which came to result in reducing the scope of free allocation of CO_2 emission rights allowances.

With this scenario, it is expected an increase the costs for the transformation industry in general and in particular for the paper and pulp industry, without any compensation for the CO_2 that, annually, is absorbed by the forests of this industry.

In order to reduce the impact of this change, the Group has been following a strategy of carrying out a series of environment related investments that, among other advantages, have resulted in a continued reduction of the CO_2 emissions, in spite of the continuous increase in the production volume over the last years.

In 2015, an environmental strategic plan was analysed and established, aiming to adapt Naviagtor Group to a set of new and future requirements in the environmental area, namely to the recently published reference document for the sector (Best available techniques Reference document – Commission executive decision 2014/687 / EU) and for Large Combustion Facilities. The aforementioned reference documents correspond to the implementation of Directive 2010/75 / EU on industrial emissions. Projects are underway to implement the appropriate technological changes.

The Environmental Strategic Plan aimed for areas other than the environmental covered by this document. It was possible to confirm that Navigator Group is generically in compliance with this future referential and to identify some areas for improvement as well as technological solutions such as atmosphere emissions from biomass boilers.

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

Risks associated with the production of energy and Pellets

Energy is considered to be an activity of growing importance in the Group allowing the use of the biomass generated in the BEKP production, but also ensuring the supply - under the co-generation regime - of thermal and electric power at the BEKP and UWF paper industrial complexes, also enabling, among others, the group's wood suppliers to generate additional income from the sale of biomass and contributing to the reduction of the risk of fires in the country.

Considering the increasing integration of the Group's mills dedicated to the production of BEKP and UWF paper and as a means of increasing the use of the biomass gathered in the woodlands, the Group built in 2009 new biomass power-generating units, to produce electrical power trough biomass, which are now fully operating.

In this sector, the main risk is linked to the supply of raw material, namely, biomass. The group has played a pioneering role and has been developing a market for the sale of biomass for supplying the power plants it owns. The fostering of this market in a phase prior to the start-up of the new power-generating units has enabled it to secure a sustained raw-material supply network which it may utilize in the future.

As previously mentioned, the Group has been making the Government and public opinion aware of the need to guarantee that biomass is viewed in a sustainable manner, avoiding the use of eucalyptus wood for biomass, as an alternative of its use in the production of tradable goods. The incentives in place in Portugal only consider the use of residual forest biomass, rather than the use of wood to produce electrical power.

In addition, and despite the legal provisions,

i. Decree-Law 23/2010 and Act 140/2012, revised by Act 325-A/2012, applicable to the ERP system - Special Regime in cogeneration;
ii. For units powered through residual forestry biomass, dedicated to the production of electricity, the legal framework is provided by Decree-Law 33-A/2005, revised by Decree-Law 225/2007, that extends from 15 to 25 years the guaranteed tariffs under the PRE, which enables some revenue stability to be planned for the near future,

there is a risk that the change in every tariffs may eventually paralyze the products produced by the Group, there is a risk that the change in energy prices for sale of energy produced from renewable resources will penalize those products (already occurring, with specific measures over the energy price and the introduction an Extraordinary Contribution to the Energy Sector affecting cogenerating units) with a capacity of more than 20MW. The constant search for the optimization of production costs and efficiency of the generating units is the way the Group seeks to mitigate this risk.

As a result of the measures taken under the Financial Adjustment Programme that Portugal was subject to, the whole remuneration system of the national electricity sector was revised, being the major impact in the electricity produced from cogeneration, one of the most efficient ways to produce energy.

The Group represents a relevant part of the energy produced in Portugal. The units owned and operated by the group have been watching a review of electricity prices over a transitory period initiated in 2012, through 2020 and ending in 2025. As a consequence, operation will become economically unfeasible. Over the aforementioned period, the energy generated by these units will no longer be sold to the national grid (already the case in the gas cogeneration unit in Figueira da Foz), as it will no longer be economically feasible. These units will be converted into auto consumption units after the transitory period applicable to each installation.

Risks associated to transport and logistics

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

2.2.2 RISKS RELATING TO THE CEMENT AND DERIVATIVES SEGMENT

Supply of raw materials

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

Sale Price

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

Demand for Group's products

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

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

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

Competition

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

Energy costs

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

Country risks – Brazil, Tunisia, Lebanon and Angola

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

Environmental legislation

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

2.2.3 RISKS RELATING TO THE ENVIRONMENT SEGMENT

Supply of raw materials

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

Sale Price

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

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

Demand of Group's products

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

Competition

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

2.2.4 RISKS RELATING TO THE GROUP IN GENERAL

Environmental legislation

The Group has been following a strategy of carrying out a series of environmental related investments that, among other advantages, have resulted in a continued reduction of the CO_2 emissions.

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

Human Resources

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

Other risks

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

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

2.2.5 CONTEXT RISKS

The lack of efficiency in the Portuguese economy continues to be accompanied by management, as it may have a negative effect on the Group's ability to be competitive. This is more so, but not exclusively, in the following areas:

- Ports and railroads;
- Roads particularly those providing access to the Group's producing units;
- Rules regarding territory management and forest fires;
- Low productivity of the country's forests;
- The lack of certification of the vast majority of the Portuguese forest;
- Volatility of fiscal policies and non-reduction in Corporate income tax

3. IMPORTANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

3.1 IMPAIRMENT OF GOODWILL AND BRANDS

The Group tests the goodwill carried in the consolidated statement of financial position for impairment losses annually, in accordance with the accounting policy described in Notes 1.10 and 1.6.2 respectively.

The recoverable amounts of the cash generating units are ascertained based on the calculation of their value-in-use and fair value less cost to sell. These calculations require the use of estimates and assumptions that if different may have an impact in the estimated recoverable value (Note 15).

For brands, annual assessments are prepared by an independent entity based on a post-tax cash-flow discount model, called the "income-split method" associated with the influence of the brand (difference between the net mark margin minus investments in Marketing and net margin of the associated white label) discounted at the time of valuation based on a specific discount rate. These calculations also require the use of estimates and assumptions that, in case of change, may have an impact on the estimated recoverable amount (Note 16).

3.2 INCOME TAX

The Group recognises additional tax assessments resulting from audits carried out by the tax authorities. When the final outcome of the above reviews is different from the amounts initially recorded, the differences will have an impact on corporate income tax and deferred taxes in the periods where such differences are identified.

In Portugal, the annual tax returns are subject to review and potential adjustment by tax authorities for a period of up to 4 years. However, if tax losses are utilised, these may be subject to review by the tax authorities for a period of up to 6 years. In other countries where the Group operates, these periods are different and, in most cases, higher.

The Board of Directors believes that any reviews/ inspections by tax authorities will not have a material impact on the consolidated financial statements as of 31 December 2016, at this date all years until 2013 have been reviewed by the Tax Authorities.

3.3 ACTUARIAL ASSUMPTIONS

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

As of 31 December 2016, a decrease of 0.5% in the discount rate used in the actuarial assumptions would mean an overall increase of liabilities amounting to approximately Euro 14.3 million in their assessed value.

3.4 FAIR VALUE OF BIOLOGICAL ASSETS

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

As of 31 December 2016, an increase of 0.5% in the discount rate of 5.97% (2015: 7.4%) used to value those assets, would decrease their value by Euro 5.3 million.

To Mozambique, the increase of 0.5% in the used discount rate (11.99%) would result in a devaluation of this asset in about Euro 260,000.

3.5 RECOGNITION OF PROVISIONS AND ADJUSTMENTS

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

4. SEGMENT REPORTING

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

Operating segments

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

- Developing business activities that can earn revenues and incur expenses;
- The operational results of which are regularly reviewed by the Group's chief operating decision-maker for the purpose of making decisions about allocating resources to the segment and evaluating its performance; and
- For which different information is available.

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

The financial information by operating segments for the year 2016 is analysed as follows:

Amounts in Euro	Pulp and paper	Cement and derivatives	Environment	Holdings	Consolidated
REVENUE					
Revenue	1 577 385 207	470 518 532	26 711 204	-	2 074 614 943
Operational results	215 087 785	26 052 465	3 954 301	(559 026)	244 535 525
Net financial results (Note 10)	(20 795 889)	(40 272 103)	(623 415)	(15 681 872)	(77 373 279)
Group share of (loss) / gains of associated companies and joint ventures (Note 9)	-	3 067 090	-	-	3 067 090
Income tax expense (Note 11)	11 466 009	5 070 125	(376 196)	2 916 096	19 076 034
Profit for the year	**205 757 905**	**(6 082 423)**	**2 954 690**	**(13 324 802)**	**189 305 370**
Profit for the year - Attributable to non-controlling interest	(62 492 236)	(11 949 992)	(330)	-	(74 442 558)
Profit for the year - Attributable to Semapa's Sahreholders	**143 265 669**	**(18 032 415)**	**2 954 360**	**(13 324 802)**	**114 862 812**
OTHER INFORMATION					
Segment assets	2 310 635 141	1 565 134 878	91 210 599	121 495 732	4 088 476 350
Deferred tax assets (Note 28)	44 198 753	34 327 299	126 171	-	78 652 223
Investment in associates and joint ventures (Note 19)	-	3 885 458	-	-	3 885 458
Total segment liabilities	1 252 379 988	1 026 424 219	25 741 726	556 846 412	2 861 392 345
Depreciation, amortisation and impairment losses (Note 8)	181 932 673	61 894 397	2 935 489	196 847	246 959 406
Provisions (Note 30)	420 776	(2 808 671)	-	-	(2 387 895)
Capital expenditures (Note 17)	143 030 311	40 973 051	1 989 084	65 901	186 058 347

The financial information by operating segments for the year 2015 is analysed as follows:

Amounts in Euro	Pulp and paper	Cement and derivatives	Environment	Holdings	Consolidated
REVENUE					
Revenue	1 628 023 107	476 697 994	27 614 589	-	2 132 335 690
Operational results	267 581 540	23 420 966	5 011 612	(8 125 849)	287 888 269
Net financial results (Note 10)	(50 258 882)	(37 399 870)	(851 826)	(29 464 958)	(117 975 536)
Group share of (loss) / gains of associated companies and joint ventures (Note 9)	-	(4 287 184)	-	-	(4 287 184)
Income tax expense (Note 11)	(31 629 009)	(3 683 227)	(404 551)	877 737	(34 839 050)
Profit for the year	**185 693 649**	**(21 949 315)**	**3 755 235**	**(36 713 070)**	**130 786 499**
Profit for the year - Attributable to non-controlling interest	(45 878 534)	(3 377 504)	(420)	-	(49 256 458)
Profit for the year - Attributable to Semapa's Sahreholders	**139 815 115**	**(25 326 819)**	**3 754 815**	**(36 713 070)**	**81 530 041**
OTHER INFORMATION					
Segment assets	2 346 662 894	1 513 931 367	93 865 227	113 830 257	4 068 289 745
Deferred tax assets (Note 28)	50 934 325	23 486 104	60 113	-	74 480 542
Total Assets for post-employment benefits	3 755 326	-	-	-	3 755 326
Investment in associates and joint ventures (Note 19)	-	3 403 708	-	-	3 403 708
Total segment liabilities	1 296 342 373	990 426 641	31 351 044	618 542 620	2 936 662 678
Depreciation, amortisation and impairment losses (Note 8)	136 987 485	59 095 584	2 952 140	225 492	199 260 701
Provisions (Note 30)	(14 562 355)	2 872 432	109 297	2 589 999	(8 990 627)
Capital expenditures (Note 17)	148 455 971	25 993 102	4 395 623	74 384	178 919 080

Geographical segments

2016	Pulp and paper	Cement and derivatives	Environment	**Total amount**	Total %
Sales and services rendered					
Portugal	284 895 951	165 210 547	18 466 082	**468 572 580**	22.59%
Rest of Europe	903 537 624	3 590 513	8 111 464	**915 239 601**	44.12%
America	191 414 636	79 621 887	-	**271 036 523**	13.06%
Africa	145 918 311	127 366 526	133 658	**273 418 495**	13.18%
Asia	51 261 234	94 729 059	-	**145 990 293**	7.04%
Overseas	357 451	-	-	**357 451**	0.02%
	1 577 385 207	470 518 532	26 711 204	**2 074 614 943**	100.00%

2015	Pulp and paper	Cement and derivatives	Environment	**Total amount**	Total %
Sales and services rendered					
Portugal	325 455 317	172 829 117	22 297 754	**520 582 188**	24.41%
Rest of Europe	884 577 342	4 840 883	5 210 225	**894 628 450**	41.96%
America	219 716 825	46 358 484	-	**266 075 309**	12.48%
Africa	153 958 989	157 091 442	106 610	**311 157 041**	14.59%
Asia	43 879 958	95 578 068	-	**139 458 026**	6.54%
Overseas	434 676	-	-	**434 676**	0.02%
	1 628 023 107	476 697 994	27 614 589	**2 132 335 690**	100.00%

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

5. OTHER INCOME

As of 31 December 2016 and 2015, the caption Other income comprises:

Amounts in Euro	2016	2015
Grants - CO_2 emission allowances	**11 570 348**	15 319 904
Impairment reversal (Note 22)	**5 610 027**	2 168 234
Gains on disposals of emission allowances	**3 575 000**	1 602 000
Supplementary income	**3 020 914**	645 536
Gains on disposals of non-current assets	**3 408 483**	2 863 693
Gains on inventories	**2 856 267**	2 864 009
Gains on disposals of current assets	**121 169**	10 937
Government grants	**444 246**	364 818
Own work capitalised	**13 090 649**	17 058 604
Revenues from waste management	**638 391**	468 897
Compensation for insurance against damage	**10 451 403**	-
Other operating income	**19 678 187**	14 981 482
	74 465 084	58 348 114

As at 31 December 2016 the caption Own work capitalised comprises Euro 12,873,249 (31 December 2015: Euro 16,940,059) regarding the preparation of land for forestation. These costs are related with the Mozambique project, capitalised in accordance with the accounting policy described in Note 1.11.

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

The amount presented in the insurance claims category corresponds to the indemnities received by the subsidiaries Navigator Pulp Cacia and Navigator Fine Paper, as a result of the breakdown of the turbine plant at Cacia and the fire in Vila Velha de Ródão.

6. COST, EXPENSES AND LOSSES

As of 31 December 2016 and 2015, Costs, expenses and losses were detailed as follows:

Amounts in Euro	2016	2015
Cost of sales and services rendered		
Cost of inventories sold and consumed	**(806 886 005)**	(849 960 294)
Cost of materials and services consumed		
Energy and fluids	**(157 075 646)**	(167 107 230)
Inventory transportation	**(151 308 868)**	(178 563 823)
Professional fees	**(124 632 272)**	(97 693 478)
Repair and maintenance	**(46 370 434)**	(57 332 652)
Fees	**(1 904 070)**	(3 816 777)
Insurance	**(13 398 755)**	(12 052 498)
Subcontracts	**(3 339 956)**	(4 346 067)
Others	**(81 933 093)**	(75 645 194)
	(579 963 094)	(596 557 719)
Variation in production	**(2 292 741)**	22 301 850
Payroll costs		
Statutory bodies (Note 7)	**(18 497 365)**	(22 893 906)
Other remunerations	**(159 538 802)**	(145 631 316)
Pension costs (Note 29)	**(412 384)**	(17 513 653)
Other payroll costs	**(63 642 954)**	(58 785 162)
	(242 091 505)	(244 824 037)
Others costs and losses		
Membership fees	**(689 107)**	(715 816)
Donations	**(2 227 359)**	(2 176 919)
Cost with emission allowances	**(11 977 043)**	(17 547 630)
Inventories and other receivables impairment (Note 22)	**(3 581 398)**	(5 459 704)
Losses on inventories	**(2 747 539)**	(4 016 034)
Indirect taxes	**(9 920 239)**	(8 779 652)
Losses on disposal of non-current assets	**(1 123 658)**	(603 611)
Other operating costs	**(5 089 324)**	(7 213 400)
	(37 355 667)	(46 512 766)
Provisions (Note 30)	**2 387 895**	8 990 627
Total of Costs, Expenses and Losses	**(1 666 201 117)**	(1 706 562 339)

The caption Other payroll costs, in 2016 and 2015, was detailed as follows:

Amounts in Euro	2016	2015
Other payroll cost		
Social security costs	**(36 214 714)**	(31 811 485)
Insurance	**(3 992 958)**	(3 629 601)
Social welfare expenses	**(6 824 892)**	(6 317 021)
Other payroll cost	**(16 610 390)**	(17 027 055)
	(63 642 954)	(58 785 162)

7. REMUNERATION OF STATUTORY BODIES

As of 31 December 2016 and 2015, the caption Remuneration of statutory bodies was detailed as follows:

Amounts in Euro	2016	2015
Members of Semapa's Board of Directors	**8 672 399**	9 600 599
Profit-sharing bonuses reclassified to payroll costs	**-**	2 377 075
Corporate bodies from other group companies	**9 824 966**	10 916 232
	18 497 365	22 893 906

In 2015 the caption Statutory bodies comprises Euro 2,377,075 of Profit-sharing bonuses reclassified to Payroll costs related with the profit-sharing deliberated at the Annual Assembly Meeting of the 2014 financial statements approval that took place on 30 April 2015. According with the applicable accounting standards, and taking into account that the deliberation of the profit-sharing bonuses occurred after the financial statements were approved for issue, the bonuses were reclassified to the 2015 income statement.

8. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

As of 31 December 2016 and 2015, the caption Depreciation, amortisation and impairment losses were detailed as follows:

Amounts in Euro	2016	2015
Depreciation of property, plant and equipment		
Land	**(4 522 293)**	(4 371 962)
Environmental restoration and landscaping	**(115 671)**	(115 672)
Buildings	**(19 739 323)**	(18 799 172)
Other tangible assets	**(174 601 899)**	(170 726 272)
Government grants	**7 995 398**	6 699 612
	(190 983 788)	(187 313 466)
Amortisation and impairment losses of intangible assets		
Land	**-**	(197 610)
Buildings	**732 480**	(302 727)
Equipments and other tangibles	**680 492**	930 890
Assets under construction		
Land	**(45 785 163)**	-
Other tangible assets	**(8 500 000)**	(1 778 035)
	(52 872 191)	(1 347 482)
Amortisation of intagible assets (Note 16)		
Industrial property and other rights	**(19 839)**	(32 522)
CO_2 emission rights	**25 088**	(144 997)
	5 249	(177 519)
Impairment losses of intangible assets		
Brands (Note 16)	**1 079 181**	(11 075 942)
Goodwill (Note 15)	**(5 770 410)**	-
	(4 691 229)	(11 075 942)
Impairment losses in assets held for sale	**(27 272)**	(50 006)
Amortizations in investment properties	**(18 791)**	(18 791)
ICMS -Tax on movement of goods and services		
Tax included in depreciations (Brazil)	**1 628 616**	722 505
	1 628 616	722 505
	(246 959 406)	(199 260 701)

The increase in depreciations of tangible fixed assets results essentially from the start of the amortization of the new investments made by the subsidiary Navigator in Cacia and Vila Velha de Rodão as well as from the full consolidation of the subsidiary Supremo Cimentos in Brazil (Note 1.2).

In 2016, an impairment loss associated with the Mozambican project under development was also recognized by the Navigator Group, following the valuation of assets located in that country, in the amount of Euros 45,785,163.

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

In 2016 and 2015, the Group recorded its share of the net income/ (loss) of associated companies and joint-ventures as follows:

Amounts in Euro	2016	2015
Joint Ventures		
Supremo Cimentos, S.A.	**1 687 028**	(5 551 271)
Associated companies		
Setefrete, SGPS, S.A.	**1 190 957**	1 159 706
J.M.J. - Henriques, Lda.	**(1 693)**	(1 717)
Ave-Gestão Ambiental e Val. Energética, S.A.	**190 798**	106 098
	3 067 090	(4 287 184)

In the year 2015, the appropriate income of the subsidiary Cimentos Supremo refers to the appropriation of 50% of its profit calculated in the first half of that year through the equity method. As a result of the acquisition of the remaining 50% by the Group at the end of June 2015, the Group became fully consolidated in the consolidated accounts with reference to June 30, 2015. The amount of Euros 1,687,028 recognized in 2016, relates to the price adjustment established under the purchase agreement between the parties.

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

10. NET FINANCIAL RESULTS

As of 31 December 2016 and 2015, Net financial results comprise:

Amounts in Euro	2016	2015
Interest paid on loans from shareholders (Note 35)	**(66 160)**	(14 269)
Interest paid on loans from associated companies and joint ventures (Note 35)	**(5 144)**	(5 144)
Interest paid on other borrowings	**(65 028 597)**	(76 450 434)
Interest earned on loans from associated companies and joint ventures (Note 35)	**8 360**	712
Other interest earned	**5 227 980**	6 909 475
Fair value in available-for-sale financial assets (Note 21)	**(35 503)**	-
Financial assets at fair value through profit and loss	**(27 040)**	(108 517)
Gains / (losses) on financial instruments - hedging (Note 34)	**(6 476 332)**	(19 794 003)
Gains / (losses) on financial instruments - trading (Note 34)	**(1 525 965)**	924 788
Expenses with loans issuing and other comissions	**(10 645 625)**	(12 377 410)
Early repayment of bond loan	**(6 046 500)**	(14 625 021)
Foreign exchange gains / (losses)	**5 493 778**	(1 702 692)
(Costs)/gains with compensatory interest	**3 023 725**	87 191
Other financial expenses	**(1 142 822)**	(892 939)
Other financial income	**(127 434)**	72 727
	(77 373 279)	(117 975 536)

As disclosed to the market, the subsidiary Navigator proceeded to the partial early repayment of Euro 350 million Senior Notes 5.375% bonds, in the amount of Euro 150 million (in the second half of 2015 Euro 200 million had already been repaid), which led to the immediate recognition of costs associated with the reimbursement of the bonds (Euro 6,046,500).

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

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

11. INCOME TAX

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

As of 31 December 2016, the tax business group led by Semapa as the dominant society comprises group Secil, and ETSA, as well has all the subsidiaries that meet the legal requirements of the Corporate Income Tax Code. The companies that integrate the Navigator Group also integrated the tax business group led by The Navigator Company, S.A..

Companies included within the consolidation scope of the group of companies subject to this regime, calculate and recognise corporate income tax (CIT) as though they were taxed on an individual basis. However the liabilities are recognised as due to the dominant entity of the tax business group, 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.

As of 31 December 2016 and 2015, income tax expense comprises:

Amounts in Euro	2016	2015
Current tax	**(45 518 521)**	(47 843 783)
Provisions for current tax	**29 522 128**	(1 489 667)
Deferred tax	**35 072 427**	14 494 400
	19 076 034	(34 839 050)

In 2016, the caption taxes reflects a series of reversals of tax provisions in the last quarter of 2016, as a result of the closure of certain tax inspection processes, namely in the subsidiary Navigator Company, for the year 2013, and favourable to the Group, as well as the positive impact of the adoption of the revaluation regime published by DL 66/2016 of 3 November, whose net effect amounted to Euros 16,997,004, calculated at a rate of 27.5%.

The reconciliation of the effective tax rate in the years ended 31 December 2016 and 2015 is as follows:

Amounts in Euro	2016	2015
Profit before tax	**170 229 336**	165 625 549
Expected income tax	**38 301 601**	37 265 749
State surcharge	**5 255 168**	7 678 340
Differences (a)	**(47 098 482)**	(4 401 018)
Prior year tax adjustments	**(20 434 078)**	2 396 511
Recoverable tax losses carried forward	**(278 619)**	(34 549 383)
Non recoverable tax losses	**41 563 865**	34 926 345
Impairment and reversal of provisions	**(2 128 624)**	(2 853 920)
Impact of the change in the income tax rate	**3 778 982**	(1 388 149)
Provision for current tax	**-**	6 264 166
Impact of accession of the tax revaluation scheme	**(16 997 004)**	-
Tax benefits	**(15 068 706)**	(13 691 838)
Other	**(5 970 137)**	3 192 247
	(19 076 034)	34 839 050
Effective tax rate	**-11.21%**	21.03%

(a) This amount is made up essentially of :		
Impairment losses - Goodwill (Note 8)	**5 770 410**	-
Effects arising from the application of the equity method (Note 9)	**(1 380 062)**	4 287 184
Capital gains / (losses) for tax purposes	**(179 325 830)**	87 977 149
Capital gains / (losses) for accounting purposes	**(9 859 060)**	(119 942 630)
Impairment of taxed provisions	**8 633 140**	12 330 502
Tax benefits	**(3 492 290)**	(2 386 320)
Reversal of taxed provisions	**(12 485 700)**	(11 971 077)
Intra-group earning's subject to taxation	**2 211 266**	1 910 953
Employees benefits	**(7 238 911)**	2 426 738
Others	**(12 159 548)**	5 807 422
	(209 326 585)	(19 560 079)
Tax effect (22.5%)	**(47 098 482)**	(4 401 018)

Pursuant to prevailing legislation, the gains and losses relating to group and associated companies resulting from the application of the equity method are deducted from or added to, respectively, to the net income of the year for the purpose of calculating taxable income.

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

The tax reporting period of all companies included in Navigator and Semapa's tax business group correspond to the period starting 1 July of each year and ending 30 June of the following year.

12. EARNINGS PER SHARE

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

Amounts in Euro	2016	2015
Profit attributable to Semapa's shareholders	**114 862 812**	81 530 041
Weighted average number of ordinary shares in issue	**80 977 732**	95 945 583
Basic earnings per share	**1,418**	0,850
Diluted earnings per share	**1,418**	0,850

Considering the company's 2016 net profit for the year, determined in accordance with the Portuguese GAAP in the separate financial statements (Note 44), the Board of Directors proposes the distribution of a gross dividend of Euro 0.45 per share.

13. NON-CONTROLLING INTERESTS

As of 31 December 2016 and 2015, non-controlling interests shown in the Income statement are detailed as follows:

Amounts in Euro	Income	
	2016	2015
The Navigator Company, S.A.	**63 163 894**	45 517 231
Raiz - Instituto de Investigação da Floresta e Papel	**(2 445)**	7 172
Portucel Moçambique	**(669 213)**	354 130
Britobetão - Central de Betão, Lda	**2 271**	12 835
Société des Ciments de Gabés	**7 916**	(21 052)
IRP - Indústria de Rebocos de Portugal, S.A.	**92 846**	87 061
Secil - Companhia de Cimento do Lobito, S.A.	**(930 404)**	(3 244 793)
Ciments de Sibline, S.A.L.	**12 700 676**	6 504 265
Cimentos Madeira Group	**41 866**	29 024
ETSA - Investimentos, SGPS, S.A.	**330**	122
Others	**34 821**	10 463
	74 442 558	49 256 458

As of 31 December 2016 and 2015, non-controlling interests in the Consolidated Statement of financial position are detailed as follows:

Amounts in Euro	Equity	
	2016	2015
The Navigator Company, S.A.	**323 112 484**	318 741 724
Raiz - Instituto de Investigação da Floresta e Papel	**210 138**	242 425
Portucel Moçambique	**2 062 468**	8 379 878
Britobetão - Central de Betão, Lda	**(790)**	70 521
Société des Ciments de Gabés	**1 030 887**	1 167 373
IRP - Indústria de Rebocos de Portugal, S.A.	**423 669**	455 823
Secil - Companhia de Cimento do Lobito, S.A.	**(1 332 888)**	(441 657)
Ciments de Sibline, S.A.L.	**77 912 222**	80 385 115
Cimentos Madeira Group	**5 180 563**	5 138 167
ETSA - Investimentos, SGPS, S.A.	**7 316**	6 987
Others	**1 148 138**	1 143 099
	409 754 207	415 289 455

The movement in the non-controlling interests', by operating segments, in the years ended 31 December 2016 and 2015 is as follows:

Amounts in Euro	Pulp and paper	Cement and derivatives	Environment	Total
Balance as of 1 January 2015	244 841 042	91 576 804	6 568	**336 424 414**
Acquisitions / (Disposals)	132 461 706	(222 601)	-	**132 239 105**
Dividends	(98 167 519)	(13 207 278)	-	**(111 374 797)**
Currency translation reserve	1 334 728	6 402 602	-	**7 737 330**
Financial instruments	406 445	-	-	**406 445**
Actuarial gains and losses	(375 687)	(7 896)	-	**(383 583)**
Other movements in equity	984 778	(694)	(1)	**984 083**
Profit for the year	45 878 534	3 377 504	420	**49 256 458**
Balance as of 31 December 2015	327 364 027	87 918 441	6 987	**415 289 455**
Acquisitions / (Disposals)	-	(133 593)	-	**(133 593)**
Dividends	(52 018 480)	(17 663 591)	-	**(69 682 071)**
Currency translation reserve	(1 978 947)	2 290 221	-	**311 274**
Financial instruments	(1 744 933)	29	-	**(1 744 904)**
Actuarial gains and losses	(3 050 775)	370	-	**(3 050 405)**
Other movements in equity	(5 678 108)	-	-	**(5 678 108)**
Profit for the year	62 492 236	11 949 993	329	**74 442 558**
Balance as of 31 December 2016	325 385 020	84 361 871	7 316	**409 754 207**

In 2015, the increase verified on the non-controlling interests affected to the Pulp and Paper segment is mainly due to the increase share of the non-controlling interests in Navigator's equity related with the public exchange offer in that period.

14. APPLICATION OF PREVIOUS YEAR'S PROFIT

In accordance with the resolutions of the Annual General Shareholders' Meeting of the financial statements approval, the profit of the 2015 and 2014 exercises were applied as follows:

Amounts in Euro	Application of year's net profit	
	2015	2014
Dividens distribution	26 724 361	39 939 176
Profit-sharing bonuses	3 207 520	2 602 602
Other reserves	51 598 160	70 256 068
Profit for the year	**81 530 041**	**112 797 846**
Dividends per share	**0.3290**	**0.3750**

The legal reserves are constituted by the maximum amount.

Following the approval at Semapa's Annual General Shareholders' Meeting of 20 April 2016, dividends related to the results of 2015 amounted to approximately 26.7 million euros (32.9 cents per share) as well as the payment of performance bonuses to its employees up to a maximum of 3.8 million euros.

15. GOODWILL

The movement in Goodwill for the years' ended as of 31 December 2016 and 2015 were as follows:

Amounts in Euro	31-12-2016	31-12-2015
Balance at the beginning of year	**335 643 370**	296 680 236
Change in perimeter	**-**	27 436 872
Impairment (Note 8)	**(5 770 410)**	-
Acquisitions	**10 756 626**	37 681 421
Disposals	**-**	(13 240 613)
Exchange rate adjustments	**12 183 311**	(12 914 546)
Final balance	**352 812 897**	335 643 370

Note: The amounts presented are net of impairment losses (Note 22)

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

Amounts in Euro	31-12-2016	31-12-2015
Cement and derivatives	**193 482 435**	176 312 908
Pulp and paper	**122 907 528**	122 907 528
Environment	**36 422 934**	36 422 934
	352 812 897	335 643 370

Changes in the perimeter

At the end of May 2016, the Secil Group completed the acquisition of 100% of Finlandimmo Holding B.V., a company incorporated under Dutch law, 100% owned by Lagan Cement, a Gouda-based Group trader. In view of the foregoing, the Secil Group now holds the entire share capital of Finlandimmo Holding B.V. and its subsidiaries Finlandimmo B.V. and Lagan Cement B.V.

In addition, in the course of 2016, the subsidiary Secil acquired the remaining 50% of the subsidiary SPB, SGPS, Lda (former Secil Unicon, until then classified as joint venture) and an additional 8.4% of the subsidiary Argibetão.

These acquisitions resulted in a goodwill calculated as follows:

Amounts in Euros	Total	Finlandimmo Holding B.V.	Argibetão	SPB, SGPS, Lda (former Secil Unicon)
Cash and cash equivalents	**42 149**	12 664	-	29 485
Land, buildings and equipment	**1 131 437**	1 156 566	-	(25 129)
Other non-current assets	**8 203**	-	-	8 203
Inventories	**1 982 807**	432 900	-	1 549 907
State and other public entities	**193 295**	12 915	-	180 380
Other current assets	**2 891 039**	1 359 395	-	1 531 644
Non-controlling Interest	**2 953 592**	-	75 557	2 878 035
Provisions (Note 19)	**2 530 781**	-	-	2 530 781
Interest-bearing liabilities MLP	**(5 362 219)**	-	-	(5 362 219)
Other non-current liabilities	**(4 640 849)**	(1 401 219)	-	(3 239 630)
Interest-bearing liabilities CP	**(3 930 106)**	-	-	(3 930 106)
State and other public entities	**(117 516)**	(51 285)	-	(66 231)
Other current liabilities	**(2 330 178)**	(474 649)	-	(1 855 529)
Total amount of (disposal) / acquisition	**(4 647 565)**	1 047 287	75 557	(5 770 409)
Positive acquisition difference	**10 756 626**	4 986 216	-	5 770 410
Equity acquisition difference	**(473)**	-	(473)	-
Assets (disposal) / aqcuired	**6 108 588**	6 033 503	75 084	1
Cash and cash equivalents	**(42 149)**	(12 664)	-	(29 485)
Net assets (disposal) / aqcuired	**6 066 439**	6 020 839	75 084	(29 484)

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

As a result of the performed CGU's impairment tests, the recoverable value was determined based on value in use, according to the discounted cash flows method. The impairment tests were based on the historical performance of these units as well as the development of their business expectations with the actual production structure, using the budgets for the following year and an estimate of cash flows for the next period of 4 years.

The main assumptions used for impairment testing, in these CGU's were as follows:

Operating Segment	Risk-free interest rate *	WACC	Growth rate	Tax rate
Pulp and paper				
Explicit planning period	3.11%	6.93%	-	29.50%
Perpetuity	2.85%	6.75%	0.00%	29.50%
Cement and derivatives				
Portugal				
Explicit planning period	3.11%	7.30%	-	27.50%
Perpetuity	2.85%	7.14%	2.00%	27.50%
Tunisia				
Explicit planning period	4.09%	8.31%	-	25.00%
Perpetuity	4.09%	8.31%	2.00%	25.00%
Lebanon				
Explicit planning period	7.34%	10.86%	-	15.00%
Perpetuity	7.34%	10.86%	2.00%	15.00%
Angola				
Explicit planning period	8.05%	11.87%	-	30.00%
Perpetuity	8.05%	11.87%	2.00%	30.00%
Brazil				
Explicit planning period	3.49%	8.93%	-	34.00%
Perpetuity	2.85%	7.94%	2.30%	34.00%
Environment				
Explicit planning period	3.11%	6.70%	-	25.00%
Perpetuity	2.85%	6.53%	1.25%	25.00%

* Including country risk

As a result of the impairment tests performed and respective sensitive analysis to its main assumptions, it was identified and recorded an impairment loss in Goodwill on the acquisition of Secil Unicom amounting to Euros 5,770,410 (Notes 8 and 22).

16. OTHER INTANGIBLE ASSETS

During 2016 and 2015, changes under the Other intangible assets heading, as well as amortisations and impairment losses, were as follows:

Amounts in Euro	Brands	Expenditures on research and development	Industrial properties and other rights	CO_2 emission allowances	Assets under construction	**Total**
Acquisition cost						
Amount as of 1 January 2015	258 910 130	11 737	273 822	20 852 745	32 548	**280 080 982**
Change of perimeter	26 549 889	-	-	288 276	-	**26 838 165**
Acquisition / attributions	-	-	-	21 158 004	20 361	**21 178 365**
Disposals	-	-	-	(1 384 000)	-	**(1 384 000)**
Adjustments, transfers and write-off's	-	-	(58 879)	(16 775 571)	(49 065)	**(16 883 515)**
Exchange rate adjustment	(1 602 282)	-	-	(13 618)	-	**(1 615 900)**
Amount as of 31 December 2015	283 857 737	11 737	214 943	24 125 836	3 844	**308 214 097**
Change of perimeter	-	-	-	13 618	-	**13 618**
Acquisition / attributions	-	-	3 300	12 427 934	6 226	**12 437 460**
Disposals	-	-	-	(4 498 000)	-	**(4 498 000)**
Adjustments, transfers and write-off's	(35 456)	-	40 968	(13 697 379)	(5 512)	**(13 697 379)**
Exchange rate adjustment	5 297 552	-	-	(13 618)	-	**5 283 934**
Amount as of 31 December 2016	289 119 833	11 737	259 211	18 358 391	4 558	**307 753 730**
Accumulated amortisation and impairment losses						
Amount as of 1 January 2015	-	(10 844)	(240 655)	(2)	-	**(251 501)**
Amortisation and impairment losses	(11 075 942)	-	(32 522)	(144 997)	-	**(11 253 461)**
Adjustments , transfers and write-off	-	-	58 879	119 498	-	**178 377**
Exchange rate adjustment	(211 908)	-	-	-	-	**(211 908)**
Amount as of 31 December 2015	(11 287 850)	(10 844)	(214 298)	(25 501)	-	**(11 538 493)**
Amortisation and impairment losses	1 079 181	-	(22 146)	27 395	-	**1 084 430**
Adjustments , transfers and write-off	-	-	-	(1 895)	-	**(1 895)**
Exchange rate adjustment	(676 168)	-	-	-	-	**(676 168)**
Amount as of 31 december 2016	(10 884 837)	(10 844)	(236 444)	(1)	-	**(11 132 126)**
Net book value as of 1 January 2015	258 910 130	893	33 167	20 852 743	32 548	**279 829 481**
Net book value as of 31 December 2015	272 569 887	893	645	24 100 335	3 844	**296 675 604**
Net book value as of 31 December 2016	278 234 996	893	22 767	18 358 390	4 558	**296 621 604**

The amount shown under the caption Brands comprises:

Pulp and Paper segment

- Euro 151,487,000, regarding the initial valuation of Soporset and Navigator brands, determined by an external evaluation conducted by a specialised and independent entity, using the updated cash flow projections with an appropriate discount rate, following the allocation of fair value to the assets and liabilities of Navigator Group.

Cement and derivatives segment

- Euro 126,747,996, regarding the initial valuation of the brands Secil Portugal (Euro 71,700,000), Sibline (Lebanon- Euro 25,611,982), Gabès (Tunisia – Euro 8,347,559) and Supremo (Brazil – Euro 21,088,455), determined by an external evaluation conducted by a specialized and independent entity, using the cash flow projections with an appropriate discount rate, following the allocation of fair value to assets and liabilities of Secil Group.

Sibline, Gabés and Supremo cement brands are subject to exchange rate update in accordance with the accounting policy described in Note 1.5.

The referred amounts are not subjected to amortisation as their useful life is undefined (Note 1.6). For valuation purposes, is considered that brand have an undefined useful life, because it is assumed that it is not possible to determine with an acceptable degree of reliability a time limit for their continuity in the market. The Group tests annually the impairment of these intangible assets in accordance with IAS 36.

Brands are subject to impairment tests to determine the recoverable amount based on its value in use, in accordance with the discounted cash flow method.

The main assumptions used in the valuation of brands of Pulp and Paper segment in 2016, for the purposes of impairment testing, were as follows:

Brand	Markets	Risk-free interest rate *	Discount rate	Tax rate
Navigator	Europe	1.23%	6.77%	29.5%
	EUA	2.53%	6.77%	29.5%
Soporset	Europe	1.23%	6.77%	29.5%
	EUA	2.53%	6.77%	29.5%

* Government Bonds (10Y) Euro Zone and US

The main assumptions used in the valuation of brands of Cement and derivatives performed in 2016, for the purposes of impairment testing, were as follows:

Brand	Markets	Risk-free interest rate *	Discount rate	Tax rate
Secil Portugal	Portugal	3.11%	7.30%	27.5%
Ciments de Sibline	Lebanon	7.96%	10.86%	15.0%
Supremo Cimentos	Brazil	6.90%	8.93%	34.0%
Société des Ciments de Gabés	Tunisia	6.44%	8.31%	25.0%

* Each risk-free rate comprises its own country risk

The Cement and derivatives segment brands were valued by an independent entity based on the discounted post-tax cash flow method denominated "income split method" associated to the influence of the brand (difference between the net margin of the brand less investments in marketing and the net margin of the associated brand), discounted to the evaluation period based on a specific discount rate.

As result of impairment tests and sensitivity analysis to the main assumptions, in this period:

- an impairment charge was recognised in Supremo Cimentos (Brazil), amounting to Euro 5,093,288 (Notes 8 and 22)
- it was partially reversed an impairment charge recognised in Ciments de Sibline cement brand (Lebanon) in 2015 amounting to Euro 6,172,470, (impairment charge was recognised in 2015 amounting to Euros 11,075,942) (Notes 8 and 22).

17. PROPERTY, PLANT AND EQUIPMENT

The following movements were registered in the years ended 31 December 2016 and 2015 under the caption Property, plant and equipment, as well as on the respective depreciation and impairment losses accounts:

Amounts in Euro	Land	Buildings and other constructions	Equipments and other tangibles	Assets under construction	**Total**
Acquisition Cost					
Amount as of 1 January 2015	370 106 877	997 199 702	4 851 367 332	61 702 791	**6 280 376 702**
Change of consolidation perimeter	63 820 274	65 750 405	201 416 646	85 128 653	**416 115 978**
Acquisition	3 744 300	5 687 667	8 992 121	160 494 992	**178 919 080**
Disposals	(1 946 403)	(3 274 977)	(4 412 902)	(56 445)	**(9 690 727)**
Adjustments, tranfers and write-off's	750 248	47 142 941	150 050 882	(197 311 209)	**632 862**
Exchange rate adjustment	(8 798 722)	(10 489 982)	(17 492 500)	(6 808 638)	**(43 589 842)**
Amount as of 31 December 2015	427 676 574	1 102 015 756	5 189 921 579	103 150 144	**6 822 764 053**
Change of consolidation perimeter	2 465 305	9 800 758	22 452 956	110 636	**34 829 655**
Acquisition	1 368 547	1 651 379	14 777 926	168 260 495	**186 058 347**
Disposals	(39 818)	(2 444 016)	(13 089 543)	(6 351)	**(15 579 728)**
Adjustments, tranfers and write-off's	3 223 165	16 461 261	118 088 961	(160 730 192)	**(22 956 805)**
Exchange rate adjustment	8 658 782	16 926 013	26 867 432	314 031	**52 766 258**
Amount as of 31 December 2016	443 352 555	1 144 411 151	5 359 019 311	111 098 763	**7 057 881 780**
Accumulated depreciations and impairment losses					
Amount as of 1 January 2015	(52 326 209)	(646 683 431)	(3 569 237 738)	(2 389 186)	**(4 270 636 564)**
Change of consolidation perimeter	(839 748)	(3 019 328)	(20 896 664)	-	**(24 755 740)**
Depreciation and impairment losses	(4 569 572)	(19 217 571)	(169 284 196)	(1 778 035)	**(194 849 374)**
Disposals	-	1 570 751	3 723 862	-	**5 294 613**
Adjustments, tranfers and write-off's	1 410 010	4 526 592	1 645 122	(1)	**7 581 723**
Exchange rate adjustment	(342 925)	(1 653 241)	(6 890 236)	425 632	**(8 460 770)**
Amount as of 31 December 2015	(56 668 444)	(664 476 228)	(3 760 939 850)	(3 741 590)	**(4 485 826 112)**
Change of consolidation perimeter	(1 787 836)	(9 365 208)	(22 545 174)	-	**(33 698 218)**
Depreciation and impairment losses	(4 522 293)	(19 033 655)	(172 351 541)	-	**(195 907 489)**
Disposals	-	336 201	9 620 843	-	**9 957 044**
Impairment losses	(2 960 025)	-	-	(51 325 138)	**(54 285 163)**
Adjustments, tranfers and write-off's	-	7 799 554	3 362 798	-	**11 162 352**
Exchange rate adjustment	1 079 810	1 103 637	2 022 673	-	**4 206 120**
Amount as of 31 December 2016	(64 858 788)	(683 635 699)	(3 940 830 251)	(55 066 728)	**(4 744 391 466)**
Net book value as of 1 January 2015	317 780 668	350 516 271	1 282 129 594	59 313 605	**2 009 740 138**
Net book value as of 31 December 2015	371 008 130	437 539 528	1 428 981 729	99 408 554	**2 336 937 941**
Net book value as of 31 December 2016	378 493 767	460 775 452	1 418 189 060	56 032 035	**2 313 490 314**

Commitments related to Property, plant and equipment acquisitions, as well as those that are given as guarantees are detailed in Notes 39 and 40 respectively.

As of 31 December 2016, assets under construction included Euro 854,159 (31 December 2015: Euro 19,541,078), related to advance payments and supplies of Property Plant and Equipment, related to investment projects being developed by the Group. The remaining refers to investments associated with improvements in the production process in the group's several factories.

This caption, assets under construction, also includes the recording of the impairment loss associated with the investment in Mozambique of Euros 45,785,163 (Note 8).

The value of Land includes Euros 117,273,207 from the pulp and paper segment, of which Euros 78,837,443 related to forest land and Euros 38,435,764 related to land on manufacturing perimeters leased to other companies of the Navigator Group.

18. BIOLOGICAL ASSETS

As of 31 December 2016 and 2015, changes in biological assets were as follows:

Amounts in Euro	31-12-2016	31-12-2015
Amount at the beginning of the year	**116 996 927**	113 969 423
Changes in fair value		
Logging in the period	**(22 637 607)**	(24 230 097)
Growth	**15 151 098**	1 773 520
New plantations	**2 718 849**	7 984 092
Other changes in fair value	**13 383 681**	17 499 989
Total changes in fair value	**8 616 021**	3 027 504
	125 612 948	116 996 927

The amounts presented under Other changes in fair value mainly relates to the management costs for the forestry assets (forestry, structure and rent costs) and are broken down as follows:

Amounts in Euro	31-12-2016	31-12-2015
Other changes in fair value		
Forestry	**3 125 794**	4 812 404
Struture	**3 336 748**	3 412 329
Fixed and variable rents	**10 109 370**	9 275 256
Impairment in the Mozambican project	**(3 188 231)**	-
	13 383 681	17 499 989

Biological assets as of 31 December 2016 and 2015 are as follows:

Amounts in Euro	31-12-2016	31-12-2015
Eucalyptus (Portugal)	**116 413 499**	104 896 897
Other species (Portugal)	**1 820 807**	6 882 584
Eucalyptus (Mozambique)	**7 378 642**	5 217 446
	125 612 948	116 996 927

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

Amounts in Euro	31-12-2016	31-12-2015
Eucalyptus (Portugal) - wood potential extration k m3ssc	**11 649**	11 822
Pine (Portugal) - wood potential exration k ton	**455**	481
Pine (Portugal) - pinecones potential extration k ton	**n/a**	n/a
Cork (Portugal) - cork potential extration k @	**615**	626
Eucalyptus (Portugal) - wood potencial extration h m3ssc (1)	**1 988**	1 400

(1) Valuation for areas with one or more years of age as at 31 December 2014

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

19. INVESTMENT IN ASSOCIATES AND JOINT-VENTURES

The following movements were registered in this caption during the years ended 31 December 2016 and 2015:

Amounts in Euro	31-12-2016	31-12-2015
Opening balance	**3 403 708**	87 086 273
Change in consolidation perimeter	**-**	(77 889 593)
Group share of (loss) / gain of associated companies and joint ventures	**1 380 062**	(4 287 184)
Dividends received	**(868 685)**	(1 505 827)
Fair-value in associates	**(29 434)**	-
Exchange rate adjustments	**(193)**	39
Closing balance	**3 885 458**	3 403 708

As of 31 December 2016 and 2015 the caption Investments in associates and joint ventures presented in the consolidated statement of financial position, including goodwill, comprises:

	Book Value			
Entities	% Held	31-12-2016	% Held	31-12-2015
Associated companies				
Setefrete, SGPS, S.A.	25.00%	**3 329 903**	25.00%	2 895 568
MC - Materiaux de Construction	49.36%	**2 068**	49.36%	2 264
J.M.J. - Henriques, Lda.	50.00%	**376 752**	50.00%	378 442
Ave, S.A.	35.00%	**176 735**	35.00%	127 434
		3 885 458		3 403 708

At the end of June 2015, the Brazilian subsidiary, NSOSPE, S.A., acquired the remaining 50% of the share capital of Supremo Cimentos S.A., and obtained control of 100% of the subsidiary. Until then the company was included in the consolidated financial statements under the equity method. Since 30 June 2015, the company was incorporated using the full consolidation method, due to the control obtained with the acquisition of the remaining 50%.

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

As of 31 December 2016 and 2015, Goodwill included in carrying amount of these investments is detailed as follows:

		31 December 2016				
Amounts in Euros		Total assets	Total liabilities	Equity	Net Profit	Revenue
Ave-Gestão Ambiental e Valorização Energética, S.A.	a)	3 137 609	2 632 651	504 958	545 137	10 068 168
MC- Materiaux de Construction	b)	848 325	917 984	(69 659)	(96 745)	4 283 556
J.M.J. - Henriques, Lda.	b)	1 080 241	326 737	753 504	(3 386)	-
Setefrete, SGPS, S.A.	c)	7 826 888	3 418 274	4 408 614	4 763 825	13 248 333

a) 30.11.2016 figures
b) 31.12.2016 figures
c) 31.07.2016 figures

		31 December 2015				
Amounts in Euros		Total assets	Total liabilities	Equity	Net Profit	Revenue
Ave-Gestão Ambiental e Valorização Energética, S.A.	a)	3 917 745	3 553 638	364 107	303 136	11 747 355
MC- Materiaux de Construction	b)	721 482	694 002	27 480	(97 997)	4 229 614
J.M.J. - Henriques, Lda.	b)	1 078 986	322 102	756 884	(3 434)	-
Setefrete, SGPS, S.A.	c)	8 105 038	5 433 765	2 671 273	4 638 825	102 813

a) 30.11.2015 figures
b) 31.12.2015 figures
c) 31.12.2014 figures, adjusted of distributed dividends on the period end 31 December 2015

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following movements were registered in this caption during the years ended 31 December 2016 and 2015:

Amounts in Euro	31-12-2016	31-12-2015
Fair value at the beginning of the year	**342 968**	451 485
Acquisitions	**-**	-
Disposals	**(268 670)**	-
Changes in fair value	**(27 040)**	(108 517)
	47 258	342 968

As of 31 December 2016 and 2015, Financial assets at fair value through profit or loss comprises:

	Fair Value	
Amounts in Euro	31-12-2016	31-12-2015
CEMG Holding Fund	**-**	295 710
Others	**47 258**	47 258
	47 258	342 968

The classification of financial assets at fair value through profit or loss in accordance with the fair value hierarchy defined in IFRS 13 is shown in Note 34.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The following movements were registered in this caption during the years ended 31 December 2016 and 2015:

Amounts in Euro	31-12-2016	31-12-2015
Fair value at the beginning of the year	**229 136**	346 257
Acquisitions	**81 636**	29 308
Transactions	**66 853**	-
Changes in fair value (Note 10)	**(35 503)**	(146 429)
	342 122	229 136

As of 31 December 2016 and 2015 the fair value of available-for-sale financial assets comprises:

	Fair Value	
Amounts in Euro	31-12-2016	31-12-2015
Liaision Technologie	**260 486**	229 136
Other financial assets	**81 636**	-
	342 122	229 136

The classification of assets available for sale, according to the fair value hierarchy defined in IFRS 13, is shown in Note 34.

22. IMPAIRMENT IN NON-CURRENT AND CURRENT ASSETS

In the years ended 31 December 2016 and 2015, the following movements were registered on impairments in non-current assets:

Amounts in Euro	Goodwill	Brands	Other non--current assets	Property, plant and equipment	Investments in associates	Total
As of 1 January 2015	-	-	1 855 975	102 292	2 002	**1 960 269**
Increases (Notes 8 and 16)	-	11 075 942	-	-	-	**11 075 942**
Direct utilisations	-	-	-	-	14 100	**14 100**
As of 31 December 2015	-	11 075 942	1 855 975	102 292	16 102	**13 050 311**
Change of consolidation perimeter	190 826	-	-	-	150	**190 976**
Increases (Notes 8, 15 and 16)	5 770 410	5 093 288	-	-	-	**10 863 698**
Reversions (Notes 8 and 16)	-	(6 172 470)	-	-	-	**(6 172 470)**
As of 31 December 2016	5 961 236	9 996 761	1 855 975	102 292	16 252	**17 932 516**

During the year ended 31 December 2016 and 2015, the following movements were registered on impairments in current assets:

Amounts in Euro	Inventories	Accounts receivable	Other receivables	Total
As of 1 January 2015	11 384 186	26 440 979	7 495 677	**45 320 842**
Change of consolidation perimeter	890 363	235 137	-	**1 125 500**
Exchange rate adjustment	272 111	(105 720)	5 132	**171 523**
Increases (Note 6)	2 372 304	2 270 847	816 553	**5 459 704**
Reversions (Note 5)	(588 717)	(1 579 517)	-	**(2 168 234)**
Direct utilisations	(10 610)	794 041	-	**783 431**
As of 31 December 2015	14 319 637	28 055 767	8 317 362	**50 692 766**
Change of consolidation perimeter	632 016	3 068 177	-	**3 700 193**
Increases (Note 6)	1 151 661	2 153 088	276 649	**3 581 398**
Reversions (Note 5)	(1 160 320)	(2 172 783)	(2 276 924)	**(5 610 027)**
Direct utilisations	(8 745)	(510 841)	(43 971)	**(563 557)**
Adjustments, tranfers and write-off's	(223 033)	(204 684)	(9 293)	**(437 010)**
As of 31 December 2016	14 711 216	30 388 724	6 263 823	**51 363 763**

23. INVENTORIES

As of 31 December 2016 and 2015 the caption Inventories comprised:

Amounts in Euro	**31-12-2016**	31-12-2015
Raw Materials	**183 096 265**	185 432 836
Work in progress	**25 133 435**	14 395 489
Byproducts and waste	**1 718 613**	1 072 438
Finished and intermediate products	**98 592 441**	108 857 913
Advances to inventories' suppliers	**176 941**	1 002
	308 717 695	309 759 678

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

During the year ended 2016 and 2015, movements in Raw materials, Finished products and goods and Advances to inventories were as follows:

Amounts in Euro	31-12-2016	31-12-2015
Opening balance	**294 291 751**	272 062 699
Acquisitions	**794 459 901**	872 189 346
Closing balance	**(281 865 647)**	(294 291 751)
Cost of inventories sold and consumed (Note 6)	**806 886 005**	849 960 294

As of 31 December 2016 and 2015, location of inventories by geographical segment, were as follows:

Amounts in Euro	31-12-2016	31-12-2015
Portugal	**85 179 945**	222 513 096
Other European countries	**143 297 051**	6 333 152
USA	**31 125 834**	27 267 940
Africa	**21 955 546**	22 733 123
Asia	**27 159 319**	30 912 367
	308 717 695	309 759 678

24. RECEIVABLES AND OTHER CURRENT ASSETS

As of 31 December 2016 and 2015 the caption Receivables and other current assets comprised:

Amounts in Euro	31-12-2016	31-12-2015
Accounts receivable	**244 913 009**	253 590 438
Accounts receivable - related parties (Note 35)	**859 869**	1 312 976
Derivative financial instruments (Note 34)	**942 139**	3 650 428
Other receivables	**43 720 096**	27 004 101
Accrued income	**2 747 450**	3 451 731
Deferred costs	**11 721 863**	20 585 542
	304 904 426	309 595 216

Note: The presented figures are net of impairment losses.

As of 31 December 2016 and 2015, Other receivables comprised:

Amounts in Euro	31-12-2016	31-12-2015
Other receivables		
Advance payments to suppliers	**2 123 078**	1 640 696
Advance payments to personnel	**1 392 317**	380 172
Price adjustment | Acquisition of Supremo Cimentos	**2 143 467**	-
Financial incentives to be received	**58 869**	-
Collateral provided to other parties	**4 281 655**	1 199 423
Share capital subscribers	**-**	5 713 991
Department of Commerce (EUA)	**26 369 181**	-
Others	**7 351 529**	18 069 819
	43 720 096	27 004 101

In 2015, the balance of Share capital subscribers relates to the value of the participation of IFC - International Finance Corporation in the capital stock of Portucel Moçambique, S.A., completed in July 2016.

In 2015 the Navigator Group was investigated for alleged dumping practices on imports of UWF paper into the United States of America and a provisional anti-dumping duty was imposed on sales to that country of 29. 53%. On January 11, 2016, the

United States Department of Commerce revised the applied rate down to 7.8%. The balance of Other debtors mainly reflects the amount receivable corresponding to the anti-dumping rate differential on sales of paper to the United States of America.

Although the set rate is substantially lower than the margin originally determined, Navigator remains in complete disagreement with the application of any anti-dumping margin in the period because, given the calculation algorithm used and validated by its US lawyers, the group does not determine any price difference between the domestic (Portugal) and destination (US) markets.

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

As of December 31 2016 and 2015, the items of Accrued income and deferred costs are detailed as follows:

Amounts in Euro	31-12-2016	31-12-2015
Accrued income		
Interest receivable	**531 667**	776 353
Other	**2 215 783**	2 675 378
	2 747 450	3 451 731
Deferred costs		
Insurance	**579 987**	2 197 647
Rents and leases	**3 303 855**	4 762 247
Post-employment plans	**-**	3 755 326
Other	**7 838 021**	9 870 322
	11 721 863	20 585 542
	14 469 313	24 037 273

As at 31 December 2015 the excess funding for some of the funds allocated to the defined benefit plans referred to above, amounting to Euro 3,755,326, were recognised as current assets by enabling a lower need for future contributions by the Group to finance those pension schemes (Note 29).

25. STATE AND OTHER PUBLIC ENTITIES

At 31 December 2016 and 2015, there were no arrears debts to the State and other public entities.

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

The balances relating to these entities were as follows:

Current assets

Amounts in Euro	31-12-2016	31-12-2015
Corporate Income Tax - CIT	**13 059 045**	3 639 642
Personnel Income Tax - withheld on salaries	**1 603 048**	124 750
Value added tax to be recovered	**10 556 220**	12 370 604
Value added tax - refund requested	**50 235 500**	47 165 878
Tax over Merchandise and Services Circulation (ICMS)	**5 697 852**	5 028 827
Tax on Manufactured Products	**453 567**	213 295
Contributions for Social Security financing	**22 726**	195 686
PIS and COFINS credit on fixed assets	**18 509 519**	-
Other	**10 411 417**	274 257
	110 548 894	69 012 939

Current liabilities

Amounts in Euro	31-12-2016	31-12-2015
Corporate Income Tax - CIT	**47 023 845**	37 348 475
Personnel Income Tax - witheld on salaries	**5 895 841**	3 407 002
Value added tax	**35 043 858**	37 793 448
Social Security	**4 566 054**	4 012 759
Tax over Merchandise and Services Circulation (ICMS)	**632 292**	-
Company Development Program Catarinense (PRODEC)	**3 457 328**	763 019
Paraná Competitive Program	**7 837 913**	-
Contributions for Social Security financing	**81 928**	-
Additional tax settlements	**17 742 052**	27 396 686
Others	**996 462**	536 251
	123 277 573	111 257 640

As of 31 December 2016 and 2015, the caption Corporate Income tax – CIT comprise (net between current assets and current liabilities) is detailed as follows:

Amounts in Euro	31-12-2016	31-12-2015
Corporate income tax for the year	**49 035 557**	39 001 519
Exchange rate differences	**190 773**	68 905
Payments on account and additional payments on account	**(4 099 706)**	(5 084 565)
Witholding tax	**(1 131 722)**	(2 088 990)
Prior years corporate income tax	**(10 030 102)**	1 811 964
	33 964 800	33 708 833

The movement of provisions for additional tax liabilities, in the year ended 31 December 2016 and 2015 is as follows:

Amounts in Euro	31-12-2016	31-12-2015
Opening balance	**27 396 686**	57 222 485
Increases	**-**	6 170 831
Decreases	**(9 654 634)**	(2 853 919)
Transfers	**-**	(33 142 711)
	17 742 052	27 396 686

26. SHARE CAPITAL AND TREASURY SHARE

As of 31 December 2016 and 2015, Semapa share capital was fully subscribed and paid up, being represented by 81,270,000 shares and by 81,645,523 shares, respectively, with a unit nominal value of 1 Euro.

Following the approval at Semapa's Annual General Shareholders' Meeting of April 20, 2016, the following resolutions were implemented:

- Reduction of the share capital from € 81,645,523 to € 81,270,000, in the amount of € 375,523, due to the cancellation of 375,523 treasury shares, pursuant to article 463 of the Portuguese Companies Code, with the consequent amendment to no. 1 of Article 4 of the Articles of Association relating to the composition of the share capital;
- Share capital increase of Euros 81,270,000 to Euros 117,028,800, in the total amount of Euros 35,758,800, through the incorporation of reserves, with a proportional increase, in the amount of Euros 0.44 per share, of the nominal value of all the shares of the Company, which now amounts to Euros 1.44 per share and with the consequent amendment to no. 1 of Article 4 of the Articles of Association, regarding the composition of the share capital;

- Share capital decrease from Euros 117,028,800 to Euros 81,270,000, in the amount of Euros 35,758,800, for the purpose of releasing excess capital, transferring to free reserves the amount of the paid-in capital stock and proportional reduction of the amount Nominal value of all shares of the Company, in the amount of Euros 0.44 per share, which have a unit face value of 1 Euro, with the consequent amendment to the articles of association, namely no. 1 of Article 4, regarding the composition of the share capital, and number 4 of Article 9, regarding the number of shares to which one vote correspond; and
- The payment of dividends related to the income of 2015 amounting to approximately 26.7 million euros (32.9 cents per share in circulation).

At 31 December 2016 and 2015, the following entities had substantial holdings in the company's capital:

Name	Number of shares	% 31-12-2016	% 31-12-2015
Longapar, SGPS, S.A.	22 225 400	**27.35**	27.22
Cimo - Gestão de Participações, SGPS, S.A.	16 199 031	**19.93**	19.84
Sodim, SGPS, S.A.	15 252 726	**18.77**	18.68
Bestinver Gestión, SGIIC, S.A.	7 166 756	**8.82**	8.78
Cimigest, SGPS, S.A.	3 185 019	**3.92**	3.90
Santander Asset Management España, SA	2 268 346	**2.79**	2.78
Sociedade Agrícola da Quinta da Vialonga, S.A.	625 199	**0.77**	0.77
OEM - Organização de Empresas, SGPS, S.A.	535 000	**0.66**	0.66
Treasury shares	586 329	**0.72**	0.01
Other shareholders with less than 2% participation	13 226 194	**16.27**	17.37
	81 270 000	**100.00**	100.00

As of 31 December 2016, Semapa - Sociedade de Investimento e Gestão, SGPS, SA holds 586,329 treasury shares (31 December 2015: 5,530 treasury shares).

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27. RESERVES AND RETAINED EARNINGS

As of 31 December 2016 and 2015 the captions Fair value reserve, Translation reserve and Other reserves comprised:

Amounts in Euro	31-12-2016	31-12-2015
Fair value of financial instruments	**(4 780 771)**	(3 639 345)
Other fair value reserves	**(1 281 742)**	(1 281 742)
Total amount of fair value reserve	**(6 062 513)**	(4 921 087)
Translation reserve	**(31 600 075)**	(65 903 206)
Legal reserve	**16 695 625**	23 666 489
Others reserves	**700 921 321**	642 029 919
Total amount of other reserves	**717 616 946**	665 696 408
Total	**679 954 358**	594 872 115

Fair value of financial instruments

The negative amount of Euro 4,780,771 net of deferred tax, shown under the caption Fair value of financial instruments, relates to the appropriation of the financial instruments fair value changes classified as hedging, described in Note 34, and accounted in accordance with the policy described in Note 1.13.

Translation reserve

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

Legal Reserve

Commercial Company law prescribes that at least 5% of annual net profit must be transferred to the legal reserve until this is equal to at least 20% of the issued capital, which is verified as of 31 December 2016. This reserve cannot be distributed unless in the event of the company's winding up; however, it may be used to absorb losses after the other reserves have been exhausted or it can be incorporated into the issued capital.

Other reserves

This caption corresponds to available reserves for distribution to shareholders constituted through the appropriation of prior year's earnings.

The 2015 reduction of Euro 376,791,932 in other reserves is due to the aforementioned extinctions of treasury shares, following the Public Exchange offer carried out by Semapa, and corresponds to the difference between the nominal value of the cancelled shares (which reduced the share capital) and the acquisition value for which they were initially recorded.

Retained earnings

Increase and decrease interest held in subsidiaries without loss of control

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

As of 31 December 2016, the accumulated negative amount of these differences, regarding additional stake acquisition in subsidiaries, amounts to Euro 416,498,687 (31 December 2015: 416,498,687 negative amount).

Following the closure of the general public tender offer, 84,539,108 shares of Navigator were given in exchange for Semapa's own shares, thus a gain of Euro 165,213,913 was recognised directly in the consolidated shareholder's equity under the caption Retained earnings, due to the fact that the transaction qualifies has a disposal to non-controlling interest without loss of control.

Remeasurements (Actuarial gains or losses)

The differences between the assumptions used for the purpose of determining liabilities related to post-employment benefits and what effectively occurred are equally recorded under this caption (as well as changes made to those assumptions and the difference between the expected return on the assets of the funds and their actual yield) as described in Note 1.22.1. In 2016, the group recorded negative remeasurements, net of deferred taxes, amounting to Euro 11.626.310.

28. DEFERRED TAXES

The following movement took place in the caption Deferred tax assets and liabilities during the year ended 31 December 2016:

Amounts in Euro	As of 1 January 2016	Exchange adjustment	Income statement		Retained earnings	Transfers	Assets held for sale	As of 31 December 2016
			Increases	Decreases				
Temporary differences originating deferred tax assets								
Tax losses carried forward	**23 773 019**	8 635 677	24 973 420	-	-	122 069	-	**57 504 185**
Taxed provisions	**25 295 497**	(79 022)	4 780 837	(49 016)	-	611 953	-	**30 560 249**
Harmonisation of depreciation criteria	**106 391 961**	-	32 178 197	(22 216 168)	-	(1)	-	**116 353 989**
Underfunding of pension funds	**5 903 648**	(8 537)	973	(778 487)	39 251	-	-	**5 156 848**
Financial instruments	**5 337 254**	-	-	-	5 061 594	-	-	**10 398 848**
Deferred accounting gains on inter-group transactions	**28 069 893**	12 366	5 274 545	(86 153)	-	-	-	**33 270 651**
Valuing growth forests	**1 275 824**	-	-	(1 275 824)	-	-	-	**-**
Fiscal investment incentives	**14 766 526**	-	866 532	(1 458 893)	-	-	-	**14 174 165**
Fair values of business combinations	**1 678 976**	55 047	-	-	-	-	-	**1 734 023**
Other temporary differences	**11 956 517**	1 559 868	2 134 048	(5 102 930)	-	(1 857 450)	-	**8 690 053**
	224 449 115	10 175 399	70 208 552	(30 967 471)	5 100 845	(1 123 429)	-	**277 843 011**
Temporay differences originating deferred tax liabilities								
Fixed tangible asset revaluation	**(56 949 332)**	(11 111 474)	411	7 224 514	-	-	-	**(60 835 881)**
Retirements benefits	**(3 965 861)**	-	(34 119)	8 949 104	(7 070 191)	2	-	**(2 121 065)**
Derivative financial instruments	**(234 446)**	206 353	-	3 207 985	(138 304)	(1 271 752)	-	**1 769 836**
Tax incentives	**(11 991 792)**	-	(319 179)	10 535 135	505 157	-	-	**(1 270 679)**
Harmonisation of depreciation criteria	**(470 774 266)**	(1 376 072)	(20 461 179)	104 406 143	-	-	-	**(388 205 374)**
Deferred accounting losses on inter-group transactions	**(689 367)**	-	(2 652 963)	91 711	-	-	-	**(3 250 619)**
Valuation of biological assets	**-**	-	(3 979 927)	-	-	-	-	**(3 979 927)**
Fair value of intangible assets - brands	**(250 854 281)**	(119 791)	-	(6 172 470)	-	-	-	**(257 146 542)**
Fair value of tangible assets	**(142 048 141)**	-	-	15 271 550	-	-	-	**(126 776 591)**
Fair value of business combinations	**(193 509 554)**	(1 003 787)	-	14 461 876	-	5 035	(30 312)	**(180 076 742)**
Other temporay differences	**(2 726 080)**	(245 785)	(825 242)	182 327	-	1 587 753	-	**(2 027 027)**
	(1 133 743 120)	(13 650 556)	(28 272 198)	158 157 875	(6 703 338)	321 038	(30 312)	**(1 023 920 611)**
Deferred tax assets	**74 480 542**	3 460 214	18 859 763	(19 598 030)	1 556 640	(106 906)	-	**78 652 223**
Deferred tax liabilities	**(305 515 909)**	(5 025 758)	(3 047 169)	38 857 863	(1 839 319)	108 390	(6 747)	**(276 468 649)**

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The following movement took place in the caption Deferred income tax assets and liabilities during the year ended 31 December 2015:

Amounts in Euro	As of 1 January 2015	Exchange adjust	Income statement		Retained earnings	Transfers	Assets held for sale	Changes in perimeter	As of 31 December 2015
			Increases	Decreases					
Temporary differences originating deferred tax assets									
Tax losses carried forward	**111 677 463**	(4 305 110)	18 360 466	(115 900 245)	-	1 606 865	-	12 333 580	**23 773 019**
Taxed provisions	**28 318 559**	319 766	1 418 694	(5 821 730)	-	-	-	1 060 208	**25 295 497**
Harmonisation of depreciation criteria	**51 484 087**	-	69 095 053	(14 187 179)	-	-	-	-	**106 391 961**
Underfunding of pension funds	**6 804 762**	(22 250)	-	(1 030 740)	151 876	-	-	-	**5 903 648**
Financial instruments	**6 843 951**	-	-	-	(1 506 697)	-	-	-	**5 337 254**
Deferred accounting gains on inter-group transactions	**23 511 326**	(10 617)	7 962 925	(3 393 741)	-	-	-	-	**28 069 893**
Valuing growth forests	**-**	-	1 275 824	-	-	-	-	-	**1 275 824**
Fiscal investment incentives	**16 524 492**	-	-	(1 757 966)	-	-	-	-	**14 766 526**
Fair values of business combinations	**1 505 510**	173 466	-	-	-	-	-	-	**1 678 976**
Other temporary differences	**1 116 492**	(2 056 093)	9 360 489	(1 826 142)	-	(1 242 019)	-	6 603 790	**11 956 517**
	247 786 642	(5 900 838)	107 473 451	(143 917 743)	(1 354 821)	364 846	-	19 997 578	**224 449 115**
Temporay differences originating deferred tax liabilities									
Fixed tangible asset revaluation	**(10 502 140)**	10 631 387	-	1 000 414	-	-	-	(58 078 993)	**(56 949 332)**
Retirements benefits	**(5 968 265)**	-	(8 097 873)	74 934	10 025 343	-	-	-	**(3 965 861)**
Derivative financial instruments	**(144 728)**	-	-	-	(89 718)	-	-	-	**(234 446)**
Valuation of biological assets	**(477 515)**	-	-	477 515	-	-	-	-	**-**
Tax incentives	**-**	-	-	-	-	-	-	(11 991 792)	**(11 991 792)**
Harmonisation of depreciation criteria	**(498 818 087)**	1 772 874	(29 405 695)	68 506 916	(3 752 884)	-	-	(9 077 390)	**(470 774 266)**
Deferred accounting losses on inter-group transactions	**(3 837 662)**	-	(358 958)	3 827 345	(320 092)	-	-	-	**(689 367)**
Fair value of intangible assets - brands	**(258 910 130)**	(3 232 002)	-	11 287 851	-	-	-	-	**(250 854 281)**
Fair value of tangible assets	**(157 319 691)**	-	-	15 271 550	-	-	-	-	**(142 048 141)**
Fair value of business combinations	**(176 481 657)**	697 197	-	8 855 107	-	-	(30 312)	(26 549 889)	**(193 509 554)**
Other temporay differences	**(283 005)**	629 526	(700 248)	15 992	-	-	-	(2 388 345)	**(2 726 080)**
	(1 112 742 880)	10 498 982	(38 562 774)	109 317 624	5 862 649	-	(30 312)	(108 086 409)	**(1 133 743 120)**
Deferred tax assets	**64 957 138**	(2 110 891)	29 047 258	(31 928 650)	(340 226)	13 296 328	-	6 799 176	**79 720 133**
Effect on exchange tax rate	**(5 239 591)**	-	-	-	-	-	-	-	**(5 239 591)**
Deferred tax assets	**59 717 547**	(2 110 891)	29 047 258	(31 928 650)	(340 226)	13 296 328	-	6 799 176	**74 480 542**
Deferred tax liabilities	**(317 351 757)**	4 856 844	(9 221 424)	26 597 216	1 562 179	-	(6 747)	(35 969 912)	**(329 533 601)**
Effect on exchange tax rate	**24 017 692**	-	-	-	-	-	-	-	**24 017 692**
Deferred tax liabilities	**(293 334 065)**	4 856 844	(9 221 424)	26 597 216	1 562 179	-	(6 747)	(35 969 912)	**(305 515 909)**

29. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

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

The following is a breakdown of the obligations assumed and reflected in the Consolidated Statement of financial position at 31 December 2016 and 2015:

31 December 2016	Pulp and paper	Cement and Derivatives	Holdings	Total
Group liabilities for past services				
Active	62 591 075	47 043	-	**62 638 118**
Former collaborators	17 035 183	-	-	**17 035 183**
Retirees	69 251 640	24 892 174	1 232 653	**95 376 467**
Market value of the pension funds	(142 420 782)	(22 430 525)	-	**(164 851 307)**
Equity	-	220 905	-	**220 905**
Insurance policies	-	(173 075)	-	**(173 075)**
Reserve account (overfunding due to the change to a defined contribution plan)	-	(656 487)	-	**(656 487)**
Unfunded pensions liabilities	6 457 116	1 900 035	1 232 653	**9 589 804**
Other unfunded liabilities				
Healthcare assistance	-	71 885	-	**71 885**
Retirement and death liabilities	-	100 162	-	**100 162**
Long-service award liabilities	-	323 572	-	**323 572**
Total net liabilities	6 457 116	2 395 654	1 232 653	**10 085 423**
Total unfunded liabilities	6 457 116	2 395 654	1 232 653	**10 085 423**

31 December 2015	Pulp and paper	Cement and Derivatives	Holdings	Total
Group liabilities for past services				
Active	59 309 768	105 590	-	**59 415 358**
Former collaborators	16 865 214	-	-	**16 865 214**
Retirees	63 137 380	27 198 841	1 296 605	**91 632 826**
Market value of the pension funds	(143 067 688)	(23 907 220)	-	**(166 974 908)**
Equity	-	261 049	-	**261 049**
Insurance policies	-	(206 932)	-	**(206 932)**
Reserve account (overfunding due to the change to a defined contribution plan)	-	(704 608)	-	**(704 608)**
Unfunded pensions liabilities	(3 755 326)	2 746 720	1 296 605	**287 999**
Other unfunded liabilities				
Healthcare assistance	-	74 989	-	**74 989**
Retirement and death liabilities	-	109 559	-	**109 559**
Long-service award liabilities	-	439 870	-	**439 870**
Total net liabilities	(3 755 326)	3 371 138	1 296 605	**912 417**
Total unfunded liabilities	-	3 371 138	1 296 605	**4 667 743**
Overfunding (Note 24)	(3 755 326)	-	-	**(3 755 326)**

As of 31 December 2015 the Pulp and Paper segment presents an overfunding allocated to its liabilities, amounting to Euro 3,755,326. (Note 24).

Sub-group Navigator

Retirement and pension supplements

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

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

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

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

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

- Benefit safeguard plan, or
- Pure defined contribution plan.

This possibility to choose between these two alternatives was granted to the employees in early 2015, with reference to the situation as of 31 December 2013, aiming to bypass the changes that had been made to the Soporcel pension plan, by simulating that the option had been granted as of 1 January 2014, by the time of the conversion of the defined benefit plan into a defined contribution plan.

Thus, in order to meet the increase in liabilities, the Group made additional contributions to the defined benefit pension fund in 2015.

The Group also maintains responsibilities with defined benefit post-employment benefit plans for The Navigator Company employees who have opted not to accept the conversion of their defined contribution plan, representing 13 individuals in addition to the former Employees , Retirees or, when applicable, acquired rights.

At December 31, 2016, the amount of liabilities related to post-employment benefit plans, related to two administrators of the Navigator Group, amounted to Euros 1,669,240 (December 31, 2015: Euros 1,697,024).

Secil sub-group

The Pension Fund Secil Group comprises Secil and the subsidiaries:

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

The Secil Group Pension Fund is the financial support for the payment of benefits provided for in pension plans of each associate (now jointly managed).

Defined-benefit plans

(I) Defined-benefit plans with funds managed by independent entities

Liabilities for complementary retirement and survivor's pensions

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

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

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

(II) Defined-benefit plans managed by the Group

Liabilities for complementary retirement and survivor's pensions

The responsibilities of Secil's retirees in 31 December 1987 (date of incorporation of Pension Fund) are guaranteed directly by Secil. Similarly, the liability assumed by Secil Martingança, SA 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 specialized and independent entities using the method for calculating capital coverage corresponding to single premiums of the immediate life annuities in the valuation of the liabilities to current pensioners and the projected unit credit method for valuing liabilities relating to current employees.

Liabilities for healthcare

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

Liabilities for retirement and death benefits

The subsidiary Societé des Ciments de Gabes assumed the commitment to its employees to pay an old-age retirement and disability subsidy and a death subsidy, with the following attribution criteria:

- at Societé des Ciments de Gabes (Tunisia), on retirement date and in terms of the General Labour Agreement, article no. 52, a retirement subsidy representing: (i) 2 months of the last salary if the worker has less than 30 years' service to the company, and (ii) 3 months of the last salary, if the worker has 30 years or more service to the company.

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

Liabilities for long-service awards

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

Assumptions used in the valuation of liabilities

The actuarial studies conducted by independent entities with reference to 31 December 2016 and 2015 for the purpose of calculating the liabilities for past services on those dates, were based on the following assumptions:

	31-12-2016	31-12-2015
Social Benefits formula	**Decree-Law nº187/2007 of May 10**	Decree-Law nº187/2007 of May 10
Disability table	**EKV 80**	EKV 80
Mortality table	**TV 88/90**	TV 88/90
Wage growth rate	**1.00%**	1.00%
Technical interest rate - pulp and paper segment	**2.00%**	2.50%
Technical interest rate - cement segment	**2.00%**	2.00%
Assets rate of return - pulp and paper segment	**2.00%**	2.50%
Assets rate of return - cement segment	**2.00%**	2.00%
Pensions growth rate - cement segment	**0.45%**	0.45%
Pensions growth rate - other segments	**0.75%**	1.00%
Semapa pensions reversability rate	**50.00%**	50.00%
Number of Semapa complement annual payments	**12**	12

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

Amounts in Euro	2012	2013	2014	2015	**2016**
Present value of liabilities	155 057 532	99 516 232	100 073 116	168 798 865	**175 766 292**
Fair value of plan assets and reserve account	145 554 473	95 945 454	99 038 106	167 886 448	**165 680 869**
Surplus / (deficit)	(9 503 059)	(3 570 778)	(1 035 010)	(912 417)	**(10 085 423)**
Net actuarial gains / (losses)	11 654 475	(6 786 377)	343 040	(10 421 772)	**(11 626 310)**

Funds linked to benefit plans' pensions

During 2016 and 2015, fund's assets/insurance policies registered the following movements:

	31-12-2016		31-12-2015	
Amounts in Euro	**Autonomous fund**	**Covered capital**	Autonomous fund	Covered capital
Opening balance	**166 974 909**	**206 932**	**98 021 037**	**221 975**
Change to a defined contribution plan	-	-	50 755 836	-
Exchange rate adjustment	-	(17 696)	-	4 061
Endowments made in the year	-	35 201	22 449 723	46 423
Expected return	4 315 102	(11 137)	2 393 835	47
Differences between actual and expected returns	396 495	-	(6 281)	-
Pensions paid	(6 835 199)	-	(6 639 241)	-
Retirements paid	-	(40 225)	-	(65 574)
Closing balance	**164 851 307**	**173 075**	**166 974 909**	**206 932**

As at 31 December 2016 and 2015, fund's assets were made up as follows:

Amounts in Euro	31-12-2016	%	31-12-2015	%
Bonds	**100 649 957**	**61.1%**	104 602 244	62.6%
Shares	**34 007 794**	**20.6%**	37 075 412	22.2%
Liquidity	**21 672 205**	**13.1%**	15 476 813	9.3%
Public debt	**7 873 444**	**4.8%**	8 484 672	5.1%
Real estate	**152 377**	**0.1%**	1 059 428	0.6%
Other aplications	**495 530**	**0.3%**	276 340	0.2%
	164 851 307	**100.0%**	166 974 909	100.0%

Movements in obligations for pension plans and other post-employment benefits

Movements occurred in liabilities assumed by the Group, shown in the consolidated statement of financial position as of 31 December 2016, are as follows:

Amounts in Euro	Opening balance	Exchange rate adjustments	Net effect of reintroduction of DB plans	Assumptions change	Costs and incomes	Actuarial losses and incomes	Payments	Closing balance
Post-employment benefits								
Assumed by the group	**6 511 600**	-	-	-	154 871	24 933	(855 560)	**5 835 844**
Autonomous fund	**161 401 798**	-	(3 887 639)	11 025 008	5 431 798	2 078 157	(6 835 198)	**169 213 924**
Insurance policy	**261 049**	(22 379)	-	-	11 185	11 275	(40 225)	**220 905**
Retirement and death	**109 559**	(3 855)	-	-	973	(6 515)	-	**100 162**
Healthcare assitance	**74 989**	-	-	-	989	(1 463)	(2 630)	**71 885**
Long service award	**439 870**	-	-	-	47 940	-	(164 238)	**323 572**
	168 798 865	(26 234)	(3 887 639)	11 025 008	5 647 756	2 106 387	(7 897 851)	**175 766 292**

Costs incurred in pensions and other post-employment benefits

As of 31 December 2016 and 2015 costs incurred in pensions and other post-employment benefits, were detailed as follows:

	31-12-2016						
Amounts in Euro	Post--employment benefits	Interest cost	Expected return on the plan assets	Curtail-ments and settlements	Net effect of reintroduction of DB plans	Period contributions	Impact in the profit for the year
Post-employment benefits							
Assumed by the group	2 101 605	3 518 586	(3 526 622)	(3 887 639)	(315 394)	1 314 502	(794 962)
Autonomous fund	2 835	418 243	(454 601)	-	-	-	(33 523)
Insurance policy	7 654	16 161	(12 630)	-	-	-	11 185
Retirement and death	6 674	4 683	(10 384)	-	-	-	973
Healthcare assistance	-	989	-	-	-	-	989
Long service award	27 060	7 696	13 184	-	-	-	47 940
Contributions to defined contribution plans	-	-	-	-	-	1 179 782	1 179 782
	2 145 828	**3 966 358**	**(3 991 053)**	**(3 887 639)**	**(315 394)**	**2 494 284**	**412 384**

Amounts in Euro	31-12-2015						
	Current services	Interest cost	Expected return on the plan assets	Curtail-ments and settlements	Net effect of reintroduction of DB plans	Period contributions	Impact in the profit for the year
Post-employment benefits							
Assumed by the group	-	243 376	-	-	-	-	243 376
Autonomous fund	96 182	3 096 161	(3 310 134)	1 444 944	13 049 670	-	14 376 823
Insurance policy	8 419	18 004	(15 348)	-	-	-	11 075
Retirement and death	6 604	6 617	3 025	(258 516)	-	-	(242 270)
Healthcare assistance	-	1 534	-	-	-	-	1 534
Long service award	26 511	15 799	45 602	-	-	-	87 912
Contributions to defined contribution plans	-	-	-	-	-	3 035 203	3 035 203
	137 716	**3 381 491**	**(3 276 855)**	**1 186 428**	**13 049 670**	**3 035 203**	**17 513 653**

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

Actuarial gains and losses recognised in the year 2016, in the statement of comprehensive consolidated income, are detailed as follows:

Amounts in Euro	Actuarial Changes	Other gains and losses	Real vs expected income	Gross value	Deferred taxes	Impact on equity
Post-employment benefits						
Assumed by the group	-	(24 933)	-	(24 933)	7 069	(17 864)
Autonomus fund	(11 025 008)	(900 184)	315 837	(11 609 355)	(1 934 627)	(13 543 982)
Retirement and death	-	6 515	-	6 515	(1 339)	5 176
Healthcare assistance	-	1 463	-	1 463	(316)	1 147
	(11 025 008)	**(917 139)**	**315 837**	**(11 626 310)**	**(1 929 213)**	**(13 555 523)**

30. PROVISIONS

During the course of the years ended 31 December 2016 and 2015, the following movements took place in the caption Provisions:

Amounts in Euro	Legal claims	Tax claims	Environmental restauration	Others	**Total**
As of 1 January 2015	2 943 468	24 107 664	7 179 748	47 704 588	**81 935 468**
Change in perimeter	-	-	7 506	1 151 134	**1 158 640**
Increases	21 191	-	419	12 157 745	**12 179 355**
Reversals	(52 236)	-	(157 298)	(20 960 448)	**(21 169 982)**
Direct utilisations	-	-	(174 155)	(2 369 223)	**(2 543 378)**
Exchange rate adjustments	-	-	(1 431)	163 552	**162 121**
Financial discounts	-	-	289 714	-	**289 714**
Transfers and adjustments	(286 376)	32 106 930	-	398 323	**32 218 877**
As of 31 December 2015	2 626 047	56 214 594	7 144 503	38 245 671	**104 230 815**
Change in perimeter	-	-		(2 530 781)	**(2 530 781)**
Increases (Note 6)	-	2 112 283	516	17 221 369	**19 334 168**
Reversals (Note 6)	(374 826)	(2 173 379)	(157 298)	(19 016 560)	**(21 722 063)**
Direct utilisations	-	-	(19 813)	3 201 438	**3 181 625**
Exchange rate adjustments	-	-	1 595	364 490	**366 085**
Financial discounts	-	-	289 490	-	**289 490**
Transfers and adjustments	(29 455)	(28 548 109)	-	-	**(28 577 564)**
As of 31 December 2016	2 221 766	27 605 389	7 258 993	37 485 627	**74 571 775**

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

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

The amount shown as others is related with provisions for multiple risks of different natures, which may originate cash outflows in the future.

31. INTEREST-BEARING LIABILITIES

As of 31 December 2016 and 2015 Group's net debt was as follows:

Amounts in Euro	31-12-2016	31-12-2015
Interest-bearing liabilities		
Non-current	**1 697 565 380**	1 497 214 815
Current	**266 268 367**	512 032 570
	1 963 833 747	2 009 247 385
Cash and cash equivalents		
Cash	**679 425**	360 705
Short term bank deposits	**143 499 139**	60 639 929
Other short term investments	**39 922 710**	145 255 130
	184 101 274	206 255 764
Interest-bearing net debt	**1 779 732 473**	1 802 991 621

Non-current interest-bearing liabilities

As of 31 December 2016 and 2015, non-current interest-bearing liabilities were as follows:

Amounts in Euro	31-12-2016	31-12-2015
Non-current		
Bond loans	**871 000 000**	760 000 000
Commercial paper	**510 000 000**	438 700 000
Bank loans	**318 194 383**	284 945 116
Expenses with loans issuing	**(9 753 767)**	(10 799 427)
Interest-bearing bank debt	**1 689 440 616**	1 472 845 689
Financial leases	**2 038 700**	2 913 024
Other loans	**5 692 866**	7 390 242
Other interest-bearing debts	**393 198**	14 065 860
Other interest-bearing debts	**8 124 764**	24 369 126
Non current interest-bearing liabilities	**1 697 565 380**	1 497 214 815

Bond loans

As of 31 December 2016 and 2015, current and non-current bond loans were as follows:

Amounts in Euro	31-12-2016	31-12-2015
Bond loans		
Portucel Senior Notes Due 2020	**-**	150 000 000
Portucel 2015 / 2023	**200 000 000**	200 000 000
Portucel 2016 / 2021	**100 000 000**	-
Portucel 2016 / 2021	**45 000 000**	-
Semapa 2006 / 2016	**-**	175 000 000
Semapa 2006 / 2016	**-**	1 087 000
Semapa 2014 / 2019	**150 000 000**	150 000 000
Semapa 2014 / 2020	**80 000 000**	80 000 000
Semapa 2016 / 2023	**100 000 000**	-
SBI 2007 / 2017	**40 000 000**	40 000 000
Secil 2015/2020	**60 000 000**	60 000 000
Secil 2015/2020	**80 000 000**	80 000 000
Secil 2016/2021	**26 000 000**	-
Secil 2016/2023	**30 000 000**	-
	911 000 000	936 087 000

Bond Loans Semapa

In June 2016 Semapa issued a fixed interest rate bond loan amounting to Euro 100 million with maturity of 7 years (2023). This emission is not admitted to listing.

In April 2014 Semapa issued a bond loan amounting to Euro 150 million with maturity of 5 years (2019). As at 31 December 2016 the unit market value of these bonds was Euro 102.210.

In November 2014 Semapa issued a bond loan amounting to Euro 80 million with maturity of 6 years (2020) and repurchased Euro 48.9 million of "Obrigações Semapa 2006/2016 – 2.ª Emissão", which were first issued by Euro 50 million. As at 31 December 2016 the unit market value of these bonds was Euro 101.500.

At the end of May 2016, Semapa fully repaid the remainder of the "Obrigações Semapa 2006/2016 – 2.ª Emissão".

In 2016, Semapa fully repaid the bond loan contracted in 2006, for a total amount of 175 million euros, which was listed on Euronext Lisbon under the name "Obrigações Semapa 2006/2016".

Bond Loans Navigator

In 13 May 2016, Navigator proceed to the partial anticipated reimbursement of the bond loan denominated Portucel Senior Notes 5.375%, with maturity in 2020, on the amount of 150 million Euros, in addition to the Eur 200 million already repaid in September 2015. At the same time this subsidiary carried out new financing operations, namely a 100 million Euro bond loan with a maturity of 5 years.

Bond Loans Secil

The subsidiary Secil Betões e Inertes, S.A., (incorporated in Secil in 2016) issued in 2007 a bond loan amounting to Euro 40,000,000. The reimbursement of this bond will occur on the 10th year (2017).

In 2015 Secil renegotiated three bond loans. The loan of Euro 60,000,000 was repaid and a new one issued for an equal amount that will be repaid in June 2020.

The two bond loans amounting to Euro 40,000,000 each, contracted in 2013, were reimbursed, and a new bond loan was issued for the amount of Euros 80,000,000, with a full reimbursement scheduled to 2020. However the reimbursement (Call Option) can be exercised on the 4, 6 and 8 interests' payments dates.

In January 2016, Secil issued a fixed-rate private-debt bond loan in the amount of Euros 26,000,000. These bonds will be repaid at par in a single installment in 2021.

In February 2016, Secil issued a bond loan with a fixed rate of Euro 30,000,000 and maturity in 2023. These obligations will be repaid in seven equal and successive half-yearly installments from the 8th interest payment date, inclusive. It may be asked for a full refund on the 10th or 12th interest payment dates.

Commercial paper

In 2016, Semapa contracted two commercial papers amounting to a maximum of Euro 40,000,000 for a period of 5 years and the other amounting to a maximum of Euro 35,000,000 for a period of 1 year which were fully utilized on 31 December, 2016.

In 2015, Semapa contracted a commercial paper amounting to Euro 25,000,000 with 4 years maturity, fully issued as of 31 December 2016.

In 2014, Semapa contracted a commercial paper program amounting to a maximum amount of Euro 120 million for a period of four years. As at 31 December 2016 90 million where placed.

In 2013, Semapa contracted a commercial paper program amounting to a maximum amount of Euro 100,000,000 for a period of seven years. As at 31 December 2016 no issues were in place regarding this program.

Semapa SGPS has contracted a commercial paper program up to a maximum amount of EUR 100 million, with maturity in September 2020, dated 2008 and originally renegotiated in the maximum amount of EUR 70 million. As of December 31 2016, this program was fully utilized.

In June 2016 expired the commercial paper program up to a maximum amount of EUR 175 million.

During 2016, Navigator entered into two new commercial paper programs of Euros 100,000,000 and Euros 70,000,000, respectively, for a period of five years. It also contracted a third program, this short-term in the amount of Euros 50,000,000. As of December 31, 2016, of these new contracts, only the program of Euros 70,000,000 was fully used.

In December 2012, Navigator issued a commercial paper program amounting to Euro 125,000,000, whose emissions are underwritten by the Bank for a period of three years. During 2015, the conditions of this program have been renegotiated, namely its maturity date that was extended to May 2020. As at 31 December 2016, the amount was fully used.

In July 2015, Navigator entered into two new commercial paper programs amounting to Euro 120 million, for a period of 5 years. As at 31 December 2016, the amount was fully used.

Maturity of bond loans and other loans

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

Amounts in Euro	31-12-2016	31-12-2015
1 to 2 years	**256 036 583**	44 202 713
2 to 3 years	**226 147 112**	174 781 242
3 to 4 years	**492 763 661**	358 235 647
4 to 5 years	**333 391 134**	496 092 091
More than 5 years	**396 941 957**	431 789 525
	1 705 280 447	1 505 101 218

As of 31 December 2016 and 2015, non-current bank loans were as follows:

Amounts in Euro	31-12-2016	31-12-2015	Reference rate
Non-current			
Holdings			
Banco BIC	**-**	2 857 143	Euribor 3m
Banco do Brasil	**17 500 000**	17 500 000	Euribor 3m
Abanca	**40 000 000**	-	Euribor 12m
Cement and derivatives segment			
BNDES	**51 297 654**	43 283 620	TJLP/Cesta Moedas/ Fixa e US$
Banco Santander (Banco EKF)	**43 740 365**	40 106 605	CDI
Millennium BCP	**15 133 603**	7 728 428	Several
BBIC - Banco BIC Português, SA	**6 063 337**	18 162 508	Several
ABT- Attijari Bank de Tunisie	**6 892 199**	8 713 587	Several
Haitong	**5 441 207**	-	CDI
Banco ITAU	**7 003 482**	106 390	CDI
UBCI - Union Bancaire Pour Le Commerce Et L'Industrie	**5 479 424**	7 675 439	Several
Other loans	**18 974 066**	20 144 656	Several
Paper and pulp segment			
BEI	**95 535 714**	90 238 095	Euribor 6m
Other loans	**-**	19 339 756	Euribor 6m
Environment segment			
Banco BPI	**2 300 000**	4 366 668	Several
Banco BIC	**2 833 333**	4 722 221	Euribor 6m
Total	**318 194 384**	**284 945 116**	

Current interest-bearing liabilities

As of 31 December 2016 and 2015, current interest-bearing liabilities were as follows:

Amounts in Euro	31-12-2016	31-12-2015
Current		
Bond loans	**40 000 000**	176 087 000
Commercial paper	**95 000 000**	158 750 000
Bank loans	**108 985 402**	122 126 511
Expenses with bond loans issuing	**(1 702 642)**	(2 577 430)
Interest-bearing bank debt	**242 282 760**	454 386 081
Shareholders short-term loans (Note 35)	**8 830 127**	21 710 283
Financial leases	**773 982**	917 559
Other loans - QREN	**223 854**	2 837 311
Other debts	**14 157 644**	32 181 336
Other interest-bearing debts	**23 985 607**	57 646 489
Current interest-bearing liabilities	**266 268 367**	512 032 570

As of 31 December 2016 and 2015, current bank loans were as follows:

Amounts in Euro	31-12-2016	31-12-2015	Reference rate
Current			
Holdings			
Caixa Geral de Depósitos	**24 312**	460 583	Euribor 12m
BPI	**600 000**	-	Euribor 6m
Banco BIC	**3 757 143**	5 714 286	Euribor 3m
Cement and derivatives segment			
BNDES	**14 476 041**	9 631 089	TJLP/Cesta Moedas/ Flat and US$
BBIC - Banco BIC Português, SA	**12 125 131**	6 262 492	Several
Banco Santander Totta	**36 160**	-	Several
Banco Santander (Banco EKF)	**5 832 049**	4 718 424	CDI
Banco Caixa Geral	**5 485 051**	3 765 326	Several
Banco do Brasil	**4 372 824**	1 725 774	CDI
Banque Mediterranee	**4 846 223**	4 493 943	Several
ABT- Attijari Bank de Tunisie	**3 621 315**	3 448 941	Several
Banco Fomento de Angola	**4 219 203**	2 548 637	Flat Rate (16%)
Banco Caixa Geral Angola	**2 251 614**	2 682 767	Luibor 3 M
BIAT	**2 063 813**	2 260 807	TMM
Millennium BCP	**3 428 959**	1 865 805	Several
Banco ITAU	**1 883 255**	16 734 783	Several
Banco Keve	**2 224 790**	1 255 055	Luibor 6 M
Banco Millennium Atlântico	**1 061 352**	3 206 342	Luibor 1M
Other Loans	**9 148 231**	5 311 413	Several
Paper and pulp segment			
BEI	**19 702 381**	19 702 381	Euribor 6m
Other Loans	**-**	20 876 209	Several
Environment segment			
Banco BIC	**2 388 889**	2 138 889	Several
Banco BPI	**4 056 666**	2 566 666	Several
Banco Popular	**1 380 000**	500 000	Euribor 6m
Caixa Geral de Depósitos	**-**	255 899	Euribor 12m
Total	**108 985 402**	**122 126 511**	

Liabilities related to financial leasing

As of 31 December 2016 and 2015, the Group's debt-repayment terms relating to finance leases, except for liabilities resulting from the application of IFRIC 4 (Note 17), are shown as follows:

Amounts in Euro	31-12-2016	31-12-2015
Less than a year	**816 511**	994 971
1 to 2 years	**868 937**	999 263
2 to 3 years	**248 004**	909 979
3 to 4 years	**149 725**	229 693
4 to 5 years	**156 929**	128 391
More than 5 years	**629 726**	692 745
	2 869 832	3 955 042
Future interest	**(57 150)**	(124 459)
Liabilities present value	**2 812 682**	3 830 583

As at 31 December 2016 and 2015, Group's assets acquired under financial lease, was as follows:

Amounts in euro	31-12-2016			31-12-2015		
	Acquisition Value	**Accumulated depreciation**	**Net book value**	Acquisition value	Accumulated depreciation	Net book value
Building	**2 000 815**	**(143 774)**	**1 857 041**	2 000 815	(86 938)	1 913 877
Machinery and equipment	**9 843 098**	**(6 876 356)**	**2 966 742**	7 810 878	(3 871 896)	3 938 982
Machinery and equipment - IFRIC 4	**14 000 000**	**(10 972 973)**	**3 027 027**	14 000 000	(9 459 460)	4 540 540
Transport equipment	**-**	**-**	**-**	254 549	(135 759)	118 790
	25 843 913	**(17 993 103)**	**7 850 810**	24 066 242	(13 554 052)	10 512 190

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

Bank credit facilities granted and not drawn

At 31 December 2016 and 2015, bank credit facilities granted and not drawn amounted to Euro 695,258,377 and Euro 736,308,629 respectively.

Financial Covenants

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

Additionally, as of 31 December 2016 and 2015 the group comply with the financial ratios limits imposed under its financing contracts.

32. PAYABLES AND OTHER CURRENT LIABILITIES

As of 31 December 2016 and 2015, the caption Payables and other current liabilities comprised:

Amounts in Euro	**31-12-2016**	31-12-2015
Accounts payable to suppliers	**182 449 988**	186 396 831
Accounts payable to suppliers of fixed assets	**39 150 234**	12 190 493
Instituto do Ambiente	**13 495 261**	18 471 042
Derivative financial instruments (Note 34)	**10 185 130**	6 266 980
Other creditors	**9 209 742**	12 205 999
Related parties (Note 35)	**3 487 349**	4 176 786
Accrued costs	**109 546 762**	104 329 085
Deferred income	**12 258 343**	14 147 807
	379 782 809	358 185 023

As of 31 December 2016 and 2015, the captions Accrued costs and Deferred income comprised:

Amounts in Euro	31-12-2016	31-12-2015
Accrued costs		
Insurance costs	**7 834**	112 841
Payroll expenses	**54 199 992**	51 055 225
Interest payable	**11 306 041**	15 167 923
Accrued - energy costs	**8 757 517**	10 384 355
Transport services	**490 024**	809 553
Bank services	**475 123**	189 851
Audit fees	**92 364**	54 990
Consulting fees	**1 826 588**	1 521 309
IT Services	**322 995**	219 505
Other	**32 068 284**	24 813 533
	109 546 762	104 329 085
Deferred income		
Government grants	**5 929 823**	6 280 003
Grants - CO_2 emission allowances	**5 351 466**	7 526 256
Others	**977 054**	341 548
	12 258 343	14 147 807

Other liabilities

As at 31 December 2016 and 31 December 2015, the caption Non-current liabilities were detailed as follows:

Amounts in Euro	31-12-2016	31-12-2015
Other non-current liabilities		
Government grants	**31 202 382**	42 157 447
Equipments - Omya (IFRIC 4)	**2 098 758**	1 322 745
	33 301 140	43 480 192

The movement in current investment allowances (in Deferred income) and non current assets (in Other liabilities) in 2016 and 2015 was as follows:

Amounts in Euro	31-12-2016	31-12-2015
Opening balance (Current and non-current)	**48 437 450**	37 434 211
Attribution	**-**	17 532 496
Utilization	**(10 879 379)**	(6 188 426)
(Regularization/ payments)	**(425 866)**	(340 831)
	37 132 205	48 437 450

Government grants

On 18 June 2014, the Group's subsidiary CelCacia – Celulose de Cacia, SA, signed two contracts for financial and tax incentives, with AICEP - Agency for Investment and Foreign Trade of Portugal, to support the investment to increase the capacity of the plant in Cacia. The total estimated investment amounts to Euro 49.3 million. The incentives already approved amount to Euro 9.264 million as a repayable financial incentive, and Euro 5.644 million as a tax incentive, to use until 2024. The contract includes an award of achievement, corresponding to the conversion of up to 75% (Euro 6,947,450) of the refundable incentives granted into non-refundable incentives, by meeting the objectives set by the contract.

33. ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale are related with the acquisition of Uniconcreto – Betão Pronto, S.A. by the subsidiary Secil. The decision to dispose these assets and liabilities follows the imposition placed by the competition authority as well as the subsequent internal assessment carried out by the Group. As at this date the Company was unable to conclude the sale of the referred assets.

34. FINANCIAL ASSETS AND LIABILITIES

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

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

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

As of 31 December of 2016 and 2015, the reconciliation of the consolidated statement of financial position with the various categories of financial assets and liabilities included therein is detailed as follows:

31 December 2016 Amounts in Euro	Financial instruments- - trading Note 24/32	Financial intruments- -hedging Note 24/32	Loans and other accounts receivable Note 24	Financial assets at fair value through profit or loss Note 20	Financial assets held- -for-sale Note 21	Other interest- -bearing liabilities Note 31/32	Non financial Assets/ Liabilities Note 24/32
Assets							
Financial assets at fair value through profit or loss	-	-	-	47 258	-	-	-
Financial assets held-for-sale	-	-	-	-	342 122	-	-
Other non-current assets	-	-	6 744 351	-	-	-	-
Current assets	-	942 139	292 240 424	-	-	-	11 721 863
Cash and cash equivalents	-	-	184 101 274	-	-	-	-
Total assets	**-**	**942 139**	**483 086 049**	**47 258**	**342 122**	**-**	**11 721 863**
Liabilities							
Non-current interest-bearing liabilities	-	-	-	-	-	1 697 565 380	-
Other liabilities	-	-	-	-	-	33 301 140	-
Current interest-bearing liabilities	-	-	-	-	-	266 268 367	-
Current liabilities	2 940 253	7 244 877	-	-	-	343 844 075	25 753 604
Total liabilities	**2 940 253**	**7 244 877**	**-**	**-**	**-**	**2 340 978 962**	**25 753 604**

31 December 2015 Amounts in Euro	Financial instruments- - trading Note 24/32	Financial intruments- -hedging Note 24/32	Loans and other accounts receivable Note 24	Financial assets at fair value through profit or loss Note 20	Financial assets held- -for-sale Note 21	Other interest- -bearing liabilities Note 31/32	Non financial Assets/ Liabilities Note 24/32
Assets							
Financial assets at fair value through profit or loss	-	-	-	342 968	-	-	-
Financial assets held-for-sale	-	-	-	-	229 136	-	-
Other non-current assets	-	-	6 777 734	-	-	-	-
Current assets	2 236 063	1 414 365	285 359 246	-	-	-	20 585 542
Cash and cash equivalents	-	-	206 255 764	-	-	-	-
Total assets	**2 236 063**	**1 414 365**	**498 392 744**	**342 968**	**229 136**	**-**	**20 585 542**
Liabilities							
Non-current interest-bearing liabilities	-	-	-	-	-	1 497 214 815	-
Other liabilities	-	-	-	-	-	43 480 192	-
Current interest-bearing liabilities	-	-	-	-	-	512 032 570	-
Current liabilities	646 872	5 620 108	-	-	-	319 299 194	32 618 849
Total liabilities	**646 872**	**5 620 108**	**-**	**-**	**-**	**2 372 026 771**	**32 618 849**

As of 31 December 2016 and 2015 the fair value of these assets and liabilities is similar to its book value.

The following table presents the Group´s assets and liabilities measure at fair value as of 31 December 2016 according to the following hierarchic levels:

- Level 1: Fair value of financial instruments is based on prices ruling on active, liquid markets at the date of the statement of financial position;
- Level 2: Fair value of financial instruments is not determined on the basis of active market prices, but rather resorting to valuation models. The main inputs of the models used are observable in the market, and
- Level 3: Fair value of financial instruments is not determined on the basis of active market prices, but rather resorting to valuation models, the main inputs of which are not observable in the market

Assets measured at fair value

Amounts in Euro	31-12-2016	Level 1	Level 2	Level 3
Financial assets at fair value recognised in reserves				
Hedging	**942 139**	-	942 139	-
Financial assets at fair value through profit or loss				
Shares (Note 20)	**47 258**	47 258	-	-
Financial assets held-for-sale				
Shares (Note 21)	**342 122**	342 122	-	-
Assets measured at fair value				
Biological assets (Note 18)	**116 996 927**	-	-	116 996 927
	118 328 446	389 380	942 139	116 996 927

Amounts in Euro	31-12-2015	Level 1	Level 2	Level 3
Financial assets at fair value recognised in reserves				
Hedging (Note 24)	**1 414 365**	-	1 414 365	-
Financial assets at fair value recognised in profit				
Trading (Note 24)	**2 236 063**	-	2 236 063	-
Financial assets at fair value through profit or loss				
Shares (Note 20)	**342 968**	342 968	-	-
Financial assets held-for-sale				
Shares (Note 21)	**229 136**	229 136	-	-
Assets measured at fair value				
Biological assets (Note 18)	**125 612 948**	-	-	125 612 948
	129 835 480	572 104	3 650 428	125 612 948

Liabilities measured at fair value

Amounts in Euro	31-12-2016	Level 1	Level 2
Financial liabilities at fair value recognised in reserves			
Hedging (Note 34)	**(7 244 877)**	-	(7 244 877)
Financial liabilities at fair value through profit or loss			
Trading (Note 34)	**(2 940 253)**	-	(2 940 253)
	(10 185 130)	-	(10 185 130)

Amounts in Euro	31-12-2015	Level 1	Level 2
Financial liabilities at fair value recognised in reserves			
Hedging (Note 34)	**(5 620 108)**	-	(5 620 108)
Financial liabilities at fair value through profit or loss			
Trading (Note 34)	**(646 872)**	-	(646 872)
	(6 266 980)	-	(6 266 980)

Derivative financial instruments

As of 31 December 2016, details of the fair value of derivative financial instruments were as follows:

Amounts in Euro	Fair value changes (trading)	Fair value changes (hedging)	Total
As of 1 January 2016	1 589 191	(4 205 743)	**(2 616 552)**
New contracts / Settlement	(57 667)	5 827 470	**5 769 803**
Changes in fair value recognised in results (Note 10)	(4 471 777)	(3 530 520)	**(8 002 297)**
Changes in fair value recognised in equity	-	(4 393 945)	**(4 393 945)**
As of 31 December 2016	(2 940 253)	(6 302 738)	**(9 242 991)**

Details and maturity of the Derivative Financial Instruments

The fair value of derivative financial instruments is included under the caption Current payables (Note 32), if negative, and in the caption Current receivables (Note 24), if positive.

The movement in the balances presented in the years ended 31 December 2016 and 2015, relating to financial instruments were as follows:

Amounts in Euro	Amount	Currency	Maturity	31-12-2016			31-12-2015
				Positive	Negative	**Net**	Net
Hedging							
Interest rate collar (SWAP's)	175 000 000	Euro	2016	-	-	**-**	(2 282 117)
Coverage of net investment	25 050 000	USD	2017	-	(249 273)	**(249 273)**	543 992
Exchange rate forwards - future sales (USD)	214 650 000	USD	2017	901 050	-	**901 050**	-
Interest and exchange rate swaps	505 000 000	Euro	2020/23	41 089	(6 995 604)	**(6 954 515)**	(2 467 618)
				942 139	(7 244 877)	**(6 302 738)**	(4 205 743)
Trading							
Exchange rate forwards	65 250 000	USD	2017	-	(1 778 650)	**(1 778 650)**	1 302 089
Exchange rate forwards	14 600 000	GBP	2017	-	(164 752)	**(164 752)**	229 435
Cross currency interest rate swap	17 739 298	USD	2018/2019	-	(426 933)	**(426 933)**	-
Currency Collar	23 894 658	BRL	2018	-	(153 640)	**(153 640)**	-
Non Deliverable Forward (NDF)	36 404 054	BRL	2018	-	(416 278)	**(416 278)**	-
Future purchase of CO_2 licenses	2 778 500	Euro	2018	-	-	**-**	57 667
				-	(2 940 253)	**(2 940 253)**	1 589 191
				942 139	(10 185 130)	**(9 242 991)**	(2 616 552)

Derivative Financial Instruments

Pulp and paper sector

The Group has a currency exposure on sales invoiced in foreign currencies, namely US dollars (USD) and sterling pounds (GBP). Since the Group's financial statements are translated into Euro, it runs an economic risk on the conversion of these currency flows to the Euro. The Group is also obliged, albeit to a lesser degree, to make certain payments in those same currencies which, for currency exposure purposes, act as a natural hedge. Thus, the hedge is aimed at safeguarding the net value of the statement of financial position items denominated in foreign currencies against the respective currency fluctuations.

The hedging instruments used in this operation are foreign exchange forward contracts covering the net exposure to other currencies at the time the invoices are issued, for the same maturity dates and the same amounts of these documents. The nature of the risk hedged is the change in the carrying amount of sales and purchases expressed in foreign currencies. At the end of each month customer and suppliers' balances expressed in foreign currency are updated, with the gain or loss offset against the fair value change of the forwards negotiated.

As of 31 December 2016 the Company has in place financial foreign exchange instruments classified as trading with a notional amount negative of Euro 1,943,402 (31 December 2015: Euro 417,437 negative value).

In addition to the acquisitions made in 2015 of 200,000 CO_2 emission allowances for delivery in 2017-2018, the Navigator Group completed in 2016 the complementary acquisition of 300,000 CO_2 licenses, also for delivery in the period between 2017-2019.

Cement and derivatives sector

In July 2016, the subsidiary Supremo Cimentos, SA, contracted with a Brazilian financial institution for external financing in the amount of USD 9,239,297.81 maturing on 22 July 2019 and amortized in 5 equal instalments beginning on 24 July 2017. On the same date, a cross currency interest rate swap contract was signed with the purpose of covering exchange rate exposure. This derivative financial instrument allowed the Company to set the nominal value of the financing in BRL 30,000,000 and the payment of interest at the CDI rate plus a spread, fully replicating the amortization plan of said financing in USD.

In September 2016, the subsidiary, Supremo Cimentos, S.A., contracted with a Brazilian financial institution for external financing in the amount of USD 8,500,000 maturing on 26 November 2018, amortized in 6 equal instalments beginning on 28 August Of 2017. On the same date, a cross-current interest rate swap contract was signed with the purpose of covering an exchange rate summary. This derivative financial instrument allowed the Company to set the nominal value of the financing in the amount of BRL 27,542,550 and to pay interest on the CDI rate plus a spread, fully replicating the amortization plan of the USD financing.

Secil entered into three intercompany loans in Brazilian Reals (BRL) with the subsidiary Supremo (100% owned by Secil) and has negotiated derivative financial instruments that allow it to hedge against the impact of exchange rate volatility:

a) BRL 20,000,000 granted on 27 October 2016, maturing on 26 October 2018, with capital repayment and payment of interest in full maturity, with the contracting of Collar exchange with a total notional of BRL 23,894,658, fully replicating the amortization plan of the financing in BRL;
b) BRL 10,000,000 granted on 17 November 2016, maturing on 26 October 2018, with capital repayment and payment of interest in full maturity, with a Non-deliverable Forward with a total notional of BRL 12,083,068, fully replicating the amortization plan of the financing in BRL;
c) BRL 20,000,000 granted on 20 December, 2016, maturing on 26 October 2018, with capital repayment and payment of interest in full maturity, contracting a Non-deliverable Forward with a total notional of BRL 24,320,986, replicating the amortization plan of the financing in BRL.

Financial instruments: Derivatives | Hedge

Pulp and paper sector - Coverage of Investment in foreign operations

The Group hedges the economic risk associated with the USD exchange rate exposure in its investment held on Portucel North America. For that purpose, the Group entered into a forward foreign exchange contract. In 31 December 2016, the Group had contracted an outstanding notional of USD 25,050,000.

This instrument is designated as a hedge of the net investment in the Group's US subsidiary, with fair value changes being recognised in other comprehensive income.

Pulp and paper sector - Coverage of future sales | Exchange rate risk EUR/USD

The Navigator Group uses derivative financial instruments to limit the net risk of exchange exposure associated with estimated future sales and purchases in USD.

In this context, during the last quarter of 2016, the Group contracted a number of financial structures to cover a portion of the net foreign exchange exposure of sales estimated in USD for 2016. The derivative financial instruments contracted were Options and Zero Cost Collar, Total value of USD 200,000,000, which matured on 31 December 2017. As of 2017, the financial instrument was reinforced, through the additional contracting of USD 80,000,000 through Options and Zero Cost Collar, with maturity January 2018.

Pulp and paper sector – Coverage of cash flows | Interest rate

The Group hedges a portion of future interest payments on loans, commercial paper and bond loans, by engaging in an interest rate swap, in which pays a fixed rate and receives a variable rate. The instrument is designated as a cash flow hedge of the interest rate risk associated with the issued debt and does not cover credit risk. This hedge is designated until the maturity of the hedging instruments.

Cement and derivatives sector - Coverage of cash flows | Interest rate

In 2007, the Group issued a bond loan in the amount of Euros 40,000,000 (issued by the subsidiary Secil Betões e Inertes, S.A., which was dissolved and integrated into Secil in 2016). During the period ended 31 December 2009, the Group contracted a trading derivative, an interest rate swap (IRS) with a notional amount of Euros 40,000,000, however, after carrying out prospective and retrospective effectiveness tests, it was considered as cash flow hedge with effect from 1 July 2010.

In 2015, Secil contracted a bond loan of Euros 60,000,000 that will be repaid to the pair in June 2020. On 23 June 2016, Secil contracted an interest rate hedge derivative through an interest rate Swap (IRS) with a notional amount of Euros 60,000,000, beginning on 9 December 2016 and maturing on 9 June 2020.

Also in fiscal year 2015, Secil contracted a bond loan of Euro 80,000,000, with a full repayment at par in May 2020. On 23 June 2016, an interest rate hedge derivative was contracted through an interest rate swap (IRS) with a notional amount of Euros 80,000,000, commencing on 25 November 2016 and maturing on 25 May 2020.

Available-for-sale financial assets

These amounts are recognised at fair value which corresponds to their market value, deducted from impairment losses, if any (Note 21).

Loans and receivables

These amounts are recognised at fair value which corresponds to their nominal value, after deducting any impairment losses identified during the course of the credit risk analysis of the credit portfolios held (Notes 2.1.3, 22 and 24).

Other financial liabilities

These items are recognised at their amortised cost, corresponding to the value of the respective cash flows discounted at the effective interest rate associated with each one of the liabilities concerned (Note 31).

35. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

As of 31 December 2016 and 2015, related parties receivables and shareholders balances are detailed as follows:

Amounts in Euro	31/12/2016			31-12-2015		
	Other receivables (Note 24)	Other payables (Note 32)	Interest-bearing liabilities (Note 31)	Other receivables (Note 24)	Other payables (Note 32)	Interest-bearing liabilities (Note 31)
Shareholders						
Cimigest, SGPS, S.A.	-	-	6 209 058	-	-	2 754 259
Cimo SGPS, S.A.	-	-	321 842	-	-	-
Longapar, SGPS, S.A.	-	-	73 064	-	1 160	16 890 763
OEM SGPS, S.A.	-	-	2 226 163	-	-	2 065 261
Other related entities						
Cimilonga - Imobiliária, S.A.	-	(13 700)	-	-	6 839	-
Hotel Ritz, S.A.	-	10 843	-	-	-	-
Ave-Gestão Ambiental, S.A.	148 734	(146 844)	-	105 490	588 654	-
Cotif Sicar	-	89 255	-	-	182 002	-
Enermontijo, S.A.	363 682	6 708	-	433 951	4 982	-
Enerpar, SGPS, S.A.	-	-	-	-	46 694	-
Hotel Ritz, S.A.	-	-	-	-	-	-
Inertogrande	214 669	2 091	-	211 296	-	-
J.M.J. Henriques, Lda.	123 701	-	-	121 275	-	-
Secil Prebetão, S.A.	-	-	-	385 520	19 670	-
Secil Unicon - S.G.P.S., Lda.	-	-	-	55 444	-	-
Seribo, S.A.	-	319 907	-	-	315 097	-
Setefrete - Soc. Tráfego Cargas, S.A.	-	3 423	-	-	300 942	-
Other subsidiaries shareholders	9 083	3 215 666	-	-	2 710 746	-
Total	859 869	3 487 349	8 830 127	1 312 976	4 176 786	21 710 283

As of 31 December 2016 and 2015, transactions between shareholders and other related parties comprised:

Amounts in Euro	31-12-2016				31-12-2015			
	Service purchase	Sales and services rendered	Operating income	Net financial costs	Service purchase	Sales and services rendered	Operating income	Net financial costs
Shareholders								
Cimigest SGPS, S.A.	(107 740)	-	-	(24 299)	(107 740)	-	-	(878)
Cimo SGPS, S.A.	-	-	-	(1 123)	-	-	-	(3 124)
Longapar, SGPS, S.A.	-	-	-	(29 736)	-	-	-	(1 683)
OEM SGPS, S.A.	-	-	-	(11 002)	-	-	-	(8 584)
	(107 740)	-	-	(66 160)	(107 740)	-	-	(14 269)
Other related entities								
Cimilonga - Imobiliária, S.A.	(1 021 326)	-	244	-	(883 647)	-	180	-
Hotel Ritz, S.A.	(34 918)	-	-	-	(30 563)	-	-	-
Sonagi, SGPS, S.A.	-	-	990	-	-	-	-	-
Enermontijo, S.A.	(305 461)	642 063	-	-	(267 508)	983 993	-	-
Enerpar, SGPS, S.A.	(310 749)	-	-	-	(1 919 589)	-	-	-
Ave-Gestão Ambiental, S.A.	(3 549 893)	57 716	63 366	-	(4 755 060)	39 379	(64 611)	-
Secil Prebetão, S.A.	(21 322)	356 793	43 732	2 300	(52 697)	798 500	94 763	-
Seribo, S.A.	-	-	-	(4 810)	-	-	-	-
Setefrete, S.A.	(2 856 638)	-	24 086	-	(2 820 022)	-	31 330	-
Other	-	-	9 083	5 726	-	-	3 600	(4 432)
	(8 100 307)	1 056 572	141 501	3 216	(10 729 086)	1 821 872	65 262	(4 432)

36. ENVIRONMENTAL RELATED EXPENDITURES

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

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

Expenditures capitalised and recognised as costs in the year ended 31 December 2016 and 2015, were as follows:

Amounts in Euro	31-12-2016			31-12-2015		
	Revenue	Expenses of the period	Capitalisation of the period	Revenue	Expenses of the period	Capitalisation of the period
Atmospheric emissions	-	4 905 533	833 339	-	1 515 675	6 142 709
Management of residual waters	-	11 069 256	105 865	-	10 069 624	1 200
Residual managements	(686 887)	6 022 986	217 670	(743 973)	3 269 776	156 422
Protection of nature	-	542 376	-	-	781 827	9 775
Energy	-	10 811	1 681 991	-	-	-
Other activities	-	4 059 049	182 428	-	384 742	198 215
	(686 887)	26 610 011	3 021 293	(743 973)	16 021 644	6 508 321

37. AUDIT FEES

In the financial years of 2016 and 2015, the amounts invoiced to the Group related to statutory and other statutory audit services comprised:

Amounts in Euro	2016	2015
Statutory audit services		
Statutory auditors services	**494 885**	319 352
Auditor services in foreign subsidiaries	**273 034**	222 807
Tax consultancy services		
In Portugal	**49 545**	12 250
In foreign subsidiaries	**61 867**	50 451
Other reliability assurance services	**119 741**	93 291
	999 072	698 151

The services described as tax consultancy, mainly comprise the support in complying with tax obligations, being fully integrated in the transitional period expressed in Article 3 of Law 140/2015.

The services indicated as Other reliability assurance services concern the issuance of analysis reports to the management information systems, specialized support in the scope of the Group's subsidiaries' sustainability reports and issuing opinions for certification of irrecoverable debts. They also include advice provided in the scope of assistance to incentives applications, which was in transitional period as expressed in Article 3 of Law 140/2015, as well as training.

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

38. NUMBER OF EMPLOYEES

At 31 December 2016 and 2015, the number of employees in service of the Group's various companies, was as follows:

Segment	31-12-2016	31-12-2015	Var. 16/15
Pulp and paper	**3 111**	2 662	449
Cement and derivatives	**2 615**	2 647	(32)
Environment	**275**	287	(12)
Holdings and others	**27**	25	2
	6 028	5 621	407

The increase in the Pulp and Paper segment is essentially due to the internalization of a group of employees, who were outsourced in 2015.

39. COMMITMENTS

As of 31 December 2016 and 2015, the guarantees and other financial commitments provided by the Group were as follows:

Amounts in Euro	31-12-2016	31-12-2015
Warranties		
IAPMEI (in the perimeter of QREN)	**5 775 752**	8 380 074
Clearance products	**2 868 454**	2 723 960
AT - Portuguese Tax Authorities	**-**	1 124 184
Spanish State Tax Administration Agency	**1 033 204**	-
Customs	**-**	54 414
APSS - Admi. dos Portos de Setúbal e Sesimbra	**2 593 639**	2 593 639
General Bureau of Customs of Setúbal	**800 000**	800 000
APDL - Administração do Porto de Leixões	**707 343**	704 162
Simria	**338 829**	327 775
Instituto de Conservação da Natureza - Arrábida	**406 540**	406 540
Secretaria Regional do Ambiente e Recursos Naturais	**-**	274 595
IAPMEI (PEDIP scope)	**209 305**	209 914
Comissão de Coordenação e Desenv. Regional Norte	**236 403**	236 403
Comissão de Coordenação e Desenv. Regional Centro	**863 173**	863 173
Comissão de Coordenação e Desenv. Regional LVT	**1 118 892**	1 118 892
Comissão de Coordenação e Desenv. Regional Algarve	**453 360**	519 165
CNE (Massa Insolvente)	**13 200 000**	-
Mercedes Benz - Rent a Car	**866 000**	366 000
Others	**1 604 038**	1 446 064
	33 074 932	22 148 954
Other commitments		
Of purchase		
Property, plant and equipment	**79 128 866**	29 603 350
Others	**35 793 718**	41 036 349
Forestry land rents	**53 542 281**	68 339 646
Mortgage loan guarantees	**1 218 088**	1 356 285
	169 682 953	140 335 630
	202 757 885	162 484 584

As of 31 December 2016 and 2015 debt's reimbursement plans for operating leases are as follows:

Amounts in Euro	31-12-2016	31-12-2015
Less than 1 year	**2 481 448**	445 375
Over than 1 year and less than 5 years	**4 272 315**	4 902 934
	6 753 763	5 348 308
Costs incurred in the year	**3 203 888**	3 101 136

40. OTHER COMMITMENTS OF THE GROUP

Investment in a new plant in Angola

On 26 October 2007, the Angolan Cabinet approved the Private Investment Project called the "Lobito New Cement Factory" involving an amount of USD 91,539,000, contracted on 14 December 2007, by Secil Lobito and by ANIP – Agência Nacional para o Investimento Privado, the latter representing the Angolan state. Furthermore, in 2008, an electric-power generating plant costing USD 18,000,000 was added to the investment.

Secil Lobito updated this project to the current Angolan reality. Accordingly, in October 2015, Secil Lobito delivered to U.T.I.P. - Unidade Técnica para o Investimento Privado, set up under the new Private Investment Law, an amendment draft to the previously mentioned Private Investment Project approved in December 2007 by the Council of Ministers of Angola. This amendment was prepared following the several contacts with ANIP, and comprises the update and review of certain subjects and conditions of which the effective feasibility, development and implementation of the investment project relies on.

At the beginning of 2016, the latest revised version of the Project was sent to the U.T.I.P., which includes the adjustment to the new market conditions, as well as the recommendations issued by the U.T.I.P. at the end of 2015. During 2016 fiscal year, Secil Lobito intended to know the position of the Angolan State on the reactivation and reformulation of this Project. According to the latest information obtained, this process is under consideration in the Civil House of the President of the Republic of Angola.

Security Deposit

The subsidiary Ciminpart sold its stake in VIROC in 2012. In the context of this proceeding, Secil has lodged a pledge on a bank deposit amounting to Euro 950,000.

41. CONTINGENT ASSETS

Non-tax matters

Infrastructure enhancement and maintenance rate

Under the licensing process nº 408/04 related to the new paper mill project, the Setubal 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, Setubal. Navigator disagrees with the amount charged and filled an administrative claim against it on 25 February 2008 (request 2485/08), followed by an appeal in Court against the rejection of the claim on 28 October 2008. At 3 October 2012 this claim had an adverse decision, and in 13 November and appeal to the Administrative Supreme Court (STA) was performed, which has brought down the action to Central Administrative Court (TCA) on July 4, 2013.

Public Debt Settlement Fund

In addition to the tax matters described below, a second request to the Public Debt Settlement Fund was submitted on 2 June 2010, which called for the reimbursement of various amounts, totalling Euro 136,243,939. These amounts related to adjustments in the financial statements of the group after its privatisation, that had not been considered in formulating the price of such privatization as they were not included in the documentation made available for consultation by the bidders.

On 24 May 2014, the Administrative and Fiscal Court of Almada denied the request of the Group to present testimonial proves, requesting written allegations. On 30 June 2014, the Group presented its complaint to the conference about this position, whilst present on the same date the written allegations requested by the Court.

The Court upheld the claims of the Panel in this regard, and a hearing is awaited for the examination of witnesses, and experts have already been appointed by the parties, whose report is awaited until the end of the year.

Tax matters

Public Debt Settlement Fund

According to Decree-Law no. 36/93 of 13 February, the tax debts of privatised companies relating to periods prior to the privatisation date (25 November 2006) are the responsibility of the Public Debt Settlement Fund. Navigator submitted an application to the Public Debt Settlement Fund on 16 April 2008 requesting the payment by the State of the tax debts raised by the tax authorities for periods before that date.

On 13 December 2010, Navigator presented a new application requesting the payment of debts settled by the tax authorities regarding 2006 and 2003. This application was supplemented on 13 October 2011, with the amounts already paid and uncontested regarding these debts, as well as with expenses directly related to them, pursuant to court ruling dated 24 May 2011 (Case No. 0993A/02), which confirmed the company's position regarding the enforceability of such expenses. In this context, the aforementioned Fund is liable as detailed:

Amounts in Euro	Period	Amounts requested	1st refund	Decreases in the perimeter of RERD	Process in favor of the Group	Outstanding
Portucel						
Value added tax - Germany	1998-2004	5 850 000	(5 850 000)	-	-	-
Corporate Income Tax	2001	314 340	-	-	(314 340)	-
Corporate Income Tax	2002	625 033	(625 033)	-	-	-
Value added tax	2002	2 697	(2 697)	-	-	-
Corporate Income Tax	2003	1 573 165	(1 573 165)	-	-	-
Corporate Income Tax	2003	182 230	(157 915)	-	(24 315)	-
Corporate Income Tax (RF)	2004	3 324	-	-	-	3 324
Corporate Income Tax	2004	766 395	-	-	(139 023)	627 372
Corporate Income Tax (RF)	2005	1 736	(1 736)	-	-	-
Corporate Income Tax	2005	11 754 680	-	(1 360 294)	-	10 394 386
Corporate Income Tax	2006	11 890 071	-	(1 108 178)	-	10 781 893
Expenses		314 957	-	-	-	314 957
		33 278 627	**(8 210 545)**	**(2 468 472)**	**(477 678)**	**22 121 932**
Soporcel						
Corporate Income Tax	2002	18 923	-	-	-	18 923
Corporate Income Tax	2003	5 725 771	-	-	-	5 725 771
Value added tax	2003	2 509 101	-	-	-	2 509 101
Stamp tax	2004	497 669	-	-	(497 669)	-
		8 751 464	**-**	**-**	**(497 669)**	**8 253 795**
		42 030 091	**(8 210 545)**	**(2 468 472)**	**(975 347)**	**30 375 727**

42. EXCHANGE RATES

The assets and liabilities of the foreign subsidiaries and associated companies were translated to Euro at the exchange rate prevailing on 31 December 2016.

The income statement transactions were translated at the average rate for the year. The differences arising from the application of these rates as compared with the balance prior to the conversion were reflected under the Currency translation reserve heading in shareholders' equity.

The rates used as of 31 December 2016 and 2015, against the Euro, were as follows:

	31-12-2016	31-12-2015	Valuation/ (depreciation)
TND (tunisian dinar)			
Average exchange rate for the year	**2.3726**	2.1761	(9.03%)
Exchange rate at the end of the year	**2.4227**	2.2116	(9.55%)
LBN (lebanese pound)			
Average exchange rate for the year	**1 668.70**	1 672.60	0.23%
Exchange rate at the end of the year	**1 589.10**	1 641.20	3.17%
USD (american dollar)			
Average exchange rate for the year	**1.1042**	1.1085	0.38%
Exchange rate at the end of the year	**1.0541**	1.0887	3.18%
GBP (sterling pound)			
Average exchange rate for the year	**0.8228**	0.7259	(13.36%)
Exchange rate at the end of the year	**0.8562**	0.7340	(16.65%)
PLN (polish zloty)			
Average exchange rate for the year	**4.3653**	4.1844	(4.32%)
Exchange rate at the end of the year	**4.4103**	4.2639	(3.43%)
SEK (swedish krone)			
Average exchange rate for the year	**9.4917**	9.3530	(1.48%)
Exchange rate at the end of the year	**9.5525**	9.1895	(3.95%)
CZK (czech krone)			
Average exchange rate for the year	**27.0345**	27.2804	0.90%
Exchange rate at the end of the year	**27.0210**	27.0230	0.01%
CHF (swiss franc)			
Average exchange rate for the year	**1.0892**	1.0690	(1.89%)
Exchange rate at the end of the year	**1.0739**	1.0835	0.89%
TRY (turkish lira)			
Average exchange rate for the year	**3.3602**	3.0275	(10.99%)
Exchange rate at the end of the year	**3.7072**	3.1765	(16.71%)

	31-12-2016	31-12-2015	Valuation/ (depreciation)
DKK (danish krone)			
Average exchange rate for the year	**7.4448**	7.4588	0.19%
Exchange rate at the end of the year	**7.4344**	7.4626	0.38%
HUF (hungarian florim)			
Average exchange rate for the year	**311.3319**	309.9458	(0.45%)
Exchange rate at the end of the year	**309.8300**	315.9800	1.95%
AUD (australian dollar)			
Average exchange rate for the year	**1.4841**	1.4775	(0.44%)
Exchange rate at the end of the year	**1.4596**	1.4897	2.02%
MZM (mozambican metical)			
Average exchange rate for the year	**70.1309**	42.5652	(64.76%)
Exchange rate at the end of the year	**75.1300**	49.3400	(52.27%)
BRL (brazilian real)			
Average exchange rate for the year	**3.8532**	3.6959	(4.26%)
Exchange rate at the end of the year	**3.4379**	4.2493	19.09%
MAD (moroccan dirame)			
Average exchange rate for the year	**10.8694**	10.8606	(0.08%)
Exchange rate at the end of the year	**10.6160**	10.8120	1.81%
NOK (norwegian krone)			
Average exchange rate for the year	**9.2800**	8.9516	(3.67%)
Exchange rate at the end of the year	**9.0863**	9.6030	5.38%
AOA (angolan kwanza)			
Average exchange rate for the year	**184.4824**	135.5674	(36.08%)
Exchange rate at the end of the year	**178.3843**	149.7158	(19.15%)

43. COMPANIES INCLUDED IN THE CONSOLIDATION

Instrumental companies included in consolidation

Name	Head Office	Direct and indirect % of equity held by Semapa		
		Direct	Indirect	Total
Parent - company				
Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.	Lisbon			
Subsidiaries				
Seminv, SGPS, S.A.	Lisbon	100.00	-	100.00
Seinpart, SGPS, S.A.	Lisbon	49.00	51.00	100.00
Seinpar Investments, B.V.	Amsterdam	100.00	-	100.00
Semapa Inversiones S.L.	Madrid	100.00	-	100.00
Celcimo S.L.	Madrid	-	100.00	100.00
Inspiredplace, S.A.	Lisbon	100.00	-	100.00

Subsidiary companies of sub-group ETSA – under full consolidation

Name	Head Office	Direct and indirect % of equity held in ETSA			% shares held by Semapa
		Direct	Indirect	Total	
Parent - company					
ETSA - Investimentos, SGPS, S.A.	Loures	99.99	-	99.99	99.99
Subsidiaries					
ETSA LOG,S.A.	Loures	100.00	-	100.00	99.99
ABAPOR – Comércio e Industria de Carnes, S.A.	Coruche	100.00	-	100.00	99.99
SEBOL – Comércio e Industria de Sebo, S.A.	Loures	100.00	-	100.00	99.99
ITS – Indústria Transformadora de Subprodutos Animais, S.A.	Coruche	100.00	-	100.00	99.99
BIOLOGICAL - Gestão de Resíduos Industriais, Lda.	Loures	100.00	-	100.00	99.99
AISIB – Aprovechamiento Integral de Subprodutos Ibéricos, S.A.	Mérida	100.00	-	100.00	99.99

Subsidiary companies of sub-group Navigator – under full consolidation

Name	Head Office	Direct and indirect % equity held in Navigator			% of shares held by Semapa
		Direct	Indirect	Total	
Parent - company:					
The Navigator Company, S.A.	Setúbal	35.71	33.69	69.40	69.40
Subsidiaries:					
Navigator Paper Figueira, S.A.	Figueira da Foz	100.00	-	100.00	69.40
Navigator Parques Industriais, S.A.	Setúbal	100.00	-	100.00	69.40
Navigator Products & Tecnology, S.A.	Setúbal	100.00	-	100.00	69.40
Enerpulp – Cogeração Energética de Pasta, S.A.	Setúbal	100.00	-	100.00	69.40
Aboutbalance - SGPS, S.A.	Lisbon	100.00	-	100.00	69.40
Navigator Tissue Rodão, SA	Vila Velha de Ródão	-	100.00	100.00	69.40
Navigator Tissue Cacia, S.A.	Aveiro	-	100.00	100.00	69.40
Navigator Fine Paper , S.A.	Setúbal	-	100.00	100.00	69.40
Navigator Internacional Holding SGPS, S.A.	Setúbal	100.00	-	100.00	69.40
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Mozambique	20.05	60.15	80.20	55.66
Portucel Florestal Brasil - Gestão de Participações, Lda	Brazil	25.00	75.00	100.00	69.40
Colombo Energy Inc.	EUA	-	100.00	100.00	69.40
Portucel Finance, Zoo	Poland	25.00	75.00	100.00	69.40
Navigator Africa, SRL	Italy	-	100.00	100.00	69.40
Navigator Floresta, SGPS, S.A.	Setúbal	100.00	-	100.00	69.40
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, S.A.	Setúbal	-	100.00	100.00	69.40
Gavião - Sociedade de Caça e Turismo, S.A.	Setúbal		100.00	100.00	69.40
Navigator Forest Portugal, S.A.	Setúbal	-	100.00	100.00	69.40
Afocelca - Agrupamento complementar de empresas para protecção contra incêndios, ACE	Portugal	-	64.80	64.80	44.97
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	Palmela	-	100.00	100.00	69.40
Atlantic Forests, S.A.	Setúbal	-	100.00	100.00	69.40
Raiz - Instituto de Investigação da Floresta e Papel	Aveiro	-	94.00	94.00	65.24
Bosques do Atlântico, SL	Spain	-	100.00	100.00	69.40
Navigator Pulp Holding ,SGPS, S.A.	Setúbal	100.00	-	100.00	69.40
Navigator Pulp Figueira, S.A.	Figueira da Foz	-	100.00	100.00	69.40
Navigator Pulp Setúbal, S.A.	Setúbal	-	100.00	100.00	69.40
Navigator Pulp Cacia, S.A.	Aveiro	-	100.00	100.00	69.40
Portucel International GmbH	Germany	-	100.00	100.00	69.40
Navigator Paper Holding ,SGPS, S.A.	Setúbal	100.00	-	100.00	69.40
Navigator Cartolinas, S.A.	Setúbal	-	100.00	100.00	69.40
About the Future - Empresa Produtora de Papel, S.A.	Setúbal	-	100.00	100.00	69.40
Navigator Paper Setúbal, S.A.	Setúbal	-	100.00	100.00	69.40
Portucel Soporcel North America Inc.	USA	-	100.00	100.00	69.40
Navigator Sales & Marketing, S.A.	Belgium	25.00	75.00	100.00	69.40

Name	Head Office	Direct and indirect % equity held in Navigator			% of shares held by Semapa
		Direct	Indirect	Total	
Navigator Lusa, Lda	Figueira da Foz	-	100.00	100.00	69.40
Navigator Switzerland Ltd.	Switzerland	25.00	75.00	100.00	69.40
PortucelSoporcel Afrique du Nord	Morocco	-	100.00	100.00	69.40
PortucelSoporcel España, S.A.	Spain	-	100.00	100.00	69.40
Navigator Netherlands, BV	Netherlands	-	100.00	100.00	69.40
PortucelSoporcel France, EURL	France	-	100.00	100.00	69.40
Navigator Paper Company UK, Ltd	UK	-	100.00	100.00	69.40
Navigator Italia, SRL	Italy	-	100.00	100.00	69.40
PortucelSoporcel Deutschland, GmbH	Germany	-	100.00	100.00	69.40
Navigator Paper Austria, GmbH	Austria	-	100.00	100.00	69.40
PortucelSoporcel Poland SP Z o o	Poland	-	100.00	100.00	69.40
Navigator Eurasia	Turkey	-	100.00	100.00	69.40
Navigator Rus Company, LLC	Russia	-	100.00	100.00	69.40
Navigator Participações Holding, SGPS, S.A.	Setúbal	100.00	-	100.00	69.40
Portucel Florestal, S.A.	Setúbal	100.00	-	100.00	69.40
Arboser – Serviços Agro-Industriais, S.A.	Setúbal	-	100.00	100.00	69.40
EMA21 - Engenharia e Manutenção Industrial Século XXI, S.A.	Setúbal	-	100.00	100.00	69.40
Ema Cacia - Engenharia e Manutenção Industrial, ACE	Aveiro	-	91.15	91.15	63.26
Ema Setúbal - Engenharia e Manutenção Industrial, ACE	Setúbal	-	92.56	92.56	64.24
Ema Figueira da Foz- Engenharia e Manutenção Industrial, ACE	Figueira da Foz	-	91.47	91.47	63.48
Empremédia - Corretores de Seguros, S.A.	Lisbon	-	100.00	100.00	69.40
EucaliptusLand, S.A.	Setúbal	-	100.00	100.00	69.40
Headbox - Operação e Controlo Industrial, S.A.	Setúbal	-	100.00	100.00	69.40
Navigator Added Value, S.A.	Setúbal	-	100.00	100.00	69.40
Navigator Abastecimento de Madeira, ACE	Setúbal	-	100.00	100.00	69.40

Subsidiary companies of sub-group Secil – under full consolidation

Name	Head Office	Direct and indirect % equity held in Secil			% of shares held by Semapa
		Direct	Indirect	Total	
Parent - company:					
Secil - Companhia Geral de Cal e Cimento, S.A.	Setúbal	-	99.998	99.998	99.998
Subsidiaries:					
Hewbol, S.G.P.S., Lda.	Funchal	100.00	-	100.00	99.998
Somera Trading Inc.	Panamá	-	100.00	100.00	99.998
Secil Cabo Verde Comércio e Serviços, Lda.	Praia	-	100.00	100.00	99.998
ICV - Inertes de Cabo Verde, Lda.	Praia	37.50	25.00	62.50	62.499
Florimar- Gestão e Participações, S.G.P.S., Lda.	Funchal	100.00	-	100.00	99.998
Sociedade de Inertes, Lda	Nacala	-	100.00	100.00	99.998
Seciment Investments, B.V.	Amsterdam	100.00	-	100.00	99.998
I3 Participações e Serviços, Ltda.	Rio de Janeiro	-	100.00	100.00	99.998
Serife - Sociedade de Estudos e Realizações Industriais e de Fornecimento de Equipamento, Lda.	Lisbon	100.00	-	100.00	99.998
Silonor, S.A.	Dunkerque	100.00	-	100.00	99.998
Société des Ciments de Gabés	Tunis	98.72	-	98.72	98.716
Sud- Béton- Société de Fabrication de Béton du Sud	Tunis	-	98.72	98.72	98.716
Zarzis Béton	Tunis	-	98.52	98.52	98.519
Secil Angola, SARL	Luanda	100.00	-	100.00	99.998
Secil - Companhia de Cimento do Lobito, S.A.	Lobito	-	51.00	51.00	50.999
Unibetão - Indústrias de Betão Preparado, S.A.	Lisbon	100.00	-	100.00	99.998
Britobetão - Central de Betão, Lda.	Évora	9.00	91.00	100.00	99.998
Secil Britas, S.A.	Lisbon	100.00	-	100.00	99.998
Lusoinertes, S.A.	Lisbon	-	100.00	100.00	99.998
Secil Martingança - Aglomerantes e Novos Materiais para a Construção, S.A.	Leiria	51.19	48.81	100.00	99.998
IRP - Industria de Rebocos de Portugal, S.A.	Santarém	-	75.00	75.00	74.998
Ciminpart - Investimentos e Participações, S.G.P.S., S.A.	Lisbon	100.00	-	100.00	99.998
ALLMA - Microalgas, Lda.	Leiria	-	70.00	70.00	69.999
Argibetão - Sociedade de Novos Produtos de Argila e Betão, S.A.	Lisbon	-	99.37	99.37	99.368
Cimentos Costa Verde - Comércio de Cimentos, S.A.	Lisbon	-	100.00	100.00	99.998
Prescor Produção de Escórias Moídas, Lda.	Lisbon	-	100.00	100.00	99.998
NSOSPE - Empreendimentos e Participações, SA	Brazil	-	100.00	100.00	99.998
Supremo Cimentos S.A.	Brazil	-	100.00	100.00	99.998
Margem - Companhia de Mineração, SA	Brazil	-	100.00	100.00	99.998
Nacional Mineração e Engenharia S.A.	Brazil	-	100.00	100.00	99.998

Name	Head Office	Direct and indirect % equity held in Secil			% of shares held by Semapa
		Direct	Indirect	Total	
CMP - Cimentos Maceira e Pataias, S.A.	Leiria	100.00	-	100.00	99.998
Ciments de Sibline, S.A.L.	Beirut	28.64	22.41	51.05	51.049
Soime, S.A.L.	Beirut	-	51.05	51.05	51.049
Cimentos Madeira, Lda.	Funchal	57.14	-	57.14	57.142
Beto Madeira - Betões e Britas da Madeira, S.A.	Funchal	-	57.14	57.14	57.142
Promadeira - Sociedade Técnica de Construção da Ilha da Madeira, Lda.	Funchal	-	57.14	57.14	57.142
Brimade - Sociedade de Britas da Madeira, S.A.	Funchal	-	57.14	57.14	57.142
Madebritas - Sociedade de Britas da Madeira, Lda. (a)	Funchal	-	29.14	29.14	29.142
Pedra Regional - Industria Transformadora de Rochas Ornamentais, S.A.	Funchal	-	57.14	57.14	57.142
Allmicroalgae Natural Products SA	Leiria	-	100.00	100.00	99.998
Uniconcreto - Betão Pronto, S.A.	Lisbon	100.00	-	100.00	99.998
Finlandimmo Holding BV (futura Secil Netherlands BV)	Netherlands	100.00	-	100.00	99.998
Secil Immo Netherlands BV	Netherlands	-	100.00	100.00	99.998
Secil Cement BV	Netherlands	-	100.00	100.00	99.998
SPB, SGPS, LDA (Ex. Secil Unicon) (b)	Setúbal	100.00	-	100.00	99.998
Secil Prébetão, S.A. (b)	Montijo	-	100.00	100.00	99.998

(a) Companies owned by 51% by Brimade, SA and therefore controlled by the Group
(b) Companies included in the consolidation as of 1 July 2016

44. SHAREHOLDERS EQUITY AND NET PROFIT RECONCILIATION WITH THE INDIVIDUAL FINANCIAL STATEMENTS

The separate financial statements of Semapa, SGPS, S.A. are prepared in compliance with all standards that comprised in the Portuguese GAAP (SNC).

The reconciliation between the equity and consolidated net profit for the years ended 2016 and 2015 is presented as follows:

Amounts in Euro	31-12-2016	31-12-2015
Total Equity - SNC	**885 608 645**	838 806 193
Government grants recognised in shareholders equity	**(27 095 569)**	(39 340 338)
Goodwill amortization	**16 802 995**	-
Brand amortization	**7 622 308**	-
Fair-value difference in subsidiaries and acquisitions / disposals to InC	**(65 608 581)**	(83 128 249)
Total Equity - IFRS	**817 329 798**	716 337 606

Amounts in Euro	31-12-2016	31-12-2015
Net profit - SNC	**89 520 903**	235 960 575
Fair-value difference in subsidiaries and acquisitions to InC	**916 606**	(159 668 162)
Goodwill amortization	**16 802 995**	-
Brand amortization	**7 622 308**	-
Hedging derivative financial instruments treatment	**-**	5 237 629
Net profit - IFRS	**114 862 812**	81 530 042

It should be noted that, in 2016, the change introduced by the SNC to NCRF 6 - Intangible Assets and NCRF 14 - Concentration of business activities, is followed in the preparation of Semapa's Individual Financial Statements. This rule obliges the annual amortization of Goodwill and intangible assets with indefinite useful life - trademarks, which results in a divergence of accounting treatment between the IFRS and the CNS regulations.

In 2015, the amount of Euros 159,668,162 presented in the reconciliation of the net profit refers to the gain realized on the reduction of participation in the subsidiary Navigator as a result of the Public exchange offer described in Note 1.2. Being a transaction with non-controlling interests, it was recorded in the consolidated financial statements directly under Retained earnings (Note 27), and the gain determined for the purposes of the individual accounts of Semapa was recorded in Net Income, in accordance with IFRS and SNC standards, respectively

45. SUBSEQUENT EVENTS

Alteration of the Annual Reporting Period

At the Extraordinary General Meeting of Semapa, SGPS, SA held on 30 December 2016, it was approved to change, with effect from 2017, the annual reporting period for the period between 1 July of each year and 30 June of the following year. It was also decided that the first financial year subsequent to this amendment would have a duration of 6 months, beginning on 1 January 2017 and ending on 30 June 2017.

This amendment was deliberated by the General Assembly following the amendment of the current legal regime, put in force by the State Budget for 2017 that requires the coincidence between the taxation period and the social accounting period as from 1 January 2017.

However, the proposal approved cautioned that, if Semapa were to obtain from the competent authorities, and before the end of the reporting period, which will run until 30 June 2017, the necessary clarifications and possibility of altering the tax period in order to make it coincide with the corporate period, it would seek to revoke the determination described above and also maintain the accounting period coincident with the calendar year.

Considering that Semapa was notified by the Tax and Customs Authority, on 2 March 2017, in which it expressly allows the amendment of the tax period with effect from 1 of January 2017, will thus endeavour to revoke the resolution taken at the Extraordinary General Meeting of December 2016 as soon as possible, thus ensuring the coincidence between the tax and corporate accounting period, corresponding to the calendar year.

Acquisition of assets by the subsidiary Secil

On 27 January Secil entered into an agreement to acquire a group of assets in Spain, currently owned by the Lafarge Holcim Group. The assets acquired consist of a cement terminal, two quarries and thirteen ready-mixed plants located in the Spanish regions of Asturias, Galicia and Castile and León. With this acquisition, Secil expands its activity to a new geography and increases its sales of cement from Portugal. The implementation of the transaction is dependent on the verification of a set of usual precedent conditions in similar operations.

46 NOTE ADDED FOR TRANSLATION

The accompanying financial statements are a translation of financial statements originally issued in Portuguese. In the event of any discrepancies the Portuguese version prevails.

BOARD OF DIRECTORS

Chairman:
Pedro Mendonça de Queiroz Pereira

Members:
João Nuno de Sottomayor Pinto de Castello Branco
José Miguel Pereira Gens Paredes
Paulo Miguel Garcês Ventura
Ricardo Miguel dos Santos Pacheco Pires
António Pedro de Carvalho Viana Baptista
Carlos Eduardo Coelho Alves
Francisco José Melo e Castro Guedes
Manuel Custódio de Oliveira
Vítor Manuel Galvão Rocha Novais Gonçalves
Vítor Paulo Paranhos Pereira

STATUTORY
AUDIT REPORT

CONSOLIDATED
FINANCIAL STATEMENTS


04

STATUTORY AUDIT REPORT AND AUDITORS' REPORT

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Free translation from the original in Portuguese)

Opinion

We have audited the 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 2016 (which shows total assets of Euro 4,088,476,350 and total shareholders' equity of Euro 1,227,084,005 including a net profit of Euro 114,862,812), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. as at 31 December 2016, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered the matters below as key audit matters to be communicated in this report.

Key Audit Matter	Summary of the Audit Approach
Ability to recover the amounts booked as Goodwill Disclosures related to goodwill are presented in notes 1.10, 3.1 and 15 to the consolidated financial statements. As of 31 December 2016, goodwill recognized in the consolidated financial statements of the Semapa Group amounts to Euro 353 million, allocated to the following cash generating unit (CGU): cement and derivatives Euro 193 million, paper and pulp Euro 123 million and environment Euro 36 million. Given the amounts involved, the complexity of the valuation model and the high level of judgment, which are embodied in the assumptions used for the impairment test, this issue was considered to be a relevant matter for the purposes of our audit. In order to determine the value in use, the Management needs to makes use of several estimates and assumptions that are based on economic and market forecasts, in particular with regard to the projection of future cash flows, perpetuity growth rates and discount rates to be used. As a result of the impairment test, no impairment losses to Goodwill were booked concerning the mentioned cash-generating units.	The audit procedures we developed included, among others, assessing the adequacy of the impairment model used by Management and the embodied calculations, assessing the reasonableness of the assumptions used and reconciling future cash flows used in the impairment test to the business plan approved by the Group's Executive Board of Directors. We have used the expertise of our Capital Markets specialists to assist us in validating the assumptions and methodologies used in the annual impairment test. We have challenged the management regarding the adequacy of the most sensitive assumptions in determining the value in use, namely the revenue growth, EBITDA margin, discount rate and perpetuity growth rate. We have assessed the discount rate and the perpetuity growth rate, using comparable information available in the market. We have also performed sensitivity analyses for the main assumptions in order to determine the level of variations which, individually or in aggregate, could lead to impairment losses in Goodwill. The current political and economic situation in Brazil is leading to a reduction in the consumption and price of cement in the Brazilian market, which does not benefit the country risk assessment. In this context, the previous safety margin between the carrying amount and the recoverable amount of the investment has been narrowing. For this reason, our audit procedures particularly focused the assets of this geography. We have also reviewed the adequacy of the related disclosures, namely the ones regarding estimates and assumptions with higher sensitivity to the calculation of the value in use, based on the applicable accounting standards and in what we considered relevant.
Ability to recover the amounts booked as assets with an undefined useful live – brands Disclosures related to assets with an undefined useful live are presented in notes 1.6.2, 1.10, 3.1 and 16 to the consolidated financial statements. As of 31 December 2016, assets with an undefined useful live and corresponding deferred tax liabilities, recognized in the consolidated financial statements of the Semapa Group amounts to Euro 278 million and Euro 74 million, respectively, and comprises the brands identified in the context of the control acquisition of the Navigator Group (Euro 152 million) and the Secil Group (Euro 127 million). The Group uses external experts who, together with Management, establish a set of estimates and relevant assumptions that are based on economic and market forecasts, in particular with regard to the projection of future cash flows, influence and brand strength, perpetuity growth rates and discount rates to be used. Given the complexity of the valuation model and the high level of judgment, which are embodied in the valuation model used for the impairment test, this issue was considered to be a relevant matter for the purposes of our audit..	Our audit procedures included, among others, assessing the adequacy of the external expert's valuation model, namely the reasonableness of methodology, the assumptions used and the calculations embodied in the model, as well as the reconciliation of future cash-flows with the business plan approved by the Group's Executive Committee. We have also performed the established in ISA 620 - Using the work of an auditor's expert. We have challenged the management regarding the adequacy of the most sensitive assumptions in determining the value in use, namely the revenue growth, EBITDA margin, discount rate and perpetuity growth rate, as well as to the influence and strength of the brand. We have assessed the discount rate and the perpetuity growth rate, using comparable information available in the market. We have also performed sensitivity analyses for the main assumptions in order to determine the level of variations which, individually or in aggregate, could lead to impairment losses in the brands. In addition, we compared the most significant estimates and assumptions with past performance and the economic projections of the Group's cash generating units where there is a lower safety margin between the carrying amount and the recoverable amount, namely the Ciments de Sibline cement brand, which already had an impairment loss recognized in 2015 amounting to Euro 11 million (partially reversed in 2016 - Euro 5.2 million), as well as the Supremo Cimentos cement brand, with an impairment loss recognized in the current year amounting to Euro 5 million. We have also reviewed the adequacy of the related disclosures, namely the ones regarding estimates and assumptions with higher sensitivity to the calculation of the value in use, based on the applicable accounting standards and in what we considered relevant.

Key Audit Matter	Summary of the Audit Approach
Ability to recover the amounts booked as tangible fixed assets Disclosures related to tangible fixed assets are presented in notes 1.8, 1.10 and 17 to the consolidated financial statements. As of 31 December 2016, the amount booked as tangible fixed assets in the consolidated financial statements of the Semapa Group amounts to Euro 2,313 million. Given the amounts involved together with the degree of judgment embodied in assessing the ability to recover the amounts booked as tangible fixed assets, which require the definition of estimates and complex assumptions by the Management, namely when determining the Group's CGU's value in use for impairment purposes, this issue was considered to be a relevant matter for the purposes of our audit.	Our audit procedures included, among others, assessing the adequacy of the financial model and the reasonableness of the assumptions used in determining the value in use of the tangible fixed assets, as well as assessing the adequacy of the calculations embedded in the impairment models related to the Semapa Group CGU's, under the terms of IAS 36 - Impairment of assets. The current political and economic situation in Brazil and Mozambique does not benefit the country risk assessments, giving rise to a greater need to reassess the valuation of investments made in these locations. In this context, the previous safety margin between the carrying amount and the recoverable amount of the investments has been narrowing. For this reason, our audit procedures particularly focused the assets of these geographies. As a result of the impairment tests performed to the Group's tangible fixed assets during the current year, an impairment loss of Euro 46 million regarding the investment in Mozambique was booked. The adequacy of the disclosures presented in the Consolidated Financial Statements regarding tangible fixed assets was also assessed, based on the applicable accounting standards and in what we considered relevant.
Fair value of biological assets Disclosures related to biological assets are presented in notes 1.11, 3.4 and 18 to the consolidated financial statements. As of 31 December 2016, biological assets recognized in the Group's consolidated financial statements, mainly eucalyptus, amount to Euro 125.6 million, of which Euro 118.2 million in Portugal and Euro 7.4 million in Mozambique. Given the amounts involved and the high level of judgment, which are embodied in the assumptions used for the internally developed model used to determine the fair value of the biological assets, this issue was considered to be a relevant matter for the purposes of our audit. In order to determine the value in use, the Management needs to makes use of several estimates and assumptions that are based on economic and market forecasts, particularly concerning forest productivity, wood sales price deducted from the cost of cutting, rental cost of rented and own lands, transportation costs, plantation and maintenance costs and discount rate.	Our audit procedures included, among others, assessing the adequacy of the internally developed model, namely the reasonableness of the assumptions used and the calculations embodied in the model used to determine the fair value of biological assets, and its compliance with IAS 41 - Agriculture. We have challenged the management regarding the adequacy of the most sensitive assumptions in determining the fair value of biological assets, namely the sales price and the several costs incorporated in the model, as well as the rate used to discount the cash flows. In addition, we performed specific procedures aiming at validating the reasonableness of these assumptions. We have used the expertise of our Capital Markets specialists to evaluate the reasonableness of the discount rate and have performed procedures to validate the historical information used to build the spot and trend prices incorporated in the model. We also compared estimated information to actual figures, namely regarding to costs of structure, transportation, operating and rental, having also evaluated the consistency of the forestry models when compared to previous periods. For the purposes of validating the forest areas managed by the Group, we obtained forest inventory independent reports and evaluated them in accordance with ISA 620 – Using the work of an auditor's expert. We also performed sensitivity analyzes in order to assess the potential impacts on fair value resulting from changes in price and discount rate. We also reviewed the adequacy of the disclosures presented in the financial statements, namely regarding the estimates and assumptions incorporated in the model, based on the applicable accounting standards and in what we considered relevant.

Key Audit Matter	Summary of the Audit Approach
Tax matters Disclosures related to taxes and provisions are presented in notes 1.14, 1.21, 3.2, 11 and 30 of the consolidated financial statements. The size and structure of the Semapa Group and the dispersion of its operating activity across several locations that are subject to different tax frameworks, increases the complexity of recording taxes in the Group's financial statements. Management monitors these risks on a local and corporate level. Based on the opinion expressed by its legal and tax advisors and on the judgment made by the Management regarding tax matters, which may give rise to possible disagreements with the Tax Authorities, liabilities are recognized or contingent liabilities disclosed in the consolidated financial statements, in accordance with IAS 37 - Provisions , Contingent Liabilities and Contingent Assets. In addition, there are tax matters disclosed by the Group as contingent assets in light of the mentioned accounting standard, which are pending decision by external entities. Given the complexity and the degree of judgment inherent to these tax matters, as well as the level of uncertainty associated with the respective outcome, this issue was considered to be a relevant matter for the purposes of our audit.	As of 31 December 2016, provisions related to tax matters presented in the consolidated financial statements of the Semapa Group amounts to Euro 27.6 million. Considering the developments occurred during 2016, an income tax gain amounting to approximately Euro 30 million relating to these provisions was booked. In addition, contingent assets related to tax matters amounting to Euro 30 million were disclosed. Our audit procedures regarding provisions and tax contingencies included, among others, updating our understanding of the procedures adopted by the Group for the purpose of identifying and evaluating tax contingencies, identifying all the situations that may give rise to a tax contingency at the date of financial reporting and understand their nature and evaluating the information included in the opinions of the Group's legal and tax advisors as well as the communications between the Group and the Tax Authorities. We also challenged Management and those responsible for the legal and tax areas on the estimates, judgments and decisions made in order to assess the adequacy of the categorization of the probabilities of outcome of tax matters in light of IAS 37. We also verified the adequacy of the disclosures presented in the Consolidated Financial Statements, based on the applicable accounting standards and what we considered relevant.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria;

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure;

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. by resolution of the board of the Shareholders' General Meeting of 8 August 2005 until the end of the current term of office, between 2003 and 2005. The aforementioned resolution was subsequently ratified at a Shareholders' General Meeting held on 23 April 2006 and we were appointed for a second term of office from 2006 to 2009, having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of 23 May 2014 for the period from 2014 to 2017;

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of 21 April 2017.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

21 April 2017

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

JORGE MANUEL SANTOS COSTA, R.O.C.

REPORT

AND OPINION OF THE AUDIT BOARD

CONSOLIDATED FINANCIAL STATEMENTS


05

REPORT AND OPINION OF THE AUDIT BOARD

CONSOLIDATED ACCOUNTS

YEAR 2016

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 performed in 2016 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 2016.

2. During the year, we monitored the company's activity and that of its main subsidiaries and affiliated companies 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 documentation, 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 constraints in the exercise of our duties.

3. We met several times with the statutory auditor and the external auditor, PricewaterhouseCoopers & Associados, SROC, Lda. to monitor the audits conducted and supervise their independence. We have analysed the legal Accounts Certificate and Audit Report, which merit our agreement.

4. We analysed the proposals that were presented to us 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 found that:

   a) the Consolidated Income Statement, the Consolidated Financial Statement, the Statement of Comprehensive Income, the Statement of Consolidated Changes in Equity, the Consolidated Cash Flow Statement and its Notes give a true and fair view of the financial position of the company, in respect of its results, comprehensive income, changes in equity and cash flow;

   b) the accounting policies and valuation criteria applied are in conformity with the International Financial Reporting Standards (IFRS),as adopted in the European Union, and ensure that a true and fair assessment of the company's assets and results is given, and the findings and recommendations of the external auditor have been followed through;

   c) the Management Report clearly shows the development of the business and the situation of the company and its subsidiaries included in the consolidation, highlighting key aspects of the activity;

   d) the Corporate Governance Report covers all of the points required under the terms of Article 245 A of the Securities Code.

6. Consequently, taking into account the information delivered by the Company's Board of Directors and Company 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 senior managers and other company staff for their collaboration.

Lisbon, 21 April 2017

The Chairman of the Audit Board

Miguel Camargo de Sousa Eiró

Member of the Audit Board

Gonçalo Nuno Palha Gaio Picão Caldeira

Member of the Audit Board

José Manuel Oliveira Vitorino

SEPARATE FINANCIAL STATEMENTS

06

SEPARATE INCOME STATEMENT BY NATURE

FOR THE PERIOD ENDED AS OF 31 DECEMBER 2016 and 2015

Amounts in Euro	Note	2016	2015
REVENUES AND COSTS			
Sales and services rendered	5	**12 030 773**	10 840 690
Gains / (losses) of subsidiaries, associates and joint ventures	6	**111 349 028**	278 862 657
Cost of materials and services consumed	7	**(3 041 258)**	(3 377 134)
Payroll costs	8	**(8 846 936)**	(11 917 694)
Provisions [increase / (decrease)]	9	**-**	(2 632 589)
Fair value [increase / (decrease)]	10	**(61 457)**	(7 240 176)
Other operating income	11	**20 887**	1 272
Other costs and losses	11	**(438 740)**	(439 721)
Profit before depreciation, net finance costs and taxes		**111 012 297**	264 097 305
(Expenses) / reversals of depreciation and amortisation	12	**(8 786 590)**	(225 492)
Operating profit (before net finance costs and taxes)		**102 225 707**	263 871 813
Interest and similar income	13	**1 355 767**	2 238 108
Interest and similar expense	13	**(16 976 667)**	(31 027 720)
Profit before tax		**86 604 807**	235 082 201
Income tax expense	14	**2 916 096**	878 374
Profit for the year		**89 520 903**	235 960 575
Earnings per share			
Basic earnings per share, EUR	15	**1.11**	2.46
Diluted earnings per share, EUR	15	**1.11**	2.46

SEPARATE BALANCE SHEET

AS OF 31 DECEMBER 2016 and 2015

Amounts in Euro	Note	31-12-2016	31-12-2015
ASSETS			
Non-current assets			
Property, plant and equipment	16	**670 143**	801 090
Goodwill	17	**215 102 802**	223 692 546
Financial investments - equity method	6	**1 361 957 920**	1 226 573 677
Other financial assets		**8 337**	4 233
		1 577 739 202	1 451 071 546
Current assets			
State and other public entities	18	**10 333 247**	-
Receivables and other current assets	19	**9 864 361**	36 139 492
Deferred assets	20	**190 187**	81 120
Financial assets held for trading	21	**-**	294 710
Other financial assets	22	**3 541 616**	5 186 474
Cash and cash equivalents	4	**44 186**	31 125
		23 973 597	41 732 921
Total Assets		**1 601 712 799**	1 492 804 467
EQUITY AND LIABILITIES			
Equity			
Share capital	23	**81 270 000**	81 645 523
Treasury shares	23	**(6 036 401)**	(53 116)
Share premiums	24	**-**	3 923 459
Legal reserves	24	**16 695 625**	23 666 489
Other reserves	24	**767 452 353**	554 130 419
Retained earnings	24	**6 232 850**	3 025 331
Adjustments on financial assets	24	**(69 526 685)**	(71 517 929)
Other changes in equity	24	**-**	(1 384 625)
		796 087 742	593 435 551
Profit for the year		**89 520 903**	235 960 575
Total Equity		**885 608 645**	829 396 126
Liabilities			
Non-current liabilities			
Provisions	9	**12 800 000**	12 800 000
Interest-bearing liabilities	25	**639 291 053**	272 068 365
Pensions and other post-employment benefits	26	**1 232 653**	1 296 605
Deferred tax liabilities	27	**1 112 988**	981 732
		654 436 694	287 146 702
Current liabilities			
Payables and other current liabilities	28	**72 034**	65 789
State and other public entities	18	**706 742**	2 057 217
Interest-bearing liabilities	25	**48 383 018**	357 896 166
Other current liabilities	29	**12 505 666**	16 234 095
Deferred liabilities	20	**-**	8 372
		61 667 460	376 261 639
Total liabilities		**716 104 154**	663 408 341
Total equity and liabilities		**1 601 712 799**	1 492 804 467

SEPARATE STATEMENT OF CHANGES IN EQUITY

FROM 1 JANUARY 2015 TO 31 DECEMBER 2016

Amounts in Euro		Note	Share Capital	Treasury shares	Share premium	Legal reserves	Other reserves	Retained earnings	Adjustments on financial assets	Other changes in equity	Profit for the year	Total
Equity as of 1 January 2015	**1**		**118 332 445**	**(108 444 835)**	**3 923 459**	**23 666 489**	**1 000 223 596**	**(78 037 726)**	**(31 951 021)**	**(27 451 644)**	**112 508 253**	**1 012 769 016**
Changes in the period												
Currency translation differences			-	-	-	-	-	-	-	(2 422 749)	-	(2 422 749)
Currency translation differences recycled to the income statement			-	-	-	-	-	-	-	19 331 364	-	19 331 364
Income and expenses recognised directly in equity												
Share of other comprehensive income of subsidiaries			-	-	-	-	-	-	(38 378 380)	-	-	(38 378 380)
Fair value changes on derivatives financial instruments			-	-	-	-	-	-	-	3 599 082	-	3 599 082
Derivatives financial instruments fair value recycled to the income statement			-	-	-	-	-	-	-	5 559 322	-	5 559 322
Transfer to reserves and retained earnings			-	-	-	-	(8 071 252)	78 037 727	-	-	(69 966 475)	-
Other movements			-	-	-	-	-	1 188 528	(1 188 528)	-	-	-
	2		-	-	-	-	(8 071 252)	79 226 255	(39 566 908)	26 067 019	(69 966 475)	(12 311 361)
Profit for the year	**3**										**235 960 575**	**235 960 575**
Comprehensive income	**4=2+3**										**165 994 100**	**223 649 214**
Operations with shareholders in the period												
Share capital reduction			(36 686 922)	413 478 852	-	-	(376 791 930)	-	-	-	-	-
Treasury shares acquisitions			-	(305 087 133)	-	-	-	(765 800)	-	-	-	(305 852 933)
Dividends paid			-	-	-	-	(61 229 995)	-	-	-	(39 939 176)	(101 169 171)
Other movements			-	-	-	-	-	2 602 602	-	-	(2 602 602)	-
	5		(36 686 922)	108 391 719	-	-	(438 021 925)	1 836 802	-	-	(42 541 778)	(407 022 104)
Equity as of 31 December 2015	**6=1+2+3+5**		**81 645 523**	**(53 116)**	**3 923 459**	**23 666 489**	**554 130 419**	**3 025 331**	**(71 517 929)**	**(1 384 625)**	**235 960 575**	**829 396 126**

Amounts in Euro		Note	Share Capital	Treasury shares	Share premium	Legal reserves	Other reserves	Retained earnings	Adjustments on financial assets	Other changes in equity	Profit for the year	Total
Equity as of 1 January 2016	**6**		**81 645 523**	**(53 116)**	**3 923 459**	**23 666 489**	**554 130 419**	**3 025 331**	**(71 517 929)**	**(1 384 625)**	**235 960 575**	**829 396 126**
Changes in the period												
Income and expenses recognised directly in equity												
Share of other comprehensive income of subsidiaries		24	-	-	-	-	-	-	1 991 244	-	-	1 991 244
Fair value changes on derivatives financial instruments		30	-	-	-	-	-	-	-	1 134 955	-	1 134 955
Derivatives financial instruments fair value recycled to the income statement			-	-	-	-	-	-	-	249 670	-	249 670
Transfer to reserves and retained earnings		24	-	-	-	-	205 274 392	-	-	-	(205 274 392)	-
	7		-	-	-	-	205 274 392	-	1 991 244	1 384 625	(205 274 392)	3 375 869
Profit for the year	**8**										**89 520 903**	**89 520 903**
Comprehensive income	**9=7+8**										**(115 753 489)**	**92 896 772**
Operations with shareholders in the period												
Share capital increase			35 758 800	-	(3 923 459)	(6 970 864)	(24 864 477)	-	-	-	-	-
Share capital reduction			(35 758 800)	-	-	-	35 758 800	-	-	-	-	-
Treasury shares acquisitions			-	(9 959 889)	-	-	-	-	-	-	-	(9 959 889)
Treasury shares reduction			(375 523)	3 976 604	-	-	(3 601 081)	-	-	-	-	-
Dividends paid		24	-	-	-	-	11 820	-	-	-	(26 736 183)	(26 724 363)
Other movements			-	-	-	-	742 480	3 207 519	-	-	(3 950 000)	
	10		(375 523)	(5 983 285)	(3 923 459)	(6 970 864)	8 047 542	3 207 519	-	-	(30 686 183)	(36 684 253)
Equity as of 31 December 2016	**6+7+8+10**	**23 e 24**	**81 270 000**	**(6 036 401)**	**-**	**16 695 625**	**767 452 353**	**6 232 850**	**(69 526 685)**	**-**	**89 520 903**	**885 608 645**

SEPARATE CASH FLOW STATEMENT

FOR THE PERIOD ENDED AS OF 31 DECEMBER 2016 and 2015

Amounts in Euro	Note	2016	2015
OPERATING ACTIVITIES - Direct Method			
Payments to suppliers		**(8 651 553)**	(4 909 090)
Payments to personnel		**(8 876 848)**	(7 924 106)
Cash flow from operations		**(17 528 401)**	(12 833 196)
Income tax received / (paid)		**(19 034 980)**	(1 591 418)
Other receipts / (payments)		**20 882 330**	46 269 454
Cash flow from operating activities (1)		**(15 681 051)**	31 844 840
INVESTING ACTIVITIES			
Outflows			
Property, plant and equipment		**(33 887)**	(1 757)
Financial investments		**(140 000 000)**	(45 526 337)
Inflows			
Property, plant and equipment		**-**	100
Financial investments	6	**87 769 092**	211 284 229
Interest and similar income		**1 442 967**	94 127
Dividends	6	**60 706 029**	193 886 680
Cash flow from investing activities (2)		**9 884 201**	359 737 042
FINANCING ACTIVITIES			
Inflows			
Proceeds from borrowings		**2 470 204 313**	3 090 444 084
Other financing transactions		**3 000 000**	5 801 700
Outflows			
Repayments of borrowings		**(2 412 619 919)**	(3 341 560 629)
Interest and similar expense		**(18 074 932)**	(42 614 993)
Dividends	24	**(26 724 363)**	(101 169 171)
Treasury shares acquisitions	23	**(9 959 889)**	-
Other financing transactions		**(15 000)**	(2 758 700)
Cash flow from financing activities (3)		**5 810 210**	(391 857 709)
CHANGE IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		**13 360**	(275 827)
FOREIGN EXCHANGE TRADES EFFECT		**(299)**	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	**31 125**	306 952
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**44 186**	31 125

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TO THE INDIVIDUAL FINANCIAL STATEMENTS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS OF 31 DECEMBER 2016

(Translation of a report originally issued in Portuguese)

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

1. COMPANY IDENTIFICATION

Entity:	Semapa — Sociedade de Investimento e Gestão, SGPS, S.A.
Head office:	Av. Fontes Pereira de Melo, 14, 10th floor Lisbon
Share capital:	Euro 81,270,000
Corporate body no.:	502 593 130

Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. ("The Company") was incorporated on 21 June 1991 and has as its main business object the management of financial investments in other companies as an indirect form of carrying out economic activity, namely in the production of cement and derivatives, pulp and paper and environment through its subsidiaries, Secil – Companhia Geral de Cal e Cimento, S.A., The Navigator Company and ETSA Investimentos, SGPS, S.A..

These financial statements where approved by the Board of Directors on 7th March 2017.

2. APPLICABLE ACCOUNTING STANDARDS IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance to all standards present in the Portuguese GAAP ("Sistema de Normalização Contabilística – SNC"). These standards include the Basis for the Presentation of the Financial Statements, the Financial Statements' Template, the Code of Accounts, the Accounting and Financial Reporting Standards (NCRF) and the Interpretations Standards (NI).

Whenever SNC does not address to particular transactions or situations, the Company applies the following standards by the presented order, International Accounting Standards, as adopted under regulation (EU) n.1606/2002 from the European Parliament and European Counsel as at July 19, the International Accounting Standards (IAS) and the International Financing Reporting Standards (IFRS) issued by IASB and the corresponding interpretations SIC-IFRIC.

With the publication of Decree Law no. 98/2015 from 2 July and consequent Notice no. 8256/2015 from 19July 2015, changes where introduced to the Portuguese GAAP ("Sistema de Normalização Contabilística – SNC") which its application is mandatory from 1 January 2016. As a result of these changes, namely the amortization of Goodwill and assets with undetermined useful lives, the financial statements ended in 31 December 2016 are not directly comparable to those ended in 31 December 2015.

These financial statements reflect only the Company's separate financial statements. The Company has also prepared a set of consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), which as at 31 December 2016 and 2015 present the following differences between these two sets of financial statements:

Amounts in Euro	**31-12-2016**	31-12-2015
Total Assets	**2 486 763 551**	2 574 741 560
Total liabilities	**2 145 288 191**	2 272 964 037
Total equity (before non-controlling interests)	**(68 278 847)**	(113 058 522)
Total revenues	**2 062 584 170**	2 121 495 000

3. SUMMARY OF THE PRINCIPAL ACCOUNTING POLICIES

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

3.1 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at acquisition cost less depreciation and accumulated impairment losses (Note 16).

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

	Average useful life
Buildings and other constructions	8 – 10
Equipment:	
Administrative equipment	3 - 10
Other property, plant and equipment	8 - 10

The residual values of the assets and respective useful lives are reviewed and adjusted where necessary, at the balance sheet date. When the carrying amount of the asset exceed the realisable value the asset is written down to the estimated recoverable amount, and an impairment charged is booked (Note 3.4).

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

3.2 GOODWILL

Goodwill represents the excess of the consideration paid over the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the acquisition date (Note 17).

Goodwill is amortised over its estimated useful life, which is determined based on the specificity of each business segment. It is tested for impairment whenever doubts arise of whether its carrying value may not be recoverable. Impairment losses relating to Goodwill cannot be reversed. Gains or losses arising from the sale of an entity include the amount of the corresponding Goodwill.

Semapa's estimated useful life for Goodwill varies between 20 and 28 years. It was determined considering the weighted average of the remaining useful lives of the main net assets of the cash-generating units (the subsidiaries).

3.3 FINANCIAL INVESTMENTS – EQUITY METHOD

The caption "Financial Investments – equity method" comprises investments in other entities where the Company has control (when the Company has directly or indirectly more than 50% of the voting rights on General Shareholders' Meetings or has the right to determine their financial and operating policies) or has significant influence (when the company participates on the financial or operating decisions, generally applied in the case of investments representing between 20% and 50% of the share capital of the investments).

Financial investments are accounted for using the equity method less accumulated impairment losses (Note 6).

Subsidiaries

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

In conformity with the equity accounting method, financial investments are recorded at their acquisition cost, adjusted by the amount corresponding to the Group's share of changes in the subsidiaries' shareholders' equity (including net profit) and by dividends received.

The difference between the acquisition cost and the fair value of the subsidiaries' identifiable assets, liabilities and contingent liabilities on the acquisition date, if positive, are recognised as Goodwill. If these differences are negative, they are recorded as income for the period under the caption "Gains of subsidiaries, associates and joint ventures".

An evaluation of investments in subsidiaries occurs when there are signs that the asset could be impaired, and any identified impairment losses are recorded under the same caption. With the exception of goodwill, when the impairment losses recognised in prior years no longer exist, they are reversed.

When the Company's share in the subsidiaries' losses is equal to or exceeds its investment in the subsidiary, the Company ceases to recognise additional losses, except where it has assumed liability or made payments in the subsidiaries' name. Unrealised gains on transactions with subsidiaries are eliminated to the extent of the Company's share in the subsidiary. Unrealised losses are also eliminated, except if the transaction reveals 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 Company. Goodwill recorded in the subsidiaries' financial statements is depreciated over their estimated useful lives (19 to 41 years). Intangible assets with undetermined useful lives (e.g. brands) are amortised over a maximum period of 10 years.

Investments in subsidiaries are disclosed in Note 6.

3.4 IMPAIRMENT OF NON-CURRENT ASSETS

Assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

The reversal of impairment losses recognised in previous periods is recorded when it can be concluded that the recognized impairment losses no longer exist or have decreased (with the exception of impairment losses relating to Goodwill – see Note 3.2).

The reversal of impairment losses is recognised in the income statement as operating income. However, the reversal of the impairment loss is reversed only up to the limit of the amount that would have been recognised (net of depreciation) had the impairment loss not been recorded in previous years.

3.5 FINANCIAL ASSETS

The Company classifies its financial assets in the following categories: financial assets at amortized cost or at fair value with changes in fair value recognised in the income statement. The classification depends on the intention motivating the investment's acquisition. Management determines the classification at the moment of initial recognition of the investments and reappraises this classification on each reporting date.

All acquisitions and disposals of these investments are recognised at the signature date of the respective purchase and sale contracts, irrespective of the financial settlement date.

Financial assets are initially recorded at the acquisition cost, being the fair value equal to the price paid, including transaction expenses. The subsequent measurement depends on the category the investment falls under, as follows:

Financial assets at amortized cost

Loans granted and accounts receivable are non-derivative financial assets with fixed or determinable payments and which are not quoted in an active market. They are originated when the Group advances money, goods or services directly to a debtor without any intention of negotiating the debt.

These investments are included in current assets, except when their maturity exceeds 12 months after the balance sheet date, in which case they are classified as non-current assets.

Loans granted and accounts receivable are reported in the balance sheet under the captions "Other financial assets" and "Receivables and other current assets".

Financial assets held for trading

A financial asset is classified under this category if primarily acquired for the purpose of being sold in the short term or if so designated by management, and whose fair value can be reliably measured. These investments are measured at fair value through profit and loss.

At each reporting date the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. If a prolonged decline in fair value of the financial assets held for trading, measured as the difference between acquisition cost and current fair value, takes place, the loss is recognised in the income statement.

3.6 DERIVATIVE FINANCIAL INSTRUMENTS

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

Although the derivative financial instruments contracted represent effective economic hedging instruments, not all of them qualify as hedging instruments. Derivative financial instruments are stated on the balance sheet at its fair value, and changes are recognised in equity or in gains and losses in financial instruments, whether are effective or not in its coverage.

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

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

i) At acquisition date, there is formal designation and documentation of the hedging relationship, namely regarding the hedged item, the hedging instrument and the company's evaluation of the hedging effectiveness;
ii) There is an expectation that the hedge will be highly effective, at the inception of the hedging relation and along its duration;
iii) The effectiveness of the hedge may be measured at the beginning of the operation and while it is running;
iv) For cash flow hedges, the realization of the cash flows must be highly probable.

3.7 CORPORATE INCOME TAX

Since 1 January 2006, the Company is subject to the special regime governing business groups ("RETGS") 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). Until 30 June 2015, the subsidiary The Navigator Company S.A., Secil S.A. and ETSA Investimentos, SGPS S.A. and the respective subsidiaries meet the conditions to be part of the tax business group.

On 1 July 2015, all companies included in Semapa's tax business group changed their tax reporting period, which previously corresponded to the accounting year end (calendar year), to the period starting 1 July of each year and ending 30 June of the following year.

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

Pursuant to prevailing legislation, the gains and losses relating to subsidiaries and joint-ventures resulting from the application of the equity method are deducted from or added to, respectively, to the net profit of the year for the purpose of calculating taxable income.

Corporate income tax includes current and deferred tax. Current income tax is calculated based on net income, adjusted in conformity with tax legislation in force at the balance sheet date (Note 14).

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

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

Deferred taxes are recorded as a cost or income for the year, except when they result from amounts recorded directly in equity, situation in which deferred tax is also recorded under the same caption.

3.8 RECEIVABLES AND OTHER CURRENT ASSETS

Other current assets are recorded at fair value, being subsequently recognised at their amortised cost, net of impairment losses, so as to state them at their expected net realisable value (Note 19).

Impairment losses are recorded when there is objective evidence that the Company will not receive the full amount outstanding in accordance with the original conditions of the accounts receivable.

3.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises 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 (Note 4).

3.10 SHARE CAPITAL AND TREASURY SHARES

Ordinary shares are classified in shareholders' equity (Note 23).

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

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

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

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

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

3.11 INTEREST-BEARING LIABILITIES

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

Interest-bearing debt is classified as a current liability, except when the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date (Note 25).

3.12 BORROWING COSTS

Borrowing costs relating to loans are generally recognised as financial costs, in accordance with the accrual accounting principle (Note 13).

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

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

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

3.13 PROVISIONS

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

Provisions for future operating losses are not recognised. Provisions are reviewed on balance sheet date and are adjusted so as to reflect the best estimate at that date (Note 9).

3.14 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Pension obligations – defined benefit plans

The responsibilities for the payment of retirement benefits are recorded in accordance with NCRF 28.

In accordance with NCRF 28, companies with pension plans recognise the costs with the granting of these benefits as and when the services are rendered by the beneficiary employees. In this manner, the Company's total liability is estimated at least every six months at the date of the interim and annual financial statements for each plan separately by an independent and specialised entity in conformity with the projected unit credit method.

Thus the liability determined is recognised in the balance sheet and pension costs are recognised under the caption "Payroll cost". Actuarial gains and losses resulting from differences between the assumptions used for purposes of calculating the liabilities and what effectively occurred, as well as the impacts resulting from changes in assumptions, are recognised directly in equity, under the caption "Retained Earnings" (Note 24).

The costs relating to past liabilities, which result from the implementation of a new plan or additional benefits granted, are recognised immediately in situations in which the benefits are being paid or are overdue.

The calculated liability is presented in the Balance sheet under the caption "Pensions and post-employment benefits" included in non-current liabilities.

Actuarial gains and losses resulting from differences between the assumptions used for purposes of calculating the liabilities and what effectively occurred (as well as from changes made thereto and from the difference between the expected amount of the return on the funds' assets and the actual return) are recognised, when incurred, directly in equity (Note 26).

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

Holiday pay, allowance and bonuses

Under the terms of the prevailing legislation, employees are entitled annually to 22 working days leave, as well as to a month's holiday allowance, entitlement to which is acquired in the year preceding its payment.

According to the current Performance Management System ("Sistema de Gestão de Desempenho"), employees can receive a bonus based on annually-defined objectives.

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

3.15 PAYABLES AND OTHER CURRENT LIABILITIES

Trade creditors and current accounts payable are recorded at its nominal value, namely its cost.

3.16 LEASES

Leases, under which a significant part of the risks and benefits of the property is assumed by the lessor, with the Company being the lessee, are classified as operating leases. Payments made under operating leases, net of any incentives received by the lessee, are recorded in the income statement during the period of the lease.

3.17 DIVIDENDS DISTRIBUTION

The distribution of dividends to shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholders and up until the time of their payment.

3.18 REVENUE RECOGNITION AND ACCRUAL BASIS

The income derived from the services rendered is recognized in the income statement with reference to the stage of completion of the services rendered at the balance sheet date, at the fair value of the amount received or receivable.

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

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

The differences between the amounts received and paid and the respective costs and income are recognised in the Receivables and other current assets and Payables and other current liabilities headings (Notes 19 and 29, respectively).

3.19 CONTINGENT ASSETS AND LIABILITIES

Contingent assets are possible assets resulting from past events and which occurrence is dependent on future uncertain events not totally subject to the company's control.

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

Contingent liabilities are defined as: (i) possible liabilities resulting from past events and which occurrence is dependent on future uncertain events not totally subject to the company's control; or (ii) current liabilities from past events that are not recognised because it is no likely that an outflow of resources affecting economic benefits will be required to settle the liability or the amounts cannot be reliably measured.

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

3.20 SUBSEQUENT EVENTS

Events after balance sheet date which provide additional information about the conditions prevailing at the date of the balance sheet are reflected in the separate financial statements.

Subsequent events which provide information about conditions which occur after the balance sheet date are disclosed in the notes to the separate financial statements, if material.

3.21 RISK MANAGEMENT

3.21.1 FINANCIAL RISK FACTORS

Semapa, as a holding company develops direct and indirect managing activities over its subsidiaries. Therefore the fulfilment of the assumed obligations depends on the cash flow generated by its subsidiaries. Thus, the company depends on the eventual dividends distribution by subsidiaries, interests' payment, loans reimbursement and other cash-flows generated by those companies.

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

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

Currency risk

Variations in the euro's exchange rate against other currencies can affect the Company's revenue, mainly through its subsidiaries.

Interest rate risk

Whenever expectations of changes in interest rates justify it, the Company seeks to hedge against adverse movements through derivative instruments namely interest rate collars. In the selection of derivative financial instruments, it is their economic aspects that are the main focus of assessment. The management also evaluates the impact of each additional derivative financial instruments to its portfolio, namely in earnings' volatility.

In order to manage the risk of interest rates, the Company only enters into cash flow hedge. Those transactions are recorded in the balance sheets at their fair value and, to the extent that they are considered effective hedging's, changes in fair value are initially recorded in shareholder's equity and recycled to financial results under the caption gains / (losses) in derivative financial instruments at the settlement date.

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is recycled to the income statement when the hedge instrument is also recognised in the income statement.

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

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

1. Changes in market interest rates affect interest income and expenses arising from financial instruments subject to floating rates;
2. Changes in market interest rates only lead to interest income and expenses regarding fixed rate financial instruments if those are measured at their fair value;
3. Changes in market interest rates affect the fair value of derivative financial instruments as well as other financial assets or liabilities;
4. Changes in fair value of derivative financial instruments and other financial assets and liabilities are measured using the discounted cash flows method, with market interest rates at year end.

Liquidity risk

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

3.21.2 OPERATIONAL RISK FACTORS

Operational risk factors mainly exist at subsidiaries and jointly controlled entities' level and are as follows:

- Supply of raw materials
- Market price
- Demand for Company´s products
- Competition
- Environmental legislation
- Energy costs
- Context costs

3.22 IMPORTANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires that Company's management make judgments and estimates that affect the amount of assets, liabilities, revenue and costs. All estimates and assumptions made by the management were based on the best information and knowledge as of the date of the financial statements' approval, of events and transactions in progress.

The most relevant accounting estimates used on the financial statements include: i) estimated useful life of tangible, intangible assets and goodwill; ii) impairment analysis, namely Goodwill and receivables; and iii) provisions.

Estimates were determined on the best available information at the financial statements' date based on the best knowledge and experience of past and current events. However, events may take place in subsequent periods which are not predictable at this time and therefore not included in the current estimates. Changes to current estimates on subsequent periods will be corrected on the income statement.

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

3.22.1 USEFUL LIFE OF GOODWILL

The Company tests the goodwill carried in the balance sheet for impairment losses annually, in accordance with the accounting policy described in Note 3.2. The recoverable amounts of the cash generating units are ascertained based on the calculation of their value-in-use and fair value less cost to sell. These calculations require the use of estimates and assumptions that if different may have an impact in the estimated recoverable value. Goodwill's useful life is determined based on the remaining estimated useful life of the subsidiaries' main net operational assets.

3.22.2 ACTUARIAL ASSUMPTIONS

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

4. CASH AND CASH EQUIVALENTS

As of 31 December 2016 and 2015 Cash and cash equivalents were as follows:

Amounts in Euro	31-12-2016	31-12-2015
Cash	**4 082**	4 426
Short term bank deposits	**40 104**	26 699
	44 186	31 125

5. SALES AND SERVICES RENDERED

The amount of Euro 12,030,773 and Euro 10,840,690 recognised in Services rendered for the periods ended 31 December 2016 and 2015 respectively, refer to management services provided by Semapa to its subsidiaries in financial, accounting, tax and IT areas, among others, provided in the domestic market (Note 31).

6. FINANCIAL INVESTMENTS – EQUITY METHOD

As of 31 December 2016 and 2015, financial investments accounted for using the equity accounting method were as follows:

Amounts in Euro	31-12-2016				31-12-2015			
	% held	Investments	Share premium and supplementary capital loans	Total	% held	Investments	Share premium	Total
ETSA Investimentos, SGPS, S.A.	**99.99%**	**63 102 652**	**-**	**63 102 652**	99.99%	62 511 166	-	62 511 166
Inspiredplace, S.A.	**100.00%**	**43 139**	**-**	**43 139**	100.00%	44 151	-	44 151
The Navigator Company, S.A.	**35.71%**	**382 760 040**	**-**	**382 760 040**	35.71%	383 233 648	-	383 233 648
Secil - Companhia Geral de Cal e Cimento, S.A.	**100.00%**	**334 596 402**	**140 000 000**	**474 596 402**	100.00%	334 716 607	-	334 716 607
Seinpar Investments, B.V.	**100.00%**	**327 755 854**	**111 493 500**	**439 249 354**	100.00%	275 106 173	168 743 500	443 849 673
Seinpart - Participações, SGPS, S.A.	**49.00%**	**25 053**	**-**	**25 053**	49.00%	25 834	-	25 834
Semapa Inversiones, S.L.	**100.00%**	**166 349**	**-**	**166 349**	100.00%	175 069	-	175 069
Seminv - Investimentos, SGPS, S.A.	**100.00%**	**2 014 931**	**-**	**2 014 931**	100.00%	2 017 529	-	2 017 529
		1 110 464 420	**251 493 500**	**1 361 957 920**		1 057 830 177	168 743 500	1 226 573 677

The movement in the caption "Financial investments – equity method", in the years ended 31 December 2016 and 2015 were as follows:

Amounts in Euro	31-12-2016	31-12-2015
Opening Balance	**1 226 573 677**	1 650 369 364
Incorporations and share capital increases	**-**	45 434 374
Translation differences	**-**	(2 422 749)
Disposals	**-**	(205 423 743)
Gains / (losses) of subsidiaries, associates and joint ventures	**111 349 028**	119 194 491
Dividends paid	**(60 706 029)**	(193 886 680)
Supplementary capital loans	**140 000 000**	-
Reimbursements:		
Share premium	**(57 250 000)**	(148 313 000)
Adjustments on financial assets	**1 991 244**	(38 378 380)
Closing Balance	**1 361 957 920**	1 226 573 677

During the year ended 31 December 2016, Semapa proceeded to additional paid in capital contributions to its subsidiary Secil - Companhia Geral de Cal e Cimento, S.A., for a total amount of Euro 140,000,000. These contributions do not bear interest.

In 2016, net results from subsidiaries are affected by the following factors:

Amounts in Euro	Goodwill Amortization	Defined useful life	Goodwill amortization racional	Brand Amortization	Defined Useful life	Net income effect
ETSA Investimentos, SGPS, S.A.	(2 361 466)	19 years	The Company assessed the remaining estimated useful life of its core assets (19 years).	-	-	(2 361 466)
Secil - Companhia Geral de Cal e Cimento, S.A.:						
Supremo Cimentos, S.A. (Brazil)	(1 388 439)	41 years	Remaining estimated useful life of "Pedreira da Margem". Expected extraction until 2056	-	-	(1 388 439)
Finlandimmo Holding BV (Netherlands)	(118 717)	28 years	Associated to estimated useful life of Secil Group (Note 17)	-	-	(118 717)
Setefrete, S.G.P.S., S.A.	(222 770)	10 years	Without estimated useful life. According to NCRF 14, the maximum of 10 years is assumed.	-	-	(222 770)
Seinpar Investments B.V. (Netherlands):						
The Navigator Company, S.A.:	(4 111 211)	20 years	AF Industry independently assessed the assets of Navigator Group, reaching an average remaining estimated useful life for the main assets in Setubal, Cacia and Figueira da Foz of 20 years.	(7 622 292)	10 years	(11 733 503)
Navigator Tissue Ródão, S.A.	(10 649)	38 years	AF Industry independently assessed the core assets of the Company, reaching an average remaining estimated useful life of 38 years.	-	-	(10 649)
	(8 213 251)			**(7 622 292)**		**(15 835 544)**

The Gains / (losses) of financial investments accounted for using the equity method, in the years ended 31 December 2016 and 2015 were as follows:

Amounts in Euro	2016	2015
Appropriated results		
Aboutbalance, SGPS, S.A.	-	881
ETSA Investimentos, SGPS, S.A.	**592 894**	3 754 816
Inspiredplace, S.A.	**(1 012)**	(2 676)
N.S.O.S.P.E. - Empreendimentos e Participações, S.A.	-	(2 265 590)
The Navigator Company, S.A.	**69 785 534**	77 370 616
Secil - Companhia Geral de Cal e Cimento, S.A.	**(20 679 947)**	(22 040 903)
Seinpar Investments, B.V.	**61 663 621**	62 392 754
Seinpart - Participações, SGPS, S.A.	**(781)**	(798)
Semapa Inversiones, S.L.	**(8 720)**	(12 269)
Seminv - Investimentos, SGPS, S.A.	**(2 561)**	(2 340)
	111 349 028	119 194 491
Gains / (losses) on disposal of financial investments		
Aboutbalance, SGPS, S.A.	-	4
N.S.O.S.P.E. - Empreendimentos e Participações, S.A.	-	(1 597 945)
The Navigator Company, S.A.	-	161 266 107
	-	159 668 166
	111 349 028	278 862 657

As of 31 December 2016, financial information of the investments held by the Group, after adjustments related to the harmonisation of accounting principles, was as follows:

Amounts in Euro	Total assets	Total liabilities	Equity	**Profit for the year**	Revenue
ETSA Investimentos, SGPS, S.A.	88 848 870	25 739 164	63 109 706	**592 961**	26 711 204
Inspiredplace, S.A.	44 839	1 699	43 140	**(1 012)**	-
Secil - Companhia Geral de Cal e Cimento, S.A.	1 415 322 274	997 630 010	334 603 267	**(20 680 372)**	470 518 532
Seinpar Investments, B.V.	439 272 996	23 642	439 249 354	**61 663 621**	-
Seinpart - Participações, SGPS, S.A.	52 826	1 699	51 127	**(1 593)**	-
Semapa Inversiones, S.L.	2 459 717	2 293 368	166 349	**(8 720)**	-
Seminv - Investimentos, SGPS, S.A.	2 016 528	1 599	2 014 929	**(2 561)**	-
The Navigator Company, S.A.	2 295 470 997	1 221 295 616	1 071 902 775	**195 431 339**	1 577 385 207

As of 31 December 2015, financial information of the investments held by the Group, after adjustments related to the harmonisation of accounting principles, was as follows:

Amounts in Euro	Total assets	Total liabilities	Equity	**Profit for the year**	Revenue
ETSA Investimentos, SGPS, S.A.	93 865 227	31 347 073	62 518 154	**3 755 236**	27 614 589
Secil - Companhia Geral de Cal e Cimento, S.A.	1 513 931 367	1 179 207 892	334 723 475	**(22 040 903)**	476 697 994
Seinpar Investments, B.V.	443 862 181	12 508	443 849 673	**62 392 754**	-
Seinpart - Participações, SGPS, S.A.	53 579	859	52 720	**(1 628)**	-
Semapa Inversiones, S.L.	180 141	5 072	175 069	**(12 269)**	-
Seminv - Investimentos, SGPS, S.A.	2 018 327	799	2 017 528	**(2 340)**	-
The Navigator Company, S.A.	2 346 662 894	1 273 433 803	1 073 229 091	**185 332 347**	1 628 023 107

7. CONSUMED MATERIALS AND SERVICES

The caption "Consumed materials and services" is detailed as follows for the years ended 31 December 2016 and 2015:

Amounts in Euro	**2016**	2015
Professional fees	**1 517 560**	1 943 371
Materials	**51 397**	50 343
Energy and fluids	**76 206**	80 024
Travel, lodging and transportation	**351 264**	228 903
Other services	**1 067 726**	1 197 683
External services re-charge	**(22 895)**	(123 190)
	3 041 258	3 377 134

8. PAYROLL EXPENSES

As of 31 December 2016 and 2015 payroll expenses, were made up as follows:

Amounts in Euro	**2016**	2015
Statutory bodies (Note 31)	**5 608 328**	8 716 322
Other remunerations	**2 092 435**	1 997 416
Post-employment benefits (Note 26)	**58 228**	58 228
Other payroll costs	**1 087 945**	1 145 728
	8 846 936	11 917 694

The number of employees working for the Company as at 31 December 2016 and 2015 was of 27 and 25, respectively.

In 2015 the caption Statutory bodies comprises Euro 2,377,075 of Profit-sharing bonuses reclassified to Payroll costs related with the profit-sharing deliberated at the Annual General Meeting of the 2014 financial statements approval that took place on 30 April 2015. According with the applicable accounting standards, and taking into account that the deliberation of the profit-sharing bonuses occurred after the financial statements were approved for issue, the bonuses were reclassified to the 2015 income statement. The comparability of the two presented periods is therefore diminished by this fact (Note 31).

9. PROVISIONS

As of 31 December 2016 and 2015, the provisions amounted to Euro 12,800,000 are related with provisions for risks of fiscal natures, which may originate cash outflows in the future.

During the course of the years ended 31 December 2016 and 2015, the following movements took place in the caption Provisions increase / (decrease):

Amounts in Euro	Negative Equity	Taxes	Others	Total
Balance as of 1 January 2015	**48 910**	**-**	**10 210 000**	**10 258 910**
Increases	42 589	-	8 100 000	8 142 589
Reversals	-	-	(5 510 000)	(5 510 000)
Utilizations	(91 500)	-	-	(91 500)
Transfers and adjustments	1	-	-	1
Balance as of 31 December 2015	**-**	**-**	**12 800 000**	**12 800 000**
Transfers and adjustments	-	12 800 000	(12 800 000)	-
Balance as of 31 December 2016	**-**	**12 800 000**	**-**	**12 800 000**

10. CHANGES IN FAIR VALUE

In the years ended 31 December 2016 and 2015, changes in fair value were as follows:

Amounts in Euro	2016	2015
Financial assets held for trading - Gains / (losses) (Note 21)	**(61 122)**	(109 352)
Derivative financial instruments - Losses (Note 30)	**(7)**	(7 273 783)
Derivative financial instruments - Gains (Note 30)	**99**	142 861
Financial investments - Labor Compensation Fund - Gains / (losses)	**(427)**	98
	(61 457)	(7 240 176)

The change in the caption "Financial assets held for trading" is due to fair value gains and losses recorded in listed securities held by Semapa as described in Note 21.

Gains / (losses) under the caption "Derivative financial instruments – Gains / (losses)" comprise the results from the instruments detailed in Note 30.

11. OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

"Other operating income" is detailed as follows for the years ended 31 December 2016 and 2015:

Amounts in Euro	2016	2015
Gains on disposals of tangible fixed assets	**20 000**	81
Foreign exchange gains	**30**	-
VAT refunded for previous year	**856**	-
Other income	**1**	1 191
	20 887	1 272

"Other operating expenses" is detailed as follows for the years ended 31 December 2016 and 2015:

Amounts in Euro	2016	2015
Indirect taxes	**(294 234)**	(309 674)
Donations	**(74 500)**	(77 717)
Membership fees	**(57 456)**	(48 746)
Other expenses	**(12 550)**	(3 584)
	(438 740)	(439 721)

12. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

As of 31 December 2016 and 2015 changes in Depreciation, amortisation and impairment losses were as follows:

Amounts in Euro	2016	2015
Depreciation of property, plant and equipment		
Buildings and other constructions (Note 16)	**(114 857)**	(116 966)
Equipment and other tangible assets (Note 16)	**(81 990)**	(108 526)
	(196 847)	(225 492)
Amortization of intagible assets		
Goodwill (Note 17)	**(8 589 743)**	-
(Expenses) / reversals of depreciation and amortisation	**(8 786 590)**	(225 492)

13. NET FINANCIAL RESULTS

As of 31 December 2016 and 2015 Net financial results were detailed as follows:

Amounts in Euro	2016	2015
Interest and similar income:		
Interest income from bank deposits	**1 750**	-
Interest income on loans to subsidiaries (Note 31)	**1 354 015**	2 144 956
Compensatory Interests	**-**	34 025
Gains on derivative financial instruments (Note 30)	**-**	59 127
Other financial income	**2**	-
	1 355 767	2 238 108
Interest and similar expenses:		
Interest paid on borrowings	**(2 511 209)**	(3 175 957)
Interest paid on loans from shareholders (Note 31)	**(66 161)**	(14 270)
Interest paid on loans from subsidiaries (Note 31)	**(1 623)**	(819)
Losses on derivative financial instruments (Note 30)	**(1 383 492)**	(7 006 571)
Interest paid from other loans	**(9 491 113)**	(16 270 888)
Other financial expenses	**(3 523 069)**	(4 559 215)
	(16 976 667)	(31 027 720)

The amounts stated in "Losses on derivative financial instruments" and "Gains on derivative financial instruments" comprises the results from the financial instruments detailed in Note 30.

The amounts stated in "Other financial expenses" is mainly related with the interest bearing liabilities issuing costs, recognised according with the accounting policy described in Notes 3.12 and 3.13.

14. INCOME TAX

As of 1 January 2014, and in accordance with the legislative changes introduced by the reform of the CIT code , the relevant percentage to the appliance of the special regime governing business groups was changed to 75% (until 31 December 2013 this percentage was 90%).

As of 31 December 2016, the tax business group led by Semapa as the dominant society comprises Groups Secil, and ETSA, as well has all the subsidiaries that meet the legal requirements of the Corporate Income Tax Code. The companies that integrate the The Navigator Company Group also integrated the tax business group led by Semapa until 30 June 2015. After 1 July 2015 a new taxation group led by The Navigator Company S.A. was created. This change occurred in July 2015 (Note 1.2) and took place because of the public exchange offer that decreased the direct and indirect interest held in this subsidiary to a percentage below the legal requirement of 75%.

On 1 July 2015, all companies included in Semapa's tax business group changed their tax reporting period, which previously corresponded to the accounting year end (calendar year), to the period starting 1 July of each year and ending 30 June of the following year.

As of 31 December 2016 and 2015, Income tax expense comprises:

Amounts in Euro	2016	2015
Current tax	**3 047 352**	24 964 048
Deferred tax (Note 27)	**(131 256)**	(24 085 674)
	2 916 096	878 374

The reconciliation of the effective tax rate in the years ended 31 December 2016 and 2015 is as follows:

Amounts in Euro	2016	2015
Profit before tax	**86 604 807**	235 082 201
Expected income tax	**19 486 082**	52 893 495
Differences (a)	**(23 132 405)**	(98 073 221)
Prior year Corporate Income tax	**(4 086 029)**	(915 898)
Non-Recoverable tax losses carried forward	**3 777 579**	69 264 410
Recoverable tax losses carried forward	**-**	(26 879 115)
Autonomous taxation	**1 038 677**	2 831 955
	(2 916 096)	(878 374)
Effective tax rate	**(3.37%)**	(0.37%)
Effective tax rate without the equity method	**9.27%**	0.83%

(a) This amount is made up essentially of:

Amounts in Euro	2016	2015
Effects arising from the application of the equity method - Equity Method (Note 6)	**(111 349 028)**	(278 862 657)
Non-deductible depreciations (Note 12)	**8 589 743**	-
Adjustments and taxed provisions (Note 9)	**-**	8 142 589
Reversal of taxed provisions (Note 9)	**-**	(5 510 000)
Post-employment benefits (Note 8 and 26)	**58 228**	58 228
Pensions paid (Note 26)	**(122 180)**	(122 180)
Capital gains / (losses) for tax purposes	**20 000**	-
Capital gains / (losses) for accounting purposes	**(20 000)**	(159 668 166)
Other	**12 549**	81 204
	(102 810 688)	(435 880 982)
Tax Effect (22.50%)	**(23 132 405)**	(98 073 221)

The annual tax returns in Portugal are subject to review and possible adjustment on the part of the tax authorities during a period of 4 years (5 years for Social Security). However, where there are tax losses, these may be subject to review and additional assessment by the tax authorities for a higher period.

The Board of Directors is of the opinion that any corrections to those tax returns as a result of assessments by the tax authorities will not have a material impact on the financial statements at 31 December 2016. Additionally, the periods until 2013 have already been reviewed.

15. EARNINGS PER SHARE

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

Amounts in Euro	**2016**	2015
Profit attributable to Semapa's shareholders	**89 520 903**	235 960 575
Weighted average number of ordinary shares in issue	**80 977 732**	95 945 583
Basic earnings per share	**1.11**	2.46
Diluted earnings per share	**1.11**	2.46

16. PROPERTY, PLANT AND EQUIPMENT

The following movements were registered in the years ended 31 December 2016 and 2015 under the caption Property, plant and equipment, as well as on the respective depreciation and impairment losses accounts:

Amounts in Euro	Buildings and other constructions	Equipments and others tangibles	Work in progress	**Total**
Acquisition cost				
Amount as of 1 January 2015	1 872 176	1 256 523	102 292	**3 230 991**
Acquisitions	-	70 001	4 383	**74 384**
Disposals	-	(1 600)	-	**(1 600)**
Amount as of 31 December 2015	1 872 176	1 324 924	106 675	**3 303 775**
Acquisitions	-	46 244	19 657	**65 901**
Disposals	-	(69 708)	-	**(69 708)**
Transfers	-	21 915	(21 915)	**-**
Amount as of 31 December 2016	1 872 176	1 323 375	104 417	**3 299 968**
Accumulated depreciation and impairment losses				
Amount as of 1 January 2015	(1 176 226)	(1 000 276)	(102 292)	**(2 278 794)**
Acquisitions (Note 12)	(116 966)	(108 526)	-	**(225 492)**
Disposals	-	1 600	-	**1 600**
Write-off's and Regularisations	-	1	-	**1**
Amount as of 31 December 2015	(1 293 192)	(1 107 201)	(102 292)	**(2 502 685)**
Acquisitions (Note 12)	(114 857)	(81 990)	-	**(196 847)**
Disposals	-	69 708	-	**69 708**
Write-off's and Regularisations	1	(2)	-	
Amount as of 31 December 2016	(1 408 048)	(1 119 485)	(102 292)	**(2 629 825)**
Net book value as of 1 January 2015	695 950	256 247	-	**952 197**
Net book value as of 31 December 2015	578 984	217 723	4 383	**801 090**
Net book value as of 31 December 2016	464 128	203 890	2 125	**670 143**

17. GOODWILL

As of 31 December 2016 and 2015 Goodwill is made up as follows:

Entity	Acq Year	31-12-2016	31-12-2015
The Navigator Company, S.A.	2010	**39 948 146**	42 050 680
Secil - Companhia Geral de Cal e Cimento, SA	2014	**175 154 656**	181 641 866
		215 102 802	223 692 546

The following movements were registered in the caption Goodwill during 2016 and 2015:

Amounts in Euro	31-12-2016	31-12-2015
Opening balance	**223 692 546**	237 577 174
Disposals	**-**	(13 884 628)
Amortisations	**(8 589 743)**	-
Regularizations	**(1)**	-
Closing Balance	**215 102 802**	223 692 546

The useful life for Goodwill and its amortisation are determined as follows:

Amounts in Euro	Goodwill amortisation	Defined useful life	Racional
Secil - Companhia Geral de Cal e Cimento, S.A.:	(6 487 209)	28 years	Remaining estimated useful life of "Pedreira do Outão and Maceira" as at 31 December 2015.
The Navigator Company, S.A.:	(2 102 534)	20 years	AF Industry independently assessed the assets of Navigator Group, reaching na average remaining estimated useful life for the main assets in Setubal, Cacia and Figueira da Foz of 20 years.
	(8 589 743)		

18. STATE AND OTHER PUBLIC ENTITIES

As at 31 December 2016 and 2015, there were no arrear debts to the State and other public entities.

As mentioned in Note 14, as of 1 January 2014 the tax group dominated by Semapa, SGPS, S.A., comprises the Portuguese entities that comply with the conditions laid down in Article 69 of the CIT Code. Thus, although those companies ascertain and record the income tax as if they were taxed on an individual basis, the overall corporate income tax as well as the overall clearance/payment is performed by the parent company, in this case Semapa SGPS, S.A..

The balances relating to these entities were as follows:

Current assets

Amounts in Euro	31-12-2016	31-12-2015
Corporate income tax - IRC	**10 333 247**	-
	10 333 247	-

Current liabilities

Amounts in Euro	31-12-2016	31-12-2015
Corporate Income Tax - CIT	**-**	1 241 406
Personnel income tax - witheld on salaries	**130 972**	131 687
Value added tax - VAT	**437 632**	562 375
Social security	**108 244**	118 935
Other	**29 894**	2 814
	706 742	2 057 217

As of 31 December 2016 and 2015, the caption "Corporate Income tax - CIT" comprise:

Amounts in Euro	31-12-2016	31-12-2015
Corporate Income Tax - Semapa, SGPS, S.A.	**(635 392)**	(672 738)
Corporate Income Tax - Special Tax Regime for Group Companies (RETGS)	**(694 002)**	(1 265 479)
Payments on account	**607 639**	464 393
Withholding tax	**14 290**	47 165
Prior years Corporate Income Tax	**11 040 712**	185 253
	10 333 247	(1 241 406)

19. RECEIVABLES AND OTHER CURRENT ASSETS

At 31 December 2016 and 2015, "Other receivables and other current assets" comprised:

Amounts in Euro	31-12-2016	31-12-2015
Other receivables		
Accounts Payable (debtor balances)	**640**	19 984
Related Parties (Note 31)		
Current Operations Accounts	**1 411 248**	35 046 263
Special Tax Regime for Group Companies (RETGS)	**8 429 049**	1 047 033
Other receivables	**23 424**	26 212
	9 864 361	36 139 492

20. DEFERRALS

As of 31 December 2016 and 2015, this caption comprised:

Amounts in Euro	31-12-2016	31-12-2015
Deferred assets		
Consumed materials and services	**94 412**	64 037
Interests	**95 775**	17 083
	190 187	81 120
Deferred liabilities		
Others	**-**	8 372
	-	8 372

21. FINANCIAL ASSETS HELD FOR TRADING

As of 31 December 2016 and 2015 the "Financial assets held for trading" comprises:

	Fair Value	
Amounts in Euro	31-12-2016	31-12-2015
CEMG fund	**-**	294 710
	-	294 710

The following movements were registered in this caption during the years ended 31 December 2016 and 2015:

Amounts in Euro	31-12-2016	31-12-2015
Fair value Opening Balance	**294 710**	404 062
Acquisitions	**35 504**	-
Disposals	**(269 092)**	-
Changes in fair value (Note 10)	**(61 122)**	(109 352)
Fair value Closing Balance	**-**	294 710

22. OTHER FINANCIAL ASSETS

As of 31 December 2016 and 2015 the captions "Other financial assets", current, were essentially comprised by receivables from subsidiaries (Note 31) amounting to Euro 3,541,616 and Euro 5,186,474, respectively. Current receivables are related with short term cash operations, with market interest rates, which are collected every three months.

23. SHARE CAPITAL AND TREASURY SHARES

At 31 December 2016 and 2015, Semapa share capital was fully subscribed and paid up, being represented by 81,270,000 and 81,645,523 shares, respectively, with a unit nominal value of 1 Euro each.

Following the approval at Semapa's Annual General Shareholders' Meeting of 20 April 2016, the following resolutions were implemented:

- Reduction of the share capital from Euro 81,645,523 to Euro 81,270,000, in the amount of Euro 375,523, due to the cancellation of 375,523 treasury shares, pursuant to article 463 of the Portuguese Companies Code, with the consequent amendment no. 1 of Article 4 of the Articles of Association relating to the composition of share capital;
- Share capital increase of Euro 81,270,000 to Euro 117,028,800, in the total amount of Euro 35,758,800, through the incorporation of reserves, with a proportional increase, in the amount of Euro 0.44 per share, of the nominal value of all the shares of the Company, which now amounts to Euro 1.44 per share and with the consequent amendment no. 1 of Article 4 of the Articles of Association regarding to the composition of share capital; and
- Share capital decrease from Euro 117,028,800 to Euro 81,270,000, in the amount of Euro 35,758,800, for the purpose of releasing excess capital, transferring to free reserves the released amount -in share capital and proportional reduction of the amount Nominal value of all shares of the Company, in the amount of Euros 0.44 per share, which have a unit face value of 1 Euro, with the consequent amendment to the Articles of Association, namely no. 1 of Article 4, regarding the composition of share capital, and no. 4 of Article 9, regarding the number of shares to which one vote correspond.

At 31 December 2016 and 2015 the following entities had substantial holdings in the company's capital:

	31-12-2016		31-12-2015	
Name	Number of shares	%	Number of shares	%
Longapar, SGPS, S.A.	**22 225 400**	**27.35**	22 225 400	27.22
Cimo - Gestão de Participações, SGPS, S.A.	**16 199 031**	**19.93**	16 199 031	19.84
Sodim, SGPS, S.A.	**15 252 726**	**18.77**	15 252 726	18.68
Bestinver Gestión, SGIIC, S.A.	**7 166 756**	**8.82**	7 166 756	8.78
Cimigest, SGPS, S.A.	**3 185 019**	**3.92**	3 185 019	3.90
Santander Asset Management España, SA	**2 268 346**	**2.79**	2 268 346	2.78
Sociedade Agrícola da Quinta da Vialonga, S.A.	**625 199**	**0.77**	625 199	0.77
OEM - Organização de Empresas, SGPS, S.A.	**535 000**	**0.66**	535 000	0.66
Treasury Shares	**586 329**	**0.72**	5 530	0.01
Other shareholdres with less than 2% participation	**13 226 194**	**16.27**	14 182 516	17.37
	81 270 000	**100.00**	81 645 523	100.00

As of 31 December 2016 and 2015, Semapa - Sociedade de Investimento e Gestão, SGPS, SA holds 586.329 and 5,530 treasury shares, respectively.

24. RESERVES AND RETAINED EARNINGS

Share premium

This value cannot be distributed unless in the event of the company's winding up. However, it may be used to absorb losses after the other reserves have been exhausted or it can be incorporated into the issued capital.

Legal reserve

Commercial Company law prescribes that at least 5% of annual net profit must be transferred to the legal reserve until this is equal to at least 20% of the issued capital, which is verified as of 31 December 2016.

This reserve cannot be distributed unless in the event of the company's winding up. However, it may be used to absorb losses after the other reserves have been exhausted or it can be incorporated into the issued capital.

Other reserves

This caption corresponds to available reserves for distribution to shareholders, constituted through the appropriation of prior year's earnings.

Retained earnings

Actuarial gains or losses

The differences between the assumptions used for the purpose of determining liabilities related to post-employment benefits and what effectively occurred are equally recorded under this caption as well as changes made to those assumptions as described in Note 3.14.

Previous year's net profit was distributed as follows:

	Net profit application	
Amounts in Euro	2015	2014
Dividends paid	26 724 363	39 939 176
Profit-sharing bonuses	3 207 519	2 602 602
Others reserves	206 028 693	69 966 475
Profit for the year	**235 960 575**	**112 508 253**
Dividend per share	**0.329**	**0.375**

Adjustments on financial assets

This caption comprises the adjustments due to the equity accounting method application to the Company's subsidiaries.

Adjustments on financial assets were as follows in the years ended 31 December 2016 and 2015:

Amounts in Euro	31-12-2016	31-12-2015
ETSA Investimentos, SGPS, S.A.	**(774 892)**	(773 483)
The Navigator Company, S.A.	**(16 458 910)**	(6 905 799)
Secil - Companhia Geral de Cal e Cimento, S.A.	**(43 359 070)**	(63 918 811)
Seinpar Investments, B.V.	**(17 443 873)**	(8 429 933)
Seinpart - Participações, SGPS, S.A.	**35 857 480**	35 857 480
Semapa Inversiones, S.L.	**(36 764 962)**	(36 764 962)
Seminv - Investimentos, SGPS, S.A.	**9 417 542**	9 417 579
	(69 526 685)	(71 517 929)

The following movements were registered in the caption "Adjustments on Financial Assets" in the years ended 31 December 2016 and 2015:

Amounts in Euro	31-12-2016	31-12-2015
Opening Balance	**(71 517 929)**	(31 951 021)
Investment grants recognised directly in the subsidiaries equity	**(3 990 927)**	4 174 318
Actuarial gains / (losses)	**(6 767 941)**	(10 039 686)
Fair value of derivative financial instruments	**(2 526 052)**	(1 748 381)
Fair value of business combinations	**(13 992 809)**	-
Translation reserve	**32 849 107**	(30 761 809)
Differences of aquistion inter-group	**(3 550 701)**	-
Transfer to retained earnings	**-**	(1 188 528)
Other movements	**(29 433)**	(2 822)
Close balance	**(69 526 685)**	(71 517 929)

25. INTEREST-BEARING LIABILITIES

Company's net debt was as follows:

Amounts in Euro	31-12-2016	31-12-2015
Interest-bearing liabilities		
Non-current	**639 291 053**	272 068 365
Current	**48 383 018**	357 896 166
	687 674 071	629 964 531
Cash and cash equivalents		
Cash	**4 082**	4 426
Short term bank deposits	**40 104**	26 699
	44 186	31 125
Market value of shares held by the Group	**7 856 809**	70 203
Interest-bearing net debt	**679 773 076**	629 863 203

Bank credit facilities granted and not drawn

At 31 December 2016 and 2015, bank credit facilities granted and not drawn amounted to Euro 143.229.233 and Euro 355,539,416 respectively.

Non-current interest-bearing liabilities

As of 31 December 2016 and 2015, current and non-current interest-bearing liabilities were as follows:

Amounts in Euro	31-12-2016	31-12-2015
Non Current		
Bonds loans	**330 000 000**	230 000 000
Commercial paper	**255 000 000**	25 000 000
Bank loans	**57 500 000**	20 357 143
Expenses with loans issuing	**(3 208 947)**	(3 288 778)
Non-current interest-bearing liabilities	**639 291 053**	272 068 365

Bond Loans

As of 31 December 2016 and 2015, current and non-current bond loans were as follows:

Amounts in Euro	31-12-2016	31-12-2015
Bond loans		
Semapa 2006 / 2016	-	175 000 000
Semapa 2006 / 2016	-	1 087 000
Semapa 2014 / 2019	**150 000 000**	150 000 000
Semapa 2014 / 2020	**80 000 000**	80 000 000
Semapa 2016 / 2023	**100 000 000**	-
	330 000 000	406 087 000

In June 2016 Semapa issued a bond loan amounting to Euro 100 million maturing in 7 years (2023). This issue is not listed.

In April 2014 Semapa issued a bond loan amounting to Euro 150 million maturing in 5 years (2019). As at 31 December 2016 the unit market value of these bonds was Euro 102.210.

In November 2014 Semapa issued a bond loan amounting to Euro 80 million maturing in 6 years (2020) and repurchased Euro 48.9 million of "Obrigações Semapa 2006/2016 – 2.ª Emissão", which were first issued by Euro 50 million. As at 31 December 2016 the unit market value of these bonds was Euro 101.500. At the end of May 2016, Semapa fully repaid the remainder of the "Obrigações Semapa 2006/2016 – 2.ª Emissão".

In 2016, Semapa fully repaid the bond loan contracted in 2006, for a total amount of Euro 175 million, which was listed in Euronext Lisbon under the designation "Obrigações Semapa 2006/2016"

Commercial Paper

In 2016, Semapa contracted two commercial paper: one up to Euro 40,000,000 with 5 years maturity and other up to Euro 35,000,000 with 1 year maturity, fully issued on 31 December 2016.

In 2015, Semapa contracted a commercial paper amounting Euro 25,000,000 with 4 years maturity, fully issued on 31 December 2016.

In 2014, Semapa contracted a commercial paper program amounting to Euro 120 million for a period of four years. As at 31 December 2016 Euro 90 million of this program were in use.

In 2013, Semapa contracted a commercial paper amounting Euro 100,000,000 with 7 years maturity. As at 31 December 2016 no issues were in place.

In 2008, Semapa SGPS, S.A. contracted a commercial paper program amounting Euro 70,000,000, due in September 2020, increased to a maximum amount of Euro 100 million, after renegotiation. As at 31 December 2016 this program was fully issued.

In June 2016, expired the term of the commercial paper program up to a maximum amount of EUR 175 million.

Repayment terms of loans

The repayment terms for the loans recorded in bonds, bank loans and other loans, non-current, are detailed as follows:

Amounts in Euro	31-12-2016	31-12-2015
1 to 2 years	**117 500 000**	2 857 143
2 to 3 years	**175 000 000**	17 500 000
3 to 4 years	**178 000 000**	175 000 000
4 to 5 years	**48 000 000**	80 000 000
More than 5 years	**124 000 000**	-
	642 500 000	275 357 143

Current interest-bearing debt

As of 31 December 2016 and 2015, the current interest bearing debt was as follows:

Amounts in Euro	31-12-2016	31-12-2015
Current		
Bond Loans	**-**	176 087 000
Commercial Paper	**35 000 000**	153 750 000
Bank loans	**4 381 456**	6 174 869
Interest-bearing bank debt	**39 381 456**	336 011 869
Shareholders short-term loans (Note 31)	**8 830 127**	21 710 283
Subsidiaries short-term loans (Note 31)	**171 435**	174 014
Other interest-bearing debts	**9 001 562**	21 884 297
Current interest-bearing liabilities	**48 383 018**	357 896 166

Liabilities assumed due to Operating Leases

As of 31 December 2016 and 2015 debt's reimbursement plans for operating leases are as follows:

Amounts in Euro	31-12-2016	31-12-2015
Less than 1 year	**161 106**	142 788
1 to 2 years	**134 573**	132 806
2 to 3 years	**98 146**	106 273
3 to 4 years	**41 676**	69 846
4 to 5 years	**6 270**	13 376
Total liabilities	**441 771**	465 089
Costs for the year*	**910 978**	880 060

* Property rentals included

26. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

As at 31 December 2016 and 2015, liabilities presented in the balance sheet under the caption "Pension and other post-employment benefits" (Euro 1,232,653 and Euro 1,296,605 respectively), regard the one beneficiary who chose not to join the deliberation held in December 2012 regarding the revocation of the Board of Directors pension plan.

During the periods ended 31 December 2016 and 2015, changes in Company's liabilities were as follows:

Amounts in Euro	31-12-2016	31-12-2015
Opening balance	**1 296 605**	1 360 557
Movements in the year:		
Expenses recognised in the income statement (Note 8)	**58 228**	58 228
Pensions paid	**(122 180)**	(122 180)
Liabilities at year end	**1 232 653**	1 296 605

The actuarial studies were based on the following financial and demographic assumptions:

	31-12-2016	31-12-2015
Mortality table	**TV 88/90**	TV 88/90
Disability table	**EKV 80**	EKV 80
Pensions growth rate	**2.25%**	2.25%
Technical interest rate	**3.50%**	3.50%
Interest rates	**4.50%**	4.50%
Wage growth rate	**2.00%**	2.00%
Pensions reversability rate	**50%**	50%
Number of Semapa complement annual payments	**12**	12
Social Benefits formula	**Decree-law nº 187/2007 of May 10th**	Decree-law nº 187/2007 of May 10th

27. DEFERRED TAXES

In the year 2016, the changes in deferred taxes were as follows:

Amounts in Euro	As of 1 January 2016	Income statement Increase	As of 31 December 2016
Temporary differences originating deferred tax assets			
Tax losses carried forward - inter-group	(4 674 914)	(625 030)	(5 299 944)
Deferred tax liabilities	**(981 732)**	**(131 256)**	**(1 112 988)**

In the year 2015, the changes in deferred taxes were as follows:

Amounts in Euro	As of 1 January 2015	Income Statement Decrease	As of 31 December 2015
Temporary differences originating deferred tax assets			
Tax losses carried forward	116 482 452	(116 482 452)	-
Temporary differences originating deferred tax liabilities			
Tax losses carried forward - inter-group	(6 463 678)	1 788 764	(4 674 914)
Deferred tax assets	**24 461 315**	**(24 461 315)**	**-**
Deferred tax liabilities	**(1 357 372)**	**375 640**	**(981 732)**

The Company recognises deferred tax assets when there is a reasonable likelihood that future taxable profits will be generated to which the existent tax losses can be offset, in accordance with the accounting policies described in note 3.7.

The deferred tax liabilities refer to amounts that must be returned to the companies within the tax group, in the event of the recoverability of their tax losses under the Special Tax Regime for Group Companies (RETGS).

28. ACCOUNTS PAYABLE

As of 31 December 2016 and 2015 the Accounts Payable comprises:

Amounts in Euro	31-12-2016	31-12-2015
Related Parties (Note 31)	**13 878**	1 958
Other Payable - national market	**58 156**	62 297
Other Payable - other markets	**-**	1 534
	72 034	65 789

29. PAYABLES AND OTHER CURRENT LIABILITIES

As of 31 December 2016 and 2015 the caption "Payables and other current liabilities" comprises:

Amounts in Euro	31-12-2016	31-12-2015
Related parties (Note 31)		
Current Operations Accounts	**3 390 163**	4 190 934
Special Tax Regime for Group Companies (RETGS)	**2 099 773**	78 158
Accounts payable - fixed assets suplliers	**24 149**	27 076
Consultants and advisers	**13 900**	49 396
Derivative financial instruments (Note 24 and 30)	**-**	2 282 117
Other creditors	**5 924**	2 256 364
Accrued expenses	**6 971 757**	7 350 050
	12 505 666	16 234 095

At 31 December 2016 and 2015, the caption "Accrued expenses" comprised:

Amounts in Euro	31-12-2016	31-12-2015
Accrued expenses		
Payroll costs	**4 662 520**	4 657 749
Interest payable	**2 044 442**	1 921 269
Others	**264 795**	771 032
	6 971 757	7 350 050

30. DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2016 and 2015 details of the fair value of derivative financial instruments shown in the balance sheet were as follows:

Amounts in Euro	Currency	Nominal Value	Maturity	Fair Value	
				31-12-2016	31-12-2015
Financial instruments - hedging					
Interest rate collar	EUR	175 000 000	20/Apr/16	-	(2 282 117)
Interest rate collar	EUR	25 000 000	30/Nov/15	-	-
Interest rate collar	EUR	25 000 000	30/Nov/15	-	-
Currency Interest Rate Swap	BRL	32 000 000	27/Mar/17	-	-
Currency Interest Rate Swap	BRL	64 075 000	26/Mar/17	-	-
Closing Balance				**-**	**(2 282 117)**

During the year ended 31 December 2009 and in order to hedge interest rate risk of its bond loans, Semapa contracted three interest rate collar structures: (i) Euro 175,000,000 with Caixa BI; (ii) Euro 25,000,000 with BPI and (iii) Euro 25,000,000 with BES. These instruments allow Semapa to establish a minimum and maximum rate to cash outflows related to the above mentioned loans. During 2015 Semapa repaid the two Collars amounting to Euro 25,000,000 each. The remaining Collar amounting to Euro 175,000,000 was repaid during 2016.

Changes in fair value of derivative financial instruments for the years 2016 and 2015 were as follows:

Amounts in Euro	Changes in fair value (Hedging)
As of 1 January 2015	**(11 709 019)**
Maturity/settlement	14 346 864
Change in fair value through profit and loss (Note 10)	(7 130 922)
Reclassification to the income statement (Note 13)	(6 947 444)
Change in fair value recognised in equity	9 158 404
As of 31 December 2015	**(2 282 117)**
Maturity/settlement	2 280 892
Change in fair value through profit and loss (Note 10)	92
Reclassification to the income statement (Note 13)	(1 383 492)
Change in fair value recognised in equity	1 384 625
As of 31 December 2016	**-**

31. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

As at 31 December 2016, balances with related parties were as follows:

Amounts in Euro	Assets			Liabilities			
	RETGS Accounts Receivable (Note 19)	Other current assets (Note 19	Other financial assets (Note 22)	Accounts Payable (Note 28)	Loans (Note 25)	RETGS Acounts Payable (Note 29)	Other current liabilities (Note 29)
Shareholders							
Cimigest, SGPS, S.A.	-	-	-	-	6 209 058	-	-
Cimo - Gestão de Participações, SGPS, S.A.	-	-	-	-	321 842	-	-
Longapar, SGPS, S.A.	-	-	-	-	73 064	-	-
OEM - Organização de Empresas, SGPS, S.A.	-	-	-	-	2 226 163	-	-
	-	**-**	**-**	**-**	**8 830 127**	**-**	**-**
Subsidiaries							
Abapor - Comércio e Indústria de Carnes, S.A.	177 550	660	145 095	-	-	-	-
About The Future - Empresa Produtora de Papel, S.A.	888 904	-	-	-	-	-	-
Aboutbalance, SGPS, S.A.	-	-	-	-	-	500	-
Arboser - Serviços Agro-Industriais, S.A.	78 515	-	-	-	-	-	-
Argibetão - Soc. de Novos Prod. de Argila e Betão, S.A.	27 771	-		-	-	-	-
Atlantic Forests - Comércio de Madeiras, S.A.	-	-	-	-	-	2 492	-
Biological - Gestão de Resíduos Industriais, Lda.	9 483	2	376	-	-	-	-
Britobetão - Central de Betão, Lda.	2 852	-	-	-	-	-	-
Navigator Pulp Cacia, S.A.	359 113	-	-	-	-	-	-
Navigator Pulp Setúbal, S.A.	-	-	-	-	-	484	-
Cimentos Costa Verde - Comércio de Cimentos, S.A.	-	-	-	-	-	22 464	-
Ciminpart - Investimentos e Participações, SGPS, S.A.	769 610	-	-	-	-	-	-
CMP - Cimentos Maceira e Pataias, S.A.	-	452 053	-	-	-	741 869	401 723
EMA21 - Eng. e Manutenção Industrial Século XXI, S.A.	-	-	-	-	-	22 785	-
Empremédia - Corretores de Seguros, S.A.	-	-	-	-	-	3 429	-
ETSA Investimentos, SGPS, S.A.	105 323	46 922	3 246 301	-	-	-	47 638
ETSA Log, S.A.	90 121	117	25 793	-	-	-	-
Headbox - Operação e Controlo Industrial, S.A.	-	-	-	-	-	21 752	-
Hewbol - SGPS, Lda.	-	-	-	-	-	500	-
Inspiredplace, S.A.	-	100	-	-	41 888	2 011	-
ITS - Indústria Transformadora de Subprodutos, S.A.	132 223	1 008	48 422	-	-	-	-
Lusoinertes, S.A.	56 952	-	-	-	-	-	-
Portucel Florestal - Empresa de Desenvolvimento Agro-Florestal, S.A.	-	-	-	-	-	660	-
Navigator Paper Setúbal, S.A.	342 681	-	-	-	-	-	-
The Navigator Company, S.A.	2 855 486	443	-	-	-	-	-
Navigator Tissue Ródão, S.A.	-	-	-	-	-	120 402	-
Navigator Floresta, SGPS, S.A.	-	-	-	-	-	500	-
Navigator Forest Portugal, S.A.	-	-	-	-	-	2 349	-
Navigator Lusa, Unipessoal, Lda.	-	-	-	-	-	1 049	-
Navigator Pulp Holding, SGPS, S.A.	-	-	-	-	-	500	-
Navigator Added Value, S.A.	43 489	-	-	-	-	-	-
Navigator Tissue Cacia, S.A.	698	-	-	-	-	-	-
Prescor Produção de Escórias Moídas, Lda.	-	-	-	-	-	1 536	-
Allmicroalgae - Natural Products, S.A.	4 561	-	-	-	-	-	-
Sebol - Comércio e Indústria de Sebo, S.A.	-	275	60 492	-	-	17 488	-
Secil - Britas, S.A.	74 633	-	-	-	-	-	-
Secil - Companhia Geral de Cal e Cimento, S.A.	-	408	-	-	-	851 113	-
Secil Martingança - Aglomerantes e Novos Materiais para a Construção, S.A.	-	-	-	-	-	8 934	-
Secil, Betões e Inertes, SGPS, S.A.	-	-	-	-	-	1 500	-
Seinpar Investments, BV	-	-	15 137	-	-	-	-

Amounts in Euro	Assets			Liabilities			
	RETGS Accounts Receivable (Note 19)	Other current assets (Note 19	Other financial assets (Note 22)	Accounts Payable (Note 28)	Loans (Note 25)	RETGS Acounts Payable (Note 29)	Other current liabilities (Note 29)
Seinpart - Participações, SGPS, S.A.	-	100	-	-	10 749	2 000	-
Semapa Inversiones, S.L.	-	-	-	-	118 798	-	-
Seminv, Investimentos - SGPS, S.A.	-	-	-	-	-	605	1 958 845
Serife - Soc. de Estudos e Realizações Industriais e de Fornec. de Equip., Lda.	-	-	-	-	-	2 000	-
Sociedade de Vinhos da Herdade de Espirra - Produção e Com. de Vinhos, S.A.	-	-	-	-	-	610	-
Navigator Paper Figueira, S.A.	-	909 160	-	-	-	268 153	981 957
Navigator Pulp Figueira, S.A.	1 843 789	-	-	-	-	-	-
SPCG - Sociedade Portuguesa de Co-Geração Eléctrica, S.A.	-	-	-	-	-	35	-
Unibetão - Indústrias de Betão Preparado, S.A.	219 695	-	-	-	-	-	-
Uniconcreto - Betão Pronto, S.A.	-	-	-	-	-	2 053	-
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	345 600	-	-	-	-	-	-
	8 429 049	**1 411 248**	**3 541 616**		**171 435**	**2 099 773**	**3 390 163**
Other related parties							
Cimilonga - Imobiliária, S.A.	-	-	-	2 413	-	-	-
Hotel Ritz, S.A.	-	-	-	8 430	-	-	-
Sociedade Agrícola da Herdade dos Fidalgos, Unipessoal, Lda.	-	-	-	3 035	-	-	-
	-	**-**	**-**	**13 878**	**-**	**-**	**-**
Total	**8 429 049**	**1 411 248**	**3 541 616**	**13 878**	**9 001 562**	**2 099 773**	**3 390 163**

As at 31 December 2015, accounts receivable and payable to subsidiaries included in the tax group, related to RETGS operations, are as follows:

Amounts in Euro	Debit	Credit
RETGS		
Corporate Income Tax of subsidiaries	350 014	(343 988)
Receivables Corporate Income Tax	(62 890)	3 500
Withholding tax	(2 334)	11 956
Prior year corporate income tax	8 144 259	2 428 305
	8 429 049	**2 099 773**

As at 31 December 2015, balances with related parties were as follows:

Amounts in Euro	Assets			Liabilities			
	RETGS Accounts Receivable (Note 19)	Other current assets (Note 19	Other financial assets (Note 22)	Accounts Payable (Note 28)	Loans (Note 25)	RETGS Acounts Payable (Note 29)	Other current liabilities (Note 29)
Shareholders							
Cimigest, SGPS, S.A.	-	-	-	-	2 754 259	-	-
Longapar, SGPS, S.A.	-	-	-	-	16 890 763	-	-
OEM - Organização de Empresas, SGPS, S.A.	-	-	-	-	2 065 261	-	-
	-	**-**	**-**	**-**	**21 710 283**	**-**	**-**
Subsidiaries							
Abapor - Comércio e Indústria de Carnes, S.A.	146 850	67 830	-	-	-	-	-
About The Future - Empresa Produtora de Papel, S.A.	-	32 871	-	-	-	-	-
Aboutbalance, SGPS, S.A.	-	500	-	-	-	500	-
Arboser - Serviços Agro-Industriais, S.A.	-	-	-	-	-	4 989	52 234
Argibetão - Soc. de Novos Prod. de Argila e Betão, S.A.	1 497	270		-	-	-	-
Biological - Gestão de Resíduos Industriais, Lda.	2 293	380	-	-	-	-	-
Britobetão - Central de Betão, Lda.	20 987	-	-	-	-	-	27
CelCacia - Celulose de Cacia, S.A.	-	138 436	-	-	-	-	-
CelSet - Celulose de Setúbal, S.A.	-	484	-	-	-	484	-
Cimentos Costa Verde - Comércio de Cimentos, S.A.	-	19 211	-	-	-	92	-
Ciminpart - Investimentos e Participações, SGPS, S.A.	572 014	30 248 720	-	-	-	-	-
CMP - Cimentos Maceira e Pataias, S.A.	42 389	50 035	-	-	-	-	-
ETSA Investimentos, SGPS, S.A.	27 882	1 421 453	5 151 623	-	-	-	3 669
ETSA Log, S.A.	36 830	21 001	-	-	-	-	-
Headbox - Operação e Controlo Industrial, S.A.	-	31 059	-	-	-	-	-
Inspiredplace, S.A.	-	-	-	-	43 293	1 011	337
ITS - Indústria Transformadora de Subprodutos, S.A.	144 922	935	-	-	-	-	-
Lusoinertes, S.A.	5 274	3 775	-	-	-	-	-
The Navigator Company, S.A.	-	547 594	-	-	-	-	-
Navigator Floresta, SGPS, S.A.	-	500	-	-	-	500	-
Navigator Forest Portugal, S.A.	-	44 786	-	-	-	-	-
Navigator Pulp Holding, SGPS, S.A.	-	500	-	-	-	500	-
Prescor Produção de Escórias Moídas, Lda.	-	-	-	-	-	527	22
Allmicroalgae - Natural Products, S.A.	-	-	-	-	-	1 015	-
Sebol - Comércio e Indústria de Sebo, S.A.	-	9 539	-	-	-	1 030	-
Secil - Britas, S.A.	6 716	-	-	-	-	-	125
Secil - Companhia Geral de Cal e Cimento, S.A.	36 240	972 015	-	-	-	-	-
Secil Martingança - Aglomerantes e Novos Materiais para a Construção, S.A.	3 139	4 150	-	-	-	-	-
Secil, Betões e Inertes, S.G.P.S., S.A.	-	-	-	-	-	1 051	17
Seinpart - Participações, SGPS, S.A.	-	60	-	-	10 553	1 000	-
Semapa Inversiones, S.L.	-	-	-	-	120 168	-	-
Seminv, Investimentos - SGPS, S.A.	-	-	-	-	-	45	1 959 565
Serife - Sociedade de Estudos e Realizações Industriais e de Fornecimento de Equip., Lda.	-	-	-	-	-	1 000	-
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, S.A.	-	610	-	-	-	610	-
Navigator Paper Figueira, S.A.	-	1 427 235	-	-	-	-	-
Navigator Pulp Figueira, S.A.	-	-	-	-	-	35 000	1 830 683
Unibetão - Indústrias de Betão Preparado, S.A.	-	-	-	-	-	27 791	2 367
Uniconcreto - Betão Pronto, S.A.	-	500	-	-	-	1 013	-
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	-	-	-	-	-	-	341 888
	1 047 033	**35 044 449**	**5 151 623**		**174 014**	**78 158**	**4 190 934**
Other related parties							
Hotel Ritz, S.A.	-	-	-	1 958	-	-	-
YD Invisible, S.A.	-	1 814	34 851	-	-	-	-
	-	**1 814**	**34 851**	**1 958**	**-**	**-**	**-**
Total	**1 047 033**	**35 046 263**	**5 186 474**	**1 958**	**21 884 297**	**78 158**	**4 190 934**

As at 31 December 2015, accounts receivable and payable to subsidiaries included in the tax group, related to RETGS operations, are as follows:

Amounts in Euro	Debt	Credit
RETGS		
Corporate Income Tax of subsidiaries	1 207 624	(57 855)
Receivables Corporate Income Tax	(21 232)	37 809
Withholding tax	(44 517)	2 648
Prior year corporate income tax	(94 842)	95 556
	1 047 033	**78 158**

During the year ended 31 December 2016, transactions with related parties were as follows:

Amounts in Euro	Sales and services rendered (Note 5)	Suplementary income	Interest and other income (Note 13)	Financial costs (Note 13)	Aquisition of goods
Shareholders					
Cimigest, SGPS, S.A.	-	-	-	(24 299)	(107 740)
Cimo - Gestão de Participações, SGPS, S.A.	-	-	-	(1 123)	-
Longapar, SGPS, S.A.	-	-	-	(29 736)	-
OEM - Organização de Empresas, SGPS, S.A.	-	-	-	(11 003)	-
Sodim, SGPS, S.A.	-	409	-	-	-
	-	**409**	**-**	**(66 161)**	**(107 740)**
Subsidiaries					
Abapor - Comércio e Indústria de Carnes, S.A.	-	-	2 434	-	-
Biological - Gestão de Resíduos Industriais, Lda.	-	-	7	-	-
Ciminpart - Investimentos e Participações, SGPS, S.A.	-	-	1 257 266	-	-
CMP - Cimentos Maceira e Pataias, S.A.	4 008 553	-	-	-	-
ETSA Investimentos, SGPS, S.A.	243 631	2 080	92 036	-	-
ETSA Log, S.A.	-	-	446	-	-
Inspiredplace, S.A.	-	-	-	(794)	-
ITS - Indústria Transformadora de Subprodutos, S.A.	-	788	735	(3)	-
The Navigator Company, S.A.	-	3 223	-	-	-
Sebol - Comércio e Indústria de Sebo, S.A.	-	-	954	-	-
Secil - Companhia Geral de Cal e Cimento, S.A.	(134 172)	2 127	-	-	-
Seinpar Investments, B.V.	-	-	137	-	-
Seinpart - Participações, SGPS, S.A.	-	-	-	(196)	-
Semapa Inversiones, S.L.	-	-	-	(630)	-
Navigator Paper Figueira, S.A.	7 912 761	12 564	-	-	-
	12 030 773	**20 782**	**1 354 015**	**(1 623)**	**-**
Other					
Cimilonga - Imobiliária, S.A.	-	244	-	-	(749 721)
Hotel Ritz, S.A.	-	-	-	-	(34 918)
Sonagi, SGPS, S.A.	-	990	-	-	-
	-	**1 234**	**-**	**-**	**(784 639)**
Total	**12 030 773**	**22 425**	**1 354 015**	**(67 784)**	**(892 379)**

During the year ended 31 December 2015, transactions with related parties were as follows:

Amounts in Euro	Sales and services rendered (Note 5)	Suplementary income	Interest and other income (Note 13)	Financial costs (Note 13)	Aquisition of goods	Sales of investment
Shareholders						
Cimigest, SGPS, S.A.	-	1 798	-	(878)	(107 740)	-
Cimo - Gestão de Participações, SGPS, S.A.	-	-	-	(3 125)	-	-
Longapar, SGPS, S.A.	-	-	-	(1 683)	-	-
OEM - Organização de Empresas, SGPS, S.A.	-	-	-	(8 584)	-	-
Sodim, SGPS, S.A.	-	120	-	-	-	-
	-	**1 918**	**-**	**(14 270)**	**(107 740)**	**-**
Subsidiaries						
Abapor - Comércio e Indústria de Carnes, S.A.	-	-	47	-	-	-
Biological - Gestão de Resíduos Industriais, Lda.	-	-	4	-	-	-
Ciminpart - Investimentos e Participações, SGPS, S.A.	-	-	2 012 337	-	-	93 174 834
ETSA Investimentos, SGPS, S.A.	251 726	-	131 941	-	-	-
ETSA Log, S.A.	-	-	163	-	-	-
Inspiredplace, S.A.	-	-	-	(293)	-	-
ITS - Indústria Transformadora de Subprodutos, S.A.	-	-	-	(84)	-	-
The Navigator Company, S.A.	-	19 950	-	-	-	43 395
Secil - Companhia Geral de Cal e Cimento, S.A.	2 963 570	6 609	375	-	-	-
Seinpar Investments, B.V.	-	-	89	-	-	-
Seinpart - Participações, SGPS, S.A.	-	-	-	(274)	-	-
Semapa Inversiones, S.L.	-	-	-	(168)	-	-
Navigator Paper Figueira, S.A.	7 625 394	92 240	-	-	-	-
	10 840 690	**118 799**	**2 144 956**	**(819)**	**-**	**93 218 229**
Other						
Cimilonga - Imobiliária, S.A.	-	180	-	-	(816 791)	-
Hotel Ritz, S.A.	-	-	-	-	(30 563)	-
	-	**180**	**-**	**-**	**(847 354)**	**-**
Total	**10 840 690**	**120 897**	**2 144 956**	**(15 089)**	**(955 094)**	**93 218 229**

Remunerations to member of the corporate bodies, including management bonuses accrual, for the years ended 31 December 2016 and 2015 were as follows:

Amounts in Euro	2016	2015
Board of Directors		
Remuneration	**2 683 313**	2 405 316
Balance bonuses reclassified to personnel expenses (Note 24)	**-**	2 377 075
Management premium for the previous year	**-**	200 000
Management premium estimate for the year	**3 650 000**	3 650 000
Reversal of management premium for the year	**(792 319)**	-
Audit Board and other corporate entities	**67 334**	83 931
Impact on Net profit (Note 8)	**5 608 328**	8 716 322

In 2015 the amount of Euro 2,377,075 of Profit-sharing bonuses reclassified to Payroll costs (Note 8) corresponds to the profit-sharing deliberated at the Annual General Meeting of the 2014 financial statements approval that took place on 30 April 2015 (Note 24).

32. AUDIT FEES

In the years ended 31 December 2016 and 2015, expenses with statutory audit and audit services, comprised:

Amounts in Euro	2016	%	2015	%
Statutory auditors services	**43 765**	**95%**	39 765	96%
Other reliability assurance services	**690**	**1%**	-	-
Tax consultancy services	**1 800**	**4%**	1 800	4%
Total audit services	**46 255**	**100%**	41 565	100%

The services related to tax consultancy refer to the availability of the "Inforfisco" database, which are fully included in the transitional period expressed in Article 3 of Law 140/2015. The services indicated as "Other reliability assurance services" relate to training.

The Board of Directors believes there are adequate procedures safeguarding the independence of auditors through the careful definition of the work to be performed by the auditors.

33. SHAREHOLDERS EQUITY AND NET PROFIT RECONCILIATION

The reconciliation between the consolidated net profit for the year and individual net profit is presented as follows:

Amounts in Euro	31-12-2016	31-12-2015
Net profit for the year - SNC	**89 520 903**	235 960 575
Fair Value difference in subsidiaries and non-controlling interests acquisitions	**916 606**	(159 668 162)
Goodwill Amortization	**16 802 995**	-
Brand Amortization	**7 622 308**	-
Hedging derivative financial instruments treatment	**-**	5 237 629
Net profit for the year - IFRS	**114 862 812**	81 530 042

The reconciliation between the consolidated and individual shareholders' equity as at 31 December 2016 and 2015 presents itself as follows:

Amounts in Euro	31-12-2016	31-12-2015
Total Equity - Portuguese GAAP - SNC	**885 608 645**	838 806 193
Government grants directly recognised in Equity	**(27 095 569)**	(39 340 340)
Goodwill Amortization	**16 802 995**	-
Brand Amortization	**7 622 308**	-
Fair Value difference in subsidiaries and non-controlling interests acquisitions	**(65 608 581)**	(83 128 248)
Net profit for the year - IFRS	**817 329 798**	716 337 605

34. SUBSEQUENT EVENTS

At the Extraordinary General Meeting of Semapa, SGPS, SA held on 30 December 2016, it was approved to change, with effect from 2017, the annual reporting period for the period between 1 July of each year and 30 June of the following year. It was also decided that the first financial year subsequent to this amendment would have a duration of 6 months, beginning on 1 January 2017 and ending on 30 June 2017.

As previously disclosed, this amendment was deliberated by the General Meeting as following the amendment of the current legal regime, put in force by the State Budget for 2017, which requires the coincidence between the taxation period and the social accounting period and needs additional clarification from the competent authorities.

However, the proposal approved cautioned that, if Semapa were to obtain from the competent authorities the due clarifications , it would seek to revoke the determination described above and also maintain the accounting period coincident with the calendar year.

Considering that Semapa was notified by the Tax and Customs Authority, on 2 March 2017, in which it expressly allows the amendment of the tax period with effect from 1 of January 2017, will thus endeavour to revoke the resolution taken at the Extraordinary General Meeting, ensuring the coincidence between the tax and corporate accounting period, corresponding to the calendar year.

35. NOTE ADDED FOR TRANSLATION

The accompanying Separate Financial statements are a translation of financial statements originally issued in Portuguese. In the event of any discrepancies the Portuguese version prevails.

Paulo Jorge Morais Costa
The Accountant

BOARD OF DIRECTORS

Chairman:
Pedro Mendonça de Queiroz Pereira

Members:
João Nuno de Sottomayor Pinto de Castello Branco
José Miguel Pereira Gens Paredes
Paulo Miguel Garcês Ventura
Ricardo Miguel dos Santos Pacheco Pires
António Pedro de Carvalho Viana Baptista
Carlos Eduardo Coelho Alves
Francisco José Melo e Castro Guedes
Manuel Custódio de Oliveira
Vítor Manuel Galvão Rocha Novais Gonçalves
Vítor Paulo Paranhos Pereira

STATUTORY
AUDIT REPORT

SEPARATE
FINANCIAL STATEMENTS


07

STATUTORY AUDIT REPORT AND AUDITORS' REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

(Free translation from the original in Portuguese)

Opinion

We have audited the financial statements of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. (the Entity), which comprise the balance sheet as at 31 December 2016 (which shows total assets of Euro 1,601,712,799 and total shareholders' equity of Euro 885,608,645 including a net profit of Euro 89,520,903), the statement of income by nature, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting principles in Portugal.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	Summary of the Audit Approach
Useful life of goodwill Disclosures related to goodwill are presented in notes 3.2, 3.23.1 and 17 to the financial statements. As of 31 December 2016, goodwill recognized in the financial statements of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. amounts to Euro 215 million, and is allocated to the following cash generating units (CGU): cement and derivatives Euro 175 million and paper and pulp Euro 40 million. For the purpose of determining the useful life of goodwill, the Management needs to makes use of several estimates and assumptions that are based on economic and market forecasts, in particular with regard to the useful life of the main operating assets of the cash generating units. Given the amounts involved, the nature of the valuation model and the level of judgment, which are embodied in the assumptions used for the determination of the useful life of goodwill, this issue was considered to be a relevant matter for the purposes of our audit.	The audit procedures we developed included, among others, understanding and validating the rational and assessing the reasonableness of the assumptions used in determining the useful life of goodwill. We have challenged the management regarding the adequacy of the assumptions adopted, namely regarding the identification of operating assets considered for the determination of the useful life. We also verified the adequacy of the disclosures presented in the Financial Statements, based on the applicable accounting standards and what we considered relevant.
Valuation of financial investments Disclosures related to financial investments are presented in notes 3.3, 3.4, and 6 to the financial statements. As of 31 December 2016, the financial investments recognized in the financial statements of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. amount to Euro 1,362 million. As described in the financial statements, financial investments are recorded at their acquisition cost, adjusted by the amount corresponding to the Entity's share of changes in the shareholders' equity (including net income/loss) of its subsidiaries, with changes recognized as revenues or expenses or as adjustments in financial investments, as applicable, and by dividends received. Given the amounts involved, together with the magnitude and nature of the procedures developed, this issue was considered to be a relevant matter for the purposes of our audit.	The audit procedures we developed included, among others, obtaining and validating the Group's organizational structure. We have also obtained the calculation sheet of the valuation of financial investments recorded through the equity method, having proceeded at the verification of its mathematical accuracy. We analyzed both the application of the equity method, namely in what concerns to the appropriation of the net income/loss and of the changes in the equity of the Company's subsidiaries, in the proportion of the interest held by the Company, and the harmonization of accounting policies. We also verified the adequacy of the disclosures presented in the Financial Statements, based on the applicable accounting standards and what we considered relevant.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with generally accepted accounting principles in Portugal;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria;

e) the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Entity's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure;

h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. by resolution of the board of the Shareholders' General Meeting of 8 August 2005 until the end of the current term of office, between 2003 and 2005. The aforementioned resolution was subsequently ratified at a Shareholders' General Meeting held on 23 April 2006 and we were appointed for a second term of office from 2006 to 2009, having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of 23 May 2014 for the period from 2014 to 2017;

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud;

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board as of April 21, 2017;

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Entity in conducting our audit.

April 21, 2017

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

JORGE MANUEL SANTOS COSTA, R.O.C.

REPORT

AND OPINION OF THE AUDIT BOARD

SEPARATE
FINANCIAL STATEMENTS

08

REPORT AND OPINION OF THE AUDIT BOARD

SEPARATE ACCOUNTS

YEAR 2016

Shareholders,

1. As laid down by law, as established in the articles of association and in carrying out the mandate entrusted to us, we hereby deliver our report on the audit activities performed in 2016 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 2016.

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 documentation, and the efficacy of the risk management, internal control and audit systems. We have ensured compliance with the law and Articles of Association. We did not run up against any constraints in the exercise of our duties.

3. We met several times with the Statutory Auditor and the External Auditor, PricewaterhouseCoopers & Associados, SROC, Lda. to monitor the audits conducted and supervise their independence. We have analysed the legal Accounts Certificate and Audit Report, which merit our agreement.

4. We analysed the proposals that were presented to us 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 Balance Sheet, the Income Statement by nature, the Statement of Changes in Equity, the Cash Flow Statement and its Notes give a true and fair view of the financial position of the company, in respect of its results, changes in equity and cash flow;

   b) the accounting policies and valuation criteria applied are in conformity with the accounting principles generally accepted in Portugal and ensure that a true and fair assessment of the company's assets and results is given, and that the findings and recommendations of the external auditor have been followed through;

   c) the Management Report clearly shows the development of the business and the situation of the company, highlighting key aspects of the activity;

   d) the Corporate Governance Report covers all of the points required under the terms of Article 245 A of the Securities Code.

6. We are of the opinion that the allocation of results 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 Consolidated 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 senior managers and other company staff for their collaboration.

Lisbon, 21 April 2017

The Chairman of the Audit Board

Miguel Camargo de Sousa Eiró

Member of the Audit Board

Gonçalo Nuno Palha Gaio Picão Caldeira

Member of the Audit Board

José Manuel Oliveira Vitorino

SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, SA

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Registered with Lisbon Commercial Registry Office under no. 2630
Corporate Body no. 502 593 130
Share Capital 81 270 000 Euros

DESIGN AND DEVELOPMENT
Bestweb

LEGAL DEPOSIT NUMBER
426416/17

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