1 ECONOMIC BACKGROUND

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

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

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

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

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

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

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

2 OVERVIEW OF SEMAPA GROUP OPERATIONS

LEADING BUSINESS INDICATORS

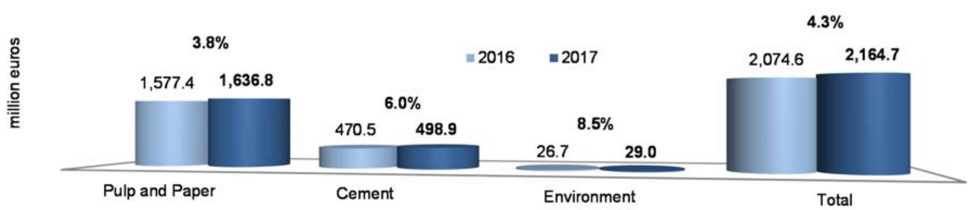
IFRS - accrued amounts (million euros)	2017	2016	Var.
Revenue	**2,164.7**	**2,074.6**	**4.3%**
EBITDA	**500.7**	**489.1**	**2.4%**
EBITDA margin (%)	23.1%	23.6%	-0.4 p.p.
Depreciation, amortisation and impairment losses	(224.2)	(247.0)	9.2%
Provisions	(4.2)	2.4	-277.6%
EBIT	**272.3**	**244.5**	**11.3%**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

NOTES:

- EBITDA = EBIT + Depreciation, amortisation and impairment losses + Provisions
- Cash-flow = Net profit for the period + Depreciation, amortisation and impairment losses + Provisions
- Net debt = Non-current interest bearing debt (net of loan issue charges) + Current interest-bearing debt (including debts to shareholders) – Cash and cash equivalents

REVENUE

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



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

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

CEMENT: 498.9 MILLION EUROS ↑ 6.0%

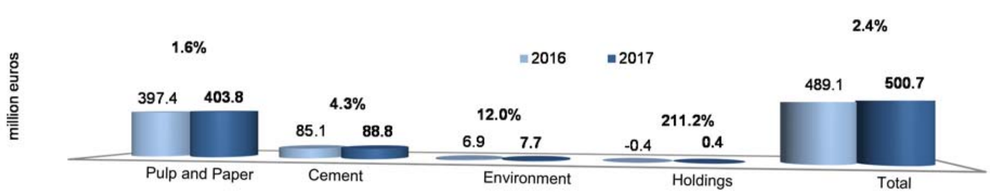
In 2017, revenue of the cement business area grew 6.0% versus 2016, having totalled 498.9 million euros. In geographical terms, growth in Portugal and Brazil offset the drop in other locations.

ENVIRONMENT: 29.0 MILLION EUROS ↑ 8.5%

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

EBITDA

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



PULP AND PAPER: 403.8 MILLION EUROS ↑ 1.6%

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

CEMENT: 88.8 MILLION EUROS ↑ 4.3%

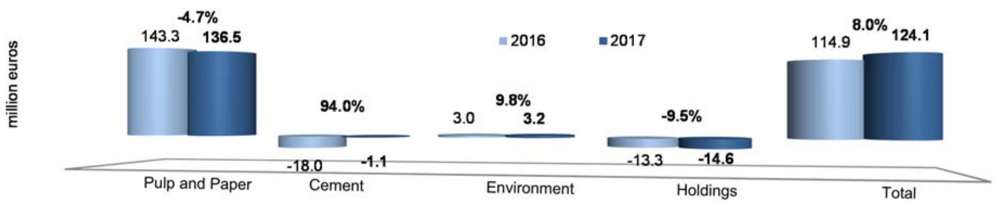
EBITDA of the cement area stood at 88.8 million euros in 2017, which translated into an increase of around 3.6 million euros in relation to the same period in 2016, particularly due to strong growth in Portugal and Lebanon.

ENVIRONMENT: 7.7 MILLION EUROS ↑ 12.0%

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

NET RESULTS ATTRIBUTABLE TO SEMAPA SHAREHOLDERS

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



PULP AND PAPER: 136.5 MILLION EUROS ↓ 4.7%

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

CEMENT: -1.1 MILLION EUROS ↑ 94.0%

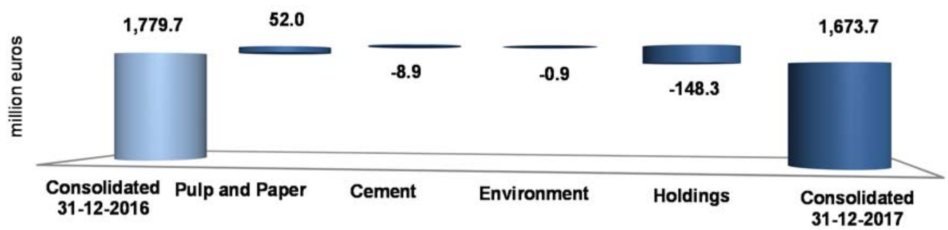
Net income attributable to shareholders of Semapa was -1.1 million euros, comparing favourably with -18.0 million euros in 2016.

ENVIRONMENT: 3.2 MILLION EUROS ↑ 9.8%

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

NET DEBT

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



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

BREAKDOWN BY BUSINESS SEGMENTS

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

NOTES:

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

SUMMARY TABLE OF OPERATING INDICATORS

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

3 PULP AND PAPER BUSINESS AREA

3.1 LEADING BUSINESS INDICATORS

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

NOTE:

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

3.2 LEADING OPERATING INDICATORS

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

3.3 OVERVIEW OF THE PULP AND PAPER BUSINESS AREA

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

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

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

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

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

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

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

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

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

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

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

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

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

3.4 BUSINESS REVIEW

3.4.1 PULP

3.4.1.1 MARKET BACKGROUND

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

3.4.1.2 OPERATIONAL PERFORMANCE

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

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

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

3.4.2 PAPER

3.4.2.1 MARKET BACKGROUND

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

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

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

3.4.2.2 OPERATIONAL PERFORMANCE

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

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

3.4.3 TISSUE

3.4.3.1 OPERATIONAL PERFORMANCE

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

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

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

3.5 DEVELOPMENT

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

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

PELLETS

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

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

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

MOZAMBIQUE

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

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

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

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

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

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

3.6 RESOURCES AND SUPPORTING FUNCTIONS

3.6.1 SUSTAINABILITY

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

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

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

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

3.6.2 FORESTRY AND TIMBER SUPPLY

SUSTAINABLE MANAGEMENT

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

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

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

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

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

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

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

TIMBER SUPPLY

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

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

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

3.6.3 ENERGY

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

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

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

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

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

3.6.4 ENVIRONMENT

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

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

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

3.6.5 INNOVATION, RESEARCH AND DEVELOPMENT

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

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

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

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

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

4 CEMENT AND OTHER BUILDING MATERIALS

4.1 LEADING BUSINESS INDICATORS

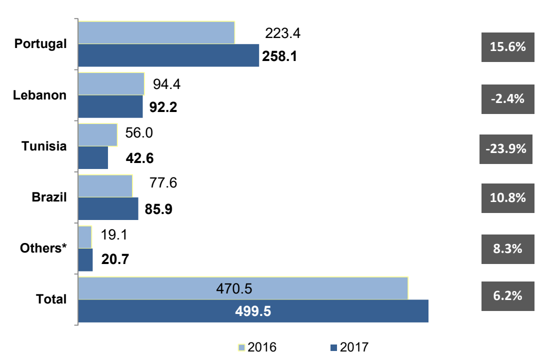
IFRS - accrued amounts (million euros)	2017	2016	Var.
Revenue	**499.5**	**470.5**	**6.2%**
EBITDA	**88.8**	**85.1**	**4.3%**
EBITDA Margin (%)	17.8%	**18.1%**	**-0.3 p.p.**
Depreciation, amortisation and impairment losses	(61.2)	(61.9)	1.1%
Provisions	0.2	2.8	-93.8%
EBIT	**27.7**	**26.1**	**6.5%**
EBIT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

NOTES:

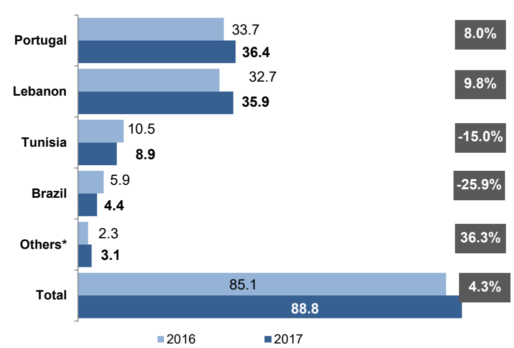
- Figures for business segment indicators may differ from those presented individually by each Group, as a result of consolidation adjustments. In 2017, revenue included 0.7 million euros resulting from intra-group sales.

(million euros)

REVENUE



EBITDA



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

4.2 LEADING OPERATING INDICATORS

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

4.3 OVERVIEW OF OPERATIONS OF CEMENT AND OTHER CONSTRUCTION MATERIALS

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

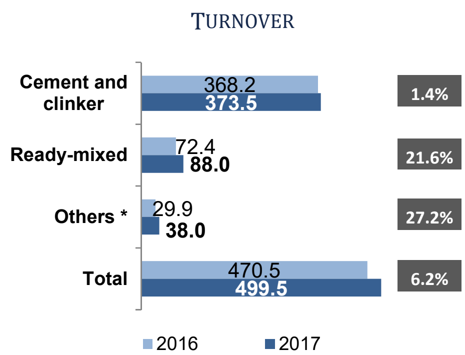
EBITDA stood at 88.8 million euros, which translated into an increase of around 3.6 million euros in relation to the same period in 2016, particularly due to strong growth in Portugal and Lebanon.

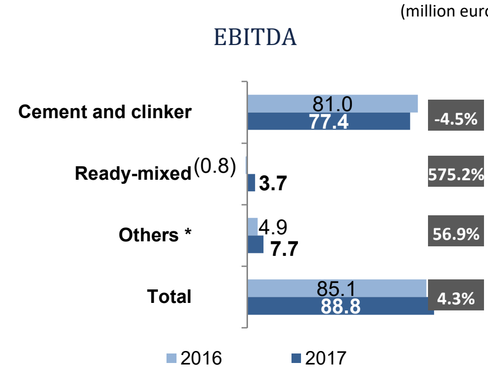
Net financial results amounted to -40.3 million euros, compared to -37.2 million euros in 2016. The deterioration was due to unfavourable exchange rate differences of around 8.9 million euros. This effect aside, the financial results would be -31.4 million euros, an improvement of 5.8 million euros when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

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

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

(million euros)





* includes Aggregates, Mortars and Pre-cast

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

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

4.4 Business Review

4.4.1 Portugal

4.4.1.1 Market Background

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

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

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

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

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

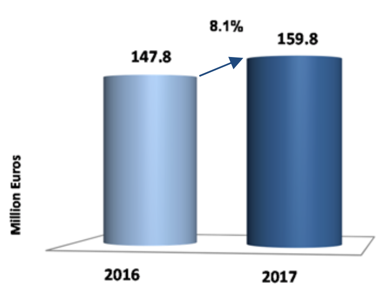
In 2017, EBITDA for total operations in Portugal was up by 8.0% year-on-year, at 36.4 million euros vs. 33.7 million euros in 2016.

4.4.1.2 CEMENT AND CLINKER

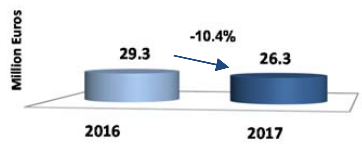
Cement consumption in Portugal in 2017 featured positive monthly variations year-on-year during the year. According to the latest figures available, cement consumption in mainland Portugal was up by 12.9% year-on-year. It is estimated that the market reached approximately 3 million tons.

INDICATORS

REVENUE



EBITDA



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

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

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

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

INDUSTRIAL OPERATIONS

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

CEMENT AND CLINKER PRODUCTION

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

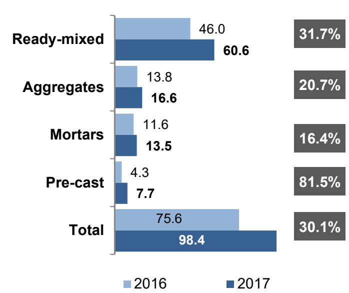
CAPITAL EXPENDITURE

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

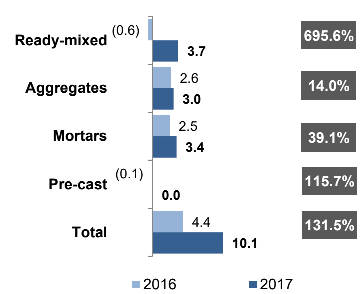
4.4.1.3 OTHER BUILDING MATERIALS

(million euros)

REVENUE



EBITDA



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

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

4.4.2 LEBANON

4.4.2.1 MARKET BACKGROUND

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

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

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

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

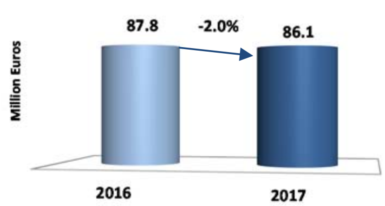
Revenue on combined operations in Lebanon decreased 2.4% compared to the previous year, amounting to 92.2 million euros. This amount was negatively affected by the depreciation of the USD against the Euro by about 1.9 million euros.

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

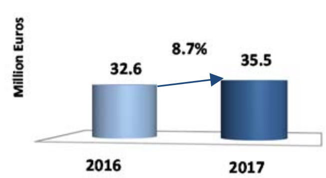
4.4.2.2 CEMENT AND CLINKER

INDICATORS

REVENUE



EBITDA



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

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

INDUSTRIAL OPERATIONS

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

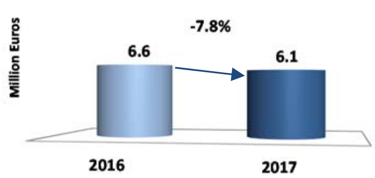
Cement production was above production in 2016, with 1,199 thousand tons (vs. 1,103 thousand tons in 2016). Production in 2016 was impacted by restrictions (shut downs of the main cement mill).

CAPITAL EXPENDITURE

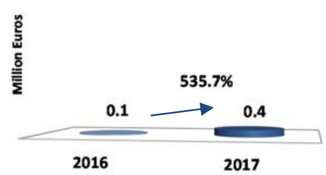
Investments in Lebanon in 2017 totalled 3.2 million euros, and included the repair of the mill that broke down in 2016 (around 1.7 million euros).

4.4.2.3 READY-MIXED CONCRETE

REVENUE



EBITDA



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

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

4.4.3 TUNISIA

4.4.3.1 MARKET BACKGROUND

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

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

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

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

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

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

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

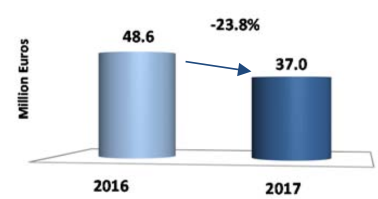
It should be noted that the variable unitary production costs of cement were lower than in the same period in the previous year, brought down mostly by less electrical power costs, due to the drop in prices (in June 2016 prices dropped significantly) and the decrease in specific consumption.

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

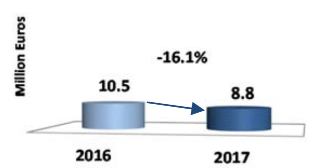
4.4.3.2 CEMENT AND CLINKER

INDICATORS

REVENUE



EBITDA



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

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

INDUSTRIAL OPERATIONS

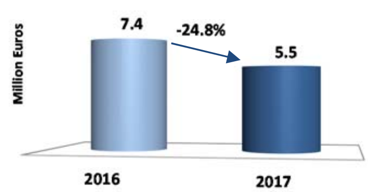
Clinker production was higher than in 2016 (955 thousand tons in 2017 vs. 858 thousand tons in 2016), due to the take-off of clinker export sales in 2017. Cement production was lower than 2016 levels (889 thousand tons in 2017 vs. 1.018 thousand tons in 2016), due to the decrease in cement sales in the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

CAPITAL EXPENDITURE

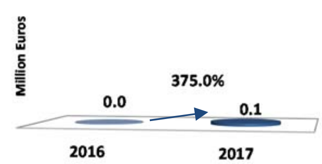
Investment amounted to 2.1 million euros, the equivalent to 2016, mainly intended for investments in replacement.

4.4.3.3 READY-MIXED AND PRE-CAST CONCRETE

REVENUE



EBITDA



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

4.4.4 BRAZIL

4.4.4.1 MARKET BACKGROUND

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

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

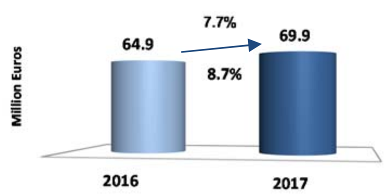
The following table presents overall indicators for the Secil Group's business operations in Lebanon in 2017 and 2016:

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

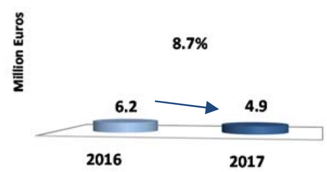
4.4.4.2 CEMENT AND CLINKER

INDICATORS

REVENUE



EBITDA



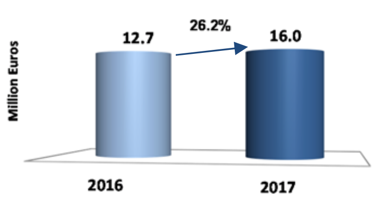
In 2017, the revenue of Cement and Clinker totalled 69.9 million euros (more than 7.7%), compared to the previous year. The growth was positively impacted by the rise in the volumes sold and the appreciation, on average, of the Brazilian real against the euro, the sales price of cement and concrete having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

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

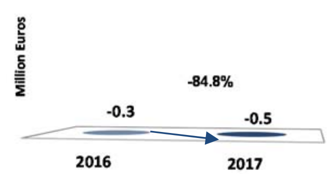
4.4.4.3 READY-MIX CONCRETE

INDICATORS

REVENUE



EBITDA



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

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

INDUSTRIAL OPERATIONS

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

CAPITAL EXPENDITURE

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

4.4.5 ANGOLA

4.4.5.1 MARKET BACKGROUND

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

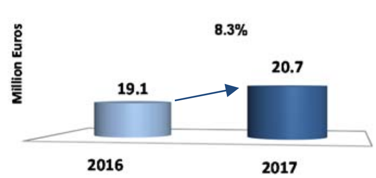
The following table presents overall indicators for the Secil Group’s business operations in Angola in 2016 and 2017:

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

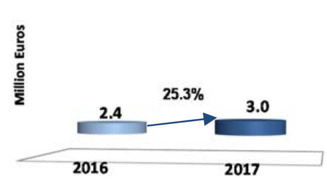
4.4.5.2 CEMENT AND CLINKER

INDICATORS

REVENUE



EBITDA



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

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

CAPITAL EXPENDITURE

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

4.5 RESOURCES AND SUPPORTING FUNCTIONS

4.5.1 SUSTAINABILITY AND ENVIRONMENT

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

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

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

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

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

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

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

5 ENVIRONMENT BUSINESS AREA

5.1 LEADING BUSINESS INDICATORS

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

NOTE:

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

5.2 LEADING OPERATING INDICATORS

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

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

5.3 OVERVIEW OF THE ENVIRONMENT BUSINESS AREA

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

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

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

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

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

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

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

5.4 RESOURCES AND SUPPORTING FUNCTIONS

5.4.1 SUSTAINABILITY AND ENVIRONMENT

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

5.4.2 INNOVATION, RESEARCH AND DEVELOPMENT

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

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

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

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

6 SEMAPA GROUP HUMAN RESOURCES

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

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

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

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

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

7 SOCIAL RESPONSIBILITY IN THE SEMAPA GROUP

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

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

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

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

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

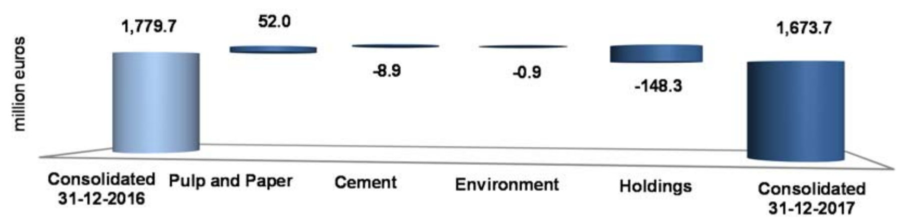
8 SEMAPA GROUP – FINANCIAL AREA

8.1 INDEBTEDNESS

CONSOLIDATED NET DEBT

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

EVOLUTION



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

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

8.2 FINANCIAL RESULTS

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

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

8.3 RISK MANAGEMENT

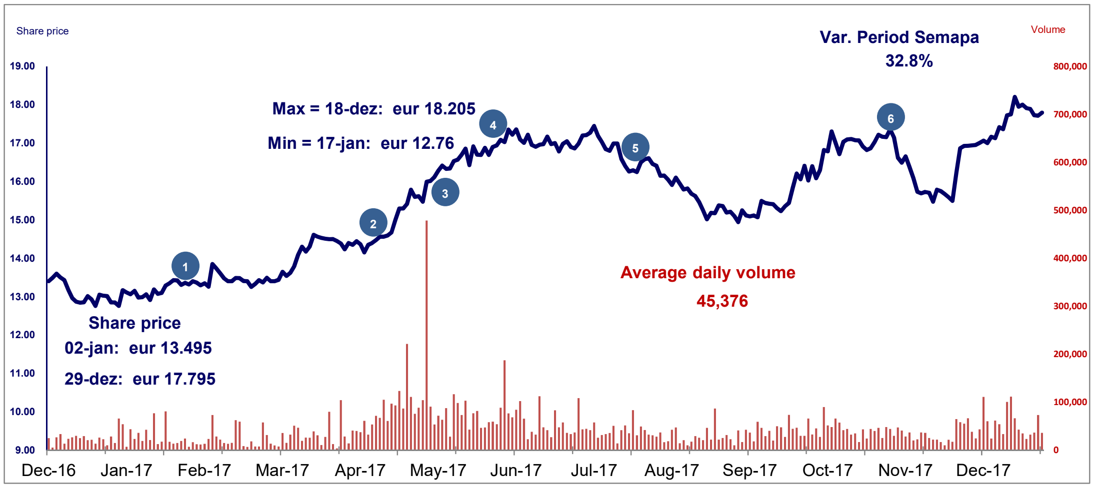
Details of risk management may be consulted in the relevant section of the Notes to the Consolidated Financial Statements (Semapa Group).

8.4 LISTED SHARE PRICE

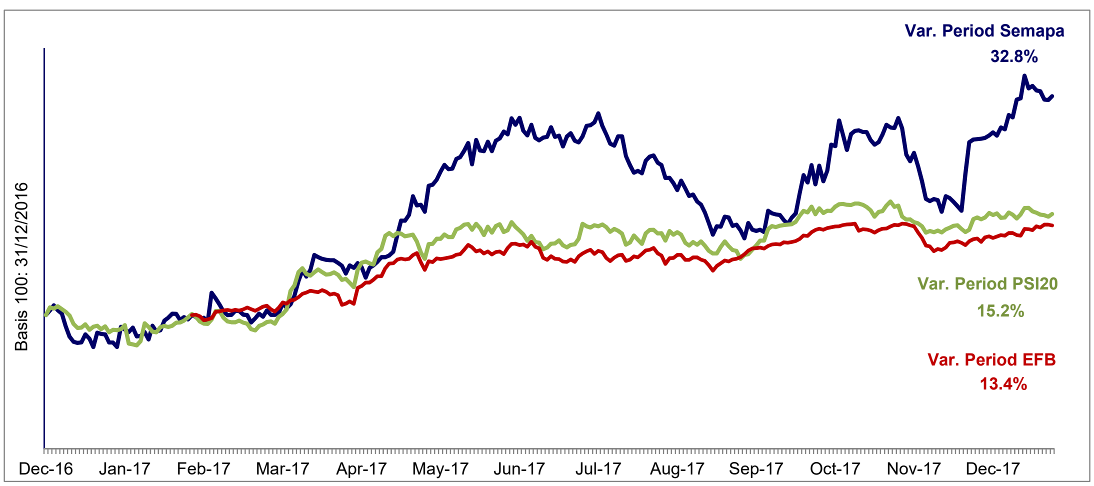
The financial year of 2017 proved to be fairly positive for global capital markets, with US stock exchanges reaching new record highs. At the European level, the main stock exchanges recorded gains, with DAX reaching record highs. Q4 ended up penalizing the equity markets in Spain and Italy, following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

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

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



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



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

8.5 DIVIDENDS

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

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

8.6 NET INCOME

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

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

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

9 SUBSEQUENT EVENTS

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

10 OUTLOOK

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

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

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

PULP AND PAPER

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

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

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

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

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

CEMENT AND OTHER BUILDING MATERIALS

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

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

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

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

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

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

ENVIRONMENT

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

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

11 ACKNOWLEDGEMENTS

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

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

12 PROPOSED ALLOCATION OF PROFITS

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

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

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

It is hereby proposed:

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

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

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

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

Lisbon, 7 March 2018

BOARD OF DIRECTORS

CHAIRMAN:

PEDRO MENDONÇA DE QUEIROZ PEREIRA

MEMBERS:

JOÃO NUNO DE SOTTOMAYOR PINTO DE CASTELLO BRANCO

JOSÉ MIGUEL PEREIRA GENS PAREDES

PAULO MIGUEL GARCÊS VENTURA

RICARDO MIGUEL DOS SANTOS PACHECO PIRES

ANTÓNIO PEDRO DE CARVALHO VIANA-BAPTISTA

CARLOS EDUARDO COELHO ALVES

FRANCISCO JOSÉ MELO E CASTRO GUEDES

MANUEL CUSTÓDIO DE OLIVEIRA

VÍTOR MANUEL GALVÃO ROCHA NOVAIS GONÇALVES

VÍTOR PAULO PARANHOS PEREIRA