1 MACROECONOMIC FRAMEWORK

According to the IMF the global economy continued to grow in 2018, expectedly at 3.7% vs. 3.8% in 2017 (World Economic Outlook Update, IMF, January 2019). Europe and Asia had a poor performance and recent signs hint at a slowdown that should continue in 2019.

The economy of the Euro zone is estimated to have grown 1.8% in 2018, less than the 2.4% growth achieved in 2017 (World Economic Outlook Update, IMF, January 2019), with particular reference to the slowdown in Germany (apathetic private consumption, weak industrial production and moderate external demand), Italy (weak dynamics of domestic demand and high debt costs with sovereign debt sustaining high levels) and France (due to the negative impact of street protests and actions in the industry).

The monetary and financial conditions in the Euro area remained accommodative, in spite of a slight tightening in the year. The ECB reinforced its intention to end net purchases under the extended asset purchase programme in the end of 2018 and continue reinvesting, in full, the principal payments from maturing securities purchased under the asset purchase programme for an extended period of time.

In 2018, the pace of growth of the North-American economy accelerated, to 2.9% in 2018 vs. 2.2% in 2017 (World Economic Outlook Update, IMF, January 2019). The US economy sustained its dynamics, driven by the fiscal plan implemented by the Trump administration, with the Federal Reserve (FED) having increased the reference policy rate 4 times in the year.

Concerning the Portuguese economy, after a 2.8% growth in GDP in 2017, GDP is estimated to have increased by 2.1% in 2018 (INE - Quarterly National Accounts and Annual Preliminary Accounts, February 2019). The GDP of Portugal returned to 2008 levels (at 2011 prices), regaining lost ground after the international financial crisis 10 years ago and the sovereign debt crisis in the Euro area. This progress is in line with the more mature phase of the current economic cycle of the country, and reflects the effects of economic slowdown of the main trade partners.

In the foreign exchange market, the Euro exchange rates in 2018 evolved mostly driven by the appreciation of the currencies of the most advanced economies, especially the North-American Dollar, and the depreciation of the currencies of the emerging market economies, with the exception of the Chinese currency. In this context, the Euro depreciated around 5% against the USD and appreciated vis-a-vis the BRL by around 13%.

Volatility was on the spotlight for commodities, as observed on the oil (Brent) price in 2018, which grew in the first 9 months of the year, up to 86 USD per barrel in October. The year-end price closed at circa 55 USD as a result of a high inventory levels and downward review of global economic growth forecasts.

2 OVERVIEW OF SEMAPA GROUP OPERATIONS

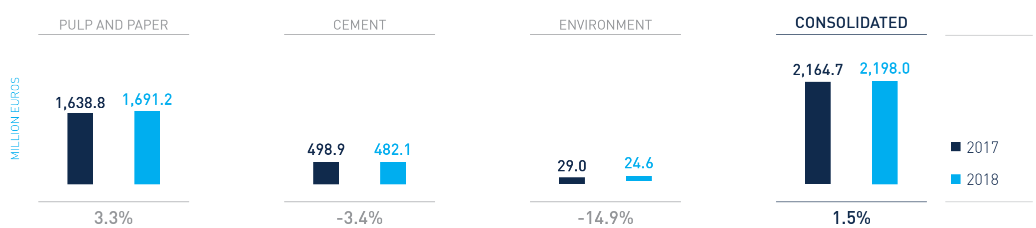
LEADING BUSINESS INDICATORS

IFRS - accrued amounts (million euros)	2018	2017	Var.
Revenue	**2 198.0**	**2 164.7**	**1.5%**
EBITDA	**548.5**	**500.7**	**9.5%**
EBITDA margin (%)	25.0%	23.1%	1.8 p.p.
Depreciation, amortisation and impairment losses	(215.9)	(224.2)	3.7%
Provisions	(19.0)	(4.2)	-348.3%
EBIT	**313.7**	**272.3**	**15.2%**
EBIT margin (%)	14.3%	12.6%	1.7 p.p.
Net financial results	(68.8)	(63.9)	-7.8%
Profit before taxes	**244.8**	**208.4**	**17.5%**
Income taxes	(43.7)	(14.8)	-195.0%
Net profit for the period	201.2	193.6	3.9%
Attributable to Semapa shareholders	**132.6**	**124.1**	**6.8%**
Attributable to non-controlling interests (NCI)	68.6	69.5	-1.3%
Cash-flow	436.0	422.1	3.3%
	31/12/2018	**31/12/2017**	**Dec18 vs. Dec17**
Equity (before NCI)	890.4	843.4	5.6%
Net debt	**1 551.6**	**1 673.7**	**-7.3%**
Net Debt / EBITDA LTM	**2.83 x**	**3.34 x**	**-0.5 x**

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

REVENUE

In 2018 the Semapa Group recorded consolidated revenue of 2,198.0 million euros, up by 1.5% from the same period in the previous year. Exports and foreign sales amounted to 1,664.9 million euros, representing 75.8% of revenue.



Pulp and paper: 1,691.2 million euros △3.3%

Revenue in the Paper and Pulp business area in 2018 stood at 1,691.2 million euros, up by 3.3% year on year. In the period, there was a favourable change in UWF paper, BEKP pulp and tissue prices, but less pulp and paper volume available for sale due to production stoppages in the year.

Cement: 482.1 million euros ▽3.4%

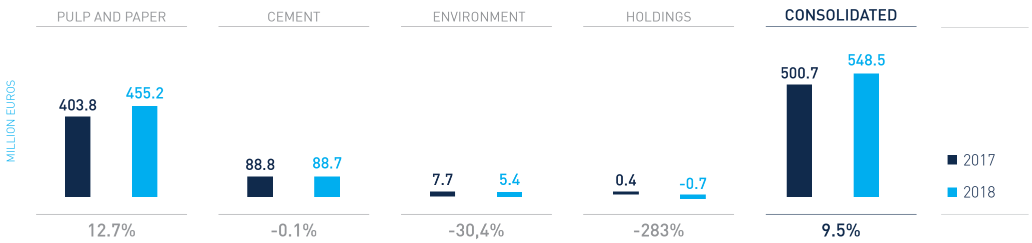
Revenue of the Cement business in 2018 decreased 3.4% compared to 2017, totalling 482.1 million euros. This decrease was due to the negative impact of approximately 34.9 million euros due to the devaluation against the Euro of the currencies of the different countries where Secil operates. If the depreciation had not occurred, revenue would have been higher than that of 2018 by about 19 million euros.

Environment: 24.6 million euros ▽14.9%

The revenue of the Environment business area was approximately 24.6 million euros in 2018, down by 14.9% on 2017.

EBITDA

In 2018, EBITDA increased 9.5% in relation to the previous year, standing at 548.5 million euros. The consolidated margin stood at 25.0%, 1.8 p.p. higher than in 2017.



Pulp and paper: 455.2 million euros △12.7%

In 2018 the EBITDA of the pulp and paper business totalled 455.2 million euros, 12.7% up on the figure recorded in the previous year, reflecting an EBITDA margin of 26.9%.

Cement: 88.7 million euros ▽0.1%

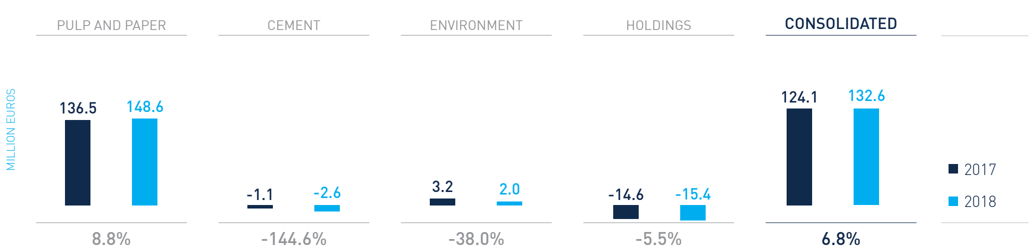
EBITDA in the cement business area stood at 88.7 million euros in 2018, in line with the figure in the previous year. The EBITDA margin increased from 17.8% to 18.3%. This indicator, as in the case of revenue, was influenced by the currency devaluation against the Euro of the currencies of the different countries where Secil operates, with a negative impact of around 5.3 million euros. In spite of the depreciation of the currency, EBITDA grew significantly across all geographies, excluding Lebanon.

Environment: 5.4 million euros ▽30.4%

The EBITDA for environment business area totalled approximately 5.4 million euros in 2018, representing a decrease of about 30.4% in comparison with 2017. The EBITDA margin stood at 21.8%, down by around 4.8 p.p. on the margin in 2017.

NET PROFIT ATTRIBUTABLE TO SEMAPA SHAREHOLDERS

Profit before taxes increased 17.5% and net profit attributable to Semapa shareholders stood at 132.6 million euros, up by 6.8% in relation to the previous year.

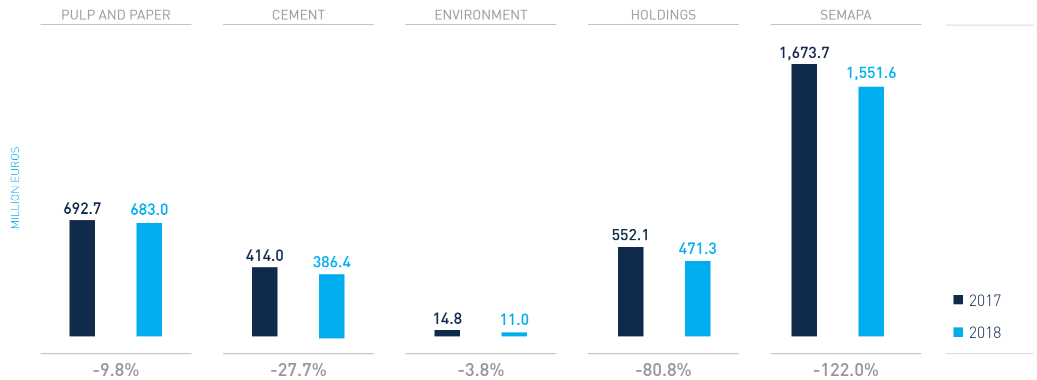


Pulp and paper: 148.6 million euros △8.8%
Profit before taxes amounted to 265.4 million euros (vs. 232.1 million euros in the previous year), with income taxes in the period negatively impacted by the establishment of a series of tax provisions and an increase in the state surtax rate. Net profit attributable to shareholders of Semapa in the pulp and paper area was 148.6 million euros, which represented an increase of 8.8% against 2017 (136.5 million euros).

Cement: -2.6 million euros ▽144.6%
Net profit attributable to Semapa shareholders of the cement area was -2.6 million euros, below the -1.1 million euros in 2017.

Environment: 2.0 million euros ▽38.0%
Net profit attributable to Semapa shareholders of the environment area totalled approximately 2.0 million euros in 2018, representing a decrease of about 38.0% in comparison with 2017.

NET DEBT



On 31 December 2018, consolidated net debt stood at 1,551.6 million euros, representing a reduction of around 122.0 million euros over the figure in the previous year, having decreased in all areas. The consolidated Net Debt/EBITDA ratio was 2.83X, an improvement of 0.5X compared with 31 December 2017.

BREAKDOWN BY BUSINESS SEGMENTS

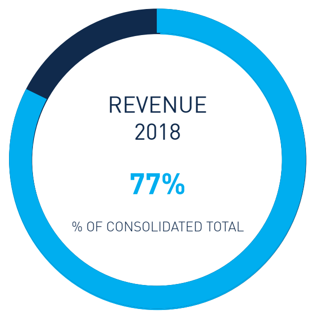
IFRS - accrued amounts (million euros)	Pulp and Paper		Cement		Environment		Holdings		Consolidated
	2018	18/17	2018	18/17	2018	18/17	2018	18/17	2018
Revenue	**1 691.2**	**3.3%**	**482.1**	**-3.4%**	**24.6**	**-14.9%**	**-**	**-**	**2 198.0**
EBITDA	**455.2**	**12.7%**	**88.7**	**-0.1%**	**5.4**	**-30.4%**	**(0.7)**	**-283.0%**	**548.5**
EBITDA margin (%)	26.9%	2.2 p.p.	18.4%	0.6 p.p.	21.8%	-4.8 p.p.			25.0%
Depreciation, amortisation and impairment losses	(153.8)	3.9%	(58.9)	3.7%	(2.9)	-2.9%	(0.2)	4.6%	(215.9)
Provisions	(13.5)	-231.7%	(5.5)	<-1000%	0.1	-118.2%	-	-	(19.0)
EBIT	**287.9**	**20.1%**	**24.2**	**-12.8%**	**2.5**	**-44.9%**	**(0.9)**	**-556.8%**	**313.7**
EBIT margin (%)	17.0%	2.4 p.p.	5.0%	-0.5 p.p.	10.1%	-5.5 p.p.			14.3%
Net financial results	(22.5)	-192.2%	(30.9)	23.2%	(0.4)	12.1%	(15.0)	2.6%	(68.8)
Profit before taxes	**265.4**	**14.4%**	**(6.7)**	**46.3%**	**2.1**	**-49.0%**	**(15.9)**	**-4.8%**	**244.8**
Income taxes	(51.3)	-45.1%	7.2	-65.3%	(0.0)	94.1%	0.5	-12.7%	(43.7)
Net profit for the period	214.1	8.8%	0.5	-94.2%	2.0	-38.0%	(15.4)	-5.5%	201.2
Attributable to Semapa shareholders	**148.6**	**8.8%**	**(2.6)**	**-144.6%**	**2.0**	**-38.0%**	**(15.4)**	**-5.5%**	**132.6**
Attributable to non-controlling interests (NCI)	65.5	8.8%	3.1	-66.5%	0.0	-37.3%	-	-	68.6
Cash-flow	381.4	5.7%	65.0	-6.2%	4.9	-24.0%	(15.2)	-5.6%	436.0
Net debt	**683.0**		**386.4**		**11.0**		**471.3**		**1 551.6**

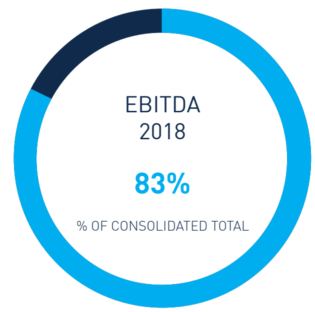
Notes:
- Figures for business segment indicators May differ from those presented individually by each Group, as a result of consolidation adjustments.

SUMMARY TABLE OF OPERATING INDICATORS

	Unid.	2018	2017	Var.
Pulp and Paper				
BEKP Sales (pulp)	1 000 t	253.4	310.9	-18.5%
UWF Sales (paper)	1 000 t	1 512.9	1 578.1	-4.1%
Total sales of tissue	1 000 t	63.1	55.4	14.0%
Cement				
Sales of Grey cement	1 000 t	5 096	5 105	-0.2%
Sales of Ready-mix	1 000 m^3	1 565	1 435	9.1%
Environment				
Collection of raw materials - Animal waste	1 000 t	122.4	118.7	3.1%

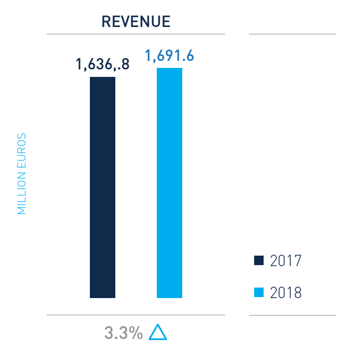
3 PAPER AND PULP BUSINESS AREA
3.1 LEADING BUSINESS INDICATORS



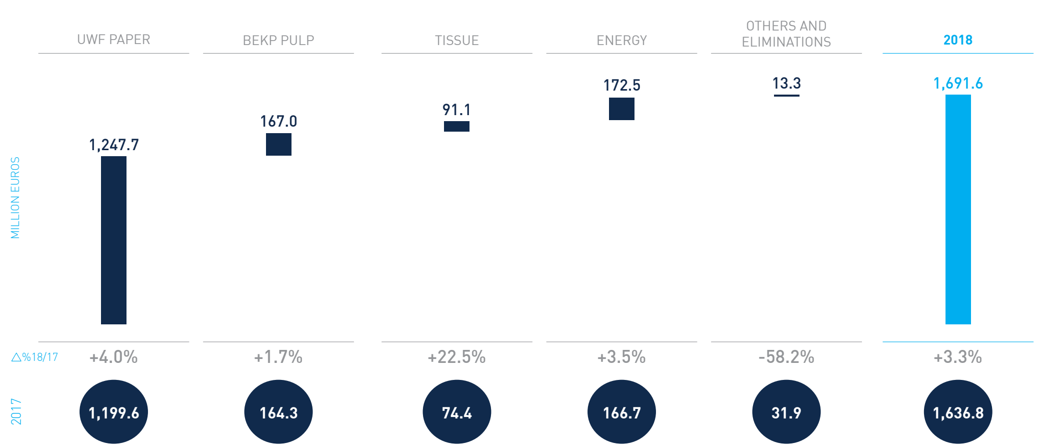


HIGHLIGHTS IN 2018 (VS. 2017)

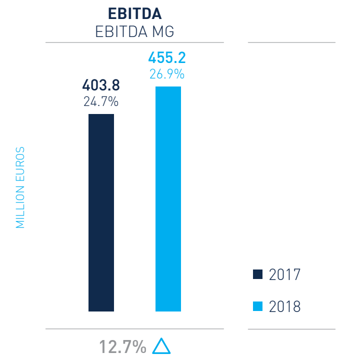
- In 2018, revenue amounted to 1,691.6 million euros, 3.3% higher year on year.



REVENUE BREAKDOWN BY SEGMENT



- EBITDA grew 12.7% to 455.2 million euros (vs. 403.8 million euros in 2017). EBITDA margin grew 2.2 p.p. to 26.9%



- There was a favourable change in prices of UWF paper, BEKP pulp and tissue in the year, and less volumes of paper and pulp available for sale.

- In May 2018 occurred the completion and start-up of the pulp output capacity increase in Figueira da Foz, which went from a nominal output of 580 thousand tonnes/year to 650 thousand tonnes/year.

- The production of tissue in Aveiro started up in the second and third quarters of 2018.

- Navigator was distinguished by the Carbon Disclosure Project (CDP) as a global leader in corporate climate action, achieving a top place in the organisation's climate change A-list. It was the only Portuguese Company to achieve the top rating. The Company was singled out for its actions in 2018, in reducing emissions, cutting climate risks and developing a low-carbon impact economy.

IFRS - accrued amounts (million euros)	2018	2017	Var.
Revenue	**1 691.6**	**1 636.8**	**3.3%**
EBITDA	**455.2**	**403.8**	**12.7%**
EBITDA margin (%)	26.9%	24.7%	2.2 p.p.
Depreciation, amortisation and impairment losses	(153.8)	(160.0)	3.9%
Provisions	(13.5)	(4.1)	-231.7%
EBIT	**287.9**	**239.8**	**20.1%**
EBIT margin (%)	17.0%	14.6%	2.4 p.p.
Net financial results	(22.5)	(7.7)	-192.2%
Profit before taxes	**265.4**	**232.1**	**14.4%**
Income taxes	(51.3)	(35.4)	-45.1%
Net profit for the period	214.1	196.7	8.8%
Attributable to Navigator shareholders	**214.1**	**196.7**	**8.8%**
Attributable to non-controlling interests (NCI)	0.0	(0.0)	230.6%
Cash-Flow	**381.4**	**360.8**	**5.7%**
	31/12/2018	**31/12/2017**	
Equity (before NCI)	989.3	998.4	
Net debt	**683.0**	**692.7**	

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

3.2 LEADING OPERATING INDICATORS

in 1 000 t	2018	2017	Var.
PULP AND PAPER			
BEKP Output (pulp)	1 451.7	1 489.1	-2.5%
BEKP Sales (pulp)	253.4	310.9	-18.5%
UWF Output (paper)	1 535.3	1 592.6	-3.6%
UWF Sales (paper)	1 512.9	1 578.1	-4.1%
FOEX – BHKP Eur/t	880	729	20.7%
FOEX – A4- BCopy Eur/t	873	815	7.0%
TISSUE			
Reels Output	71.7	56.2	27.5%
Output of finished products	66.0	48.9	35.0%
Sales of reels and goods	1.9	7.3	-74.0%
Sales of finished products	61.2	48.1	27.3%
Total sales of tissue	63.1	55.4	14.0%

3.3 OVERVIEW OF PAPER AND PULP

In 2018, the revenue of Navigator totalled 1,691.6 million euros, up by 3.3% compared with 2017. With sales amounting to 1,247.7 million euros, the paper business segment accounted for 74% of revenue, energy accounted for 10% (172.5 million euros), pulp also approximately 10% (167.0 million euros), and the tissue business 5% (91.1 million euros).

In the second quarter of 2018, Navigator initiated a long shutdown of the Figueira da Foz plant pulp line for maintenance and to conclude the capacity expansion project and modify the pulp production process. Additionally, the Setúbal pulp line had several maintenance stoppages in the first quarter, requiring production to be shut down for a longer period than planned. Due to the length of the stoppages, stocks had to be built up, namely to support paper production and replenish stocks at appropriate operational levels, after reaching an historically low level in December 2017.

The constraints on production impacted strongly the availability of pulp for sales over the course of the year, especially in the first 9 months of 2018. In October hurricane Leslie hit Figueira da Foz, forcing the plant to stop production again, although it managed to recover part of the volumes in the fourth quarter. Therefore, Navigator sales in 2018 stood at 253.4 thousand tonnes, 18.5% below volumes in 2017.

The decrease in volumes was fully compensated by the rise in sales price, which is why revenue reflects 1.7% Increase to around 167.0 million euros. Market conditions pulled net sales price up - the average benchmark price in the period, FOEX BHKP Europa, increased 20.7% (880/T vs. 729/T) – just as the weight of sales in value-added segments (décor and specialty paper) rose from 62% in 2017 to 73% in 2018. The improvement in the sales mix fostered a variation in percentage terms of the average selling price of Navigator above market reference (+25%).

In the paper business area, UWF sales totalled 1,512.9 Thousand tonnes, down by 4.1% on the previous year, essentially due to changes in production arising from unplanned stoppages. Having raised prices several times during the year, in Europe and in other parts of the world, Navigator benefited from the 8.5% increase in average price compared with 2017, which helped offset in value the reduction in volumes sold and raised sales by 4.0% to 1,247.7 Million euros. The 8.5% increase in Navigator's average price outperformed the reference index in Europe FOEX A4 b-copy, which grew 7.0% to 873/t in 2018. The selling price of Navigator was driven positively by the significant quality improvement in the product mix (54% premium sales vs. 49%) and the weight of own brands (69% vs. 62%), albeit with the negative impact of EUR/USD exchange rate developments (average exchange rate in the period was 1.1810, Compared with the exchange rate of 1.1297 year on year).

The tissue business featured an upward adjustment of the average sales price (+7.5%) compared with 2017, as a result of the improvement in the product mix, with reels representing a smaller proportion and finished products a higher proportion, and also due to the price rises implemented. Sales stood at 91.1 million euros, 22.5% above that of 2017, including sale of finished products from the new Aveiro plant. However, the increase in average tissue prices was not sufficient to absorb higher input costs by approximately 30%, in particular the price of hardwood pulp (which impacted the Vila Velha de Ródão plant) and of softwood pulp as well, and of some chemicals.

In this context, EBITDA stood at 455.2 million euros, which compares to 403.8 million euros in 2017, representing an increase of 12.7% and EBITDA margin of 26.9% (Vs. 24.7%). EBITDA in this period includes the positive impact of the sale of the us pellets business (which, excluding costs and adjustments, amounted to approximately 13.3 million euros) and the negative effect of the anti-dumping duty (around 18 million euros). EBITDA in 2018, without such impacts, would have been 460 million euros (+14%) and EBITDA margin of 27.2%.

The impact on the accounts of the anti-dumping duty brought EBITDA down by 18 million euros, and includes recognition of 3.6 million euros relating to retroactive application of the rate of 1.75% on sales in the first period of review, from August 2015 to February 2017. The total impact of the anti-dumping duty also includes an additional sum of approximately 14 million euros relating to application of a new duty estimated for the second and third periods of review, that Navigator prudently decided to reflect in its accounts.

Production costs are still negatively impacted by unfavourable developments in chemicals (in a global amount of 10 million euros), which impacted variable unitary production costs of pulp, paper and tissue. Also, fibre costs increased approximately 14 million euros, essentially due to the acquisition of hardwood fibre for the tissue operations at Vila Velha de Ródão, as well as the purchase of softwood pulp. In fixed costs, payroll costs registered the most significant increase (+9.2 million euros) as a result of the increase in the performance bonuses estimated as acknowledgement of the Navigator's strong results, the workforce expansion due to the new tissue project in Aveiro and the rejuvenation programme under way. Navigator, on the other hand, continued with the m^2 operational excellence programme, having reached a positive impact of approximately 20.8 million euros in EBITDA year on year.

The financial results amounted to a loss of 22.5 million euros (vs. a loss of 7.7 million euros). In spite of the improvement in Navigator borrowing costs, several factors impacted the development of financial results negatively, including (i) a drop of 10 million euros in gains on currency hedges taken out by the company, (ii) a reduction of 3.3 million euros in results from investment of surplus liquidity, in a context of overall fall in financial markets, and (iii) recognition at the end of the first quarter of a negative amount of approximately 1.5 million euros resulting from the difference between the nominal value and the current value of the amount to be received for the sale of the pellets business (USD 45 million).

Profit before taxes amounted to 265.4 million euros (vs. 232.1 million euros). Income taxes in the financial year were negatively impacted by higher profit before taxes (which includes profit from the sale of the pellets business), the establishment of a series of tax provisions and an increase in the state surtax rate.

Therefore, Navigator's net profit in 2018 amounted to 214.1 million euros, up by 8.8% compared with 2017 (196.7 million euros).

3.4 BUSINESS REVIEW

3.4.1 PULP

3.4.1.1 MARKET BACKGROUND

Global market conditions for chemical pulp were positive in the first nine months of 2018, with demand for pulp for market exceeding 2% according to data from the Pulp and Paper Products Council (PPPC). This trend was reversed in the last quarter of the year, with demand shrinking around 2% year-over-year (December 2018 estimate)

Global demand for BEKP pulp grew by more than 5%, particularly in china (around 14%), driven in particular by new investment in tissue capacity estimated at 1.3 million tonnes in 2018.

On the supply side, there were some constraints (planned and unplanned shutdowns) that took away from the market an estimated 1.9 million tonnes of hardwood pulp and 1.0 million tonnes of softwood pulp.

3.4.1.2 OPERATIONAL PERFORMANCE

in 1 000 t	2018	2017	Var.
BEKP Output	1 452	1 489	-2.5%
Aveiro	358	354	
Figueira da Foz	575	593	
Setúbal	519	542	
BEKP Sales	253	311	-18.5%
Foex – BHKP Eur/t	**880**	**729**	**20.7%**

In 2018, the pulp market for Navigator decreased 18.5% in sales volumes (equivalent to 58 thousand tonnes).

During the year, Navigator had production stoppages in pulp lines in different plants, not only due to maintenance, but also due to the completion of the project to increase installed capacity, and to hurricane Leslie that forced to a halt of the Figueira da Foz plant. As a result of the length of the stoppages, stocks had to be built up again, namely to support paper production and replenish stocks at appropriate levels for production, after reaching an historically low level in December 2017.

The decrease in volume was fully offset by the rise in net sales price due to market conditions - the average benchmark price in the period, FOEX BHKP Europe, increased 20.7% (880/T vs. 729/T) – just as the weight of sales in value-added segments (décor and specialty paper) rose from 62% in 2017 to 73% in 2018.

3.4.2 PAPER

3.4.2.1 MARKET BACKGROUND

In 2018, UWF world demand fell slightly year-on-year - around 1% -, due to the negative performance of European and US demand, which decreased by 4.3% and 1.9%, respectively, but with the benefit of about 1% growth in demand in emerging markets. In view of the high price of paper pulp in the first three quarters of the year, prices increased in all regions of the world in the same period, with a drop in Asia in the last months of the year.

On the supply side, there was significant divestment in the us, particularly in the 2nd quarter, with the end of UWF production at the Georgia Pacific Camas plant and subsequent announcement of the complete withdrawal of the UWF business in 2019. Conversely, two paper machines began operating in Chenming, China, in the summer of 2018, totalling 1 million tonnes of annual capacity.

Europe continues to be Navigator's main market, where 58% of sales in 2018 were registered in the premium segment, although, in pursuit of the goal of diversifying customers and geographies, the Company has channelled more than 40% of its sales to markets outside Europe in 2018, in which the premium segment accounted for 49% of all sales. Globally, Navigator has sold paper in more than 130 countries or autonomous territories.

Ongoing commitment to product innovation had Navigator invest in the expansion of its range of in-house produced weights by upgrading paper machine 3 in Setúbal for the production of heavyweights that occurred at the end of the year.

3.4.2.2 OPERATIONAL PERFORMANCE

in 1 000 t	2018	2017	Var.
UWF Output	1 535	1 593	-3.6%
Figueira da Foz	744	771	
Setúbal	791	822	
UWF Sales	1 513	1 578	-4.1%
FOEX – A4- BCopy Eur/t	**873**	**815**	**7.0%**

Navigator's sales in volumes in 2018 amounted to 1,513 thousand tonnes, 4.1% below the figure in the previous year, despite an improvement to the product mix, in terms of quality (54% premium sales vs. 49%) and the weight of own brands (69% vs. 62%).

The progressive improvement in market conditions led to positive developments in the reference price indicator for Europe - PIX A4, a growth of 7.0% over the previous year.

3.4.3 TISSUE
3.4.3.1 MARKET BACKGROUND

The European tissue market is among the most mature markets, growing at the CAGR rate of 1% in line with GDP.

The installed capacity of the production of tissue reels in the Iberian Peninsula increased by around 300 thousand tonnes in the last two years (82 thousand tonnes in 2017 and 218 thousand tonnes in 2018), for three end uses: reduce dependence on the reel converting outsourcing (raw material outsourcing); increased capacity and efficiency of converting for the Iberian sales and increased reel export capacity (mainly to the United Kingdom).

The higher sales volume has resulted in growth in several markets, particularly international markets such as France and Spain, the latter up 30% in 2018 and accounting for 35% of Navigator's tissue sales. In the Portuguese market, the Company achieved a 20% growth, representing a weight of 50% of sales (down from 60% in 2017).

In terms of segments, Navigator grew in two major channels - at home and away from home -, with 71% growth in the at home consumer channel, accounting for 40% of sales.

3.4.3.2 OPERATIONAL PERFORMANCE

in 1 000 t	2018	2017	Var.
Reels Output	72	56	27.5%
Output of finished products	66	49	35.0%
Sales of reels and goods	2	7	-74.0%
Sales of finished products	61	48	27.3%
Total sales of tissue	63	55	14.0%

Considering the increase in capacity already achieved in 2018, Navigator posted a 14.0% growth in tissue sales volume (tonnes) compared to the previous year, showing an improvement in the product mix, with the lower weight of reels and a higher percentage of finished product.

3.5 DEVELOPMENT

Navigator recorded an overall investment value of 216.5 million euros. In cumulative terms, Aveiro's tissue project accounted for 83.4 million euros, Figueira da Foz's capacity increase was around 37.3 million euros and recurring investment in the pulp and paper business totalled 95.8 million euros. The latter includes the value of the reconversion of PM3 in Setúbal (8.2 million euros) and the capitalization of some costs related to production stoppages and the damage caused by hurricane Leslie to the Figueira da Foz plant.

TISSUE

The completion of the new tissue plant project in Aveiro marks an important step in the strategic development outlined by the Group in 2015, since it positions Navigator as the third largest tissue producer in the Iberian peninsula, with total production capacity of 130 thousand tonnes of reels and 120 thousand tonnes of converting (finished product). The new plant, equipped with large scale and sophisticated industrial assets, benefits from upstream integration of pulp, which gives it competitive advantages in terms of production costs, the use of high quality eucalyptus pulp produced in Aveiro, and location by the port of Aveiro, convenient for selling its products in more distant markets. The transformation lines began operating in the second and third quarters; the domestic line started in May and the napkins and industrial lines began in July. Reels production started in September, and is still in the ramp-up stage.

PULP

The year 2018 was marked by the completion and start-up of the PO3 project (optimisation project 3) for increasing pulp output capacity of Figueira da Foz, which went from a nominal output of 580 thousand tonnes/year to 650 thousand tonnes/year. The project also included a set of important environmental improvements that produced a significant overall impact on the Figueira da Foz manufacturing complex. One of the goals was to improve the efficiency of the pulp production process, by reducing specific wood and chemical consumption, and to implement best environmental practices, namely by introducing oxygen delignification and subsequently reducing waste water production, and also investing in non-condensable gas burners in the recovery boiler for reducing smells to lower and almost imperceptible levels.

HEAVYWEIGHTS PAPER

In q4 the project for the conversion of paper machine 3 in the Setúbal industrial complex was completed, equipping it to produce paper grammages between 135 and 300 g/m^2, with a total investment of 11.8 million euros. Converting the paper machine to produce heavyweights entailed adding new equipment and modifying existing equipment, to ensure that Navigator will produce papers that can position themselves at the top of the quality range in the heavyweights market.

The heavyweights segment complements the 60-120 g/m^2 grammages, in particular in the graphics segment, representing one third of folio UWF consumption in Europe, and about 7% of total UWF. Own production of heavyweights paper will enable Navigator to explore more business opportunities and it is one way of complementing the current portfolio with quality heavyweights, helping Navigator to develop its commercial presence in a market niche with good growth prospects. The goal is to ensure own production of about 35 thousand tonnes at cruise speed.

MOZAMBIQUE

Portucel Moçambique and the government of Mozambique signed a memorandum of understanding (MOU) related to the restructuring of the investment project, which will be implemented in two stages. Initially, a 40 thousand hectare forest base will be created for ensuring supply to a eucalyptus woodchip production and export operation plant (to be built) that will supply 1 million tonnes a year, a total investment estimated at 140 million us dollars.

A joint Portucel Moçambique and government team was set up to ensure the necessary conditions mentioned abovehave been met for proceeding with the investment, which includes setting up the necessary logistics infrastructure for exporting woodchip. Consequently, the first stage of the project depends on the fulfilment of the requirements laid down in the memorandum of understanding which has been signed with the government of Mozambique, but no breakthrough has been observed until the end of the year 2018.

Given that there is no active market for eucalyptus wood in Mozambique and the conditions for the construction of a chip plant are not yet in place, the Company decided to record an impairment related to the fair value of the biological assets implanted in Zambezia, in the amount of 6.7 million euros.

Although the MOU entered into by the Mozambican Government mentioned above provides for a "best efforts" commitment to creating these conditions by 31 December last, this could not be achieved, and both parties continue to work towards this goal. In view of the current conditions, in addition to the respective impairments, Navigator prudently decided to record an additional provision of 12 million euros in its accounts at the end of 2018 in order to cope with the current project development scenario.

3.6 RESOURCES AND SUPPORTING FUNCTIONS

3.6.1 SUSTAINABILITY

Without prejudice of the sustainability report which will be published, it should be underscored that sustainability is a fundamental pillar of Navigator's operations.

In the beginning of 2019, the prestigious international organisation CDP (Carbon Disclosure Project) distinguished Navigator as a global leader in corporate sustainable action ("a" list company), in recognition for its highly valuable contribution to fighting climate change. The Company was singled out for its actions in 2018 in reducing emissions, cutting climate risks and developing a low-carbon impact economy. It was the only Portuguese Company to achieve the top rating.

3.6.2 FORESTRY AND WOOD SUPPLY

SUSTAINABLE MANAGEMENT

The forest and the sustainability of the forestry sector are a central strategic priority for Navigator, where the Company aims to promote best forestry and forest exploration practices, both in the area it manages and in other Portuguese forests.

The commitment to sustainable development, embraced by the simultaneous pursuit of economic prosperity of both Navigator and the neighbouring rural communities, environmental responsibility and social equity are the corner stones of the company's strategy.

Navigator plays a crucial role in promoting wealth in the regions where it is located, managing more than 110,000 hectares of forest from the north to the south of the country (55% owned and 45% leased). In this way the promotion of the rural economy is a determining reality, promoting the management and enhancement of the rural spaces, in particular those managed by it, while fostering the regional activity through planting, management and exploration activities in these areas.

In 2018, Navigator invested around 28 million euros directly in this value chain in the 18 districts of continental Portugal where it is located, with approximately 61% of all investment funnelled to the hinterland.

In relation to the approximately 50,000 hectares leased, the rural economy is fostered through the compensation paid for the forest land used, and the work carried out by a Group of local companies, which Navigator subcontracts to provide forestry and farming services. Except where there are no local providers, all services used by the Company in managing own and leased properties are subcontracted to local companies, thus also helping develop a forestry service sector, which May in time provide services to Navigators and third parties.

While Navigator internally ensures a set of good practices in terms of the genetic improvement of eucalyptus globulus, which contribute to the success of the eucalyptus plantations, 2018 was a turning point in this area, as the Company invested significantly in sharing this knowledge with its external partners.

The production of forest and ornamental plants by Navigator's *Viveiros Aliança* is an important lever in terms of the productivity in the forests managed by the company, since they present excellent growth levels and good performance on the ground. The quality of the clones, product of 30 years of research and experimentation conducted by RAIZ, were not enough for market needs. In 2018 the Company invested in increasing the capacity of its nurseries, from 6 million eucalyptus clone plants to 8.5 million per year.

Consequently, the resulting increase in production will be directed at the market, improving the genetic material available for planting. On the other hand, Navigator also sought to develop partnerships with other nurseries and implement collaborative programs that allow them to have access to better genetic material and improved plant production techniques.

WOOD SUPPLIERS

Navigator is the largest private forestry producer in Portugal, efficiently and responsibly managing more than 110 000 hectares of owned and leased forested areas. With its own forestry policy and code of best forest practices, the Company demonstrates its concern for preserving forest spaces, which lie at the very heart of its business.

The industrial complexes are supplied with wood from its own forests on the national territory, and wood from leased forests in Portugal (the Company is currently extending these areas to the Spanish territory), a source of supply that the Company intends to expand. In this case, it involves leasing new forests from landowners who choose not to manage their land themselves. By leasing more and more land, Navigator also ensures a significant increase in its presence on the national territory.

A second source of supply, which accounts for more than 50% of the total wood supplied to the industrial complexes, is the domestic market, but through the thousands of independent producers who sell *Eucalyptus globulus* to Navigator. Followed by the Spanish market (namely Galicia and Andalusia) and, finally, the market outside the Iberian Peninsula, in particular Latin America.

The domestic purchase is an example of the significant impact on the rural economy, since two thirds of the raw material consumed by the Company are domestically supplied, and only 12% is wood coming from the areas it manages.

Forest certification is still one of the priorities of Navigator, whose forest management model is certified since 2007, for all assets it manages in Portugal, a commitment that is renewed annually. Forest management at Navigator is certified by two world reference programmes: the forest stewardship council® (FSC®) and the programme for the endorsement of Forest Certification Schemes™ (PEFC™).

In parallel, Navigator helps promote certified forest management in areas that are not managed directly by the company. This programme that aims at encouraging the adoption of FSC and PEFC Forest Certification Systems, which began some time ago in areas not managed directly by the company, seeks to enhance the adoption of forest management best practices as recognised through the certification. In 2018 the Company reinforced its focus on this area by increasing the consumption of wood from certified management, which went up from 27% in 2017 to 42% in 2018.

This is a journey travelled with partners. It is essential to reach out to forest producers, which has been possible with the help of intermediaries who purchase the wood, including the implementation of specific trade incentives, and the signing of protocols of collaboration with forestry producer organisations and certification Groups, among other entities. Thus, together it is possible to fund a variety of dissemination actions, to promote the improvement of technical services and train human resources, carried out by associations through capillary action with forest producers, while promoting the local economy and ensuring greater stability for the local communities.

Forest management plays a leading role in fire prevention, which requires careful and continuous management of forests. Scientific research and practice on the ground show that poorly managed forests build up fuel and react to fire in a very similar way, regardless of the species that populate it.

In areas lacking care, more fires are sparked, while in areas with professional management of eucalyptus trees, fires occur less frequently and cause less damage. Less than 1% of all professionally managed plantations, namely properties of industrial eucalyptus companies, has burnt. Active management, i.e. human effort to clean and care for the forest, significantly reduces fire hazards. With this goal in mind, in 2018 Navigator put more than 3.3 million euros into preventing and controlling forest fires.

3.6.3 ENERGY

In the energy business, the hike in Navigator power sales prices was of 3.5%, to 172.5 million euros, reflecting mostly the increase in sales price, since power sales from the operation of the natural gas combined-cycle power stations benefited from the sharp hike in Brent prices (roughly 32%), which directly influences the index to which prices are linked. In spite of the increase, total gross production of electric power by Navigator in 2018 decreased 1.6% year on year, as a result of the unplanned stoppages, nonetheless reaching 2.19 Twh in total production value.

In 2018, the solar power plant of *Herdade de Espirra*, composed of approximately 350 solar power panels, began producing for self-consumption with an installed capacity of 112.6 Kw.

3.6.4 INNOVATION, RESEARCH AND DEVELOPMENT

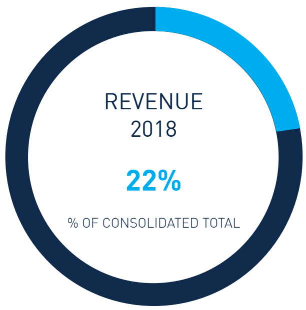
2018 Was a year of great importance for RAIZ which, after becoming a member of the European Business Network (EBN) in August 2018, saw its work acknowledged with the European Business Innovation Centre certification.

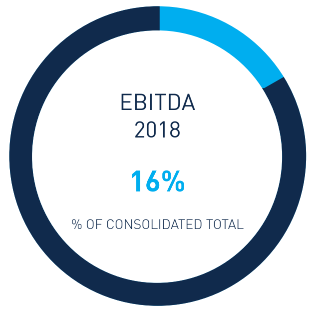
This is the only innovation certification granted by the European Commission, which honours organisations that implement innovation procedures, processes and best innovation practices. It has positioned RAIZ at a level of excellence in the areas of Entrepreneurship, Innovation, Technology and Knowledge, as it became part of a Group of global elite organisations whose mission - acknowledged by the European Commission - is to foster regional and national innovation ecosystems in the field of Forestry and Bioeconomics.

Recognized as an entity of the National Scientific and Technological System and as an Interface Centre - Centre for the Development and Transfer of Technology, the RAIZ Institute has devoted part of its research work to the study on the impact of *Eucalyptus* plantations on water resources, soil and biodiversity and in parallel to IDI (Research, Development and Innovation) in Bioeconomics. Navigator funnels much of its investment to research and development in the pulp and paper industry from eucalyptus through RAIZ, consistently strengthening the bridges between academia and the industry.

In 2018, RAIZ also implemented several measures for improving and optimising its work, decision-making processes and the evaluation of the impact of innovation and Technological Research Programmes on Organisations.

4 CEMENT AND OTHER BUILDING MATERIALS BUSINESS UNIT

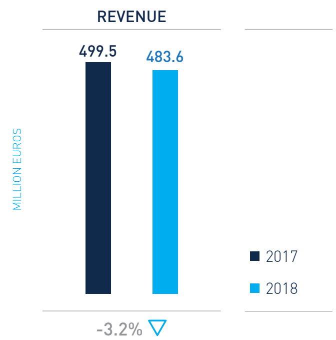




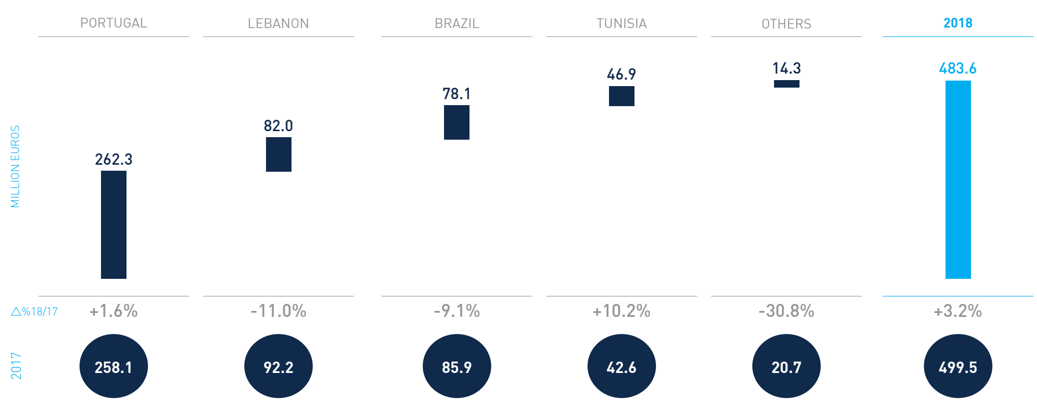
HIGHLIGHTS IN 2018 (VS. 2017)

- Secil's revenue at 31 December 2018 amounted to 483.6 million euros, 3.2% lower than in the previous year, reflecting a decrease of 15.9 million euros. This decrease was mainly due to the negative impact of currency devaluation against the Euro, of the currencies of the different countries where Secil operates, of around 34.9 million euros.

- If the adverse exchange rate effect had not occurred, revenue would have been approximately 19 million euros higher than in 2017.

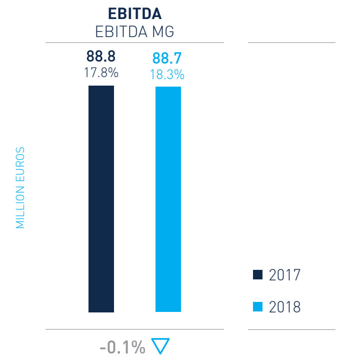


REVENUE BREAKDOWN BY COUNTRY

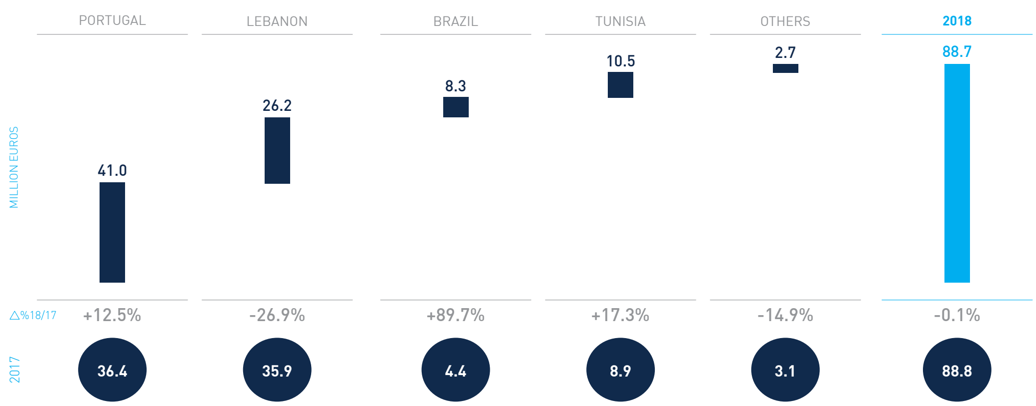


Note: others includes Angola and others.

EBITDA reached 88.7 million euros, in line with the previous year. The EBITDA margin increased from 17.8% to 18.3%. This indicator, as in the case of revenue, was influenced by the currency devaluation against the Euro of the currencies of the different countries where Secil operates, with a negative impact of around 5.3 million euros. Despite the exchange rate devaluation, EBITDA increased significantly in all geographies except for Lebanon.



EBITDA BREAKDOWN BY COUNTRY



Note: others includes Angola and others.

- Net financial results improved to -30.9 million euros, against -40.3 million euros in 2017. The positive difference in comparison with the same period in the previous year is mostly due to less financial debt in Brazil and the reduction in the cost of debt in Brazil and Portugal.
- Income taxes in 2018 are positively impacted by the reversal of tax provisions.
- Net debt dropped from 414.0 million euros to 386.4 million euros.

4.1 LEADING BUSINESS INDICATORS

IFRS - accrued amounts (million euros)	2018	2017	Var.
Revenue	**483.6**	**499.5**	**-3.2%**
EBITDA	**88.7**	**88.8**	**-0.1%**
EBITDA Margin (%)	18.3%	17.8%	0.6 p.p.
Depreciation, amortisation and impairment losses	(58.9)	(61.2)	3.7%
Provisions	(5.5)	0.2	<-1000%
EBIT	**24.2**	**27.7**	**-12.8%**
EBIT Margin (%)	5.0%	5.6%	-0.6 p.p.
Net financial results	(30.9)	(40.3)	23.2%
Profit before taxes	**(6.7)**	**(12.5)**	**46.3%**
Income taxes	7.2	20.8	-65.3%
Net profit for the period	0.5	8.2	-94.2%
Attributable to Secil shareholders	**(2.6)**	**(1.1)**	**-144.6%**
Attributable to non-controlling interests (NCI)	3.1	9.3	-66.5%
Cash-flow	**65.0**	**69.3**	**-6.2%**
	31/12/2018	**31/12/2017**	
Equity (before NCI)	354.7	385.2	
Net debt	**386.4**	**414.0**	

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

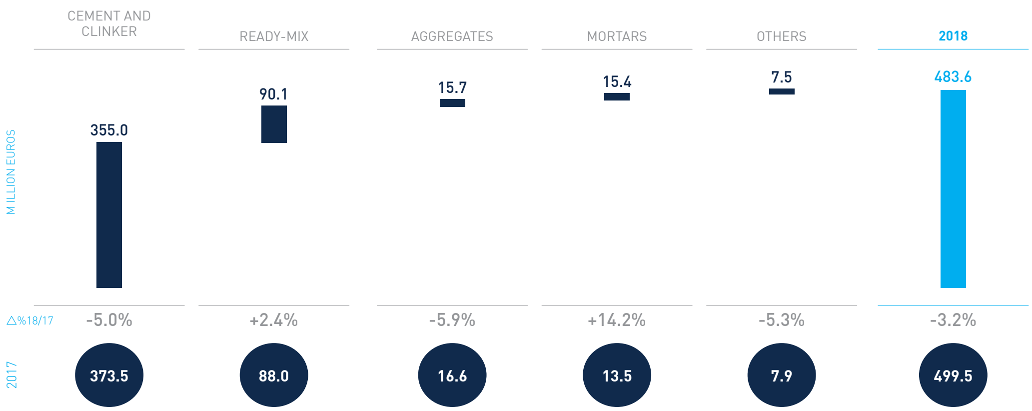
4.2 LEADING OPERATING INDICATORS

in 1 000 t	2018	2017	Var.
Annual cement production capacity	9 750	9 750	0.0%
Production			
Clinker	4 688	4 934	-5.0%
Cement	5 271	5 143	2.5%
Sales			
Grey cement	5 096	5 105	-0.2%
White cement	91	86	5.1%
Clinker	438	659	-33.5%
Aggregates	3 110	3 019	3.0%
Precast	122	128	-4.6%
Mortars	154	128	20.5%
Hydraulic lime	25	26	-3.4%
Mortar fixative	19	18	4.6%
in 1 000 m^3			
Ready-mix	1 565	1 435	9.1%

Note: volumes excluding inter-segment sales.

4.3 OVERVIEW OF OPERATION OF CEMENT AND OTHER BUILDING MATERIALS

REVENUE BREAKDOWN BY SEGMENT

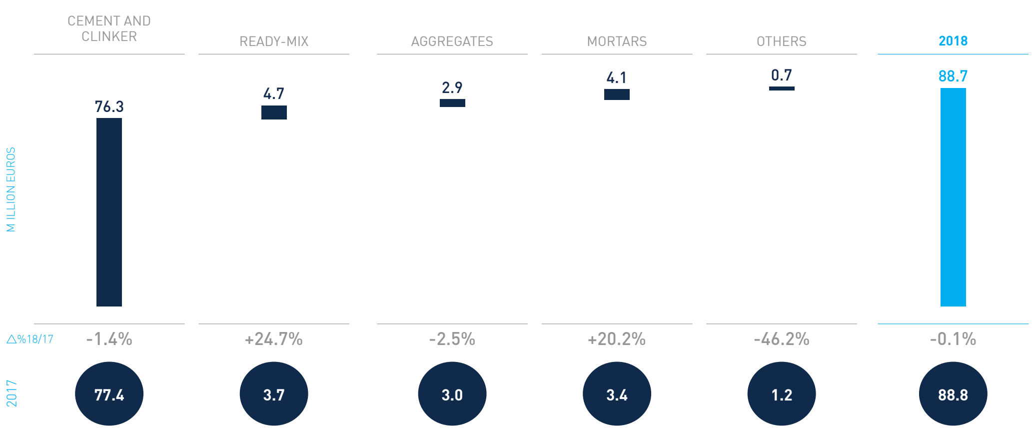


Note: others includes precast and others.

Analysing by segment, the cement and clinker revenue dropped 5.0% compared with the previous year, representing a smaller share of total operations (73.4% in 2018 vs. 74.8% in 2017). This decrease is the result of less volumes sold and the depreciation of the local currencies vis-a-vis the euro.

Ready-mix concrete volumes sold increased 9.1%, which resulted in a growth in revenue of 2.4%.

EBITDA BREAKDOWN BY SEGMENT



Note: others includes precast and others.

In 2018, EBITDA from cement and clinker was down by 1.4% compared with the previous year, standing at 76.3 million euros. Ready-mix concrete EBITDA increased by 24.7% year on year.

4.4 BUSINESS REVIEW

4.4.1 PORTUGAL

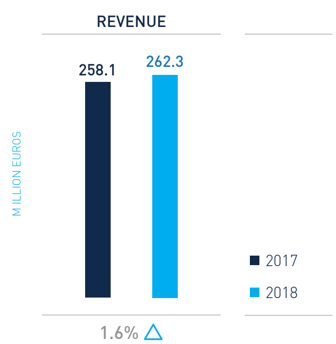
4.4.1.1 MARKET BACKGROUND

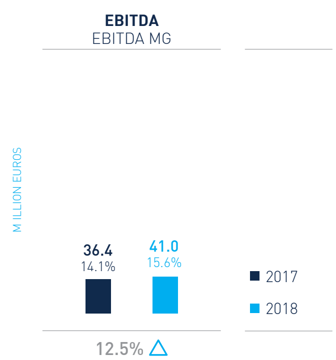
Economic growth in 2018 was 2.1% according to INE – National Statistical Office (quarterly national accounts and annual preliminary accounts, February 2019). This development was supported by rising exports and domestic demand pick up.

The activity of the construction sector remained positive throughout 2018, and its annual production is estimated to have increased 3.5% in real terms compared to the previous year. The civil engineering segment had possibly the most moderate performance compared to other sector activities (+2%). The building segment developed more positively, +4.9%, with an increase of 7.0% in the construction of residential buildings and a growth of 2.8% in the construction of non-residential buildings.

Consumption of cement in Portugal was marked by negative monthly variations in March and April 2018 due to the rain, but by positive variations in all other months of the year, since there are no other factors impacting the market negatively, there are construction works and there is dynamics in the players. It is estimated that the market grew around 5% in 2018, year on year.

4.4.1.2 DESCRIPTION OF THE ACTIVITY





Revenue in Portugal was up by 1.6% compared with 2017, totalling 262.3 million euros.

The cement business unit in Portugal recorded revenue of 156.5 million euros, down by 2.1% over the figure recorded in 2017, due to less cement volumes sold.

In the domestic market, volumes sold increased 0.8% although the volumes sold excluding inter-segment sales dropped. The rise in average sales price helped mitigate the effect.

In the foreign market, surplus supply in Europe and the Mediterranean continued to drive high level of competition, with a negative effect on volumes and selling prices (which remained low notwithstanding the increase in production costs due to the rise in fuel costs).

Total export volumes sold, excluding inter-segment sales, decreased by approximately 14.7%. This was due to a 33% decrease in clinker sales (resulting from the increase in CO_2 cost, which peaked at 25 euros in September) and 9% less cement sales to markets outside of the Group. On the other hand, Secil terminal sales rose around 20%, in particular in the Netherlands and Spain (the latter joined the Group only in April 2017).

The more favourable mix of cement vs. Clinker sales impacted revenue positively due to the price effect, while the decrease in volumes brought export revenue down by about 2.1%.

In the other business segments with operations based in Portugal (ready-mix concrete, aggregates, mortars and precast), accrued revenue in December 2018 amounted to 105.8 million euros, up by 7.6% compared with the previous year.

The increase took place in almost all areas of building materials, benefiting from greater building dynamics. The concrete business unit recorded a 18.4% increase in volumes sold in the Portuguese market, and also positively influenced by sales in Spain.

EBITDA of Portuguese operations grew 12.5%, standing at 41.0 million euros vs. 36.4 million euros in the previous year.

The cement business unit had an EBITDA of 29.9 million euros, higher than the EBITDA recorded year on year (+14.0%). In spite of the increase in variable costs, as a result of the rise in fossil fuel prices and the decrease in export sales, higher sales price in the domestic market and the sale of surplus CO_2 licenses (9.8 million euros vs. 2.8 million euros in 2017) led to EBITDA above 2017 levels.

The EBITDA of the building material business units amounted to 11.0 million euros, which compares to 10.1 million euros accrued in December 2017, despite the pressure on sales prices of ready-mix concrete and higher variable costs of concrete production.

4.4.1.3 OPERATIONAL PERFORMANCE

	Unit	2018	2017	Var.
Clinker Production	1 000 t	1 821	1 962	-7.2%
Cement Production	1 000 t	1 700	1 605	5.9%
Cement and Clinker Sales				
Internal Market	1 000 t	1 163	1 154	0.8%
Exports**	1 000 t	1 016	1 235	-17.7%
Total	1 000 t	2 180	2 413	-9.7%
Ready-mix Sales*	1 000 m^3	1 107	984	12.5%
Aggregates Sales*	1 000 t	3 775	3 949	-4.4%
Mortars Sales*	1 000 t	200	173	15.4%
Precast Sales*	1 000 t	115	119	-2.9%

Note:
- * - Sales volumes concern total sales of each business unit, do not exclude intragroup values.
- ** - Includes terminal sales in the netherlands, cape verde and Spain.

Secil in Portugal experienced improvement in the domestic market, both in the cement and in some materials businesses.

Cement sales in the domestic market amounted to 1.2 million tonnes, 0.8% above the figure in 2017. These positive developments were due to good weather conditions and the increase in private projects (touristic and residential). Concrete and mortars sales growth stand out. This trend was driven by the reinforcement of products whose features are suitable for the segments, which resulted in the sale of technically more complex products.

In the foreign market, surplus supply in Europe and higher CO_2 price had a negative effect on volumes sold.

INVESTMENT

Investment in tangible fixed assets in Portugal amounted to 7.1 million euros. The majority of investments were made in the cement business area.

4.4.2 LEBANON

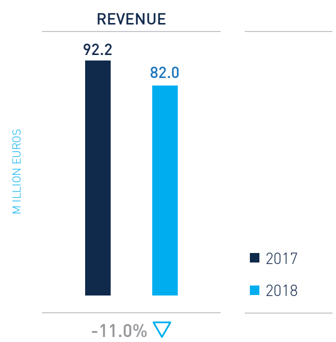
4.4.2.1 MARKET BACKGROUND

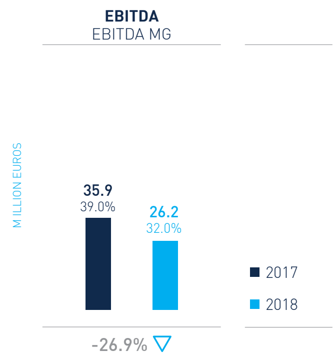
According to the latest figures published by the IMF, the Lebanese estimated economic growth is 1% in 2018 (World Economic Outlook, IMF, October 2018).

The economic and political situation of Lebanon is still unstable. Parliamentary elections were held in May 2018. However, no new government has yet been formed, which has had a negative effect on the country's economic and financial situation. Possible developments in the Syrian conflict and the situation of Syrian refugees in Lebanon will produce a macroeconomic and market effect, which cannot be anticipated at this stage.

Cement consumption in 2018 totalled 4.7 million tonnes, 8.4% less than in the same period in the previous year, influenced by a long rainy season (q1 and q4) and a declining market trend.

4.4.2.2 DESCRIPTION OF THE ACTIVITY





Revenue in Lebanon decreased year on year, amounting to 82.0 million euros. This amount was negatively affected by the depreciation on average of the USD against the euro by about 3.7 million euros.

Cement sales totalled 1.1 million tonnes, less than in the previous year, impacted by the drop in the cement market. Sales prices in the local currency stood at similar levels to that in 2017. Cement revenue decreased 11.3% year on year, mainly due to the reduction in volumes sold.

Due to a competitive environment, concrete revenue decreased 7.2% compared with 2017 to 5.7 million euros, as a result of the reduction by 1.8% in volumes sold and 1% in local currency prices.

In 2018, total EBITDA in Lebanon was 26.2 million euros, down by 26.9% in relation to the previous year. EBITDA in 2018 was negatively affected by the depreciation on average of the USD against the euro by about 1.2 million euros. Without this effect, EBITDA in 2018 would have stood at 27.4 million euros.

The cement unit recorded EBITDA of 26.2 million euros, 26.1% below the figure in 2017. The decrease resulted from less volumes sold and, in particular, from the rise in production costs. These costs were higher in 2018, namely due to the impact of higher solid fuel prices (of approximately 2.8 million euros) and the implementation in the fourth quarter of 2017 of a new special tax on cement production with an impact of 2.9 million euros.

As concrete revenue dropped and production costs rose (due to the rise in raw material and fuel prices), the respective EBITDA decreased to 14 thousand euros.

4.4.2.3 OPERATIONAL PERFORMANCE

	Unit	2018	2017	Var.
Clinker Production	1 000 t	929	950	-2.2%
Cement Production	1 000 t	1 121	1 199	-6.5%
Cement and Clinker Sales				
Internal Market	1 000 t	1 110	1 181	-6.0%
Ready-mix Sales*	1 000 m^3	97	99	-1.8%
Precast Sales*	1 000 t	46	59	-22.2%

Note:
- * - Sales volumes concern total sales of each business unit, do not exclude intragroup values.

Cement sales totalled 1.1 million tonnes, 6% less than in the previous year, impacted by the drop in the cement market. Sales prices stood at similar levels to those in 2017.

Concrete activities performed worse than in 2017, as volumes sold decreased 1.8%. The highly competitive environment of the ready-mix concrete market persisted in Secil's operational areas, and prices dropped by 1%.

INVESTMENT

Investments in Lebanon totalled 3.5 million euros, most of which involved investments in replacements and health and safety.

4.4.3 BRAZIL

4.4.3.1 MARKET BACKGROUND

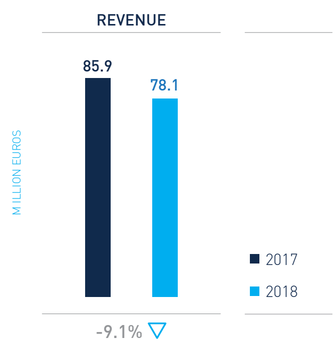
The IMF foresees a 1.3% growth of the Brazilian economy for 2018 (world economic outlook update, IMF January 2019).

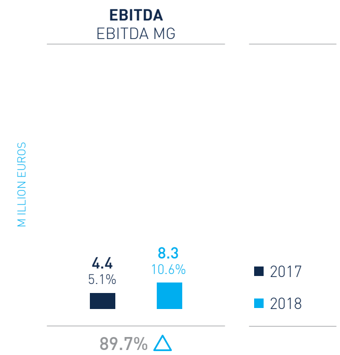
The fragile situation of the government that failed to implement the structural reforms needed to balance the public accounts, alongside the disastrous truck drivers' strike and a highly polarized electoral process, influenced the economic year of Brazil negatively.

The fact that the government did not take action to improve the situation of the public accounts also had investors moving out of Brazil, which resulted in the depreciation of the currency of about 16.3%, down by almost 24% at the end of August. In a weakened, low-growth economy, and with a government lacking the financial capacity to launch a public investment programme, a few auctions were held for infrastructure development, which still did not produce practical effects, continuing to penalise the construction sector.

In this context, the construction industry was naturally affected, with impact on cement consumption. Cement sales in the domestic market decreased around 1.2%, strongly impacted by the drivers' strike in May (when the market dropped around 20%). The market in southern Brazil behaved slightly better, as consumption was in line with the previous years.

4.4.3.2 DESCRIPTION OF THE ACTIVITY





Revenue totalled 78.1 million euros vs. 85.9 million euros in the previous year, representing a decrease of 9.1% year on year. The decrease was affected by the depreciation of the real against the euro by about 15.2 million euros. If the currency had not depreciated, revenue would have been 93.3 million euros, 9% above the figure in the previous year.

Cement sold amounted to 1.33 million tonnes, 4.6% up over the volumes recorded in the previous year. On the positive end, the net selling price in the local currency also rose.

Concrete sales volumes decreased around 9.3%, standing at 244 thousand m^3, with the market also being impacted negatively by the context and the lack of infrastructure works. Sales price in the local currency rose around 3% in comparison with the same period in the last year.

EBITDA in Brazil totalled 8.3 million euros which compares with the 4.4 million euros recorded in December 2017. The increase was due to growing sales and decreasing fixed costs. Excluding the exchange rate effect, EBITDA would have totalled 9.9 million euros.

Variable production costs were up 2% due to the rise in transportation costs of materials (due to the truck drivers' strike), the rise in the purchase cost of petcoke (impacted by international market prices and currency depreciation). The pressure of these costs was particularly high in the last quarter of the year. The increases were partially offset by strict cost control and technical improvement in operations, which helped reduce specific thermal and electrical power consumption and reduce clinker consumption. The organisational restructuring in 2017 and 2018 helped reduce industrial and structural fixed costs, albeit maintaining the commercial strategy of growth with the opening of two new distribution centres.

4.4.3.3 OPERATIONAL PERFORMANCE

	Unit	2018	2017	Var.
Clinker Production	1 000 t	1 018	1 067	-4.6%
Cement Production	1 000 t	1 342	1 292	3.9%
Cement and Clinker Sales				
Internal Market	1 000 t	1 330	1 272	4.6%
Exports	1 000 t	10	16	-34.2%
Total	1 000 t	1 340	1 288	4.1%
Ready-mix Sales*	1 000 m^3	244	269	-9.3%

Note:
- * - Sales volumes concern total sales of each business unit, do not exclude intragroup values.

Cement sales in Brazil reached 1.33 million tonnes, representing an increase of 4.6% Against 2017, when 1.28 million tonnes were sold. This was achieved in spite of the market context and it reflected a commercial strategy of growth with the opening of two new distribution centres.

Concrete sales decreased around 9.0%, Standing at 244 thousand m^3, in a market also being impacted negatively by the context and the lack of infrastructure works. The real estate construction sector seems to be hinting at improvement, albeit with very shy signs.

INVESTMENT

Investments in Brazil totalled 11.2 million euros in the year in question, which included some ongoing strategic projects, such as the installation of the new crusher and conveyor belt in Adrianópolis, the alternative fuel project and the second bagging line.

4.4.4 TUNISIA

4.4.4.1 MARKET BACKGROUND

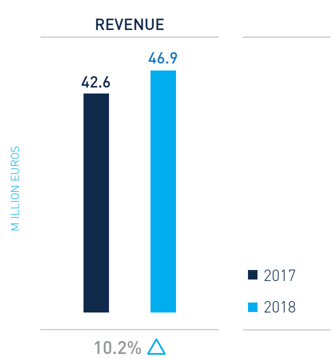
According to the latest figures published by the IMF, the Tunisian economy is expected to grow 2.4% in 2018, more than the 2.0% figure recorded in 2017 (world economic outlook, IMF October 2018).

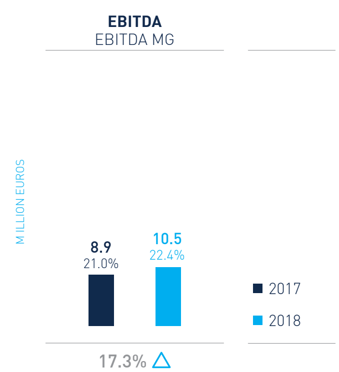
Tunisia is still facing significant challenges, including high foreign and tax deficits, rising debt and insufficient growth to reduce unemployment. Some social unrest and pressure from union claims continue. Government deficit is reflected in public works and the real estate sector faces challenges due to difficulties in obtaining funding (due to the fragility of the banking sector), which impacts construction output.

In this context, it is estimated that the domestic cement market decreased 0.3% year on year. The cement market is still subject to strong competition, due to excess production capacity. However, in 2018 sales prices increased, mainly driven by the fact that several players entered into clinker export agreements (which helped to reduce substantially pressure on the Tunisian market) and by the overall increase in purchase prices of materials with a significant weight in the cost structure of cement manufacturers.

Constraints on the Libyan border and in obtaining foreign currency in the Libyan financial market continued to impact the cement export market.

4.4.4.2 DESCRIPTION OF THE ACTIVITY





Revenue in Tunisia stood at approximately 46.9 million euros, up by 10.2% on a year-on-year basis. In the absence of the negative effect of the depreciation of the Tunisian dinar against the euro, there would have been a 28.0% increase.

The cement business unit in Tunisia recorded revenue of 42.4 million euros, up by approximately 14.4%. Domestic market sales volumes, excluding inter-segment sales, grew 5.8%, in spite of the slight market decrease. Most competitors increased sales prices by about 23%. The increase in fuel prices and electrical power, and the overall rise in prices in Tunisia justified an increase in cement prices by the local producers.
The cement export constraints mentioned before influenced cement prices, which remained below 2017 levels, due

to competition and the fact that there were no exports to Algeria (where prices are higher). In spite of the difficulties, the proximity of the plant to the Libyan market and trade efforts drove cement exports upwards in a market that had decreased against 2017. Around 136 thousand tonnes of clinker were exported, taking advantage of production capacity.

The revenue of the ready-mix concrete business unit dropped about 17.1%, standing at 4.4 million euros, arising from the decrease in sales volumes by around 10.7% due to a shrinking market.

In 2018, EBITDA of activities in Tunisia stood at 10.5 million euros, representing an increase of 17.3% in relation to 2017. This amount was negatively affected by the depreciation of the dinar against the euro by about 1.5 million euros.

The increase in EBITDA is due to the rise in sales volumes and sales prices in the domestic market, which more than offset the negative effects of increase in thermal power costs (resulting from the increase in fuel prices and with a negative impact of approximately 2 million euros), packaging and raw material expenses (overall rise in prices in Tunisia).

4.4.4.3 OPERATIONAL PERFORMANCE

	Unit	2018	2017	Var.
Cinker Production	1 000 t	908	955	-4.9%
Cement and Lime Production	1 000 t	975	889	9.7%
Cement and Clinker Sales				
Internal Market	1 000 t	846	806	5.0%
Exports	1 000 t	259	292	-11.6%
Total	1 000 t	1 105	1 099	0.6%
Ready-mix Sales*	1 000 m^3	118	132	-10.7%

Note:
- * - Sales volumes concern total sales of each business unit, do not exclude intragroup values.

The domestic market performed better than in 2017, as sales volumes increased 5.0%, in spite of the slight market slow down. Around 259 thousand tonnes of cement and clinker were exported, taking advantage of production capacity.

The ready-mix concrete activities performed worse than in 2017. Sales volumes decreased 10.7%, with less 14 thousand m3 sold. The drop resulted from the lack of new, public and private, projects in the different markets, as a consequence of the economic crisis that the country and the sector are experiencing and that has lead to more aggressive competition.

INVESTMENT
Investment amounted to 2.6 million euros, above the figure in 2017, channelled to the launch of essential investments for the development of the company, in particular addressing energy efficiency (alternative fuels), monitoring of kiln operations and efficient maintenance management.

4.4.5 ANGOLA AND OTHERS
4.4.5.1 MARKET BACKGROUND

The IMF expects the Angolan Economy to decrease around 0.1% in 2018 (world economic outlook, IMF October 2018).

Angola is still going through a tough financial and economic situation. Notwithstanding higher oil prices and the implementation of some reforms, the economy is still stagnant, the banking sector is fragile and there is still big shortage of foreign currency, creating difficulties for many companies. To address the situation, the Angolan government implemented tough cost reduction measures and launched several programs for the diversification of the economy which, however, do not produce immediate results, as there are not many foreign investors investing in the Angolan Economy and the government is faced with financial issues. The year 2018 featured the sharp depreciation of the kwanza and the IMF's funding programme.

According to the available data, the Angolan cement market presented values very similar to those of 2017.

These economic and financial difficulties, especially the foreign currency shortage, had a strong impact on maintaining the sustainability of the activity of the national cement producers. During the course of 2018, three of the five producers were forced to stop their activity for various reasons, namely difficulties in the purchase of fuel and paper bags, financial problems and problems acquiring fuels and clinker.

4.4.5.2 DESCRIPTION OF THE ACTIVITY

According to the latest figures available, the Angolan cement market was up by 0.6%, compared to 2017.

Cement volumes sold decreased 15.6% in comparison to 2017, amounting to 127 thousand tonnes of cement sold. In a context of strong inflation and significant depreciation of the kwanza vis-à-vis the euro, Secil Lobito has been implementing a strict price policy that can help it tackle significant increase in costs in the national currency and those arising from imports made to guarantee its operations. Accordingly, cement prices increased around 31% in comparison with 2017.

Consequently, revenue totalled 14.3 million euros, below the level in 2017 due to currency depreciation, which produced a negative effect of 8.4 million euros. Had the exchange rate effect not occurred, revenue would have been 22.7 million euros, 9.8% up over the previous year. Accumulated EBITDA in December 2018 stood at 2.7 million euros, slightly below that in the same period in the previous year, which was also negatively impacted by 900 thousand euros in currency depreciation.

Expenses were substantially affected by the depreciation of the kwanza vis-à-vis the euro. Variable costs rose 32.7%, Mostly due to the increase in acquisition costs of clinker in the international market. On the other hand, fixed costs remained at levels rather similar to those seen in the corresponding period in 2017 which, considering the inflation in angola and the acquisition of some conservation materials that are strongly pegged to the exchange rate, illustrate clearly the efforts to control costs.

4.4.5.3 OPERATIONAL PERFORMANCE

	Unit	2018	2017	Var.
Cement Production	1 000 t	122	158	-22.8%
Cement and Clinker Sales	1 000 t	127	151	-15.6%

Note:

- * - Sales volumes concern total sales of each business unit, do not exclude intragroup values.

Cement sales volumes in 2018 were down by 15.6%, to 127 thousand tonnes.

The first half of the year featured positive developments in volumes (as a result of the financial and/or operational difficulties faced by some cement producers in the beginning of 2018), whereas in the second half of the year sales were below the figure in the same period in 2017. This decrease is due to the fact that sales in the 3rd quarter of 2017 were higher arising from the difficulties experienced by other producers.

In a context of strong inflation and significant depreciation of the kwanza vis-à-vis the euro, Secil has been implementing a strict price policy that can help it tackle significant increase in costs in the national currency and those arising from necessary imports. Accordingly, cement prices increased around 31% in comparison with 2017.

In terms of sales mix, grade 42.5 R cement, a product with higher added value, increased its weight in the mix by 9.3%, to 53.1% of total sales, thus reinforcing Secil's position in the production of differentiated high resistance cements.

INVESTMENT

Investments totalled 0.3 million euros in 2018.

4.5 RESOURCES AND SUPPORTING FUNCTIONS

4.5.1 SUSTAINABILITY AND THE ENVIRONMENT

Without prejudice of the sustainability report which will be published, it is worth noting that Secil integrates sustainability into all levels of management, aligning its industrial activities with environmental protection and social responsibility.

Secil leads the Cembureau European Cement Association and is member of other organisations in Portugal, such as ATIC – *Associação Técnica da Indústria do Cimento*, GRACE – *Grupo de Ação e Reflexão para Cidadania Empresarial* and BCSD Portugal.

In October 2018, Secil joined an international association founded in 2018, GCCA – Global Cement and Concrete Association, composed of the main global cement players. This association will continue the work that was being carried out under the CSI-Cement Sustainable Initiative, which in the meantime was terminated on 31 December 2018.

In this context, Secil has contributed actively to drafting and reviewing the reflection and opinion papers on sustainability, and has taken part in sectoral working groups.

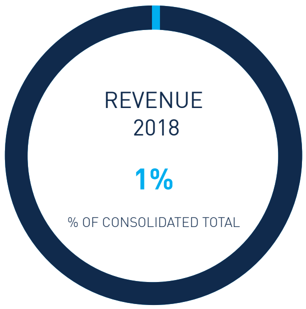
Aware of the need to reduce the carbon intensity of its activity and to incorporate circular economy into its business model, it has been investing in innovative equipment and technologies and in research and development of innovative solutions for the use of concrete.

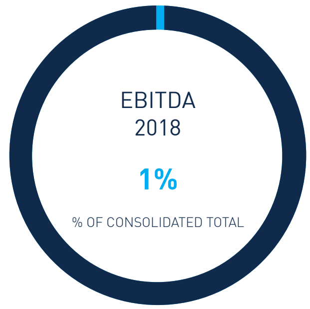
Efficient management of natural resources, improved energy efficiency, replacement of fossil fuels by alternative fuels, incorporating secondary raw materials into its production process, and promoting biodiversity in the environmental recovery of quarries where it operates are some of the of the best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

The social responsibility of its actions is felt primarily by the communities around its main manufacturing units, through community programmes and institutional relationships, which stakeholders appreciate for their soundness and persistence.

Training and development of human capital, and the adoption of a supply chain that favours local suppliers are other dimensions of sustainability pursued in a systematic manner.

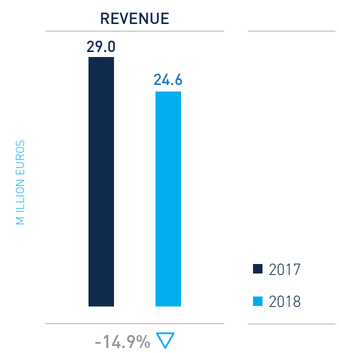
5 ENVIRONMENT BUSINESS AREA
5.1 LEADING BUSINESS INDICATORS



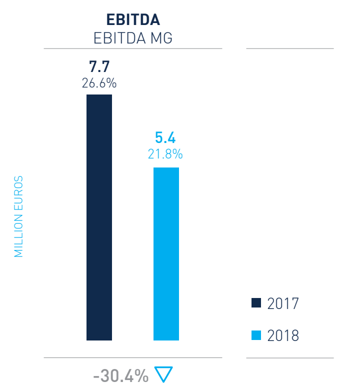


HIGHLIGHTS IN 2018 (VS. 2017)

- ETSA recorded revenue of approximately 24.6 million euros, down by around 14.9% against the previous year.



- The EBITDA for ETSA totalled approximately 5.4 million euros in 2018, representing a decrease of about 30.4% in comparison with the previous year.



- Financial results improved by about 12.1% in relation to previous year, mostly due to the reduction in average debt.

IFRS - accrued amounts (million euros)	2018	2017	Var.
Revenue	**24.6**	**29.0**	**-14.9%**
EBITDA	**5.4**	**7.7**	**-30.4%**
EBITDA margin (%)	21.8%	26.6%	-4.8 p.p.
Depreciation, amortisation and impairment losses	(2.9)	(2.8)	-2.9%
Provisions	0.1	(0.3)	118.2%
EBIT	**2.5**	**4.5**	**-44.9%**
EBIT margin (%)	10.1%	15.7%	-5.5 p.p.
Net financial results	(0.4)	(0.5)	12.1%
Profit before taxes	**2.1**	**4.0**	**-49.0%**
Income taxes	(0.0)	(0.8)	94.1%
Net profit for the period	2.0	3.2	-38.0%
Attributable to ETSA shareholders	**2.0**	**3.2**	**-38.0%**
Attributable to non-controlling interests (NCI)	-	-	-
Cash-Flow	**4.9**	**6.4**	**-24.0%**
	31/12/2018	**31/12/2017**	
Equity (before NCI)	70.7	68.7	
Net debt	**11.0**	**14.8**	

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 year of 2018 and 2017:

	Unid.	2018	2017	Var.
Collection of raw materials - Animal waste (categories 1, 2 and 3)	1 000 t	122.4	118.7	3.1%
Sales - Animal fats and used food oil	1 000 t	12.6	14.9	-15.4%
Sales - Meal	1 000 t	23.3	21.9	6.4%

5.3 OVERVIEW OF THE ENVIRONMENT ACTIVITY

In the ETSA markets, the price of meat and bone meal (category 3) dropped, due to problems faced by European players, in particular spanish, in exporting to asia, thus building up stocks that caused prices in Europe to deteriorate. On the other hand, fat prices reduced due to the double effect of the shut-down of biodiesel plants in Europe, related to biodiesel imports from latin america, and to the reduction in prices of substitute products like soy oil. Tariff barriers which the eu introduced on 28 February 2019 are expected to gradually recover levels of biodiesel production in Europe, subsequently raising fat demand.

In this context, ETSA recorded revenue of approximately 24.6 million euros in 2018, down by around 14.9% against the previous year. This development was essentially caused by (i) a decrease in volumes sold of animal fat (category 3) by about 11.5% compared with the previous year, (ii) a decrease in the respective average sales price by around 22.7%, and a decrease in the average price in the same category meal by approximately 23.3%, and iii) a decrease of around 0.7% in the consolidated services rendered, resulting from less volumes of animals collected under the sirca agreement, resulting in a decrease in billing by about 8.3%.

The EBITDA for ETSA totalled approximately 5.4 million euros in 2018, representing a decrease of about 30.4% in comparison with the previous year, essentially due to less volumes sold and lower sales price, although partially offset by lower cost of thermal fuels due to the pursuit and use of new fuels in the process of industrial conversion. The EBITDA margin stood at 21.8%, down by around 4.8 p.p. from the margin in 2017.

Financial results improved by about 12.1% in relation to previous year, mostly due to the reduction in average debt.

The combined impact of these factors resulted in net profit attributable to ETSA shareholders in 2018 of approximately 2.0 million euros, down by around 38.0% against the previous year.

5.4 RESOURCES AND SUPPORTING FUNCTIONS

5.4.1 SUSTAINABILITY AND THE ENVIRONMENT

Without prejudice of the sustainability report which will be published, it should be noted that ETSA's operations focus on the recycling of food industry by-products, thus avoiding having to deposit them in a landfill and contributing to circular economy (food loss and waste control). These activities are conducted with state-of-the-art technologies to ensure that the environment is protected, using biomass as thermal fuel replacing fossil fuels. Several of the companies of the Group hold the iscc certification (the certification that guarantees sustainability and the reduction of greenhouse gas emissions in the biodiesel production process).

Furthermore, ETSA has entered into cooperation protocols with quercus – associação nacional de conservação da natureza and zero – associação sistema terrestre sustentável for environmental protection and sustainability.

5.4.2 INNOVATION, RESEARCH AND DEVELOPMENT

In 2018, ETSA materialised its commitment to research and development through the development of several internal research lines and through partnerships with higher education institutions linked to chemical technology, biotechnology and agri-food. It also continued to develop the joint project started in 2017 under the Portugal 2020 program (its, sebol and ucp-universidade católica do porto), aimed at obtaining new products and new business opportunities for improving the Group's competitiveness. To be completed by the end of 2019, the project resulted in the development of an innovative product which is undergoing detailed technical study and industrial testing, and a financial feasibility study. In 2018, ETSA also continued to develop a mobilising project - under Portugal 2020 as well -, which involves its, sebol and several private and public entities from the agri-food industry in Portugal that aims to create networks and interactions between several national players in this sector. These r&d lines aim, among other objectives, to reinforce the sustainability character of ETSA by optimising the use of natural resources and minimizing the negative impacts on the environment.

6 HUMAN RESOURCES OF THE SEMAPA GROUP

The Semapa Group's human resource policy is founded on the professional and personal development and growth of its employees, which translates into continuous improvement in productivity and motivation of employees.

The commitment to developing employee skills and expertise, namely through adequate training activities and the development of forums for discussion and sharing of knowledge, are a key strategical and structural feature of Semapa's human resources policy.

With sustainable and streamlined human resource management as a priority, Semapa has implemented several talent management programmes underway in the Group, with strong training and career management components, in order to maximise Group synergies.

The total number of employees of the Semapa Group stabilised slightly above 6,000 employees, at 6,054 at the end of December 2018, as shown in the following table:

	31/12/2018	31/12/2017	Var.
Pulp and Paper	3 282	3 197	85
Cement	2 470	2 556	-86
Environment	270	270	0
Holdings	32	28	4
Total	**6 054**	**6 051**	**3**

7 SOCIAL RESPONSIBILITY IN THE SEMAPA GROUP

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

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

Donations by the Semapa Group to social responsibility activities totalled approximately 2.2 million euros in 2018.

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

- *Fundação Nossa Senhora do Bom Sucesso*: foundation dedicated to human health and development since 1951, with special focus on children and women's health, delivering excellence services independently of the social and economic status of users;

- *Associação Salvador*: an association dedicated to defend the interests and rights of persons with reduced mobility, especially individuals with physical disability;

- *Liga para a Proteção da Natureza*;

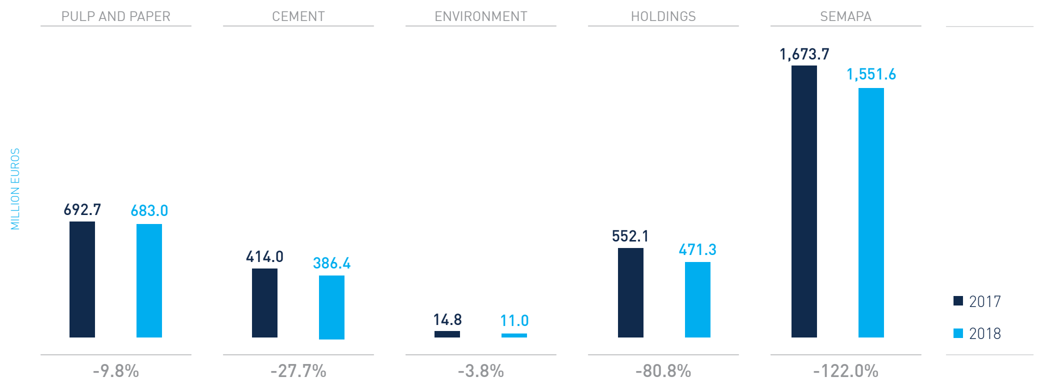
- Establishing support and incentive protocols signed with institutions working in the fields of social inclusion, sports and culture, with programs in the local communities around the Group's facilities;

- *MDV Projeto 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 individualized support.

8 SEMAPA GROUP – FINANCIAL AREA

8.1 INDEBTEDNESS

NET DEBT



On 31 December 2018, consolidated net debt stood at 1,551.6 million euros, representing a decrease of 122.0 million euros over the figure recorded at year-end 2017, positively influenced by the generation of operating cash flow and:

- Pulp and paper: -9.8 million euros, including investments of about 216.5 million euros, the initial proceeds from the sale of the pellets business of 67.6 million euros and the payment of dividends of 200 million euros;
- Cement: -27.7 million euros, which includes, among others, investments of 29.2 million euros and net working capital variation;
- Environment: -3.8 million euros; and
- Holdings: -80.8 million euros, resulting essentially from dividends received from Navigator (139 million euros), the payment of dividends (41.3 million euros) and of financial liabilities.

8.2 FINANCIAL RESULTS

In 2018 financial results amounted to a negative figure of 68.8 million euros, representing a deterioration by 7.8% in relation to the figure recorded in the previous year. In spite of the improvement in Group borrowing costs, several factors impacted financial results negatively, in particular:

- The unfavourable evolution of 9.4 million euros in financial instruments (hedging) as compared with 2017;
- The negative impact of 3.3 million euros of the results of surplus liquidity transactions, in the context of an overall downturn in the financial markets;
- The recognition, at the end of the first quarter, of around -1,5 million euros from the difference between the nominal value and present value of the pending receivable from the sale of the pellet business (45 million USD).

8.3 RISK MANAGEMENT

Details of risk management May be consulted in the relevant section of the notes to the consolidated financial statements of the Semapa Group.

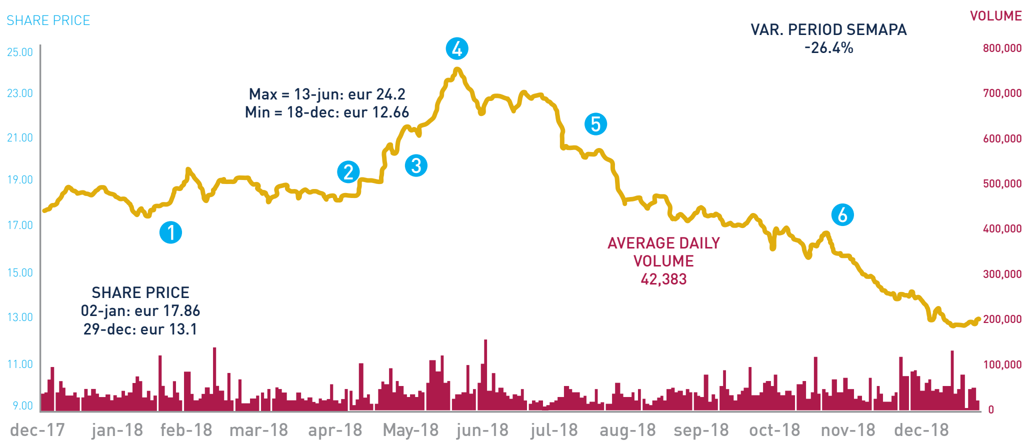
8.4 PERFORMANCE OF SEMAPA SHARES

The financial context of 2018 featured volatility, in contrast with the previous years, with some level of growing uncertainty and tension. In addition to trade disputes between the USA and other trade partners, in particular China, no agreement has been reached on the withdrawal of the United Kingdom from the EU and there is increasing probability of a Hard Brexit as we draw closer to 29 March, while tensions around Italian fiscal policy grow. Not to mention the withdrawal of monetary policy incentives, as the Federal Reserve (FED) raised interest rates 4 times in 2018 and the ECB confirmed the end of Quantitative Easing.

The first months of 2018 did not hint at the falls that intensified in the month of December, with most stock exchanges recording the worst year ever since 2008.

Therefore, European markets overall recorded losses over 10%. Following a good performance during the year compared with the European landscape, the USA experienced a very negative month of December, with s&p 500 recording the worst month of December since 1931. The shutdown of the Trump Administration has certainly not helped the economic atmosphere and the level of risk aversion. It is worth highlighting the positive performance of the Brazilian market, as Bovespa enjoyed a hike of 15%. Psi20, on the other hand, depreciated 12.2%, wiping out all of the gains achieved in the first semester, more markedly in December, as was the case for its counterparts.

In this context, Semapa shares fell sharply in mid-July, offsetting the significant gains accumulated, especially in the second quarter of the year (+23.9%). Semapa shares closed 2018 with a 26.4% depreciation, above the psi20 (-12.2%) and the Euronext Family Business Index (-21.0%). Semapa's closing price reached a maximum of 24.2 Euros on 13 June, a new record in terms of closing quotes, and a minimum of 12.66 Euros on 18 December.



1 Presentation of 2017 results

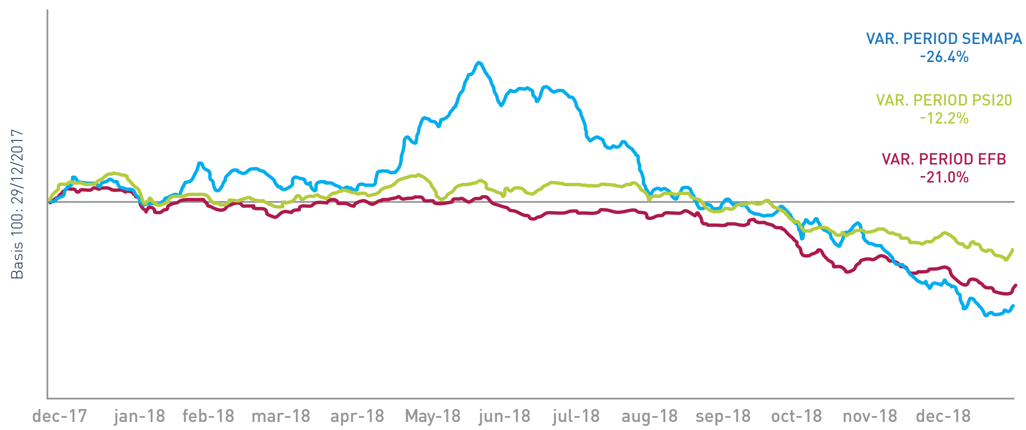
2 Presentation of results:1st quarter 2018

3 Announcement of payment of dividends in 2017

4 Ex-dividend date

5 Presentation of results:1st half 2018

6 Presentation of results of the first 9 months of 2018



EFB – Euronext Family Business Index
Note: Closing prices

8.5 DIVIDENDS

In June 2018 Semapa distributed dividends with a total value of 41.3 million euros, corresponding to 0.512 Euros per share.

In June 2018, Navigator paid dividends and reserves totalling 200.0 million euros, corresponding to 0.27894 Euros per share.

8.6 NET PROFIT

Consolidated net profit in 2018 attributable to Semapa shareholders was 132.6 million euros, which represents an improvement of 6.8% compared to the previous year. Net profit per outstanding share stood at 1.643 Euros/share. The evolution in net profit is explained essentially by the combined effect of the following factors, in comparison with the previous year:

- An increase in total EBITDA of approximately 47.8 million euros;
- An increase in depreciation, amortisation, impairment losses and provisions of 6.4 million euros;
- A deterioration in net financial results by about 5.0 million euros;
- An increase in income taxes of approximately 28.9 million euros.

9 OUTLOOK

Global economic forecasts point to a slowdown in growth in the next two years, the IMF having reviewed its projections downwards from October, estimating a 3.5% growth for 2019 (World Economic Outlook update, IMF, January 2019). The review is partly based on the negative impact of trade tariffs between the USA and China. On the other hand, the German economy has shown signs of slowing down and domestic demand in Italy has been hit by the concerns over the sovereign and financial risks.

A variety of geopolitical, commercial, political and strategic risk factors continue to influence economic growth developments. On the European end, there is uncertainty as to the outcome of Brexit and the increased risk of a disorganised exit, with political uncertainties remaining in both Italy and France. In the USA there is still uncertainty concerning the duration of the growth cycle and the US's real capacity to continue growing as tax incentives reduce. The slowdown in china's economic growth, on the other hand, May be more pronounced than initially anticipated due to the difficulties in accessing credit and the impact of the USA-China trade war.

It is also worth mentioning the uncertainty regarding the direction that commodity prices will take given the recent volatility observed in these markets, since the impact of the recent exchange devaluations and deterioration of credit conditions in certain emerging markets is unknown.

PULP AND PAPER

With no prospects of new significant increases in **pulp** production capacity in the market in the next three years and leveraged on potential growth in pulp demand, in particular from china and the expansion of capacity in tissue, capacity utilisation rates are expected to increase, sustaining the level of hardwood pulp price at historically high levels. In the short term, global demand is expected to pick up after the Chinese new year which, combined with the constraints in supply arising from the planned maintenance stoppages which typically take place in the first half of the year, will help prices recover progressively to levels equivalent to those in mid-2018.

Demand for UWF **paper** in Europe in 2019 should revitalise in the early months of the year, in particular in the centre, south and east European markets. In Europe, producers have been successfully raising the price of UWF from 4 to 8% since the beginning of January. In the USA, a possible drop in UWF demand will be more than offset by the closure of 550 thousand tonnes of capacity in March, as announced by a large US producer, which will push up market prices. In the beginning of February, Navigator announced to its customers that it would be raising prices on the north-american market by 66 USD/t beginning on 1 March, in line with other US paper producers.

In the **tissue** market, producers continue to feel strong pressure coming from rising pulp prices, chemical and electricity costs. Navigator implemented the increase in prices it had announced in November for most of its products. At the same time, the company's new tissue plant in Aveiro began producing reels in September. The strong commercial effort in 2018 allows to anticipate a successful placement of the new output with customers as Navigator is committed to growing its market share above average market growth.

However, this overall positive context for 2019 may suffer from additional costs, especially in relation to energy, in addition to existing concerns about the developments in exchange rates, in particular the EUR/USD and EUR/GBP. The international context features pro-protectionism policies, whose collateral effects May generate additional factors of uncertainty.

CEMENT AND OTHER BUILDING MATERIALS

Expectations for 2019 are positive for **Portugal**. Macroeconomic indicators point to growth, although public investment levels, limited by deficit management, are a restricting factor. The Bank of Portugal has a positive outlook for the Portuguese economy, estimating a 1.8% GDP growth in 2019, alongside a positive performance of the labour market, with growth in employment and reduction in the unemployment rate. On the other hand, the fact that the programme Portugal 2020 is well under way makes it possible to anticipate a pick-up in investment, consequently benefiting the performance of the construction sector.

Following production growth in the construction sector in 2018 of 3.5%, forecasts point to a slight increase in the pace of production, estimating a real increase of 4.0% in sector activity in 2019.

In **Lebanon**, cement demand should decrease compared to 2018, considering last year's trend. The entry into office of the new government is expected to improve the country's economic stance. New taxes implemented in the last quarter of 2017 will continue to have a negative impact on the results of cement companies in the country. Possible developments in the Syrian conflict and the situation of Syrian refugees in Lebanon will produce a macroeconomic and market effect which cannot be anticipated at this stage. The current challenging competitive environment is expected to continue throughout the rest of the year.

Brazil is expected to grow 2.5% in 2019 (World Economic Outlook Update, IMF January 2019), above expected growth of 1.3% in 2018, which hints at the improvement of conditions. The formation of the new government creates an expectation of stronger pick-up in the economy. There are also high expectations on the government's infrastructure and privatisation programme, which may give a strong impulse to the construction sector. Therefore, the construction sector is expected to benefit from this programme in the second half of the year, which will largely be based on Public-Private Partnerships.

The National Cement Industry Union (SNIC) expects a growth in the cement market of around 3%, which will represent the first positive development in over 4 years. Domestically, the organisational restructuring process will continue, with the implementation of operating efficiency enhancement and cost reduction projects, while maintaining sustained growth in sales in view of improving operating margins.

The level of competition in **Tunisia** should remain strong, due to the excess supply in the country. However, the increase in sales prices seen in 2018 makes it possible to expect positive trends in 2019. Tunisia is in a difficult financial situation, and social instability May worsen as a result of reforms that the government is forced to implement to reduce the current and fiscal deficits.

The outlook for 2019 for **Angola** is positive. The Macroeconomic Stabilisation Programme, alongside the National Development Plan and, more recently, the Extended Fund Facility signed by the Government of Angola and the IMF, together with the upward trend of oil prices on the international markets hold out the prospect of economic recovery in 2019, which will inevitably drive cement consumption up to an estimated 8%.

ENVIRONMENT

Considering the current framework of the sector operated by ETSA, improvement in the current conditions is expected, on the one hand due to larger outflow of proteins produced in Europe onto the Asian Market and, on the other hand, to the upturn in business of European biodiesel producing companies.

Concerning the import of biodiesel from Argentina, the EU implemented tariff barriers by the end of February 2019. Such measures are expected to restore biodiesel production levels in the EU and, consequently, the level of demand of these raw materials.

ETSA's prime objectives in the short term include (i) concentrating on the horizontal expansion of its production and destination markets (exports accounted for around 56.5% of total accumulate sales on 31 December 2018), (ii) identifying new 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.

VENTURE CAPITAL

Semapa, through its subsidiary Semapa next, the venture capital business unit of the Group, and US-Based Techstars have entered into a partnership to support and accelerate global start-ups from lisbon. The acceleration program is expected to accelerate 30 start-ups in three years. In the first year, the program will invest and accelerate international and Portuguese start-ups on the Industrial and Environmental Tech, Smart Transportation, and Travel & Leisure Tech verticals.

Through its subsidiary Semapa next, sa also, the Group is committed to invest 12 million USD in a venture capital fund, Alter Venture Partners Fund I. The fund intends to co-invest in start-ups, alongside some prominent Silicon Valley Funds. The fund's investment strategy includes investing in technological companies with applications in Artificial Intelligence and Machine Learning in the technological, communication and digital sectors, focusing on B2B.

10 ACKNOWLEDGEMENTS

A very special mention to Pedro Queiroz Pereira, the Group's main shareholder and Chairman of the Board of Directors, who passed away unexpectedly in August.

Pedro Queiroz Pereira was an icon of the Portuguese industrial environment, gifted with rare human and professional qualities and a remarkable entrepreneurship spirit with which he fostered the reestablishment of the Economic Group of which this Company is part. He exercised leadership in a unique style, marked by strict management that allowed the Group to expand and internationalise in a sustainable manner. More than heritage, Pedro Queiroz Pereira leaves strength and values. The sustained development of the Semapa Group will continue anchored in this strong legacy.

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As part of the Group's performance, in a global context of geopolitical and economic uncertainty, 2018 represented for Semapa a year of Group consolidation and the end of a successful investment cycle, which reinforced the Semapa Group as one of the largest Portuguese Groups focused on industry.

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

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

11 PROPOSED ALLOCATION OF RESULTS

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 2018, the total approximate amount of which is known,

It is proposed that:

1. The Net Profit for the period in the individual accounts, determined under the IFRS rules, in the amount of 132,554,336.91 Euros (one hundred thirty-two million, five hundred and fifty-four thousand, three hundred and thirty-six euros and ninety-one cents) be allocated as follows:

Dividends on outstanding shares	41,267,947.52 euros* (0.512 Euros per share)
Free reserves	87,286,389.39 euros
Participation of Employees and Directors in the annual profits up to	4,000,000.00 euros

* Excluding own treasury shares held; 668,540 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 the part which relates to the Employees and by the Remuneration Committee in the part which relates to the Directors and that, if this amount is not totally distributed, the remaining shall be allocated to 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 accrued in personnel costs is reversed by crediting the respective amount in Free Reserves.

Lisbon, 13 March 2019