3.3. BUSINESS REVIEW

3.3.1. Paper

3.3.1.1. Market Background

Global demand for uncoated woodfree (UWF) paper is estimated to have dropped 0.5% in 2013 in relation to the previous year, with a continuing contrast in performance, albeit less marked than in recent years, between the mature markets of Europe and North America (which account for around 45% of world consumption) and the emerging markets in the rest of the world. It was a particularly difficult year in this market, with a combination of different adverse factors.

In Europe, estimates point to a reduction of 1.2% in demand over the year, with apparent consumption of office stationery stable at 2012 levels, which was better than expected, in view of the contraction of consumer and public spending observed in the European economy.

The first half of the year was marked in Europe by an increase in paper imports, which then fell back to their usual levels in the second half. The combined effect of increased paper imports and falling demand led to a worsening of the capacity utilization rate in the European industry, down by four percentage points to 89%.

The growing strength of the Euro against the dollar, especially in the second half of the year, and the relative improvement in demand in the final months of 2013 allowed the European industry to end the year with an order book at levels above the historical average.

In the US, UWF consumption was also down by 2% on the previous year, after several years of substantially faster contraction. As in Europe, consumption of office stationery in the US performed better than previously, recording growth of 1% for the first time the last six years.

In North Africa and the Middle East, key countries for the Group's business, the political and economic situation remained unstable. This, combined with aggressive marketing by manufacturers from other regions, made it extremely difficult to compete. In addition, European manufacturers are looking increasingly to place sales outside Europe, due to the low capacity utilization rate in the domestic market, and to USD/EUR exchange rate trends which have penalized the Group's sales in these regions.

In this context, the main price indexes in Europe and the US for UWF were eroded by 1.8% and 4.2% respectively. In comparison with these indexes, the Group recorded reductions in gross prices for standard cut-size paper of 1.6% and 2.8%, outperforming the market in both cases.

3.3.1.2. Performance

The Portucel Group recorded its all-time highest sales volume in 2013, although the overall value of the Group's paper sales was down by 4%, in view of the decline in average prices, explained by three factors: the deterioration in the benchmark price in the European and American market, adverse exchange rate trends and the Group's geographical sales mix.

Penetration of non-European markets continued to grow in 2013, with an increase in the sales volume and sales to a further 5 countries, bringing the total up to 118 worldwide.

Sales of own brands continue to grow as a proportion of total sales of sheeted products, the mainstay of the Group's business, up by three percentage points. In particular, the Navigator brand recorded 3% growth in its European sales, once again demonstrating the strength of the brand and its resilience in the face of troubled market conditions.

Lastly, we should point to the problems caused by the tight restrictions on credit throughout the paper distribution channels, creating an added difficulty and requiring special attention to be paid to credit risk. The Portucel Group has once again been successful in managing its exposure in this area.

3.3.1.3. Branding

The financial year of 2013 was one of consolidation for the brands of the Portucel Group, which continued to invest in their development as the foundation of its marketing policy. Mill brands accounted for more than 62% of total sales of sheeted products.

The importance of the Group's brands was acknowledged by independent studies over the course of 2013. These surveys looked at both office paper consumers and wholesaling professionals, who rated the products highly not just for brand awareness but also for performance.

3.3.2. Pulp

3.3.2.1. Market Background

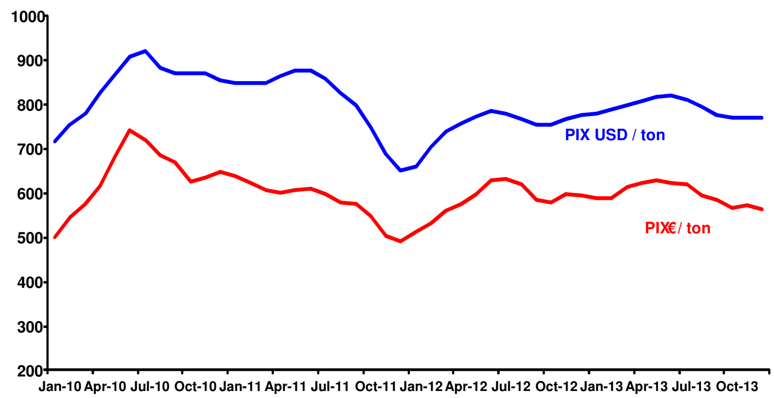
Despite the continuation in the final quarter of the general slowdown in the pulp market, which started in the third quarter of 2013, the year was positive in terms of overall demand. According to figures for 2013 released by PPPC W-20 , total consumption stood at 44.6 million tons, representing an increase of 1.1 million tons (2.5%) in relation to 2012. Of all pulp segments, BEKP recorded the best performance, with total consumption of 15.7 million tons, representing an increase of 844 thousand tons (5.6%).

This positive performance was made possible once again by the strength of the Chinese market, which positioned itself as the market with the greatest growth in volume. China accounted for consumption of 10.4 million tons, up by 468 thousand tons (4.6%) on the previous year, and BEKP pulp again recorded outstanding performance, with consumption at 3.6 million tons, representing growth of 674 thousand tons (23%).

In terms of prices, a degree of downwards adjustment was observed in BEKP prices in the second half, after peaking in June, when the benchmark PIX index reached USD 820 CIF Europe, also reflecting the weakness against the USD of the currencies of leading producers of short fibre pulp, such as countries in Latin America and Indonesia, where local manufacturers consequently feel less pressure from the level of USD prices. Even so, the fall in the PIX index was more modest than some forecasts had suggested, and the index tended to stabilize at around USD 770 in the fourth quarter.

As a result of certain factors, such as the balance of supply and demand, favouring long fibre manufacturers and the delay in start-up of new short fibre, mainly BEKP, production projects, price rises were announced at the end of the year.

Monthly Evolution of PIX Price - BHKP



3.3.2.2. Performance

The Group's BEKP pulp sales were up by around 17% on sales in the previous year.

BEKP pulp sales by paper segments show that 60% of the sales volume is placed with the special papers segment, which undoubtedly offers the greatest value added and where the Group continues to lead the market.

Sales by geographical regions show that, despite the difficult business environment, the Group once again sold a very high percentage to European markets (85%).

3.4. Industrial Operations

3.4.1. Production

The Portucel Group's industrial units recorded excellent production performance in 2013, setting new records for output, in both pulp and paper operations.

Non-stop operation, combined with very high levels of efficiency, resulted during the period in levels of pulp output significantly higher than in previous years.

These successful figures for output were achieved thanks to excellent performance by plant, once again demonstrating the high quality of the Group's industrial assets.

Special attention should be drawn to pulp output, which in 2013 totalled 1,423,920 tAD, with particularly impressive results at the Cacia mill, which produced 313,339 tAD, breaking the 300 thousand tAD barrier for the first time.

The Setúbal pulp mill recorded output of 547,541 tAD, up by 7,529 tAD on its previous best ever figure.

Paper output was also extremely positive, with total output of 1,618,634 tAD, with the new paper mill (About The Future) once again breaking its own record.

This impressive industrial performance was the result of careful and expert operations, complemented by maintenance activities which, whilst taking care to control operating costs, were able to assure extremely high levels of efficiency, with some equipment outclassing the Group's global rivals.

Thanks to success achieved in pulp output, the Group was able to increase the volume of pulp available for sale on the market, inverting the downward pattern recorded in recent years.

By focussing on placing premium products on the market, the Group has based its strategy on the quality of its industrial assets and the know-how of its operating teams, allowing it to achieve quality standards far higher than those of its competitors.

The stability of operations at the Group's mills has been crucial to achieving these productivity gains and setting world-class quality standards. This has allowed the Group to gain a foothold in new regions and obtain advantages in the most competitive markets.

The performance of the new Setúbal paper mill (About the Future), which is now fully operational, has made it possible to move into new paper products, which were only feasible as a result of the new technology installed in the plant, which has gradually been optimized, leading to impressive levels of quality.

In its constant quest to improve the competitive positioning of its industrial units, the Portucel Group has cut specific consumption of raw and subsidiary materials, especially in the case of wood, the main factor of production, and chemicals, where substantial reductions have been achieved.

In power generation and consumption, the Portucel Group is a leading player in the Portuguese market, producing power essentially from renewable sources. The levels of efficiency achieved have made it possible to reduce the energy intensity of our products, assuring added surpluses of power which have been placed on the national grid, making a major contribution to the Group's income.

The chemicals used in the bleaching process are one of the main factors of production, with high acquisition costs. The efficiency gains achieved in pulp washing, as a result of full use of *Eucalyptus globulus*, offering excellent bleachability, have led to lower levels of consumption and savings in production costs.

Further progress was made in 2013 in cutting energy consumption at the paper plants, especially at the new paper mill (ATF), where power consumption has been brought down in line with efficiency improvements in the equipment installed.

The Group's combined-cycle natural gas power stations, in Setúbal (SPCG) and Figueira da Foz (Soporgen) recorded untroubled performance in 2013, achieving extremely high levels of power output.

Fixed costs at the Portucel Group's industrial units were kept at excellent levels, especially in the case of personnel costs, where significant reductions in overtime were achieved.

Operations by the Group's maintenance provider, EMA 21, met all the efficiency targets set, providing a optimum ratio between expenditure and efficiency levels, which are essential for the Group's performance.

Thanks to an array of ongoing improvement programmes, it was possible to optimize expenditure on a number of maintenance activities, with a particularly significant reduction in spending on third-party services.

Special attention should be drawn to the progress achieved through the MEO project (Operating Efficiency Upgrade), which has been implemented at all Portucel Group units, with excellent results. An important part of this project was the implementation of the 5 S + 1 programme, the aim of which is to simplify the working environment, reducing waste and non-value added activities, whilst improving efficiency, quality and safety. This programme is being implemented at all Group units, with wide-ranging employee participation, and the results so far have been impressive.

The project has brought substantial productivity gains in paper operations, as well as improved efficiency at the Cacia mill.

Work has continued on implementing a set of measures aimed essentially at energy issues, maintaining and consolidating the gains achieved in previous years. This has helped to bring down consumption and improve manufacturing efficiency.

3.4.2. Capital Expenditure Projects

The Group has continued to pursue a selective investment policy, focussed at all times on the need to assure excellent levels of efficiency and to improve the competitive positioning of its production units. The most significant capital projects concluded during the period were as follows:

At the Figueira da Foz Site:

- Installation of a new bark silo to feed the bark boiler in order to comply with agreed emissions limits;
- Installation of a new drive system for the bottom scraper in the digester;
- Installation of a recovery system for sand from the fluidized bed of the auxiliary boiler;
- Start-up of new gluing system on the line 1 cutter.

At the Setúbal Site:

- Installation of a recovery system for sand in the biomass boiler;
- Several projects for replacing end-of-life equipment;
- Start of project for installing a press in the washing system for phase "D0" of the bleaching process.

At the Cacia Site:

- Several projects for replacing end-of-life equipment;

3.5. Development

The integrated forestry, cellulose pulp and energy project that the Portucel Group has been developing in Mozambique is moving on to a new phase, thanks to the encouraging results from the initial trial period.

Preparations for the new phase included the decision to proceed with the Environmental and Social Impact Assessment, in line with the strictest international standards. Work on the provisional report is nearing completion, and will be followed by the public consultation process and then approval by the Mozambican authorities.

In order to support this work, improve the sustainability of its forestry operations, plan and develop projects to include local communities and to implement the respective investments and foster the business fabric associated with the project, Portucel Moçambique has signed a consultancy contract with IFC (International Finance Corporation), the World Bank institution working with the private sector.

This consultancy contract with IFC is the first step in a partnership which is intended to be long-term, and which will make it possible to extend the impact of Portucel's investment in the sustainable development of Mozambique and the creation of shared opportunities for growth in the concession areas. The signing of this contract reflects the Group's commitment to developing its project in Mozambique in compliance with the most demanding international standards on environmental and social issues.

In this context of inclusive development, particular attention was paid in 2013 to agricultural development for the communities in the project area, with the planting of 78 hectares of demonstration fields of crops essential to food security, such as corn, soya and beans. The demonstration fields are set to expand significantly in 2014.

The consultation process was also launched for the construction of the first 5 forest nursery facilities, to be set up over phases through to 2016, with annual capacity of 30 million cloned saplings.

This integrated project for forestry, cellulose pulp and energy is valued at 2.3 billion dollars and is expected to create around 7,500 new jobs as well as exports, once operating at full capacity, and at current market conditions, of approximately 1,000 million USD.

3.6. Resources and Supporting Functions

3.6.1. Sustainability

The Portucel Group's Sustainability Policy lays down the main thrust of investment in sustainability, in which the Group adopts the principles of ethical standards, accountability, transparency and corporate citizenship, without losing sight of the fact that economic feasibility is a crucial component of its strategy.

Sustainability management has been continuously and consistently perfected in the Portucel Group and in the two-year period ending in 2013 two major and pioneering initiatives were carried out with an extremely positive impact on this area of management, and on the respective operational and institutional reporting process. These were:

- Drafting of the "Sustainability Indicators Handbook", which has strengthened and consolidated the procedures and internal practices for defining, calculating, monitoring and reporting these indicators.
- The groundwork and first steps in implementing a project for "Group Sustainability Performance Management", designed to centralize, collect, computerize (SAP) and report sustainability information.

The Portucel Group's strategic goals in the field of sustainability in 2013 were those set for the two-year period now ended, aligned with the business strategy and reflecting the Group's conduct and commitment in this field in the medium and long term, supporting both the sustainability policy and the objective of creating value.

These objectives are of course also aligned with the evolution of the sustainability agenda and adjusted to the economic, environmental and social realities with which the Group will have to deal in future. The most important objectives are:

- To keep the Group’s strategy and sustainability practices aligned with the evolution of best practice as recognized internationally;
- To maintain the commitment to Research and Development, with a focus on forest management and improving the production process and products;
- To continue involving partners in the forestry sector in compliance with good practice in forestry management;
- To ensure that the Portucel Soporcel group remains attractive to staff and to position it as one of the best companies to work for and a benchmark for attracting and retaining talent;
- To press ahead with the Plantations Project in Mozambique, in order to create a forestry base to supply the future world-class pulp mill and power station.

Lastly, we should make a brief note of the work of the Environmental Board, which has been fundamental for the sustainable operation and governance of the Portucel Group. This board comprises five members, all of them independent academics with an established technical and scientific reputation in the environmental field, who advise the board of directors on scientific and environmental issues; the environmental board's message is one of the most important components of the 2012/2013 Sustainability Report.

3.6.2. Forestry and Timber Supply

Sustainable Management

The financial year of 2013 represented a further milestone in the reorganization of the Portucel Group’s forestry operations, in particular with the specialization of land and forestry assets, with the goal of unifying processes and consequently standardizing the management model. Portucel Soporcel Florestal is currently the Group's company in charge of forestry operations, bringing together management of all its agro-forestry holdings, both on its own land and on land entrusted to its management by the respective owners.

At year-end 2013, the Portucel was responsible for managing approximately 120 thousand hectares of agro-forestry holdings, divided into 1,400 management units spread over 165 Portuguese municipalities. Approximately 73% of this area consists of eucalyptus stands or plantations of this species at different stages.

The Group has pursued a strategy of strengthening its presence at local level and has continued to rent and purchase land. This has involved taking on new areas and renegotiating existing contracts, as an important way of conducting our relationship with forestry landowners.

As a result of this process, the Group makes it possible to renew Portugal's woodlands and to increase the returns obtained by forest landowners, transferring know-how and productivity gains to the land, through the use of selected cloned saplings, and application of best forestry and management practices, certified under the strictest international schemes.

Forestry operations in 2013 were held back in 2013 at lower levels than in the previous year, due to the weather conditions, unsuited for much of the year to planting out eucalyptus. A total of 2,400 hectares were forested or reforested by the end of the year. Over the course of the year, the Group planted out approximately 3.1 million selected eucalyptus saplings.

With a view to effective management of the diversity of its agro-forestry holdings, the Group also recorded significant output of cork (3.9 thousand *arrobas*), wine (48.7 thousand litres), game and pasture, as well as other products.

Licensing applications were submitted for forestry operations in connection with 137 projects (reforestation, forestation and conversion), and a total of 165 projects were licensed, corresponding respectively to an area of approximately 2.9 thousand hectares and 3.3 thousand hectares of eucalyptus. However, the licensing process continued to be hampered by the complexity of the legal rules governing these operations. A new legal framework came into effect at the end of October. The RJAAR (Legal Forestation and Reforestation Rules) is intended to simplify the licensing process and reduce the time needed to approve projects.

Timber suppliers

As in recent years, the supply of eucalyptus wood on the Portuguese market fell short of the consumption needs in the Iberian Peninsula, although the tendency for improvement recorded by Portucel Group in the previous year continued in 2013.

Consumption of raw materials stood in the order of 4.27 million cubic metres of debarked timber.

In the pursuit of its policy of corporate responsibility and engagement with its local communities, the Group remained strongly committed to certification of forest management and certification of the chain of custody, as means of assuring sustained business development. Approximately 1.85 million cubic metres of certified wood was supplied to the mills, of which 31% was sourced from the Group's own woodlands. All other purchases were of controlled origin timber.

The woodchip market in Europe, and especially in the Iberian Peninsula, has undergone significant development in recent years and global shipping of this commodity has increased, despite rising oil prices.

In 2013, in the light of the shortfall in supply of raw wood in the Iberian market, the Group turned to the international market and imported the cargo of woodchip carriers from the South American market.

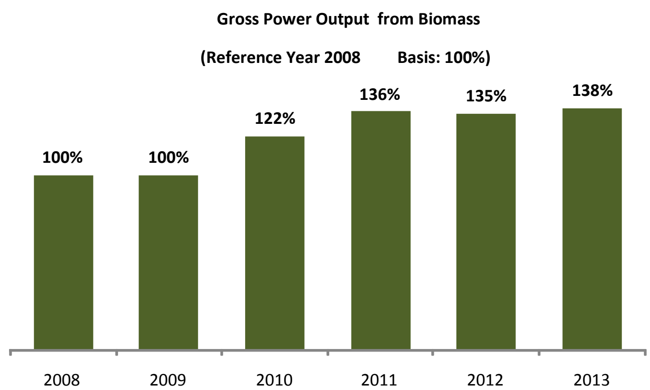
In respect of its eucalyptus purchases on the international market, the Portucel Group has been particularly concerned to assure that all its environmental, social and economic standards are fully complied with, and in 2013 purchased timber exclusively from FSC certified plantations.

Efforts to obtain new land for plantations were stepped up significantly in 2013, in relation to the previous year, in keeping with the Group's aim of increasing the proportion of wood sourced from its own supplies and of developing forestry practices which serve as an incentive and example for independent forestry producers.

3.6.3. Energy

The Portucel Group recorded gross power output of 2,359 GWh in 2013, up by 25.5% on the previous year, thanks to the inclusion in the accounts on a full consolidation basis of SOPORGEN, S.A., reflecting acquisition of the entire share capital of this company, which operates the combined-cycle natural gas cogeneration plant at the Figueira da Foz Industrial Complex. This figure for total power output corresponds to approximately 5% of the total power generated in Portugal, which was itself considerably higher than in the previous year, resulting in a reduction in net imports from Spain.

Electricity generated by biomass power plants (3 cogeneration units and 2 other plants) totalled 1,242 GWh, up by 2.3 % on the previous year, and accounting for more than 50% of estimated total Portuguese power output from this renewable resource. This slight increase in power generated from biomass was achieved at the cogeneration plants, with a slight decrease in output from the other power plants, due to stoppages for repairs to the boilers and the biomass storage, transport and feeding systems. Operations were hampered in 2013 by a number of breakdowns in the boiler of the Cacia biomass power plant, due essentially to erosion caused by aggregates incorporated in waste forestry biomass.



The two new biomass power stations, dedicated solely to generating electricity, contributed a total gross output of 207 GWh, with sales to the national grid of 183 GWh, well in excess of the initial expectations for the project, which were for 167 GWh. This success was due essentially to high standards of stability and performance in operation and maintenance, despite a number of difficulties caused by high levels of humidity and aggregates content, and unevenness in purchases of waste biomass.

The new combined-cycle natural gas cogeneration plant in Setúbal contributed gross output of 581 GWh (down by 2.9% on the previous year, due to an accident in the steam turbine). A number of adjustments and changes have been made to this cogeneration plant in respect of some of the mechanical components of the natural gas turbines, in order to improve its availability.

Soporgen - the cogeneration company supplying thermal energy to the Figueira da Foz Industrial Complex, now included in the Group's accounts on a full consolidation basis - produced 474 GWh in 2013.

Despite the increase in power generation from natural gas, due to the energy needs of the Setúbal and Figueira da Foz paper mills, 52.7% of the Group's energy production was derived from co-generation plants and power stations fuelled by biomass, i.e. a renewable resource. It is important to note that co-generation combines the production of electrical power with much larger quantities of thermal energy, making it considerably more efficient than conventional processes which generate only power.

Bioenergy and Fossil Fuels

The two biomass power stations at the Cacia and Setúbal Industrial Complexes and the Group's three biomass co-generation plants have allowed it to consolidate its dominant position in the Portuguese renewable energy market. The great benefit in terms of reduced CO2 emissions will have an impact on the national balance for these emissions and will reduce the country's dependence on imported fossil fuels, a national aspiration which the Group is accordingly helping to achieve.

Forest Biomass for Energy Purposes

The Portucel Group has strengthened and consolidated its position as a producer and supplier of forest biomass and timber by-products.

Integrated and sustainable forestry management, informed by the concern to preserve biodiversity, is fundamental for a balance in obtaining raw materials for the production of tradable goods with a high level of value added, such as pulp and paper, and for obtaining leftover biomass resources for generating power.

The Group has continued to supply its biomass reception centres, including those located at its plants, allowing it to optimize further the operation of the chipping equipment used to process the biomass as well as the logistics involved in biomass operations.

3.6.4. Environment

In order to monitor and report greenhouse gas emissions, the Portucel Group's various facilities also submitted to APA (Portuguese Environment Agency) in 2012 procedures for updating their Greenhouse Gas Emissions Permits (GGEP) for the period running from 2013 to 2020. This application process resulted in the issue of new emission permits for each of the facilities, with new rules on monitoring and reporting results to the competent authority for the period 2013-2020, and the definitive granting of the emission licenses.

Research initiated in 2012 to design a method for assessing diffuse emissions at the Group's three plants was concluded in 2013, with the help of accredited bodies for monitoring gas emissions.

In 2013, the Portucel Group implemented a new model for monitoring and controlling the gas emissions resulting from its combustion operations. This new management tool has standardized the methods and procedures for continuous monitoring and optimized the collection, organization and aggregation of data by emission source and by site.

In Figueira da Foz, a new bark silo was built in 2013 to feed the biomass boiler, allowing the boiler to operate closer to its nominal capacity, whilst reducing emissions of carbon monoxide by allowing for a more even supply of bark to the boiler.

The biomass boiler in Setúbal was renovated in 2013, introducing new levels of secondary and tertiary air, making it possible to cut NOx emissions.

In order to honour the commitments made in the Management Systems Policy and the Sustainability Policy, the Portucel Group identifies, monitors and controls the environmental aspects of its operations, with the aim of eliminating or minimizing impact, by implementing practices based on strict compliance with legislation and the principle of ongoing improvement.

Environmental indicators continued to present sustained positive performance at all industrial facilities, thanks to the improvements to processes which have been consistently implemented in various areas: air, water, waste, energy and materials.

3.6.5. Innovation, Research and Development

During 2013 the Portucel Group stepped up its commitment to developing new market segments, extending the distribution of Navigator Students to new geographical regions. This is a product aimed at the student market and adapted to the needs of younger consumers looking to obtain quality products at competitive prices

The importance of the research and development projects in which the Group is involved has been recognized by the relevant authorities, including the Innovation Agency, the Ministry of Science, Technology and Higher Education and the Foundation for Science and Technology. Under SIFIDE (system of tax breaks for companies involved in R&D), these authorities have certified investment projects in this area as eligible. In 2009, 2010 and 2011, investment in this area totalled 3.7 million, 3.8 million and 8.4 million euros, respectively. In 2012, an application was made for a capex project worth 9.8 million euros, and an investment project was carried out in 2013 with a value of more than 9 million euros.

In 2013, the Portucel Group continued to invest in research in forestry, pulp and paper, through the work of its forestry and paper research institute, RAIZ. These aims were pursued in close cooperation with the Group's respective business sectors and a range of bodies in the science and technology sector.

4. Cement and Derivatives Business Area – SECIL+ SUPREMO

As previously reported, the Secil Group has been included in the Semapa's accounts on a full consolidation basis since the end of March 2012.

The information presented in this chapter corresponds to 100% of the operations of the Secil Group and the Supremo Group in the reporting period, after adjustments for consolidation in Semapa's accounts, and are not directly comparable with those presented in the table "Breakdown by Business Segment", in chapter 2 above, where the Cement segment corresponds to the sum of 100% of Secil Group operations and 50% of Supremo Group business.

4.1. Leading Business Indicators

IFRS - accrued amounts (million euros)	2013	2012	Var. (%)
Sales	**463.0**	**496.4**	**-6.7%**
Other income	26.6	41.5	-36.0%
Costs and losses	(423.1)	(463.2)	8.7%
EBITDA	**66.5**	**74.7**	**-10.9%**
Recurrent EBITDA	61.2	69.8	-12.3%
Depreciation and impairment losses	(49.7)	(74.0)	32.8%
Provisions (increases and reversals)	(3.8)	0.4	-1079.2%
EBIT	**13.0**	**1.1**	**1038.4%**
Net financial profit	(26.0)	(15.7)	-65.8%
Pre-tax profit	**(13.0)**	**(14.5)**	**10.6%**
Tax on profits	6.3	(7.3)	187.2%
Retained profits for the year	(6.7)	(21.8)	69.4%
Attributable to Secil equity holders	**(12.5)**	**(26.5)**	**53.0%**
Attributable to non-controlling interests (NCI)	5.8	4.7	22.2%
Cash-flow	**46.9**	**51.8**	**-9.4%**
EBITDA Margin (%)	**14.4%**	**15.1%**	**-0.7 p.p.**
EBIT Margin (%)	2.8%	0.2%	2.6 p.p.
	31-12-2013	**31-12-2012**	
Equity (before NCI)	574.6	591.4	-2.8%
Net debt	**298.8**	**323.1**	**-7.5%**

4.2. Leading Operating Indicators

	Unit	2013	2012	Var 13/12
Annual cement production capacity	1,000 t	8,010	8,010	0%
Sales grey cement	1,000 t	4,997	4,902	2%
Sales w hite cement	1,000 t	87	92	(5%)
Sales artificial lime	1,000 t	56	66	(16%)
Sales clinker	1,000 t	231	315	(27%)
Ready-mixed	1,000 m3	1,214	1,406	(14%)
Aggregates	1,000 t	2,346	2,432	(4%)
Precast concrete	1,000 t	74	87	(15%)
Mortars	1,000 t	99	141	(30%)
Hydraulic lime	1,000 t	22	15	47%
Mortar fixative	1,000 t	12	10	22%
Number of employees	nr	2,617	2,659	-42

4.3. Secil and Supremo Groups - Overview of Operations

In Portugal, the main market for the Secil Group, the construction industry remained depressed without any change in the negative trends observed in the previous year. According to AECOPS (Association of Construction, Public Works and Services Companies), the sector is facing an unprecedented reduction in output, with a widespread dearth of building work and no prospects of any rapid change in the situation.

In the period from January to December, output in the construction sector fell by 16.3% (construction and public works production index - INE February 2014) and cement consumption in 2013 was down by around 20% in relation to 2012, standing at 2,800 thousand tons. However, although the construction remains in decline, the latest figures published by FEPICOP (the Portuguese Construction and Public Works Industry Federation), referring to November 2013, show a trend for recovery in the indexes based on the opinions of building industry players.

In this difficult setting, the Secil Group recorded consolidated turnover in cement business[5] in the financial year of 2013 of 463.0 million euros. This performance represented a decline of 6.7% from the turnover recorded in 2012, reflecting weaker performance across all sales on the Portuguese market and by cement operations in Angola.

Cement operations in Portugal recorded an increase in turnover on export business of 6.5%, whilst business also grew in Lebanon, Tunisia and Brazil, thereby offsetting the overall decline in activity.

EBITDA stood at 66.5 million euros which, compared with the figure recorded in 2012, of 74.7 million euros, corresponds to a reduction of 10.9%, due essentially to poorer performance recorded by business segments located in Portugal (as the direct consequence of the severe crisis in the construction industry) and, to a lesser extent, by the cement business units in Tunisia and Angola.

EBITDA for 2013 was also brought down by the recording of impairments on inventories and accounts receivable, the value of which increased by approximately 3 million euros in relation to 2012.

[5] Includes 100% of the Secil Group + 100% of the Supremo Group

Attention should be drawn to the success in reducing and controlling operating costs, including personnel costs, as a result of the restructuring of operations in Portugal during 2012 and 2013, in order to adapt the Group's structures to the new reality of the market.

The EBITDA margin stood at 14.4% for 2013, 0.7 p.p. down from the margin recorded in the previous year.

Operating income stood at 13.0 million euros, as compared with the figure of 1.1 million euros recorded in 2012. This indicator was brought down in 2012 by a set of losses on the recording in the accounts of impairments with an overall value of 23.9 million euros.

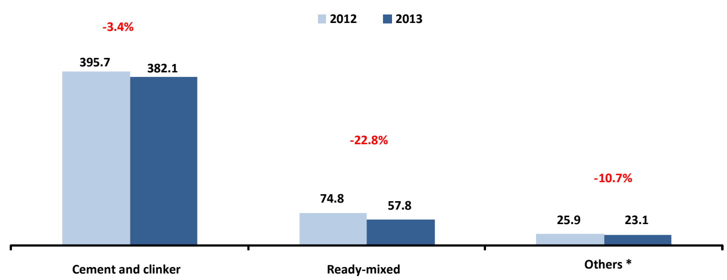
In the financial year of 2013, the cement business are recorded losses of 12.5 million euros, due fundamentally to the following factors: (i) reduction in the operating margin, (ii) the recording of a set of impairment losses as referred to above and, (iii) an increase in financial charges (as a result of the combined effect of higher average net debt over the period and the Group's average interest rate).

Capital expenditure totalled 112.4 million euros (34.4 million euros in the Secil Group and 78.0 million euros in the Supremo Group), of which 33.8 million related to operational investments and 78.5 million euros to development investments (2.0 million euros in the Secil Group and 76.5 million euros relating to construction of the Supremo Group's new mill in Brazil).

At 31 December 2013, net debt stood at 298.8 million euros (down by 24.2 million euros from 2012).

Turnover by Segment and Geographical Region

Segment

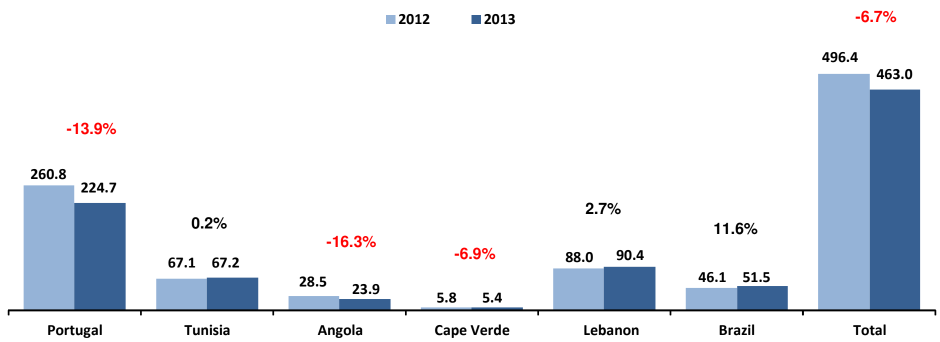


* includes Aggregates, Mortars and Pre-cast

Figures in million euros

Turnover in the cement and clinker segment declined by 3.4% in relation to 2012, due to lower cement sales on the domestic market in Portugal and a reduction in cement operations in Angola. Business also contracted in all other segments in relation to 2012.

Region

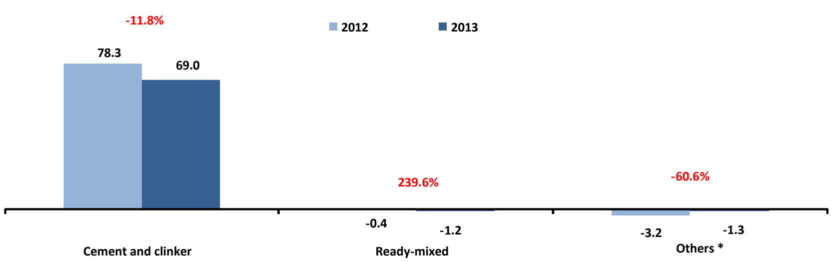


Figures in million euros

Turnover from total operations outside Portugal and from exports by Portugal-based operations represented a larger share of the total: 67.2%, as compared to the figure of 61.2% recorded in 2012.

Breakdown of EBITDA by segment and geographical region

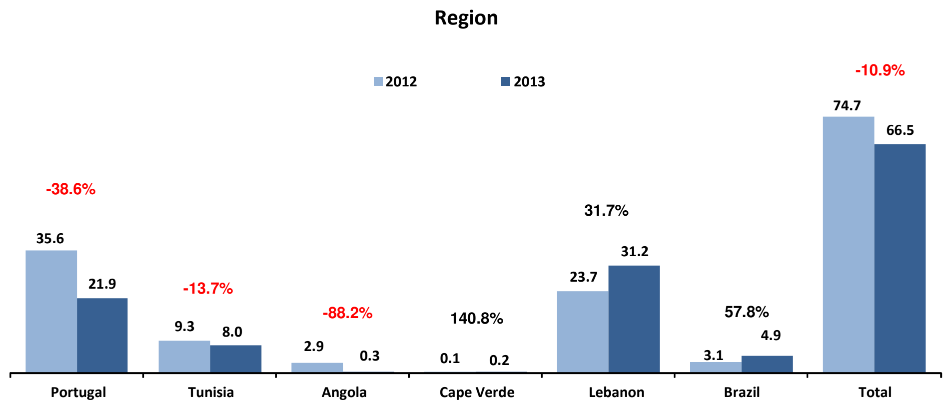
Segment



* includes Aggregates, Mortars and Pre-cast

Figures in million euros

In 2013, the cement and clinker segment represented a smaller share of total operations, in absolute and relative terms, in comparison with the previous year.



Note: The segment 'Portugal' includes the EBITDA of Silonor (France) and Secilpar (Spain)

Figures in million euros

The geographical breakdown shows that EBITDA was more heavily concentrated in operations outside Portugal than in the previous year, with these operations accounting for 67.1% of total EBITDA, as compared to 52.4% in 2012.

4.4. Business Review

4.4.1. Portugal

4.4.1.1. Market Background

Forecasts published by the IMF point to a drop of 1.8% in gross domestic product in 2013 (World Economic Outlook, IMF, January 2014). Current projections from the Bank of Portugal also point to a reduction in 2013, estimated at 1.5% (Winter Economic Bulletin - January 2014).

The construction industry and cement consumption both remain in a depressed state in the European Union, especially in countries facing serious budgetary and financial difficulties, including Portugal, which is the Secil Group's main market.

In 2013 the construction industry in Portugal was accordingly once again hit by a starkly recessionary environment. The budgetary restrictions which have been imposed led to a reduction in both public and private investment, bringing down the level of cement consumption in Portugal.

The residential construction sector failed once more to recover, due to the large housing stock accumulated and consumer indebtedness. In public works, the traditional lever of the economy, the budgetary situation meant that projects were once again postponed until a later date.

In this adverse environment, the Secil Group presented the following overall indicators for its operations in Portugal in 2013:

Portugal		Turnover			EBITDA			Quantities Sold		
(million euros)	2013	2012	13/12 (%)	2013	2012	13/12 (%)	Unit	2013	2012	13/12 (%)
Cement and clinker	161.4	177.1	-8.9%	26.1	40.7	-35.9%	1,000 t	2,233.6	2,427.0	-8.0%
Ready-mixed	40.8	58.8	-30.5%	-2.9	-1.7	-69.4%	1,000 m3	699.0	958.1	-27.0%
Aggregates	7.6	8.7	-12.3%	-0.2	-1.6	84.8%	1,000 t	1,733.8	1,978.8	-12.4%
Mortars	9.2	9.1	0.7%	0.9	0.3	178.6%	1,000 t	133.5	166.1	-19.6%
Precast	4.9	5.7	-14.0%	-1.4	-0.4	-251.8%	1,000 t	69.8	82.1	-15.0%
Others	0.8	1.5	-44.7%	-0.6	-1.7	67.9%				
Total	**224.7**	**260.8**	**-13.9%**	**21.9**	**35.6**	**-38.6%**				

4.4.1.2. Cement and Clinker

Demand for cement continued to decline in 2013, together with consumption, which is estimated at 2.8 million tons for the year. According to data from CEMAPRE (Centre for Applied Mathematics and Economics), cement consumption was down by 20% for the year, which is nonetheless an improvement on 2012, when consumption plummeted by 28.6%.

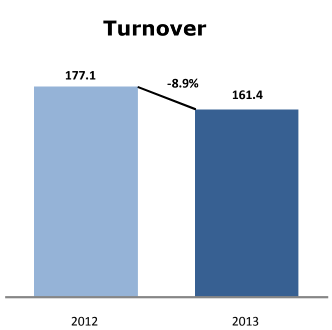
Sales by the Secil's cement business unit in the Portuguese market were in line with this trend, standing at 996 thousand tons, 20.0% less than in 2012. Competition was extremely fierce in 2013, due the existence of overcapacity in Portugal, and also surplus supply in the Spanish market.

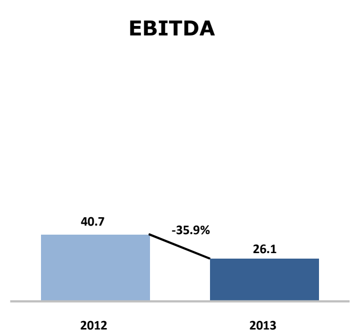
Despite the difficult environment, the cement unit maintained its competitive position in the domestic market, thanks to a marketing dynamic focussed on diversity in the product range, consolidation of the distribution structure and implementation of new approaches to customer relations. Efforts made over the year made it possible to increase the average sales price and also the proportion of more complex products with greater value added.

White cement manufactured by Secil was used in a number of high-profile construction projects, including the Panoramic Elevator in Sines and the Public Gardens Elevator in Covilhã, whilst the same cement continued to be supplied to the Nadir Afonso Foundation (architect: Álvaro Siza Vieira), in Chaves, and to Edíficio Poente at Tagus Parque, Oeiras (architect: Frederico Valsassina), concluded this year.

Grey cement was supplied to projects to increase power output at two major hydroelectric plants, at Venda Nova and Salamonde, in Vieira do Minho, to the Igreja dos Navegantes at Expo Norte, Lisbon, conclusion of the Portugal Telecom Data Centre in Covilhã, construction of irrigation infrastructures around the Alqueva reservoir and the Edifício Dynamic, in Braga.

Indicators





Figures in million euros

Cement business recorded turnover of 161.4 million euros, down by 8.9% in relation to figures for 2012, as a result of a reduction in the sales volume on the domestic market (down by 20.0%).

On the domestic market, efforts made over the year led to an increase in the average sales price and in the proportion of more complex products with greater value added, meaning that this reduction in sales volume was reflected by a reduction of -18.2% in turnover.

Export business (included in overall operations in Portugal) showed an increase in turnover of 6.5%, accounting for 55.4% of the total sales volume in 2013. The Secil Group continued therefore to gear its operations to the export market, where cement sales rose to their highest ever level, and to seek out opportunities in new markets whenever possible.

Cement and clinker operations in Portugal presented poorer performance than in the previous year, with EBITDA standing at 26.1 million euros, 35.9% down on the previous year. This negative trends was due fundamentally (i) to an appreciable reduction in the average sales margin, as the result of declining sales on the home market, where the prices and margins are higher than for export and (ii) to sales of CO2, which in 2013 were significantly lower than in the previous year (1.0 million euros, down from 9.2 million euros). This means that, if we eliminate the effect of revenues from CO2 sales, the reduction in EBITDA in relation to 2012 would have been 20.0% (25.0 million euros, as compared to 31.4 million euros).

Industrial Operations

Cement output from the Secil Group mills in Portugal stood at 2.2 million tons in 2013, representing a reduction of 5% in relation to 2012, due to lower demand.

Cement Output:

		2013	2012	Var
Grey Cement	(1,000 t)	2,062	2,175	-5%
White Cement	(1,000 t)	90	96	-6%
Total	**(1,000 t)**	**2,152**	**2,270**	**2,270**

The cement produced at the Secil Group's three plants in Portugal continues to present fairly uniform final characteristics and high quality standards, an aspect which is regarded as essential in order to ensure general market recognition of the high standards set by Secil.

Work continued in 2013 on cost-cutting initiatives, including a programme for pooling resources in industrial maintenance, designed to reduce the costs of materials, services and stocks, and the project to increase energy efficiency, in order to cut costs on electrical and thermal energy.

Operational management has been merged for maintenance and production at the Maceira and Pataias cement mills, making it possible to increase operational efficiency at these plants.

The Group has also increased the use of industrial waste as thermal fuel. Overall, the rate of use of alternative thermal fuels rose from 41% in 2012 to 44% in 2013. Efforts and investment in this area continue to be a priority, in order to obtain a higher rate of use of alternative fuels, with consequent savings in energy costs.

Although the results of these measures has not entirely offset the impact of the reduction in business on the domestic market, they are designed to increase the competitiveness of the various units in Portugal, as soon as the market starts to show signs of an upturn.

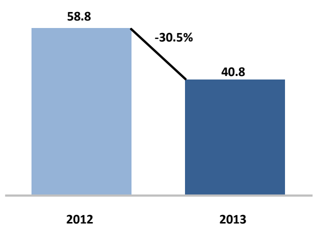
Capital expenditure

Capital expenditure in 2013 totalled 13.2 million euros, representing an increase of 10.3% over the previous year.

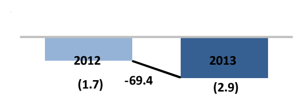
Work was completed on projects to increase storage capacity for alternative fuels and to install gas by-passes on the kilns at the Outão and Maceira mills. All these projects are intended to increase the use of alternative fuels and to achieve savings in energy consumption.

4.4.1.3. Ready-Mixed

Turnover



EBITDA



Figures in million euros

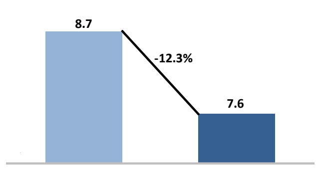
The low level of activity in the construction sector, combined with extremely fierce competition, was reflected in sales of ready-mixed concrete, which in 2013 stood at approximately 699 thousand m^3, representing a reduction of 27.0%.

In this context, turnover in this business unit stood at around 40.8 million euros, down 30.5% on 2012. The reduction in turnover in ready-mixed concrete was sharper than the reduction in quantities (30.5%, compared to 27.0%), due to erosion of the average sales price and margins, as a result of an extremely adverse environment of cut-throat competition. Despite efforts to promote value-adding and increased sales of these products, they still account for only a modest proportion of total sales.

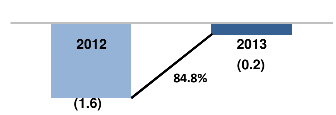
In terms of performance, EBITDA stood at -2.9 million euros, as compared to -1.7 million euros in the previous year, representing a reduction of 69.4%

4.4.1.4. Aggregates

Turnover



EBITDA



Figures in million euros

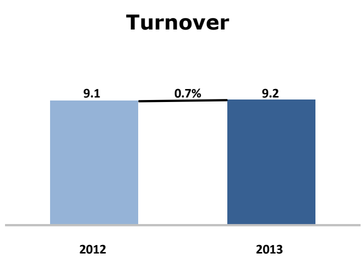
The sharp drop in the number of construction projects and in the size of each project has continued to contribute to fierce competition from other operators in the market.

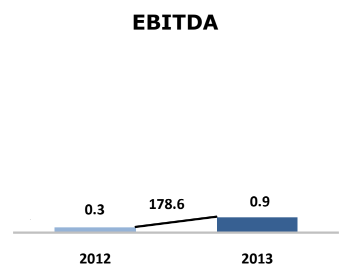
In this context, the sales volume recorded by the aggregates business unit stood at 1.7 thousand tons, down by 12.4%, with the sales volume down by 245 thousand tons on the previous year. The Group has adopted a fresh approach to the market, seeking to focus on supplying higher value aggregates, which was reflected in a higher value sales mix.

Turnover was accordingly down by 12.3%, at approximately 7.6 million euros. Significantly, the average sales price increased by approximately 4.6% on sales in mainland Portugal, although this was not enough to offset the effect on turnover of the reduction in transport services and lower sales prices in Madeira. This price increase reflects the change in the sales mix described above.

EBITDA stood at -0.2 million euros, up by 84.8% in relation to the previous year.

4.4.1.5. Mortars





Figures in million euros

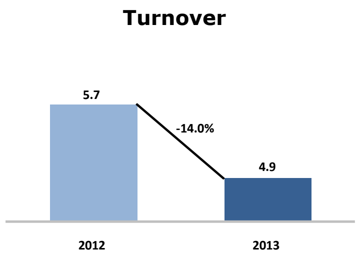
In line with the general market tendency, the mortars business unit recorded a drop in the sales volume on the domestic market of 21.2%, which was offset by the strategy of launching and promoting new value-added products, first implemented in 2011, and by the increase in sales of hydraulic lime, boosted by the closure of a competitor's plant in March 2013.

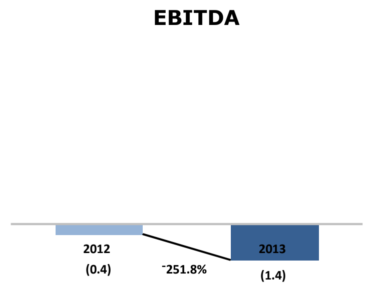
In international business, the Group maintained the strategy defined in 2012, with the volume of exports growing by 6.3% as sales expanded into new countries, such as Holland, Belgium and Canada.

In this context, turnover in this business unit stood at 9.2 million euros, up by 0.7% on 2012.

EBITDA stood at approximately 0.9 million euros, representing an increase of 178.6%

4.4.1.6. Pre-cast Concrete





Figures in million euros

Sales of pre-cast concrete continued to decline in 2013: competition in the market was extremely fierce, with supply far outstripping demand and prices at very low levels.

The reduction of 15.0% recorded in the sales of this business unit was caused by a sharp drop in business by Secil Prebetão, insofar as sales by Argibetão increased in relation to 2012.

In this context, turnover stood at 4.9 million euros, representing a drop of 14.0% in relation to 2012, albeit smaller than the reduction in the sales volume. Average prices for tiles rose in sales in both Portugal and Spain, meaning that the average sales price in this business area grew by 2.9% in Portugal and 3.3% in Spain.

In terms of operational performance, this business unit recorded negative EBITDA of -1.4 millions euros, which compares unfavourably with the figure of -0.4 million euros recorded in 2012.

4.4.2. Tunisia

4.4.2.1. Market Background

The Tunisian economy is thought to have grown by 3.0% in 2013, down from the figure of 3.6% recorded in 2012 (*World Economic Outlook*, IMF, January 2014), although it continues to be affected by the fall-out from the revolution, with a worsening of the political crisis and continuing outbreaks of social instability, demonstrations, strikes and general insecurity, alongside a deteriorating economic situation in its main trading partners.

The tourism and export sectors remain in recession, budgetary and foreign balances have worsened and structural reforms have been implemented at a much slower pace than initially envisaged. Although the public works sector is in recession, the residential and commercial construction sector continues to grow.

As in 2012, the Tunisian dinar continued its downward trend against the euro, falling by an average of approximately 7.0% over the year.

The following table presents overall indicators for the Secil Group's business operations in Tunisia in 2012 and 2013:

Tunisia	Turnover			EBITDA			Quantities Sold			
(million euros)	2013	2012	13/12 (%)	2013	2012	13/12 (%)	Unit	2013	2012	13/12 (%)
Cement and clinker	59.3	59.1	0.4%	7.2	8.5	-15.8%	1,000 t	1,272.3	1,217.5	4.5%
Ready-mixed	7.8	7.9	-0.3%	0.9	0.8	8.8%	1,000 m3	175.1	175.9	-0.4%
Precast	0.0	0.1	-70.5%	0.0	0.0	-68.3%	1,000 t	3.4	4.0	-16.4%
Total	**67.2**	**67.1**	**0.2%**	**8.0**	**9.3**	**-13.7%**				

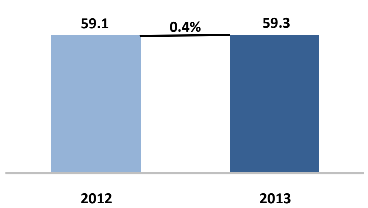
4.4.2.2. Cement and Clinker

Consumption of cement and artificial lime in the Tunisian market stood at approximately 7.7 million tons, representing an increase of 2.5% in relation to the previous year. In the southern region, where the Secil Group's production facility is located, growth was in the order of 3.0%.

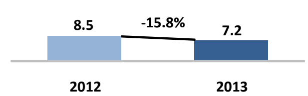
This business unit recorded an improvement in business performance in relation to 2012, with growth of 4.5% the sales volume, which stood at approximately 1.3 million tons, thanks to a slight increase in the volume of exports, as sales quantities on the local market held steady. It should be noted that exports represent only a small proportion of total turnover, due to the continued existence of administrative restrictions on exports in 2013.

Indicators

Turnover



EBITDA



Figures in million euros

The cement and clinker business unit in Tunisia recorded turnover of approximately 59.3 million euros, up by 0.4% on the figure for the 12 months of the previous year. It should be noted that turnover expressed in local currency grew by 8%, but this was largely cancelled out by the drop in value of the Tunisian dinar.

In the local market, the continued application in 2013 of administrative controls on sales prices, which have not been changed since July 2011, has contributed to the reduction in turnover, insofar as the sales volume was practically identical to the previous year.

It should be noted that the prices prevailing in the Tunisian market are substantially lower than those in neighbouring countries. For this reason, the Government has imposed strict restrictions on exports, which generally offer much better margins than the domestic market.

However, in early 2014, the Tunisian government announced the deregulation of sales prices and exports of cement,

This business unit recorded EBITDA of 7.2 million euros, down by 15.8% on the previous year, as the result of stoppages in the two kilns for replacement of the coolers. In order to respond to market demands, the company was obliged to buy in sizeable quantities of clinker, with a consequent loss of margin. In addition, the depreciation of the Tunisian dinar also had a negative impact on the cost of importing spare parts. However, these effects were partially offset by the increase in cement exports, as mentioned above.

Industrial Operations

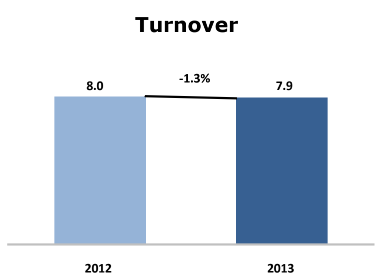
Output of cement and clinker stood at 2.1 million tons, representing growth of 1.4% over the previous year. Stoppages were required in both kilns in 2013 in order to substitute the coolers, leading to a drop of 4.6% in clinker output.

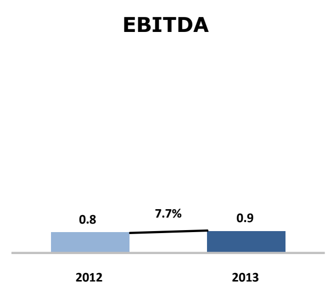
Capital expenditure

Capital expenditure totalled 7.7 million euros, with by far the most important project having been the substitution of the coolers in the two kilns, which will result in energy gains and increase clinker production capacity.

Although this work was only completed towards the end of the year, the positive effects of this investment were still felt, with the units increasing its output of clinker and achieving better EBITDA margins than earlier in the year. An improvement in results is expected in 2014.

4.4.2.3. Ready-mixed and pre-cast concrete





Figures in million euros

The volume of major public works again declined in 2013, alongside uneven growth in the private construction sector. In this context, the sales volume for ready-mixed concrete remained at the same level as in 2012, at 175 thousand tons, whilst sales of pre-cast concrete were down by approximately 16.4%.

Overall, turnover from these two business units dropped by 1.3%, to 7.9 million euros, although in local currency the performance was positive. However, the rise in the average sales price for ready-mixed concrete was cancelled out by the depreciation of the currency.

Accrued EBITDA for the 12 months of the year stood at approximately 0.9 million euros, representing growth of 7.7% over 2012.

4.4.3. Lebanon

4.4.3.1. Market Background

According to the latest figures published by the IMF, the Lebanese economy is thought to have grown by 1.5% in 2013, in line with the figure for 2012 (World Economic Outlook, IMF, January 2014) and falling short of the projections at the start of 2013.

The Middle Eastern region has been going through a period of significant change, involving political transition in several countries, holding out the promise of growth. However, these changes have also created uncertainty, especially in investment, tourism and the economy in general. Lebanon is not immune to these factors and has felt the impact of the global slowdown and regional instability, and especially of the situation in Syria.

The following table presents overall indicators for the Secil Group's business operations in Lebanon in 2012 and 2013:

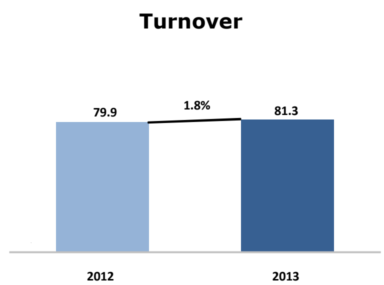
Lebanon	Turnover			EBITDA			Quantities Sold			
(million euros)	2013	2012	13/12 (%)	2013	2012	13/12 (%)	Unit	2013	2012	13/12 (%)
Cement and clinker	81.3	79.9	1.8%	30.5	23.2	31.4%	1,000 t	1,214.6	1,138.3	6.7%
Ready-mixed	9.1	8.2	11.5%	0.7	0.5	46.1%	1,000 m3	152.5	131.6	15.9%
Total	**90.4**	**88.0**	**2.7%**	**31.2**	**23.7**	**31.7%**				

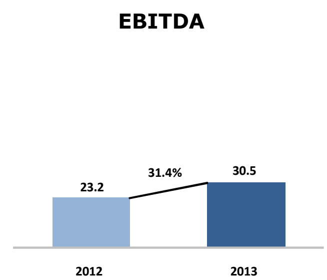
4.4.3.2. Cement and Clinker

Although growth was forecast for the economy as a whole, it was to be expected that cement consumption would stabilize, after the boom years of 2003 to 2011. However, demand in the property sector was extremely robust and the public works sector was also lively, allowing the construction industry to experience continued growth and driving cement consumption up to a new record level.

In this context, cement consumption was up on 2012, at a total of 5.9 million tons, representing growth of around 10%.

Indicators





Figures in million euros

The sales volume in the cement business unit in Lebanon presented excellent performance, up by 6.7% on the previous years, with all sales being made on the domestic market.

Turnover form the cement business unit in Lebanon stood at approximately 81.3 million euros, representing an increase of 1.8% on the same period in the previous year, due to the increase in the sales volume and a slight increase in average sales prices,

EBITDA stood at approximately 30.5 million euros, up by 31.4% on the previous year. This significant improvement in performance was essentially due to better performance in production and also to successful sales efforts, which resulted in an increase in turnover.

The resolution of technical hitches and problems in the power supply experienced in the previous year (leading to additional cost of acquiring clinker and cement), improvements in consumption indicators for thermal and electrical energy and the reduction in the clinker incorporation rate, made it possible to achieve a reduction in production costs.

Industrial Operations

Annual output from the Sibline plant in 2013 was the highest ever, with cement totalling 1,238 thousand tons and clinker 923 thousand tons, representing increases respectively of 10.3% and 13.0% over the previous year.

In 2012, production had been badly hit by poor performance in the first half, as the result of lengthy stoppages of production lines, due to technical problems and frequent power cuts. These problems have since been resolved, and output has accordingly stabilized.

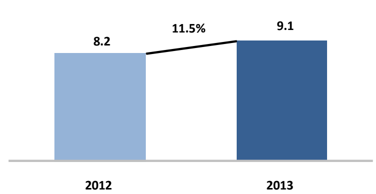
Other achievements include an improvement in consumption of thermal energy, thanks to completion of the capital project for revamping line 1, a substantial reduction in power consumption, due to improved performance in production, and a reduction in the clinker incorporation rate to 76.7%, the lowest rate ever.

Capital expenditure

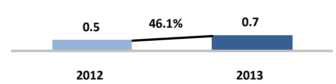
Capital expenditure stood at 9.4 million euros, centred on completion of the revamping of line 1, which has led to an improvement in consumption of thermal energy, with a positive influence on fuel costs.

4.4.3.3. Ready-Mixed

Turnover



EBITDA



Figures in million euros

Ready-mixed concrete business in 2013 enjoyed a positive boost from the strength of the construction industry, with a significant increase in the sales volume, which stood at 153 thousand m3 of concrete (up by 15.9% over 2012), a new all-time high.

Turnover also performed well, standing at approximately 9.1 million euros, representing an increase of 11.5% over 2012, due solely to the growth in quantities sold, insofar as the average sales price dropped by around 4.0% as a result of competition in the market.

EBITDA stood at 765 thousand euros, 46.1% up on 2012, reflecting the increase in the sales volume, and also the gains obtained on reductions in the variable production costs, which made it possible to offset the deterioration in average sales prices.

4.4.4. Angola

4.4.4.1. Market Background

The Angolan economy is still growing and the latest estimates released by the IMF point to growth in gross domestic product of 5.6% in 2013, up from 5.2% in 2012 (World Economic Outlook, IMF, January 2014).

These estimates for growth are based on expansion of the oil & gas sector, increased consumer spending and implementation of a public spending programme for infrastructure, expected to boost business in the construction industry and other sectors.

The following table presents overall indicators for the Secil Group's business operations in Angola in 2012 and 2013:

Angola	Turnover			EBITDA			Quantities Sold			
(million euros)	2013	2012	13/12 (%)	2013	2012	13/12 (%)	Unit	2013	2012	13/12 (%)
Cement and clinker	23.9	28.5	-16.3%	0.3	2.9	-88.2%	1,000 t	180.2	190.6	-5.5%
Total	**23.9**	**28.5**	**-16.3%**	**0.3**	**2.9**	**-88.2%**				

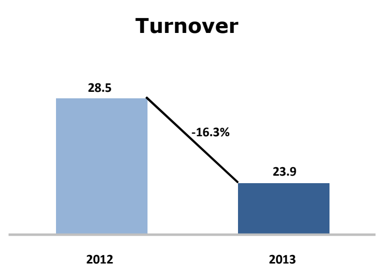
4.4.4.2. Cement and Clinker

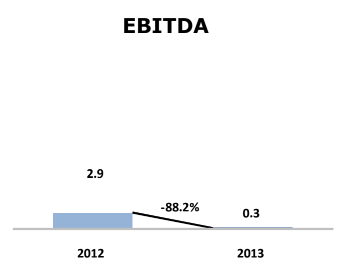
Growth in the Angolan economy also resulted in continued expansion of the construction industry, causing cement consumption to rise to 5.5 million tons, representing an increase of approximately 10% on the previous year.

The production capacity of Angolan manufacturers rose from 4.5 million tons to 7.5 million in 2013, as a result of one manufacturer doubling its capacity whilst another, which started up in the fourth quarter of 2013, consolidated its production process.

Significantly, cement production capacity in Angola is currently higher than market demand. This fact, combined with the pressure of cheaper cement imports from China, led to a significant drop in sales prices, which are estimated to have fallen by 12% in 2013 in relation to the previous year.

Indicators





Figures in million euros

Secil Lobito recorded a sales volume of 180.2 thousand tons, corresponding to turnover of 23.9 million euros; these figures are down by respectively 5.5% and 16.3% on the previous year.

EBITDA shrank by 88.2% to stand at 343 thousand euros, due to a reduction in the sales volume and the average sales price in comparison with 2012 and to the recording of impairments on inventories.

In response to the difficult environment, the workforce was adjusted downwards by 6% in relation to December 2012, providing an adjustment on the cost side.

Capital expenditure

Capital expenditure in 2013 totalled 1.9 millions and included significant intervention in the mills, which will permit a reduction of around 15% in variable production costs, thanks to a reduction in the clinker incorporation rate. This will have a significant impact on results in 2014, as the work was only completed towards the end of 2013.

4.4.5. Brazil

4.4.5.1. Market Background

According to the latest figures published by the IMF, the Brazilian economy is thought to have grown by 2.3% in 2013, up from the figure of 1.0% recorded in 2012 (World Economic Outlook. IMF, January 2014), on the strength essentially of robust performance in the farming and service sectors. Consumer spending, which has been the main driving force in the economy, showed signs of cooling.

The economy continues to be affected by a number of structural problems, such as low levels of educational attainment, instability in regulations and red tape, and also the lack of appropriate infrastructures, such as ports, airports and roads. In addition, the impact caused by the organization of the World Cup and the resulting construction projects appears to have fallen short of expectations.

The crisis in the emerging markets has had a significant effect on Brazil, and its currency has fallen substantially in value, with interest rates and inflation both rising.

The following table presents overall indicators for the Supremo Group's business operations in Brazil in 2012 and 2013:

Brasil	Turnover			EBITDA		
(million euros)	2013	2012	13/12 (%)	2013	2012	13/12 (%)
Cement and clinker, Ready-mixed and Aggregates	51.5	46.1	11.6%	4.9	3.1	57.8%
Total	**51.5**	**46.1**	**11.6%**	**4.9**	**3.1**	**57.8%**

Brasil	Quantities Sold			
(million euros)	Unit	2013	2012	13/12 (%)
Cement and clinker	1,000 t	423.0	351.0	20.5%
Ready-mixed	1,000 m3	187.0	140.0	33.6%
Aggregates	1,000 t	556.5	376.3	47.9%

4.4.5.2. Cement and Clinker, Ready-Mixed Concrete and Aggregates

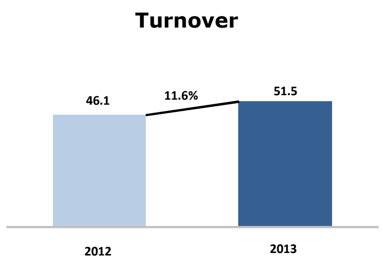
According to provisional figures from the industry, the cement market grew to a total sales volume of approximately 70.0 million tons, representing an increase of 2.4% over the previous year. This growth was not evenly spread around the country, and in the region where the Supremo Group operates, growth stood at 3.8% in relation to 2012.

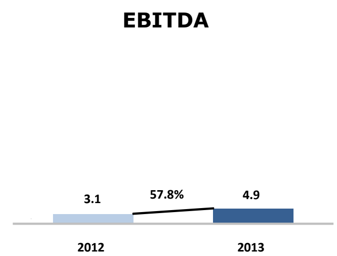
In this context, the Supremo Group recorded a sales volume of approximately 423 thousand tons (which includes purchases from Secil Portugal), representing growth of 20.5% over the previous year.

The ready-mixed concrete unit presented a significant increase in sales volume, which grew to 187 thousand m^3, up by 33.6% in relation to 2012, boosted by the start-up of the new plant in Itajaí.

In aggregates business, the sales volume increased considerably in 2013, standing at 557 thousand tons, 47.9% up on the previous year, thanks to a significant increase in sales to third parties.

Indicators





Figures in million euros

In 2013, the Supremo Group's sales volume stood at approximately 51.5 million euros, representing an increase of 11.6% in relation to the previous year, whilst EBITDA totalled 4.9 million euros, up by 57.8% on 2012.

This positive performance was due to the combined effect of the following factors: (i) an increase in the volume of cement sales and also in clinker output, in the order of 21%, thanks to improvements in operational performance as a result of capital projects; (ii) an increase in average sales prices for ready-mixed concrete, along with tight control of operating costs in this business unit; and (iii) an increase in the volume of sales of aggregates to third parties, and a consequent improvement in operating margins.

Industrial Operations

Cement output stood at approximately 340 thousand tons, 8.7% up on the output recorded in 2012. This increase would have been more significant had it not been for the stoppage of the mill during January, due to a capital project to improve its operational performance.

Capital expenditure

Capital expenditure by the Supremo Group stood at 78.0 million euros, of which 1.4 million related to operational investment, in particular the optimization of cement milling capacity in Pomedore, and 76.5 million euros related to the construction of the new cement mill in Andrianópolis.

4.5. Resources and Supporting Functions

4.5.1. Sustainability

Sustainability continues to be a strategic issue for the management of the Secil Group, as reflected in the commitments made in connection with the CSI – Cement Sustainability Initiative, and through the WBCSD – World

Business Council for Sustainability Development.

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

- The alternative fuel substitution rate rose to 44%, allowing further substitution of fossil fuels;
- The total rate of clinker incorporation increased slightly from 2012, to 76.4% (as compared to 74.4% in 2012).

4.5.2. Environment

In 2013, the main concern in the cement industry was to defend its continued inclusion in the list of sectors exposed to the risk of carbon leakage. Exclusion from the carbon leakage risk would have a severe impact on the industry's ability to compete, meaning that its continued inclusion is of vital importance to its survival. The revised list is due to be published by the end of March 2014, although the European Commission has already declared its intention of maintaining the parameters and classification criteria used in the 2009 list; if this is the case, then the cement industry will in fact be kept on the list of sectors exposed to the risk of carbon leakage.

The sector also has a fundamental need for an appropriate, predictable and stable regulatory framework, not subject to alterations to its original parameters, in order to invert the deficit of business confidence which has been observed in capital-intensive industries, which need to plan their investment projects over the long term.

Another important development was the approval, in early 2014, of the backloading of carbon permit auctions, designed to remove temporarily from the market around 900 million permits, which will be restored to the market at the end of the period. These measures will consequently increase indirect costs, through higher power prices, which will reflect the higher cost of CO2 permits acquired in auctions by power generation companies.

In addition, the unexpected application of a Cross Sectoral Correction Factor (CSCF) significantly lower than one (it varies between 0.94272151 in 2013 and 0.82438204 in 2020), which corresponds to a tougher benchmark which is more demanding and difficult to achieve with existing technology, could cause sectors which currently run at a surplus to incur a deficit, thereby undermining their ability to compete at home and abroad. For the Portuguese cement industry, without considering other issues, the application of this factor alone amounts to eliminating around 5.5 million free permits.

In an important development for the Secil Group in particular, work continued in 2013 on the project for "Energy Optimization at Cement Mills in Portugal", designed to improve energy efficiency (electrical and thermal energy) at its facilities. With regard to the application of the Best Available Techniques for the cement industry, the cement mills in Portugal were required to adopt secondary abatement measures (SNCR – Selective Non Catalytic Reduction), in order to meet the new upper limit for NOx emissions, which took effect in January 2014.

4.6. Organization

The Secil Group continued in 2013 to pursue its strategy, first applied in 2012, of resizing its operations in Portugal, in order to streamline its operations.

As a result of these measures, the Secil Group's workforce was cut to 2,125, down by 42 on the figure for 2012. Downsizing measures in 2013 had the greatest impact on the pre-cast and cement sectors. In the cement division, operational management has been merged for maintenance and production at the Maceira and Pataias cement mills, making it possible to increase operational efficiency at these plants.

Work started in 2013 on the process of optimizing supporting functions in the new central structure, which was created in late 2012. This process involved IT projects designed to improve organizational processes and the renegotiation of a number of service contracts; these efforts have proved beneficial to the Group.

Improved efficiency remains one of the Group's main priorities in all geographical regions and the various operational units have continued to pursue a series of initiatives of this type, with the aim of improving their profitability.

5. Environment Business Area – ETSA

5.1. Leading Business Indicators

IFRS - accrued amounts (million euros)	2013	2012	Var. (%)
Sales	**29.1**	**35.6**	**-18.2%**
Other income	1.2	1.5	-20.9%
Costs and losses	(23.9)	(28.2)	15.2%
EBITDA	**6.5**	**9.0**	**-28.1%**
Recurrent EBITDA	6.5	9.0	-28.1%
Depreciation and impairment losses	(2.5)	(2.8)	11.1%
Provisions (increases and reversals)	(0.3)	(1.0)	73.7%
EBIT	**3.7**	**5.2**	**-28.9%**
Net financial profit	(1.1)	(1.6)	34.2%
Pre-tax profit	**2.6**	**3.6**	**-26.6%**
Tax on profits	(0.1)	(0.5)	84.6%
Retained profits for the year	2.6	3.1	-17.5%
Attributable to ETSA equity holders *	**2.6**	**3.0**	**-15.7%**
Attributable to non-controlling interests (NCI)	-	0.1	-100.0%
Cash-Flow	**5.3**	**6.9**	**-22.7%**
EBITDA margin (%)	**22.2%**	**25.2%**	**-3.1 p.p.**
EBIT margin (%)	12.7%	14.6%	-1.9 p.p.
	31-12-2013	**31-12-2012**	
Equity (before NCI)	58.2	55.7	4.6%
Net debt	**19.6**	**20.6**	**-4.8%**

* Of which 96.00% is attributable to Semapa in 2012 and 99.989% in 2013

Note: The above figures may differ from those presented individually by the ETSA Group, as a result of consolidation adjustments made by the holding company, Semapa.

5.2. LEADING OPERATING INDICATORS

The following table sets out the main operating indicators for the ETSA Group in the financial year of 2013:

	Unit	2013	2012	13/12
Collection of raw materials - Animal waste (categories 1 and 2)	1,000 t	44.1	47.5	-7.2%
Collection of raw materials - Animal waste (category 3)	1,000 t	70.5	71.7	-1.7%
Collection of used food oil	1,000 t	2.0	2.2	-11.9%
Sales - animal fats	1,000 t	13.0	18.1	-27.8%
Sales - meal	1,000 t	19.7	18.7	5.3%
Sales - used food oil	1,000 t	1.9	2.1	-8.7%

5.3. BUSINESS OVERVIEW: ETSA GROUP

The ETSA Group recorded turnover of 29.1 million euros, down by approximately 18.2% on the same period in 2012.

This reduction in business was due essentially to the combined effect of: (i) a significant reduction in the volume of lard sold as a result of rescheduling of the multiannual contracts currently underway , (ii) a reduction in quantities sold and average sales prices for low acidity fats (down respectively by 11% and 7.3%), (iii) a reduction of approximately 55.2% in the average value of contracts for collection of animal by-products from hypermarkets and (iv) a reduction of approximately 22.2% in turnover from the collection, transport and destruction of animal carcasses under the SIRCA service provided to the Portuguese State, as a result of a drop in quantities collected and in the average price contracted.

EBITDA for the ETSA Group totalled 6.5 million euros, representing a reduction of 28.1% in relation to 2012. This is explained fundamentally by (i) the reduction in turnover, as described above, (ii) widespread increases in the average purchase price of by-products, due to the depressed business environment, overcapacity in the sector and extremely fierce competition, iii) a significant increase in animal by-products business, but with falling revenue from fixed contracts, resulting in growth in the cost structure, due to higher logistical, personnel and industrial processing costs.

Other factors which had a positive impact on performance in the period included (i) the reduction in the cost of goods sold per ton of raw material processed, as a result of the planned reduction in commercial collection operations in Spain, and (ii) the lower cost of thermal fuels used in the industrial conversion process, thanks to capital projects implemented at both SEBOL and ITS.

The EBITDA margin stood at 22.2%, down by around 3.1 p.p. on the margin for 2012.

Financial costs came down in 2013 as a result of the reduction in average gross debt over the period.

The combined impact of these factors resulted in Net Income attributable to equity holders for the 2013 of approximately 2.6 million euros, 15.7% down on that recorded in the previous year.

The ETSA Group pressed ahead with a number of capital projects in 2013, primarily geared to converting industrial consumption and setting up new business units to boost value adding in future.

At 31 December 2013, the ETSA Group's net debt stood at 19.6 million euros, down by approximately 1.0 million euros in relation to year-end 2012, due essentially to compliance with the technical repayments plan, although the debt owed by the Portuguese State (specifically, by the Ministry of Agriculture and the Sea) to the subsidiary ITS, relating to services rendered since 1 December 2012, stood at the end of the year at approximately 5.5 million euros.

6. Semapa Group Human Resources

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

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

The workforce of the Semapa Group rose from 5,208 at the end of December 2012 to 5,183 at the end of December 2013, as shown in the following table:

	31-12-2013	31-12-2012	Var. 13/12
Papel and Pulp	2,258	2,275	-17
Cement	2,617	2,659	-42
Environment	286	254	32
Holdings	22	20	2
TOTAL	**5,183**	**5,208**	**-25**

7. Social Responsibility in the Semapa Group

Helping to develop its local communities is one of the guiding strategic principles of the Semapa Group. The Group is accordingly involved in a wide array of projects designed in the last instance to improve the quality of life of the communities around its plants and facilities, and to conserve the environment.

As a holding company, Semapa has supported the following projects:

- Fundação Nossa Senhora do Bom Sucesso - a charity in the health sector, providing family-centred care, especially for women and children.
- Associação Salvador – Association which works to defend the interests and rights of persons with reduced mobility, especially individuals with motor handicaps.
- Associação Portuguesa Contra a Leucemia – a Portuguese association working to improve the effectiveness of treatment for leukaemia and related cancers, contributing to progress in scientific understanding of the nature, evolution, prevention and treatment of this diseases, and supporting leukaemia sufferers and their families.
- Associação Quinta Essência - a charity that help people with intellectual disabilities, aged 16 and over, to achieve independence and social integration, to the maximum extent possible.
- MDV Projecto Família – A pioneering project in Portugal seeking to work with families with children at risk. The aim is keep the family together through intensive, immediate and individualized support.

In 2013, the Portucel Group sought to pursue its policy of social responsibility by taking an active role in projects with welfare, cultural, environmental and educational aims, especially when located in the regions around its industrial units and forestry holdings.

The Portucel Group accordingly remained committed to a number of projects designed to promote responsible conduct and to foster a business culture, which is regarded as a priority for the Group's development. Special mention should be made of the "Give the Forest a Hand" campaign, which won the award for Best Responsibility Campaign from APCE (the Portuguese Corporate Communication Association).

In the field of education, the Portucel Group maintained its strategy of supporting and encouraging welfare projects, encouraging joint efforts between the educational community and the business sector.

The arts have been another focus for the activities of the Portucel Group, which has continued to support cultural and educational projects that promote paper as a valuable medium for communication, crucial to both culture and knowledge.

The Secil Group has been aware at all times that sustainable growth depends on the well-being of its workforce, and on the support and ties it builds with the communities in which it locates its production units and commercial premises.

Accordingly, Secil has signed cooperation agreements with institutions working in the fields of social inclusion, sport and the arts, with programmes in the local communities around the Group’s facilities.

The ETSA Group has established partnerships with charities and welfare organizations, to which it makes technical and financial contributions, in order to support work to improve the living conditions and inclusion of the underprivileged. This has included supporting the work of AMI – Assistência Médica Internacional and also the Ronald McDonald Foundation, in both Lisbon and Porto.

Taken together, donations by the Semapa Group to welfare charities totalled approximately 2.4 million euros.

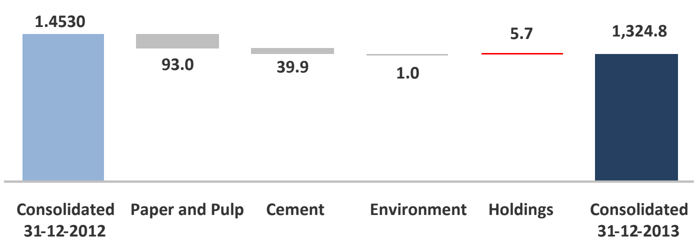
8. Semapa Group – Financial Area

8.1. INDEBTEDNESS

At 31 December 2013, consolidated net debt stood at 1,324.8 million euros, representing a reduction of 128.2 million euros from the figure recorded at year-end 2012. The following table shows the evolution and a breakdown of consolidated net debt:

Net debt (million euros)	31-12-2013	31-12-2012	Var 13/12
Paper and Pulp	162.6	255.6	-93.0
Cement	264.4	304.3	-39.9
Environment	19.6	20.6	-1.0
Holdings	878.2	872.6	5.6
Total	**1,324.8**	**1,453.0**	**-128.2**

Consolidated Net Debt Evolution



This decrease was due essentially to a combination of effects:

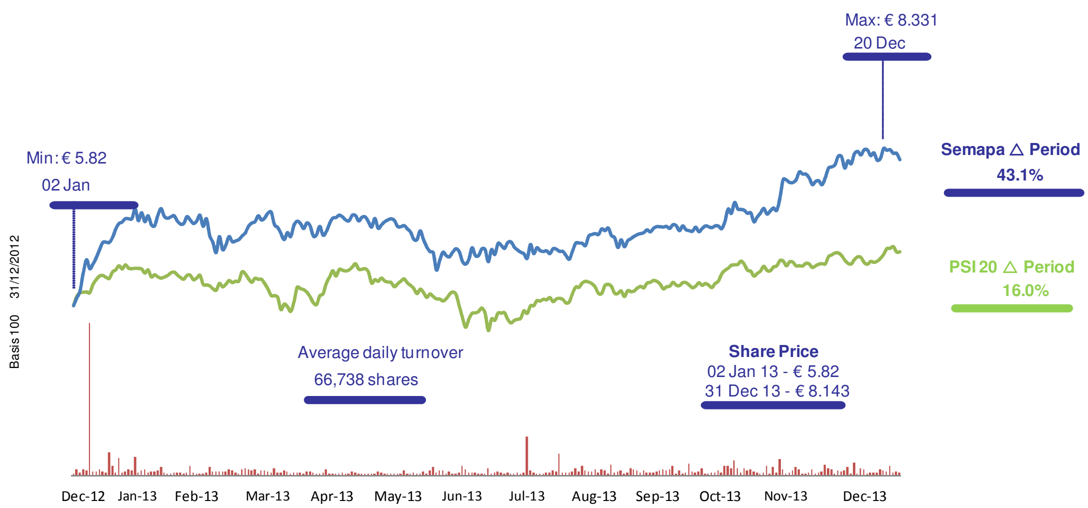
- Reduction in indebtedness in the Paper and Pulp segment, down by 93.0 million euros. Over the period, Portucel distributed a total of 201.4 million euros to its shareholders. It should also be noted that approximately 34.1 million euros in the reduction in debt is due directly to the appreciation of own shares;
- A reduction of 39.9 million euros in the cement segment, resulting from the combined effect of a decrease in indebtedness in the Secil Group and an increase in the Supremo Group;
- A reduction of approximately 1 million euros in the environment segment, due essentially to compliance with the technical repayments plan, although the debt owed by the Portuguese State (specifically, by the Ministry of Agriculture and the Sea) to the subsidiary ITS, relating to services rendered since 1 December 2012, stood at the end of the year at approximately 5.5 million euros. This fact makes cash flow management unsustainable;
- An increase of 5.7 million euros in the holding companies, as a result of amounts distributed by Portucel, the proceeds of the sale of shares in EDP, less the value of financial costs, overheads and payment of dividends by Semapa SGPS. Significantly, the listed value of the equities portfolio, comprising essentially Semapa's own shares, grew by 4.4 million euros.

8.2. Risk Management

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

8.3. Listed Share Price

The financial year of 2013 proved to be fairly positive for the capital markets, with most stock exchanges recording significant gains. In a low interest rate environment, with some signs of an economic recovery, investors were hungry for yields and were again attracted to higher risk assets. The main indexes, both in Europe and the United States, presented sizeable gains, including the FT30 (up 27.5%), the Dow Jones Industrial (up 26.5%) and the Frankfurt index, Xetra Dax (up 25.5%). The Ibex 35 index, which had recorded an overall loss in 2012, closed the year up 21.4%.



Note: Closing prices

In this context, the value of Semapa shares rose impressively. Up by 43.1%, the share price clearly outperformed the PSI20 over the period, which itself presented a gain of 16.0%.

8.4. Dividends

In relation to the payment of dividends, the company has pursued a policy of distributing an amount which allows it not to take out significant additional borrowing and without undermining its sound financial position. The aim has been to maintain a financial structure compatible with the Group's sustained growth and different business areas, whilst maintaining sound solvency indicators. Accordingly:

- Semapa's General Meeting in 2013 resolved to distribute reserves of 28,785,539.85 euros, paying out 25.5 cents per share on 14 June;
- Portucel's General Meeting resolved to distribute a total dividend of 115,219,192.80 euros, paying out 16 cents per share on 06 June;

- In accordance with the resolution adopted at the Extraordinary General Meeting of 28 October, Portucel distributed reserves of 86,145,300.36 euros, paying out 12 cents per share on 08 November.

8.5. NET INCOME FOR 2013

Semapa recorded consolidated net income for 2013, before minority interests, of 191.1 million euros, of which 146.1 million euros is attributable to Semapa equity-holders, up by 15.5% from the previous year. This increase was due essentially to the following factors:

- A drop in total EBITDA of approximately 72.7 million euros;
- A reduction in depreciation and impairment losses of 30.4 million euros;
- An increase in provisions of 14.1 million euros in 2013, as compared to reversal of provisions worth 9.5 million euros in 2012;
- A worsening of financial results by 23.8 million euros in relation to the same period in the previous year;
- A positive effect of 39.4 million euros under taxes in 2013, as compared to 70.9 million euros in costs recorded in the previous year essentially explained (i) by the cancellation of a number of provisions recorded in previous periods for taxes payable, as the risks involved had ceased to exist, (ii) by the constitution of deferred tax assets relating to fiscal losses, the future recoverability of which became possible due to changes in the Corporation Tax Code, in particular the special rules on the taxation of groups of companies and (ii) by the positive impact on deferred taxes of the reduction in the corporation tax rate envisaged from 2014 onwards.

9. Highlights 2013

- Acquisition by the Portucel Group form EDP of the remaining 82% stake in Soporgen
- Portucel placed a bond issue on the international market (high yield), aimed at institutional investors, with a total value of 350 million euros, maturing in 2020. This operation permitted the Portucel Group to improve its liquidity, diversify its sources of finance and to extend significantly the average maturity of its borrowing.
- Portucel was elected European Business of the Year 2012 at the European Business Awards (EBA). The EBAs are amongst Europe's most coveted business awards, which seek to reward and promote excellence, good practice and innovation in Europe's business community. The 2012 awards attracted entries from more than 15 thousand organizations from different sectors in 30 countries.
- Portucel distributed a total of 201.4 million euros to its shareholder, by way of a dividend of 0.16 euros/share paid in June, and distribution of reserves of 0.12 euros/share, paid in November.
- Semapa SGPS distributed free reserves with a total value of 28.8 million euros, corresponding to 0.255 euros / share.
- In April 2013, ITS, the ETSA Group subsidiary operating in the collection and transport for destruction of 1 and 2 by-products, regarded as presenting the highest biological risk, signed a three-year contract, in the capacity of leader of a consortium, with the Directorate-General of Food and Veterinary Services relating to the new procedure for providing integrated collection and forwarding services for the destruction of animal carcasses (SIRCA). The services under this new contract started up on 9 September.

10. Outlook

The economic prospects in more developed markets have now begun to show more positive signs, although factors of uncertainty remain, meaning it is too early to consider that the troubles and imbalances experienced by the world economy in recent years are definitively over. The emerging markets should benefit from this trend although weaknesses still persist which may limit the development of these economies.

In the Euro Zone, the tentative economic recovery observed in recent months is expected to continue, albeit in a limited fashion, unevenly spread between periphery and centre, thanks to the process of adjusting public and private borrowing, and a still fragile banking system, causing problems in the funding of the economy.

In the United States, the recovery is stronger and more sustained, due to growth in domestic demand, supported by productivity gains, highly competitive energy prices and a less restrictive fiscal policy. The biggest question mark is over the impact on the economy of the reduction in monetary incentives already announced by the US Federal Reserve.

In China, the economy is expected to remain strong, despite the limiting effects of more restrictive credit and investment policies, which should result in a slight slowdown in growth.

In Portugal, forecasts published by the IMF point to growth of 0.8% in gross domestic product in 2014, up from the negative growth of -1.8% estimated for 2013 (World Economic Outlook, IMF, January 2014). The latest Bank of Portugal projections also point to growth in GDP of 0.8% in 2014, after a drop estimated at 1.5% in 2013 (Winter Economic Bulletin - January 2014), assuming a gradual recovery in internal demand and a moderate upturn in the economy in 2014-2015.

Paper and Pulp

In this context, the BEKP pulp market has proven fairly resilient, with growth in overall demand, and particularly robust demand from China. In the near future, the market should continue to be supported by a significant increase in production capacity for tissue papers and the closure and conversion of pulp mills, in particular in China. However, a degree of uncertainty as to the future of the paper market, the start-up of new pulp capacity planned for 2014 and 2015 and the evolution of the Euro/dollar exchange rate are all factors which may have an impact on supply and demand in this market.

In the UWF **paper** market, the business environment is expected to remain difficult in 2014, although less acutely so than in previous years, with the possibility that consumption may stabilize to an extent. Office paper, in particular, which has proved to be remarkably resilient, may record more positive performance. The coming year is therefore expected to be more positive, supported by improving order books in the paper industry.

Strong pressure will continue to be felt from Asian manufacturers, and the tendency observed recently for quality downgrading is expected to increase. The Group will continue to expand and consolidate its market, repositioning its product mix on its traditional markets.

Cement

In **Portugal**, the Secil Group's main market, the economic outlook for 2014 is generally less pessimistic, in comparison with the severe contraction experienced in recent years.

Activity in the European construction industry is expected to stabilize in 2014 and show a modest recovery in 2015. According to figures from Euroconstruct, 2013 may have been the last year of the severe crisis that has gripped the construction sector in Europe. For Portugal, the forecasts point to a further decline in construction business in 2014, albeit less drastic that in recent years (Euroconstruct figures point to a reduction of around 3% in construction business in 2014).

In 2014, the Group's operations in Portugal will continue to be influenced by the situation in the construction sector, and priority will be given to pressing ahead with measures to improve operational efficiency in all areas of activity (both in operations and at head office), in order to assure better results as soon as the market recovers.

For **Tunisia**, the latest IMF figures point to expectations that the economy will grow in 2014 by 3.7%, up from the figure of 3.0% estimated for 2013 (World Economic Outlook, IMF, January 2014), despite the continued uncertainty as regards political and social stability in the country. In line with expectations for the economy as a whole, the construction and cement sector is also expected to record stronger growth than in 2013.

The prospects for the Tunisian market are therefore positive, all the more so because cement prices and exports were deregulated in early 2014.

Economic growth in **Lebanon** is forecast to stand at 1.5% in 2014, similar to that expected for 2013 (World Economic Outlook, IMF January 2014). Recent changes in the Middle East region have not made it easy to maintain economic stability, and so the growth forecast for **Lebanon** is well below the country's potential.

The cement market is expected to stabilize, after the boom years of 2003 to 2011. The prospects for Secil Group operations are therefore positive, considering the improvements achieved in cement manufacturing, with an increase in the productivity of the mills, and growth in clinker output will make it possible to obtain gains on production costs, thanks to improvements in the raw material mix and in the use of thermal fuels.

In the ready-mixed concrete market, the current vitality of the market and the works contracts already adjudicated point to growth in sales in 2014.

In addition, work has started on building a blocks plant, due to be completed in 2014, which will make it possible to diversify business areas in the country, by moving into the pre-cast sector.

In **Angola**, the latest forecasts published by the IMF point to continued economic growth, with estimates that gross domestic product will increase by 6.3% in 2014, up from the figure of 5.6% estimated for 2013 (World Economic Outlook, IMF, January 2014). In this context, the Angolan cement market is expected to enjoy robust growth in 2014.

The Secil Group's operations should benefit from the capital projects implemented in 2013, bringing down production costs and offering the prospect of improved results.

In **Brazil**, the latest IMF estimates suggest that the economy will grow by 2.3% in 2014, in line with the growth recorded in 2013 (World Economic Outlook, IMF, January 2014). Interest rate hikes intended to control inflation and the costs of controlling the exchange rate will have a significant impact on the real economy.

However, it is anticipated that the construction projects underway for the World Cup, the *My House My Life* welfare programme, the Olympic Games to be held in 2016, the Growth Acceleration Programme (PAC) and also the fact that elections will take place in 2014, will all act as catalysts, ensuring that the construction industry continues to grow at a rate faster than the economy as a whole, meaning that the performance of the cement market should be in line with the trend for growth in recent years, albeit unevenly spread between the regions.

The investment in acquiring Supremo Cimentos and building a new mill in Brazil is resulting in increased debt, which will bring down financial results and consequently the Group's net income until the new plant starts operation.

Environment

Considering the current economic and financial environment, no improvements are envisaged in the short term in the sector operated by the ETSA Group, insofar as falling consumption of foodstuffs (due simply to changes in the average shopping basket, or other factors) results directly in a reduction in the animal slaughter rate, and consequently in the volume of by-products generated. In view of overcapacity in by-product processing, competition between operators is set to remain fierce, leading to a more aggressive search for raw materials, which will be increasingly scarce and therefore more expensive, eroding commercial margins.

The ETSA Group's prime objectives in the short term include: (i) concentrating on horizontal expansion of its markets (with estimates suggesting that exports accounted for around 43.0% of total turnover in 2013); and (ii) identifying fresh opportunities for vertical growth, channelling investment to improving operational efficiency, extracting maximum value from the channels operated and retaining the loyalty of the main conventional and alternative collection centres.

11. Acknowledgments

2013 was another year in which the Group continued to focus on export operations, building on the heavy capital expenditure projects implemented in previous years. This is a Portuguese Group rooted in manufacturing industry whose successful strategic decisions have led it to play a growing role in the country's economy.

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

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

12. Proposed Allocation of Profits

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

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

It is proposed that the Net Profits for the individual period, determined under the SNC rules, in the amount of EUR 134,981,089.39 (one hundred and thirty four million, nine hundred and eighty one thousand and eighty nine euros and thirty nine cents) be allocated as follows:

Dividends for shares in circulation (33.2 cents/share)	37,477,644.04 euros
Free reserves	97,503,445.35 euros

Lisbon, 11 March 2014