1. Economic Background

In 2014, global economic activity grew by 3.3% (World Economic Outlook, IMF, January 2015), falling short of expectations in the beginning of the year and behaving differently according to the geographic areas.

The USA and the United Kingdom were among the developed economies showing a favourable evolution, namely the positive signs from the labour market, with growing dynamics. Growth in the Euro area and Japan, on the other hand, remained anaemic, which reflects the legacy of the financial crisis and lingering structural weaknesses that surfaced.

China's growth rate slowed down, with less dynamic exports, progressively based on domestic demand, nonetheless at significantly high level and playing a proportionally decisive part in overall growth.

The slowdown was even more visible in other less developed economies, which were hindered by external demand, political tensions and uncertainties and other cyclical factors, particularly commodity price developments in the international markets. The evolution of oil prices, in particular, caused economies to behave differently, depending on whether they are mostly importers or exporters.

Growth in the Euro area remained persistently weak, and continued to slow down in the last months of the year. Unemployment has remained very high, above pre-crisis levels, practically without signs of progress. In the past years, tight fiscal policies reinforced the recessive trend of the cycle, and relevant structural imbalances persisted, in the peripheral economies in particular, whose debt levels are still high. In this context, they are still threatened by a potential crisis, in the event of greater financial market volatility.

Consequently, the ECB's expansive monetary policy sought to bring stimulus to economy in the Euro area. Reference policy rates dropped to all-time lows and financing conditions in most of the countries of the Euro area improved significantly. Even in the peripheral countries, sovereign debt interest rates decreased gradually.

Inflation remained very low in the Euro area and Japan: the risk of deflation combined with very low growth levels are one of the biggest threats to economic progress in the near future.

The exchange markets also experienced substantial fluctuations, caused by the decisions taken by central banks and geopolitical tensions. The end of the Quantitative Easing programme in the USA and speculation about the FED raising its policy rates in 2015 played an important part in strengthening the USD in the second half of 2014.

The Portuguese economy featured low GDP growth, slightly below the expected level at the beginning of the year, persistently high unemployment rate and inflation at a marginally negative, all-time low. The dynamics of the Portuguese economy was hindered by a slowdown in the external demand of goods, which had to be sustained by domestic demand and the services account, fostered by tourism growth.

Overall, the year ended with a build up of uncertainties, including that arising from growing geopolitical tensions in different parts of the world. Very low levels of growth are expected to persist, and this together with deflation prospects in several developed economies like the EU and Japan, threatens to weaken the economic growth prospects for the world economy. In spite of the overall downward trend of the sovereign debt interest rates, persistently high structural imbalances in several Euro area countries have not eliminated the possibility of a serious financial crisis arising. Thus, economies remain vulnerable to potential political tension and possibly rising market volatility.

2. Overview of Semapa Group Operations

LEADING BUSINESS INDICATORS – comparison with figures for 2013:

- **Turnover: 1,998.2 million Euro ↑ 1.5%**
- **Exports and foreign sales: 1,605.0 million Euro - 80.3% of Turnover**
- **Total EBITDA: 410.0 million Euro ↓ 2.6%**
- **EBIT: 226.0 million Euro ↓ 4.8%**
- **Net income: 112.8 million Euro ↓ 22.8%**
- **Net debt: 1,111.3 million euros ↓ 174.0 million Euro (vs. December 2013)**
- **Net Debt / EBITDA: 2.7x in Dec. 2014 vs. 3.05x in Dec. 2013**

In spite of the economic downturn, the Semapa Group recorded a turnover of 1,998.2 million euros, representing growth of 1.5% in relation to the previous year, EBITDA stood at 410.0 million euros and net income totalled 112.8 million euros.

Net debt stood at 1,111.3 million euros, representing a reduction of 174 million euros from the figure recorded in the previous year, following dividend payments and significant investments made, representing the Group's strong capacity to generate funds.

The holding company contracted a set of new loans to refinance its financial debt and extend its maturity.

Leading Business Indicators

IFRS - accrued amounts (million euros)	2014	Restated 2013	Var.	Reported 2013
Turnover	**1,998.2**	**1,969.0**	**1.5%**	**1,990.5**
Other income	59.1	49.8	18.6%	52.0
Costs and losses	(1,647.3)	(1,597.9)	-3.1%	(1,620.4)
Total EBITDA	**410.0**	**420.9**	**-2.6%**	**422.1**
Recurrent EBITDA	408.5	419.4	-2.6%	420.6
Depreciation and impairment losses	(172.3)	(168.1)	-2.5%	(169.4)
Provisions (increases and reversals)	(11.6)	(15.3)	23.9%	(14.1)
EBIT	**226.0**	**237.5**	**-4.8%**	**238.6**
Net financial profit	(103.9)	(85.4)	-21.7%	(86.9)
Pre-tax profit	**122.2**	**152.1**	**-19.7%**	**151.7**
Tax on profits	30.1	39.4	-23.6%	39.4
Retained profits for the year	152.3	191.5	-20.5%	191.1
Attributable to Semapa equity holders	**112.8**	**146.1**	**-22.8%**	**146.1**
Attributable to non-controlling interests	39.5	45.3	-12.9%	45.0
Cash-flow	336.2	374.9	-10.3%	374.7
EBITDA margin (% Sales)	**20.5%**	**21.4%**	**-0.9 p.p.**	**21.2%**
EBIT margin (% Sales)	11.3%	12.1%	-0.7 p.p.	12.0%
	31-12-2014	**Restated 31-12-2013**	**Dec14 vs. Dec13**	**Reported 31-12-2013**
Equity (before NCI)	900.4	880.7	2.2%	880.7
Net debt	**1,111.3**	**1,285.3**	**-13.5%**	**1,324.8**

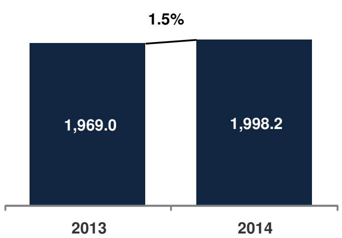
Notes:

- Total EBITDA = operating profit + depreciation and impairment losses + provisions (increase and reversal)
- Cash flow = retained earnings in the financial year + depreciation and impairment losses + provisions (increase and reversal)
- Net debt = non-current interest bearing debt (net of loan issue charges) + current interest-bearing debt (including debts to shareholders) – cash and cash equivalents – market value of own shares and other securities held by the Group (Financial assets at fair value through profit or loss and assets available for sale)
- The percentage change corresponds to non-rounded values

Under the new IFRS 11 rules, the Group now uses the equity method for including its holdings in jointly controlled entities in its consolidated accounts. The 2013 figures used for comparison have therefore been stated again for ease of comparability. As a result of this change, the Group's holdings in Supremo Cimentos and Secil Unicon, previously consolidated on a proportional basis, are now included in the consolidated financial statements using the equity method.

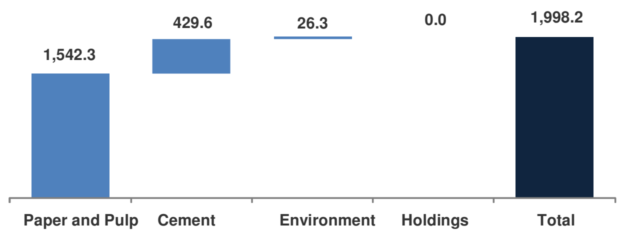
Consolidated Turnover: 1,998.2 million Euro ↑ 1.5%

Evolution



Figures in million euros

Breakdown by Business Area



In the 2014 financial year the Semapa Group recorded a consolidated turnover of 1,998.2 million euros, an increase of 1.5% over the previous year. Turnover by business area was as follows:

Paper and Pulp: 1,542.3 million Euro ↑ 0.8%

In 2014, the Portucel Group's turnover totalled 1,542.3 million euros, approximately 0.8% over the same period in the previous year, with a substantial increase in the volume of paper sales offsetting the downward trend in pulp and paper prices.

Cement[1]: 429.6 million Euro ↑ 5.0%

In 2014, turnover in the cement business area totalled 429.6 million euros, up by 5.0% year-on-year. This growth was mostly due to the successful performance of cement and clinker export operations from Portugal, where turnover grew by 22.4% in relation to the previous year, and of the Tunisian cement business unit, which recorded growth of 14.8% in relation to 2013.

Environment: 26.3 million Euro ↓ 9.7%

The ETSA Group recorded turnover of approximately 26.3 million euros in 2014, down by around 9.7% against 2013.

This was caused essentially by the combined effect of (i) a reduction in turnover from the collection, transport and destruction of animal carcasses, in comparison with 2013, as part of the SIRCA service delivered to the Portuguese government and of the private service delivered individually to private pig farmers, following a reduction in the actual amounts collected, but, fundamentally, following a reduction in the average price of contracted services in these two business channels and (ii) a reduction in turnover from the sale of class 3 production, essentially due to lower sales prices.

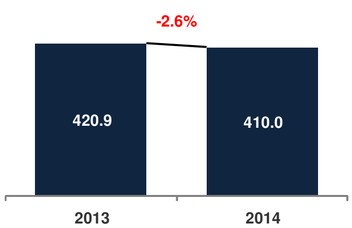
[1] As from 1 January 2014, the Cement segment has comprised 100% of the Secil Group's operations. In previous reports, the Cement segment included 100% of the Secil Group and 50% of the Supremo Group. The 2013 figures used for comparison have therefore been restated for ease of comparability.

Total Consolidated EBITDA: 410.0 million Euro ↓ 2.6%

Consolidated Recurrent EBITDA: 408.5 million Euro ↓ 2.6%

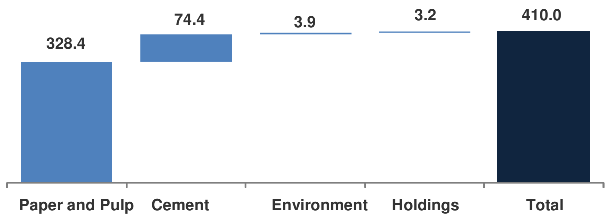
Consolidated EBITDA Margin: 20.5% ↓ 0.9 p.p.

Evolution



Figures in million euros

Breakdown by Business Area



Total EBITDA for 2014 fell by 2.6% in relation to the previous year, standing at 410.0 million euros. The consolidated EBITDA margin stood at 20.5%, 0.9 p.p. lower than in 2013.

Paper and Pulp: 328.4 million Euro ↓ 6.3%

As stated above, in the reporting period the sales prices of paper and pulp decreased, which impacted significantly the EBITDA generated by the Portucel Soporcel Group.

It should be noted that the Portucel Soporcel Group recorded a favourable development in some costs, chemical products, logistics and energy, in particular. Such improvements, however, did not manage to offset the deterioration in some inputs, namely personnel costs and wood costs, in spite of the good performance of the cost of raw material on the domestic market in 2014, which is expected to continue in 2015.

In this context, consolidated EBITDA in 2013 stood at 328.4 million euros, which represents a reduction of 6.3% in relation to the previous year. The EBITDA margin stood at 21.3% in 2014, 1.6 p.p. down from the same period in the previous year.

Cement[2]: 74,4 million euros ↑ 18.4%

EBITDA in the cement business area stood at 74.4 million euros, which translated into an increase of 18.4% in relation to 2013.

This change is due to the aforementioned rise in turnover and the impact of the management measures which have been implemented in view of reducing costs and maximising efficiency.

In 2014, the EBITDA margin stood at 17.3% in 2014, 2.0 p.p. up from that recorded in the previous year.

Environment: 3.9 million Euro ↓ 40.3%

EBITDA for the ETSA Group totalled approximately 3.9 million euros in 2014 financial year, representing a reduction of around 40.3% in relation to the previous year. This is explained fundamentally by (i) the reduction in turnover described above, and above all (ii) an increasing mismatch between the purchase price for the main raw materials and

[2] As from 1 January 2014, the Cement segment has comprised 100% of the Secil Group's operations. In previous reports, the Cement segment included 100% of the Secil Group and 50% of the Supremo Group. The 2013 figures used for comparison have therefore been restated for ease of comparability.

the sales price for the main end products, which has fallen significantly, due to the depressed business environment in the main commodities markets worldwide (oilseed and oil).

The EBITDA margin stood at 14.6%, down by around 7.5 p.p. from the value in 2013.

Holdings (Semapa SGPS and instrumental sub-holdings)

The holdings made a positive contribution to EBITDA of 3.2 million euros, comparing favourably with the 1.2 million euros in 2013.

Financial Results: -103.9 million Euro ↓ 21.7%

The Group recorded a financial loss for 2014 of 103.9 million euros, 18.5 million euros more than the figure recorded in the same period in the previous year. This was caused essentially by (i) an increase in average gross debt over the period and the respective financial charges (in the case of the Portucel Soporcel Group, costs increased after bonds were issued on the high yield market in May 2013, which negatively impacted results over 8 months in 2013 vs. 12 months in 2014) and (ii) a drop in interest income on the Group's cash surpluses.

It should be further noted that (i) the Portucel Soporcel Group recorded a gain of approximately 8.0 million euros in compensatory interest in 2013, under the Tax and Social Security Arrears Settlement Programme (RERD) it adhered to and (ii) financial losses of the Holdings due to a foreign exchange loss of around 1.3 million euros in 2014 vs. a gain of 10.7 million euros in 2013, the latter resulting from a significant foreign exchange appreciation of the Euro against the Brazilian Real recorded in that year.

Consolidated Net Income: 112.8 million Euro ↓ 22.8%

Consolidated net income for 2014 totalled 112.8 million euros.

Consolidated Net Debt: 1,111.3 million euros ↓ 174.0 million euros

At 31 December 2014, consolidated net debt stood at 1,111.3 million euros, representing a reduction of 174.0 million euros from the figure recorded at year-end 2013.

Segment Reporting (IFRS)

IFRS-accrued amounts (million euros)	Paper and Pulp	Cement	Environment	Holdings	Consolidated
Sales	**1,542.3**	**429.6**	**26.3**	**-**	**1,998.2**
Total EBITDA	**328.4**	**74.4**	**3.9**	**3.2**	**410.0**
Recurrent EBITDA	328.0	73.3	3.9	3.2	408.5
Depreciation and impairment losses	(126.8)	(42.6)	(2.6)	(0.4)	(172.3)
Provisions (increases and reversals)	1.3	(7.5)	0.0	(5.5)	(11.6)
EBIT	**203.0**	**24.4**	**1.3**	**(2.6)**	**226.0**
Net financial profit	(34.2)	(14.7)	(1.1)	(54.0)	(103.9)
Pre-tax profits	**168.9**	**9.7**	**0.2**	**(56.6)**	**122.2**
Tax on profits	8.0	5.2	0.4	16.4	30.1
Retained profits for the year	**176.9**	**15.0**	**0.6**	**(40.1)**	**152.3**
Attributable to Semapa equity holders	**143.6**	**8.8**	**0.6**	**(40.1)**	**112.8**
Attributable to non-controlling interests	33.3	6.2	0.0	-	39.5
Cash-flow	**302.3**	**65.0**	**3.1**	**(34.3)**	**336.2**
EBITDA margin (% Sales)	21.3%	17.3%	14.6%	-	20.5%
EBIT margin (% Sales)	13.2%	5.7%	4.8%	-	11.3%
Net debt	**117.9**	**178.4**	**15.4**	**799.7**	**1,111.3**

Notes:

- Figures for business segment indicators may differ from those presented individually by each Group, as a result of consolidation adjustments.
- As from 1 January 2014, as a result of changing from the proportional to the equity method for including the Group's holding in Supremo Cimentos in the consolidated accounts, the cement segment now encompasses only 100% of the operations of the Secil Group, in contrast to previous periods where this segment included 100% of Secil Group and 50% of Supremo Group operations.

3. Paper and Paper Pulp Business Area – PORTUCEL SOPORCEL GROUP

3.1. Leading Business Indicators

IFRS - accrued amounts (million euros)	2014	2013	Var.
Sales	**1,542.3**	**1,530.6**	**0.8%**
Other income	31.1	18.8	65.0%
Costs and losses	(1,244.9)	(1,199.1)	-3.8%
EBITDA	**328.4**	**350.4**	**-6.3%**
Recurrent EBITDA	328.0	349.3	-6.1%
Depreciation and impairment losses	(126.8)	(118.1)	-7.4%
Provisions (increases and reversals)	1.3	(14.0)	109.6%
EBIT	**203.0**	**218.3**	**-7.0%**
Net financial profit	(34.2)	(14.0)	-143.9%
Pre-tax profit	**168.9**	**204.3**	**-17.3%**
Tax on profts	8.0	1.8	352.8%
Retained profits for the year	176.9	206.1	-14.2%
Attributable to Portucel shareholders *	**176.9**	**206.1**	**-14.2%**
Attributable to non-controlling interests (NCI)	0.0	0.0	-52.1%
Cash-Flow	**302.3**	**338.1**	**-10.6%**
EBITDA margin (%)	**21.3%**	**22.9%**	**-1.6 p.p.**
EBT margin (%)	13.2%	14.3%	-1.1 p.p.
	31-12-2014	**31-12-2013**	**Dec14 vs. Dec13**
Equity (before NCI)	1,300.6	1,327.8	-2.0%
Net debt	**117.9**	**162.6**	**-27.5%**

* Of which 81.09% is attributable to Semapa in 2013 and 81.19% in 2014

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

3.2. Overview of Operations of the Portucel Soporcel Group

The Portucel Soporcel Group's consolidated sales totalled 1,542.3 million euros, approximately 0.8% over the previous year, with a substantial increase in the volume of paper sales offsetting the downward trend in pulp and paper prices.

In 2014 the uncoated woodfree paper (UWF) business segment saw record levels of sales, achieving over 1,564 million tons, representing growth of 3%. New production records were reached - 1,560 million tons - , 2.5% more than in the previous year. The increase in the volume of sales helped sustain the growth in the value of paper sales of 2.0%, in spite of the price dip. Portucel Soporcel Group's average sales price of paper was down by 1.0%, nonetheless comparing favourably with the benchmark index for the A4 B-copy market, which dropped 2%. The enhancement of the product mix, as highlighted by the 2% growth of sales of own brands and premium products, is still one of the Group's differentiators. The Euro's favourable exchange rate against other currencies, such as the Pound, also produced a slightly positive effect on average sales price. The impact of the change in the Dollar was marginal, in annual terms, essentially reflected in average price in the 4th quarter.

In the eucalyptus pulp business, as was to be expected, in a year when new and significant capacity came on the market, the price of pulp decreased, which translated into an average annual 6% drop in the PIX BHKP benchmark price in euros. Meanwhile, market conditions began to improve somewhat from September onwards, due to an overall rise in demand for eucalyptus pulp and the closing of capacity. Pulp prices also benefited from the rising USD at the end of the year. Within this framework, and as a result of its increased integration in paper, the Portucel Soporcel Group saw its sales volume go down by 9.4%. The reduction in the sales volume, combined with lower prices, resulted in a drop of around 17% in the value of pulp sales.

In the energy segment, output performed well, growing by 2.2% in 2014 and standing at 2.392 GWh. The Portucel Soporcel Group sold a total of 2,184 GWh to the national grid, which amounted to power sales of 235.6 million euros. The sales price was 1% below that of 2013, essentially due to the lower index and changes in the production profiles owing to maintenance stoppages.

In this context, consolidated EBITDA stood at 328.4 million euros in 2014, against 350.4 million euros in 2013, which was significantly impacted by the decrease in the sales prices of both paper and pulp.

It should be noted that the Portucel Soporcel Group recorded a favourable development in some costs, chemical products and logistics, in particular. The improvement in logistics costs is worth mentioning, taking into account the geographical expansion of target markets of the traded goods. The Portucel Soporcel Group recorded a significant reduction in the price at which electricity is purchased, as a result of renewed purchase negotiations conducted in better conditions, taking into account market developments.

Such improvements, however, did not manage to offset the deterioration in some inputs, namely personnel costs and wood costs, in spite of the good performance of the cost of raw material on the domestic market in 2014, which is expected to continue in 2015. The increase in personnel costs was mostly due to the programmed reinforcement of the initial contribution of one of the Group's defined contribution pension plans.

The EBITDA margin stood at 21.3% in 2014, 1.6 p.p. down from the previous year.

Operating income stood at 203.0 million euros, as compared with the figure of 218.3 million euros recorded in 2013, resulting in a drop of 7.0%.

Financial results recorded a loss of 34.2 million euros, a substantial worsening in relation to the previous year, which resulted mostly from an increase in debt costs after bonds were issued on the high-yield market in May 2013, and interest income on the cash surpluses dropped significantly. It should be further noted that in 2013 recorded a gain of approximately 8.0 million euros in compensatory interest, under the Tax and Social Security Arrears Settlement

Programme (RERD) it adhered to.

Consolidated net income in 2014 totalled 176.9 million euros, translating a reduction of 14.2% in relation to the previous year. The actual tax rate was substantially lower than the rate in 2013, as a result of the release of provisions which turned out not being needed and the correction of overestimated values, as well as of the drop in deferred tax liabilities due to a lower tax rate in 2015.

3.3. Business Review

3.3.1. Paper

3.3.1.1. Market Background

Overall, in 2014 apparent consumption of UWF grew in Europe by 0.5%. The increase in apparent consumption was supported by supply of the European industry, in a year where paper import levels to Europe dropped. The performance of the UWF graphic paper sector, in particular, deserves special focus, since sales volumes increased in the aftermath of several years of decrease.

The European industry's rate of use of capacity amounted to approximately 92%, two percentage points above that of the same period in 2013. In 2014, the order book of the UWF industry outperformed values in 2013, but slowed down from the middle of the third quarter onwards. In this context, the main UWF benchmark price index in Europe (PIX A4-Copy B) dropped 2.3% in 2014, over the previous year.

In the USA, local output capacity of UWF decreased significantly (approximately 10% less in relation to 2013) and imports - mostly from Asia - recorded a strong increase (22%), from 13% to 17% of total US consumption. The expected upward trend of prices was not seen, and the sector's main benchmark index (Risi 20lb cut-size, 92 bright) rose by only 0.8% over the same period in 2013.

3.3.1.2. Performance

In this context, in 2014 the Portucel Soporcel Group achieved an all-time high in paper sales, 3% more than in the previous year. This increase was supported by broader geographic coverage and enlargement of customer network in its traditional markets.

The driver of the increase in volume placed was once more Portucel Soporcel Group's premium products, hereby reinforcing the leading position of UWF in the European production and, in particular, in the segment of products with greater added value. Once again, growth of the Group's own brands by 2% in the world and in Europe must be highlighted. Navigator is still growing at a remarkable pace - 4% globally and 6% in Europe -, achieving higher penetration levels, and is regarded as an outstanding brand in the industry.

As a result of the products' perceived quality and the acknowledgement of its brands, prices in the Group grew 1.3 and 2.4 percentage points above market prices, in Europe and in the USA, respectively.

3.3.1.3. Branding

In 2014, the Portucel Soporcel Group continued to focus on its own brands, which accounted for 63% of total sales of sheeted products, thanks to the 2% increase against the previous year.

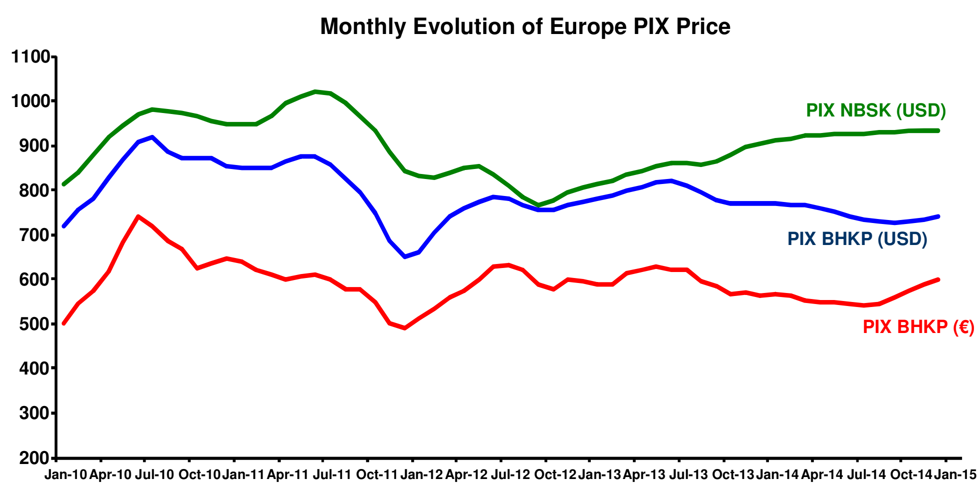
The Navigator brand continued to lead the market in the premium segment office paper in 2014, with sales growing by 4% globally and 6% in Europe.

It should be stressed that the annual EMGE – Paper Industry Consultants study among wholesale professionals rated Navigator again as the leading brand in Europe, both in terms of spontaneous awareness and Brand Performance, obtained through the weighted average of several technical and marketing features. This was the 9th consecutive survey to have rated Navigator the top brand in Western Europe.

3.3.2. Pulp

3.3.2.1. Market Background

In the eucalyptus pulp business, the downward trend of prices, which began in July 2013, reaching an all-time low in September 2014 with the monthly benchmark PIX index at USD 725, reversed in Q4 of 2014. Subsequently, the average quarterly PIX price increased from USD 729 in Q3 to USD 735 in the reporting quarter, ending the year at USD 742.



This was caused essentially by an overall 9% increase in demand for BEKP (20.5 million tons in 2014 vs. 18.8 million in 2013) and the closure in October of one of the plants of the Spanish producer ENCE, which removed around 410 thousand tons from the market. Consequently, BEKP producers got to announce a widespread increase of USD 20 from January 2015, thus positioning the price of BEKP on the European markets at USD 770.

On the other hand, it should be further noted that, although the difference between softwood and hardwood pulp prices of the PIX index began to decrease, after recording an all-time high of USD 206 in September, the level is still so high that it fosters substitution between these two fibres, producing a positive effect on the short fibre price.

In 2014, the Chinese market was still the main driver of demand. According to PPPC W-100 figures, total pulp demand in this market rose to 16.1 million tons, an increase of 530 thousand tons (3.4%) year-on-year. The rise in demand was mostly in BEKP, which grew by 626 thousand tons (11.6%), in excess of 6 million tons.

3.3.2.2. Performance

Annual Group sales reached approximately 260 thousand tons, less than in the previous year, but reflecting the integration of production operations. The Group's BEKP pulp sales in the 4th quarter of 2014 reached 56 thousand tons, below the previous quarter's figures, but at the expected level, considering the plants' maintenance stoppages.

BEKP pulp sales by paper segments show that the Group enhanced its leading position in the decorative and special papers segment. Its annual share in this segment's sales volume rose to 61%, which stands out due to greater value added.

Sales by geographical regions also show that the Group managed to maintain its focus on the European markets, where the top quality and technically more demanding paper companies are based and to which the intrinsic qualities of the globulus pulp produced add significant value.

3.4. INDUSTRIAL OPERATIONS

3.4.1. Production

In 2014 the Portucel Group's industrial units worked to their maximum capacity. They produced 1,418,316 tAD of pulp and 1,559,012 tons of paper. Pulp production was 0.4% less than in the previous year. On the other hand, paper production grew by 2.7% against 2013, reaching the highest volume so far. The incorporation of pulp in paper production was 83%.

The Setúbal pulp mill recorded output of 551,301 tAD, up by 3,760 tAD on its previous best figure in 2013.

The Cacia pulp mill faced some problems in Q1, which caused production to drop to levels lower than the previous year's, although it exceeded 300.000 tAD.

The excellent operational performance of the Figueira da Foz pulp mill offset output losses due to the strikes in 2014. Annual production exceeded 1,713 tAD, the 2013 production figure.

For the fifth consecutive year since its start-up in 2009, the new paper plant (About The Future) hit a new high of 546.265 tons of paper produced.

Such remarkable industrial performance is associated with high operational efficiency resulting from expert operations and familiarity with manufacturing processes, complemented by maintenance activities centred on the availability of industrial assets.

The know-how of staff involved in the production process is coupled with the quality of the industrial assets, regarded as the best in the framework of the Global Pulp and Paper Industry.

The combination of these factors and a raw material with unique paper features helped sustain and even enhance the positioning of the Portucel Soporcel Group as a worldwide supplier of premium graphic and office stationery, providing the grounds for a distinctive strategy founded on own brands.

Overall, the specific consumption of chemicals used to produce pulp and included in the manufacture of paper remained at 2013 levels. The start-up of a new pulp washing press in one of the bleaching stages at the Setúbal pulp mill caused caustic soda consumption to drop by 36% at the end of the year.

Attention should be drawn to the decrease in the energy intensity of pulp and paper production, as each pulp and paper mill used 1.2% less electrical energy in relation to 2013.

The performance of the Group's maintenance provider, EMA 21, met the objectives to maximise the availability of production plants at low cost.

The downward trend of the unit cost of Maintenance in Pulp Production continued. In Paper Production, the unit cost of Maintenance dropped 3.6% on the previous year.

3.4.2. Capital Expenditure Projects

Concerning industrial investment, the output capacity of the Cacia pulp mill increased by 60.000 tAD and a new washing press was installed at the Setúbal pulp mill.

The project to increase the output capacity of the Cacia Plant, including engineering work, procurement and contracting of equipment, construction and assembly, budgeted at 56.3 million euros, had reached cruising speed at the end of the year, with 17% of the budget executed. The new facilities are scheduled to start operating in the second half of 2015.

The press in the washing system for phase "D0" of the bleaching process of the Setúbal Pulp Mill became operational in October 2014. The immediate impact on less Caustic Soda consumption confirmed the profitability of the project, on which 5.3 million euros were spent.

An additional 26 million euros was invested in maintaining operating conditions and extending the lifetime of facilities and in improving the safety and environmental conditions.

3.5. DEVELOPMENT

Following a period of high investment undertaken from 2005 to 2009, ending with the construction of the new Setúbal paper plant, the Group underwent consolidation of its new positioning as the largest European manufacturer of uncoated woodfree paper.

Meanwhile, changes to global economic growth and consumption trends naturally triggered new strategic reflections. The Group sought to outline new growth paths and develop a plan for a new development cycle, while keeping a close eye on its financial soundness and the capacity to remunerate its shareholders.

Therefore, the Portucel Soporcel group's plan for the new growth cycle has two elements backing it: the consolidation of ongoing projects and the entry into new business areas.

3.5.1. New Business Areas

The Portucel Soporcel Group has chosen to diversify activity in the *tissue* paper segment. The Group's entry in this segment will materialise by combining organic growth and the purchase of existing capacity. This will in turn allow it to quickly get into the business dynamics and benefit from an installed customer base. Portucel Soporcel Group has looked into a variety of available assets and has chosen to buy AMS BR Star Paper S.A. (“AMS”), the most efficient and profitable tissue paper producer of the Iberian Peninsula, based in Vila Velha de Rodão, Portugal. With a current output capacity of 30,000 tons of tissue paper and 50,000 tons of converting, and 146 employees, a plan is underway to double the tissue paper production capacity, which should be completed by September this year.

Total investment in AMS, including disbursements required to increase current output capacity, stands at approximately 80 million euros.

In response to a business opportunity, the Group announced in the end of 2014 that it would be investing in the development of a pellet plant in the USA. Through this project Portucel may leverage its experience in processing in the forestry sector and industrial processes, thereby entering a growth industry that presents itself as a renewable and sustainable alternative to fossil fuels. The construction of the plant in the USA will also foster the internationalisation and diversification of Portucel's industrial base, thus deeply strengthening its presence in a country that is a world reference in forest products. Based in South Carolina, the pellet plant will have an installed capacity of 460 thousand tons, a total investment estimated at 110 million American dollars. The construction of the plant will begin in 2015 and should be concluded during the third quarter of 2016.

To reduce the risk underlying this investment, Portucel negotiated fixed-price supply contracts for a period of 10 years and, in doing so, it has ensured the sale of 70% of the new plant's output. The plant is based in an area enjoying favourable competitive conditions, Greenwood, specially for the supply of forest raw materials and for energy production.

3.5.2. Consolidation of Ongoing Projects

Concerning ongoing projects, the Group started an expansion project of the pulp output capacity of the Cacia plant in the second half of 2014, involving the negotiation and award of equipment and works contracts. Increased capacity will help increase output levels to around 350 and 360 thousand tons, with high competitiveness gains. The process should be completed by first half of 2015. Total investment is estimated at 56.3 million euros.

Portucel also continues to make progress with the integrated forestry, pulp and energy project in Mozambique, currently in the stage of forestry operation intensification and the strengthening of the operational base in the country.

As mentioned before, in December 2014, the Group took a major step towards the development of this project when it signed an agreement with the IFC - International Finance Corporation - the World Bank institution, for the participation in the equity of Portucel Mozambique. The 20% stake may amount to 30.4 million dollars in this initial phase. This financial agreement is a step forward in the IFC's involvement in the project in Mozambique, since the institution has been providing assistance to the Group since 2013, namely for enhancing the sustainability of forest operations and planning and developing projects to include the local communities.

Another relevant development was the completion of the Environmental and Social Impact Assessment in August, which is important to speed up the forestation process, within the high quality standards that the Group targets. Portucel Moçambique has implemented an original public consultation process in Mozambique, whereby it presented and discussed the project, its benefits and impacts with more than 20 000 people. The final public consultations under the Environmental Impact Assessment have involved approximately 200 villages in eight districts in the Manica and Zambezia provinces, and discussions were also held in the provincial capitals including Maputo, the country's capital city.

The construction of the first large nursery has continued in the Zambezia Province - crucial for expanding the plantation areas -, and will be completed by the first quarter of 2015.

In this context, in 2014 the Group invested 50.3 million, of which 25 million euros for the project in Mozambique and approximately 10.0 million euros for the output expansion of the Cacia plant.

3.6. Resources and Supporting Functions

3.6.1. Sustainability

Sustainability, in its many facets, is one of the Portucel Soporcel Group's strongest values. It is an integral part of its business model, it is present in all of the Group's activities, from forestry to paper, and has received particular attention from all levels of management in the Group.

Under the current governance model, the Sustainability Committee, chaired by a Non-Executive Director and whose members are Executive Directors from the Group's industrial and forestry areas, promotes, fosters and oversees the activities concerning sustainability and reports on them.

The current sustainability reporting model in Portucel includes essentially two media used to communicate with stakeholders:

- The biannual Sustainability Report reports on and documents in detail the sustainability themes considered particularly relevant for the main stakeholders and,
- The Annual Report includes the usual financial information and addresses the main events concerning sustainability, which took place in the year in question.

In 2014, several sustainability management enhancement activities were conducted, focusing particularly on the tools for measuring the different sustainability activities, by setting, calculating, monitoring and reporting indicators, which help assess the impact of these activities on the Group's success and results, in social, economic and environmental terms.

Therefore, significant progress has been made in the two main ongoing projects, the “Sustainability Indicators Handbook” and the “SuPM, Computerisation of the Sustainability Indicators and Software for the Drafting of the Sustainability Reports”.

In 2014, the activities aimed at fulfilling the strategic goals set for the current biennium, as described in the latest Sustainability Report, were conducted, namely:

- To keep the Group aligned with the best international Sustainability practices;
- To maintain the commitment to Research and Development of Products;
- To involve and train partners in the forestry sector in Forestry Management best practices;
- To ensure that the Group remains attractive as one of the best companies to work for and a benchmark for attracting and retaining talent;

Significant progress was made in all of them.

All of the aforementioned concerns, beliefs, goals and practices concerning sustainability underpinned the different stages and the development of the reflection and strategic planning project called “New Cycle”, which was started and pursued in 2014. With this project Portucel Soporcel Group seeks to design and implement a new growth cycle for the 2025 horizon, by expanding and diversifying its business, products and geographic range.

3.6.2. Forestry and Timber Supply

Sustainable Management

In 2014 the specialization line of land and forestry assets of the Portucel Soporcel Group's forestry operations was continued, 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 2014, the Portucel was responsible for managing over 122 thousand hectares of agro-forestry holdings, divided into 1,400 management units spread over 171 Portuguese municipalities and 633 parishes. 53% of the assets managed are on property owned by the company.

Approximately 73% of this area consists of eucalyptus stands or ongoing plantations of this species.

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.

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 Soporcel Group in the previous year continued in 2013.

In 2014 the Group supplied its mills with approximately 4.34 million cubic meters of debarked timber, of which around 70% was sourced by Portugal, including own woodland, 20% by the Spanish regions of Galicia and Andalusia, and 10% by markets outside of the Iberian peninsula, namely South America.

Consumption of raw materials stood in the order of 4.35 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 2.0 million cubic metres of certified wood was supplied to the mills, of which 26% 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 2014, 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 Soporcel Group has been particularly concerned to assure that all its environmental, social and economic standards are fully complied with, and in 2014 purchased timber exclusively from FSC certified plantations.

Efforts to obtain new land for plantations in 2014 resulted in approximately 4,000 hectares of eucalyptus production. Total land rental between 2008 and 2014 amounts to 25,000 hectares, corresponding to around 20% of the Group's agro-forestry holdings.

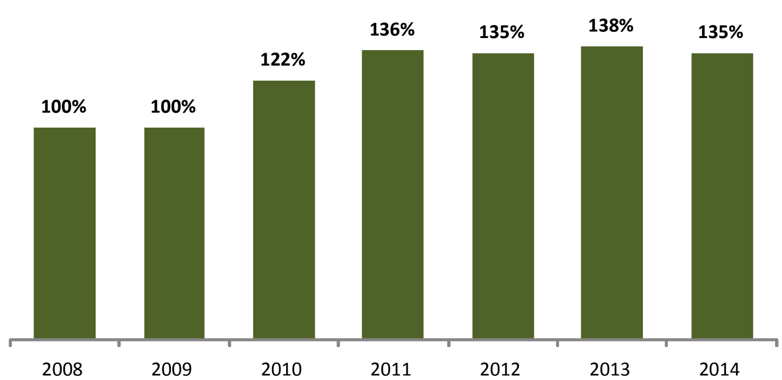
3.6.3. Energy

The Portucel Soporcel Group recorded gross power output of 2,392 GWh in 2014, slightly down by 2.2% on the previous year. 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 1,216 GWh, up by 2 % on the previous year, and accounting for more than 50% of estimated total Portuguese power output from this renewable resource in 2014. 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.

Evolution of Portucel Soporcel Group's Gross Power Output from Biomass

(Reference Year 2008 Basis = 100%)



The two new biomass power stations, dedicated solely to generating electricity, contributed a total gross output of 196 GWh, with sales to the national grid of 172 GWh, well in excess of the initial expectations for the project, which were for 167 GWh, in spite of the additional shut down period in 2014 of the Cacia biomass power station. 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 632 GWh (up by 8.8 % on the previous year). 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 483 GWh in 2014, achieving the best performance since its start-up.

Despite the increase in power generation from natural gas, due to the energy needs of the Setúbal and Figueira da Foz paper mills, 50.9% 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 CO_2 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. These plants of the Portucel Soporcel Groups are expected to cut more than 460 thousand tons of CO_2 emissions from the national total.

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.

As 2014 was a particularly humid year and more residual forest biomass, with high aggregate content, was used, more biomass was needed per unit of electric energy produced. In the Cacia plant, located further north, the situation was even worse.

Forest Biomass for Energy Purposes

Although still in the process of consolidation in Portugal, in 2014 this market sustained a significant supply, in particular of materials resulting from the chipping of leftovers from the forest activities.

For the reasons mentioned above, the Group did not have any problems in meeting its forest biomass needs solely in the national market. In 2014, approximately 360 thousand tons of biomass used to produce electricity in the Cacia and Setúbal plants were supplied.

3.6.4. Environment

In 2014 the European Commission's Decision that lays down the conclusions on best available techniques (BAT) for pulp, paper and cardboard manufacture was adopted, in conformity with Directive 2010/75/EU of the European Parliament and of the Council, hereby establishing the BAT, plus the emission and environmental performance levels for compliance by the industrial units and to which they will have to adjust in the coming 4 years.

The adoption completed the revision process of the previous framework document, which had started in 2006. The Portucel Soporcel Group had participated actively in the technical process of developing this law.

Investment was made in the Figueira da Foz and Setúbal Industrial Complexes and the changes helped reduce the environmental risk and hazards in the facilities. These included the refurbishment of the workshop area in Figueira da Foz, the dismantlement of the fuel oil tanks and the elimination of propane storage in Setúbal. A new pulp washing press in one of the bleaching stages at the Setúbal pulp mill was also installed, thus helping to significantly reduce the amount of chemicals used in the process.

The Group's identification and assessment methodology of environmental issues was reviewed and developed, to standardise procedures and update this environmental management system tool in line with the Group's reality.

3.6.5. Innovation, Research and Development

The Group is known for focusing on the development of innovative products, not only in terms of intrinsic quality, but also of consumer segmentation, which continued to receive particular attention in 2014.

In line with this, the Group broadened the range of the Navigator brand, with two products developed specially for a target group of domestic users, the Navigator Home Pack and the Navigator On-the-Go.

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 the investment projects in this area as eligible.

In 2014, the Group continued to invest in research in forestry, pulp and paper, through the work of its forestry and paper research institute, RAIZ, conducted in close cooperation with the Group's respective business sectors and a range of bodies in the science and technology sector.

4. Cement and Derivatives Business Area – SECIL GROUP

As reported above, the Semapa Group has switched to consolidating its holding in the Supremo Group by using the equity method. As from 1 January 2014, the Cement segment has comprised only 100% of the Secil Group's operations. In contrast to the same period in the previous year, the figures reported for this segment included 100% of the Secil Group's activities and 50% of that of the Supremo Group.

Not included in the Cement segment, the leading business indicators for the Supremo Group are presented separately.

4.1. Leading Business Indicators

IFRS - accrued amounts (million euros)	2014	Restated 2013	Var.
Sales	**429.6**	**409.3**	**5.0%**
Other income	27.0	22.2	21.5%
Costs and losses	(382.1)	(368.6)	-3.7%
EBITDA	**74.4**	**62.9**	**18.4%**
Recurrent EBITDA	73.3	61.9	18.5%
Depreciation and impairment losses	(42.6)	(47.2)	9.8%
Provisions (increases and reversals)	(7.5)	(5.0)	-50.3%
EBIT	**24.4**	**10.7**	**127.8%**
Net financial profit	(13.8)	(22.2)	37.9%
Pre-tax profit	**10.6**	**(11.5)**	**192.2%**
Tax on profits	5.2	6.2	-15.9%
Retained profits for the year	15.8	(5.3)	400.7%
Attributable to Secil equity holders	**9.7**	**(11.4)**	**185.0%**
Attributable to non-controlling interests (NCI)	6.2	6.1	1.3%
Cash-flow	**65.9**	**46.9**	**40.5%**
EBITDA Margin (%)	**17.3%**	**15.4%**	**2.0 p.p.**
EBIT Margin (%)	5.7%	2.6%	3.1 p.p.
	31-12-2014	**31-12-2013**	**Dec14 vs. Dec13**
Equity (before NCI)	506.3	480.8	5.3%
Net debt	**178.4**	**224.9**	**-20.7%**

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

4.2. Leading Operating Indicators

	Unit	2014	2013	14/13 (%)
Annual cement production capacity	1,000 t	7,650	7,650	0%
Sales grey cement	1,000 t	4,611	4,574	1%
Sales white cement	1,000 t	73	87	(17%)
Sales artificial lime	1,000 t	57	56	1%
Sales clinker	1,000 t	633	231	175%
Ready-mixed	1,000 m3	939	1,027	(9%)
Aggregates	1,000 t	1,792	1,790	0%
Precast concrete	1,000 t	24	23	8%
Mortars	1,000 t	90	99	(9%)
Hydraulic lime	1,000 t	24	22	7%
Mortar fixative	1,000 t	12	12	(2%)

4.3. Business Overview: Secil Group

In 2014, the European building industry entered a new growth phase. In the aftermath of seven years of profound crisis, during which the market dropped 21% in terms of volume, and following one more negative year 2013 (-2.7%), EuroConstruct confirmed that 2014 was the first year in which output in the sector picked up. 2014 recorded moderate growth (+ 1%), which is expected to consolidate in the near future: + 2.1% in 2015 and + 2.2% in the two following years.

However, the construction industry and cement consumption both remained 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. The other markets where the Secil Group operates, Tunisia and Lebanon, although not in recession, are limited by other instability factors, including political and social turmoil, with not always predictable developments constraining activities.

In this unfavourable framework, turnover in the cement business area totalled 429.6 million euros, up by 5.0% year-on-year. This growth was mostly due to the successful performance of cement and clinker export operations from Portugal, where turnover grew by 22.4% in relation to the previous year, and of the Tunisian cement business unit, which recorded growth of 14.8% in relation to 2013.

EBITDA in the cement business area stood at 74.4 million euros, which translated into an increase of 18.4% in relation to 2013. This change is due to the aforementioned rise in turnover and the impact of the management measures which have been implemented in view of reducing costs and maximising efficiency.

Like turnover, the EBITDA grew essentially as a result of operations in Portugal and Tunisia, where this indicator increased 4.3 million euros and 9.6 million euros, respectively.

Attention should be drawn to the significant reduction in operating costs, including personnel costs, achieved through the process of reorganization and streamlining of operations carried out in Portugal in 2012 and 2013. This, combined with successful exports, has made it possible to cushion the impact of dwindling business on the Portuguese domestic market.

The EBITDA margin stood at 17.3% for 2014, 2.0 p.p. up from the margin recorded in the previous year.

Operating income stood at 24.4 million euros, as compared with the figure of 10.7 million euros recorded in the previous year, due to an increase in the EBITDA mentioned before and a reduction in depreciation of around 5 million euros.

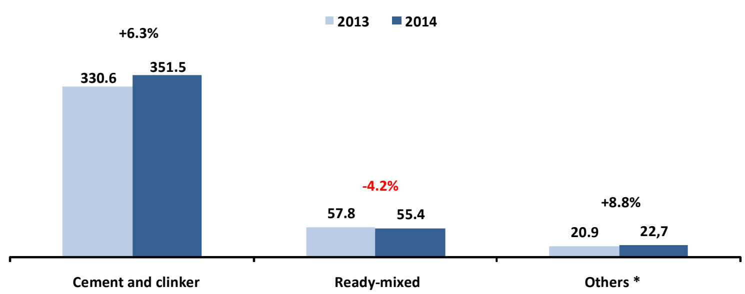
Consolidated net income in 2014 totalled 9.7 million euros.

Capital expenditure by the Secil Group stood at 16.7 million euros, of which 11.9 million related to operational investment, and 4.8 million euros related to investment in development.

At 31 December 2014, net debt stood at 178.4 million euros (down by 46.5 million euros from 2013).

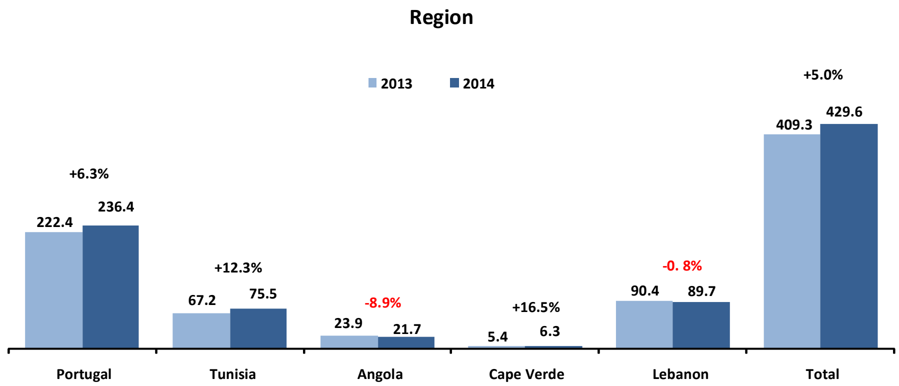
Turnover by Segment and Geographical Region

Segment



* includes Aggregates, Mortars and Pre-cast
Figures in million euros

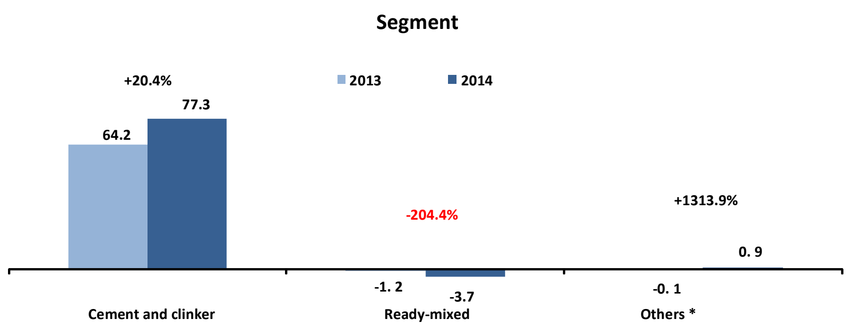
Turnover in the Cement and Clinker segment grew by 6.3% in relation to 2013. The good performance of exports from Portugal and growing sales in Tunisia helped to more than make up for the drop in cement sales in the domestic market, Portugal, and in Angola. The Aggregates, Mortar and Pre-cast segments together also increased against the previous year's figure, which stood at 8.8%. As for the ready-mixed concrete market, it decreased by 4.2%, as a result of the drop in Tunisia’s and Lebanon's turnover.



Note: The segment 'Portugal' includes Silonor (France) and Secilpar (Spain)
Figures in million euros

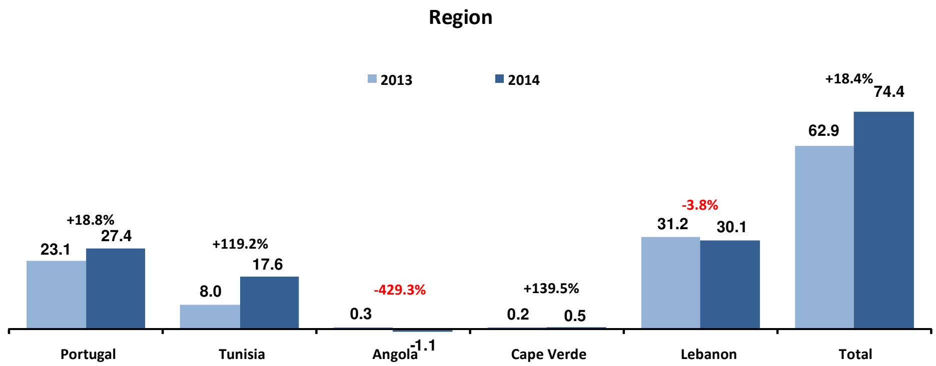
Turnover from total operations outside Portugal and from exports by Portugal-based operations represented a larger share of the total: 65.8%, as compared to the figure of 63.5% recorded in 2013.

Breakdown of EBITDA by segment and geographical region



* includes Aggregates, Mortars and Pre-cast
Figures in million euros

In 2014, the cement and clinker segment represented a larger share of total operations, in absolute and relative terms, in comparison with the previous year.



Note: The segment 'Portugal' includes 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 63.2% of total EBITDA in 2014.

4.4. Business Review

4.4.1. Portugal

4.4.1.1. Market Background

Recent forecasts published by the IMF point to growth of 0.8% in gross domestic product (World Economic Outlook, IMF, January 2015). The latest Bank of Portugal projections also point to growth in GDP of 0.9% (Economic Bulletin, Bank of Portugal, December 2014).

According to figures available from FEPICOP – the Portuguese Construction and Public Works Industry for the construction sector, although construction is still on a negative path, the crisis in the sector cooled off in 2014. Therefore, although quantitative indicators continued to fall, the drop was more moderate compared to 2013.

Construction production index in December 2014 was down by 5.2% year-on-year (INE, December 2014), highlighting a less expressive decrease than in the previous month (-5.8%) and the employment index dropped 2.3%. Although these indices continue to fall, the year-on-year variation has fallen, extending the trend of less negative numbers in the construction sector throughout 2014.

In this adverse environment, the Secil Group presented the following overall indicators for its operations in Portugal in 2014:

Portugal	Turnover			EBITDA			Quantities Sold			
(million euros)	2014	2013	14/13 (%)	2014	2013	14/13 (%)	Unit	2014	2013	14/13 (%)
Cement and clinker	173.4	161.4	7.5%	31.4	26.1	20.6%	1,000 t	2,601.2	2,233.6	16.5%
Ready-mixed	41.0	40.8	0.3%	-4.8	-2.9	-68.2%	1,000 m3	664.0	699.0	-5.0%
Aggregates	8.8	7.6	15.0%	-0.4	-0.2	-62.5%	1,000 t	1,739.4	1,733.8	0.3%
Mortars	9.7	9.2	5.4%	1.4	0.9	58.3%	1,000 t	126.0	133.5	-5.6%
Precast	3.1	2.6	17.7%	-0.1	-0.2	58.1%	1,000 t	19.4	18.6	4.0%
Others	0.5	0.8	-32.4%	-0.1	-0.6	79.6%				
Total	**236.4**	**222.4**	**6.3%**	**27.4**	**23.1**	**18.8%**				

4.4.1.2. Cement and Clinker

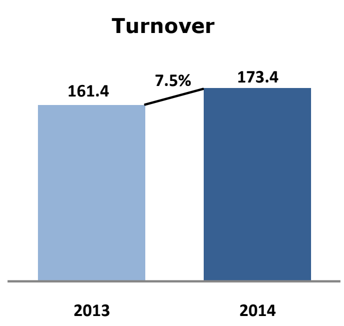
Demand for cement has accompanied construction industry trends, and has continued to fall. According to the latest figures available, cement consumption was down by 7% against 2013. It is thus estimated that the market reached approximately 2.6 million tons. Although it continued to decline, the fall was less significant than that of the last years.

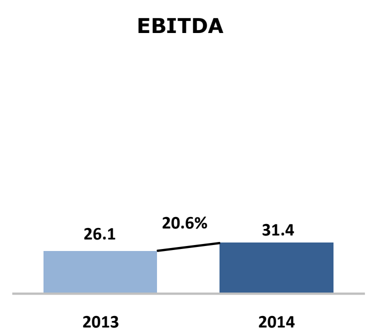
Sales by the Secil's cement business unit in the Portuguese market were in line with this trend, standing at 913 thousand tons, 8.3% less than in 2013, although the fall became less pronounced during the year. The first half of the year was actually more negative, due to both market trends and the weather conditions. In the second half, year-on-year changes were less negative.

White cement manufactured by Secil was used in a number of high-profile construction projects, including the new headquarters of EDP in Lisbon and the building of the Nadir Afonso Foundation in Chaves.

Grey cement was supplied to projects to increase power output at two major hydroelectric plants, at Venda Nova and Salamonde, in Vieira do Minho, refurbish of the Courthouse in Gondomar, eliminate railroad crossings on the Minho Line, complete the IC 16 road in Lisbon, enlarge the Sines Harbour, pave the western slab of the Military Airbase No. 5 in Monte Real, Marão Tunnel and the structuring development project of the Alqueva irrigation network.

Indicators





Figures in million euros

Cement business in Portugal, including sales in Portugal and exports, recorded turnover of 173.4 million euros, up by 7.5% in relation to figures for the previous year.

As already mentioned, this growth reflected strong performance in the export business, which showed an increase in turnover of 22.4%, accounting for 64.9% of the total sales volume, since on the domestic market, figures for turnover and the sales volume both fell, down by 4.3% and 8.3% respectively over the same period in 2013.

EBITDA was 31.4 million euros, up by 20.6% over the figure recorded in the previous year. Attention should be drawn to the significant reduction in operating costs, including personnel costs, achieved through the process of reorganization and streamlining of operations carried out in 2012 and 2013. This, combined with successful exports, has made it possible to cushion the impact of dwindling business on the domestic market.

Industrial Operations

Cement output from the Group mills in Portugal stood at 2.1 million tons in 2013, representing a reduction of 0.6% in relation to 2013, reflecting lower demand.

Cement Output

		2014	2013	14/13 (%)
Grey Cement	(1,000 t)	2,066	2,062	0.2%
White Cement	(1,000 t)	74	90	- 17.5%
Total	**(1,000 t)**	**2,140**	**2,152**	**-0.6%**

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.

Operational performance in 2014 was quite positive, having managed to improve the efficacy of production capacity management and reduce clinker and cement production costs below 2013 levels. Attention should be drawn to the reduction in fuel, power and labour costs (outsourced production and maintenance services).

Operating costs in the distribution network were also reduced, as a result of the optimisation of flows between storage facilities and the streamlining of shipping, which helped reduce transport costs in the national territory.

The Group has also increased the use of industrial waste as thermal fuel. Overall, the rate of use of fuels was 44.5% in 2014. 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.

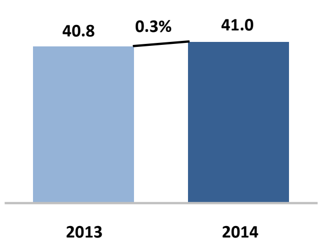
Capital expenditure

Capital expenditure in 2013 totalled 5.1 million euros, representing an increase of 10.3% over the previous year.

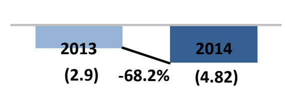
These included the replacement of the variable frequency motors and impellers in line 9 and adjustments to the second palletising and packaging line at the Outão plant.

4.4.1.3. Ready-Mixed

Turnover



EBITDA



Figures in million euros

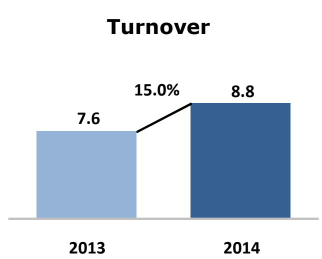
The low level of activity in the construction sector, combined with extremely fierce competition that it has had to face, was reflected in sales of this business unit, which in 2014 stood at approximately 664 thousand m^3, representing a reduction of 5.0%. Note that this particularly impacted sales on mainland Portugal, which were down by 10%, while sales in Madeira increased significantly.

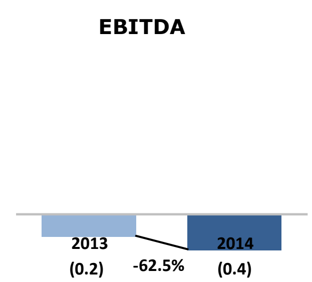
In this adverse context, the turnover in this business unit remained stable compared to 2013, amounting to approximately 41.0 million euros, due to Madeira's good performance, which managed to offset sales amounts that went down and the drop in sales price on the mainland.

In 2014, variable production costs went up, mainly due to rising transport and concrete pumping costs. Savings obtained through the rationalisation process in this area, which reduced staff costs by approximately 6%, were not enough to make up for this increase.

Therefore, EBITDA of this business unit stood at a loss of around 4.8 million euros, representing a drop of 68.2% in relation to the previous year.

4.4.1.4. Aggregates





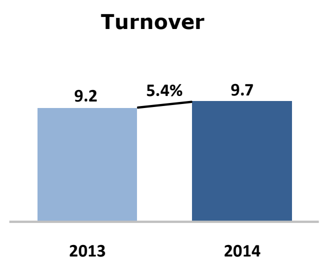
Figures in million euros

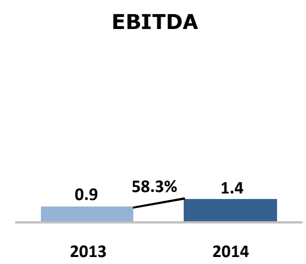
In a particularly unfavourable market context, the sales volume of the aggregates business unit remained stable, totalling 1,739 thousand tons, 0.3% above the previous year's figures. In 2014, the Group continued the approach strategy to the market which it had implemented in the previous year, seeking to focus on supplying higher value aggregates, which was reflected in a higher value sales mix.

In this context, turnover in this business unit stood at around 8.8 million euros, up around 15.0% on 2013. This growth was due to the increase in average sales price, directly reflecting the sales mix of products sold at a higher price, as mentioned before.

EBITDA stood at -0.4 million euros, down by 62.5% in relation to the previous year, as a result of a combination of factors: (i) an increase in the variable production costs, essentially due to rising fuel prices, and (ii) the recording of impairments on stocks and customers of 1.3 million euros. However, it should be noted that EBITDA would have been positive if the impairments mentioned before had not been recorded.

4.4.1.5. Mortars





Figures in million euros

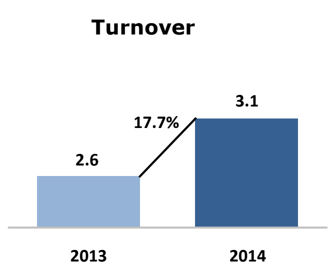
In line with the general market tendency, the mortars business unit recorded a drop in the sales volume on the domestic market of 5.6%. In 2014, the Group continued the strategy it started in 2011, of focusing more on the sales of technical products, which drove the increase in the sale of technical mortars (technical products and thermal insulation solutions), i.e. products with greater added value. Additionally, this area has also focused on the development and promotion of solutions directed to building renovation/refurbishment.

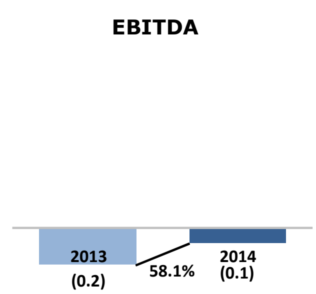
Sales volume in the foreign markets was up by 58.6% against the previous year, amounting to 15.7 thousand tons, as a result of focusing on the international markets and the significant effort to promote products among customers and by attending international fairs.

In this context, although total sales volume decreased, turnover rose 5.4% in comparison with the previous year, and stood at around 9.7 million euros, as a result of the aforementioned strategy that has helped offset the drop in the sales volume.

EBITDA stood at approximately 1.4 million euros, representing an increase of 58.3%

4.4.1.6. Pre-cast Concrete





Figures in million euros

Sales of pre-cast concrete 2014 continued to be impacted by fierce competition in the market and prices at low levels, with supply far outstripping demand.

In this context, sales volume of the pre-cast business unit was up 4.0% against the previous year, amounting to 19 thousand tons, as a result of 7.5% more domestic sales.

Therefore, turnover in 2014 stood at 3.1 million euros, translating growth of 17.7% on the previous year. This resulted from the combined effect of increased sales to the domestic market and higher sales prices on the foreign markets, continuing the commercial strategy adopted in 2013 for these markets.

Operating performance was better than in 2013, the EBITDA of this business unit having grown by 58.1% in 2014, amounting to - 87 thousand euros. The restructuring in 2013 managed to reduce staff costs by around 12%.

4.4.2. Tunisia

4.4.2.1. Market Background

In spite of the negative framework, the Tunisian economy is thought to have grown by 2.4% in 2014, slightly above the 2.3% recorded in 2013 (IMF Country Report, IMF, December 2014) However, the economy remains fragile and growth has been insufficient to bring unemployment down from its current high level; the country continues to experience the fall-out from the Arab Spring, the political and social unrest, whilst the period of political transition has dragged on. The IMF will continue to support Tunisia to implement its economic programme through financial support, policy advice and technical assistance.

The tourism and export sectors remained in recession in 2014, as has been the case since early 2011, the year when the Government was ousted. As mentioned before, the country has been experiencing political and social instability, which has hopefully been resolved with the Legislative Assembly elections held in October 2014 and the Presidential elections in December 2014.

The following table presents overall indicators for the Secil Group’s business operations in Tunisia in 2013 and 2014:

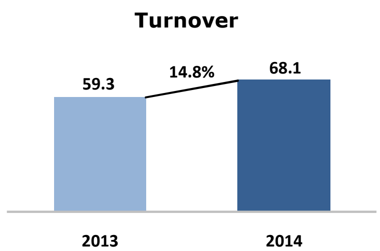
Tunisia	Turnover			EBITDA			Quantities Sold			
(million euros)	2014	2013	14/13 (%)	2014	2013	14/13 (%)	Unit	2014	2013	14/13 (%)
Cement and clinker	68.1	59.3	14.8%	17.2	7.2	140.1%	1,000 t	1,287.5	1,272.3	1.2%
Ready-mixed	7.2	7.8	-8.2%	0.5	0.9	-48.8%	1,000 m3	150.5	175.1	-14.1%
Precast	0.1	0.0	318.0%	0.0	0.0	111.2%	1,000 t	4.7	3.4	38.3%
Total	**75.5**	**67.2**	**12.3%**	**17.6**	**8.0**	**119.2%**				

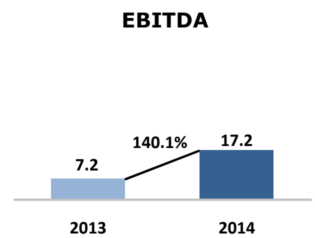
4.4.2.2. Cement and Clinker

In 2014, specially from June onwards, cement demand on the domestic market contracted, due to the recession in the residential and commercial construction and public works industry. In this context, lime and cement consumption decreased 1.7%; 7.55 million tons in total were traded.

This business unit recorded an improvement in business performance in relation to 2013, with growth of 1.2% in sales volume, which stood at approximately 1.3 million tons. We cannot forget to mention that the rise in the amounts sold in 2014 is the product of increased exports, which went up 68.0%, whereas in the domestic market competition is ever more fierce, and sales volume was down by approximately 4.1%.

Indicators





Figures in million euros

The turnover of the cement business unit amounted to approximately 68.1 million euros, up by 14.8% over the figure for 2013, and performance in the export market was strong.

The deregulation of sales prices in the local market, which occurred at the start of January 2014, had a positive impact on this unit's turnover, allowing it to compensate for the negative effect of a drop in sales volume in the domestic market mentioned before. On the export market, although sales have been held down by political instability in Libya, the main export destination of the cement business unit, exports performed fairly well in 2014, resulting in an increase in turnover of 67.0% in comparison with the same period in the previous year.

The falling value of the Tunisian dinar also brought down the unit's turnover by around 2.9 million euros.

In 2014, the cement unit recorded EBITDA of 17.2 million euros, 140.1% higher than that recorded in the previous year. This growth was due to the increase in turnover described above, combined with improved performance in production.

It should be noted that production costs in 2013 had also been badly hit by external purchases of clinker at higher prices, due to stoppages in the two kilns for substitution of the coolers. In 2014, clinker output has grown and external purchases have fallen significantly, whilst increases have been recorded in both average daily output and in the utilization factor for the kilns. The capital projects implemented in 2013 have also resulted in gains in energy efficiency, with an improvement in indicators for power and thermal energy consumption in comparison with the same period in the previous year.

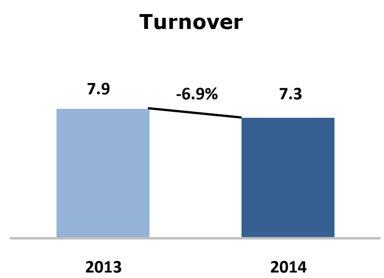
Industrial Operations

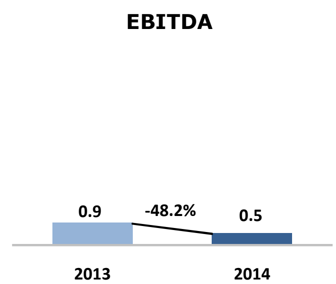
Cement output stood at approximately 1.3 million tons, 1.1% up on the output recorded in the previous year. Clinker output reached 997 thousand tons, 16.3% more than in the year before. It should be mentioned that in 2013 output was affected by shut downs of the two kilns for replacement of the coolers.

Capital expenditure

Capital expenditure amounted to 3.2 million euros. The petcoke feed to the pre-heater to replace natural gas was the main investment made, which helped reduce consumption of this fuel in comparison to 2013.

4.4.2.3. Ready-mixed and pre-cast concrete





Figures in million euros

In Tunisia, as said before, the public works sector is being hit by recession, for lack of money, as is private construction due to the lack of bank financing. Therefore, in a framework of fewer major public works, alongside the overall increase in the prices of raw materials and energy, ready-mixed concrete consumption dropped in 2014. Own consumption of concrete (concrete produced on site) and parallel market sales went up slightly.

In this framework, the ready-mix concrete business performed worse than in 2013, which resulted in a 14.1% lower sales volume, amounting to 150 thousand tons. The sales volume of the pre-cast unit enjoyed positive performance, since it increased 38.3% in comparison with the previous year.

In 2014, these units' turnover decreased 6.9% against the previous year, totalling 7.3 million euros, which reflected the drop in the amounts sold by the ready-mix unit. The drop was partially offset by higher sales and cement prices.

Accrued EBITDA for the 12 months of the year stood at approximately 0.5 million euros, representing a decrease of 48.2% over 2013. The increase in cement, power and fuel prices drove production costs up.

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 1.8% in 2014, slightly above the figure for 2013 (World Economic Outlook, IMF, October 2014).

In Lebanon, the economy has been hit by the negative effects of global slowdown and the current situation in the Middle East, and in Syria in particular. The last two years were exceptionally challenging, as the Syrian crisis forced refugees to flee to Lebanon in unprecedented numbers, estimated at about 25% of the population.

The following table presents overall indicators for the Secil Group's business operations in Lebanon in 2013 and 2014:

Lebanon	Turnover			EBITDA			Quantities Sold			
(million euros)	2014	2013	14/13 (%)	2014	2013	14/13 (%)	Unit	2014	2013	14/13 (%)
Cement and clinker	82.4	81.3	1.4%	29.4	30.5	-3.5%	1,000 t	1,244.1	1,214.6	2.4%
Ready-mixed	7.2	9.1	-20.8%	0.6	0.7	-16.1%	1,000 m3	124.2	152.5	-18.6%
Total	**89.7**	**90.4**	**-0.8%**	**30.1**	**31.2**	**-3.8%**				

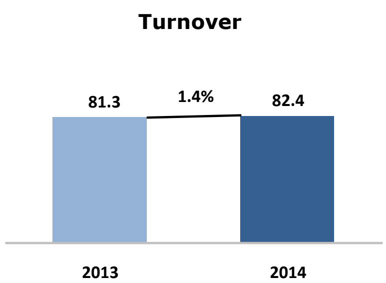
4.4.3.2. Cement and Clinker

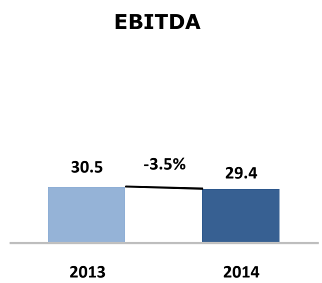
The demographic pressure caused by a high number of refugees produced a positive impact on the housing market, softening the downturn which would otherwise have been sharper.

In this context, cement consumption is expected to have reached 5.5 million tons, approximately 5.3% less than the previous year.

In spite of the drop seen in the market, the sales volume in the cement business unit in Lebanon presented good performance, totalling 1,244 thousand tons, up by 2.4% on the previous years, with all sales being made on the domestic market.

Indicators





Figures in million euros

The cement business unit recorded turnover in 2014 of 82.4 million euros, 1.4% up on that recorded in the same period in the previous year, due essentially to an increase of 2.4% in the sales volume. Growth in turnover fell short of the increase in the sales volume, due to the sales of clinker during the first half of 2014, for which the sales price is lower than for cement, as the average unit sales price for cement dropped only slightly.

EBITDA reached 29.4 million euros, 3.5% less than the figure recorded in 2013. In 2014, this improved performance in sales, reflected in increased turnover, combined with better performance in production, as a result of refurbishment of line 1 during 2013, which made it possible (i) to increase average daily output and the kiln utilization factor, (ii) to improve thermal energy consumption indicators and (iii) to eliminate the external purchases of clinker which were required in the 1st half of the previous year. However, it should be noted that this unit's EBITDA was negatively impacted by costs related to the start-up of new activities (mortar and blocks factory), which virtually generated no revenue in 2014.

Industrial Operations

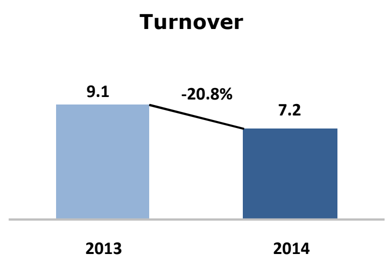
Annual cement output from the Sibline plant was in line with the previous year's output, which stood at 1,230 thousand tons. Clinker output recorded an all-time high of 951 thousand tons, representing an increase of 3.0% over the previous year.

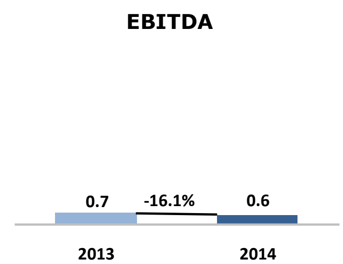
In 2014, production improved its performance, as a result of refurbishment of line 1 during 2013, which made it possible to increase average daily output and the kiln utilization factor, and to improve thermal energy consumption indicators.

Capital expenditure

Capital expenditure stood at 5.5 million euros. The construction of the new block factory, totalling approximately 4 million euros, was completed.

4.4.3.3. Ready-Mixed





Figures in million euros

In 2014, the sales volume of the ready-mix concrete business stood at approximately 124 thousand m^3 of concrete, representing a drop of 18.6% in comparison with the previous year's value.

Turnover was also less than in 2013 at a total of 7.2 million euros, amounting to a 20.8% drop. This resulted from a decrease in amounts sold as mentioned before and in the average sales price, caused by fierce pressure on prices from competitors.

Therefore, EBITDA of this business unit stood at 627 million euros, representing a drop of 16.1% in relation to the previous year.

4.4.4. Angola

4.4.4.1. Market Background

The economy of Angola continued to boom, presenting a positive macroeconomic framework, although activity remains quite vulnerable to developments in the oil sector. According to the latest estimates released by the IMF, gross domestic product grew by 3.9% in 2014, down from 6.8% in 2013 (World Economic Outlook, IMF, October 2014).

This value is underpinned by the low growth of farming and the temporary drop in oil production in the first half of the year. However, considering the drop in international oil prices in the second half of the year, GDP growth at the end of 2014 is expected to be below IMF forecasts.

The following table presents overall indicators for the Secil Group’s business operations in Angola in 2013 and 2014:

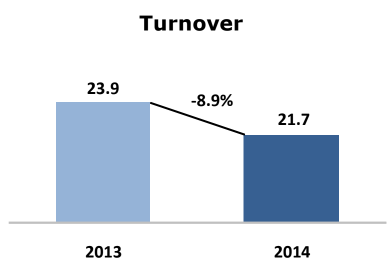
Angola	Turnover			EBITDA			Quantities Sold			
(million euros)	2014	2013	14/13 (%)	2014	2013	14/13 (%)	Unit	2014	2013	14/13 (%)
Cement and clinker	21.7	23.9	-8.9%	-1.1	0.3	-429.3%	1,000 t	184.8	180.2	2.6%
Total	**21.7**	**23.9**	**-8.9%**	**-1.1**	**0.3**	**-429.3%**				

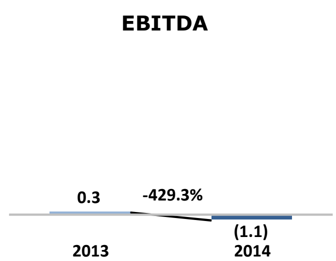
4.4.4.2. Cement and Clinker

In Angola, the construction sector continued to boom, thanks to investment in the energy sector, as well as government plans for large scale housing projects and refurbishment of roads, bridges, silos and railways, all with a direct positive impact on cement consumption, which in 2014 grew by 3.6% compared to the previous year.

In effect the legislation limiting cement imports, which was published in January 2014, entered into force in the second half of the year, and import quantities were cut nearly by half.

Indicators





Figures in million euros

Secil Group's operations in Angola in 2014 presented a decline in performance in relation to the previous year, with turnover totalling around 21.7 million euros, representing a drop of 8.9% in relation to 2013 This performance was due essentially to lower average sales prices, as the sales volume was practically in line with the previous year. This reduction in average price was essentially the result of the start-up of a cement mill in the Kwanza Sul area, which has adopted a pricing policy of undercutting the market and the prices charged by the Secil Group.

EBITDA dropped to a negative figure of 1.1 million euros, due to a reduction in the average sales price in comparison with 2013. A reduction was achieved in personnel costs, as well as in production costs, as a result of the lower clinker incorporation rate, made possible by capital projects on the mills, which were completed at the end of the previous year.

Capital expenditure

Capital expenditure in 2014 totalled 1.3 million and included the assembly of a new raw material feeder to the cement mill, which impacted the cement milling performance significantly, by enhancing milling capacity 15% and increasing the availability of the production plant 5%.

We have not been able to develop the Lobito plant project yet, but negotiations have been resumed with the Angolan authorities (ANIP and the Ministry of Industry) with this project in mind, which will be important for the growth of the Secil Group in Angola. In this respect, a working group exclusively dedicated to this project has been created, and is currently analysing proposals.

4.4.5. Brazil[3]

4.4.5.1. Market Background

According to the latest figures published by the IMF, the Brazilian economy is thought to have grown by 0.1% in 2014, down from the figure of 2.5% recorded in 2013 (World Economic Outlook, IMF, January 2015).

In 2014, the Brazilian economy was hampered by the Football World Cup and the presidential elections, which have slowed down the country's economic activity. Additionally, private consumption has contracted, job creation has slowed down and private investment has plummeted.

Greater risk aversion of the international markets and uncertainties regarding the behaviour of Brazilian economy, aggravated by the recent drop in fuel prices led to the depreciation of the real vis-à-vis the dollar in the last quarter, which reached 10.7%. On the other hand, it appreciated against the Euro by about 1% in late 2013.

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

Brazil	Turnover			EBITDA		
(million euros)	2014	2013	14/13 (%)	2014	2013	14/13 (%)
Cement and clinker, Ready-mixed and Aggregates	54.4	51.5	5.7%	6.5	4.9	34.2%
Total	**54.4**	**51.5**	**5.7%**	**6.5**	**4.9**	**34.2%**

Brazil	Quantities Sold			
(million euros)	Unit	2014	2013	14/13 (%)
Cement and clinker	1,000 t	495.0	470.1	5.3%
Ready-mixed	1,000 m3	246.1	186.8	31.7%
Aggregates	1,000 t	271.0	556.5	-51.3%

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

According to provisional figures from the industry, the cement market recorded sales volume of approximately 70.6 million tons, representing a growth of around 1.0% over the previous year. In the southern region (where the Supremo Group operates), the market totalled 12.0 million tons, which translates into a growth of 1.5% against the previous year.

In this context, the Supremo Group recorded a sales volume of approximately 495 thousand tons (which includes purchases from Secil Portugal), representing growth of 5.3% over 2013. It should also be noted that production capacity was hindered and there were some constraints on cement imports, which prevented sales from growing further.

The ready-mixed concrete unit presented a significant increase in sales volume, which grew to 246 thousand m^3, up by 31.7% in relation to 2013.

In aggregates business, the sales volume decreased considerably in 2013, standing at 271 thousand tons, 51.3% down on the previous year, due to the fact that the largest customer suspended purchases.

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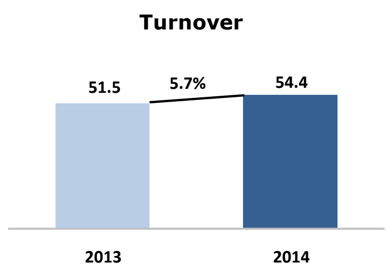
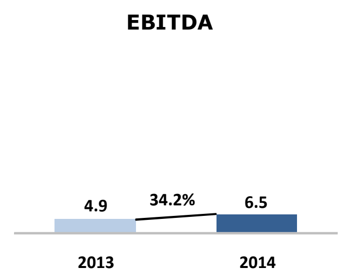
[3] As reported above, the Semapa Group has switched to consolidating its holding in the Supremo Group by using the equity method. Although not included in the cement segment, the leading business indicators for the Supremo Group are presented separately.

Indicators





Figures in million euros

In 2014, total operations by the Supremo Group generated turnover of 54.4 million euros, representing an increase of around 5.7% in relation to the same period in the previous year. It should be noted that the weakness of the Brazilian real brought down the value of turnover by 4.8 million euros.

In Brazil, the Supremo Group's operations in 2014 generated EBITDA of 6.5 million euros, representing an increase of 34.2% in relation to the previous year. This strong performance was due to an improvement in operational performance, both in the cement unit, where output increased and the proportion of clinker incorporated in cement was reduced, and in the ready-mixed unit, which recorded higher output, leading to a greater dilution of fixed costs and a consequent increase in the operating margins of both these units.

Industrial Operations

Cement output stood at approximately 356 thousand tons, 6.2% up on the output recorded in 2013, with a lower clinker incorporation rate in comparison with the previous year.

Capital expenditure

Capital expenditure by the Supremo Group stood at 132.3 million euros, of which 1.6 million related to operational investment, and 130.7 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 enhanced commitment to participate in initiatives conducted by different tasks forces and 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 44.5%, allowing further substitution of fossil fuels;
- The total rate of clinker incorporation was up to 77.0%, from 75.7% in 2013, which was partly due to the

increase of more than 6% in the volume of exported cement (which incorporates more clinker);

- Carbon emissions went up to 656 kg of CO_2 released per ton of cement products, reflecting the increase in the rate of clinker incorporation in cement;
- Carbon emissions of all 3 plants together did not go beyond the licences granted by the Portuguese Government under the NIMs – national implementing measures for allocations 2013-2020.

4.5.2. Environment

The highlight in 2014 was when the European Commission (EC) decided to keep the cement industry on the list of sectors with risk of carbon leakage. This list will not be changed for 5 years, which means that free emission rights will continue to be awarded during the 2013-2020 period, thus eliminating the threat of exclusion from this list impacting companies' competitiveness.

It is still found that the sector 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.

The approval, in early 2014, of the backloading of carbon permit auctions, designed to temporarily remove around 900 million permits from the market, did not produce the expected rise in the prices of CO_2 permits in the market. Therefore, it did not bring up the indirect costs of electric power due to carbon prices, a threat pending over energy-intensive industries, like cement.

However, a new threat for these industries is lurking in the near future: the EC's clear intention to adopt, in the first half of 2015 (for implementation in 2018), a new facility called Market Stability Reserve (MSR), which, if the conditions proposed by the EC are maintained, will cause the carbon price to rise sharply and, consequently, the price of electrical power, as the companies which produce this kind of energy pass these costs directly and immediately on to customers.

In line with the rest of the European cement industry, Secil Group has always believed that this measure should never be implemented before the period 2020-2030, to have time to introduce compensation measures for the extra costs for improving facility efficiency (to reduce their exposure to Carbon Leakage), as part of the general review of the rules for the functioning of the EU emissions trading scheme for 2020-2030.

However, if the MSR is adopted on the date mentioned, concurrent introduction of a harmonised European compensation mechanism for the extra costs burdening energy-intensive firms should be claimed, in order to guarantee equal conditions across the European Union's internal market. Actually, in compliance with the European Council decision of October 2014, which expressly stated “that efficient facilities may not be penalised by direct and/or indirect costs owing to carbon emissions”.

4.6. ORGANIZATION

The priorities set in 2012 and 2013 for the implementation of an activities adjustment and rationalisation plan in Portugal were still applied in 2014 to all units. Although most of the measures for reducing costs and maximising efficiencies had been implemented by 2012 and 2013, in 2014 plants continued their efforts to streamline and pursue excellence in the different procedures, thus demonstrating much resilience. As a result of these measures, the Secil Group's workforce was cut to 2,034, down by 53 on the figure for 2013.

Improved efficiency remains one of the Group's main priorities in all geographical regions, and not only in Portugal. The various operational units have continued to pursue a series of initiatives of this type, with the aim of improving their profitability, thus drawing on the measures implemented in 2013.

5. Environment Business Area – ETSA GROUP

5.1. Leading Business Indicators

IFRS - accrued amounts (million euros)	2014	2013	Var.
Sales	**26.3**	**29.1**	**-9.7%**
Other income	0.9	1.2	-22.5%
Costs and losses	(23.4)	(23.9)	2.0%
EBITDA	**3.9**	**6.5**	**-40.3%**
Recurrent EBITDA	3.9	6.5	-40.3%
Depreciation and impairment losses	(2.6)	(2.5)	-2.9%
Provisions (increases and reversals)	0.0	(0.3)	102.8%
EBIT	**1.3**	**3.7**	**-65.5%**
Net financial profit	(1.1)	(1.1)	-2.6%
Pre-tax profit	**0.2**	**2.6**	**-92.8%**
Tax on profits	0.4	(0.1)	595.3%
Retained profits for the year	0.6	2.6	-78.1%
Attributable to ETSA shareholders *	**0.6**	**2.6**	**-78.1%**
Attributable to non-controlling interests (NCI)	-	-	-
Cash-Flow	**3.1**	**5.3**	**-41.0%**
EBITDA margin (%)	**14.6%**	**22.2%**	**-7.5 p.p.**
EBIT margin (%)	4.8%	12.7%	-7.8 p.p.
	31-12-2014	**31-12-2013**	**Dec14 vs. Dec13**
Equity (before NCI)	58.8	55.7	5.6%
Net debt	**15.4**	**19.6**	**-21.5%**

* Of which 99.989% is attributable to Semapa.

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 2014:

	Unit	2014	2013	14/13
Collection of raw materials – Animal waste (categories 1 and 2)	1,000 t	40.1	44.1	-9.1%
Collection of raw materials – Animal waste (category 3)	1,000 t	73.3	70.5	4.0%
Collection of used food oil	1,000 t	2.1	2.0	8.2%
Sales – animal fats	1,000 t	14.8	13.0	13.5%
Sales – meal	1,000 t	19.1	19.7	-3.3%
Sales – used food oil	1,000 t	1.8	1.9	-8.7%

5.3. Business Overview: ETSA Group

The ETSA Group recorded turnover of approximately 26.3 million euros in 2014, down by around 9.7% against 2013.

This was caused essentially by the combined effect of (i) a reduction in turnover from the collection, transport and destruction of animal carcasses, in comparison with 2013, as part of the SIRCA service delivered to the Portuguese government and of the private service delivered individually to private pig farmers, following a reduction in the actual amounts collected, but, fundamentally, following a reduction in the average price of contracted services in these two business channels and (ii) a reduction in turnover from the sale of class 3 production, essentially due to lower sales prices.

EBITDA for the ETSA Group totalled approximately 3.9 million euros in 2014 financial year, representing a reduction of around 40.3% in relation to the previous year. This is explained fundamentally by (i) the reduction in turnover described above, and above all (ii) an increasing mismatch between the purchase price for the main raw materials and the sales price for the main end products, which has fallen significantly, due to the depressed business environment in the main commodities markets worldwide (oilseed and oil).

One important factor that helped to boost performance over the period was the significant reduction in the cost of thermal fuels used in the industrial conversion process, thanks to capital projects implemented.

The EBITDA margin stood at 14.6%, down by around 7.5 p.p. from the value in 2013.

Financial results worsened by 2.6 million euros in relation to the previous year, mostly due to a reduced allocation of these costs to fixed assets in progress in 2014 in comparison with 2013. Without the aforesaid effect, financial costs would be down by approximately 7.7% against the previous year, namely due to extended maturities and narrower spreads.

The combined impact of these factors resulted in Consolidated Net Income attributable to equity holders of the ETSA Group for 2014 of approximately 0.6 million euros.

In 2014 the ETSA Group continued the major lines of its three-year programme, which it has just concluded and has completed all of the multi-annual capital projects that carried over from 2013.

At 31 December 2014, the ETSA Group's net debt stood at 15.4 million euros, down by approximately 4.2 million euros in relation to net debt on 31 December 2013.

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 4,653 at the end of December 2013 to 4,668 at the end of December 2014, as shown in the following table:

Segment	31-12-2014	31-12-2013	Var. 14/13
Paper and Pulp	2,325	2,258	67
Cement	2,034	2,087	(53)
Envirnonment	285	286	(1)
Holdings and Other	24	22	2
	4,668	**4,653**	**15**

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 – an 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.
- 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.

The events promoted by the Portucel Soporcel Group with regard to Social Responsibility are based on the sustainability values that the Group supports in line with the nature of its business. Beginning with the source of raw material, the forests it protects, renews and values, all the way to the paper which, in essence, is a renewable and recyclable product, an ancient educational and cultural medium. The initiatives that the Group has developed in this field have brought it closer to the communities, by fostering and supporting projects that encourage more environmentally and socially responsible behaviour.

With the idea that we are all responsible for building a more sustainable future as the guiding principle, the Portucel Soporcel Group has conducted education initiatives towards Sustainability focusing on forest protection. It is also worth mentioning that in 2014, the initiative "Give the Forest a Hand" was elected, for the second year running, the “Best Social Responsibility Campaign”, having been awarded the Grand Prize 2014 by the APCE (the Portuguese Corporate Communication Association). The campaign conducted by the Portucel Soporcel Group, which includes recreational and educational activities for schools, is aimed at raising the awareness of civil society to the importance of country's forests and their conservation.

Also in 2014, the Portucel Soporcel Group sponsored the permanent exhibition “From the Forest to Paper”, at the Paper Museum in Terras de Santa Maria. The exhibition is addressed to schools. It introduces the sustainable cycle of paper production and, using dynamic and interactive materials, it focuses on the diversity and sustainability of paper products and the role they play in developing and renewing the Portuguese forest.

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 Group 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 1.8 million euros in 2014.

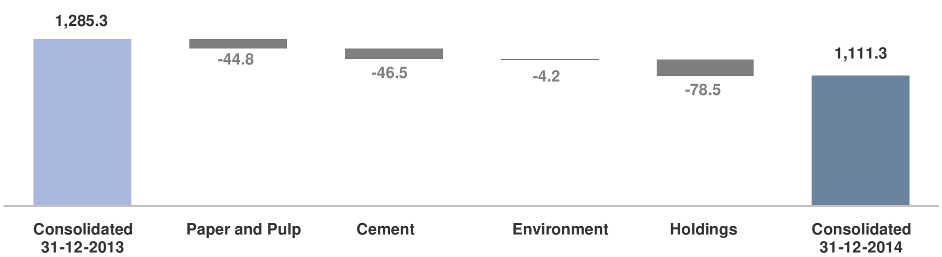
8. Semapa Group – Financial Area

8.1. Indebtedness

At 31 December 2014, consolidated net debt stood at 1,111.3 million euros, representing a reduction of 174.0 million euros from the figure recorded at year-end 2013. The following table shows the evolution and a breakdown of consolidated net debt:

Consolidated Net Debt Evolution

(million euros)	31-12-2014	31-12-2013	Var.
Paper and Pulp	117.9	162.6	-44.8
Cement	178.4	224.9	-46.5
Environment	15.4	19.6	-4.2
Holdings	799.7	878.2	-78.5
Total	1,111.3	1,285.3	-174.0



In 2014, the holding company contracted a set of new loans to refinance its financial debt and extend its maturity.

Therefore, in April 2014, Semapa issued bonds amounting to 150 million euros due in 2019, and in November it made a new 80 million Euro bond issue due in 2020, having written off 48.9 million euros of the "Obrigações Semapa 2006/2016 – 2ª emissão", originally amounting to 50 million euros.

Semapa has also renegotiated one of its Commercial Paper Programs, increasing the maximum issuable amount from 70 to 100 million euros and setting the maturity at September 2020. Additionally, Semapa contracted a Commercial Paper Programme with a total value of 120 million euros and a maturity of 4 years.

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).

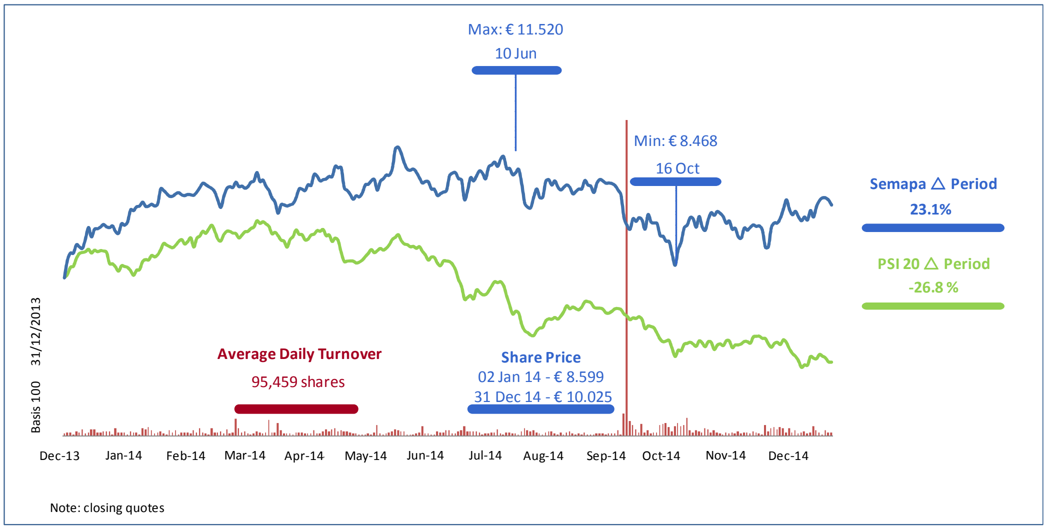
8.3. Listed Share Price

While the first half of 2014 was positive for stock exchange indices overall, this trend reversed in the second half of the year. Market developments were negatively impacted by lower-than-expected macroeconomic figures and geopolitical tension, among others.

Among European stock exchanges, the IBEX 35, Euronext 100 and Xetra Dax indices still managed to end the year in positive territory, with the PSI20 showing the weakest performance. In 2014 the Portuguese stock exchange actually experienced the third crash in its history (surpassed only by the 2008 and 2011 crashes). It fell 26.8% in a year marked by a profound crisis hitting one of the country's core financial groups, which in the end impacted other relevant securities in the Portuguese market, and resulted in the exit of two of the index's constituents.

In this context, Semapa shares recorded outstanding gains, up to 23.1% over the period, significantly outperforming the PSI20 over the reporting period, clearly acting counter-cyclically. Semapa's stock price reached a maximum of 11.520 euros on 10 June.

Share Price Performance - 2014



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 2014 resolved to distribute dividends of 37.5 million euros, paying out 33.2 cents per share on 16 June;
- Portucel's General Meeting in 2014 resolved to distribute dividends and reserves of 200.8 million euros, paying out 28 cents per share on 12 June;

8.5. NET INCOME FOR 2014

Consolidated net income in 2014 totalled 112.8 million euros, representing a reduction of 22.8% in relation to the same period in the previous year. This change was due essentially to the combined effect of the following factors:

- A drop in total EBITDA of approximately 10.9 million euros;

- An increase in depreciation and impairment losses of 4.1 million euros;
- A reduction of provisions with a value of 3.7 million euros, due essentially to the release of provisions which proved to be unnecessary;
- A worsening of net financial results by 18.5 million euros, on a year-on-year basis;
- Tax effect, due essentially to (i) the release of provisions which had been constituted for this purpose, (ii) a reduction in the rate applied to deferred taxes through the reduction of corporate tax rate from 23% to 21% in Portugal, and from 30% to 25% in Tunisia, and (iii) the inclusion of the Portucel Soporcel and Secil Groups' companies in the tax group in which Semapa is the controlling company, due to changes to the legislation. In 2013, this line was positively impacted by the recording of deferred tax assets related to the Group’s tax losses, available for reporting in future years, and by a reduction in the rate applied to deferred taxes through the reduction of corporate tax rate from 25% to 23%.

9. Highlights in 2014

- Portucel paid dividends and distributed reserves totalling 200.8 million euros, corresponding to 0.28 euros / share.
- Semapa SGPS distributed dividends with a total value of 37.5 million euros, corresponding to 0.332 euros / share.
- In a stock exchange operation on 24 September 2014, Semapa acquired 6,380,000 of its own shares, corresponding to 5.392% of its share capital and an investment of 61.3 million euros, and as a result now holds 9.996% of its share capital.
- In April 2014, Semapa SGPS issued bonds with a total value of 150 million euros, maturing in 2019. The bonds were issued through a public offering, and the initial value of the issue was increased by 50% during the subscription period, in view of the strong demand from investors.
- In November 2014, Semapa made an 80 million Euro bond issue by private placement due in 2020, having written off 48.9 million euros of the representative bonds of the issuance, by private placement, “Obrigações Semapa 2006/2016 – 2ª emissão”, originally amounting to 50 million euros.
- To refinance its financial debt and extend its maturity, towards the end of 2014 Semapa contracted a Commercial Paper Programme with a total value of 120 million euros and a maturity of 4 years.
- Start of the capacity expansion project of the Cacia plant belonging to the Portucel Soporcel Group.
- The signing of a cooperation agreement with IFC for a 20% participation in the equity of Portucel Mozambique. Further development of the integrated forest, pulp and energy project in Mozambique.
- The Portucel Soporcel Group's decision to begin building a *pellet* production plant in the USA in 2015.
- Decision to diversify business of the Portucel Soporcel Group to include the tissue segment. In 2015, Portucel signed a purchase contract for AMS BR Star Paper S.A., based in Vila Velha de Ródão, Portugal, which has a current output capacity of 30,000 tons of tissue paper and 50,000 tons of converting. A plan is underway to double the tissue paper production capacity.
- Start up of the precast concrete plant in Lebanon.
- The new cement plant being built by Supremo Cimentos, S.A. in Brazil is expected to be completed in the first quarter of this year. With this manufacturing unit in operation, Supremo's total installed cement capacity will rise to two million tons.

10. Outlook

World economic growth outlooks for the next two years are being subjected to downward revisions, and varying growth rates in the various economic blocks are expected. The geopolitical instability in some parts of the World and recent commodity price developments may undermine growth rates of some emerging economic powers.

The US economy remains quite optimistic and shows signs of recovery, whereas the core indicators of the Euro area countries present conflicting information. Uncertainty on the sustainability of recovery remains high, as domestic demand and investment levels are low, in spite of some recovery in private consumption. The current EUR/USD level and its progress in 2015 will also determine the competitiveness of European countries, which will clearly benefit large exporters.

In Portugal, the general economic outlook for 2015 is better than in recent years. The latest projections from the Bank of Portugal suggest a gradual recovery in domestic demand and moderate recovery in economic activity over the period 2014-2016, pointing to growth of 1.5% in the economy in 2015, above the 0.9% foreseen for 2014 (Economic Bulletin, Bank of Portugal, December 2014). Recent IMF projections point to growth of 1.2% in 2015, above the 0.8% estimated for 2014 (IMF Country Report, IMF, January 2015).

Paper and Pulp

Despite signs of uncertainty worldwide, the paper and pulp sector has shown resilience. Year-end price developments suggest strengthening of market conditions, and an increase in the price of **pulp** over the coming months is expected. Strong demand, observed particularly in the Chinese market, careful management of new capacity coming into the market, and EUR/USD development which, as mentioned before, had already pulled up the price of pulp in euros, are factors that should benefit pulp producers.

At the same time, expectations of the *tissue* paper segment remain positive, with interesting levels of growth in the emerging economies such as China, Turkey and Latin America, which should help to maintain a dynamic pulp market.

The UWF **paper** market is also expected to benefit from this more positive framework, sustained further by the reduction in capacity and the refurbishment of some manufacturing units in Europe, the impact of which should be felt in the second half of 2015. Additionally, the EUR/USD exchange rate at the current level will hinder imports into Europe, while fostering exports by European countries.

The Portucel Soporcel group has sought to outline new growth paths and has developed a plan for a new development cycle, while keeping a close eye on its financial soundness and its capacity to remunerate its shareholders.

This plan has two elements backing it: the consolidation of ongoing projects and the entry into new business areas. Regarding the latter, the Portucel Soporcel Group has chosen to diversify activity in the tissue paper segment, by combining organic growth and the purchase of existing capacity. For this purpose, Portucel Soporcel Group has looked into a variety of available assets and has chosen to buy AMS BR Star Paper S.A. ("AMS"), a tissue paper producer based in Vila Velha de Rodão, Portugal. With a current output capacity of 30,000 tons of tissue paper and 50,000 tons of converting, and 146 employees, a plan is underway to double the tissue paper production capacity, which should be completed by September this year. Total investment in AMS, including disbursements required to increase current output capacity, stands at approximately 80 million euros.

The Portucel Soporcel Group announced in the end of 2014 that it would be investing in the construction of a pellet plant in the USA. Based in South Carolina, the pellet plant will have an installed capacity of 460 thousand tons, a total investment estimated at 110 million American dollars. The construction of the plant will begin in 2015 and should be concluded during the third quarter of 2016.

Concerning ongoing projects, the Group started an expansion project of the pulp output capacity of the Cacia plant in the second half of 2014, involving the negotiation and award of equipment and works contracts. Increased capacity will help achieve output levels between 350 and 360 thousand tons, with high competitiveness gains. The process should be completed by first half of 2015. Total investment is estimated at 56.3 million euros.

Portucel also continues to make progress with the integrated forestry, pulp and energy project in Mozambique, currently in the stage of forestry operation intensification and the strengthening of the operational base in the country.

Cement

In **Portugal**, the Secil Group's main market, the economic outlook for 2015 is more positive compared to that of previous years, anticipating the ongoing process of a gradual adjustment in the macroeconomic imbalances, in a framework of moderate growth in activity and price level (Economic Bulletin, Bank of Portugal, December 2014).

Economic growth prospects, the recovery in domestic demand and investment, with a positive reversal in the licensing of home construction and an increase in construction productivity hint at a slightly positive variation in the domestic cement market in 2015.

In 2015, the Secil Group's operations in Portugal will continue to be influenced by the situation in the construction sector. However, strong performance in foreign markets, combined with savings and gains achieved through the streamlining measures implemented in previous years, offer the prospect of an improvement in results in comparison with 2014.

For **Tunisia**, the latest IMF figures point to expectations that the economy will grow in 2015 by 3.0%, up from the figure of 2.4% estimated for 2014 (IMF Country Report, IMF, December 2014). Following developments in late 2014, political issues in Tunisia, have been largely sorted out and may bring about significant social and economic improvements. In line with expectations for the economy as a whole, the construction and cement sector is also expected to record stronger growth than in 2014. Competition should continue fierce, and increased pressure on sales prices is expected.

Recent IMF projections point to economic growth in **Lebanon** of 2.5% in 2015, up from the figure of 1.8% forecast for 2014 (World Economic Outlook, IMF October 2014). The changes which have occurred in the Middle East have not helped to maintain macroeconomic stability, but the cement market is expected to stabilise. The construction of the new block factory was completed in 2014, and went into production that same year, with output and sales of blocks set to grow in 2015.

In **Angola**, the latest forecasts published by the IMF point to continued economic growth, with estimates that gross domestic product will increase by 5.9% in 2015, up from the figure of 3.9% estimated for 2014 (World Economic Outlook, IMF, October 2014). However, the negative effects of recent oil price developments will still be felt during the year 2015. Cuts in current expenditure and Government investment, as announced, combined with the difficulties felt since the end of 2014 in processing payments abroad as a result of the foreign-exchange restrictions imposed by the National Bank of Angola, paint a rather unfavourable image for the construction and public works sector, and suggest that 2015 may be the first year of a fall in demand for cement in Angola, following a decade of sustained growth. The impact of the expected drop in market share of domestic producers may be partly cushioned, considering the implementation of legislation passed recently, which restricts cement imports. In any case, only a significant impact produced by a higher sale price for cement, due to restricted imports, will be able to restore the margins lost by the business unit in Angola in the past couple of years.

In **Brazil**, recent figures published by the IMF point to a growth of the economy of 0.3%, higher than the 0.1%

projected for 2014 (World Economic Outlook, IMF, January 2015). There is, however, some degree of uncertainty, arising from the possibility of the Government adopting a more restrictive monetary and economic policy, by increasing the interest rate and taxes.

The new cement plant being built by Supremo Cimentos, S.A. in Brazil is expected to be completed in the first quarter of this year. With this manufacturing unit in operation, Supremo's total installed cement capacity will rise to two million tons.

Environment

Considering the current macroeconomic, financial and sectorial context, 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 the main collection centres. Although competition between operators in obtaining supplies of raw materials is expected to remain fierce, due to overcapacity for processing by-products, prices for the purchase of raw materials and for the core destruction services underwent partial adjustment in the last quarter of 2014, which will help to gradually recover part of the losses in trading margins recorded (as seen already in that period).

The ETSA Group’s prime objectives in the short term include (i) concentrating on the horizontal expansion of its production and destination markets (exports accounted for approximately 40% of total accrued sales as at 31 December 2014), (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, and (iii) the gradual and progressive recovery of sales margins of the base business in Portugal.

After successfully completing a number of capital projects primarily geared to switching to different industrial energy consumables and to greater efficiency of the plant and logistics, the ETSA Group has now completed the last stage in the set up and commissioning of the first blood collection and processing line, which began commercial roll-out in the 4th quarter of 2014.

11. Acknowledgements

2014 was another year in which the Group continued to focus on export operations, building on the heavy capital expenditure projects which it has implemented in the past 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 112,508,253.27 (one hundred and twelve million, five hundred and eight thousand, two hundred and fifty-three euros and twenty-seven cents) be allocated as follows:

Dividends for shares in circulation (37,5 cents/share)	39,939,176.25 euros
Free reserves	72,569,077.02 euros

Lisbon, 5 March 2015