Presentation of Results

1st Quarter 2017

Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
Public Company
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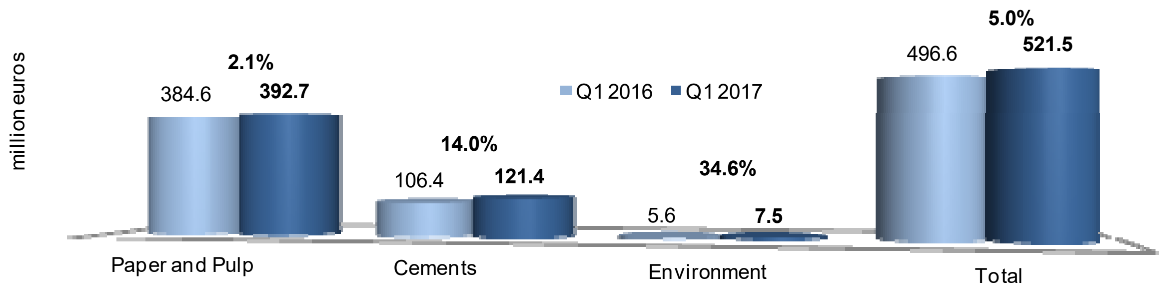
Companies Registry and Corporate Person no.: 502 593 130
Share Capital: 81,270,000 euros

1 Highlights

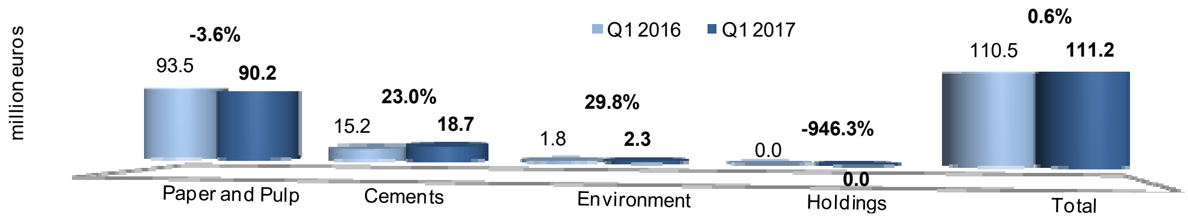
Turnover

In the first quarter of 2017 the Semapa Group recorded a consolidated turnover of 521.5 million euros, an increase of 5.0% from the same period in the previous year. Exports and foreign sales amounted to 401.4 million euros: 77.0% of turnover.



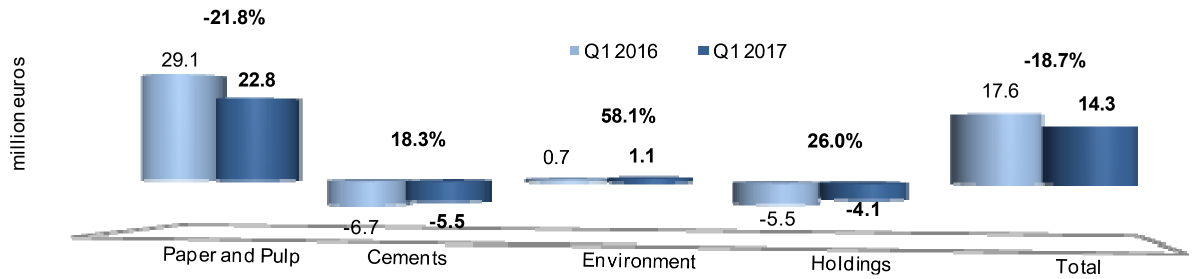
EBITDA

O EBITDA in the first quarter of 2017 grew by 0.6% in relation to the same period in the previous year, standing at 111.2 million euros. The consolidated margin stood at 21.3%, 0.9 p.p. lower than in the first quarter of 2016.



Net income

Earnings before taxes decreased by 1.4% and net profit stood at 14.3 million euros, down by 18.7% in relation to the same period in the previous year due to the negative evolution of income tax.



Leading Business Indicators

IFRS - accrued amounts (million euros)	Q1 2017	Q1 2016	Var.
Turnover	**521.5**	**496.6**	**5.0%**
Total EBITDA	**111.2**	**110.5**	**0.6%**
EBITDA margin (%)	21.3%	22.3%	-0.9 p.p.
Depreciation and impairment losses	(55.6)	(51.6)	-7.6%
Provisions (increases and reversals)	0.0	(1.0)	>100%
EBIT	**55.6**	**57.8**	**-3.8%**
EBIT margin (%)	10.7%	11.6%	-1.0 p.p.
Net financial profit	(17.5)	(19.2)	8.8%
Profit before tax	**38.1**	**38.6**	**-1.4%**
Income tax	(12.9)	(8.2)	-58.4%
Retained profits for period	25.2	30.4	-17.4%
Attributable to Semapa shareholders	**14.3**	**17.6**	**-18.7%**
Attributable to non-controlling interests (NCI)	10.9	12.9	-15.6%
Cash-flow	80.7	83.1	-2.9%
	31-03-2017	**31-12-2016**	**Mar17 vs. Dec16**
Equity (before NCI)	837.3	817.3	2.4%
Net debt	**1,758.5**	**1,779.7**	**-1.2%**

Notes:

- Total EBITDA = operating profit + depreciation and impairment losses + provisions (increase and reversal)
- Cash flow = retained earnings for the period + depreciation and impairment losses + provisions (increase and reversal)
- Net debt = non-current interest bearing debt (net of loan issue charges) + current interest-bearing debt (including debts to shareholders) – cash and cash equivalents

2 Operational Performance

Breakdown by Business Segments

IFRS - accrued amounts (million euros)	Paper and Pulp		Cement		Environment		Holdings		Consolidated
	Q1 2017	Q1 17/16	Q1 2017	Q1 17/16	Q1 2017	Q1 17/16	Q1 2017	Q1 17/16	Q1 2017
Sales	**392.7**	**2.1%**	**121.4**	**14.0%**	**7.5**	**34.6%**	**-**	**-**	**521.5**
Total EBITDA	**90.2**	**-3.6%**	**18.7**	**23.0%**	**2.3**	**29.8%**	**(0.0)**	**-946.3%**	**111.2**
EBITDA margin (% Sales)	23.0%	-1.4 p.p.	15.4%	1.1 p.p.	30.9%	-1.1 p.p.			21.3%
Depreciation and impairment losses	(42.0)	-5.4%	(12.9)	-16.2%	(0.7)	3.7%	(0.1)	-6.4%	(55.6)
Provisions (increases and reversals)	(0.0)	99.8%	0.1	-12.9%	(0.1)	-	-	-	0.0
EBIT	**48.2**	**-8.3%**	**5.9**	**39.9%**	**1.6**	**48.6%**	**(0.1)**	**-81.3%**	**55.6**
EBIT margin (% Sales)	12.3%	-1.4 p.p.	4.9%	0.9 p.p.	20.8%	2.0 p.p.			10.7%
Net financial profit	(3.9)	-45.0%	(9.5)	14.4%	(0.1)	23.0%	(3.9)	24.4%	(17.5)
Pre-tax profits	**44.3**	**-11.2%**	**(3.6)**	**47.9%**	**1.4**	**62.7%**	**(4.0)**	**23.4%**	**38.1**
Tax on profits	(12.2)	-52.1%	(0.3)	-193.5%	(0.3)	-79.4%	(0.1)	74.7%	(12.9)
Retained profits for period	32.1	-23.4%	(3.9)	40.5%	1.1	58.1%	(4.1)	26.0%	25.2
Attributable to Semapa equity holders	**22.8**	**-21.8%**	**(5.5)**	**18.3%**	**1.1**	**58.1%**	**(4.1)**	**26.0%**	**14.3**
Attributable to minority interests	9.3	-26.9%	1.6	955.4%	0.0	60.3%	-	-	10.9
Cash-flow	74.0	-10.6%	8.9	100.6%	1.8	29.7%	(4.0)	26.3%	80.7
Net debt	**616.6**	**-3.8%**	**433.6**	**2.5%**	**16.0**	**1.8%**	**692.4**	**-1.1%**	**1,758.5**

Notes:

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

The Navigator Company ("Navigator") published its results on 04 May 2017. Therefore, only the highlights of that disclosure are presented.

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

Paper and Pulp

Summary table of financial indicators

IFRS - accrued amounts (million euros)	Q1 2017	Q1 2016	Var.
Turnover	**392.7**	**384.6**	**2.1%**
EBITDA	**90.2**	**93.5**	**-3.6%**
EBITDA margin (%)	23.0%	24.3%	-1.4 p.p.
Depreciation and impairment losses	(42.0)	(39.8)	-5.4%
Provisions (increases and reversals)	(0.0)	(1.1)	99.8%
EBIT	**48.2**	**52.6**	**-8.3%**
EBT margin (%)	12.3%	13.7%	-1.4 p.p.
Net financial profit	(3.9)	(2.7)	-45.0%
Profit before tax	**44.3**	**49.9**	**-11.2%**
Tax on profts	(12.2)	(8.0)	-52.1%
Retained profits for period	32.1	41.9	-23.4%
Attributable to Navigator shareholders	**32.8**	**42.0**	**-21.8%**
Attributable to non-controlling interests (NCI)	(0.7)	(0.1)	-654.1%
Cash-Flow	**74.0**	**82.8**	**-10.6%**
	31-03-2017	**31-12-2016**	**Mar17 vs. Dec16**
Equity (before NCI)	1,094.2	1,041.7	5.0%
Net debt	**616.6**	**640.7**	**-3.8%**

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

Summary table of operating indicators

(000 tons)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Pulp and paper					
BEKP Output (pulp)	370.2	373.4	367.8	359.0	382.4
BEKP Sales	64.6	65.1	71.2	89.8	90.4
UWF Output (paper)	397.7	397.0	399.9	392.4	396.4
UWF Sales	377.8	397.7	380.0	413.3	371.3
FOEX – BHKP Euros/ton	687	613	600	607	645
FOEX – A4- BCopy Euros/ton	836	830	820	807	803
Tissue					
Output of reels	11.2	7.9	13.1	14.7	14.7
Output of finished products	10.1	10.0	10.9	10.8	11.7
Sale of reels and other goods	1.7	2.2	2.4	2.7	2.7
Sale of finished products	9.7	10.7	10.7	10.8	11.3

In the first quarter of 2017, the turnover of Navigator totalled 392.7 million euros, up by 2.1% over the same period in the previous year, driven by the good operating performance of paper pulp, tissue and energy sales, the paper business having recorded sales above forecast.

The short fibre **pulp** market was affected in the second half of 2016 by diminishing stock levels, in anticipation of the start-up of APP's twin lines in Indonesia, with combined annual capacity of 2.8 million tons. At the same time, demand for pulp was fuelled by the closure of highly polluting pulp capacity in China, growing demand for tissue pulp in China, and increased demand for paper grade pulp for viscose. Early 2017 saw the upturn in the global paper industry and the replenishment of paper stocks, which had dropped to extremely low levels throughout the supply chain over the course of 2016. Global BEKP demand surged by 11.2% in the first two months of the year, allowing the industry to add 6 percentage points to its capacity utilisation rate in relation to the same period in 2016.

Paper pulp sales of Navigator grew around 40%, above 90 thousand tons, an increase driven by strong demand in the quarter and higher pulp market availability at the Cacia mill. The rise helped to minimise the negative impact of price variation year on year, as the PIX-BHKP average price index in euros in the period was 6.1% below the first quarter of 2016. Therefore, paper pulp sales in value terms were up 24.7%, standing at 43.2 million euros. Note that prices improved by 6.3% compared with the fourth quarter of 2016.

In the second half of the year, and in particular the first quarter of 2017, UWF **paper** demand increased in the emerging markets in Asia, the Middle East and Latin America. In Europe apparent consumption dropped again by 2.8%, mostly due to decreasing imports, while the level of deliveries of European producers grew 0.4%. In the United States, apparent consumption in the first two months of the year decreased by around 4.8% against the first quarter of 2016. However, the closing capacity of one producer in 2016 helped to stabilise utilisation capacity rate at around 93%.

In this context, the Group sold 371 thousand tons of UWF paper in the first quarter, slightly below the volume in the first quarter of 2016 (377 thousand tons), improving the product mix. However, average prices during the period were lower year on year, with the PIX-A4-Bcopy index at 803 eur/ton (vs. 836 eur/ton, the highest quarterly average price over the last 4 years), paper sales value consequently falling 4.8% to 282.3 million euros.

Tissue consumption in Western Europe remains closely tied to growth in GDP, whilst in recent years it has been observed that in southern European countries, namely Portugal, growth in tissue demand has clearly outstripped economic growth. Tissue sales of Navigator progressed favourably; volume grew 23.5% to around 14 thousand tons, as a result of the production and processing capacity expansion in 2015. The increase in amounts sold, together with the slight decrease in average sales price due to a higher percentage of reel sales resulted in tissue sales of 18.1 million euros (+14.4%).

After the technical issues that affected the renewable cogeneration turbines in Cacia and Setúbal were overcome, the figure of electrical **power** sales increased approximately 22%. Electrical power sales also benefited from the rise in the reference Brent price year on year. Gross power output in the first quarter of 2017 increased 10.5% compared to the same period in 2016. The two power stations fuelled by biomass dedicated solely to the sale of electrical power to the national grid increased their gross power output by 6%, benefiting from improved operations of the Cacia mill.

Once Colombo Energy, the Group's operations in the USA, initiated continuous operation in the final quarter of the previous year, the Group made its first **pellet** sales in 2017. Sales volume amounted to approximately 26.5 thousand tons, which is low but reflects the current start-up phase of the plant. Some non-recurrent costs associated with the start of pellet production and marketing were recorded.

The EBITDA of Navigator for the first quarter of 2017 totalled 90.2 million euros, down from the figure of 93.5 million in the first quarter of the previous year, reflecting a margin of 23.0%,*vs.* 24.3% in the same period in the previous year. The negative impact of the drop in paper and pulp prices was partly outweighed by increasing sales volume and cost reduction.

Navigator is still working on reducing overall costs and enhancing productivity and has achieved positive results in the first quarter already, with an estimated impact on EBITDA of 6 million. The positive impact on packaging and chemicals (1.9 million euros), power purchase (0.7 million euros) and the purchase of wood (0,7 million euros) are worth noting.

Regarding the developments in the cost of raw material, the Group recorded a drop in the average cost of wood purchase. However, this did not impact the overall cost of production, as a result of worsening specific consumption, due to the use of wood from sources with poorer industrial performance.

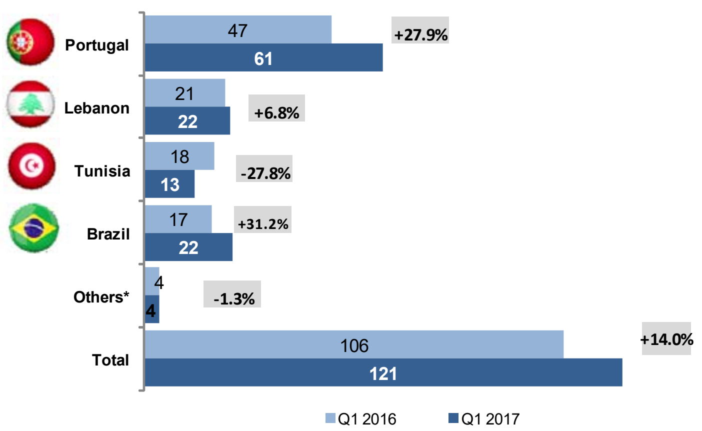
Cement

Summary table of financial indicators

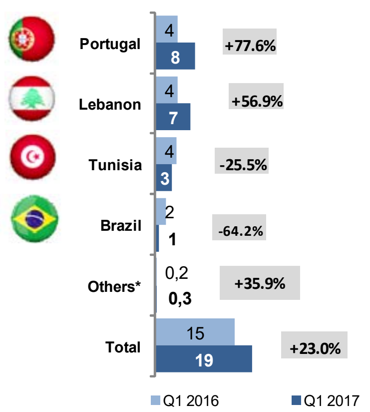
IFRS - accrued amounts (million euros)	Q1 2017	Q1 2016	Var.
Sales	**121.4**	**106.4**	**14.0%**
EBITDA	**18.7**	**15.2**	**23.0%**
EBITDA Margin (%)	15.4%	**14.3%**	**1.1 p.p.**
Depreciation and impairment losses	(12.9)	(11.1)	-16.2%
Provisions (increases and reversals)	0.1	0.1	-12.9%
EBIT	**5.9**	**4.2**	**39.9%**
EBIT Margin (%)	4.9%	4.0%	0.9 p.p.
Net financial profit	(9.5)	(11.1)	14.4%
Pre-tax profit	**(3.6)**	**(6.9)**	**47.9%**
Tax on profits	(0.3)	0.3	-193.5%
Retained profits for period	(3.9)	(6.6)	40.5%
Attributable to Secil equity holders	**(5.5)**	**(6.7)**	**18.3%**
Attributable to non-controlling interests (NCI)	1.6	0.1	955.4%
Cash-flow	**8.9**	**4.4**	**100.6%**
	31-03-2017	**31-12-2016**	**Mar17 vs. Dec16**
Equity (before NCI)	441.3	444.9	-0.8%
Net debt	**433.6**	**422.9**	**2.5%**

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

Turnover



EBITDA



* includes Angola and Others. The figures for the first quarter of 2016 were reproduced following the same criteria as in the first quarter of 2017.

Summary table of operating indicators

in 1 000 t	Q1 2017	Q1 2016	Var.
Annual cement production capacity	9,750	9,750	0.0%
Sales			
Grey cement	1,181	1,183	-0.2%
White cement	20	15	32.7%
Clinker	199	23	769.1%
Aggregates	734	585	25.4%
Precast concrete	72	7	901.3%
Mortars	32	23	40.8%
Hydraulic lime	7	6	1.9%
Mortar fixative	4	4	17.6%
in 1 000 m3			
Ready-mixed	341	285	19.6%

In the first quarter of 2017, the turnover of the Cement business was 121.4 million euros, 14.0% higher than the figure for the same period of the previous year. This increase was mainly due to the growth in turnover of operations in Portugal and Brazil, despite the drop in turnover in Tunisia.

EBITDA stood at 18.7 million euros, which translated into an increase of around 3.5 million euros in relation to same period in 2016. EBITDA grew essentially as a result of operations in Portugal, where this indicator increased 3.3 million euros, and in Lebanon, where it was up by 2.5 million euros. In the first quarter of 2017, EBITDA margin stood at 15.4%, 1.1 p.p. above that of the same period in the previous year.

In **Portugal**, the Bank of Portugal reviewed upwards the economic growth projection for 2017, 1.8% against 1.4% previously. This development is supported by rising exports and the domestic demand pick up. The positive performance of the building sector's indicators in the last quarter of 2016 (investment and GVA increase, growing employment, increase in the public works market and more private project licenses) sustained the good expectations for production development in the building sector in 2017. According to the figures available from FEPICOP, the Portuguese Construction and Public Works Industry Federation, the activity is expected to recover in 2017 at a rate of 2.6%.

According to the latest figures available, cement consumption in mainland Portugal was up by 18.3%. It is thus estimated that the market reached approximately 720 thousand tons.

In this environment, turnover for overall operations in Portugal was up by 27.9% compared to the same period in 2016, totalling 60.6 million euros.

The Cement and clinker business unit in Portugal recorded turnover of 37.5 million euros in the first quarter of 2017, representing growth of 21.8%. In the domestic market, turnover grew 4%, arising mostly from positive market development, good weather conditions, and more local government and private projects (tourism and residential).

The export market is still burdened by excess supply in the Mediterranean and less demand in countries dependent on revenues from fossil fuels. In spite of the setbacks, total export amounts sold increased thanks to resilient operations and ongoing search for alternative markets. This development resulted mainly from significantly higher clinker sales, while the amounts of exported cement sold dropped by 18.6%. The turnover of cement and clinker for export amounted to 15 million euros, having grown 64% year on year.

In the other business segments with operations based in Portugal (Ready-mixed Concrete, Aggregates, Mortars and Pre-cast), turnover in the first quarter of 2017 amounted to approximately 23.1 million euros, up by 39.3% in relation to the same period of the previous year.

All areas of construction materials grew, arising from the positive effects of a more dynamic building sector and private and public investment picking up, linked with the local government elections in 2017. Concrete and Mortar business units recorded over 30% more amounts sold.

In the first quarter of 2017, EBITDA for total operations in Portugal was up by 77.6% year on year, at 7.7 million euros vs. 4.3 million euros in the first quarter of the previous year.

The Cement business unit recorded EBITDA of 5.4 million euros, over the figure recorded in the first quarter of 2016 of 3.8 million. In addition to the rise in the amounts sold in the domestic market and of clinker in the foreign market, the variable costs of clinker and cement production decreased, as a result of the increasing rate of alternative fuels used. The fixed costs of production and maintenance were also down. CO_2 licenses sold stood at 420 thousand euros (during the same period in the previous year no license had been sold). These elements helped to make up for the drop in cement sales in the external market.

EBITDA of construction material business units stood at 2.3 million euros, which compares with 540 thousand euros in the first quarter of 2016. The most significant increase was in Concrete, arising from greater amounts sold, and also from the rise in average sales prices and lower staff and transport costs.

The long conflict in Syria continues to overshadow the outlook on **Lebanon**. This situation affects the local communities, poverty and unemployment is still on the rise, all of which puts public finance and economy under more pressure. According to the latest figures published by the IMF, the Lebanese economy is expected to grow by 2% in 2017 (World Economic Outlook, FMI April 2017), below its potential.

Cement consumption in the first quarter of 2017 was similar to that of the first quarter of 2016, standing at 1.1 million tons. In spite of less favourable weather conditions compared to the first quarter of 2016, cement consumption benefited from a better political environment in the country (the election of a president and the appointment of a new Prime-minister at the end of 2016 may help drive the country towards a revived political framework).

Turnover of combined operations in Lebanon increased 6.8%, compared to the previous year, amounting to 21.9 million euros.

Cement and Clinker sales totalled 248 thousand tons, up by 2.6% year on year. Sales prices in the local currency stood at similar levels to that in 2016, only slightly down by 0.6% due to changes in the sales mix. Turnover grew by 7.4%, driven by the rise in amounts sold, standing at 20.1 million euros.

Concrete business turnover was equivalent to that in the first quarter of 2016, standing at 1.7 million euros, arising from 1.6% more sales and lower sales price.

Total EBITDA from operations in Lebanon stood at 6.9 million euros, up by 56.9% in relation to the same period of the previous year. The Cement unit recorded EBITDA of 6.8 million euros, 59.0% over the figure in the same period in the previous year. The growth was driven by increasing cement and clinker production and lower production costs. Note that in the first quarter of 2016 clinker production was down due to the programmed shut down of one of the lines to fit in the bag filter. This investment fostered the optimised use of raw materials and a drop in production costs. Less thermal and electric power consumption also provided a positive input.

In **Tunisia**, the political and social environments improved somewhat in 2017, which had a positive impact on the economy. However, the economy is still facing significant challenges, including high external and fiscal deficits, rising debt and insufficient growth for reducing unemployment. According to the latest figures published by the IMF, the Tunisian economy is expected to grow by 2.5% in 2017, above the 1% figure recorded in 2016 (World Economic Outlook, IMF, April 2017).

Better conditions in the beginning of 2017 had a positive effect on cement consumption, which in 2017 grew by 2.3% year on year. The cement market continued to suffer severe competition and high pressure on sales prices, which dropped once more. The cement export market decreased by around 28% due to constraints on the Libyan border and difficulties in obtaining foreign currency in the Libyan financial market. In the Algerian market, the government did not issue any import licenses.

Consequently, turnover for combined operations in Tunisia in the first quarter of 2017 stood at approximately 12.8 million euros, down by 27.8% on a year-on-year basis.

The turnover of the Cement and Clinker business unit dropped approximately 30.8%, and stood at 10.9 million euros, due to the decrease in turnover in the domestic and external market. Amounts sold were down by about 23.9% in the domestic market and exports were down by 27.8% year on year. The aforementioned constraints in the case of exports and greater competition in the domestic market determined the pace of sales of this unit. Sales price in the domestic market was above that in the first quarter of 2016 (+1.1%), in spite of the ongoing pressure, and in the export market prices were approximately 9% lower, due to competition and the fact that there were no exports to Algeria (where prices are higher).

The turnover of the Concrete business unit dropped 2.5%, standing at 1.8 million euros, arising from equivalent sales volume and prices during the same period in the previous year and the negative impact of the depreciation of the Tunisian dinar against the euro, with an impact of approximately 170 thousand euros. Notwithstanding the constraints and the downturn in the regions' markets where the unit operates, it was possible to sustain sales due to the consumptions of some projects that carried over from 2016 and are ongoing.

EBITDA from business operations in Tunisia in the first quarter of 2017 stood at 3.1 million euros, down by 25.5% in comparison with the same period of the previous year due to a drop in the turnover. Note that the variable costs of cement production dropped against the same period in the previous year, brought down mostly by less electrical power costs, as a result of less specific consumption and a drop in the price of electrical power in Tunisia (in June 2016 price dropped significantly). Staff costs were also down, as a result of the decrease in the number of employees.

Recent IMF projections point to a slight growth of the economy of **Brazil** by 0.2% in 2017 (World Economic Outlook, IMF, April 2017).

Brazilian economy is still being affected by the lack of trust of economic agents, rising unemployment and scarce public investment. Despite the drop in inflation rates and interest rates, private investment has not increased, as a result of the unstable political situation.

In this context, the construction industry was naturally affected, with an impact on cement consumption. The cement market has continued to contract, and in the first quarter of 2017 it decreased by 8%, against the first quarter in 2016. The South/South-east region, where the Group has its operations, behaved in the same way.

Turnover of combined operations stood at approximately 22.4 million euros in the first quarter of 2017, representing an increase of 31.2%, of which 18.8 million euros in cement and clinker and 3.6. million euros in ready-mixed concrete. The growth was positively impacted by the rise in the amounts sold in both operations and the appreciation of the Brazilian real against the euro (of approximately 2 million euros), the sales price of cement and concrete having dropped year on year.

Cement sales in Brazil stood at 303 thousand tons, representing a 13.7% increase compared to the first quarter of 2016. Although the market was down, the unit managed to increase sales, which were consolidated by customer support service and the set up of new distribution centres in the second half of 2016. Sales prices continued to drop in the first quarter of 2017, due to rising competition caused by excess supply.

The amounts of Concrete sold, which were also impacted negatively by the context, grew around 16.9%, having sold 56 thousand m^3 of concrete, a performance influenced positively by the start up of two new plants and the development of a world-class project.

In the first quarter of 2017, EBITDA stood at 771 thousand euros, compared to 2.2 million euros in the same period of the previous year. The rise in amounts sold and the improvement of the variable costs of production (less energy consumption and lower electric power prices), were not enough to mitigate the effect of the drop in sales price in both business units and higher fixed costs associated with a larger structure as a result of the opening up of the distribution centres and the new concrete plants.

According to the IMF, the economy of **Angola** is expected to grow only slightly by 1.3% in 2017 (World Economic Outlook, IMF April 2017). The negative effects of oil price developments since 2014 are still felt. However, the gradual rise in oil price, the fact that this year government elections will be held (generally featuring a rise in public investment) and the growing availability of foreign currency at the Central Bank, suggested a recovery of the construction industry and of cement consumption. The expectations of growth did not materialise and in the first quarter of 2017 the Angolan cement market decreased by 28.6% year on year.

The amount of cement sold decreased in comparison to sales in the first quarter of 2016, amounting to 27 thousand tons of cement sold, 17.3% less than in the previous year. This decrease was due to market contraction, considering the challenging conditions of the Angolan economy. In the first quarter of 2017 turnover stood at 3.7 million euros in total, down by 1.3% year on year, as a result of the appropriate and strict management of the sales price, which grew around 19% compared with the first quarter of 2016.

In the first quarter of 2017, EBITDA amounted to around 0.3 thousand euros, which is an improvement year on year. This was possible thanks to rising prices and an effort to decrease fixed costs, notwithstanding decreasing sales. In addition to rising prices, the effort to reduce costs was maintained with a view to counteract the contracting market. The restructuring plan enforced in 2016, which brought the number of employees and service providers down, produced a positive effect in 2017.

Environment

Summary table of financial indicators

IFRS - accrued amounts (million euros)	Q1 2017	Q1 2016	Var.
Turnover	**7.5**	**5.6**	**34.6%**
EBITDA	**2.3**	**1.8**	**29.8%**
EBITDA margin (%)	30.9%	32.0%	-1.1 p.p.
Depreciation and impairment losses	(0.7)	(0.7)	3.7%
Provisions (increases and reversals)	(0.1)	-	-
EBIT	**1.6**	**1.0**	**48.6%**
EBIT margin (%)	20.8%	18.8%	2.0 p.p.
Net financial profit	(0.1)	(0.2)	23.0%
Profit before tax	**1.4**	**0.9**	**62.7%**
Tax on profits	(0.3)	(0.2)	-79.4%
Retained profits for period	1.1	0.7	58.1%
Attributable to ETSA shareholders	**1.1**	**0.7**	**58.1%**
Attributable to non-controlling interests (NCI)	-	-	-
Cash-Flow	**1.8**	**1.4**	**29.7%**
	31-03-2017	**31-12-2016**	**Mar17 vs. Dec16**
Equity (before NCI)	66.6	62.5	6.5%
Net debt	**16.0**	**15.7**	**1.8%**

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

In the first quarter of 2017, the ETSA Group recorded turnover of approximately 7.5 million euros, up by around 34.6% vs. the first quarter of 2016.

This positive development was essentially caused by (i) an increase in class 3 amounts by around 14.9% year on year, (ii) an increase in the average sales price of category 3 fats and the same category meal, (iii) amounts sold of category 2, practically non-existent in the first quarter of 2016, were very significant in the period in analysis, albeit at a price around 51.7% lower, iv) enhanced consolidated services rendered, essentially resulting from the billing of animal carcass collection, but also from higher amounts billed by the subsidiary ABAPOR.

In the first 3 months of 2017, EBITDA of the ETSA Group totalled about 2.3 million euros, which represented an increase by around 29.8% compared to the same period in 2016, arising mainly from larger amounts sold and higher sales prices, although partially offset by the rising costs of thermal fuels and mineral fuels, used in the process of industrial conversion and by-product transportation. EBITDA margin stood at 30.9%, down by around 1.1 p.p. on the margin for the same period of 2016.

Holdings (Semapa SGPS and instrumental sub-holdings)

IFRS - accrued amounts (million euros)	Q1 2017	Q1 2016	Var.
EBITDA	**(0.0)**	**(0.0)**	**<-100%**
Depreciation and impairment losses	(0.1)	(0.0)	-6.4%
Provisions (increases and reversals)	-	-	-
EBIT	**(0.1)**	**(0.1)**	**-81.3%**
Net financial profit	(3.9)	(5.2)	24.4%
Profit before tax	**(4.0)**	**(5.3)**	**23.4%**
Tax on profits	(0.1)	(0.3)	74.7%
Retained profits for period	(4.1)	(5.5)	26.0%
Attributable to Semapa shareholders	**(4.1)**	**(5.5)**	**26.0%**
Cash-Flow	**-4.0**	**-5.5**	**26.3%**
	31-03-2017	**31-12-2016**	**Mar17 vs. Dec16**
Net debt	**692.4**	**700.4**	**-1.1%**

In the first quarter of 2017, EBITDA of the holdings was 43 thousand euros negative, approximately at the same level as in the same period of 2016.

3 Consolidated Financial Performance

Consolidated Net Debt

(million euros)	31-03-2017	31-12-2016	Var.
Pulp and Paper	616.6	640.7	-24.2
Cement	433.6	422.9	10.7
Environment	16.0	15.7	0.3
Holdings	692.4	700.4	-8.0
Total	**1,758.5**	**1,779.7**	**-21.2**

On 31 March 2017, consolidated net debt stood at 1,758.5 million euros, representing a decrease of 21.2 million euros over the figure recorded at year-end 2016, positively influenced by the creation of operating cash flow and:

- Pulp and paper: -24.2 million euros, including investments of around 14.3 million euros, namely the Figueira da Foz project, paper pulp and paper business and tissue paper in Vila Velha de Rodão;
- Cement: +10.7 million euros, which include the exchange rate effect of debt denominated in foreign exchange of approximately +3 million euros and investments made;
- Environment: +0.3 million euros; and
- Holdings: -8.0 million euros, arising namely from the reimbursement of previous years' corporate income tax (IRC) payments made.

Financial Results

In the first quarter of 2017 financial results amounted to a negative figure of 17.5 million euros, an improvement of 8.8 million euros in relation to the figure recorded in the same period in the previous year. The positive variation of 1.7 million euros resulted mostly from the positive effect of the debt repayment and the refinancing of the debt in more favourable terms.

Consolidated Net Income

Consolidated net income in the first quarter of 2017 attributable to shareholders of Semapa was 14.3 million euros, 18.7% less compared to the same period in the previous year. Net income per outstanding share stood at 0.177 euros/share.

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

- An increase in total EBITDA of approximately 0.7 million euros;
- An increase in Depreciation and impairment losses of 3.9 million euros, arising mainly from the start of depreciation of investments made;
- Provision variation of 1.1 million euros;
- An improvement of net financial results by about 1.7 million euros, in relation to the previous year;
- The increase in income tax by approximately 4.8 million euros, arising essentially from the fact that in the first quarter of 2016 tax provisions were reversed (gains) to the amount of 5.4 million euros. Additionally, contractual tax benefits available for income tax deduction at Navigator reduced.

4 Performance of Semapa Shares on Euronext Lisbon

Note: Closing market prices

Despite the uncertainties surrounding political changes in the United States and the impact of Brexit on Europe, the capital markets were reasonably optimistic during the first quarter of 2017, with all equity markets recording gains, the Madrid stock exchange in particular, whose main index – IBEX35 - appreciated 11.9%. The PSI20 index was no exception and rose 7.0%, in line with the DAX / Frankfurt and above the Milan MIB and the Paris CAC40. Outside of the Euro Area, the stock exchanges were also bullish, which was reflected in the gains of the Bovespa, Dow Jones Industrial and FTSE indexes.

In this context, Semapa shares in the period increased their value by 6.7%, slightly below the PSI20 average (+7.0%). Semapa's stock price reached a maximum of 14.30 euros on 31 March and a minimum of 12.76 euros on 17 January.

5 Outlook

The global economy demonstrated renewed energy in late 2016, and this carried through into the early months of this year. In a financial context which remains favourable and propitious for growth, the IMF report published for the Spring Meetings adopted a more optimistic tone. In EMU countries, business and confidence indicators point to a significant rate of growth in the first quarter which, if confirmed, would add to the likelihood of a scenario of slightly accelerating GDP this year.

Paper and Pulp

In the short fibre **pulp** market, first quarter performance was strong with sharp growth in demand, low levels of stocks and upward pressure on prices. Several manufacturers have already announced price increases for the second quarter, and the months ahead may be expected to be fairly positive for the sector. However, concerns still persist in relation to new pulp capacities due to come onto the market as from the second half of the year and the impact this will have on the balance between supply and demand for pulp.

In the **paper** market, Navigator has benefited from improving conditions in the market as from late 2016; this trend was maintained throughout the first quarter, and has resulted in record order books for this time of year. The sharp rise in pulp prices and production costs in general, combined with the low level of paper prices and evolution of the EUR/USD exchange rate, have made a global increase in UWF prices inevitable. Already in April, the Group raised the price of products in Europe and in Middle Eastern and North African markets further. Order books in the industry are at their strongest for seven years, and the strong conditions currently enjoyed by the sector are expected to continue over the second quarter.

Regarding the investment project at the Figueira da Foz pulp mill, the plans are designed to achieve improvements in production efficiency and environmental performance and to boost capacity by 70 thousand tons, to total annual capacity of 650 thousand tons of BEKP. Significant progress has already been made on the initial pile work and the building contract has been awarded. The main equipments are programmed to be set up by September 2017. The preliminary production trials are expected to begin after the maintenance shut down programmed for March 2018.

Tissue business in 2017 remains constrained by the general health of the economy, in particular levels of employment and growth in earnings, as well as by a sharp increase in competition. Navigator will continue to work on developing its sales, although increased pressure is expected on its margins due to the sharp rise in pulp prices and the arrival of new capacity on the market.

As already reported, the Cacia project involves building a tissue production line and the relevant converting facilities, with annual production capacity of around 70 thousand tons. Investment will total around 121 million euros. The main equipment suppliers have already been selected and preliminary site preparation work is under way. The paper machine is planned to start up in August 2018.

We wish to highlight that the Group is concerned about the Government's plans to limit eucalyptus plantations that are negative for 400 thousand forestry producers and could harm the competitiveness of the Pulp and Paper Industry, already forced to import 200 million euros worth of wood each year.

During the quarter, the Group successfully completed a pilot operation in **Mozambique**, launched in late 2016, which consisted of exporting 2 thousand tons of eucalyptus timber from Zambézia through the Port of Nacala. This was a necessary trial run and an important learning experience, which resulted in improved knowledge of local processes, agents, logistics, certification procedures and the workings of the institutions involved in seeing through an operation of this kind. In the meantime, the Group has welcomed the announcement of plans to build the Moatize-Macuse railway line and the port of Macuse, to be completed in 2021-22. This project is still at the pre-launch stage and financing has yet to be arranged; if it goes ahead, it will represent a gain in competitiveness for the operation based in Zambézia.

Cement

For **Portugal**, GDP growth outlook in 2017 is more positive; according to the latest projections of the Bank of Portugal, the economy is expected to grow by 1.8%. After the construction industry dropped by 3.3% in 2016, the activity is expected to pick up in 2017, with a growth estimated at 2.6%. This recovery outlook points to a pick up in domestic market activities, which has already taken place in the first quarter of 2017.

In **Lebanon** cement demand is expected to sustain the good momentum, in line with the first quarter. Notwithstanding the unstable environment in Syria caused by the war, greater political stability in the country makes it possible to anticipate higher confidence among economic agents.

A 2.5% growth of the economy is the forecast for **Tunisia** (World Economic Outlook, IMF April 2017). Competition should continue to be intense and increased pressure on sales prices is expected (in the domestic and foreign markets), due to oversupply in the country. In 2017, new commercial premises will help boost sales. The Algerian government is expected to give out import licenses.

Brazil is expected to grow modestly by 0.2% in 2017 (World Economic Outlook, IMF April 2017), which foretells the continuation of the difficulties in economic activity and especially in the activities tied to the construction sector, due to the difficulty in investments coming to fruition. Growth remains constrained by the political crisis. This will continue to put pressure on the amounts sold, while operation sales are expected to grow. Sales price developments will have an impact on the performance of operations, which is why efforts will continue to be put into improving production costs and controlling fixed costs.

The economic outlook for **Angola** is slightly positive for 2017. The IMF is forecasting 1.3% economic growth in 2017. Government programmes to diversify the economy launched in 2016, the upward trend of oil prices on the international markets and the elections in 2017 are expected to foster growth of the economy and cement consumption. While it has not yet been the case in the first quarter, cement consumption is expected to grow in the coming months as some public works are kicking off now.

Environment

Considering the current macroeconomic, financial and sector environment, current conditions are envisaged to remain unchanged in the medium term in the sector operated by the ETSA group, insofar as consumption of foodstuffs are maintained (due to actual increase or simply to changes in the average shopping basket). However, the competition between operators in arranging raw material, which is scanty, will remain intense, because of the pronounced overcapacity of industrial processing.

The ETSA group's prime objectives in the short term include (i) concentrating on the horizontal expansion of its production and destination markets (exports accounted for around 46.6% of total accrued sales on 31 March 2017), (ii) identifying fresh opportunities for vertical growth, channelling its investments to improving operational efficiency, extracting maximum value from the channels operated and retaining the loyalty of the main conventional and alternative collection centres, (iii) the gradual and progressive recovery of balanced sales margins in the market, and (iv) focus on sustained innovation and research and development addressed at ensuring new profit thresholds for the business.

Lisbon, 10 May 2017

The Directors