



DIRECTORS' REPORT

INDIVIDUAL ACCOUNTS

FINANCIAL YEAR OF 2006

Semapa – Sociedade de Investimento e Gestão, SGPS, SA. Sociedade Aberta

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Lisbon Companies Registry and Corporate Person no. 502 593 130 · Share Capital 118.332.445 Euros



Directors' Report

Contents	Page
1. Economic Background	1
2. Overview of Operations	1
3. Principal Developments	2
4. Financial	2
4.1 Financing	2
4.2 Risk Management	3
4.3 Pension Benefits	3
4.4 Listed Share Prices	3
4.5 Dividends	4
4.6 Net Profits for the Period	4
5. Prospects for 2005	4
6. Subsequent Developments	4
7. Acknowledgements	5
8. Proposal for Distribution of Profits	5

1. Economic Background*

The performance of the Portuguese economy in 2006 was characterized by very moderate growth; it is estimated that GDP grew by approximately 1.2%, well below the level recorded in most Euro Zone countries. However, 2006 marked the start of an upturn in the economy, accompanied by budgetary consolidation which, despite having temporarily restrictive effects, is essential for improving the prospects for economic growth in the medium term.

The Portuguese economy has over recent years been particularly influenced by a combination of internal and external shocks. Externally, the rise in the oil price to historically high levels and continued moderate growth in Euro Zone countries has had a particularly negative impact on the Portuguese economy, in view of higher energy consumption per unit produced (in relation to the Euro Zone average) and the geographical distribution of Portuguese exports. In addition, emerging markets with low unit production costs and specialization structures similar to that of the Portuguese economy have been increasingly integrated into international trade. These factors have been particularly felt by companies such as Portucel, which are geared almost entirely to exports.

Internally, the perception of the need to correct the excessive deficit in the Portuguese economy, combined with uncertainty as to the impact of the measures adopted with this end in view, have also helped to moderate growth in the economy.

In 2006, the sluggish performance of internal demand, the limits imposed by intertemporal budget constraints, the adjustment of household debt and the upward trend in interest rates all contributed to the decline in construction indexes and in private and public investment, seriously affecting companies involved in the manufacture of industrial goods, as is the case of the Secil Group.

We may presume that these factors will be maintained throughout 2007, and if this indeed happens it will continue to penalize the performance of companies, although the impact may be expected to diminish over time, allowing for faster growth in the Portuguese economy, more in keeping with the GDP growth rates recorded by other Euro Zone countries.

2. Overview of Operations

The Semapa Group's business operations in 2006 reflect the efforts made to consolidate and bolster its position in its two business areas – Paper and Paper Pulp, and Cement and Derivatives. Performance in 2006 may therefore be considered positive.

The Group appropriated a total of EUR 60 079 306, corresponding to 67.1% of the profits of the Portucel Group for the period between 1 January 2006 and 31 October 2006, and EUR 14 953 677, corresponding to 71.79% of the profits of this subsidiary in November and December 2006 (making a total appropriated of EUR 75 032 983). In relation to the Secil Group, where the Group has a 51% holding, appropriation of net profits stood at EUR 39 431 413.

* Source: *Boletim Económico – Banco de Portugal*

3. Principal Developments

With the publication of Decree-Law 143/2006, of 28 July 2006, the model has been defined for the third phase in the Portucel privatization process, consisting of the sale by the State of shares representing up to 25.72% of the share capital. This took place through a public offering on 14 November, after which the company was fully privatized.

The Semapa Group increased its holding by a further 4.7% (corresponding to 36 060 687 shares) in its subsidiary's share capital. This additional holding was acquired for a price of Euros 76 398 628 (average of EUR 2.12 per share).

The new shares were acquired as follows:

- Acquisition by the group of 4 715 200 shares;
- Acquisition of 31 345 487 shares by Semapa SGPS, by contracting two structures – 22 636 987 shares with Caixa – Banco de Investimento (Put & Call Combination) and 8 708 500 shares with Credit Suisse International (Portucel Total Return Swap) – which entitle it to purchase, on pre-set dates, 2.95% and 1.13% respectively of the share capital of Portucel S.A.. In the event of Semapa not exercising the options by the contract dates (10-11-2009 and 14-11-09, respectively, the financial options have the option to sell to Semapa.

On 12 February 2007, under the contract concluded with Caixa – Banco de Investimento as referred to above, Semapa exercised the right to purchase the said 2.95% of Portucel's share capital.

During the financial year of 2006, the company acquired approximately 0.55% of the shares in EDP, representing an investment of approximately EUR 59.4 M.

4. Financial

4.1. Financing

At year-end 2006, Semapa SGPS had total net bank borrowing of approximately EUR 462 M.

In the course of 2006, the debt allocated to the holdings (Semapa and instrumental sub-holdings) was reorganized, resulting in more favourable terms: i) a significant increase in the maturity of the debt, and ii) lower pricing adjusted to the Group's new risk profile, resulting from sale of the holding in Enersis in December 2005.

As part of this process, Semapa SGPS made two 10-year bond issues, with a value of EUR 175 M and EUR 50 M, led jointly by Banco Espírito Santo de Investimento and Caixa BI and by Banco BPI, respectively. In addition, Semapa SGPS contracted a commercial paper programme of up to EUR 175 M, also with a maturity of 10 years, from a banking syndicate jointly led by Banco Espírito Santo de Investimento and Caixa BI.

This allowed it to pay off in full the finance taken out by its subsidiaries Semapa Investments BV and Semapa Inversiones SL in order to fund acquisition of the Semapa Group's holding in Portucel.

Following on from this reorganization, loans from Semapa SGPS to its sub-holdings Semapa SL and Semapa BV were converted into supplementary capital, which is the principal reason for the increase in the account for Financial Investments, up from EUR 349 M at 31 December 2005 to EUR 1 279 M on 31 December 2006.

In March 2006, as contracted, Semapa SGPS repaid 25% of the nominal value of the Semapa 1998 bond issue, with a value of EUR 5.6 M.

All Semapa SGPS' borrowing is denominated in euros and contracted at a variable rate.

4.2. Risk Management

Risk management priorities have been to detect and hedge against risks which might have a materially relevant impact on the net profits or equity, or which may create significant constraints on the pursuit of the Group's business interests.

As Semapa carries on no direct industrial operations, its business risks are financial, and it is exposed to interest risk given that, as mentioned in the previous section, all borrowing has been contracted on a variable rate basis.

After conclusion of the process of debt reorganization, the hedging of this type of risk is currently under study, in order to minimize the impact of interest rate rises.

The holding company is not exposed to Exchange rate risk as it conducts no foreign business.

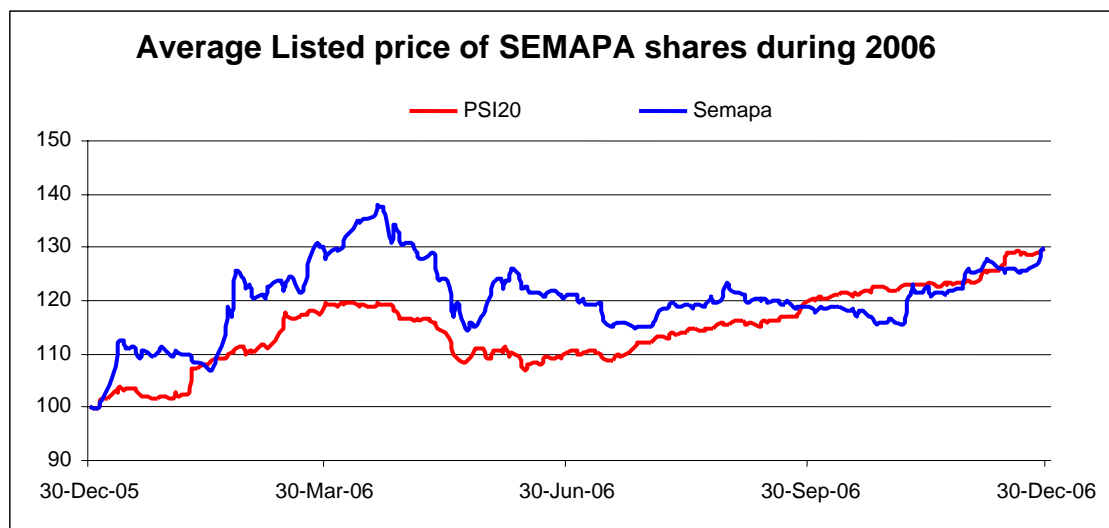
4.3. Retirement Benefits

Implementation of the Directors' Retirement Benefits Regulations, approved at the Annual General Meeting of Shareholders in 2005, resulted in provisions being made for liabilities relating to past services, for a total of approximately 84 million euros, which was recognized in full as a cost in 2005. These liabilities were reassessed at the end of 2006, and it was concluded that no significant alteration had occurred.

4.4. Listed Share Prices

The financial year of 2006 was extremely positive for the capital markets in general, and in particular for the main European exchanges, with some of their indexes recording appreciable gains. Examples of this were the IBEX 35 index for the Madrid stock exchange (which recorded growth of around 31%) and the FTSE 30 index in London (up by approximately 20% over 2005). The PSI 20 index for Euronext Lisbon also recorded substantial gains, up in the order of 30%.

Semapa shares performed positively in 2006, with accrued appreciation of approximately 30%, as may be seen in the following graph:



NB: closing prices

The listed price for Semapa shares varied between EUR 6.80 and EUR 9.39, with average daily trading of 204 185 shares. Prices rose gradually up to the end of April, followed by a period of adjustment, before the upward trend was resumed for the rest of the year.

No significant adjustment occurred in the listed price at the session after announcement of the 2005 results, on 17 March 2006.

4.5. Dividends

On 27 April 2006, SEMAPA paid dividends for the financial year of 2005 totalling EUR 49 699 627, which corresponds to a dividend of EUR 0.42 per share in circulation. This represented a substantial increase over the dividend paid in the previous period (EUR 0.11), due to the disposal by the company of its holding in Enersis II, generating non-recurrent extraordinary results, which led to declaration of a dividend higher than would otherwise have been paid.

4.6. Net Profit for the Period

Semapa's Net Profit for 2006, before minority interest, stood at EUR 164 306 928, of which EUR 91 399 271 is attributable to SEMAPA shareholders.

5. Prospects for 2007

As Semapa SGPS is a holding company, its business prospects are largely dependent on the operations of its subsidiaries, the Secil Group and the Portucel Soporcel Group. These prospects will be detailed in the management report for the consolidated accounts.

6. Subsequent Developments

Our subsidiary **Secil** signed agreements with Cimpor under which the latter will acquire **Secil's** holding in **Cimentos Madeira** and sell its holding in **Cimentaçor**. The overall transaction, which also includes the sale of **Secil's** holding in **Betão-Liz**, is merely awaiting the green light from the Competition Authority, which has been duly notified of the plans.

The subsidiary Secil – Companhia Geral de Cal e Cimentos, SA, acting through a wholly owned subsidiary, has acquired an additional 21.86% stake in the share capital and voting rights of Ciment de Sibline SAL, with registered office in Beirut, Lebanon, for USD 37.3 M. As a result of this acquisition, Secil now has a total interest of 50.5% in the voting rights and share capital of this company.

As stated above, under the contract concluded with Caixa – Banco de Investimento, Semapa exercised in February the right to purchase representing 2.95% of the share capital of Portucel.

7. Acknowledgements

During the financial year of 2006, Semapa recorded growth and consolidation in the company and the Group, and is now acknowledged as one of Portugal's leading industrial conglomerates.

We would not wish to close this report without expressing our sincere thanks to the following, for their important contribution to this result:

- our employees, whose efforts and dedication have made it possible to develop one of Portugal's most dynamic Companies/Groups;
- for the support and understanding of our customers and suppliers, who have acted as partners in our project;
- 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.

8. Proposal for Distribution of Profits

- Considering that the Company needs to maintain a financial structure compatible with sustained growth of its Group, in the various business areas in which it operates;
- Considering that in order for the Company to remain independent from the financial system, it needs to preserve levels of consolidated short, medium and long term indebtedness which allow it to maintain sound solvency indicators; and

We propose that the net profits from individual operations (determined under the POC rules and the Companies Code), of EUR 91 399 271 (ninety one million, three hundred and ninety nine thousand, two hundred and seventy one euros) be distributed as follows:

Dividends for shares in circulation (0.23 euros/ share)	EUR 27 216 462
Free reserves	EUR 64 182 809

Lisbon, 27 February 2007

The Board of Directors

Pedro Mendonça de Queiroz Pereira
Chairman

Maria Maude Mendonça de Queiroz Pereira Lagos
Director

Carlos Eduardo Coelho Alves
Director

José Alfredo de Almeida Honório
Director

Francisco José de Melo e Castro Guedes
Director

Carlos Maria Cunha Horta e Costa
Director

José Miguel Pereira Gens Paredes
Director

Paulo Miguel Garcês Ventura
Director

Rita Maria Lagos do Amaral Cabral
Director

António da Nóbrega de Sousa da Câmara
Director

António Paiva de Andrade Reis
Director

Fernando Maria Costa Duarte Ulrich
Director

Joaquim Martins Ferreira do Amaral
Director

Corporate Governance

Introduction

Corporate governance issues are attracting increasing attention from shareholders. This interest is wholly reasonable, and Semapa has responded by making efforts to recognize its shareholders' concerns.

As detailed below, Semapa currently complies with almost all the recommendations of the Securities Market Commission.

One of the most recent recommendations proposes that the general meeting of shareholders be called on to assess a declaration on remuneration policy. This is a recommendation with which Semapa is pleased to comply, and it has included in this part of the report, devoted to corporate governance, a motion drawn up by the company Remuneration Committee.

Article 245-A of the Securities Code also now requires, in addition to the report on the structure and corporate governance practices governed by SMC regulation no. 7/2001, a set of specific information on the same topic, partially overlapping with that required by the regulation, but which should be set out in a report to be submitted to the general meeting.

The requirements of Articles 447 and 448 of the Companies Code also come under the heading of corporate governance issues.

Accordingly, in view of the various legal recommendations and requirements, we have structured our report on corporate governance as follows:

- I. Report on structure and corporate governance practices, drawn up under the terms of SMC regulation no. 7/2001;
- II. Report on the issues referred to in Article 245-A.1 of the Securities Code;
- III. Declaration on remuneration policy;
- IV. Disclosures required by Articles 447 and 448 of the Companies Code, and
- V. Qualifying holdings in Semapa.

Although these various documents, and in particular the report on the issues referred to in Article 245-A.1 of the Securities Code and the declaration on remuneration policy, are therefore submitted to the shareholders for consideration in conjunction with the other financial reporting documents in which they are incorporated, they will nonetheless be discussed and voted on separately from the management report, if any of the company's shareholders so request.

I. REPORT on structure and corporate governance structure, drawn up under the terms of SMC Regulation 7/2001

Chapter 0 Declaration of Compliance

Recommendation no. 1

The company stays in constant contact with the market, keeping to the principle of equal treatment for all shareholders, and taking steps to ensure that all investors enjoy uniform access to information. The company operates an investor support office, as described below.

This recommendation has therefore been adopted in full.

Recommendation no. 2

The company has no type of restriction on the exercise of voting rights or the representation of shareholders, and the time limits established in the articles of association for submission of the documentation necessary for attendance of general meetings of casting postal votes are shorter than the recommended minimum.

This recommendation has therefore also been adopted in full.

Recommendation no. 3

The company has adopted the recommendation that an internal system of control be created.

In addition to the specific bodies and procedures which exist in our subsidiaries, the company has an Internal Control Committee (ICC) with specific powers in the field of risk control, as described below.

Recommendation no. 4

No measures have been adopted in order to prevent the success of takeover bids, meaning that this recommendation has been adopted in full.

Recommendation no. 5

The management body comprises several members, who effectively direct the management of the company and its senior staff, as described in greater detail below.

The recommendation to this effect has therefore been adopted by the company.

Recommendation no. 5-A

The company has a number of non-executive directors who are responsible for continuous monitoring and assessment of the management of the company by the executive directors.

In addition to these duties performed by non-executive directors, there is also an internal body, the Internal Control Committee, whose members may not be executive directors, and which also plays an important role in supervising and monitoring the affairs of the company, with an advisory function in relation to the choice of external auditors.

This recommendation has therefore been adopted in full.

Recommendation no. 6

Semapa's Board of Directors included independent non-executive directors: Messrs. Joaquim Martins Ferreira do Amaral and António da Nóbrega de Sousa da Câmara.

In addition, all the members of the Audit Board are independent and effectively exercise their powers. The Chairman of the Audit Board is also a member of the company's Internal Control Committee, with responsibilities in the areas of supervision and control, including advisory powers on the selection of external auditors.

This recommendation has therefore also been adopted in full.

Recommendation no. 7

The company has a Corporate Governance Supervisory Committee (CGSC) with specific powers for assessing the structure and governance of the company, as detailed below. This recommendation is therefore fully adopted by the company.

Recommendation no. 8

The structure of the directors' remuneration, which under the articles of association may comprise a fixed and a variable component, the variable components possibly including profit sharing, makes it possible to align the directors' interests with those of the company.

The company has not adopted the recommendation that individual directors' remuneration be disclosed. This decision has been taken after weighing up all the interests at play, and in the opinion of the board of directors, in addition to other potentially negative effects, the gains resulting from such disclosure would not be greater than the loss to the right of privacy of each director.

This recommendation is therefore only partially adopted.

Recommendation no. 8-A

This recommendation was adopted with the inclusion in the financial statements, to be submitted to the next general meeting, of a declaration on remuneration policy for company officers, drawn up by the Remuneration Committee. The shareholders will therefore be able to discuss and vote on this declaration as recommended.

Recommendation no. 9

This recommendation has also been adopted as all members of the Remuneration Committee are independent.

Recommendation no. 10

This recommendation is not applicable because the company has not adopted any share and/or share option allocation scheme.

Recommendation no. 10-A

The company has adopted internal rules on notification of irregularities alleged to have taken place within the company. These rules fix the means of communication, the persons to be legitimately notified, the rules on treatment and other matters detailed below.

This recommendation has therefore been adopted in full by the company.

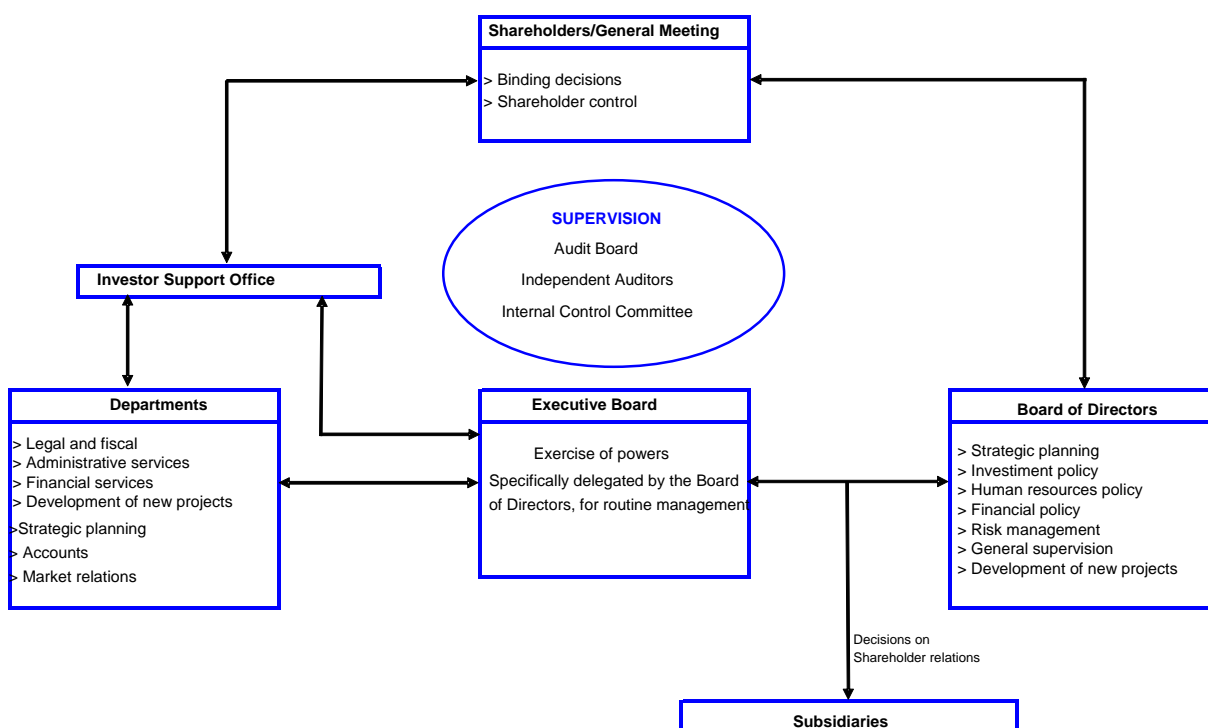
Recommendation no. 11

This recommendation is also not applicable, as it is aimed only at institutional investors.

Chapter I **Disclosure of information**

1. Organisational structure

The following diagram shows in simplified form how powers are distributed with regard to business decisions:



Although duties and responsibilities are not rigidly compartmentalized within the Board of Directors, four main areas may be distinguished in the way responsibilities are shared out:

- 1 Strategic planning and investment policy, which are the responsibility of the Chairman of the Board of Directors, Pedro Mendonça de Queiroz Pereira, and the director, Eng. Carlos Eduardo Coelho Alves.
- 2 Financial policy and risk management, which is the responsibility of the director Dr. José Alfredo de Almeida Honório.
- 3 Human resources policy and administrative control, which is the responsibility of the director Dr. Francisco José de Melo e Castro Guedes.
- 4 General supervision, which is the special responsibility of Eng. Joaquim Martins Ferreira do Amaral, the only director to sit on the Internal Control Committee.

2. Specific Committees

The company has three specific committees: the Remuneration Committee, the Internal Control Committee and the Corporate Governance Supervisory Committee.

The Remuneration Committee has specific powers to fix the remuneration of company officers, and comprises the following members, none of them shareholders or members of other company bodies:

- António Mota de Sousa Horta Osório
- Egon Zehnder, represented by José Gonçalo Maury
- Frederico José da Cunha Mendonça e Meneses.

The Internal Control Committee (ICC) has special responsibilities in the area of detecting and controlling all significant risks in the company's affairs, in particular legal and financial risks, as detailed below, and comprises the following members:

- Dr. Duarte Nuno D'Orey da Cunha – Chairman of the Audit Board
- Dr. Álvaro Manuel Ricardo Nunes – director of a company with a qualifying holding in Semapa
- Eng. Joaquim Martins Ferreira do Amaral – independent non-executive director.

The Corporate Governance Supervisory Committee (CGSC) monitors on a continuous basis the company's compliance with the provisions of the law, regulations and articles of association applicable to corporate governance, and is responsible for critical analysis of the company's practices and procedures in the field of corporate governance and for proposing for debate, altering and introducing new procedures designed to improve the structure and governance of the company.

The CGSC meets at intervals appropriate to its duties, and is required to submit an annual report to the Board of Directors on corporate governance, together with any proposals for changes, as it sees fit.

The Committee comprises three to five members appointed by the Board of Directors, and must include at least one non-executive director and a person without management duties in the company. The Committee members are:

- Rita Maria Lagos do Amaral Cabral – Non-executive director
- Gonçalo Allen Serras Pereira – Consultant who was an executive director of the company until 2005.
- Jorge Manuel de Mira Amaral – director of controlled/controlling companies who was for several years an officer of Semapa's general meeting.

3. Risk control

Risk control activities in the company are carried on through an organizational unit with specific responsibilities in this field – the Internal Control Committee -, and also through independent audits and the work of the company bodies.

The main purpose of the ICC is to detect and control all relevant risks in the company's affairs, in particular legal and financial risks, and the Committee enjoys full powers to pursue this aim, namely:

- (a) To assure compliance by the company with the entire regulatory framework applicable to it, deriving both from law and regulations;
- (b) To monitor the company's business affairs, with integrated and permanent analysis of the risks associated with these affairs;

- (c) To monitor the quality of financial and accounting information, taking steps to ensure that it is reliable;
- (d) To propose the approval of specific measures and procedures for the control and reduction of risks in the company's affairs, with a view to improving the internal risk control system;
- (e) To issue its opinion on the choice of external auditors and to monitor their independence.

The ICC comprises three to five members appointed by the Board of Directors, which members cannot be executive directors. Its current members are those indicated above.

In addition to the important role played by the Audit Board in this field, internal procedures for risk control are also particularly important in each of the company's main subsidiaries. The nature of the risks and the degree of exposure vary from company to company, and each subsidiary therefore has its own independent system for controlling the risks to which they are subject.

Independent audits of Semapa and the companies it controls are carried out by PricewaterhouseCoopers.

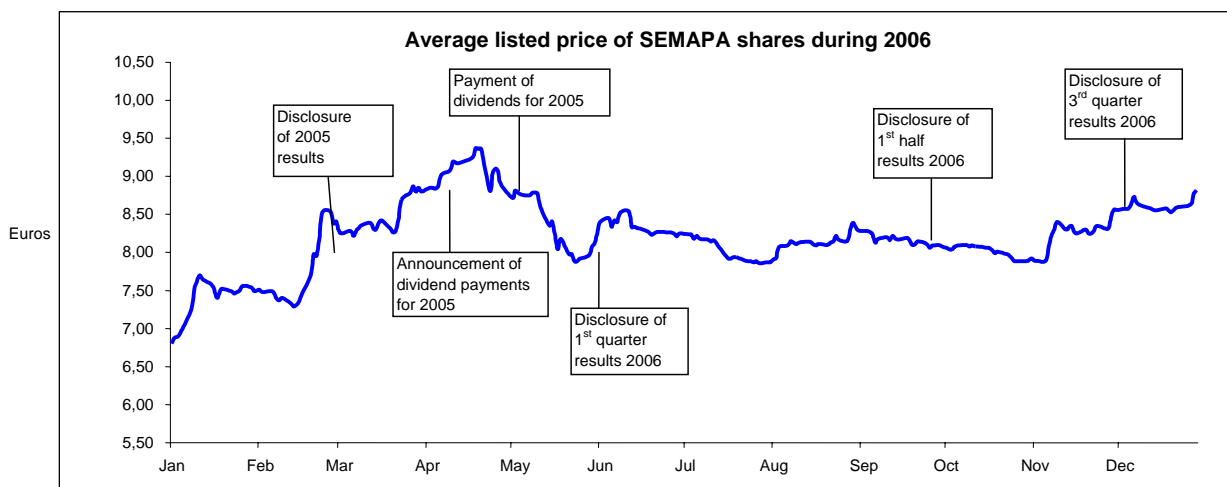
4. Listed share prices

Semapa shares performed positively in 2006, recording significant appreciation, similar to that registered by the main Portuguese equities index. The average daily listed price for Semapa shares varied between EUR 6.80 and EUR 9.37, with average daily trading of 204 185 shares.

No significant adjustment occurred in the listed price at the session after announcement of the 2005 results, on 17 March 2006.

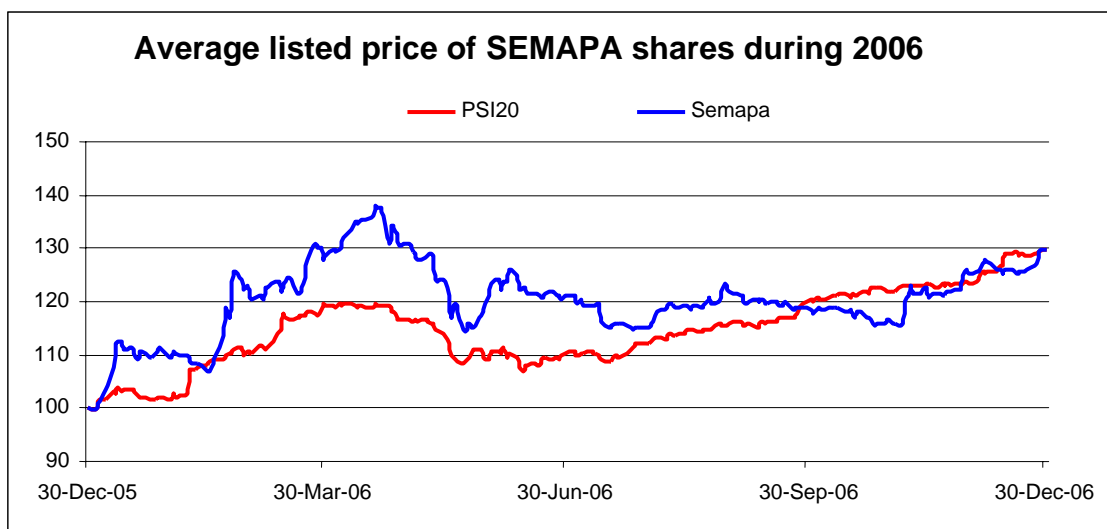
Likewise, the distribution of a dividend of EUR 0.42 per share, which in net terms represented, for shareholders subject to taxation, a dividend of approximately EUR 0.336 per share, had no significant immediate impact on the formation of the share price.

The following graph shows listed prices over the period, together with the main disclosures made to the market:



As may be seen, listed prices rose gradually up to the end of April, followed by a period of adjustment, before the upward trend was resumed for the rest of the year.

The shares performed well in 2006, with accrued appreciation of 30%. The trend in Semapa share prices was in line with the main thrust of the market, as illustrated by the following comparative graph:



5. Dividend distribution policy

The Company has followed a dividend policy of distributing a large amount without resorting to borrowing for this purpose and without jeopardising its sound financial position. The aim is to maintain a financial structure compatible with the sustained growth of the company and the different business areas, whilst also maintaining sound solvency indicators.

The pay-out ratio (dividends/net profit) in recent years has been high, reaching a high point of 94% in 1995, and standing at its lowest in 2001, at 26%.

In the last three years, the dividend per share in circulation has been as follows:

2004 (in relation to 2003)	0.10 € per share
2005 (in relation to 2004)	0.11 € per share
2006 (in relation to 2005)	0.42 € per share

6. Share and option allocation schemes

The Company runs no share or option allocation scheme.

7. Transactions with company officers, holders of qualifying holdings and subsidiaries

No transactions to report.

8. Investor Support Office

The investor support service is provided from an office headed by Dr. José Miguel Gens Paredes, who is also the company's market relations representative. The office is adequately staffed and enjoys swift access to all sectors of the company, in order to ensure an effective response to requests, and also to transmit relevant information to shareholders and investors in good time and without any inequality.

In addition to the general contact details for the company, Dr. José Miguel Gens Paredes can be contacted at the address imparedes@semapa.pt or on the company's general telephone numbers.

All public information on the company can be accessed in this form. Please note, in any case, that the information most frequently requested by investors is available at the company's website at www.semapa.pt.

9. Remuneration Committee

As indicated above, the Semapa Remuneration Committee is made up as follows:

- António Mota de Sousa Horta Osório
- Egon Zehnder, represented by José Gonalo Maury
- Frederico Jos  da Cunha Mendona e Meneses.

10. Remuneration of Auditors

The following costs were incurred in relation to auditors in 2006 by the company and other related companies:

Services – Audit of Accounts	435.460 €	(52,57%)
Other services – reability assurance	66.742 €	(8,06%)
Fiscal advisory services	279.645 €	(33,76%)
Services other than legal auditing	<u>46.534 €</u>	<u>(5,62%)</u>
	828.381 €	(100,0%)

In relation to fiscal consultancy services and services other than legal auditing, our auditors have set strict internal rules to guarantee their independence, and these rules have been adopted in the provision of these services and monitored by the company, in particular by the Audit Board and the Internal Control Committee.

Chapter II

Exercise of voting rights and representation of shareholders

1. Company rules on voting rights

There are no company rules which in any way limit voting rights or disallow postal voting. The only company rules on the exercise of voting rights by shareholders are those detailed below.

2. Postal vote form

The company provides a postal vote form. This form is available at the company's website and may be requested from the investor support office.

3. Electronic voting

Electronic voting is still not possible. Note that no shareholders or investors in the company have yet requested or expressed an interest in such procedures.

4. Period for freezing shares

The company's articles of association require that shareholders submit a document proving ownership of the shares no less than five days prior to the date of the general meeting.

5. Deadline for receipt of postal votes

Postal votes must be received by the day before the date of the general meeting.

6. Number of shares corresponding to one vote

There is one vote for each 385 shares in the company.

Chapter III Company Rules

1. Codes of Conduct and notification of irregularities

The Company has a set of “Principles of Professional Conduct”, approved by the Board of Directors. This document establishes ethical principles and rules applicable to company staff and officers.

In particular, this document establishes the duty of diligence, requiring professionalism, zeal and responsibility, the duty of loyalty, which in relation to the principles of honesty and integrity is especially geared to guard against conflict of interest situations, and the duty of confidentiality, in relation to the treatment of relevant information.

The document also establishes duties of corporate social responsibility, namely of environmental conservation and protection of all shareholders, namely minority shareholders, ensuring that information is fairly disclosed, and all shareholders treated equally and fairly.

The company also has a set of “Regulations on Notification of Irregularities”, which govern the procedure whereby company employees give notice of irregularities allegedly taking place within the company.

These regulations enshrine the general duty to give notice of alleged irregularities, indicating the Audit Board as the body to be informed, and also providing for an alternative solution in the event of there being a conflict of interests on the part of the Audit Board as regards the irregularity to be reported.

The Audit Board may request the assistance of the Internal Control Committee, and is required to conduct a preliminary investigation of all the facts necessary for assessing the alleged irregularity. This process ends with filing or with a submission to the Board of Directors or the Executive Board, depending on whether a company officer is involved, of a proposal for appropriate measures in the light of the irregularity in question.

The regulations also contain other provisions designed to safeguard the confidentiality of disclosure and non-prejudicial treatment of the employee reporting the irregularity, as well as rules on providing information on the regulations throughout the company.

Access to the “Principles of Professional Conduct” and to the “Regulations on Notification of Irregularities” is reserved.

2. Control of operating risks

The company has an internal unit with powers to control the risks of the company’s business activities. This is the Internal Control Committee, whose responsibilities were described in item 3 of chapter I.

3. Measures capable of interfering with takeover bids

There are no provisions in the articles of association or measures adopted by the company such as may interfere with the success of takeover bids, and the company has no knowledge of any shareholders' agreements which might have this effect, without prejudice to the open co-ordination of voting rights by the shareholders holding more than half the share capital, on the terms indicated in the list of qualifying holdings.

Chapter IV Management Body

1. Details of Board of Directors

The Board of Directors comprises thirteen members, including seven executive directors. Two of the non-executive directors are independent, as shown in the following table

	Executive	Independent
Pedro Mendonça de Queiroz Pereira	X	
Maria Maude Mendonça de Queiroz Pereira Lagos		
Carlos Eduardo Coelho Alves	X	
José Alfredo de Almeida Honório	X	
Francisco José Melo e Castro Guedes	X	
Carlos Maria Cunha Horta e Costa	X	
José Miguel Gens Paredes	X	
Paulo Miguel Garcês Ventura	X	
Rita Maria Lagos do Amaral Cabral		
António da Nóbrega de Sousa da Câmara		X
António Paiva de Andrada Reis		
Fernando Maria Costa Duarte Ulrich		
Joaquim Martins Ferreira do Amaral		X

Below we detail, for each of the members, the nature of their duties, their professional qualifications, the number of shares held, the date when first appointed and term of office, office held in other companies, identifying those belonging to the Semapa Group (identified with the initials "SG"), and other professional activities carried on in the last 5 years.

Pedro Mendonça de Queiroz Pereira

1. Nature of duties on board of director: Executive
2. Number of shares held in the company: holds no shares in the company
3. Professional qualifications: General High School Certificate (Lisbon), studied at the Instituto Superior de Administração
4. Date of first appointment and term of office: 1991 - 2009
5. Office held in other companies:

About The Future – Empresa Produtora de Papel, S.A (GS)..... Director
 CIMENTOSPAR - Participações Sociais, SGPS, Lda (GS)..... Manager
 CIMIGEST, SGPS, S.A..... Chairman of the Directors
 CIMINPART - Investimentos e Participações, SGPS, S.A. (GS) Chairman of the Directors
 CIMO - Gestão de Participações, SGPS, SA..... Chairman of the Directors
 CMP - Cimentos Maceira e Pataias, SA (GS)..... Chairman of the Directors
 ECOLUA - Actividades Desportivas, Lda..... Manager
 ECOVALUE – Investimentos Imobiliários, Lda Manager
 LONGAPAR, SGPS, SA Chairman of the Directors
 O E M - Organização de Empresas, SGPS, SA Chairman of the Directors

PORTUCEL - Empresa Produtora de Pasta e Papel, S.A. (GS).....	Chairman of the Directors and member of Executive Board
SECIL - Companhia Geral de Cal e Cimento, SA (GS)	Chairman of the Directors
SECILPAR, SL (GS)	Chairman of the Directors
SEINPART Participações, SGPS, S.A (GS)	Chairman of the Directors
SEMAPA Inversiones, SL (GS).....	Chairman of the Directors
SEMINV - Investimentos, SGPS, S.A (GS).....	Chairman of the Directors
SODIM SGPS, SA	Chairman of the Directors
SOPORCEL - Sociedade Portuguesa de Papel, S.A. (GS)	Chairman of the and member of Executive Board
SOPORCEL – Gestão de Participações Sociais, SGPS, S.A. (GS)	Director
TEMA PRINCIPAL – SGPS, SA	Director
VÉRTICE - Gestão de Participações, SGPS, SA	Chairman of the Directors

6. Other professional activities over the last 5 years:

CMPartin-Inversiones y Participaciones Empresariales SL (GS)	Chairman of the Directors
PARSECIL, SL (GS)	Chairman of the Directors
PARSEINGES - Gestão de Investimentos, SGPS, S.A (GS).....	Chairman of the Directors
Sociedade Agrícola da QUINTA DA VIALONGA, S.A.	Chairman of the Directors
IMOCIPAR – Imobiliária, S.A.	Director
CIMIPAR – Sociedade Gestora de Participações Sociais, S.A.....	Chairman of the Directors

Maria Maude Mendonça de Queiroz Pereira Lagos

1. Nature of duties on board of director: Non-executive
2. Number of shares held in the company: holds no shares in the company
3. Professional qualifications: General High School Certificate (Lisbon).
4. Date of first appointment and term of office: 1994 - 2009
5. Office held in other companies:

CIMIANTO-Gestão de Participações, SA	Director
O E M - Organização de Empresas, SGPS, SA	Director
SODIM, SGPS, SA	Director
Hotel RITZ, SA.....	Chairman Board of Directors
LONGAVIA-Imobiliária, SA	Director

6. Other professional activities over the last 5 years:

IDEIAS INTERACTIVAS – Informática, S.A.....	Director
VÉRTICE – Gestão de Participações, SGPS, S.A.....	Director

Carlos Eduardo Coelho Alves

1. Nature of duties on board of director: Executive
2. Number of shares held in the company: holds no shares in the company
3. Professional qualifications: Degree in Mechanical Engineering, from the Instituto Superior Técnico (1971).
4. Date of first appointment and term of office: 1991 - 2009
5. Office held in other companies:

SONACA – Sociedade Nacional de Canalizações, S.A.....	Chairman of the Directors
SODIM, SGPS, SA	Director
SECIL - Companhia Geral de Cal e Cimento, SA (GS)	Director and Chairman of Executive Board
CMP - Cimentos Maceira e Pataias, SA (GS).....	Director and Chairman of Executive Board
CIMO - Gestão de Participações, SGPS, SA.....	Director
SCG – Société des Ciments de Gabès, SA (GS)	Chairman of the Directors
SEMINV - Investimentos, SGPS, S.A (GS).....	Director
SECILPAR, SL (GS)	Director
CIMINPART - Investimentos e Participações, SGPS, S.A. (GS)	Director

PARCIM – Investments B.V. (GS)	Director
PARSEINGES - Gestão de Investimentos, SGPS, S.A. (GS).....	Director
SEINPART Participações, SGPS, S.A (GS)	Director
LONGAPAR, SGPS, SA	Director
BETOPAL, S.L. (GS)	Director
SEMAPA Inversiones, SL (GS).....	Director
CIMENTOSPAR - Participações Sociais, Lda. (GS).....	Manager
FLORIMAR – Gestão e Participações, SGPS, Soc. Unipessoal, Lda. (GS)	Manager
PORTUCEL – Empresa Produtora de Pasta e Papel, SA (GS)	Director
SOPORCEL – Sociedade Portuguesa de Papel, SA (GS)	Director
HEWBOL – SGPS, L.da (GS)	Manager

6. Other professional activities over the last 5 years:

CIMIGEST, SGPS, S.A.....	Director
ENERSIS II - Sociedade Gestora de Participações Sociais, S.A.....	Chairman of the Directors
FESPECT – Serviço de Consultadoria, S.A.....	Director
CMPartin-Inversiones y Participaciones Empresariales SL (GS).....	Director
PARSECIL, SL (GS)	Director

José Alfredo de Almeida Honório

1. Nature of duties on board of director: Executive
2. Number of shares held in the company: 20,000 shares
3. Professional qualifications: Degree in Economics from the Faculty of Economics, University of Coimbra (1980)
4. Date of first appointment and term of office: 1994 - 2009
5. Office held in other companies:

About The Future – Empresa Produtora de Papel, S.A. (GS)	Chairman of the Directors
ALIANÇA FLORESTAL – Sociedade para o Des. Agro-Florestal, SA (GS)	Chairman of the Directors
BETOPAL, S.L. (GS)	Director
CIMENTOSPAR - Participações Sociais, SGPS, Lda. (GS).....	Manager
CIMINPART-Investimentos e Participações, SGPS, S.A. (GS)	Director
CIMO-Gestão de Participações, SGPS, S.A.....	Director
CMP-Cimentos Maceira e Pataias, S.A (GS).....	Director
FLORIMAR – Gestão e Participações, SGPS, Soc. Unipessoal, Lda. (GS)	Manager
HEWBOL – SGPS, L.da (GS)	Manager
LONGAPAR, SGPS, S.A.	Director
PORTUCEL – Empresa Produtora de Pasta e Papel, SA (GS)	Chairman of the Executive Board and Director
PORTUCEL FLORESTAL – Empresa de Desenv. Agro-Florestal, SA (GS)	Chairman of the Directors
SECIL-Companhia Geral de Cal e Cimento, S.A. (GS)	Director
SEINPART Participações, SGPS, S.A. (GS)	Director
SEMAPA Inversiones, SL (GS).....	Director
SEMINV - Investimentos, SGPS, S.A (GS).....	Director
SOPORCEL – Sociedade Portuguesa de Papel, SA (GS)	Chairman of the Executive Board and Vice-Chairman of the Directors
SOPORCEL – Gestão de Participações Sociais, SGPS. S.A.....	Chairman of the Directors

6. Other professional activities over the last 5 years:

CIMIGEST, SGPS, S.A.....	Director
CIMPOR – Cimentos de Portugal, SGPS, S.A	Director
CMPartin-Inversiones y Participaciones Empresariales SL (GS).....	Director
PARCIM Investment B.V. (GS)	Director
PARSECIL, SL (GS)	Director
PARSEINGES-Gestão de Investimentos, SGPS, S.A. (GS).....	Director
SECILPAR, SL (GS)	Director

Francisco José Melo e Castro Guedes

1. Nature of duties on board of director: Executive
2. Number of shares held in the company: holds no shares in the company
3. Professional qualifications: Degree in Finance from the Instituto Superior de Ciências Económicas e Financeiras; MBA Insead.
4. Date of first appointment and term of office: 2001 - 2009
5. Office held in other companies:

CMP- Cimentos Maceira e Pataias, S.A (GS)..... Director
 PARSEINGES-Gestão de Investimentos, SGPS, S.A. (GS)..... Director
 SECIL – Companhia Geral de Cal e Cimento, S.A. (GS) Director
 SEINPART Participações, SGPS, S.A. (GS) Director
 SEMINV – Investimentos, SGPS, S.A. (GS)..... Director
 SCG – Société des Ciments de Gabès, S.A. (GS) Director
 CDS - Ciments de Sibline, SGPS, S.A. (GS) Director
 CIMINPART-Investimentos e Participações, SGPS, S.A. (GS) Director
 SEMAPA Inversiones, SL (GS)..... Director
 SILONOR, S.A. (GS) Director
 Cimentospar – Participações Sociais, SGPS, Lda (GS) Manager
 Viroc Portugal – Indústrias de Madeira e Cimento, S.A. (GS) Chairman of the Directors

6. Other professional activities over the last 5 years:

Geciment, Sociedade Gestora de Participações Sociais, S.A. Director
 Enersis II – Sociedade Gestora de Participações Sociais, S.A..... Director

Carlos Maria Cunha Horta e Costa

1. Nature of duties on board of director: Executive
2. Number of shares held in the company: holds no shares in the company
3. Professional qualifications: Degree in Economics from the Instituto Superior de Economia
4. Date of first appointment and term of office: 2006 - 2009
5. Office held in other companies:

CIMIGEST, SGPS, S.A..... Director
 CIMIPAR, Sociedade Gestora de Participações Sociais, S.A..... Chairman of the Directors
 Longapar, SGPS, S.A. Director

6. Other professional activities over the last 5 years:

CTT- Correios de Portugal, S.A. Chairman of the Directors
 CTT Expresso, S.A. Chairman of the Directors
 CTT – Gestão de Serviços e Equipamentos Postais Chairman of the Directors
 Payshop, S.A. Chairman of the Directors
 Mailtec – Holding, SGPS, S.A..... Chairman of the Directors
 Postcontacto, Lda. Manager
 Lucent Technologies – Portugal Chairman
 João Lagos Sports, S.A. Director

José Miguel Pereira Gens Paredes

1. Nature of duties on board of director: Executive
2. Number of shares held in the company: holds no shares in the company
3. Professional qualifications: Degree in Economics
4. Date of first appointment and term of office: 2006 - 2009

5. Office held in other companies:

Sonaca – Sociedade Nacional de Canalizações, S.A.....	Director
CIMIPAR – Sociedade Gestora de Participações Sociais, S.A.....	Director
Tercim – Terminais de Cimento, S.A. (GS).....	Director
SEINPART Participações, SGPS, S.A. (GS)	Director
SEMINV - Investimentos, SGPS, S.A (GS)	Director
Secilpar Inversiones S.L. (GS).....	Director
Sodim, SGPS, S.A.....	Member of Audit Board

6. Other professional activities over the last 5 years:

Enerisis II – Sociedade Gestora de Participações Sociais, SGPS, SA.....	Director
Enerisis – Sociedade Gestora de Participações Sociais, SGPS, SA.....	Director
ECH – Exploração de Centrais Hidroeléctricas, S.A.....	Director
PESL – Parque Eólico da Serra do Larouco, S.A.	Director
BECIM – Correctora de Seguros, Lda	Manager
Silonor, S.A. (GS)	Director
Ciminpart – Investimentos e Participações, SGPS, S.A. (GS).....	Director

Paulo Miguel Garcês Ventura

1. Nature of duties on board of director: Executive
2. Number of shares held in the company: holds no shares in the company
3. Professional qualifications: Degree in Law from Faculty of Law, University of Lisbon.
Registered with the Portuguese Bar Association.
4. Date of first appointment and term of office: 2006 - 2009
5. Office held in other companies:

Beira-Rio – Sociedade Construtora de Armazéns, S.A.	Chairman of the General Meeting
CIMIPAR – Sociedade Gestora de Participações Sociais, S.A.....	Chairman of the General Meeting
CIMO - Gestão de Participações, SGPS, SA.....	Chairman of the General Meeting
GOLIATUR – Sociedade de Investimentos Imobiliários, S.A.	Chairman of the General Meeting
LONGAPAR, SGPS, SA	Chairman of the General Meeting
O E M - Organização de Empresas, SGPS, SA	Chairman of the General Meeting
SEINPART Participações, SGPS, S.A (GS)	Chairman of the General Meeting
SEMINV - Investimentos, SGPS, S.A (GS).....	Chairman of the General Meeting
Sonagi – Imobiliária, S.A.....	Chairman of the General Meeting
Vértice – Gestão de Participações, SGPS, S.A.	Chairman of the General Meeting
Sociedade Agrícola da Quinta da Vialonga, S.A.....	Chairman of the General Meeting

6. Other professional activities over the last 5 years:

Held the post of Semapa Company Secretary.
Legal practice.

Rita Maria Lagos do Amaral Cabral

1. Nature of duties on board of director: Non-executive
2. Number of shares held in the company: holds no shares in the company
3. Professional qualifications: Degree in Law from Faculty of Law, University of Lisbon.
Registered with the Portuguese Bar Association.
4. Date of first appointment and term of office: 2006 - 2009
5. Office held in other companies:

CIMIGEST, SGPS, S.A.....	Director
Sociedade Amaral Cabral & Associados – Sociedade de Advogados, RL. .	Director
Casa Agrícola Amaral Cabral, Lda.	Manager
Sociedade Agrícola do Margarido, Lda.....	Manager

Companhia Agrícola da Quinta do Duque Chairman of the General Meeting

6. Other professional activities over the last 5 years:

Guest lecturer, Faculty of Law, Portuguese Catholic University.
Member of the National Council of Ethics for Life Sciences.

António da Nóbrega de Sousa da Câmara

1. Nature of duties on board of director: Non-executive
2. Number of shares held in the company: holds no shares in the company
3. Professional qualifications: Degree Civil Engineering (1977), IST; MSc (1979) and PhD (1982) in Environmental Engineering Systems.
4. Date of first appointment and term of office: 2006 - 2009
5. Office held in other companies:

IDEIAS INTERACTIVAS – Informática, S.A. (Ydreams) Chief Executive Officer

6. Other professional activities over the last 5 years:

Professor of the Faculty of Science and Technology, Universidade Nova de Lisboa.

António Paiva de Andrada Reis

1. Nature of duties on board of director: Non-executive
2. Number of shares held in the company: holds no shares in the company
3. Professional qualifications: Degree in Law from Faculty of Law, University of Lisbon.
4. Date of first appointment and term of office: 2006 - 2009
5. Office held in other companies:

CIMIGEST, SGPS, S.A. Director
CIMIPAR, Sociedade Gestora de Participações Sociais, S.A. Director
Longapar, SGPS, S.A. Director

6. Other professional activities over the last 5 years:

Associação Portuguesa de Seguradores. Chairman

Fernando Maria Costa Duarte Ulrich

1. Nature of duties on board of director: Non-executive
2. Number of shares held in the company: holds no shares in the company
3. Professional qualifications: Attended Business Management Course at the Instituto Superior de Economia de Lisboa
4. Date of first appointment and term of office: 2006 - 2009
5. Office held in other companies:

Banco BPI, S.A. Chairman of the Executive Board and
Vice-Chairman of the Directors
BFA – Banco de Fomento SARL (Angola) Chairman of the Directors
Banco Português de Investimento, S.A. Vice-Chairman of the Directors
BPI Vida – Companhia de Seguros Vida, S.A. Chairman of the Directors
BPI Gestão de Activos – Sociedade Gestora de Fundos de Investimento
Mobiliários, S.A. Chairman of the Directors
BPI Pensões – Sociedade Gestora de Fundos de Pensões, S.A. Chairman of the Directors

Inter-Risco – Sociedade de Capital de Risco, S.A.....	Director
Petrocer, L.da	Manager
BPI Capital Finance Limited (Cayman Islands).....	Director
BPI Global Investment Fund Management Company S.A. (Luxemburgo)...	Chairman
BPI Madeira, SGPS, Unipessoal	Director

6. Other professional activities over the last 5 years:

Portugal Telecom, S.A.....	Non-executive Director
Banco de Fomento de Angola – BFA	Director
Banco de Fomento S.A.R.L. (Angola).....	Vice-Chairman of the Directors
Banco BPI, S.A.	Vice-Chairman of the Executive Board
Companhia de Seguros Allianz Portugal, S.A.....	Non-executive Director
PT – Multimédia, Serviços de Telecomunicações e Multimédia, SGPS, S.A.	Non-executive Director
Solo – Investimentos em Comunicações, SGPS, S.A.	Chairman of the Directors
Banco de Fomento S.A.R.L. (Moçambique)	Vice-Chairman of the Directors
Impresa – SGPS, S.A.	Director
SIC – Sociedade Independente de Comunicação, S.A.	Director
Investec, SGPS, S.A.....	Vice-Chairman of the Directors
CIP	Member of the Advisory Board

Joaquim Martins Ferreira do Amaral

1. Nature of duties on board of director: Non-executive
2. Number of shares held in the company: holds no shares in the company
3. Professional qualifications: Degree in mechanical engineering - IST
4. Date of first appointment and term of office: 2006 - 2009
5. Office held in other companies:

Dresdner Bank.....	Senior Advisor
Transdev – Transportes.....	Consultant

6. Other professional activities over the last 5 years:

Cimianto - Sociedade Técnica de Hidráulica, S.A.	Director
Energis II – Sociedade Gestora de Participações Sociais, SGPS, SA.....	Director
Galp Energia, SGPS, S.A.	Chairman of the Directors

2. Executive Board

The only board with management powers is the Executive Board, which comprises, as already stated, Messrs. Pedro Mendonça de Queiroz Pereira, Eng. Carlos Eduardo Coelho Alves, Dr. José Alfredo de Almeida Honório, Dr. Francisco José Melo e Castro Guedes, Dr. Carlos Maria Cunha Horta e Costa, Dr. José Miguel Gens Paredes and Dr. Paulo Miguel Garcês Ventura.

The Executive Board has been granted the widest management powers, largely detailed in the respective act of delegation, and only limited with regard to the matters indicated in article 407, para. 4 of the Companies Code.

3. Workings of the Management Body

The management of the company is centred on the relationship between the Board of Directors and the Executive Board.

The two bodies are co-ordinated and kept in contact by the fact that they have a common chairman, and through regular transmission of all relevant information on the day-to-day management of the company to the non-executive directors, in order to keep them abreast of the company's life at all times. In addition, meetings of the Board of Directors are called for all decisions regarded as especially important, even if they fall within the scope of the powers delegated to the Executive Board.

It is relevant to note in this regard that the members of the Executive Board are available at all times to provide the information requested by the other members of the Board of Directors. It is standard practice for this information to be transmitted immediately when the importance or urgency of the matter so requires.

The Executive Board cannot resolve on the following:

- i) Selection of the chairman of the Board of Directors;
- ii) Co-opting of directors;
- iii) Requests for the call of a general meeting;
- iv) Annual reports and financial statements;
- v) Provision of bonds and personal or real guarantees by the company;
- vi) Change in registered offices and increases in share capital; and
- vii) Plans for merger, break-up or transformation of the company.

There are no internal rules on incompatibility or on the maximum number of offices which directors can hold in the management bodies of other companies.

The Board of Directors met six times in 2006.

4. Remuneration Policy

Remuneration policy is not set by the Board of Directors, and aligns the interests of the directors with those of the company, dividing remuneration into a fixed component and a variable component.

The fixed component is determined in line with the usual criteria in directorships, taking special account of responsibilities, the size and capacity of the company, the remuneration paid in the market for equivalent posts and the fact of the director being executive or non-executive. The variable component consisted in the previous period in a share in profits approved by the General meeting and limited by the articles of association to 5% of the net profits.

There are no formal rules on distinguishing between the remuneration of executive and non-executive directors, and this factor is taken into account in a general way when setting remuneration, both fixed and variable.

The company has no policy on compensation or other payments on departure from office, other than the retirement benefits approved by the general meeting and detailed below.

We refer on this issue to the declaration from the Remuneration Committee, included in the report and financial statements.

5. Remuneration and retirement benefits

The total remuneration earned by the company's directors is indicated in the following table, which provides a breakdown between executive and non-executive directors, and between fixed and variable components.

	Executive directors	Non-exec. directors	Total
Fixed remuneration	1.400.475,45 €	883.415,55 €	2.283.891,00 €
Variable remuneration	10.954.065,00 €	1.938.270,00 €	12.892.335,00 €
Total	12.354.540,45 €	2.821.685,55 €	15.176.226,00 €

Although up to the annual general meeting in 2006 the variable component in the remuneration of directors was directly resolved on by the general meeting as part of the distribution of profits, the need to comply with accounting standards which recommend that the variable remuneration of directors be accounted for in the period to which it relates led to the a different solution being adopted in 2006 when approving the accounts for 2005. As a provision had been made for a part of the possible variable remuneration, it would make no sense to allocate variable remuneration from the company's results which already considered the provision created.

In the last year, the variable part of the directors' remuneration was fixed by the Remuneration Committee, in keeping with the limit established in the Articles of Association, which lay down that: "The remuneration may comprise a fixed component and a variable component, which shall include profit sharing, and such profit sharing shall not exceed, for the directors as a whole, five per cent of the net profits from the preceding period." The variable part fixed in 2006 by the Remuneration Committee stood at approximately 4% of the result for the period to which it related.

The variable remuneration system is therefore based on results and on the criteria of the Remuneration Committee.

In addition to these amounts, the company's executive directors also earned remuneration for their management duties in controlled companies totalling 5,824,731.92 €

The company does not allocate any non-pecuniary benefits or other pecuniary benefits other than the remuneration indicated. There is also no share allocation or share option scheme in operation, and no compensation was paid or due to former executive directors leaving office in the course of the year.

There is a retirement benefits system for directors approved by the general meeting, under which the directors are entitled to a monthly life pension, paid 12 times a year, as from the age of 55, if they have served as directors of the company for a minimum of 8 years, consecutively or non-consecutively. In the event of invalidity, the entitlement is not subject to an age requirement.

The value of the pension is fixed at between 80% and 27.2% of the result of dividing by 12 the fixed annual remuneration earned by the director at the date of leaving office as director of Semapa or any other controlled company. The percentage is determined by the total length of service, in this case including service in Semapa or controlled companies, as director or in another capacity. The percentage of 80% applies to service of 20 years or more, and there is a sliding scale with 27.2% being applied to those with 8 years' service. The General Meeting of 30 March 2005 decided to apply the upper limit to 6 directors.

It is relevant to note that the regulations also allow for half the value of the pension to be transferred to the surviving spouse or underage or handicapped children of the director. In addition, any sums earned for services subsequently rendered to Semapa or controlled companies, together with the value of any pensions which the beneficiary is entitled to receive from public social security systems in relation to the same period of service, must be deducted from the pension paid.

6. Policy on Notification of Irregularities

The general thrust of the policy for notification of irregularities has been broadly described in item 1 of Chapter 3 of this Report, to which we refer.

II. REPORT ON THE ISSUES REFERRED TO IN ARTICLE 245-A.1 OF THE SECURITIES CODE

Article 245-A.3 of the Securities Code requires the management bodies of companies issuing shares listed on regulated markets to submit an annual report to the general meeting on a number of corporate governance issues identified in paragraph 3 of the same Article.

This chapter provides the information required, identifying the precise sub-paragraphs to which each issue relates. In cases where the information has already been provided in the report on structure and corporate governance practices required by SMC Regulation 7/2001, we will simply refer the reader accordingly.

a) Capital structure, including indication of shares not listed for trading, different share categories, rights and duties attaching to shares and the percentage of the capital represented by each category.

Semapa's share capital is represented solely by ordinary shares, with a nominal value of 1 euro each, identical rights and duties attaching to all shares.

The share capital is represented by a total of 118,332,445 shares, corresponding to a nominal value of 118,332,445 euros, all shares being listed for trading.

The decision to adopt a single category of shares has been maintained since the formation of the company, and circumstances have not arisen to justify proposing to the shareholders that this situation be altered.

b) Any restrictions on the transferability of shares, such as consent for disposal clauses, or limits on the ownership of shares

There are not restrictions of any kind at Semapa on the transferability or ownership of shares. This is also a situation which has existed since the formation of the company, and still offers the most balanced solution in the interest of all the shareholders.

c) Qualifying holdings in the share capital

We refer the reader to the information in the relevant section of the management report.

It may be seen from the list of qualifying holdings that there is a set of controlling companies, which have retained this position since Semapa shares were first listed. A significant part of the remaining capital is also divided between qualifying holdings.

Semapa is a company which has enjoyed a significant degree of shareholder stability, with some repercussions for the liquidity of the shares.

d) Identification of shareholders with special rights, and description of these rights

No special rights are enjoyed by any shareholder or category of shareholder in Semapa.

e) Control procedures in any employee share ownership scheme, insofar as voting rights may not be directly exercised by such employees

There is no employee share ownership scheme at Semapa.

As Semapa is a holding company with a very small staff of its own, there would appear to be no reason for adopting such a scheme.

f) Any restrictions on voting rights, such as limits on the exercising of voting rights depending on the ownership of a number of percentage of shares, time limits for exercising voting rights or systems for detaching voting rights from ownership rights

Nothing to report in this respect, save for the time limits for submitting the documentation needed for attending general meetings and for postal votes.

The time limits were recently altered in order to bring them closer to the recommendations for best practice in corporate governance. They are now as follows:

Deadline for presenting documents proving ownership of shares in company – 5 days

Deadline for presenting proxy letters – 5 days

Deadline for presenting postal vote documents – day before general meeting

We believe that the current rules are reasonable and no change is currently needed.

g) Shareholders' agreement known to the company which may lead to restrictions on the transfer of securities or voting rights

The company is not aware of any shareholders' agreement relating to its shares, without prejudice to the fact that voting rights are openly coordinated by Cimigest SGPS, S.A. and other entities, as follows from the list of qualifying holdings.

h) Rules on the appointment and replacement of directors and on amendment of the Articles of Association

Semapa has no special rules on the appointment and replacement of directors or on amendment of its articles of association. The general rules in the Companies Code are therefore applicable.

As the general legal rules are balanced, both with regard to the appointment and substitution of directors, and on the procedure for amending the articles of association, and given that there are no particular reasons for Semapa adopting another solution, we believe that this situation should be maintained.

i) Powers of the management body, namely to resolve to increase share capital

Semapa's articles of association do not authorize the Board of Directors to resolve to increase the share capital.

It is acknowledged that granting powers to the directors to adopt resolutions on this matter may have practical advantages, including the benefit of speed. However, the need has not been felt to propose this to shareholders, but it is a possibility which is regularly considered.

j) Significant agreements to which the company is party and which take effect, are amended or terminate in the event of a change in the control of the company due to a takeover bid, together with the respective effects, unless, due to its nature, disclosure of such agreements would be seriously detrimental to the company, except if the company is specifically required to disclose such information by mandatory provision of law

There are no agreements of any kind which take effect in the event of a change in control of the company as the result of a takeover bid.

This situation is preferable to the existence of direct links between the stability and operation of the company and its shareholder situation, and the Board of Directors will strive to maintain this position.

l) Agreements between the company and directors or employees providing for compensation in the event of resignation by the employee, dismissal without due cause or termination of the employment relationship following on from a takeover bid

There are no agreements between the company and company officers or employees providing for compensation in the event of termination of relationship following on from a takeover bid.

m) Internal control and risk management systems implemented in the company

There are internal control and risk management systems implemented as described in item 3 of chapter I of the report on structure and corporate governance practices drawn up under the terms of SMC Regulation 7/2001, to which we refer.

The system existing in the company appears appropriate and sufficient in view of the nature of the company and the effective risks it runs. Semapa is a holding company with a small organizational structure of its own, which in our view does not justify the creation of more elaborate control and supervisory structures than those currently in place.

III. DECLARATION ON REMUNERATION POLICY

The Securities Market Commission specifically recommends that a declaration on remuneration policy or company officers be submitted for the consideration of the general meeting of shareholders.

The remuneration policy is first and foremost the responsibility of the shareholders and the Remuneration Committee they appoint. Nonetheless, in connection with its corporate governance report, the Board of Directors has in previous years disclosed the essential elements of this policy as followed by the Remuneration Committee, as it again does this year.

We are now seeking to go further. It is the Remuneration Committee which is responsible for this declaration, which is hereby reproduced for the consideration of the shareholders:

Declaration on the remuneration policy, issued by the Remuneration Committee

1. Introduction

The two most common possibilities for setting the remuneration of company officers are significantly different from each other. On the one hand, the remuneration may be fixed directly by the general meeting, a solution which is not often adopted for various reasons of practicality, whilst on the other hand there is the option of remuneration being set by a committee, which decides in accordance with criteria on which the shareholders have no say.

We therefore believe in the value of an intermediate solution, whereby a declaration on remunerations policy, to be followed by the committee, is submitted for the consideration of the shareholders. This is what this document seeks to do.

2. The law and the articles of association

Any remuneration system must inevitably take into account both the general legal rules and the particular rules established in the articles of association, if any.

The legal rules for the directors are basically established in Article 399 of the Companies Code, from which it follows that:

- Powers to fix the remuneration lie with the general meeting of shareholders of a committee appointed by the same.
- The remuneration is to be fixed in accordance with the duties performed and the company's state of affairs.
- Remuneration may be fixed, or may consist in part of a percentage of the profits for the period, but the maximum percentage to be allocated to the directors must be authorized by a clause in the articles of association, and shall not apply to distribution of reserves or any part of the profits for the period which could not, under the law, be distributed to shareholders.

For the Audit Board and the officers of the General Meeting, the law states that the remuneration shall consist of a fixed amount, determined in the same way by the general meeting, or by a committee appointed by the same, in accordance with the duties performed and the company's state of affairs.

Semapa's articles of association contain a specific clause only for the directors. This is article 17, which also makes provision for retirement pensions, and lays down the following in respect of remuneration:

"2 – The remuneration of the directors [...] is fixed by a Remuneration Committee comprising an uneven number of members, elected by the General Meeting.

3 – The remuneration may consist of a fixed part and a variable part, which shall include a share in profits, which share in profits shall not exceed five per cent of the net profits of the previous period, for the directors as a whole."

This is the formal framework within which the remuneration policy must be defined.

3 – Historical background

Since the incorporation of Semapa and up to 2002, all directors of Semapa received remuneration comprising a fixed component, paid fourteen times a year, and fixed by the Remuneration Committee, then called the *Comissão de Fixação de Vencimentos*.

In 2003, the resolution on the distribution of profits from 2002 included, for the first time, a part of the profits to be directly paid as remuneration to the directors, divided between the directors as decided by the Remuneration Committee.

This procedure was repeated through to 2005, with regard to the profits from 2004.

In 2006, the allocation of profits from 2005 did not provide for any amount for directors' remuneration, which was understandable, given that the profits already reflected a provision for the variable remuneration of the directors, under the new accounting standards applicable. The variable component of the remuneration was fixed in 2006 by the Remuneration Committee, also with reference to the profits, in accordance with the articles of association.

The variable remuneration of the directors has represented a percentage of approximately 5% of profits since variable remuneration was first paid, except for the remuneration paid in 2006, with regard to 2005, when it was approximately 4%.

There is therefore a procedure which has been constant since 2003, whereby the remuneration of the directors comprises a fixed component and another variable components, determined as a percentage of profits.

Since the incorporation of the company, the members of the Audit Board have received fixed monthly remuneration. The officers of the general meeting have only recently received remuneration, calculated in accordance with the number of meetings actually held.

4. General Principles

The general principles to be observed in fixing the remuneration of company officers are essentially those deriving in a very general way from the law: they depend on the duties performed, and on the state of the company's affairs. If we add to these the general market conditions for equivalent positions, we find what we may call the three main general principles:

a) Duties performed

It is necessary to consider the duties performed by each company officer, not merely in the formal sense, but also in the broader sense of the work actually undertaken and the associated responsibilities. For instance, not all executive directors are in the same

position, nor very often all the members of the audit board. Duties must be assessed in the broadest sense, using criteria as diverse as, for example, responsibility, time devoted to duties, or the value to the company resulting from a given type of work or from institutional representation.

Office held in other controlled companies may also be a factor in this, as it may add to responsibilities whilst also providing other sources of income.

b) The state of the company's affairs

This criterion also needs to be understood and interpreted with care. The size of the company and inevitable complexity of the management tasks is clearly one of the relevant aspects of the state of affairs taken in the broadest sense. The implications exist both in the need to remunerate a responsibility which is greater in larger companies, with more complex management models, and in the capacity to remunerate management services appropriately.

c) Market criteria

The match between supply and demand is an unavoidable factor in defining any remuneration, and company officers are no exception to this. Only by conforming to market practices is it possible to retain professionals of the calibre appropriate to the complexity of the duties and the responsibility to be accepted, and thereby assure not only the interests of the officers, but also those of the company, and consequently of the shareholders.

5. Specific policies

The specific remuneration policies which we are pleased to submit for the consideration of the shareholders are as follows:

1. The remuneration of the executive directors shall comprise a fixed component and a variable component.
2. The remuneration of the non-executive directors, the members of the Audit Board and the officers of the General Meeting shall comprise a fixed component only. Exceptionally, non-executive directors may receive extra remuneration for additional work requested and carried out. In these cases, this remuneration shall be separate from that they earn regularly due to holding office.
3. The fixed component of the remuneration paid to directors shall consist of a monthly amount paid fourteen times a year, or of a pre-set amount for each meeting of the Board of Directors attended.
4. The monthly amount for the fixed component of the directors' remuneration shall be set for all those who sit on the Executive Board and for those who although not members of the Executive Board exercise specific duties or carry out specific work on a recurrent or continuous basis.
5. The pre-set amount for attendance at each meeting shall be fixed for those directors with essentially advisory or supervisory duties.
6. The fixed remuneration paid to all members of the Audit Board shall consist of a fixed monthly amount payable fourteen times a year.
7. The fixed remuneration of the officers of the General Meeting shall consist in all cases of a pre-set amount for each meeting.

8. The process of awarding variable remuneration to the executive directors shall conform to the criteria proposed by the Remuneration Committee, and shall not exceed a total of five per cent of the net consolidated profits, recorded under the IFRS, without prejudice to other considerations in the event of results of a highly exceptional nature.
9. In setting all remuneration, including the distribution of the total amount for the variable remuneration for the directors, the general principles set out above shall be followed: duties performed, the state of the company's affairs and market criteria.

We consider that these options should be maintained through to the end of the present term of office of the company officers.

The Remuneration Committee

Chairman: Egon Zehnder, represented by José Gonalo Maury
Member: Ant3nio Mota de Sousa Horta Os3rio
Member: Frederico Jos3 da Cunha Mendona e Meneses

IV. DISCLOSURES REQUIRED BY ARTICLES 447 AND 448 OF THE COMPANIES CODE

(with reference to the financial year of 2006)

1. Securities issued by the company and held by company officers:

- José Alfredo de Almeida Honório - 20.000 shares.
- Duarte Nuno d'Orey da Cunha – 1.130 shares.

2. Securities issued by companies controlled by or belonging to the Semapa Group, held by company officers:

- Carlos Maria Cunha Horta e Costa – 700 shares in Portucel – Empresa Produtora de Pasta e Papel, S.A.
- António Paiva de Andrada Reis – 4.400 shares in Portucel – Empresa Produtora de Pasta e Papel, S.A.
- Carlos Eduardo Coelho Alves – 153.600 shares in Portucel – Empresa Produtora de Pasta e Papel, S.A.
- Duarte Nuno d'Orey da Cunha – 5.700 shares in Portucel – Empresa Produtora de Pasta e Papel, S.A.

3. Securities issued by the company held by companies in which directors and auditors hold corporate office:

- Cimigest, SGPS, S.A. – 100 shares in Semapa.
- Cimo - Gestão de Participações, SGPS, S.A. - 14.592.300 shares in Semapa.
- Longapar, SGPS, S.A. - 20.000.000 shares in Semapa.
- Sodim SGPS, SA - 26.115.000 shares in Semapa.
- Sociedade Agrícola da Quinta da Vialonga, SA - 642.535 shares in Semapa.
- Sonaca - Sociedade Nacional de Canalizações, SA - 1.250.000 shares in Semapa.
- OEM - Organização de Empresas, SGPS, SA – 500.000 shares in Semapa.
- Seminv - Investimentos, SGPS, S.A. – 2.727.975 shares in Semapa.
- Banco BPI, SA – 101.100 shares in Semapa.
- BPI Pensões – Sociedade Gestora de Fundos de Pensões, SA – 11.699.888 shares in Semapa.
- BPI Vida – Companhia de Seguros de Vida, SA – 401.151 shares in Semapa.
- Banco BPI, SA – 224.975 shares in Portucel.
- Banco Português de Investimento, SA – 915.550 shares in Portucel.

- BPI Pensões – Sociedade Gestora de Fundos de Pensões, SA - 2.100 shares in Portucel.
- BPI Vida – Companhia de Seguros de Vida, SA – 2.029.356 shares in Portucel.

4. Acquisition, disposal or encumbrance of securities issued by the company or related or group companies by company officers and the companies referred to in 3:

- Carlos Maria Cunha Horta e Costa acquired 700 shares in Portucel – Empresa Produtora de Pasta e Papel, S.A. on 14 November 2006 for a price of 2,15€ per share.
- António Paiva de Andrada Reis acquired 4.400 shares in Portucel – Empresa Produtora de Pasta e Papel, S.A. on 14 November 2006, of which 3.600 were acquired for a price of 2,04€ per share and 800 were acquired for a price of 2,15€ per share.
- Carlos Eduardo Coelho Alves acquired 153.600 shares in Portucel – Empresa Produtora de Pasta e Papel, S.A. on 14 November 2006 for a price of 2,15€ per share.
- Duarte Nuno d'Orey da Cunha acquired 5.700 shares in Portucel – Empresa Produtora de Pasta e Papel, S.A. on 14 November 2006, of which 4.700 were acquired for a price of 2,05€ per share and 1.000 were acquired for a price of 2,16€ per share.
- Banco Português de Investimento S.A., effected the following transactions in Semapa shares:

Quantity	Value per share	Date of transaction	Purchase/Sale
120	7,00 €	20060105	S
18.270	7,58 €	20060110	P
18.270	7,56 €	20060110	S
500	7,65 €	20060112	P
500	7,70 €	20060112	S
2.395	7,43 €	20060118	S
2.395	7,40 €	20060118	P
12.000	7,51 €	20060201	P
3.369	7,47 €	20060203	P
15.369	7,50 €	20060206	S
6.442	7,42 €	20060210	S
41.000	7,35 €	20060216	P
19.750	7,64 €	20060220	P
25.000	7,86 €	20060221	P
25.000	7,90 €	20060221	S
15.000	7,98 €	20060222	S
15.000	7,88 €	20060222	P
14.961	7,98 €	20060222	P

Quantity	Value per share	Date of transaction	Purchase/Sale
8.822	8,23 €	20060223	S
8.822	8,10 €	20060223	P
5.265	8,53 €	20060224	P
14.987	8,56 €	20060227	S
12.722	8,50 €	20060227	P
1.000	8,40 €	20060227	P
1.000	8,41 €	20060227	S
5.460	8,44 €	20060301	S
2.460	8,35 €	20060301	P
7.366	8,30 €	20060302	S
23.000	8,27 €	20060302	P
17.470	8,28 €	20060303	S
1.836	8,27 €	20060303	P
10.000	8,39 €	20060313	P
8.000	8,32 €	20060314	P
28.000	8,34 €	20060315	S
10.000	8,26 €	20060315	P
4.973	8,34 €	20060315	P
1.500	8,36 €	20060316	P
6.473	8,35 €	20060316	S
2.000	8,45 €	20060320	S
50.000	8,32 €	20060320	S
121	8,30 €	20060322	P
16.544	8,60 €	20060324	P
16.544	8,70 €	20060324	S
23.000	8,73 €	20060324	S
10.000	8,73 €	20060324	S
10.000	8,70 €	20060324	P
40.000	8,83 €	20060405	S
117	9,40 €	20060419	S
111	9,41 €	20060419	P
6	9,39 €	20060420	P
3.500	9,10 €	20060426	S
3.500	9,10 €	20060426	P
4.068	8,45 €	20060515	S
4.068	8,40 €	20060516	P
50.000	8,40 €	20060602	S
3.315	8,25 €	20060630	S
6.000	7,86 €	20060728	S
43.000	7,87 €	20060731	S
69	8,10 €	20060821	S
3.640	8,09 €	20060926	P
3.640	8,08 €	20060926	S
170	7,90 €	20061027	S
71.340	8,12 €	20061107	P
20.000	8,26 €	20061108	P
12.609	8,26 €	20061108	S
7.391	8,32 €	20061109	S
32.558	8,32 €	20061110	P

Quantity	Value per share	Date of transaction	Purchase/Sale
7.884	8,46 €	20061110	S
10.200	8,32 €	20061113	S
10.200	8,27 €	20061113	P
7.326	8,21 €	20061114	P
32.000	8,33 €	20061114	S
6.000	8,23 €	20061117	P
6.000	8,30 €	20061117	S
25.000	8,35 €	20061124	P
15.000	8,62 €	20061211	P
20.000	8,59 €	20061213	P
20.000	8,57 €	20061214	S
5.000	8,65 €	20061218	S
25.000	8,52 €	20061219	P
10.000	8,64 €	20061219	S
12.000	8,60 €	20061221	S
13.000	8,62 €	20061227	S
2.000	8,61 €	20061227	P
2.000	8,63 €	20061227	S
85	8,84 €	20061229	S

- O Banco Português de Investimento S.A., effected the following transactions in shares in Portucel:

Quantity	Value per share	Date of transaction	Purchase/Sale
5.406	1,74 €	20060103	P
15.800	1,87 €	20060105	S
5.800	1,82 €	20060105	P
20.000	1,84 €	20060109	P
200.000	1,95 €	20060216	S
80.000	1,97 €	20060217	S
144.000	2,02 €	20060220	S
150.000	2,02 €	20060220	S
96.658	2,20 €	20060221	S
8.134	2,15 €	20060222	S
8.134	2,13 €	20060222	P
12.059	2,17 €	20060222	S
20.000	2,21 €	20060224	S
20.000	2,22 €	20060224	P
200.000	2,21 €	20060224	S
12.059	2,16 €	20060227	P
2.000	2,21 €	20060316	S
2.000	2,23 €	20060316	P
20.000	2,31 €	20060406	S
20.000	2,25 €	20060406	P
15.000	2,36 €	20060420	S
15.000	2,32 €	20060420	P
29.250	2,33 €	20060421	S
29.250	2,30 €	20060421	P
10.000	2,20 €	20060505	S

Quantity	Value per share	Date of transaction	Purchase/Sale
10.000	2,17 €	20060505	P
20.000	2,07 €	20060523	P
20.000	2,06 €	20060524	S
11.000	2,27 €	20060921	P
11.000	2,26 €	20060921	S
29.300	2,28 €	20061012	P
29.300	2,34 €	20061012	S
16.500	2,23 €	20061013	P
16.500	2,20 €	20061016	S
20.000	2,25 €	20061020	P
19.150	2,28 €	20061026	P
29.150	2,28 €	20061030	S
25.000	2,24 €	20061102	P
5.000	2,22 €	20061102	S
14.898	2,21 €	20061103	P
4.898	2,24 €	20061103	S
20.000	2,22 €	20061106	P
20.000	2,24 €	20061106	S
21.583	2,24 €	20061107	S
20.000	2,28 €	20061108	P
29.346	2,31 €	20061108	S
9.071	2,33 €	20061109	S
10.481	2,29 €	20061110	S
10.481	2,28 €	20061110	P
180.000	2,23 €	20061114	P
180.000	2,24 €	20061114	S
100.000	2,23 €	20061114	P
86.200	2,25 €	20061114	P
80.000	2,25 €	20061114	S
589.400	2,25 €	20061114	S
100.000	2,25 €	20061115	P
50.000	2,25 €	20061115	S
1.598	2,25 €	20061115	P
1.598	2,25 €	20061116	S
22.100	2,25 €	20061117	P
22.100	2,27 €	20061117	S
50.000	2,24 €	20061120	P
92.127	2,25 €	20061120	S
92.131	2,23 €	20061121	P
100.004	2,24 €	20061121	S
50.000	2,24 €	20061121	S
50.000	2,24 €	20061122	P
7.869	2,25 €	20061122	S
18.012	2,24 €	20061122	S
5.262	2,27 €	20061123	P
79.381	2,25 €	20061123	S
200.000	2,30 €	20061124	P
150.000	2,30 €	20061124	S
50.000	2,29 €	20061127	P

Quantity	Value per share	Date of transaction	Purchase/Sale
100.000	2,30 €	20061127	S
91.300	2,31 €	20061127	S
91.300	2,31 €	20061127	P
100.000	2,27 €	20061128	P
100.000	2,28 €	20061128	S
168.375	2,31 €	20061129	P
168.375	2,32 €	20061129	S
200.000	2,33 €	20061130	P
122.500	2,34 €	20061130	S
77.500	2,34 €	20061201	S
200.000	2,35 €	20061204	P
52.977	2,36 €	20061204	S
147.023	2,36 €	20061205	S
200.000	2,36 €	20061207	P
259.594	2,36 €	20061207	S
59.194	2,36 €	20061208	P
100.400	2,35 €	20061211	P
100.000	2,35 €	20061211	S
100.000	2,35 €	20061213	P
100.000	2,36 €	20061214	S
150.000	2,36 €	20061218	P
150.000	2,37 €	20061218	S
108	2,37 €	20061220	S
108	2,37 €	20061221	P
150.000	2,40 €	20061222	P
5.000	2,40 €	20061222	P
5.000	2,39 €	20061222	S
40.405	2,40 €	20061227	S
31.450	2,40 €	20061229	P
13.187	2,40 €	20061229	S

- The Banco BPI Pension Fund effected the following transactions in shares in Semapa:

Quantity	Value per share	Date of transaction	Purchase/Sale
75.167	7,05 €	20060106	P
2.720	7,17 €	20060109	P
5.000	7,20 €	20060109	P
5.000	7,20 €	20060109	P
18.000	7,20 €	20060109	P
20.000	7,20 €	20060109	P
3.491	7,20 €	20060109	P
1.178	7,20 €	20060109	P
317	7,22 €	20060109	P
8.000	7,23 €	20060109	P
2.150	7,23 €	20060109	P
4.747	7,24 €	20060109	P
2.509	7,24 €	20060109	P
1.635	7,24 €	20060109	P
3.000	7,25 €	20060109	P

Quantity	Value per share	Date of transaction	Purchase/Sale
200	7,25 €	20060109	P
4.000	7,25 €	20060109	P
9.690	7,25 €	20060109	P
2.685	7,25 €	20060109	P
10.000	7,25 €	20060109	P
2.500	7,26 €	20060109	P
2.500	7,26 €	20060109	P
14.675	7,27 €	20060109	P
7.500	7,28 €	20060109	P
10.000	7,28 €	20060109	P
4.405	7,28 €	20060109	P
1.150	7,29 €	20060109	P
600	7,30 €	20060109	P
15.000	7,30 €	20060109	P
2.630	7,30 €	20060109	P
15.000	7,30 €	20060109	P
10.000	7,30 €	20060109	P
1.000	7,30 €	20060109	P
5.000	7,30 €	20060109	P
1.379	7,30 €	20060109	P
1.000	7,30 €	20060109	P
5.000	7,30 €	20060109	P
100	7,30 €	20060109	P
8.850	7,30 €	20060109	P
1.441	7,32 €	20060109	P
209	7,32 €	20060109	P
725	7,32 €	20060109	P
15.000	7,32 €	20060109	P
3.350	7,32 €	20060109	P
15.000	7,32 €	20060109	P
15.000	7,32 €	20060109	P
998	7,35 €	20060109	P
24.002	7,35 €	20060109	P
11.498	7,35 €	20060109	P
3.502	7,35 €	20060109	P
725.000	7,51 €	20060110	P
258.000	7,63 €	20060111	P
770.864	7,70 €	20060112	P
330.000	7,58 €	20060116	P
210.000	7,52 €	20060117	P
237.242	7,40 €	20060118	P
50.000	7,48 €	20060119	P
100.000	7,52 €	20060120	P
66.950	7,49 €	20060123	P
79.448	7,46 €	20060124	P
5.907	7,50 €	20060125	P
49.959	7,50 €	20060126	P
200.000	7,56 €	20060127	P
20.000	7,53 €	20060130	P

Quantity	Value per share	Date of transaction	Purchase/Sale
52.265	7,49 €	20060131	P
24.988	7,49 €	20060201	P
20.000	7,50 €	20060202	P
250.000	7,50 €	20060206	P
220.000	7,47 €	20060207	P
200.000	7,40 €	20060208	P
10.000	7,37 €	20060209	P
993	8,57 €	20060224	P
149.007	8,57 €	20060224	P
150.000	8,55 €	20060227	P

- BPI Vida – Companhia de Seguros de Vida, S.A. effected the following transactions in shares in Semapa:

Quantity	Value per share	Date of transaction	Purchase/Sale
219	7,39 €	20060208	P
2.100	7,30 €	20060215	P
2.952	7,74 €	20060220	P
43.355	7,74 €	20060220	P
7.500	8,28 €	20060302	P
1.500	8,85 €	20060405	P
872	8,95 €	20060407	P
14.128	8,95 €	20060407	P
2.143	8,49 €	20060609	S
2.590	8,49 €	20060609	S
2.000	8,15 €	20060822	P
7.931	8,15 €	20060822	P
1.090	8,15 €	20060822	P
1.457	8,19 €	20060824	P
8.184	8,19 €	20060824	P
173	8,19 €	20060908	P
174	8,19 €	20060908	P
177	8,19 €	20060908	P
201	8,19 €	20060908	P
222	8,19 €	20060908	P
297	8,19 €	20060908	P
846	8,19 €	20060908	P
1.053	8,19 €	20060908	P
1.054	8,19 €	20060908	P
1.135	8,19 €	20060908	P
34.554	8,19 €	20060908	P
1.515	8,16 €	20060919	S
344	8,05 €	20060926	P
347	8,05 €	20060926	P
351	8,05 €	20060926	P
390	8,05 €	20060926	P
400	8,05 €	20060926	P
442	8,05 €	20060926	P
592	8,05 €	20060926	P

Quantity	Value per share	Date of transaction	Purchase/Sale
1.682	8,05 €	20060926	P
2.093	8,05 €	20060926	P
2.099	8,05 €	20060926	P
2.261	8,05 €	20060926	P
8.462	8,05 €	20060926	P
28.061	8,05 €	20060926	P
63.340	8,05 €	20060926	P
1.000	8,06 €	20061005	P
10.210	8,10 €	20061005	P
60	7,93 €	20061025	P
75	7,93 €	20061025	P
75	7,93 €	20061025	P
81	7,93 €	20061025	P
87	7,93 €	20061025	P
92	7,93 €	20061025	P
113	7,93 €	20061025	P
1.787	7,93 €	20061025	P
7.659	7,93 €	20061025	P
14.021	7,93 €	20061025	P
2.374	8,32 €	20061128	P
15.465	8,59 €	20061221	P
4.784	8,59 €	20061221	P
90	8,59 €	20061221	P

- BPI Vida – Companhia de Seguros de Vida, S.A. effected the following transactions in shares in Portucel:

Quantity	Value per share	Date of transaction	Purchase/Sale
447.639	2,15 €	20061113	P
37.084	2,15 €	20061113	P
175.969	2,15 €	20061113	P
9.054	2,15 €	20061113	P
3.703	2,15 €	20061113	P
756	2,15 €	20061113	P
19.092	2,15 €	20061113	P
2.168	2,15 €	20061113	P
2.576	2,15 €	20061113	P
2.250	2,15 €	20061113	P
10.499	2,15 €	20061113	P
13.073	2,15 €	20061113	P
16.030	2,15 €	20061113	P
2.760	2,15 €	20061113	P
20.672	2,15 €	20061113	P
13.088	2,15 €	20061113	P
2.498	2,15 €	20061113	P
14.098	2,15 €	20061113	P
39.714	2,15 €	20061113	P
589.400	2,15 €	20061113	P
61.516	2,37 €	20061215	P
278.571	2,37 €	20061215	P

Quantity	Value per share	Date of transaction	Purchase/Sale
6.603	2,37 €	20061215	P
8.525	2,37 €	20061215	P
16.355	2,37 €	20061215	P
7.865	2,37 €	20061215	P
198.791	2,37 €	20061215	P
1.598	2,37 €	20061215	P
326	2,37 €	20061215	P
936	2,37 €	20061215	P
971	2,37 €	20061215	P
4.536	2,37 €	20061215	P
5.647	2,37 €	20061215	P
1.191	2,37 €	20061215	P
5.654	2,37 €	20061215	P
1.079	2,37 €	20061215	P
6.090	2,37 €	20061215	P
979	2,37 €	20061215	P

- Banco BPI, S.A. effected the following transactions in shares in Semapa:

Quantity	Value per share	Date of transaction	Purchase/Sale
1.178.800	2,15 €	20061113	P
147.350	2,34 €	20061130	S
77.625	2,36 €	20061215	P

V. QUALIFYING HOLDINGS IN SEMAPA

(with reference to the date of this report)

	Holder	No. shares	% shares	% non-suspended voting rights
A -	Cimigest, SGPS, S.A.	100	0,00%	0,00%
	Cimo - Gestão de Participações, SGPS, S.A.	14.592.300	12,33%	12,62%
	Longapar, SGPS, S.A.	20.000.000	16,90%	17,30%
	Sonaca - Sociedade Nacional de Canalizações, S.A.	1.250.000	1,06%	1,08%
	OEM - Organização de Empresas, SGPS, S.A.	500.000	0,42%	0,43%
	Sociedade Agrícola da Quinta da Vialonga, S.A.	642.535	0,54%	0,56%
	Sodim, SGPS, S.A.	26.115.000	22,07%	22,59%
	José Alfredo Almeida Honório	20.000	0,02%	0,02%
	Duarte Nuno d' Orey da Cunha	1.130	0,00%	0,00%
	Subtotal:	63.121.065	53,34%	54,60%
B -	Banco BPI, S.A.	-	-	-
	Banco Português de Investimento, S.A. – own portfolio	150.680	0,13%	0,13%
	BPI Vida - Companhia de Seguros de Vida, S.A.	105.388	0,09%	0,09%
	Pension funds managed by BPI Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	10.362.388	8,76%	8,96%
	Investment funds managed by BPI Fundos – Gestão de Fundos de Investimento Mobiliário, S.A.	1.237.518	1,05%	1,07%
	Subtotal:	11.855.974	10,02%	10,26%
C -	Banco Espírito Santo, S.A.	-	-	-
	BES Pension Fund	6.191.854	5,23%	5,36%
	BES group companies, or controlled or controlling companies	30.000	0,03%	0,03%
	Subtotal	6.221.854	5,26%	5,38%
D -	Credit Suisse	-	-	-
	Credit Suisse International	23.600.000	19,94%	20,41%
	Subtotal	23.600.000	19,94%	20,41%

The company Seminv Investimentos, SGPS, S.A. holds 2.727.975 shares in Semapa, corresponding to 2,305% of the share capital and subject to the rules on treasury stock.

SEMAPA- SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A.

BALANCE SHEET AS OF DECEMBER 2006 AND 2005

(Amounts stated in €)

		31-12-2006		31-12-2005	
ASSETS		Depreciation		Net	
	Notes	Gross	and adjustments	Net	Net
FIXED ASSETS:					
Tangible fixed assets:					
Buildings and other constructions	10	674.582	(134.916)	539.666	607.123
Transport equipment	10	159.636	(143.328)	16.308	25.766
Administrative equipment	10	234.358	(149.066)	85.292	78.666
Other tangible fixed assets	10	34.736	(8.333)	26.403	25.059
Tangible assets in progress	10	177.483		177.483	74.557
		1.280.795	(435.643)	845.152	811.171
Investments:					
Investments in subsidiaries	10, 16 and 17	201.761.758	-	201.761.758	75.519.280
Supplementary capital to group companies	10, 16 and 17	827.120.000	-	827.120.000	207.910.000
Loans to group companies	10, 16 and 17	180.065.000	-	180.065.000	65.836.194
Securities and other investments	10 and 17	70.136.794	-	70.136.794	1.229
		1.279.083.552	-	1.279.083.552	349.266.703
REALIZÁVEL A MÉDIO E LONGO PRAZO:					
Third-party debt -Medium and Long Term					
Empresas do grupo	53	-	-	-	422.661.650
CURRENT ASSETS:					
Accounts receivable - Short term:					
Group companies	53	19.960.099	-	19.960.099	768.967
Accounts receivable from state entities	48	636.622		636.622	651.019
Other debtors	21, 23 and 49	6.362.266	-	6.362.266	1.640.125
		26.958.987	-	26.958.987	3.060.111
Marketable securities:					
Other marketable securities	54	-	-	-	391.932
Banks and cash:					
Bank deposits		8.683		8.683	80.802.700
Cash		2.494		2.494	1.715
	54	11.177		11.177	80.804.415
ACCRUALS AND DEFERRALS:					
Accrued income	50	51.004		51.004	21.817
Deferred costs	50	2.911.547		2.911.547	192.849
Deferred tax assets	6	5.180.014		5.180.014	-
		8.142.565		8.142.565	214.666
Total depreciation					
(435.643)					
Total adjustments					
-					
Total assets					
1.315.477.076 (435.643) 1.315.041.433 857.210.648					
EQUITY AND LIABILITIES					
Notes					
31-12-2006					
31-12-2005					
EQUITY:					
Share capital	36, 37 and 40	118.332.445		118.332.445	
Share Premium	40	3.923.459		3.923.459	
Adjustments in investments in subsidiaries and affiliated companies	40	(25.740.560)		(21.080.486)	
Fair Value adjustments	17 and 40	16.505.299			
Reserves:					
Legal reserves	40	23.666.489		22.221.077	
Other reserves	40	528.291.632		249.619.367	
Retained earnings	40	(19.375.703)		442.568	
Net profit for the year	40	91.399.271		329.817.303	
Total equity		737.002.332		703.275.733	
LIABILITIES:					
PROVISIONS:					
Provisions for pensions	31 and 34	83.953.229		84.295.795	
Other provisions	34	7.353.924		11.259.810	
		91.307.153		95.555.605	
MEDIUM AND LONG TERM LIABILITIES:					
Debenture loans	51	227.244.591		7.856.067	
Commercial paper	51	123.550.000		-	
Bank loans	51	104.630.756		25.000.000	
		455.425.347		32.856.067	
SHORT TERM LIABILITIES:					
Debenture loans	51	5.611.476		5.611.476	
Bank loans	51 and 54	613.183		-	
Accounts payable to suppliers		62.225		179.285	
Accounts payable to group companies	53	7.595.827		9.458.652	
Shareholders	52	4.492.436		6.965.125	
Accounts payable to state entities	48	283.448		2.414.684	
Other creditors	49	4.375.158		115.346	
		23.033.753		24.744.568	
ACCRUALS AND DEFERRALS:					
Accrued costs	50	8.272.848		778.675	
Total equity and liabilities					
1.315.041.433 857.210.648					

The accompanying notes form an integral part of the balance sheet as of December 31, 2006.

The accountant

The Board of Directors

SEMAPA- SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A.
INCOME STATEMENT BY NATURE FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Amounts stated in €)

EXPENSES	Notes	31-12-2006	31-12-2005	INCOME	Notes	31-12-2006	31-12-2005
External supplies and services		2.541.500	1.906.327	Services rendered	44 and 53	5.077.367	6.573.800
Payroll expenses:				Supplementary income		60.992	3.029
Salaries		11.914.443	4.066.865	Other operating income		3.522	2.590
Social charges:				Amortizations and adjustments reversals	21	7.853.000	-
Pensions	31	3.740.061	84.295.795	(B)		12.994.881	6.579.419
Others		586.707	464.368	Gains on group and affiliated companies	16 and 45	101.611.511	429.651.283
Depreciation and amortisation	10	143.731	138.451	Gains on other companies	45	689.147	10.704
Adjustments	21 and 23	-	7.451.000	Other interest and similar income:			
Provisions	34	7.070.374	10.429.165	Income relating to group and affiliated companies	45 and 53	7.085.986	5.458.779
Taxes		453.729	346.298	Other	45	903.606	132.217
Other operating costs		76.058	105.139	(D)		123.285.131	441.832.402
(A)		26.526.603	109.203.408	Extraordinary income	46	2.735.242	1.299
Loss on affiliated companies	16 and 45	427.888	1.041.798				
Depreciation and adjustments for investments	45	-	6.901				
Others financial expenses							
Related to group companies	45 and 53	378.523	468.238				
Other	45	12.411.696	1.218.692				
(C)		39.744.710	111.939.037				
Extraordinary expenses	31 and 46	22.562	5.061				
(E)		39.767.272	111.944.098				
Income tax	6	(5.146.170)	72.300				
(G)		34.621.102	112.016.398				
Net profit for the year		91.399.271	329.817.303	(F)		126.020.373	441.833.701
		126.020.373	441.833.701	Operating results:			
				Net financial results:	(B) - (A)	(13.531.722)	(102.623.989)
				Current results:	(D-B) - (C-A)	97.072.143	432.517.354
				Profit before tax:	(D) - (C)	83.540.421	329.893.365
				Net profit for the year:	(F) - (E)	86.253.101	329.889.603
					(F) - (G)	91.399.271	329.817.303

The accompanying notes form an integral part of the income statement by nature for the year ended December 31, 2006.

The accountant

The Board of Directors

SEMAPA- SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A.

INCOME STATEMENT BY FUNCTION

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Amounts expressed in €)

	Notes	31-12-2006	31-12-2005
Sales and services rendered	44 and 53	5.077.367	6.573.800
Cost of sales and services rendered		(5.320.857)	(6.330.735)
Gross income		(243.490)	243.065
Other operating income		10.652.756	6.918
Administrative cost		(681.744)	(453.123)
Other operating costs		(20.546.564)	(102.424.611)
Operating income		(10.819.042)	(102.627.751)
Financing net cost		(4.800.627)	3.904.066
Income/(expenses) with affiliated companies	45	101.183.623	428.602.584
Income/(expenses) with other investments	45	689.147	10.704
Current income		86.253.101	329.889.603
Income tax	6	5.146.170	(72.300)
Net income for the year		91.399.271	329.817.303
Earnings per share		0,77	2,79

The accompanying notes form an integral part of the income statement per functions for the year ended December 31, 2006.

The accountant

The Board of Directors

SEMAPA- SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A.

CASH FLOW STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Amounts stated in €)

	Notes	31-12-2006	31-12-2005
OPERATING ACTIVITIES:			
Paid to suppliers		(2.772.696)	(2.804.267)
Paid to personnel		(20.741.374)	(18.579.403)
Flows from operations:		(23.514.070)	(21.383.670)
(Payments)/Receipts of income tax		380.587	836.957
Other (payments)/receipts relating to operating activities		1.461.709	5.542.189
Flows before extraordinary captions		(21.671.774)	(15.004.524)
Flows from operating activities (1)		(21.671.774)	(15.004.524)
INVESTING ACTIVITIES:			
Receipts relating to:			
Investments		19.564.217	41.090.000
Tangible fixed assets		-	1.000
Interest and similar income		897.390	848.460
Dividends		2.971.570	404.846.475
		23.433.177	446.785.935
Payments relating to:			
Investments		(171.897.102)	(66.665.000)
Tangible fixed assets		(181.766)	(678.705)
		(172.078.868)	(67.343.705)
Flows from investing activities (2)		(148.645.691)	379.442.230
FINANCING ACTIVITIES:			
Receipts relating to:			
Loans obtained		588.396.081	50.463.463
Loans granted		139.127.947	53.641.448
		727.524.028	104.104.911
Payments relating to:			
Loans obtained		(232.219.302)	(45.843.228)
Loans granted		(344.576.467)	(328.023.049)
Interest and similar expenses		(12.509.520)	(1.130.853)
Dividends	40	(49.699.627)	(13.016.569)
		(639.004.916)	(388.013.699)
Flows from financing activities (3)		88.519.112	(283.908.788)
VARIATION IN CASH AND EQUIVALENTS (4) = (1) + (2) + (3)		(81.798.353)	80.528.918
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	54	81.196.347	661.024
REVERSAL OF ADJUSTMENTS OF TRADING SECURITIES		-	6.405
CASH AND EQUIVALENTS AT THE END OF THE YEAR	54	(602.006)	81.196.347

The accompanying notes form an integral part of the cash flow statement for the year ended December 31, 2006.

The Accountant

The Board of Directors

INTRODUCTION

Semapa — Sociedade de Investimento e Gestão, SGPS, S.A. ("The Company") was incorporated in June 21, 1991 and its main object consists in holding positions in other companies, namely in the production of cement & derivatives and pulp and paper, through its subsidiaries, Secil – Companhia Geral de Cal e Cimento, S.A. and Portucel – Empresa Produtora de Pasta e Papel, S.A. Until December 2005, the Group still engaged in the generation of electric energy from renewable sources through Enersis II - Sociedade Gestora de Participações Sociais, S.A.

The numbering of the notes, which follow, is as defined in the Official Chart of Accounts ("Plano Oficial de Contabilidade - POC"). The numbers not included relate to notes that are either not applicable to the Company, or their presentation is not material to the financial statements.

1. DEROGATIONS TO THE OFFICIAL CHART OF ACCOUNTS

Semapa's individual financial statements were prepared in accordance with the accounting principles generally accepted in Portugal, with the following derogations:

- application of the methodology regarding the direct recognition of actuarial gains and losses under equity (Note 40), in accordance with IAS 19 and approved by the regulation 1910/2005 of European Commission, of November 8.

Additionally, Investments in subsidiaries accounted by equity method, include the changes in accounting policies recognised in its financial statements, as referred in Note 16.

3. BASIS OF PRESENTATION AND MAIN ACCOUNTING POLICIES

The accompanying financial statements have been prepared on a going concern basis from the accounting records of the Company maintained in accordance with generally accepted accounting principles in Portugal with the exceptions referred in Note 1.

These financial statements reflect only the Company's individual accounts. The Company also prepared consolidated financial statements, in accordance with IFRS, which reflect the following differences to the individual financial statements, as of December 31, 2006. However, the individual shareholder's equity, resulting from the application of the equity method to subsidiaries equals consolidated shareholders equity:

	<u>Increase</u>
Total Assets, net	2,220,837,166
Total liabilities	1,695,562,079
Total income	1,549,299,591
Net profit for the year	-

The most relevant accounting policies used in the preparation of the financial statements are as follows:

a) Tangible fixed assets

Tangible fixed assets which comprises transport equipment and administrative equipment and other tangible assets, are recorded at cost and depreciated on a straight-line basis over periods from three to eight years:

	Useful life (years)
Buildings and other constructions	10
Transport Equipment	4
Administrative Equipment	3 to 8
Other Tangible Assets	4 to 10

b) Investments

Investments in group companies (and subsidiaries of group companies) and affiliated companies are recorded in accordance with the equity method.

In accordance with the equity method, investments are increased or reduced annually by the amount corresponding to the Company's proportion in the net result of the subsidiaries, by corresponding entry in the income statement (Note 45). Additionally, dividends received from group companies resulting from distribution of profits or reserves are deducted from the amount of the investments in the year in which they are received.

Available-for-sale financial assets are recognised in the caption "Securities and other investments". These investments are recognised at fair value which is its market value, as quote on balance sheet date. Potential gains or losses are recognised in equity, in the caption "Fair value adjustments", until the investment be disposed, and therefore recognised in income statement.

Other financial investments, namely the ones registered under the caption securities and other investments are recorded at the lowest of the acquisition cost or the net realisable value.

c) Receivables adjustments

The adjustment for doubtful credits is calculated considering the collection risk expected at the end of each period.

d) Accrual basis

The Company records revenue and expenses on an accrual basis. Under this basis, revenue and expenses are recorded in the period at which they are generated or incurred, regardless of the time at which they are received or paid. Differences between the amounts received and paid and the corresponding revenue and expenses are recorded in accruals and deferrals captions (Note 50).

e) Corporate income tax

The income tax includes current and deferred tax, when applicable. Income tax is recognised in the income statement except when relating to gains and losses recorded directly in reserves, in which case the income tax is also recorded directly in reserves, namely, that relating to the impact of asset revaluations.

Current income tax is determined based on the net profit, adjusted in accordance with tax legislation in force as of the balance sheet date.

Deferred income tax is computed in accordance with the liability method, based on the temporary differences between recognition of assets and liabilities for accounting and for taxes purposes. Deferred taxes are computed in accordance with the income tax rates expected to be in force when the temporary differences revert.

The Company recognizes deferred tax assets when there is a reasonable expectation that future profits will be generated, against which the assets can be used. Deferred tax assets are reviewed annually and decreased whenever it becomes probable that they will not be able to be used.

f) Goodwill in investments acquisition to minority interests

In additional stakes acquisition of companies already controlled by Semapa Group, the excess over the group share of net assets is recognised directly in Equity under the caption "Retained Earnings" (Note 40). This accounting policy corresponds to the change stated on Proposed Exposure Draft of IAS 27 – Consolidated and Separate Financial Statements, once the actual guidance are omitted about this matter.

g) Retirement benefit complements

The Company has undertake the commitment to pay to members of Board of directors a retirement benefit complement, in terms described in Note 31.

The responsibilities for the payment of retirement benefits are recorded in accordance with Accounting Directive nr 19, issued by Accounting Standards Commission. and approved by the regulation 1910/2005 of European Commission, of November 8.

In accordance with IAS 19, companies with pension plans recognise the costs of providing these benefits pari passu with the services provided by the beneficiaries in their employment.

In this way, the total liability is estimated separately for each plan at least once every six months, on the date of closing of the interim and annual accounts, by a specialized and independent entity in accordance with the projected unit credit method.

The liability thus determined is disclosed in the balance sheet and pensions costs are recognised in the caption "Payroll – Social Charges – Pensions". Actuarial gains and losses arising from the differences between the assumptions used for the purpose of determining liabilities and those which effectively occurred (as well as of changes made to those actuarial assumptions and the difference between the expected return on the assets of the funds and their actual yield) are recognised when incurred, directly in equity, in the caption "Retained Earnings" (Note 40).

h) Provisions

Provisions are recorded in order to recognised liabilities with a clearly defined nature which at balance sheet date are considered to be certain or probably, but uncertainty in the amount or occurrence date.

i) Use of estimates

The preparation of the financial statements requires that management applies its judgment in the calculation of estimates affecting revenue, expenses, assets, liabilities and disclosures on balance sheet date. These estimates are determined by judgement of the Group's management based on: i) best information and knowledge of present events, which are supplemented, in some cases, with independent opinions from third parties and ii) the specific steps which the Company considers that may undertake in the future. Nonetheless, at the closing date of operations the result may differ from the estimates included in the financial statements.

6. INCOME TAX

Since January 1, 2006, the Company is taxed under the special tax regime for Group Corporate Income Tax, constituted by the Companies in which minimum investments of 90% are held and fulfils the conditions set in article 63º and following articles in the corporate income tax act (Código do IRC), owning tax losses carried forward previous of the referred regime amounting Euros 21,129,445, which have not been recognised deferred tax assets due to the fact that there is no a reasonable expectation that future profits will be generated, against which the assets can be used because the Company has been generating negative operating results.

Under actual tax law, tax losses carried forward could be reported in the following six years. As of December 31, 2006, tax losses carried forward and the related expire year is as follows:

Year	Amount	Expired Year
2001	2,803,802	2007
2002	4,374,315	2008
2003	5,120,440	2009
2004	8,830,888	2010
	<u>21,129,445</u>	

In accordance with current legislation, gains and losses in subsidiaries and affiliated companies resulting from application of the equity method are deducted from or added to, respectively, the profit for the year when computing taxable income..

Income tax for the years ended December 31, 2006 and 2005 is as follows:

	31-12-2006	31-12-2005
Current income tax (Note 48)	33,844	72,300
Deffered Tax	(5,180,014)	-
	<u>(5,146,170)</u>	<u>72,300</u>

Income tax for the year ended December 31, 2006 amounting to €33,844 relates to current income tax - autonomous taxation and deferred tax assets amounting € 5,180,014, related to tax losses carried forward.

The reconciliation of effective income tax rate is as follows:

	31-12-2006	31-12-2005
Profit before income tax	86,253,101	329,889,603
Nominal rate of income tax	27.50%	27.50%
Estimated income tax	23,719,603	90,719,641
Permanent differences (a)	(29,231,787)	(89,740,762)
Autonomous Taxation	33,844	72,300
Change in tax rate	518,001	-
Recovered tax losses	-	(978,879)
Tax Losses appropriated under Consolidated Tax perimeter	(185,831)	-
	(5,146,170)	72,300
Effective rate of income tax	-5.97%	0.22%

(a) This amount is made up essentially of :

	31-12-2006	31-12-2005
Effects arising from the application of the equity method (Note 16)	(101,183,623)	(428,609,485)
Adjustments and taxable provisions	11,880,862	17,887,066
Provisions decrease (Note 34)	(11,476,353)	-
Amortizations and adjustments reversals (Note 21)	(7,853,000)	-
Responsibilities related to pension benefits (Note 31)	3,740,061	84,295,795
Non-taxable dividends recognised in P&L	(689,147)	(10,704)
Non-taxable realized gains	(784,000)	(939)
Gains for tax purposes	-	1,000
Other	67,793	107,222
	(106,297,407)	(326,330,045)
Tax effect (27,5%)	(29,231,787)	(89,740,762)

Tax reduction during year on the caption "Change in Tax rate" results of the change introduced by Autonomous Regions law on income tax rules (reduce 1% income tax rate).

In accordance with current tax legislation, tax returns are subject to review and adjustment by the tax authorities during a period of four years and ten years for Social Security. Consequently, the Company's tax returns for the years from 2003 to 2006 are still subject to review.

The Company's Management believes that any possible adjustments that may result from tax authorities reviews will not have a significant effect on the financial statements as of December 31, 2006.

7. AVERAGE NUMBER OF EMPLOYEES

The average number of employees as of December 31, 2006 and 2005 was 20 and 23 persons, respectively.

10. MOVEMENT IN FIXED ASSETS

During the year ended December 31, 2006, the movement in intangible, tangible assets and investments, and in the related amortisation, depreciation and adjustments, was as follows:

Captions	Fixed Assets			
	Opening balance	Increases	Disposals and others	Closing balance
Buildings and other constructions	674,581	-	1	674,582
Transport Equipment	135,175	24,461	-	159,636
Administrative Equipment	189,845	44,513	-	234,358
Other Tangible Assets	28,925	5,812	(1)	34,736
Tangible assets in progress	74,557	102,926	-	177,483
	<u>1,103,083</u>	<u>177,712</u>	<u>-</u>	<u>1,280,795</u>
Investments:				
Investments in subsidiaries (Note 16 and 17)	75,519,280	67,532,196	58,710,282	201,761,758
Additional paid in capital to group companies (Notes 16 and 17)	207,910,000	622,500,000	(3,290,000)	827,120,000
Loans to group companies (Notes 16 and 17)	65,836,194	109,600,000	4,628,806	180,065,000
Securities and other investments (Notes 16 and 17)	1,229	60,504,624	9,630,941	70,136,794
	<u>349,266,703</u>	<u>860,136,820</u>	<u>69,680,029</u>	<u>1,279,083,552</u>
	<u>350,369,786</u>	<u>860,314,532</u>	<u>69,680,029</u>	<u>1,280,364,347</u>
Captions	Accumulated amortisation and depreciation			
	Opening balance	Increases	Disposals and others	Closing balance
Tangible assets:				
Buildings and other constructions	67,458	67,458	-	134,916
Transport Equipment	109,409	33,919	-	143,328
Administrative Equipment	111,179	37,887	-	149,066
Other Tangible Assets	3,866	4,467	-	8,333
	<u>291,912</u>	<u>143,731</u>	<u>-</u>	<u>435,643</u>

16. SUBSIDIARIES AND AFFILIATED COMPANIES

As of December 31, 2006, investments in subsidiaries and affiliated companies, including supplementary capital, capital-relacing loans to Group companies, were as follows:

Companies	Headquarter	December 31, 2006				Participation	
		Share Capital	Equity	a)	Net Profit	%	Proportional share in net results
					a)		(Notes 10 and 45)
Betopal, SL (Note 34)	Madrid	3,005	(9,331)		(2,430)	100.00%	-
CMP Investments, BV (Note 34)	Amsterdam	50,000	(7,064,446)		(7,492,334)	100.00%	(427,888)
Portucel, SA	Setúbal	767,500,000	1,086,984,709		20,828,430	4.16%	866,650
Secil, SA	Outão	264,600,000	417,928,511		77,316,496	6.42%	4,960,204
Seinpar Investments, BV	Amsterdam	18,000	540,025		1,984	100.00%	1,984
Semapa Inversiones, SL	Madrid	3,006	189,303,767		14,259,678	100.00%	14,259,678
Semapa Investments, BV	Amsterdam	18,000	670,903,692		46,737,551	100.00%	46,737,551
Seminv, SGPS, SA	Amsterdam	7,500,000	276,158,947		34,785,444	100.00%	34,785,444
							<u>1,208,946,758</u>
							<u>101,183,623</u>

- After consolidation adjustments. Regarding Portucel, the proportional share in net results relates to the proportional net profit of November and December 2006.
- Include "capital-relacing loans".
- Include share Premium / Supplementary capital.

Portuguese Generally Accepted Principles Derogations

Since 2005 with effects from January 1, 2004, Semapa subsidiaries started to apply IFRS 3 in Goodwill recognition. Therefore, Goodwill is not amortized and is tested annually for impairment. Impairment losses relative to goodwill cannot be reversed.

During the year ended December 31, 2004, Portucel subgroup subsidiaries change accounting policy over biological assets recognition (Growing forest), started to apply IAS 41 "Agriculture". Under this accounting rule, biological assets are measured at fair value, less estimated costs of sale at time of harvesting.

The subsidiaries Secil – Companhia Geral de Cal e Cimento, SA and Portucel – Empresa Produtora de Pasta e Papel, SA and its subsidiaries recognise its derivative financial instruments, both trading and hedging, and available-for-sale financial assets, at fair value according with IAS 39. Therefore, changes in fair value of its derivative financial instruments which qualify as cash-flow hedges, and available-for-sale financial assets are recognised directly in subsidiaries equity. Changes in fair value of trading derivatives financial instruments are recognised on Income Statement.

Portucel subsidiaries have changed its accounting policy of leases included in contracts according to IFRIC 4 - Determining whether an Arrangement contains a Lease. IFRIC 4 has been applied to the agreement regarding the supply of energy made by the subsidiary Soporcel with Soporgen (company in which the Group holds a 8% stake), a cogeneration company of EDP Group formed in 1999, with the purpose of ensuring the supply of electricity and steam to the mentioned subsidiary. Accordingly, the assets of Soporgen, associated with this agreement, were recorded in the December 31, 2005 and June 30, 2006 financial statements as a financial lease.

17. INVESTMENTS IN SUBSIDIARIES

The movement in the caption “Investments in subsidiaries”, “Supplementary capital to group companies”, “Loans to group companies” and “Securities and other investments” for the year ended December 31, 2006 was as follows:

	Investments in subsidiaries	Supplementary capital to group companies	Loans to Group Companies	Securities and other investments	Total
Opening Balance	75,519,280	207,910,000	65,836,194	1,229	349,266,703
Aquisition of 31.934.887 shares of Portucel - Empresa Produtora de Pasta e Papel, SA	67,530,966	-	-	-	67,530,966
Excess over the group's share of net assets on acquisition of Portucel - Empresa Produtora de Pasta e Papel, SA (Note 40)	(23,361,324)	-	-	-	(23,361,324)
Accounting policy change on recognition of Banco Espírito Santo, SA (Nota 2)	-	-	-	391,932	391,932
Subscription of share capital increase of Banco Espírito Santo, SA	-	-	-	133,336	133,336
Aquisition of 20.593.117 shares of EDP - Energias de Portugal, SA	-	-	-	60,504,624	60,504,624
Disposal of 2.500.000 shares of EDP - Energias de Portugal, SA	-	-	-	(7,399,626)	(7,399,626)
Net Profit appropriated by equity method (Notes 6, 16 and 45):					
- Gains	101,611,511	-	-	-	101,611,511
- Losses	(427,888)	-	-	-	(427,888)
Dividends distributed to company by subsidiaries:					
- Secil - Companhia Geral de Cal e Cimento, SA	(2,282,422)	-	-	-	(2,282,422)
Reimbursement of supplementary capital contributions by Seminv - Investimentos, SGPS, SA	-	(10,790,000)	-	-	(10,790,000)
Supplementary capital contributions to subsidiary Semapa Investments, BV	-	622,500,000	-	-	622,500,000
Loans to subsidiary Semapa Inversiones, SL	-	-	109,600,000	-	109,600,000
Provision for negative shareholders equity of Semapa Investments, BV	(39,483)	-	-	-	(39,483)
Adjustments in the retained earnings of the subsidiaries:					
- Cimentospar - Participações Sociais, SGPS, Lda.	(454,552)	-	-	-	(454,552)
- Seinpar Investments, BV	(452,002)	-	-	-	(452,002)
- Seinpart - Participações, SGPS, SA	(452,002)	-	-	-	(452,002)
- Semapa Inversiones, BV	(904,004)	-	-	-	(904,004)
- Semapa Investments, BV	(452,002)	-	-	-	(452,002)
- Seminv - Investimentos, SGPS, SA	(454,002)	-	-	-	(454,002)
Other changes in subgroups equity:					
- Portucel - Empresa Produtora de Pasta e Papel, SA	5,190,649	-	-	-	5,190,649
- Secil - Companhia Geral de Cal e Cimento, SA	(7,827,911)	-	-	-	(7,827,911)
Dividendos Semapa distribuídos à subsidiária Seminv, SGPS, S.A.	1,145,750	-	-	-	1,145,750
Fair Value adjustments:					
- Banco Espírito Santo, SA	-	-	-	132,728	132,728
- EDP - Energias de Portugal, SA	-	-	-	16,372,571	16,372,571
Transfers and repositions balances between captions	(12,128,806)	7,500,000	4,628,806	-	-
Closing Balance	<u>201,761,758</u>	<u>827,120,000</u>	<u>180,065,000</u>	<u>70,136,794</u>	<u>1,279,083,552</u>

On December 31, 2006, Loans to Group companies were made up as follows:

	31-12-2006
Portucel, SA	45,228,318
Secil, SA	26,812,009
Seinpar Investments, BV	540,025
Semapa Inversiones, SL	9,238,767
Semapa Investments, BV	40,903,692
Seminv, SGPS, SA	79,038,947
	<u>201,761,758</u>

On December 31, 2006, Supplementary Capital to Group Companies amounting Euros 827,120,000, have been granted to the following entities:

	31-12-2006
Semapa Investments, BV	630,000,000
Seminv - Investimentos, SGPS, SA	197,120,000
	<u>827,120,000</u>

Loans to Group companies amounting Euros 180,065,000, were loans which have been integrally granted to Semapa, SL.

Securities and other investments amounting Euros 70,136,794, were made up as follows:

Companies	December 31, 2006			Total
	Number of Shares	Historical Cost	Potential Gain / (Loss) (Note 40)	
EDP, SA	18,093,117	53,104,998	16,372,571	69,477,569
BES, SA	48,311	525,268	132,728	657,996
Others	1,000	1,229	-	1,229
		<u>53,631,495</u>	<u>16,505,299</u>	<u>70,136,794</u>

Positive differences between fair value and historical cost on EDP and BES amounting Euros 16,372,571 and Euros 132,728, respectively, have been recognised against Equity (Note 40). The Company has not recognised deferred tax liabilities due to the huge amount of tax losses carried forward (Note 6) during the period of one year on those potential gains could be taxed.

21. MOVEMENT IN ASSETS ADJUSTMENTS

During the year ended December 31, 2006, the movement in caption adjustments was as follows:

Caption	Opening balance	Increase	Decrease	Closing balance
Accounts receivable:				
Other debtors	<u>7,853,000</u>	<u>-</u>	<u>(7,853,000)</u>	<u>-</u>

23. DOUBTFUL RECEIVABLES

As of December 31, 2006, there was no the doubtful receivables. As of December 31, 2005, the doubtful receivables amounted to €7,853,000 and were recorded in the caption "Other Debtors", being null the receivable balance net of adjustments (Note 21).

25. RECEIVABLE AND PAYABLE BALANCES WITH PERSONNEL

As of December 31, 2006 and 2005, the Company liabilities related to personnel were Euros 47,685 and Euros 24,741 (Note 49), respectively.

29. ACCOUNTS PAYABLE IN MORE THAN FIVE YEARS

As at December 31, 2006, accounts payable in more than 5 years amounted to Euros 361,917,000 (Note 51).

31. FINANCIAL COMMITMENTS

Retirement benefits complement

Defined benefit plan assumed by the Company

The Shareholders' General Meeting, held in March 30, 2005, approved the retirement directors' regulation, as foreseen in the article 17^o of the Company's statutes. As per the terms of the referred regulation, Semapa directors are entitled to a lifetime allowance, paid 12 times per year, from the 55 years on, if they have, generally, worked for the Company a minimum of 8 years, followed or interpolated, as directors. These rights can only be exercised when each director ceased functions.

The liabilities for the years ended December 31, 2006 and 2005, were as follows:

	31-12-2006	31-12-2005
Liabilities in the beginning of the year	84,295,795	-
Movements during the year:	(342,566)	84,295,795
Costs / (gains) recognised in the income statement	3,740,061	84,295,795
Actuarial Losses / (gains) (Note 40)	(3,543,052)	-
Pensions paid	(539,575)	-
Liabilities at the end of the year	<u>83,953,229</u>	<u>84,295,795</u>

Semapa has proceeded to the application of the methodology regarding the direct recognition of actuarial gains and losses under equity, in accordance with IAS 19 and approved by the regulation 1910/2005 of European Commission, of November 8. As of December 31, 2006, The Company has recognised an amount of Euros 3,543,052 related with actuarial gains and losses directly in equity (Note 40).

In accordance with the actuarial valuation, reported on December 31, 2006, the responsibilities for past services amount to Euros 83,953,229, being fully provided for in liabilities' caption "Provisions for pensions" (Note 34). On December 31, 2005 the provision for pensions amount to some Euros 84,295,795.

The actuarial valuation considers the following financial and the demographic assumptions:

	31-12-2006	31-12-2005
Mortality table	TV 88/90	TV 88/90
Disability Table	EKV 80	EKV 80
Growth rate of pensions	2.25%	2.25%
Technical interest rate	4.50%	4.50%
Directors interest rate	4.50%	4.50%
Growth rate of salaries	2.50%	2.50%
Pensions reversability rate	50%	50%
Number of annual payments of Semapa complement	12	12
Social benefits formula	Decree-Law nº 35/2002 of February 19	Decree-Law nº 35/2002 of February 19

32. GUARANTEES GRANTED

During the year ended December 31, 2004, the subsidiaries Semapa Inversiones S.L. and Semapa Investments B.V. have contracted, together with Semapa next to a banking syndicate a borrowing (December 31, 2005: outstanding balance amounts to €326,090,563), for the acquisition, through Seinpart – Participações, SGPS, S.A., subsidiary jointly owned, of a 30% and 37,1%, respectively, participation in the share capital of Portucel – Empresa Produtora de Pasta e Papel, S.A..

Within the scope of this finance, the companies made pledges over share capital and paid-in capital direct and indirectly owned by Semapa, in the subsidiaries Semapa Inversiones, S.L., Semapa Investments, B.V., Seinpart – Participações, SGPS, S.A., Portucel – Empresa Produtora de Pasta e Papel, S.A. and CMP Investments B.V.

During the year ended December 31, 2006, Semapa has restructured its debt and therefore has totally reimbursed the syndicated loan, withdrawing the consequences guarantees gave to financial entities.

Additionally, during the year, Semapa and Semapa Inversiones, SL, in its guarantee quality, were celebrated with a financial institution a promise agreement of credit, until an amount of Euros 200.000.000, with promise of pledge of companies shares which integrate the index PSI-20 and/or amounts deposited to period, with a covering ratio never below to 1,1. This credit line was used, on December 31, 2006, the amount of Euros 13.367.000, have been given in pledge 5.326.618 Portucel shares, which 4.739.218 have been guaranteed by Semapa Inversiones, SL, and 990.000 EDP shares.

34. MOVEMENTS IN PROVISIONS

During the year ended on December 31, 2006, movements in provisions were as follows:

Captions	Opening balance	Increases	Decreases	Closing balance
Provisions for risks and costs:				
Pensions (Note 31)	84,295,795	-	(342,566)	83,953,229
Appropriation of results of subsidiaries and affiliated companies by the equity method (Note 16)	46,383	7,066,876	(39,483)	7,073,776
Other provisions	11,213,427	3,498	(10,936,777)	280,148
	<u>95,555,605</u>	<u>7,070,374</u>	<u>(11,318,826)</u>	<u>91,307,153</u>

On December 31, 2006, provisions for negative equity of subsidiaries amounting Euros 7,073,776, relates to the following entities:

Companies	Opening balance	Increases	Decreases	Closing balance
Semapa Investments, BV	39,483	-	(39,483)	-
Betopal, SL	6,900	2,430		9,330
CMP Investments, BV	-	7,064,446		7,064,446
	<u>46,383</u>	<u>7,066,876</u>	<u>(39,483)</u>	<u>7,073,776</u>

The reduction in the caption "Other provisions", include an amount of Euros 10,360,652, which relates to accrual for 2005 performance bonus payable to corporate bodies in 2006.

36. SHARE CAPITAL

As of December 31, 2006 the Company's share capital, totally subscribed and paid in, consisted of 118,332,445 shares with the nominal value of €1 each (Note 40).

37. ENTITIES HOLDING THE SHARE CAPITAL

In accordance with the most recent shareholder's meeting, held on April 4, 2006, and the qualified participations mentioned, the Company's share capital as of December 31, 2006 is held by:

Name	Number of shares	%
Sodim, SGPS, S.A.	26,115,000	22.07
Credit Suisse	23,600,000	19.94
Longapar, SGPS, S.A.	20,000,000	16.90
Cimo - Gestão de Participações, SGPS, S.A.	14,592,300	12.33
Banco BPI, SA	11,855,974	10.02
Banco Espírito Santo, SA	6,537,252	5.52
Seminv - Investimentos, SGPS, S.A	2,727,975	2.31
Sonaca - Sociedade Nacional de Canalizações, SA	1,250,000	1.06
Other shareholders with participation lower than 2%	11,653,944	9.85
	<u>118,332,445</u>	<u>100.00</u>

After December 31, 2006 and in the course of the qualified participations, already publicised, the Company's share capital as of December 31, 2006 is held by:

Name	Number of shares	%
Sodim, SGPS, SA	26,115,000	22.07
Credit Suisse	23,600,000	19.94
Longapar, SGPS, SA	20,000,000	16.90
Cimo - Gestão de Participações, SGPS, SA	14,592,300	12.33
Banco BPI, SA	11,855,974	10.02
Banco Espírito Santo, SA	6,221,854	5.26
Seminv - Investimentos, SGPS, SA	2,727,975	2.31
Sonaca - Sociedade Nacional de Canalizações, SA	1,250,000	1.06
Other shareholders with participation lower than 2%	11,969,342	10.12
	<u>118,332,445</u>	<u>100.00</u>

40. CHANGES IN SHAREHOLDER'S EQUITY

During the year ended December 31, 2006, the movement in the equity accounts was as follows:

Captions	Opening balance	Increases	Decreases	Transfers	Closing Balance
Capital	118,332,445	-	-	-	118,332,445
Premiums for the issue of shares	3,923,459	-	-	-	3,923,459
Adjustments in investments of subsidiaries and associated companies (Note 10)	(21,080,486)	6,336,403	(10,996,475)	(2)	(25,740,560)
Fair Value adjustments (Note 10 and 17)	-	16,505,299	-	-	16,505,299
Reserves:					
Legal reserves	22,221,077	-	-	1,445,412	23,666,489
Other reserves	249,619,367	-	-	278,672,265	528,291,632
Retained earnings	442,568	3,543,052	(23,361,324)	1	(19,375,703)
Net income for the year	329,817,303	91,399,271	(49,699,627)	(280,117,676)	91,399,271
	<u>703,275,733</u>	<u>117,784,025</u>	<u>(84,057,426)</u>	<u>-</u>	<u>737,002,332</u>

The increase in the caption "Fair Value Adjustments" in the year ended December 31, 2006 amounting Euros 16.505.299, is due to the fair value of held for sale financial assets included in the caption "Securities and other investments" (Note 10 and 17).

The Increase during the year ended December 31, 2006 in the caption "Retained earnings" amounting Euros 3,543,052, relates to recognition of actuarial gains and losses under equity, in accordance with IAS 19 and approved by the regulation 1910/2005 of European Commission, of November 8.

The decrease during the year ended December 31, 2006 in the caption "Retained earnings" amounting Euros 23,361,324, relates to the excess over the group share of net assets due to the 4,16% Portucel stake acquired by Semapa to minority interests, with reference to October 31, 2006, and respective acquisition cost amounting Euros 67,530,966 (Note 17).

As decided by the shareholders' General Meeting held on April 4, 2006, the 2005 net income was appropriated as follows:

Distribution of dividends (0,42 euros per share)	49,699,627
Legal reserves	1,445,412
Other reserves	278,672,264
	<u>329,817,303</u>

Adjustments in investments in subsidiaries and affiliated companies relates to the difference between the net book value of the financial investments in Group companies and the proportion of equity held in that companies as of the date of the first application of the equity method, as well as adjustments made after that date directly to their equity.

During the year ended December 31, 2006, movement in this caption was as follows:

	Adjustments in investments in subsidiaries and affiliated companies
Opening Balance	(21,080,486)
Adjustments in subsidiaries and affiliates companies as a result of movements in retained earning of subsidiary companies:	
- Cimentospar - Participações Sociais, SGPS, Lda.	(454,552)
- Seinpar Investments, BV	(452,002)
- Seinpart - Participações, SGPS, SA	(452,002)
- Semapa Inversiones, BV	(904,004)
- Semapa Investments, BV	(452,002)
- Seminv - Investimentos, SGPS, SA	(454,002)
Other changes in subgroups equity:	
- Portucel - Empresa Produtora de Pasta e Papel, SA	5,190,649
- Secil - Companhia Geral de Cal e Cimento, SA	(7,827,911)
Dividends distributed by Semapa to subsidiary Seminv, SGPS, SA	1,145,750
Other movements	2
Closing balance	(25,740,560)

Negative adjustments amounting Euros 25,740,560, relates with the following entities::

Betopal, SL	4,334
CMP Investments, BV	1,240,511
Portucel - Empresa Produtora de Pasta e Papel, SA	192,026
Secil - Companhia Geral de Cal e Cimento, SA	2,283,791
Seinpar - Investments, BV	(6,345,386)
Semapa Inversiones, SL	505,939
Semapa Investments, BV	3,038,465
Seminv - Investimentos, SGPS, SA	(26,660,240)
	(25,740,560)

Adjustments in investments in subsidiaries and affiliated companies resulted by equity method accounting of subsidiaries which include the impacts of accounting policies changes (Note 16).

Legal reserve: In accordance with current legislation, the Company must transfer a minimum of 5% of its annual net profit to a legal reserve until the reserve reaches 20% of share capital. This reserve cannot be distributed to the shareholders but may be used to absorb losses after all other reserves have been used up or to increase capital.

43. STATUTORY BOARD MEMBERS REMUNERATION

Remuneration attributed to statutory board members, including a participation on the results of 2005 (Note 40) during the year ended December 31, 2006 and 2005, was as follows:

	31-12-2006	31-12-2005
Board of Directors - Remuneration	2,283,891	5,093,954
Bonus charged to subsidiary CMP Investments, BV	-	(3,200,000)
Board of Directors - Participation in results	7,342,171	-
Statutory Auditor	11,447	4,788
Net profit Impact	9,637,509	1,898,742
Board of Directors - Participation in results through retained earnings	-	9,100,000
	<u>9,637,509</u>	<u>10,998,742</u>

In addition, the board members of Semapa profited from a pension plan as described in Note 31.

44. SALES AND SERVICES RENDERED BY GEOGRAPHIC MARKET

Sales and services rendered by geographic market during the year ended December 31, 2006 and 2005 were as follows:

	31-12-2006	31-12-2005
Domestic Market (Note 53)	5,077,367	6,372,800
Foreign Market (Note 53)	-	201,000
	<u>5,077,367</u>	<u>6,573,800</u>

45. FINANCIAL RESULTS

Net financial results during the year ended December 31, 2006 and 2005 were made up as follows:

	<u>31-12-2006</u>	<u>31-12-2005</u>
<u>Expenses:</u>		
Interest expense with loans		
obtained from shareholders (Note 52)	272,617	287,226
Interest expense with loans		
obtained from group companies (Note 53)	378,523	468,238
Interest expense with other loans obtained	10,944,151	900,453
Losses on subsidiaries and affiliated companies (Note 16)	427,888	1,041,798
Adjustments on investments	-	6,901
Other financial expenses	1,194,928	31,013
	<u>13,218,107</u>	<u>2,735,629</u>
Net financial results	<u>97,072,143</u>	<u>432,517,354</u>
	<u><u>110,290,250</u></u>	<u><u>435,252,983</u></u>
<u>Income:</u>		
Interest income on loans		
granted to group companies (Note 53)	7,085,986	5,458,779
Other interest income	829,900	125,812
Gains on subsidiaries and affiliated companies (Note 16)	101,611,511	429,651,283
Income from other equity investments	689,147	10,704
Reversals and other income and financial gains (Note 21)	73,706	6,405
	<u><u>110,290,250</u></u>	<u><u>435,252,983</u></u>

Gains on subsidiaries and affiliated companies resulted of equity method accounting of subsidiaries which include the impacts of accounting policies changes (Note 16).

Income from other equity investments amounting Euros 689,147, corresponds to dividends received from EDP – Energias de Portugal, SA, Banco Espírito Santo, SA e Portucel – Empresa Produtora de Pasta e Papel, SA, Euros 677.500, Euros 11.595 and Euros 52, respectively. Additionally, the Company received dividends from Secil – Companhia Geral de Cal e Cimento, SA, amounting Euros 2,282,422 (Note 17), which deducted from the financial investment asset on this subsidiary.

46. EXTRAORDINARY RESULTS

Extraordinary results during the year ended December 31, 2006 and 2005 were made up as follows:

	31-12-2006	31-12-2005
<u>Extraordinary expenses:</u>		
Donations	5,800	5,000
Losses in investments	-	61
Prior year adjustments	366	-
Other extraordinary costs	16,396	-
	<u>22,562</u>	<u>5,061</u>
Resultados extraordinários	<u>2,712,680</u>	<u>(3,762)</u>
	<u>2,757,804</u>	<u>6,360</u>
<u>Income and gains:</u>		
Gains in investments	2,158,591	1,000
Provisions reductions	576,126	-
Other extraordinary income	525	299
	<u>2,735,242</u>	<u>1,299</u>

The caption "Gains in investments" includes an amount of Euros 1,374,591 of 2,500,000 EDP shares disposed (Note 17).

The caption "Other extraordinary costs" includes an amount of Euros 16,385 related with unrecoverable prior years special withholding tax (Note 48).

The caption "Other extraordinary income" includes income tax excess amounting Euros 523.

48. STATE AND OTHER PUBLIC ENTITIES

As of December 31, 2006 the Company was up-to-date with its payments to the State and other public entities. The balances payable to these entities as of December 31, 2006 and 2005, were made up as follows:

	31-12-2006		31-12-2005	
	Debtors	Creditors	Debtors	Creditors
Corporate income tax	577,340	-	651,019	-
Personal income tax	-	135,476	-	2,170,913
Value added tax	59,282	97,982	-	203,244
Stamp Duty	-	1,600	-	-
Social security	-	48,390	-	40,527
	<u>636,622</u>	<u>283,448</u>	<u>651,019</u>	<u>2,414,684</u>

As of December 31, 2006 and 2005 the caption "Corporate income tax" was made up as follows:

	31-12-2006	31-12-2005
Corporate income tax for the year (Note 6)	(33,844)	(72,300)
Special Payments on account	14,159	16,385
Withholdings at source made by the Company	526,584	706,934
Withholdings at source made by subsidiaries included in RETGS	70,441	-
	<u>577,340</u>	<u>651,019</u>

49. OTHER DEBTORS AND CREDITORS

As of December 31, 2006 and 2005, these captions were made up as follows:

	31-12-2006	31-12-2005
<u>Other debtors:</u>		
Suppliers, c/c	3,318	155
Personnel		
Other debtors:	233	-
Group companies (Note 53)	5,278,682	8,452,573
Others	<u>1,080,033</u>	<u>1,040,397</u>
	6,362,266	9,493,125
Adjustments (note 21)	-	(7,853,000)
	<u>6,362,266</u>	<u>1,640,125</u>
<u>Other creditors:</u>		
Fixed assets suppliers	36,971	41,924
Personnel	47,685	24,741
Consultants/professionals	27,725	48,681
Shareholders (Note 52)	4,262,673	-
Group Companies (Note 53)	<u>104</u>	<u>-</u>
	<u>4,375,158</u>	<u>115,346</u>

As of December 31, 2006, Group companies debtor include an amount of Euros 4,000,000, related with the guarantee rendered to those subsidiaries due to the elect Board of Directors by Semapa, in accordance with articles 396º and 418º-A of Commercial Company Act.

In the same period, Semapa received from its shareholders, the amount of Euros 4,250,000 of guarantee for the elect directors for its Board of Directors, in accordance with articles 396º and 418º-A of Commercial Company Act.

50. ACCRUALS AND DEFERRALS

As of December 31, 2006 and 2005, these captions were made up as follows:

	31-12-2006	31-12-2005
<u>Increase in income</u>		
Interests to be received:		
Group companies	51,004	-
Bank deposits	-	21,817
	<u>51,004</u>	<u>21,817</u>
<u>Deferred costs:</u>		
Rentals	40,079	40,340
Insurance costs	-	3,678
Prepaid interest of Commercial paper	576,571	-
Expenses incurred to open credit lines (Note 51):		
Debenture Loans	1,147,042	14,379
Commercial paper	870,210	-
Bank loans	275,334	133,384
Other deferred costs	2,311	1,068
	<u>2,911,547</u>	<u>192,849</u>
<u>Accrued costs:</u>		
Accrued insurance	16,288	-
Other accrued interest	2,650,442	164,105
Vacation pay, vacation subsidy and other payroll costs	5,551,305	579,161
Other accrued costs	54,813	35,409
	<u>8,272,848</u>	<u>778,675</u>

The caption "Vacation pay, vacation subsidy and other payroll costs" include an amount of Euros 4,810,488 related accrual for 2006 performance bonus payable to corporate bodies.

51. LOANS

As of December 31, 2006 and 2005, these captions were made up as follows:

	31-12-2006			31-12-2005
	Short term	Medium and long term	Total	Total
Semapa 1998/2008 Bonds Loans	5,611,476	2,244,591	7,856,067	13,467,543
Semapa 2006/2016 Bonds Loan	-	225,000,000	225,000,000	-
Commercial Paper	-	123,550,000	123,550,000	-
Bank loans	-	38,367,000	38,367,000	25,000,000
Other Loans	-	66,263,756	66,263,756	-
Overdrafts	613,183	-	613,183	-
	<u>6,224,659</u>	<u>455,425,347</u>	<u>461,650,006</u>	<u>38,467,543</u>

On March 9, 1998 the Company issued 4,800,000 bonds with the nominal value of mEsc 1 each, redeemable in ten years. During the year ended December 31, 2001, the bonds were redenominated to euros, totalling €23,942,299, corresponding to 2,394,229,906 bonds, with a nominal value of €0.01 each.

After the anticipated reimbursement and the previewed settlement of the 14^o and 16^o coupons, 20% and 25%, respectively, as of March 9, 2005 and 2006, bond loan amounts to Euros 7,856,067 corresponding to 2,244,590,447 bonds, with a nominal value of €0.0035 each, being impossible its anticipated reimbursement in all or part after the changes introduced to the technical note by General Assembly as of March 5, 2004.

Semapa SGPS, SA, under the debt restructuring process, negotiated, in the 2006 first semester, two bond loans amounting Euros 50,000,000 and Euros 175,000,000 for the period of 10 years, led by Banco BPI, SA and Banco Espírito Santo de Investimento, SA jointly with Caixa – Banco de Investimento, SA.

During the year, Semapa subscribed a commercial paper program with a maximum amount of Euros 175.000.000, for the period of 10 years, with a bank union led by Banco Espírito Santo de Investimento, S.A. and Caixa – Banco de Investimento, SA of which is being used an amount of Euros 123.550.000, on December 31, 2006.

Additionally, on December 31, 2006, Semapa had negotiated 2 structures - with Caixa – Banco de Investimento, SA (Put & Call Combination) and with Credit Suisse International (Portucel Total Return Swap), evidenced in the caption "Bank Loans" by the overall amount of Euros 66,263,756 - which gives the right of, in pre-certain dates, to buy 2,95% and 1,13% of Portucel SA share capital, respectively. In case Semapa doesn't exercise the options until the end of the maturity date (10-11-2009 and 14-11-2009, respectively), the financial institutions have a sale option to Semapa.

As of December 31, 2006 the medium and long-term bond loan is redeemable as follows:

2008	2,244,591
2009	66,263,756
2010	25,000,000
2011 and following years	361,917,000
	<u>455,425,347</u>

As of December 31, 2006 and 2005, there were available bank credits granted and undrawn facilities of Euros 249,719,816 and Euros 12,244,591, respectively.

52. SHAREHOLDERS

As of December 31, 2006, the amount payable to shareholders related to treasury operations were as follows:

	Assets	Liabilities		
	Other Debtors (Note 49)	Shareholders -short term	Accounts payable to suppliers	Other Creditors (Note 49)
Cimianto - Gestão de Participações, SGPS, SA	233	-	10,864	-
Cimo - Gestão de Participações, SGPS, SA	-	2,450,999	-	-
Longapar, SGPS, SA	-	1,373,403	-	4,262,673
Sonaca - Sociedade Nacional de Canalizações, SA	-	668,034	-	-
	<u>233</u>	<u>4,492,436</u>	<u>10,864</u>	<u>4,262,673</u>

The amounts payable to shareholders of Euros 4,492,436 relate short term treasury activities.

During the year ended December 31, 2006, Semapa received from Longapar, SGPS, SA shareholder an amount of Euros 4.250.000, related with the guarantee rendered due to the elect Directors in Semapa's Board of Directors, in accordance with articles 396º and 418º-A of Commercial Company Act.

As of December 31, 2005, the payable amount to shareholders related with treasury activities are made up as follows:

	<u>31-12-2005</u>
Cimianto - Gestão de Participações, SGPS, SA	3,835,959
Cimo - Gestão de Participações, SGPS, SA	2,176,148
Sonaca - Sociedade Nacional de Canalizações, SA	<u>953,018</u>
	<u><u>6,965,125</u></u>

These balances earn interest at market rates.

As of December 31, 2006 and 2005, transactions with shareholders, were as follows:

	<u>31-12-2006</u>		<u>31-12-2005</u>
	External supplies and services	Financial expenses (Note 45)	External supplies and services
Cimianto - Gestão de Participações, SGPS, SA	107,740	-	107,740
Cimo - Gestão de Participações, SGPS, SA	-	127,485	-
Longapar, SGPS, SA	-	113,055	-
Sonaca - Sociedade Nacional de Canalizações, SA	-	32,077	-
	<u>107,740</u>	<u>272,617</u>	<u>107,740</u>
			<u>287,226</u>

53. GROUP COMPANIES

As of December 31, 2006, balances with Group companies were as follows:

	<u>Assets</u>			<u>Liabilities</u>		
	Group companies -short term	Group companies - medium and long term	Other debtors (Note 49)	Group companies -short term	Accounts payable to suppliers	Other Creditors (Note 49)
Betopal, SL	15,117	-	-	-	-	-
Cimenpar Investments, BV	58,995	-	-	-	-	-
Cimentospar - Participações, SGPS, Lda.	-	511,254	-	7,594,485	-	-
CMP Investments, BV	7,038,595	11	-	-	-	-
Portucel - Empresa Produtora de Pasta e Papel, SA	-	2,506,658	-	-	-	104
Secil - Companhia Geral de Cal e Cimento, SA	-	2,258,988	-	-	11,420	-
Seinpar Investments, BV	1,323,695	-	-	-	-	-
Seinpart - Participações, SGPS, SA	3,607,329	167	-	-	-	-
Semapa Inversiones, SL	6,630,606	151	51,004	-	-	-
Semapa Investments, BV	-	40	-	-	-	-
Seminv - Investimentos, SGPS, SA	1,285,762	1,413	-	1,342	-	-
	<u>19,960,099</u>	<u>5,278,682</u>	<u>51,004</u>	<u>7,595,827</u>	<u>11,420</u>	<u>104</u>

The amount of Euros 19,960,099, to be received from Group companies refers to short-term loan facilities bearing interest quarterly at current market rates.

As of December 31, 2006, other debtors receivable from group companies Secil – Companhia Geral de Cal e Cimento, SA and Portucel – Empresa Produtora de Pasta e Papel, SA, include an amount of EUR 2,250,000 and Euros 1,750,000, related with the guarantee rendered due to the elect Directors in Subsidiaries's Board of Directors, in accordance with articles 396^o and 418^o-A of Commercial Company Act.

During the year ended December 31, 2006, transactions with Group companies were as follows:

	Sales and services rendered	Supplementary income	Financial income (Note 45)	Financial losses (Note 45)
Betopal, SL	-	-	588	-
Camilo & Lopes, Lda.	-	2,614	-	-
Cimenpar Investments, BV	-	-	1,955	-
Cimentospar - Participações, SGPS, Lda	1,497,464	-	-	343,488
CMP- Cimentos Maceira e Pataias, S.A.	-	4,409	-	-
CMP Investments, BV	-	-	308,354	-
Portucel - Empresa Produtora de Pasta e Papel, SA	3,579,903	10,582	-	-
Secil - Companhia Geral de Cal e Cimento, SA	-	37,685	-	-
Secil Martingança, Lda.	-	2,205	-	-
Seinpar Investments, BV	-	-	9,195	-
Seinpart - Participações, SGPS, SA	-	-	1,833,700	-
Semapa Inversiones, SL	-	-	87,578	-
Semapa Investments, BV	-	-	4,835,887	31,429
Seminv - Investimentos, SGPS, SA	-	-	8,729	3,606
Unibetão - Indústrias de Betão Preparado, SA	-	2,205	-	-
	<u>5,077,367</u>	<u>59,700</u>	<u>7,085,986</u>	<u>378,523</u>

The amount of Euros 5,077,367 in "Sales and services rendered" caption, refers to management services provided by the Company in financial, administrative, fiscal and IT areas, among others.

54. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2006 and 2005, were made up as follows:

	31-12-2006	31-12-2005
Marketable securities	-	391,932
Short-term bank deposits	-	3,310,000
Bank deposits	8,683	77,492,700
Cash in hand	2,494	1,715
Bank overdrafts	(613,183)	-
	<u>(602,006)</u>	<u>81,196,347</u>

55. AUDIT FEES AND OTHER SERVICES

During the year ended December 31, 2006 and 2005, the costs incurred with Auditors, Statutory auditors and other consultants were as follows:

	31-12-2006	31-12-2005
Audit fees	94,752	44,441
Tax advisory services	2,600	-
Other consultancy services	13,300	11,000
	<u>110,652</u>	<u>55,441</u>

56. RECONCILIATION OF THE CAPTION "EXTRAORDINARY RESULTS" DISCLOSED IN THE INCOME STATEMENT BY NATURE AND IN THE INCOME STATEMENT BY FUNCTION

The income statement by function presents a concept of extraordinary results that differ from the one foreseen by the accounting principles generally accepted in Portugal for the preparation of the income statement by nature. Thus, the amounts of extraordinary income presented in the income statement by nature (Note 46) for the year ended December 31, 2006 and 2005 of Euros 2,712,681 and Euros 3,762, respectively, have been reclassified to current income:

	Income Statement					
	2006			2005		
	By Nature	Reclassifications	By Functions	By Nature	Reclassifications	By Functions
Operating income	(13,531,722)	2,712,680	(10,819,042)	(102,623,989)	(3,762)	(102,627,751)
Current income	83,540,421	2,712,680	86,253,101	329,893,365	(3,762)	329,889,603
Extraordinary income	2,712,680	(2,712,680)	-	(3,762)	3,762	-
Net profit for the year	91,399,271	-	91,399,271	329,817,303	-	329,817,303

57. NOTE ADDED FOR TRANSLATION

The accompanying financial statements are a translation of financial statements originally issued in Portuguese. In the event of discrepancies the Portuguese language version prevails.

BOARD OF DIRECTORS

Pedro Mendonça de Queiroz Pereira
Chairman

Maria Maude Mendonça de Queiroz Pereira Lagos
Member

Carlos Eduardo Coelho Alves
Member

José Alfredo de Almeida Honório
Member

Francisco José de Melo e Castro Guedes
Member

Carlos Maria Cunha Horta e Costa
Member

José Miguel Pereira Gens Paredes
Member

Paulo Miguel Garcês Ventura
Member

Rita Maria Lagos do Amaral Cabral
Member

António da Nóbrega de Sousa da Câmara
Member

António Paiva de Andrada Reis
Member

Fernando Maria Costa Duarte Ulrich
Member

Paulo Jorge Morais Costa
The Accountant

Joaquim Martins Ferreira do Amaral
Member

**Report of the Auditors for Statutory and Stock Exchange Regulatory
Purposes in respect of the Individual Financial Information
(Free translation from the original version in Portuguese)**

Introduction

1 As required by law, we present the Report of the Statutory Auditors for Stock Exchange Regulatory Purposes in respect of the Financial Information included in the Management Report and the financial statements of SEMAPA – Sociedade de Investimento e Gestão, SGPS, SA, comprising the balance sheet as at December 31, 2006, (which shows total assets of €1,315,041,433 and a total of shareholder's equity of €737,002,332, including a net profit of €91,399,271), the consolidated income statement by nature and by function, the cash flow statement for the year then ended and the corresponding notes to the accounts.

Responsibilities

2 It is the responsibility of the Company's Board of Directors (i) to prepare financial statements which present fairly, in all material respects, the financial position of the company, the results of its operations and cash flows; (ii) to prepare the historic financial information in accordance with generally accepted accounting principles while also meeting the principles of completeness, truthfulness, accuracy, clarity, objectivity and lawfulness, as required by the Portuguese Securities Market Code; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain an adequate system of internal control; and (v) the disclosure of any relevant matters which have influenced the activity and the financial position or results of the company.

3 Our responsibility is to verify the financial information included in the financial statements referred to above, particularly as to whether it is complete, truthful, accurate, clear, objective and lawful, as required by the Portuguese Securities Market Code, for the purpose of expressing an independent and professional opinion on that financial information, based on our audit.

Scope

4 We conducted our audit in accordance with the Standards and Technical Recommendations approved by the Institute of Statutory Auditors which require that we plan and perform the examination to obtain reasonable assurance about whether the financial statements are free of material misstatement. Accordingly, our examination included: (i) verification, on a test basis, of the evidence supporting the amounts and disclosures in the financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of Management used in the preparation

SEMAPA – Sociedade de Investimento e Gestão, SGPS, SA

of the financial statements; (ii) assessing the appropriateness and consistency of the accounting principles used and their disclosure, as applicable; (iii) assessing the applicability of the going concern basis of accounting; (iv) assessing the overall presentation of the financial statements; and (v) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the financial information.

5 Our audit also covered the verification that the financial information included in the management report is in agreement with the financial statements.

6 We believe that our examination provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the financial statements referred to above, present fairly in all material respects, the financial position of SEMAPA – Sociedade de Investimento e Gestão, SGPS, SA as at December 31, 2006, the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles in Portugal, derogated by the application of International Financial Reporting Standards (IFRS) as mentioned in note 1 and duly comply with principles of completeness, truthfulness, accuracy, clarity, objectivity and lawfulness.

Lisbon, March 1, 2007

PricewaterhouseCoopers & Associados, SROC, Lda
represented by:

Abdul Nasser Abdul Sattar, R.O.C.

Report and Opinion of the Audit Board

Shareholders,

1. As required by the law and in accordance with our duties, we are pleased to submit our report on our auditing activity and to give our opinion on the Management Report and Financial Statements presented by the Board of Directors of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A., in relation to the financial year ended 31 December 2006.
2. At the General Meeting of 18 October 2006, the Audit Board was restructured and its current members were elected.
3. In the course of the financial year we monitored the company's activities, at the intervals and to the extent we deemed fit. We confirmed that the accounts and respective documents were correctly kept and checked compliance with the law and the articles of association.
4. We also monitored the work of PricewaterhouseCoopers & Associados, SROC, Lda and assessed the Legal Accounts Certificate and Audit Report, attached, with which we agree.
5. In the course of our duties we checked that:
 - i) the Balance Sheet, the Income Statement by nature and functions, the Statement of Cash Flows and the corresponding Notes to the Financial Statements provide an adequate picture of the company's financial situation and its results;
 - ii) the accounting policies and valuation criteria adopted are appropriate;
 - iii) the Management Report provides sufficient information on the company's business and affairs, detailing the most significant aspects;
 - iv) the proposal for allocation of profits is duly justified.
6. Accordingly, in view of the information received from the Board of Directors and the Departments, and the conclusions set out in the Legal Accounts Certificate and Audit Report, we recommend that:
 - i) the Management Report be approved;
 - ii) the Financial Statements be approved;
 - iii) the proposal for allocation of profits be approved.

Lisbon, 1 March 2007

The Chairman of the Supervisory Board

Member

Member

Semapa
Minutes of General Meeting no. 25

On 21 March 2007, at 11.00 a.m., a General Meeting was held of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A., public limited company, in Lisbon, at the Hotel Sana, [...]

[...]

As the meeting had been duly convened and there was sufficient quorum to transact valid business, the Chairman of the Audit Board opened the proceedings, thanking the shareholders for attending and reading out the order of business.

[...]

As no one else wished to take the floor, the Chairman of the Audit Board called a vote on the Management Report, Balance Sheet and Financial Statements for the financial year, together with the Report and Opinion of the Audit Board, and also called a separate vote on the consolidated financial statements for the same period. The documents relating to the first item on the order of business were then approved with the abstention of shareholders representing 57 votes and all other shareholders present voting in favour. [...] The documents relating to the second item on the order of business were unanimously approved by the shareholders present.

The meeting then moved on to the third item on the order of business, and the Chairman of the Audit Board began by reading out the sole motion, tabled by the Board of Directors, which is hereby transcribed:

- *Considering that the Company needs to maintain a financial structure compatible with sustained growth of its Group, in the various business areas in which it operates, and*
- *Considering that in order for the Company to remain independent from the financial system, it needs to preserve levels of consolidated short, medium and long term indebtedness which allow it to maintain sound solvency indicators,*

We propose that the net profits for the period (determined under the POC rules and the Companies Code), of EUR 91 399 271 (ninety one million, three hundred and ninety nine thousand, two hundred and seventy one euros) be distributed as follows:

Dividends for shares in circulation

Per share

EUR 0.23

Total dividends

EUR 27 216 462

Free reserves

EUR 64 182 809

As no one wished to speak, the Chairman of the Audit Board considered the discussion closed, and put the motion to the vote; it was unanimously approved.

[...]