



DIRECTORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS

2010

Semapa – Sociedade de Investimento e Gestão, SGPS, SA. Public Limited Company

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Corporate Person and Lisbon Companies Registry nr. 502 593 130 · Share Capital 118.332.445 Euros

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1 Economic Background

The world economy grew by more than 4% in 2010, with the highest growth enjoyed by the emerging economies which remain extremely dynamic. Chinese GDP is thought to have expanded by 10%, ousting Japan as the world's second largest economy. The Brazilian economy also surged ahead, with growth in GDP standing at 7.5%, the highest level since 1986.

In the US, after the economic contraction experienced in 2009, GDP grew by 2.8% largely on the strength of measures adopted by the FED, which kept its reference rate at an all-time low and implemented an expansionist policy, with an aggressive programme of asset-buying.

The financial year of 2010 in the Euro Zone was dominated by the sovereign debt crisis which has hit outlying countries the hardest. Combined EU and IMF intervention in Greece and Ireland, in April and November respectively, failed to reassure investors, wary of the crisis contaminating other economies.

Nonetheless, the Euro Zone recorded performance well above initial expectations, which had pointed to fairly anaemic levels of growth. In the event, the economy grew by 1.7%. Leading the way in the Euro Zone was its largest economy, Germany, which grew by 3.6%, the fastest rate since reunification in 1990, thanks to buoyant exports. For France, annual economic growth is expected to stand at around 1.5%.

In the Portuguese economy, GDP grew by 1.4% in 2010, thanks to strong performance by the export sector. However, 4th quarter figures point to GDP shrinking by 0.3%, raising the spectre of the economy entering a recession in technical terms in the 1st quarter of 2011.

The ECB kept its main reference rate unchanged at 1%, whilst also maintaining its policy of providing liquidity on preferential terms. The ECB purchased public debt on the secondary market, in an attempt to relieve the pressure on sovereign debt. The 6-month Euribor rate rose from 0.996% to 1.227%.

Companies in countries affected by the sovereign debt crisis experienced severe restrictions on access to capital and credit markets, as well as an increase in the spreads on new borrowing.

Average annual inflation in the Euro zone rose from 0.3% in 2009 to 1.6% in 2010. In Portugal, the HICP stood at 1.4% in 2010, due essentially to rising energy prices and indirect taxes.

The euro dropped by 6.7% against the USD over 2010 as a whole, closing the year at 1.336 to the USD.

One of the problems common to the US and European economies is unemployment, for which we hope a response will be found in future. In Portugal, the unemployment rate rose to 11.1% during the final quarter of 2010, ending the year at 10.8%.

2 Overview of Semapa Group Operations

Business highlights for 2010 compare favourably with those for 2009:

Turnover: 1,688.2 million euros (+19.2%)

Total EBITDA: 452.7 million euros (+ 54.8%)

EBITDA Margin: 26.8% (+6.2 p.p.)

Pre-tax Profit: 238.3 million euros (+86.1%)

Net Profit: 126.7 million euros (+ 60.7%)

Net Debt: 1,050.2 million euros (-92.8 million euros)

Leading Business Indicators

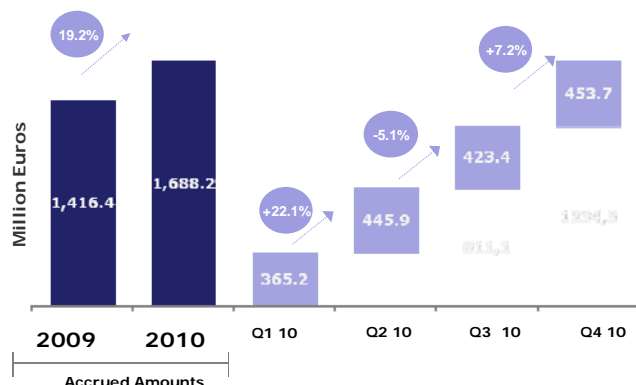
IFRS - accrued amounts (million euros)	Dec 10	Dec 09	Dec 10/Dec 09 (Var%)
Turnover	1,688.2	1,416.4	19.2%
Other income	43.5	54.7	-20.4%
Costs and losses	(1,279.1)	(1,178.7)	-8.5%
Total EBITDA	452.7	292.4	54.8%
Recurrent EBITDA	451.8	289.8	55.9%
Depreciation and impairment losses	(166.4)	(160.3)	-3.8%
Provisions (increases and reversals)	(3.5)	22.1	-115.6%
EBIT	282.8	154.2	83.4%
Net financial profit	(44.5)	(26.2)	-70.0%
Pre-tax profit	238.3	128.0	86.1%
Tax on profits	(63.9)	(22.3)	-187.1%
Retained profits for the period	174.3	105.7	64.9%
Attributable to Semapa equity holders	126.7	78.8	60.7%
Attributable to minority interests	47.6	26.9	77.1%
Cash-flow	344.2	243.9	41.1%
EBITDA margin (% Sales)	26.8%	20.6%	6.2 p.p.
EBIT margin (% Sales)	16.8%	10.9%	5.9 p.p.
	31-12-2010	31-12-2009	Dec10 vs Dec09
Total net assets	3,569.7	3,373.5	5.8%
Equity (before MI)	933.4	865.7	7.8%
Net debt	1,050.2	1,143.0	-8.1%

Notes:

- Total EBITDA = operating profit + depreciation and impairment losses + provisions – reversal of provisions
- Cash flow = retained profits + depreciation and impairment losses + provisions – reversal of provisions
- Net debt = non-current interest bearing debt (net of loan issue charges) + current interest-bearing debt (including debts to shareholders) – cash and cash equivalents – market value of own shares and other securities held

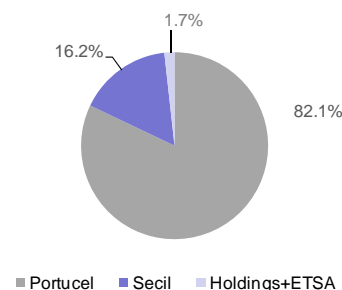
Consolidated Turnover: 1,688.2 million euros (+19.2%)

Consolidated Turnover



Contribution to Turnover

Year 2010



Consolidated turnover was up by 19.2% in relation to the same period in the previous year, due to the contribution of the following business areas:

- **Paper and Pulp – Portucel Group: 1.385,5 million euros (+26,5%)**

The Portucel Group recorded a substantial growth in business in 2010, due in particular to increased paper output from the new Setúbal mill and the start-up of facilities in the energy sector as a result of the recent investment programme in the energy area.

Turnover grew by 26.5%, to approximately 1.4 thousand million euros, with sales of UWF paper rise to nearly 1.1 billion euros, i.e. a growth of approximately 29% in relation to 2009.

The Group's pulp business reflects the upward trend in prices (the PIX index for hardwood pulp in euros was up by 58.8% in 2010, from 402 to 639 euros/ton), although it also incorporated the effect of a reduction in pulp quantities available for sale on the market, due to growing integration into paper at the new Setúbal mill. As a result, although sales were down by 42.4% in quantity, the value of pulp sales remained practically unchanged.

- **Cement – Secil Group: 535.8 million euros (- 6.4%)**

Turnover in 2011 stood at 535.8 million euros, of which the Semapa Group appropriated 273.3 million euros. This performance represented a decline of 6.4% in relation to the same period in 2009, reflecting weaker performance by business units located in Portugal and Angola.

The construction industry and demand for cement continued to contract in Portugal, due essentially to the continuing severe crisis in the residential construction sector. According to INE figures, construction and public works activity fell by approximately 9.8% in annual terms (production index for construction and public works, INE – January 2011).

Cement business in **Portugal** recorded a turnover of 227.4 million euros, down by 3.4% in comparison with the previous year.

We should highlight (i) an increase in export business, allowing the Group to offset dwindling sales on the domestic market and (ii) weaker performance in cement business in Madeira, caused by the severe storm experienced in the islands in February, bringing construction work to a halt.

Non-cement business in Portugal recorded a significant reduction in performance in comparison with 2009, due to almost total dependency on the domestic market, causing it to be hard hit by the current

troubles in the sector.

Turnover for cement business in **Tunisia** stood at approximately 61.1 million euros, up by 3.0% on the same period in 2009, due to an increase in sales in quantity and in the average unit sales price on the domestic market.

During the financial year of 2010, turnover for cement business in **Lebanon** stood at approximately 69.5 million euros, up by 8.8% over the same period in the previous year. This improvement was achieved essentially on the strength of growing sales on the domestic market.

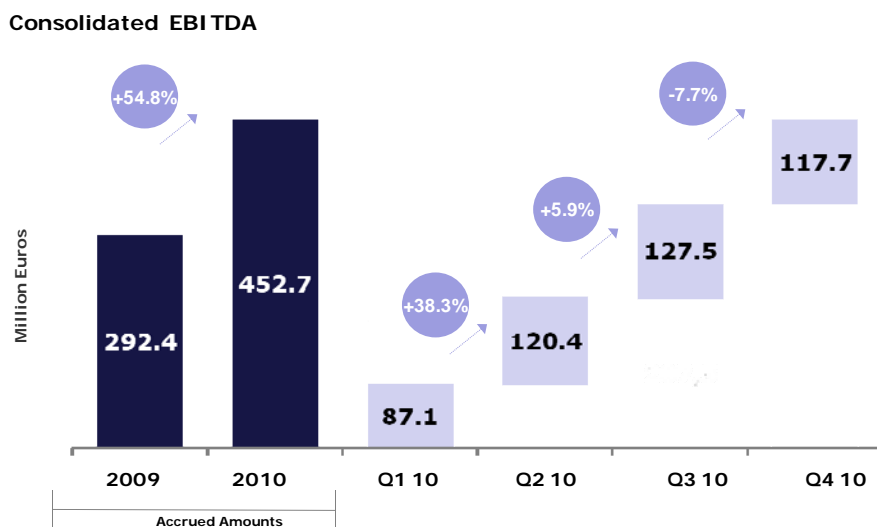
Cement operations in **Angola** performed less well than in the previous year, with turnover of approximately 27.8 million euros, down by 42.8% in relation to 2009.

This decline was essentially explained by a drop in cement consumption of approximately 20% and strong competition from cheap cement imports from China.

- **Environment – ETSA Group: 29.4 million euros (+1.5%)**

Despite a reduction in the quantity of animals slaughtered, due to the current economic situation in Portugal and Spain, turnover stood at 29.4 million euros, up by 1.5% over 2009.

Consolidated EBITDA: 452.7 million euros (+54.8%)



- **Paper and Pulp – Portucel Group: 400.2 million euros (+80.1%)**

EBITDA for the Paper and Pulp business area stood at 400.2 million euros, representing a growth of 80.1% in relation to the previous year.

In comparison with 2009, paper sales grew by approximately 29% in value (with the corresponding increase in sales quantities and the average sales price), whilst a number of production factors evolved favourably, including the cost of chemicals and certain maintenance and logistical costs. At the same time, the increase in imports of certified timber and higher personnel costs, caused essentially by the employees hired for the new paper mill, combined with performance-related pay for 2010, all contributed to an increase in the production costs.

- **Cement – Secil Group: 128.9 million euros (-16.3%)**

In the cement business area, EBITDA stood at 128.9 million euros, of which the Semapa Group appropriated 65.7 million euros, down by approximately 16.3% in relation to the same period in 2009 due to the difficult business environment as described above.

Despite growth in EBITDA in cement business units in Lebanon and Tunisia, this was insufficient to offset the decline in performance in operations in Portugal and Angola, where EBITDA fell by 19.8% and 90% respectively.

In **Portugal**, as mentioned above, it proved possible to partially offset the decline in business on the domestic market with an increase in export activity. In terms of costs, the Group experienced substantial increases in energy costs, whilst managing to maintain tight control of production and distribution costs and overheads, as well as stepping up the use of alternative fuels.

In **Tunisia**, EBITDA in cement business grew by 15.3% thanks to increased sales, higher unit sales prices on the domestic market, an increase in clinker production and also the capacity to maintain unit production costs at 2009 levels.

Cement operations in the **Lebanon** also recorded a growth in EBITDA of 6.3%. This was due to expansion in sales in quantity and higher unit prices on the domestic market, as well as industrial performance, which allowed the Group to minimize the negative effect of higher thermal fuel prices.

- **Environment – ETSA Group: 7.7 million euros (+9.8%)**

EBITDA in the environmental sector totalled 7.7 million euros, slightly up on the figure for 2009.

- **Holdings (Semapa SGPS and instrumental sub-holdings) (-37.3%)**

The holding companies contributed negative EBITDA of 20.9 million euros, comparing unfavourably with the figures recorded in the previous year, due essentially to an increase in the Personnel costs and with third party supplies and services.

Consolidated EBITDA Margin: 26.8% (+6.2 p.p.)

- **Paper and Pulp – Portucel Group:** a significant improvement of 8.6 p.p. to 28.9% in 2010.
- **Cement – Secil Group:** a figure of 24.1% for the period in question, 2.8 p.p. down from the margin recorded in the previous year.
- **Environment – ETSA Group:** a total of 26.2%, reflecting a reduction of 2 p.p from the margin recorded in 2009.

Financial Income: -44.5 million euros (-70.0%)

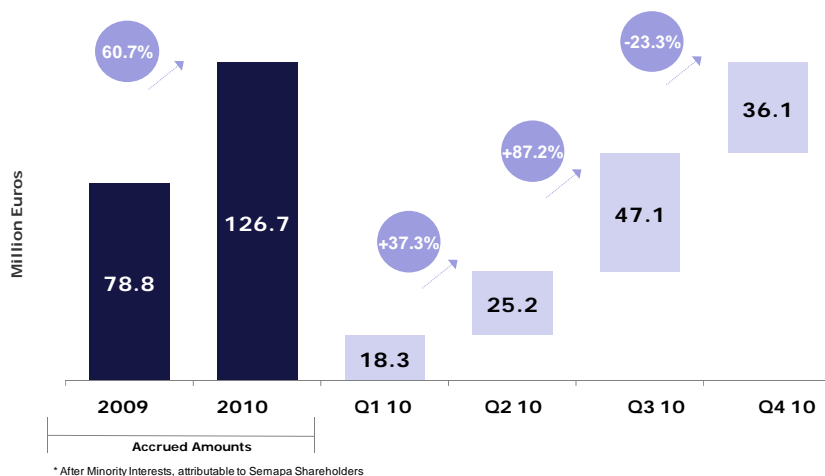
Net financial income aggravated by 18.3 million euros in relation to 2009, standing at -44.5 million euros.

- **Paper and Pulp – Portucel Group:** the contribution of -20.1 million euros compares unfavourably with the figure of -7.5 million euros recorded in 2009. However, the financial income in 2009 benefitted from a positive contribution of € 10.3 million euros from the reversal of interest relating to fiscal issues, and from approximately 9.3 million euros in foreign exchange gains.

- **Cement – Secil Group:** the contribution of -2.1 million euros represents an improvement of 0.4 million euros in relation to the figure recorded in 2009, due to foreign exchange gains and reductions in average indebtedness.
- **Environment – ETSA Group:** a contribution of -0.6 million euros, representing a deterioration of 0.1 million euros, due to increased average indebtedness, caused by capital expenditure.
- **Holdings:** a contribution of -21.8 million euros, up by 6.2 million euros on the figure recorded in 2009. This deterioration is fundamentally explained by the variation in the fair value of interest rate derivative instruments and in the fair value of the equities portfolio held by Semapa SGPS and sub-holdings, despite a reduction during the period in average indebtedness and interest rates.

Consolidated Net Profits: 126.7 million euros (+60.7%)

Consolidated Net Profit*



Consolidated net profit in 2010 was up by 60.7% on 2009. This increase was caused essentially by the following factors:

- An improvement in EBITDA of approximately 160.2 million euros, due to the combined effect of increased turnover and tight cost control;
- An increase of approximately 6.1 million euros in depreciation. This figure includes the effect of the start-up of facilities acquired in the course of the Group's ambitious investment plan. However, the increase was partially offset by an extension in the useful lives attributed to the industrial equipment of the Portucel Soporcel Group;
- Higher financial costs (up by 18.3 million euros in relation to 2009);
- A significant increase in tax on profits, due essentially to the introduction of a state surcharge which pushed up the tax rate in Portugal from 26.5% to 29% in June this year, payable on pre-tax profits and all deferred taxes on the balance sheet, generating a non-recurrent increase in these taxes of 21.3 million euros.

Consolidated Net Debt: 1,050.2 million euros (- 92.8 million euros)

At 31 December 2010, consolidated net debt stood at 1,050.2 million euros, an improvement of 92.8 million euros in comparison with year-end 2009 values, despite the distribution of dividends and reserves worth 183.4 million euros from Portucel, Secil's 37.0 million euros, ETSA's 4 million euros and Semapa's 59.1 million euros.

Segment Reporting (IFRS)

IFRS-accrued amounts (million euros)	Paper and Pulp	Cement	Environment	Holdings	Consolidated
Sales	1,385.5	273.3	29.4	0.1	1,688.2
Total EBITDA	400.2	65.7	7.7	(20.9)	452.7
Recurrent EBITDA	400.2	64.8	7.7	(20.9)	451.8
Depreciation and impairment losses	(141.3)	(22.0)	(2.9)	(0.3)	(166.4)
Provisions (increases and reversals)	(1.2)	(0.7)	-	(1.6)	(3.5)
EBIT	257.7	43.1	4.8	(22.8)	282.8
Net financial profit	(20.1)	(2.1)	(0.6)	(21.8)	(44.5)
Pre-tax profits	237.7	40.9	4.3	(44.6)	238.3
Tax on profits	(51.1)	(10.9)	(1.8)	(0.1)	(63.9)
Retained profits for the period	186.6	30.0	2.4	(44.7)	174.3
Attributable to Sermapa equity holders	143.6	25.3	2.5	(44.7)	126.7
Attributable to minority interests	43.0	4.7	(0.0)	-	47.6
Cash-flow	329.0	52.7	5.3	(42.8)	344.2
EBITDA margin (% Sales)	28.9%	24.1%	26.2%	-	26.8%
Recurrent EBITDA margin (% Sales)	28.9%	23.7%	26.2%	-	26.8%
EBIT margin (% Sales)	18.6%	15.8%	16.4%	-	16.8%
Net total assets	2,660.2	498.6	70.4	340.5	3,569.7
Net debt	652.7	39.6	11.0	346.9	1,050.2

Notes:

- Figures for business segment indicators may differ from those presented individually by each Group, as a result of consolidation adjustments
- The Semapa Group's 51% holding in Secil is consolidated by the proportional method

3 Paper and Paper Pulp Business Area - PORTUCEL SOPORCEL

3.1 Leading Business Indicators

IFRS - accrued amounts (million euros)	Dec 2010	Dec 09	Dec 2010/Dec 09 (Var. %)
Sales	1,385.5	1,095.3	26.5%
Other income	22.1	34.7	(36.5%)
Costs and losses	(1,007.4)	(907.9)	(11.0%)
EBITDA	400.2	222.2	80.1%
Recurrent EBITDA	400.2	220.6	81.4%
Depreciation and impairment losses	(141.3)	(136.4)	(3.5%)
Provisions (increases and reversals)	(1.2)	21.5	(105.4%)
EBIT	257.7	107.2	140.4%
Net financial profit	(20.1)	(7.5)	(166.1%)
Pre-tax profit	237.7	99.7	138.5%
Tax on profits	(51.1)	(12.9)	(297.0%)
Retained profits for the period	186.6	86.8	115.0%
Attributable to Portucel equity holders *	186.6	86.8	115.0%
Attributable to minority interests (IM)	(0.0)	(0.0)	(10.7%)
Cash-Flow	329.0	201.7	63.1%
EBITDA margin (%)	28.9%	20.3%	42.4%
EBT margin (%)	18.6%	9.8%	90.1%

	31-12-2010	31-12-2009	Dez10 vs Dez09
Total net assets	2,660.2	2,574.4	3.3%
Equity (before MI)	1,189.2	1,180.2	0.8%
Net debt	652.7	670.0	(2.6%)

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

* of which 76.97% is attributable to Semapa

3.2 Leading Operating Indicators

	Unid.	Dec 2010	Dec 09	10/09
Production				
UWF	1.000 t	1,433	1,133	26.5%
Bleached eucalyptus pulp	1.000 t	1,316	1,340	-1.8%
Energy	GWh	1,696	1,148	47.7%

3.3 Business Overview: Portucel Soporcel Group

The Portucel Group recorded substantial growth in business in 2010, due in particular to increased paper output from the new Setúbal mill and the start-up of facilities in the energy sector as a result of the recent investment programme.

Turnover grew by 26.5%, to approximately 1.4 billion euros, with sales of UWF paper totalling close to 1.1 billion euros.

Given that the overwhelming majority of the Group's sales are to foreign markets, the total value of its **exports** was **up by 25%** to approximately **1.2 billion euros, accounting for more than 3% of Portuguese exports of goods**.

Average prices in the European market for uncoated wood-free (UWF) paper evolved favourably over the year, recovering from the low levels recorded in late 2009 and early 2010. The balance between supply and demand improved very significantly, especially during the first half of the year, and the industry achieved full take-up of capacity, with an occupation rate of 98%, thanks to a recovery in sales by quantity in European markets, exports and a net reduction in capacity, which stood at 180 thousand tons in the first half.

The average paper price in 2010, measured by the benchmark index in the European market, the Foez PIXD Copy B, stood at 814 €/ton, up by 1.3% on the average price in 2009. Overall, the Group's average sales price climbed by 4.2%, thanks largely to the sales policy adopted in non-European markets and the positive evolution of the EUR/USD exchange rate in the first half of the year. As a result, paper sales in value grew by approximately 29% in relation to 2009.

In the eucalyptus pulp (BEKP) market, conditions were excellent throughout the first half of the year, with strong demand and a sharp rise in prices in all markets. This situation changed in the second half, with a certain imbalance between supply and demand and a consequent reduction in prices, which nonetheless remained high compared with levels experienced in the previous year.

The PIX index for hardwood pulp in euros was up by 58.8% over 2010, from 402 to 639 euros/ton. The Group's pulp business reflects the upward trend in prices, although it also incorporated the effect of a reduction in pulp quantities available for sale on the market, due to growing integration into paper at the new Setúbal mill. As a result, although sales were down by 42.4% in quantity, the value of pulp sales remained practically unchanged.

In the energy sector, the biomass-fuelled power stations in Cacia and Setúbal were in full operation throughout 2010, and the new steam turbine for the biomass cogeneration plant in Figueira da Foz went into production at the end of the third quarter.

On the cost side, although the Group benefitted from favourable trends in certain factors of production, notably the cost of chemicals, maintenance and logistical costs, it was obliged to import larger quantities of certified timber, which pushed up production costs for pulp. Personnel costs were also greater, due essentially to additional staff taken on for the new paper mill, and to variable remuneration for 2010.

In this context, the Group achieved consolidated EBITDA of **400.2 million euros**, up by 80.1% from that recorded in 2009, resulting in an increase in the EBITDA / Sales margin of 8.6 pp.

As a result, operating income in 2010 stood at **257.7 million euros**, representing growth of 140.4% from 2009.

During the period, the Group conducted a technical appraisal of its industrial assets, as recommended by International Accounting Standard (IAS) 16, in order to determine their remaining useful life. This analysis was carried out by an international firm of independent valuers, concluding that the remaining useful lives of the Group's main assets are greater than previously considered, and the depreciation rates were reviewed accordingly, with effect as from 1 July 2010.

The Group recorded **negative financial income of 20.1 million euros**, as compared with a negative figure of € 7.5 million in 2009. We should note, however, that financial income in 2009 benefitted from a positive contribution of € 10.3 million euros from the reversal of interest relating to fiscal issues, and from a figure of approximately 9.3 million euros in foreign exchange gains. Results from financing operations improved significantly, due essentially to lower interest rates.

Net income in 2010 was also brought down by the change in the nominal corporation tax rate to 29%, corresponding to a base rate of 25%, plus a municipal surcharge of 1.5% and a state surcharge of 2.5%. The introduction of the state surcharge, part of the temporary measures in the Plan for Stability and Growth (PEC), as approved by Law 12-A/2010, also required remeasurement of all deferred taxes recognized in the 2nd quarter of 2010, although it is the company's understanding that the majority of these will be reversed subsequent to the period covered by PEC, i.e. after 2013.

The value of tax payable by the Group is influenced by the use of part of the fiscal benefits for the new Setúbal paper mill, and by the reversal of provisions.

In this context, net consolidated income in 2010 stood at **186.6 million euros**, representing growth of 115.0% in relation to 2009.

3.4 Business Overview

3.4.1 Paper

3.4.1.1 Market Background

Demand for uncoated wood-free (UWF) paper grew by 6% in Europe over 2009 – although still failing to make good all the losses experienced in 2009 – and was down again, by 1.5%, in the USA. The European and US markets are central to the Group's commercial strategy, and are the main centres of consumption of the type of paper produced by the Portucel Group.

Growing demand in Europe, combined with a net reduction of approximately 150 thousand tons in production capacity at the end of the year, allowed the industry to improve its average occupation rates by almost 8 percentage points, despite the start-up of the new Setúbal mill. The industry as a whole recorded an occupation rate of more than 92%, whilst the Portucel Group again operated at full capacity.

The market situation as described above, combined with strong pressure on various cost components, especially from BEKP pulp, allowed the Group to hike its prices on four occasions in the European market during 2010.

Overseas markets were subject to significant pressure from demand, especially during the first half of the year, resulting in consecutive price adjustments, which in turn led to growth in exports by European producers, and constrained imports into European markets.

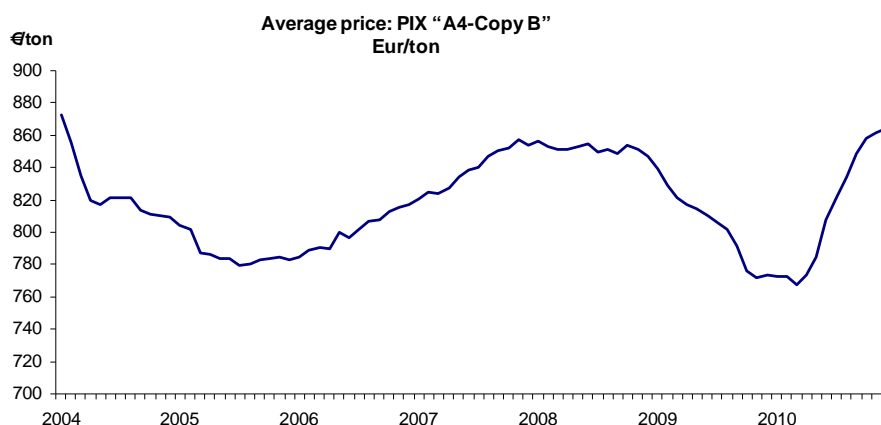
The US market also presented a recovery in the average prices in USD/t, with the main price index for office stationery (in USD/t) rising 2.7%, on average, from 2009. This recovery was particularly clear in the first half of the year, when local industry benefitted from a substantial increase in occupation rates,

to at around 90%, but trailed off slightly in the second half.

Special attention should be drawn to the growing importance of the Portucel group on non-European markets, and in particular the large share of total European exports of UWF paper to these markets represented by the Group's sales. In 2010, it is estimated that this share stood at approximately 59% of exports to North America, 55% to Africa, 39% to the Middle East, 37% to Latin America and 2% to Asia.

As mentioned above, sales prices for UWF paper in Europe started move upwards in the second quarter of the year, with the average for the PIX "A4-copy B" index up by 1.3% on the average for 2009.

Despite a substantial increase in sales by quantity, the Group's sales price in Europe kept pace with market trends. However, thanks to the pricing strategy on overseas markets, combined with the favourable USD/EUR exchange rate, the Group achieved growth in its average price of approximately 4.2%.



3.4.1.2 Operational Performance

Paper sales totalled 1.4 million tons, representing growth of 24 % in relation to 2009. This performance was achieved thanks to double digit growth in all world regions and expansion of sales operations into new geographical areas. The Group enjoyed growth of approximately 20% in Europe and 30% in the United States, whilst consolidating its position as one of Portugal's main players in the international markets. In the European market alone, the Group expanded its market share by approximately 190 thousand tons.

The Group successfully placed on the market all the paper available, taking advantage of the moderately positive situation in Europe and the excellent conditions on overseas markets. This was achieved by means of careful management of the market and product mix, which led to improvements in prices.

The overall growth in sales in quantity was driven in part by strong performance in sales of cut-size and premium products. Significantly, premium products continued to account for a large proportion of the Group's sales, in a context of rapidly expanding sales in quantity.

3.4.1.3 Branding

Thanks to the focus on developing an innovative branding strategy designed to foster the growth of its paper business over the years, the Group has built up an ever stronger international presence for its brands, once again achieving a leading position in European markets in 2010.

The leading independent study in the sector (Cut-size Mill and Mill Brand Positioning & Image Survey 2010, by EMGE Paper Industry Consultants), which considers the wholesale and retail trade in paper and office products throughout Western Europe, once again confirmed Navigator as the highest scoring brand for spontaneous awareness and the leader in terms of brand performance and brand reputation, calculated as a weighted average of various technical and marketing attributes. In addition to Navigator, the Discovery, Pioneer, Inacopia and Explore brands were also highly placed on the list of the top brands in terms of brand performance.

Strong growth in sales quantities for mill brands, up by more than 20%, has enabled them to continue to account for 60% of the Group's total sales, a figure unrivalled by other major manufacturers.

Special attention may be drawn to Navigator, the world's top-selling brand in the premium office stationery segment, which enjoyed growth of 13% over 2009, and to Soporset, the leading brand in the printing segment in Europe, which expanded its sales quantities by 19%.

3.4.2 Pulp

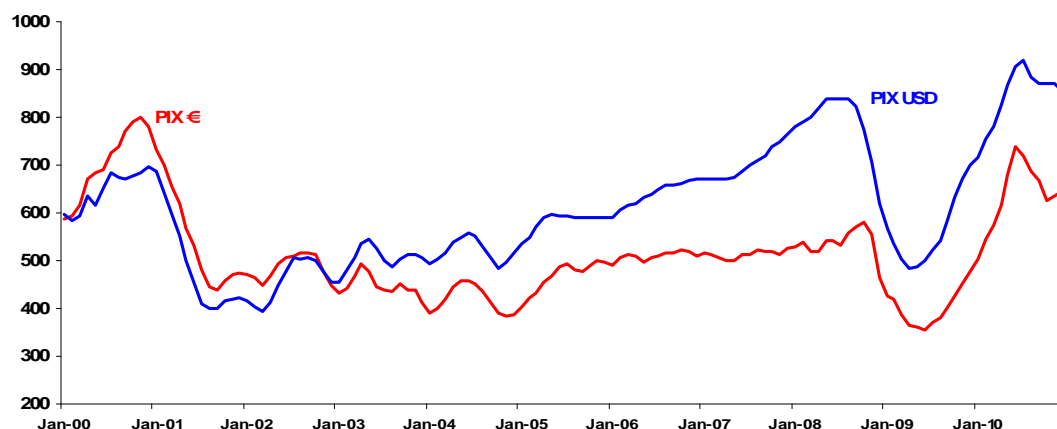
3.4.2.1 Market Background

Developments in 2010 in the world pulp market divide into two distinct phases. The first half of the year continued a trend, already established in the previous six months, of monthly price increases in all markets. The natural disaster which occurred in Chile in February, taking capacity of approximately 900 thousand tons off the market, combined with production losses estimated at some 500 thousand tons due to timber shortages caused by bad weather in various regions, accompanied by lively demand in significant areas of the world, contributed decisively to positive market performance in the first half of the year.

The situation changed in the second half, when output from Chile, Indonesia and Canada returned to the market, and when a new mill started up in China, at the same time as a sharp slowdown in demand in the Chinese market. China's pulp imports were down by 16.9% on 2009, a figure which rises to 25.9% for short fibre. However, even so, Chinese demand in 2010 was still 20% higher than in 2008.

This situation lead to a gradual increase in stocks over the second half of the year, and a degree of deterioration in the balance between eucalyptus supply and demand. Prices accordingly stopped rising, but continue to offer healthy returns.

Monthly PIX Price– BHKP euca / birch



As in the previous year, steep appreciation against the US dollar, and also the euro, of the currencies of major market players, such as Brazil, Chile and Uruguay, and of the Canadian dollar, significantly undermined the competitiveness of these producers, and helped to push up and then sustain USD prices at interesting levels, constituting one of the main driving forces in the industry.

3.4.2.2 Operational Performance

Output of bleached eucalyptus pulp (BEKP) totalled approximately 1.3 million tons in 2010, unchanged from the previous year.

As expected, increased industrial integration as a result of the start-up of the new Setúbal paper mill meant that the Group's pulp sales were limited to the output from the Cacia pulp mill.

Practically all sales were made on the European markets, with a very high percentage going to the special papers segment, which grew by 30 percentage points in relation to the previous year. The Group accordingly kept to its established commercial policy, giving priority to these markets and this segment for its pulp sales, insofar as they concentrate the producers of papers with the highest levels of value added and at the forefront of technological and environment advances.

3.5 Industrial Operations

3.5.1 Production

The financial year of 2010 was marked by a substantial increase in paper output by the Portucel Group, which rose to 1.54 million tons thanks to the output from the new Setúbal paper mill.

The Portucel Group's industrial facilities feature the highest standards of technology and are constantly adapted to the best available techniques in a process which culminated with the start-up of the new Setúbal paper mill, where the Group sought to install the latest technological developments available worldwide. This contributed decisively to keeping the Group in 2010 at the forefront of the production of top quality UWF printing and writing paper.

The achievements of the Group's other paper production units include excellent performance at the Setúbal mill, which recorded a new record of approximately 311 thousand tons, and at the Figueira da Foz mill, which maintained its high levels of output.

In pulp operations, record output was also achieved by the Setúbal pulp mill, up 1.6% on 2009.

Overall, the Group's pulp output was at the same level as previous years, with the plants making their usual annual maintenance stoppages, essential for assuring increasingly high standards of performance.

Growing integration of the pulp manufactured in Setúbal in the production of paper at the new mill caused a significant reduction in direct sales of pulp on the market, and most of the pulp sold is now sourced from the Cacia plant.

As a whole, all the Group's production units, and especially its paper mills, operated at full capacity, recording high levels of overall efficiency.

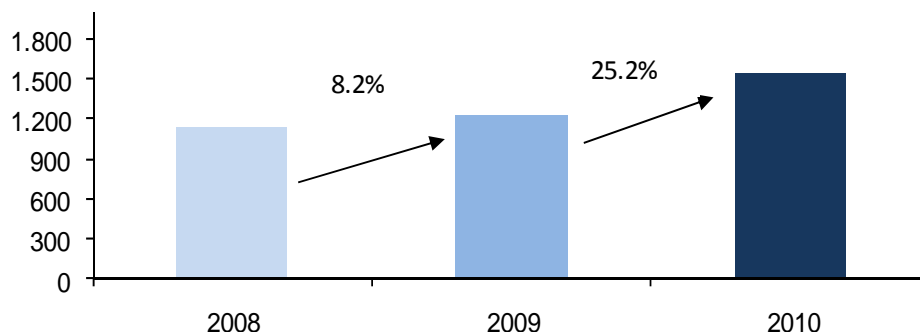
Production costs at the paper mills were pushed up by high pulp prices, although other factors performed well, in particular the cost of energy and chemicals.

In pulp production, the Group observed a tentative inversion of the previous year's downward trend in variable costs, caused essentially by the rising cost of importing timber.

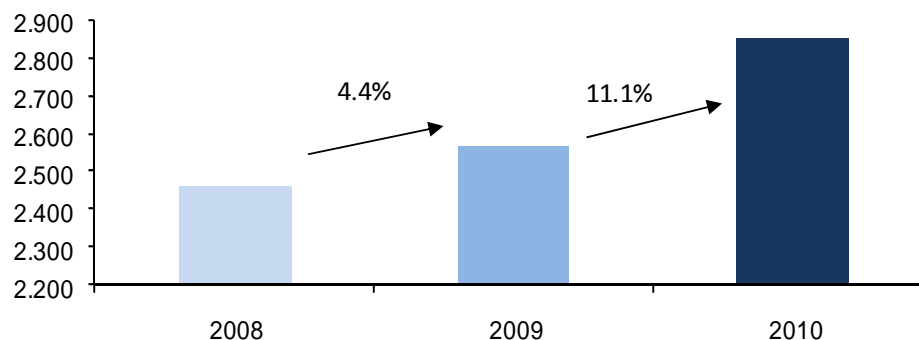
Operation at full capacity, combined with good performance by the combined cycle natural gas cogeneration plants, contributed to excellent energy performance, and the Group's saw the cost of the energy component of its products fall thanks to highly efficient co-generation and intensive use of biomass as an energy source.

A project designed to improve production efficiency was successfully concluded in 2010. New opportunities for improving efficiency have in the meantime been detected, leading to the launch of another project at the Group's plants, which started up in late 2010.

Paper Production on Winders (thousands tons)



Total Production of Pulp and Paper(*) (thousand tons)



(*) Paper production figures refer to reeling machines

Maintenance activities were carried out over the period in keeping with pre-set parameters by the Group's own maintenance company (EMA 21), which extended its operations to the new Setúbal paper mill and the new power stations.

Maintenance costs were down by 3.8% compared with the previous period, considering the same set of facilities.

3.5.2 Capital Investment Projects

The most significant investments undertaken by the Portucel Group over this period were centred on the energy sector and on concluding the new paper mill project.

In the energy sector, the financial year of 2010 saw the conclusion of the new steam turbine for biomass-fuelled co-generation at the Figueira da Foz plant. This facility, which started up in the 3rd quarter, has made it possible to increase power generation at the Figueira da Foz complex and to take full advantage of the operating conditions of the recovery boiler, equipping the complex with one of the largest industrial turbines in Portugal.

Another important achievement was the operation at full capacity over the period of the biomass power stations in Cacia and Setúbal, which had started up in December 2009.

These plants have rated capacity of 12.5 MW and have made a decisive contribution to developing the Group's renewable energy component, boosting its position as Portugal's leading producer of "green energy" from biomass.

The financial year saw the completion of the investment programme centred on the Group's new paper mill in Setúbal. This process involved a series of small capex projects to optimise evolution of the learning curve for the system as a whole and – most importantly – an increase in production capacity for small formats as envisaged in the budget and overall business plans.

A second small format line (A4) started operation in the first week of June, similar in all respects to the first line already in place at the start-up date of the mill, increasing production capacity to 350,000 tons/year for this type of format. This line features a cutter with a width of 3,400 mm, able to cut 16 reams simultaneously. The cutter is integrated with two automatic finishing lines, which carry out the processes of reaming, labelling of reams, packaging, labelling of boxes and palletizing.

In connection with this new line, the plant also went ahead with complementary investment in the respective AGVs - *Automatic Guided Vehicles* which transport the feeding reels to the cutter and collect the pallets from the line.

3.6 Resources and Supporting Functions

3.6.1 Sustainability

Few industries can boast a track record in sustainability to match that of the European paper industry in general, and of the Portucel Group in particular.

The Portucel Group's success story speaks for itself. Its operations are based on a renewable raw material (forestry plantations) which is managed in a certifiably sustainable manner. It produces energy from renewable sources (without emissions of fossil CO₂). It has very significantly cut its liquid and gas emissions (to well beyond the legal requirements). It has drastically minimized its water use. It reuses and reclaims more than 80% of the industrial waste it produces. It generates wealth and well being for its workforce and other stakeholders. And it produces an environmentally friendly product, which plays an essential role in culture and learning, as well as being recyclable.

With these credentials, and in keeping with the principles laid down in its Sustainability Policy (approved and published in February 2005), the Group is an active proponent and campaigner for sustainable development.

In this context, the Portucel Group maintained in 2010 its membership of the WBCSD - World Business Council for Sustainable Development (which it first joined in 1995) and served as chairman during the period of BCSD Portugal – Business Council for Sustainable Development, which it co-founded in 2001.

The Group's sustainability policy constitutes a firm commitment, involving all sectors of the company. One of the Group's main initiatives in this field was the organization of an International Biodiversity Seminar, held in Lisbon in November 2010, with participation by international specialists in the field of ecosystem development and related business issues.

The Group continues to have an active Environmental Board, comprising five respective academics, specializing in fields ranging from forestry through to environmental conservation, as well as engineering and manufacturing processes.

3.6.2 Logistics

In 2010, the Portucel Group dispatched 1.75 million tons of pulp and paper to more than 100 countries across five continents.

The bulk of these products continued to be transported by sea (53.1% of volume) in 2010, representing an increase in relation to 2009. Significantly, the Group is the largest exporter of containerized cargo in Portugal, and probably in the Iberian peninsula.

The Group recorded a slight reduction in the dispatch costs for its products, thanks to operations designed to optimize and streamline logistics.

3.6.3 Forests and Timber Supply

Sustainable Management

The financial year of 2010 was clearly marked by the approval of the Group's Forestry Management Plan (FMP) by the Portuguese authorities and also by the Group's busy participation in the activities commemorating the International Year of Biodiversity, as declared by the United Nations. These activities involved not only management work in the field, but also support for third party initiatives, reporting, communication and awareness raising.

Another important development was the incorporation of the Group's expertise and experience in woodlands management into a Code of Forestry Good Practice, a new benchmark for its operations in any geographical context, not limited to Portuguese territory. The publication of this code at the end of the year paved the way for the celebrations in 2011 of the International Year of Forests, setting out ground rules for good management practices, in line with the requirements of the main forestry certification programmes. The code will be distributed both internally and externally, complementing the policy of disseminating expertise and good practice through the Group's "Technology Showcases". There are currently six technology showcases allowing forest landowners, service providers and Group suppliers to learn about the results from the good practice on show and encouraging them to adopt them.

The success of these initiatives reflects the Group's high profile as a promoter of better practice in the sector and its importance as a forestry producer. In effect, at year-end 2010, the Group's woodlands assets were spread over 161 Portuguese municipalities and consisted of 1,409 management units, subdivided into some 6,700 plots, occupying a total area of 120 thousand hectares, including 87.4 thousand hectares of eucalyptus (72%) planted to supply the Group's pulp mills.

The certification of these assets under the FSC - Forest Stewardship Council system and PEFC - Programme for the Endorsement of Forest Certification schemes was confirmed in 2010, reflecting the group's commitment to responsible management of its forestry resources.

The Group has been a driving force behind the expansion of the forest certification process in Portugal, through cooperation agreements signed with forestry producer organizations and awareness raising campaigns aimed at landowners. The Group has been a pioneer at global level in paying a premium on purchases of certified timber, prompting to a reference to Portugal in the "Forest Products 2007/2008" report from the FAO (Food and Agriculture Organization).

Work also started in 2010 in doubling the capacity and modernising the nurseries at the Espirra estate, in keeping with studies conducted into increasing the facility's production capacity and in order to respond to the needs of growing internal consumption and increased demand for certified plants from private forestry operators. Overall, Viveiros Aliança recorded 15% growth in operations in 2010 in relation to the previous year.

Of the total output of eucalyptus saplings, 60% corresponds to cloned plants. Some two thirds of this cloned output are used in the Group's own plantations, and the remainder goes to private operators, under cooperation agreements signed with forestry producer organizations and other bodies. The number of clones produced at the nurseries was the same as in the previous year.

The area planted by the Group was approximately 68% greater than in the previous year. This growth was achieved despite the difficulties in the licensing process for projects, which involves a number of public authorities, and reflects the Group's efforts to use new areas and to reforest areas currently under management, in order to maximise the production potential of its woodlands, by using the best genetic materials and best forestry practices. Growth in new plantations was also helped by the climatic conditions, which were in general favourable to planting, although excess rainfall in the final month of 2010 created conditions which prevented any further areas being reforested.

Also in 2010, the Group undertook a series of maintenance operations in approximately 19,100 hectares of forest, controlling undergrowth and selecting eucalyptus shoots, as well as maintenance work on 4,600 kilometres of paths and fire breaks in the woodlands under Group management. Maintenance fertilization was also carried out over approximately 9,020 hectares of eucalyptus.

Although eucalyptus timber for pulp and paper production is the main product of the Group's forests, the company has not neglected other products and activities, diversifying the use and benefits from its agro-forestry holdings. Other products include cork (31.59 thousand *arrobas*), wine (84 thousand litres), resin (more than 8.5 thousand *bicas*), game, pasture and others.

Forest Certification and Biodiversity Management

Carrying forward its commitment to forest certification, as a distinctive feature and guarantee of the responsible sourcing of its products, the Portucel Group maintained in 2010 both its certifications obtained in previous years from the FSC - Forest Stewardship Council, in force since 2007, and under the PEFC - Programme for the Endorsement of Forest Certification schemes, in force since 2009. In managing the forestry assets in its charge, the Group has shouldered a series of environmental and social concerns which are incorporated in the decision-making process for the technical and business objectives it pursues. The Group sees this as the way to strengthening its presence in an international market which is increasingly demanding as to the sourcing of raw materials of products, and to responding to the legitimate concerns of society.

The Portucel Group's PEFC certificate - SATIVA-2010/GFS001 - is the first licence issued for use of the PEFC brand for forest management in Portugal, covering all the assets under the Group's management and a range of products, from eucalyptus timber through to the production of pulp and paper, the Group's main products, as well as pine timber, cork and pine cones. The FSC certificate - SA-FM/COC-

001785 - already covers 99% of the Group's holdings and its eucalyptus timber and cork.

The Portucel Group continued in 2010 to work alongside the bodies in charge of national FSC and PEFC initiatives in promoting certification processes to forest producer organizations. In order to encourage certification by the landowners and producers who supply approximately 80% of the raw material for its mills, the Group has since 2007 instituted cooperation arrangements with a number of organizations directly related to forestry production: CAP – the Confederation of Portuguese Farmers, *Forestis* – The Portuguese Forestry Association, *Fenafloresta*, the Forest Forum and UNAC – the Union of Mediterranean Forests.

At the same time, the Group has organized training and information campaigns on the topic of forest certification in Portugal, highlighting the benefits of certification and warning of the risks of failing to participate in the process, at the same time as sharing its experience of how to meet the certification requirements. This has included making Group properties available to serve as demonstration areas for implementation of the approach adopted for FSC Principle 9, concerning Forests of High Conservation Value. This demonstration was part of the agenda of the national working party for Interpretation of High Conservation Value Forests and was aimed at the different parties with an interest in the Portuguese initiative. It was attended by representatives of the production sector, environmental NGOs, research centres, consultancy firms and certification bodies.

In another major development in the field of certification, one of the Group's representatives was chosen to sit on the PSC - Policy and Standards Committee of the international FSC, a body set up in early 2010 to support the FSC's directors in the decision making process. The Group's delegate represents the northern economic sub-chamber.

Progress was also made in 2010 in the field of biodiversity conservation, with the Group collating systematic information on the wildlife to be found on its holdings, in addition to taking an active part in activities marking the International Year of Biodiversity. Biodiversity was also the central focus of the Group's sustainability report for 2008-2009 and an international seminar was organized on the theme "Biodiversity. A value with a future", attracting some of the leading experts in the field. Wildlife conservation and management with a view to economic, social and environmental progress formed the starting point for a debate designed to raise the awareness of key organizations, in the public and non-governmental sectors, of the value and importance of biodiversity conservation to the country as a whole, and to forest-based industries in particular.

Also in 2010, the Portucel was represented by its CEO at a symposium in Paris organized by EpE - Entreprises pour l'Environnement and WBCSD. This event was aimed at the business sector and sought to demonstrate the involvement of leading European companies in the conservation of biodiversity. In its contribution to this event, the Group focussed on the dynamic between forest management and biodiversity, using as an example the strategy of integrating biodiversity conservation into its forest management model, and the concrete results achieved by the Group in this field.

Aware that the operations involved in forest management and industrial production can have direct or indirect potential impacts on habitats or species, the Group has integrated biodiversity conservation into its business model, a strategy whose adoption underpins one of the pillars of certified forestry management.

Management of the Group's woodlands has therefore involved considerable work at local level in assessing, managing and monitoring wildlife. In late 2010, biodiversity assessments were conducted covering most of the Group's properties, identifying some 12,000 hectares classified as being of conservation interest. This work also included drafting manuals for assessing biodiversity and conservation action plans covering more than 40% of the area under Group management. The approximately 36 different habitats identified in the Group's management units were found to be representative of the habitats classified by the National Network of Protected Areas and EN2000 (Rede Natura), in addition to other habitats extending over significant areas, in particular cork forest

(*montado*) and woodlands with evergreen *quercus* species, such as cork oaks and holm oaks, in addition to riverside habitats.

Significantly, the Group's approach to biodiversity issues has in fact been the subject of case studies in four national and international publications, two of which were recently disseminated at the 10th Conference of the Parties (COP10) in Nagoya, Japan, in e-publications launched by the WBCSD (World Business Council for Sustainable Development) and by the WWF's New Generation Plantations Project. The latter is entirely devoted to the theme of plantations, and is led by WWF International with partners in the form of paper sector companies from different continents and regional WWF delegations. As part of the NGP project, the Group also organized an international workshop on "New Generation Plantations and Responsible Forest Finance", designed to define collective approaches to sustain an industry based on more sustainable plantations and the sector's transition to a more environmentally and socially responsible model.

Another example of good practice in the management of the Group's woodlands, in the field of biodiversity conservation, concerns the protection of Bonelli's eagle, a bird of prey classified as "threatened" in Portugal, as part of a partnership with the Iberian Birdlife Research Centre (CEAI).

The integration of these different issues relating to biodiversity conservation into the forest management model has formed the basis for implementation of the Business and Biodiversity philosophy adopted in late 2007, in the light of the cooperation agreement signed with ICNB (Institute for Nature and Biodiversity Conservation) and the Group's involvement in the Countdown 2010 initiative, projects designed to halt biodiversity loss by 2010 and which represent commitments effectively made by the Group.

Forest Fire Prevention

The prevention of forest fires is a priority for the Portucel Group. In 2010, investment totalling approximately 3 million euros in a programme for preventing and helping to fight wildfires once again positioned the Group as the largest private sector contributor to Portuguese efforts to reduce risks in this area.

A significant portion of this expenditure was channelled to the strategy of managing fire risks and specifically to the planning and coordination of activities geared to increasing or diminishing the load of forest fuel. Forest fuel treatments were carried out over more than 11 000 hectares and maintenance operations carried out on more than 4 600 kilometres of paths and fire breaks.

The resources mobilized to fight forest fires in 2010 included more than 300 people, including 70 Group employees, who were crucial to the effectiveness of operations. The equipment employed consisted of 7 watch towers, 39 front line units, 16 semi-heavy units and 2 helicopters, all of which worked alongside the public sector resources, covering the forest holdings of the Portucel Group.

As a result, the impact of fires on the area under Group management was once again minimal (0.85%).

It is important to note that the Group's work in protecting forests against wildfires has benefited woodlands in general, as more than 85% of the fire fighting missions in which the Group has taken part, mostly through Afocelca, have been carried out on properties belonging to other landowners, providing significant support to the National Civil Protection Authority.

Timber Supply

The Portucel Group sources approximately 4 million cubic metres of stripped timber for its mills in 2010.

There was a continued shortfall in domestic supplies in 2010, obliging the Group to have added recourse to foreign markets. These markets also offered an important alternative for supplies of certified timber, which the Group needs and still fails to obtain in sufficient quantities on the Portuguese market.

In keeping with the policy of corporate responsibility and engagement with its local communities, the Group has maintained a firm commitment to certification of forest management and to certification of the chain of custody, as means of assuring sustained development of its business.

Significantly, the volume of supplies of certified timber increased in 2010 in relation to the previous year.

Purchasing

The start-up of the new Setúbal paper mill caused a significant increase in the Group's overall purchasing needs at all its industrial units, in terms of consumables and raw materials.

The financial year of 2010 divided into two distinct periods: the first half, when supplies were more plentiful on the market, causing purchasing to proceed smoothly, and the second half, which proved more complicated, and the Group experienced difficulties in obtaining the products needed to guarantee the desired pace of production.

These difficulties were due essentially to the following factors:

- Shorter supplies of products from agriculture, due to natural disasters such as the earthquake in Chile, fires in Russia, pests ruining crops in Thailand, floods, etc.;
- Increased demand from China for European products, offering a better return and diverting European supplies;
- Problems in European production units in the chemicals industry;
- Social unrest with strikes and lock-outs in central Europe;
- A partial relocation of the European chemicals industry associated with the pulp and paper sector to regions where investment is anticipated (South America).

The Group adopted the following measures to counteract these problems:

- A continued policy of supplier diversification, seeking alternatives in other regions of the world or in different industrial sectors, not traditional connected with the pulp and paper industry;
- Consolidation of supplies imported by sea, increasing its storage capacity near the ports;
- Ongoing improvements to logistics, in order to reduce safety stocks and thereby cut supply costs.

In its dealings with suppliers on the Portuguese market, the Group will take their structural fragility into account and seek to help build them up by signing long term contracts on the best possible terms.

3.6.4 Energy

In 2010, the Portucel Group recorded total gross power generation of 1,696 GWh, corresponding to an increase of approximately 48% over the previous year.

This increase was due essentially to the output of the new combined cycle cogeneration plant installed in Setúbal, to the two new biomass-fuelled powers stations in Cacia and Setúbal and to the start-up at the end of the third quarter of the new steam turbogenerator installed at the existing biomass cogeneration plant at the Figueira da Foz complex.

The electricity generated by the Portucel Group in 2010 corresponded to 3.4% of the total power produced in Portugal.

Power generation from biomass-fuelled plants (three cogeneration plants and two dedicated plants) totalled 1 099 GWh e and accounted for 52% of the total Portuguese output of electricity in 2010 from this renewable resource, with the Group remaining the country's leading producer of power from biomass.

With the start up of the new steam turbogenerator (TG4) for the cogeneration plant at the Figueira da Foz complex, which started feeding power into the grid on a trial basis on 23 August 2010, the Group completed a series of capex projects in the energy area, representing total investment of approximately 200 million euros.

Despite the increase in energy obtained from natural gas, responding to the energy needs of the new Setúbal paper mill, 65% of the Group's energy production was derived from cogeneration plants and biomass power plants, which use renewable resources (forest biomass and timber by-products from the pulp production process).

The strategy pursued by the Group in this field was rewarded by international recognition in 2010 in the form of one of the Green Energy and Biofuels Awards from Pulp & Paper International (PPI).

Bioenergy and Fossil Fuels

The Portucel Group has pressed ahead with substantial investment designed to minimize its use of fossil fuels.

The capex projects implemented in recent year with the greatest impact on current CO2 emissions by the Group have been the fitting of new recovery boilers at the Cacia da Figueira da Foz plants, the conversion of biomass boilers to fluidized bed technology at the three industrial complexes and modification of the lime kiln at the Figueira da Foz complex.

Operation at full capacity of the two new biomass-fuelled power stations at the Cacia and Setúbal plants, achieved in 2010, has consolidated the Group's leadership of the biomass renewable energy sector in Portugal. With these projects, the Group has significantly contributed to reducing Portugal's dependence on imported fossil fuels, as well as generating a highly positive impact on the country's balance of CO2 emissions. It is estimated that the Group's new plants will make it possible to avoid CO2 emissions in excess of 70 thousand tons on the country's balance sheet.

The investment in the new steam turbogenerator at the biomass cogeneration plant at the Figueira da Foz plant, replacing two old steam turbogenerators, has resulted in a considerable gain in energy efficiency at this site. Although this project has no impact on the Group's CO2 emissions (as it consists in increasing efficiency from a resource which was already biomass), it will indirectly permit a reduction in CO2 emissions of approximately 40 thousand tons for the country, by avoiding power generation in large gas or coal fired power stations.

Forest Biomass for Energy Purposes

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

Integrated forestry operations, in keeping with sustainable principles and the concern to preserve biodiversity, are in the Group's view the fundamental basis for a balance in obtaining raw materials for the production of tradable goods with a high level of value added, such as pulp and paper, and for making use of off-cuts and other residual biomass for producing energy.

In 2010, the Group had two biomass fuelled power stations working at full capacity, in Cacia and Setúbal. Supplying these two units is the prime business activity of Enerforest, a Group company engaged in producing and marketing biomass and managing waste for energy purposes. The company also supplies clients on a just-in-time basis. Over the course of the year, prices in the biomass market remained stable.

The Group has also supported a project for stationery chipping at its mills, due for start-up in 2011. Work proceeded over the year on producing bales of waste biomass (PackinStock project), contributing to the clearance of brushwood/undergrowth on the Group's properties and to improving stocks of biomass.

In the second half of 2010, operation of the biomass yards at power plants was placed under separate management, leading to better performance in stocks management and at the same time allowing Enerforest to concentrate on commercial activities, in order to assure flows of biomass supplies.

3.6.5 Environment

Over the course of 2010 the Portucel Group undertook a number of projects designed to improve the efficiency of its production processes, through the rational use of natural resources, mitigation of environmental impacts at its industrial units, awareness raising and training, documented procedures, operating routines and contractual requirements, in addition to investing in infrastructure and equipment with a view to using the Best Available Techniques (BATs).

As a result of these efforts, assessment of the environmental performance of production processes, by collating indicators of eco-efficiency and environmental impacts, points to positive and sustained performance by all Group units, across all areas: air, water, waste and natural resources, in line with the BATs for the sector, reflected in the Environmental Licenses held by the Portucel Group plants.

Significant reductions have been achieved in gas emissions over the last five years, especially in the case of emissions of particles, SO₂ and CO₂, thanks to investment efforts in better processes, starting in 2009, and in particular in converting the biomass boiler at the Cacia plant to fluidized bed technology and optimizing the environmental performance of the biomass boiler, by replacing economizers and flue gas pipes at the Setúbal plant.

Considering only facilities operating up to 2009, CO₂ emissions were cut by around 18% over the same five year period.

In September 2010, the new steam turbine started operation at the biomass cogeneration plant on the Figueira da Foz site. With the completion of this project and the start-up of two new biomass-fuelled power stations in Cacia and Setúbal (late 2009), the Portucel Group recorded a significant improvement in energy efficiency in 2010, thereby contributing to Portugal's biomass energy balance sheet.

Figures for emissions into water over the last five years show reductions of approximately 40% for suspended solids and phosphorous, and of approximately 60% for biodegradable organic matter.

In the field of waste management, the Portucel Group remains committed to improving production processes, with the prime aim of cutting its production of waste, as well as reclaiming and reusing the waste still produced. The Group has pressed ahead with R&D projects, in partnership with Instituto RAIZ and potential waste users, to find uses for waste as a raw material in other processes. Of the total waste produced, around 80% is sent for reuse/reclamation through licensed operators.

With a view to assuring efficient and effective management of all the information relating to the waste circuit (production, packaging, transport and disposal), and also standardization of practices at Portucel

Group plants, new management procedures were implemented in 2010 using specially developed software.

In order to comply with the legislation in force, the Group conducted an analysis of the applicability of national and community law and regulations across the environmental sector.

The measures adopted have included those relating to the REACH Regulations (Registration, Evaluation, Authorisation and Restriction of Chemicals and EC Regulation 1907/2006 of 18 December), which make industry responsible for managing the risks which chemicals may pose to health and the environment.

As a producer of chemicals, the Group followed up the pre-registration of the chemicals produced (in 2008, 2009 and 2010, in order to comply with registration requirements for the substances produced) by joining European consortia and carrying out all the work needed to register successfully the substances produced by the end of November. This process involved drawing up documents containing information on the properties and classification of each substance, as well as information on uses and guidelines for safe use for all users of the chemicals produced.

In connection with this, the Group has also maintained regular contacts with suppliers, in order to assure compliance with the legal requirements applicable to the products supplied.

European Union Ecolabel

In September 2010 the Portucel Group was granted a license to use the Ecolabel on the paper it manufactures and markets (PT/11/002). The European Union Ecolabel promotes products and services which meet strict standards of environmental performance, which have for several years been integrated into the management model adopted by the Group.

In the office stationery and printing paper segment, the Ecolabel requires the use of certified timber from controlled sources, and bans the use of substances harmful to the environment and to health, as well as promoting use of renewable energy, implementation of a rigorous waste management system, and reduced emissions of greenhouse gases and other pollutants discharged into the air and water.

Aware of the growing importance of its environmental performance, the Portucel Group has taken an active part in developing new criteria for award of the European Union Ecolabel, due for publication in early 2011.

3.6.6 Innovation

The Portucel Group pushed ahead in 2010 with an ambitious plan for developing new products which have been eagerly taken up by the market. Special attention should be drawn to new additions to the range of high-performance and premium quality products, featuring low grammages. These products have taken advantage of the Group's special expertise and the technological capabilities installed at all its production units.

In the market for web inkjet products, an emerging technology with excellent potential for premium applications, the Portucel Group made waves in 2010 with a new range of optimized surface-treated products which meet the strict technical requirements for this application.

Also in 2010, the Group finalized the process of refreshing the image of its Navigator, Discovery and Pioneer brands, bringing them up to date and making them more attractive to end consumers, as borne out by market research. This has further added to the value of the Group's marketing potential.

The new high porosity pulp has helped to strengthen the Group's product range, enabling it to attract

new clients and to reap the rewards of research and technological development work conducted systematically over recent years.

The Portucel Group has also taken a broad approach to promoting the use of paper as a vehicle for communication, drawing attention to the exceptional and sustainable characteristics of this resource.

The AIFP (Association for the Competitiveness of Forest Based Industries), of which the Group is a founder member, organized a conference on the theme “Crescer Forte, Grow Stronger”, designed to demonstrate the strength of Portuguese forest-based industries and as a forum for debate on building a better future. The AIFP has been recognized as a force for developing competitiveness and technology and coordinates a significant range of projects geared to innovation.

The importance of the research and development (R&D) projects in which the Group is involved has been recognized by the relevant authorities, including the Innovation Agency, the Ministry of Science, Technology and Higher Education and the Foundation for Science and Technology.

Under *SIFIDE*, the system of tax breaks for companies involved in R&D, these authorities have certified investment projects in this area, with a value of 3.8 and 4.1 million euros respectively in 2007 and 2008. For 2009 and 2010, the Group expects to obtain certification of investment worth 3.7 and 3.4 million euros.

3.6.7 Research and Development

Instituto RAIZ has been engaged in genetic improvement projects designed to provide clones in future which are better adapted to climatic conditions less favourable to eucalyptus growth. This has involved significant efforts to extend the diversity of genetic materials, by acquiring hybrid seeds and pure species from abroad, as well as implementing a plan of controlled crosses between these species and *Eucalyptus globulus*.

In the field of biotechnology and plant propagation, work continued on molecular certification of the identity of cloned plants produced by the Portucel Group, and significant progress has been made in improving the efficiency of clone propagation operations, especially in fertilization and pest control.

Forest soil and nutrition projects have focussed primarily on improving existing forestry techniques, with research into the potential of irrigation and/or gel during the installation of eucalyptus plantations and the drafting of risk indicators for soil erosion. In connection with forestry protection, priority was given to developing biological techniques for combating *Gonipterus platensis*, or Australian weevil, a pest which has stripped leaves and hit productivity in Portuguese plantations of *Eucalyptus globulus*.

In the field of forest ecophysiology, with a view to improving knowledge of the relationship between sustainability and productivity in eucalyptus woodlands and water resources, research has been initiated, in partnership with the Higher Institute of Agronomy, into the factors and processes responsible for the differing performance of clones in withstanding drought.

RAIZ continues to provide forest consultancy services, and in 2010 carried out an edapho-climatic characterization of approximately 10,000 hectares in 2010, generating information to serve as the basis for forestry projects and planning, as well as for business decisions concerning the acquisition of woodlands and leases. These consultancy services also took the form of training activities and

technology transfer to the Group's technical staff, as well as to forest producers and timber suppliers, and RAIZ also contributed significantly to prospecting and assessing the potential of new forestry ventures for the Portucel Group in various countries in the southern hemisphere.

Paper production and quality were the main focus of technological R&D projects. This included studying the use of enzymes in pre-treating pulp prior to refining, with energy savings in the order of 20% of total consumption in this operation and a reduction in sheet compaction with the corresponding gain in bulk.

Systematic research was conducted in 2010 into the influence of processing conditions on paper bulk in the paper machine (MP3) at the Setúbal mill, identifying the conditions which optimize this parameter, whilst maintaining the runnability of the machine and preserving the other functional properties of the paper produced.

In collaboration with the University of Beira Interior, the PADIS project has contributed to the development of high performance printing paper by constructing an innovative optical system providing images of the interaction between a drop of ink with the paper surface. This system is expected to be of great importance to study of the phenomena which determine final printing quality.

A solution has also been developed for treating paper surfaces, based on nano-particles of styrene copolymers, permitting significant gains in the optical density of colours and inkjet printing quality. This system has been successfully piloted.

New methods have also been developed for determining some of the relevant parameters for assign the printability of papers, including ink consumption in offset printing and assessment of toner adhesion in laser printing.

In the environmental field, work was concluded on an experimental study of the stabilization of mixtures of biological sludge and ash from biomass boilers in compost heaps, producing an excellent material for forest nutrition, especially suited to eucalyptus.

A study was also completed in 2010 of the water systems for the paper machine (PM2) at the Figueira da Foz mill, identifying potential for cutting water consumption by 6%, despite the machine's already excellent performance in this area.

In the field of bioenergy, research continued into the pre-hydrolysis of hemicellulose from eucalyptus timber as a potential source for production of bioethanol alongside pulp production, with work underway on optimizing the best solutions found. In collaboration with the University of Coimbra, research was also conducted into the fermentation of pentoses, identifying solutions offering a high ethanol yield.

A partnership with the University of Aveiro has also developed processes for extracting and purifying triterpenoids present in eucalyptus bark. These are compounds with applications in the food, cosmetics and pharmaceutical industries. The process is economically viable, offering very interesting returns for current market conditions.

4 Cement and Derivatives Business Area – SECIL

As mentioned above, the Semapa Group has a 51% holding in the Secil Group, whose accounts it incorporates by means of the proportional consolidation method, on the basis of the same percentage.

In order to provide a clear picture of the real state of affairs of Secil and its subsidiaries, it was decided **in this chapter** to present the **100% figures for Secil** (after consolidation adjustments), rather than figures merely for the percentage held by Semapa.

4.1 Leading Business Indicators

IFRS - accrued amounts (million euros)	Dec 10	Dec 09	Dec 10/Dec 09 (Var.%)
Sales	535.8	572.2	(6.4%)
Other income	41.5	35.7	16.3%
Costs and losses	(448.4)	(454.0)	1.2%
EBITDA	128.9	153.9	(16.3%)
Recurrent EBITDA	127.1	153.1	(17.0%)
Depreciation and impairment losses	(43.1)	(42.9)	(0.5%)
Provisions (increases and reversals)	(1.3)	(0.5)	(198.4%)
EBIT	84.4	110.6	(23.6%)
Net financial profit	(4.2)	(5.0)	15.7%
Pre-tax profit	80.2	105.6	(24.0%)
Tax on profits	(21.4)	(15.4)	(38.9%)
Retained profits for the period	58.8	90.1	(34.8%)
Attributable to Secil equity holders	49.6	77.5	(36.0%)
Attributable to minority interests (IM)	9.2	12.6	(27.4%)
Cash-flow	103.3	133.5	(22.6%)
EBITDA Margin (%)	24.1%	26.9%	(10.6%)
EBIT Margin (%)	15.8%	19.3%	(18.4%)

	31-12-2010	31-12-2009	Dec10 vs Dec09
Total net assets	977.7	945.4	3.4%
Equity (before MI)	498.2	483.5	3.1%
Net debt	77.7	95.3	(18.5%)

* of which 51% is attributable to and incorporated in the consolidated accounts of Semapa

4.2 Leading Operating Indicators

The following table presents the main operating indicators for 2010:

	Unit	Dec 10	Dec 09	10/09 (%)
Annual cement production capacity	1 000 t	6,850	6,850	0%
Sales grey cement	1 000 t	4,909	5,005	(2%)
Sales white cement	1 000 t	98	94	3%
Sales artificial lime	1 000 t	55	60	(8%)
Sales clinker	1 000 t	632	655	(4%)
Ready-mixed	1 000 m3	1,740	2,034	(14%)
Aggregates	1 000 t	3,160	2,755	15%
Precast concrete	1 000 t	143	160	(11%)
Mortars	1 000 t	298	350	(15%)
Hydraulic lime	1 000 t	18	21	(15%)
Mortar fixative	1 000 t	8	5	68%

4.3 Secil Group – Overview of Operations

Construction activity and the demand for cement decreased significantly around the world, hitting hardest the more developed countries, including Portugal, which is one of the Secil Group's key markets. In the European Union, cement consumption is estimated to have dropped by approximately 11%.

In this adverse environment, the Secil Group's consolidated turnover stood at **535.8 million euros**, down by 6.4% on the previous year, due fundamentally to poorer performance by business units in Portugal and Angola.

EBITDA stood at **128.9 million euros**, down by approximately 16.3% on the same period in 2009, due to the difficult environment already mentioned.

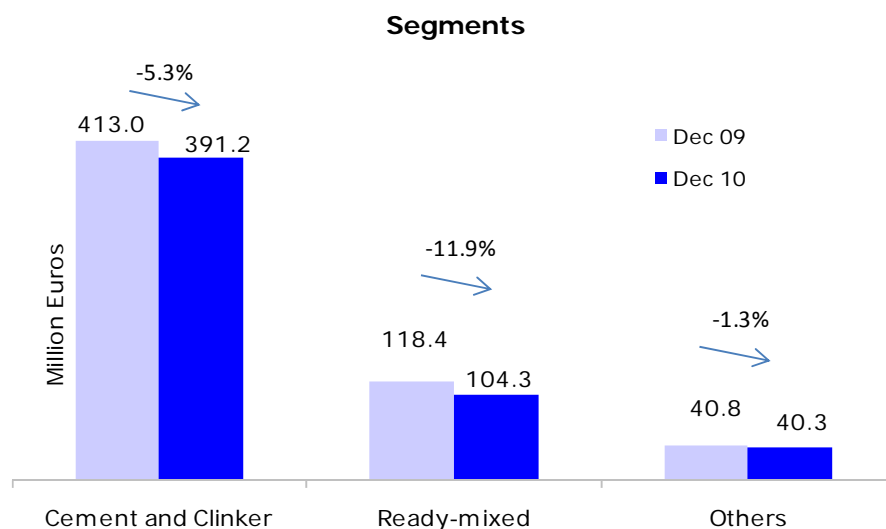
Growth in EBITDA for cement operations in Lebanon and Tunisia was insufficient to set off weaker performance by operations in Portugal and Angola, where EBITDA dropped by 19.8% and 90% respectively.

Net profits attributable to Secil equity holders totalled **49.6 million euros**, representing a 36% decrease from 2009.

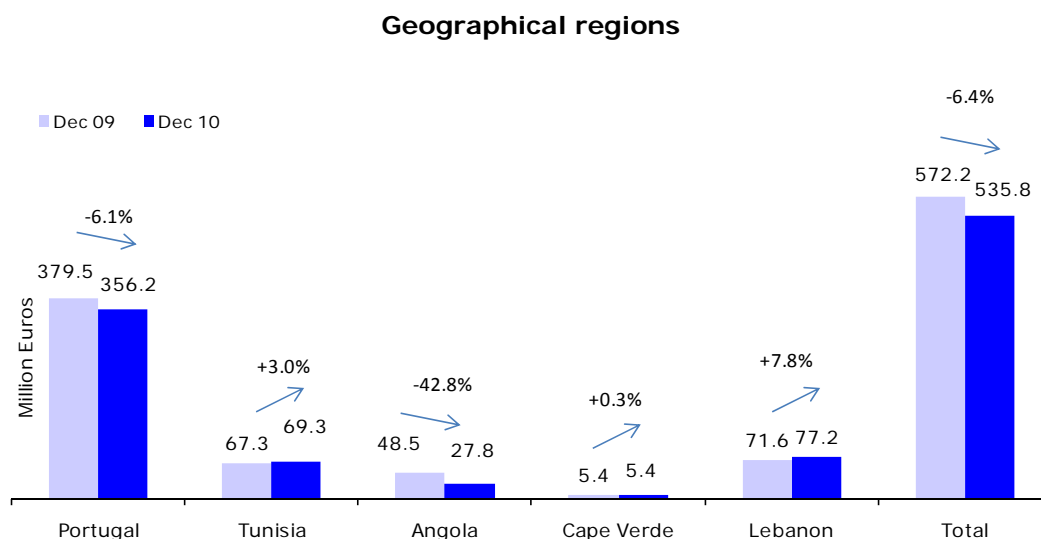
Capital expenditure totalled **47.1 million euros**, of which 46.9 million euros corresponded to operating investment and 160 thousand euros to an increased holding in one of its subsidiaries.

At 31 December 2010, net debt stood at **77.7 million euros**, down by **17.6 million euros** from 31 December 2009.

Breakdown of turnover by segments and geographical region



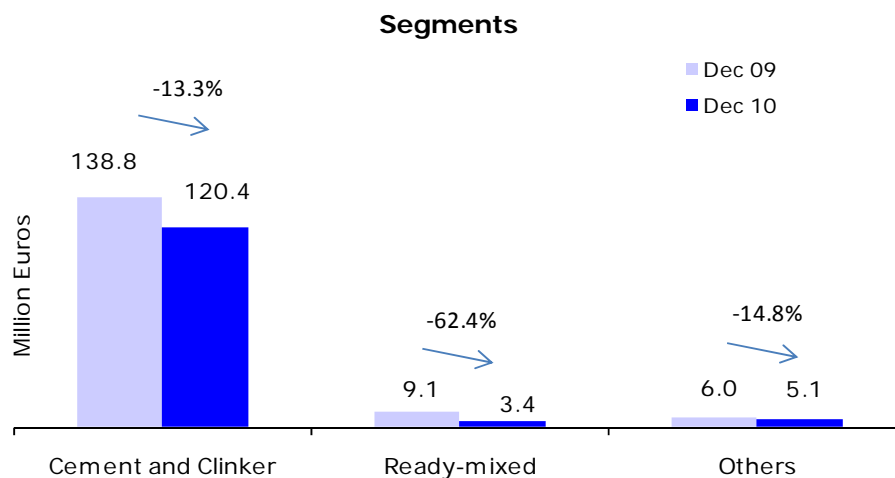
Turnover in the cement and clinker segment was down by 5.3% on 2009, due to shrinking turnover in the business unit operating in Portugal. The ready-mixed and other segments (mortars and precast) also recorded a reduction in business in relation to the previous year.



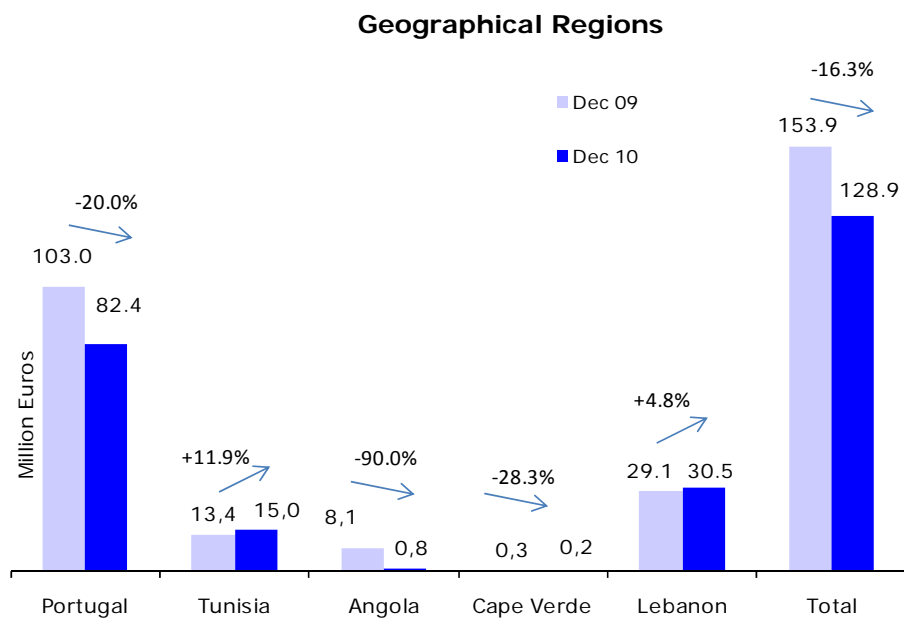
Turnover on operation outside Portugal accounted for approximately 34% of total, with the most significant growth in the proportion represented by operations in Lebanon and Tunisia.

As already mentioned, operations in Portugal (the Group's main market) and Angola showed a reduction in turnover of 6.1% and 42.8% respectively. In contrast, Tunisia and Lebanon experienced growth, although this fell short of offsetting the contraction suffered in other regions, meaning that the Secil Group's overall turnover was down by 6.4% in comparison with previous year.

Breakdown of EBITDA by segment and geographical region



The cement and clinker segment grew in importance, in both absolute and relative terms, in relation to 2009, contributing approximately 93% of the Secil Group's total EBITDA.



In terms of the geographical breakdown, EBITDA was more widely dispersed than in the previous year, with operations outside Portugal accounting for 36% of the total for the Secil Group.

4.4 Business and Operations

4.4.1 Portugal

4.4.1.1 Market Background

The Portuguese economy rallied in 2010, slightly exceeding expectations. According to figures published by the Bank of Portugal (*Boletim Económico* – January 2011), gross domestic product grew by 1.4%, although it slowed towards the end of the year. This performance was due essentially to growth in exports and increased consumer spending. The same report forecast a decline of 0.8% in 2011, as the result of restrictive austerity measures contained in the state budget as well as measures to combat the over-indebtedness of the Portuguese economy.

Investment, measured by gross fixed capital formation, appears to have contracted by 5%, which represents a worsening of the trend observed in previous years.

Activity in civil construction continued in decline due to the economic recession and contraction of the residential construction segment. Figures from INE point to contraction over the year in construction and public works of approximately 9.8% (Construction and public works production index INE – January 2011).

According to Euroconstruct, the main market forecaster for the European construction industry, construction output in Portugal was down in the order of 7.5% (December 2010 Report).

Despite this negative environment, Secil remains highly resilient. The overall indicators for the Secil Group's operations in Portugal in 2010 point performance which, although less strong than in 2009, is still positive.

Portugal (Million Euros)	Turnover			EBITDA			Quantities Sold			
	Dec 10	Dec 09	10/09 (%)	Dec 10	Dec 09	10/09 (%)	Unit	Dez 10	Dez 09	10/09 (%)
Cement and Clinker	227.4	235.4	-3.4%	75.5	90.2	-16.4%	1.000 t	3,041.3	3,080.6	-1.3%
Ready-mixed	88.8	103.2	-14.0%	2.0	7.1	-71.3%	1.000 m3	1,419.8	1,708.0	-16.9%
Aggregates	16.0	13.8	16.5%	3.0	4.0	-25.4%	1.000 t	3,103.9	2,684.4	15.6%
Mortars	14.5	16.4	-11.6%	1.8	2.5	-30.2%	1.000 t	323.2	375.0	-13.8%
Pre-cast	8.8	9.3	-5.5%	1.0	0.0	47333.0%	1.000 t	129.6	139.9	-7.3%
Total	355.5	378.0	-6.0%	83.3	103.9	-19.8%				

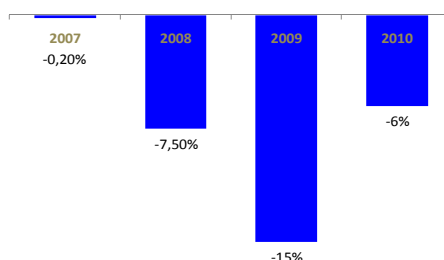
4.4.1.2 Cement and Clinker

Cement consumption in the European Union is thought to have declined by 11%, continuing the downward trend observed in previous years.

Estimates point to a decrease of 6% in cement consumption in Portugal in 2010, at 5.8 million tons, continuing the decline which started in 2002.

Imports of cement and clinker are estimated at approximately 415,000 tons, slightly up from the previous year.

Annual variation in cement and clinker consumption in Portugal

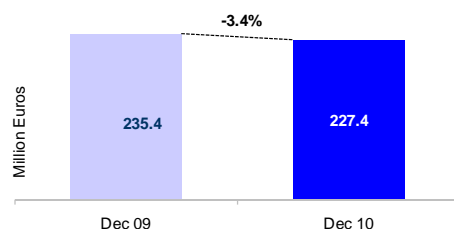


Source: Secil Group

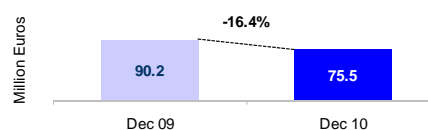
Finally, it should be noted that the year was marked by a fiercely competitive business environment, due to the stance taken by local competitors and to imports from the Spanish market, which is also contracting. Competition was also stoked by the existence of surplus production capacity in the country in relation to current levels of demand. This state of affairs led the Group to focus on a dynamic sales policy and on building close relations with customers.

Indicators

Turnover



EBITDA



Turnover stood at **227.4 million euros**, down by 3.4% on 2009 due a significant reduction in quantities sold and to average unit prices on the domestic market (down by 7.0% and 1.5% respectively). However, export business grew, helping to attenuate the effect of lower sales on the home market.

In view of the business environment described, cement operations in Portugal presented poorer performance than in the previous year, with EBITDA standing at **75.5 million euros**, 16.4% down on the previous year.

More positively, export business expanded in this area, growing by 20.61%, with increases in the average sales price (up by 7.5%) and in quantities sold (up by 12.2%).

At the same time, the Group experienced a substantial increase in thermal and electrical energy costs, whilst Cimentos Madeira recorded weaker performance, due to the halt to construction activity in the Madeira region in the wake of the storm which hit the islands in February 2010.

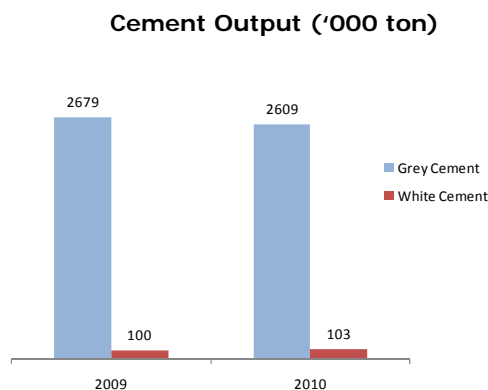
The distribution system was able to meet market demands in full. In a year of significant hikes in fuel prices and maritime freights, transport costs constituted a priority which was managed with success. The average cost of transport to the network of distribution depots increased by only 2.3%.

Secil's Board of Directors has alerted the Portuguese government to the need to pursue a policy for the energy sector which reduces the competitive disadvantage to which Portuguese industry, and the cement sector in particular, is currently subject.

Finally, we should highlight the use of Secil's cement in a number of high profile construction projects, concluded or underway, including the Palace of Justice in Gouveia, the Coach Museum (white cement), rehabilitation of the Bank of Portugal building in Lisbon and a number of dams, including those at Alqueva, Picote, Bemposta and Venda Nova.

Industrial Operations

Cement output from the Secil Group mills stood at 2.7 million tons in 2010, representing a reduction of 2%.



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

The cement plants have made major efforts to cut their production costs. These continued streamlining efforts have been fundamental to attenuating the negative effects of low use of production capacity, with special attention paid to increasing use of waste both for power generation and as a raw material, reducing the average percentage of clinker incorporated in cement, and tight control of maintenance costs.

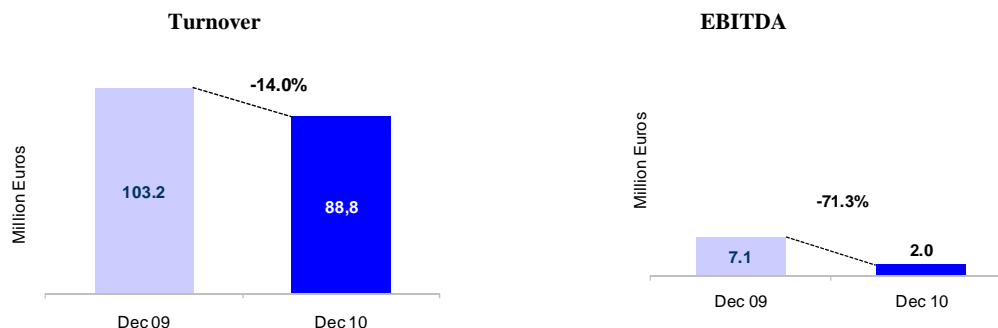
The Group has pressed ahead and increased the use of industrial waste as thermal fuel. Overall, the rate of use of alternative thermal fuels rose from 24% in 2009 to 32% in 2010.

CO₂ emissions from the three Secil plants kept within the annual limits stipulated in the licenses awarded under PNALE.

Capital expenditure

Capital expenditure totalled 13.4 million euros and was fundamentally channelled towards: (i) optimization of plant performance, (ii) acquisition of equipment for using waste for energy purposes (including preparation of the three plants for the use of RDFs – residue derived fuels, and a research and development project at the Cibra-Pataias plant for using CO₂ to cultivate micro-algae), (iii) improvements to the quality of products supplied, and (iv) improving the standards of customer services.

4.4.1.3 Ready-Mixed



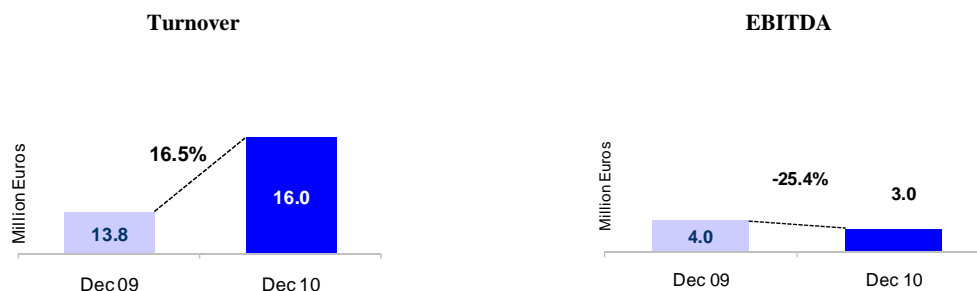
Estimates point to the ready mixed market standing at 7 million cubic metres, representing a reduction of approximately 18% in relation to 2009, due to contraction of the residential construction sector.

In this difficult environment, Secil Group sales were down by 16.9% in quantity, and 14.0% in value, with a severe effect on operational performance. EBITDA stood at **2.0 million euros**, corresponding to a reduction of 71.3% in relation to 2009.

Efforts continued to streamline operations in this segment, so as to adapt production capacity and human resources to lower production levels.

The credit risk and financial situation of many of the Group's customers deteriorated over the year, leading to numerous insolvencies, in some instances affecting companies of a reasonable size.

4.4.1.4 Aggregates



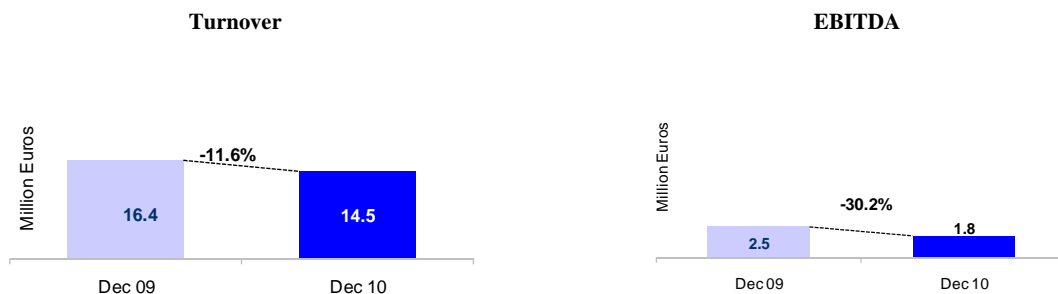
Sales of aggregates grew by 16.5% in value and 15.6% in quantity, thanks essentially to the increase in capacity obtained through acquisition of Quimipetra.

Despite the growth in turnover, EBITDA stood at **3.0 million euros**, down by 25.4% on the previous year. The drop in performance was due fundamentally to a slump in prices, which fell by around 10%, partly as a result of the mix of products sold.

This sector also experienced a substantial increase in credit risk of a significant number of clients, whose financial situation deteriorated over the year.

Special attention should be drawn to a contract concluded in December with a view to acquisition of the entire share capital of Lafarge Betões, SA. which operates in the concrete and aggregates market in Portugal. The transaction is awaiting approval from the Competition Authority prior to going ahead.

4.4.1.5 Mortars



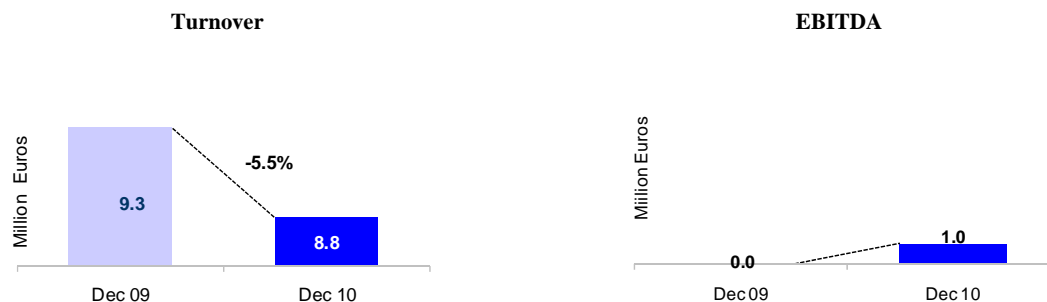
Given the crisis in the civil construction sector, and in particular in the residential construction segment, the mortar market contracted for the second year running, shrinking by around 15%. The hydraulic lime market was also hit by decline, as part of a trend which has now lasted for twelve years.

In this context, turnover in this business unit stood at 14.5 million euros, down by 11.6% on 2009. EBITDA stood at 1.8 million euros, representing a reduction of 30.2% due essentially to the decrease in quantities sold.

Major developments included the launch of a new range of cement fixative under the *Adhere* brand, and a range of decorative pavements under the *Scala* brand.

On the investment side, work started on construction of the new mortar factory located in Montijo.

4.4.1.6 Pre-cast Concrete



There continues to be surplus supply on this market, which has generated extremely fierce competition, with prices falling over the last eight years and many companies being forced into bankruptcy.

Even so, turnover from pre-cast business stood at **8.8 million euros**, down 5.5 on the figure recorded in the previous year. In terms of operating performance, this business unit presented EBITDA of 1.0 million euros, influenced by a non-recurrent operation consisting of disposal of land in Madeira.

4.4.2 Tunisia

4.4.2.1 Market Background

GDP is thought to have grown in 2010 by 3.8%, far short of the government forecast of 6.1% (World Economic Outlook, IMF October 2010), but still slight up on the figure of 3% recorded in 2009. The effects of the world financial and economic crisis, combined with rising prices for fuel and the main raw materials, contributed to slowing growth in relation to the initial estimates for 2010.

The inflation rate stood at 4.5%, up from 3.4% in 2009. As in previous years, the Tunisian dinar lost value against the euro, falling 1.1% on average over the year.

The construction and public works sector benefitted from a package of government measures designed to stimulate the Tunisian economy. As a result, the sector functioned as one of the main driving forces behind economic growth, with consumption of cement and artificial lime rising by 9.7% in relation to 2009 (7.2 million tons).

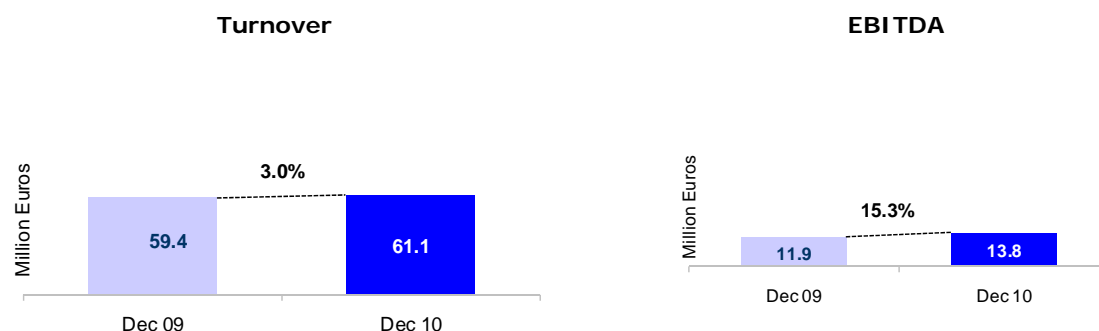
The following table presents overall indicators for the Secil Group's business operations in Tunisia in 2010 and 2009:

Tunisia (Million Euros)	Turnover			EBITDA			Quantities Sold			
	Dec 10	Dec 09	10/09 (%)	Dec 10	Dec 09	10/09 (%)	Unit	Dec 10	Dec 09	10/09 (%)
Cement and Clinker	61.1	59.4	3.0%	13.8	11.9	15.3%	1.000 t	1,286.5	1,290.3	-0.3%
Ready-mixed	7.9	7.6	4.1%	7.9	7.6	4.1%	1.000 m3	182.9	175.3	4.3%
Pre-cast	0.3	0.4	-18.1%	0.0	0.4	-87.9%	1.000 t	12.0	16.2	-26.2%
Total	69.3	67.3	3.0%	21.7	19.9	9.1%				

4.4.2.2 Cement and Clinker

Consumption of cement and artificial lime in the Tunisian market stood at approximately 7.2 million tons, 1.4 million tons more than in Portugal, representing significant 9.7% growth over the previous year. In the southern region, where the Secil Group's production facility is located, growth was slower, in the order of 5.7%.

Indicators



Turnover in cement and clinker operations in Tunisia totalled approximately **61.1 million euros**, representing an increase of 3.0% in relation to 2009, thanks to growth in the quantities sold and the average unit price on the domestic market.

EBITDA in this business area stood at approximately **13.8 million euros**, corresponding to growth of

15.3% over 2009. This performance was due essentially to increased sales quantities and unit prices on the home market, increased clinker output and also to success in keeping unit production costs at their 2009 levels.

Once again, contrary to expectations and in breach of solemnly given commitments from the Tunisian government, cement prices were not deregulated. It should be recalled that on the occasion of the privatisation of the cement industry, price deregulation was expressly provided for in the relevant tender documents.

Accordingly, in May, the Government used the existing approved prices system to set an average increase in the order of 6%.

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

Industrial Operations

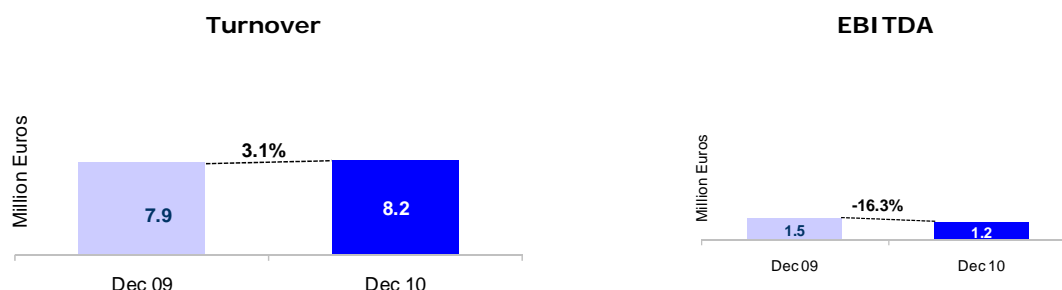
Output of cement and artificial lime stood at 1.4 million tons, representing growth of 2% over the previous year.

Fuel costs rose only slightly over 2009, despite the sharp increase in gas, petcoke and coal prices in the final quarter. In this respect SCG was especially affected by the unilateral ban imposed by the Ministry of the Environment on the use of coal as thermal fuel.

Capital Expenditure

As planned, SCG has invested in expanding milling capacity, by installing a third cement mill for which the supply contract was signed in February. This capex project will allow for output in the order of 2 million tons, with production due to start up in November 2011.

4.4.2.3 Ready Mixed and Pre-cast Concrete



The ready-mixed market experienced growth in the regions operated by Sud Béton and Zarzis Béton (Sfax, Gabès and Zarzis), whilst business in the pre-cast market recorded a decline.

In this context, sales of ready-mixed concrete grew in the order of 4.3% in quantity, thanks to the expansion achieved by gaining new markets through the use of mobile concrete plants, in particular on the island of Djerba. Sales of pre-cast concrete fell by 26.2%.

Turnover in this business unit grew overall by approximately 3.1%, standing at **8.2 million euros**.

EBITDA totalled **1.2 million euros**, down by 16.3%. This reduction was due fundamentally to the fact

that the previous year had witnessed the completion of various construction projects offering high margins, not repeated in 2010.

In terms of capital expenditure, two mobile plants were acquired to supply ready-mixed concrete, one on Djerba and another on the Sfax-Gabès motorway.

4.4.3 Lebanon

4.4.3.1 Market Background

The Lebanese economy recorded growth of 8% in 2010, slightly lower than the previous year's figure of 9% (World Economic Outlook, FMI October 2010).

This growth was partly the result of continued political stability. This allowed the construction and property sectors to experience very appreciable growth, thanks to the lively real estate market and the abundance of public works projects.

The average inflation rate stood at 5%, up from 1.2% in 2009.

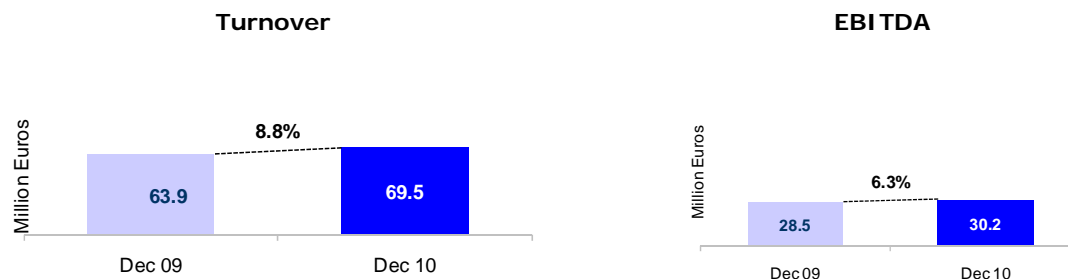
The following table presents overall indicators for the Secil Group's business operations in Lebanon in 2010 and 2009:

Lebanon (Million Euros)	Turnover			EBITDA			Quantities Sold			
	Dec 10	Dec 09	10/09 (%)	Dec 10	Dec 09	10/09 (%)	Unit	Dec 10	Dec 09	10/09 (%)
Cement and Clinker	69.5	63.9	8.8%	30.2	28.5	6.3%	1.000 t	1,117.4	1,087.7	2.7%
Ready-mixed	7.6	7.7	-0.3%	0.2	0.6	-66.9%	1.000 m3	137.2	150.6	-8.9%
Total	77.2	71.6	7.8%	30.5	29.1	4.8%				

4.4.3.2 Cement and Clinker

Demand for cement totalled 4.5 million tons, representing growth of 16% over 2009. Some of this demand is from what is called the unofficial market, where the final destination is Syria. Considering only the demand generated by the domestic market, growth stood at approximately 7%.

Indicators



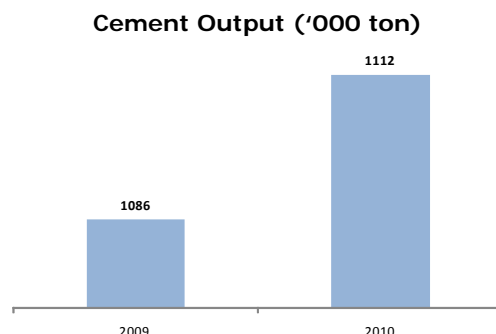
Turnover on cement business stood at approximately **69.5 million euros** in 2010, representing an increase of 8.8% over the previous year. This growth was due essentially to increased sales on the domestic market, which grew by 12%, whilst the export market shrank by 96%.

EBITDA stood at approximately **30.2 million euros**, up by 6.3% on the previous year. This was achieved thanks to increased sales on the domestic market and to excellent industrial performance,

minimizing the negative effect of increased thermal fuel costs.

Industrial Operations

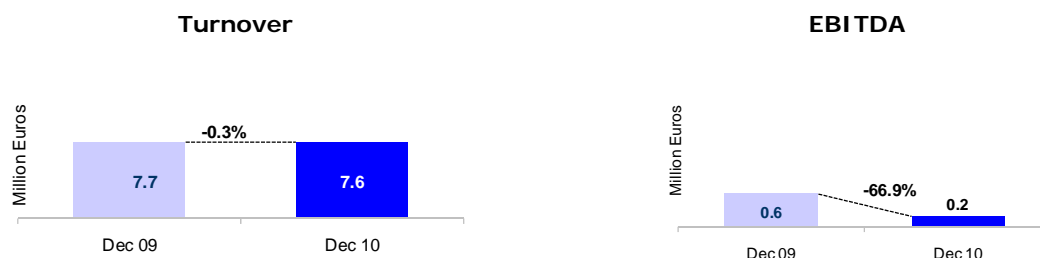
Cement output rose to a new record total of 1.1 million tons, representing growth of 2% over 2009.



Capital Expenditure

Leading investment projects included the acquisition of land to increase stone reserves for cement production.

4.4.3.3 Ready-mixed



Sales in this business area were down 8.9% in quantity on the year. However, in terms of value, sales stood at **7.6 million euros**, at the same level as 2009.

EBITDA totalled **0.2 million euros** in 2010, slightly down on the previous year (0.6 million euros), due essentially to the delay in the start-up of the new concrete plant located in Dora (north of Beirut).

Capital expenditure projects included the construction of the new concrete plant in Beirut and replacement of some of the ageing concrete mixer trucks.

4.4.4 Angola

4.4.4.1 Market Background

Over the course of the year, the Angolan economy moved back towards growth. According to information from the IMF, gross domestic product is thought to have grown by 5.9% (World Economic Outlook, IMF October 2010).

Despite the signs of economic recovery, both in the petroleum sector and in the non-petroleum economy, the government imposed a policy of severe containment of public spending, so as to settle commitments which matured in 2008 and 2009 and to restore the country's currency reserves.

Public investment was at a very low level, and the halt in public works affected the demand for cement.

The inflation rate stood at 13.3%, slightly lower than in 2009 (13.7%).

Over the year as a whole, the kwanza fell approximately 4% against the US dollar, representing a slower depreciation than in the previous year (18%).

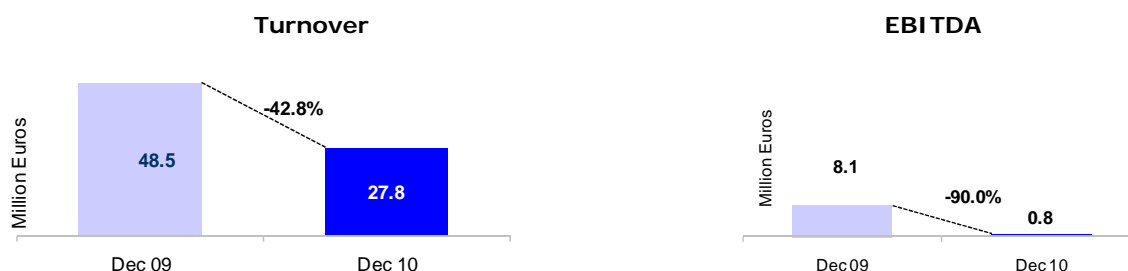
The following table presents overall indicators for the Secil Group's business operations in Angola in 2010 and 2009:

Angola (Million Euros)	Turnover			EBITDA			Quantities Sold			
	Dec 10	Dec 09	10/09 (%)	Dec 10	Dec 09	10/09 (%)	Unit	Dec 10	Dec 09	10/09 (%)
Cement and Clinker	27.8	48.5	-42.8%	0.8	8.1	-90.0%	1.000 t	196.0	306.8	-36.1%

4.4.4.2 Cement and Clinker

Consumption of cement is estimated at 2.8 million tons in 2010, representing a significant 20% reduction in relation to the previous period. Combined with fierce competition from imports of Chinese cement at lower prices, this had a negative effect on Angolan output.

Indicators



In this adverse context, the Secil Group recorded turnover of approximately **27.8 million euros** in 2010, representing a reduction of 42.8% in relation to 2009.

In order to confront the competition from China, a II/BL cement type was placed on the market at a competitive price, leading to a degree of recovery in sales in the second half of the year.

Performance on cement operations in Angola deteriorated significantly, with EBITDA standing at **0.8 million euros**, down 90% on the amount recorded in 2009.

This decline in performance is fundamentally explained by a reduction in sales in quantities and in the average unit sales prices.

4.5 Resources and Supporting Functions

4.5.1 Sustainability

As a fundamental aspect of sustainability policy, priority has been given to the concepts of streamlining and respect for the expectations of different stakeholders. This means making more rational use of

natural resources (replacing natural raw materials and fossil fuels with alternative materials), improving energy efficiency, support for and participation in the work of local bodies and a policy of welfare protection for our workers, their families and the local communities.

Significant strides have been made in this area particularly in the Portugal-Cement business area, including the following:

- Increase in the use of alternative fuels from 24%, in 2009, to 32%, in 2010, allowing for increased substitution of fossil fuels.
- The rate of clinker incorporation in cement edged up to 73%.
- The Group achieved a reduction in specific emissions of CO₂ from 660 to 647 kg of CO₂ per ton of cement products, thanks essentially to a significant increase in the alternative fuel substitution rate.

4.5.2 Environment

The Secil Group pursued a range of policies in 2010 which work towards even greater environmental responsibility in its operations. Measures were implemented with a view to integrated quality, environmental and safety systems, involving the industrial units in Portugal, and development of projects for protecting the environment.

The insistence on introduction in the European Union of penalizing charges for industries with high energy consumption, without equivalent charges to penalize manufacturers of the same products located outside the Union, continues to concern the Board of Directors. If a balancing mechanism is not introduced, such as in the form of compensatory charges payable on the energy contents of products from third countries, the stage will be set for production to move out of the European Union, with significant social consequences due to a reduction in employment, not to mention higher environmental costs due to global pollution.

4.5.3 Energy

Secil is involved in a number of business projects geared to supporting the re-use of waste as fuel or as a raw material.

Through its subsidiary AVE – Gestão Ambiental e Valorização Energética, Secil has pursued its strategy of reusing industrial waste as secondary raw materials and alternative fuels, using best environmental practice.

In 2010 it diversified its operations, managing new forms of waste in order to provide the cement mills with greater quantities and diversity of alternative fuels.

4.5.4 Research and Development

The Centre for Cement Development and Applications exists in order to promote research and development in the field of cement products. It coordinates product development activities, and is responsible for assessing the performance and quality of cement, whilst also assisting with technical support for clients.

In 2010 it supported the development of new products in the cement business unit in Portugal (Cement Cem II B-L 42,5), in the mortar business unit in Portugal (Scala paving and a new range of cement fixative products) and at Viroc (acoustic Viroc and fire-resistant Viroc), as well as providing technical design and construction support for high-profile projects, including the Champalimaud Foundation, the Gouveia Palace of Justice, the Coach Museum and rehabilitation of the Bank of Portugal building.

The Corporate Technical Centre has the mission of coordinating capital expenditure, technical support, vocational training and the promotion and development of benchmarking between plants, with a view to applying best practices across all operations. Activities in 2010 included:

- In the field of capital expenditure, the start of a project for reusing ash from the biomass plants and ash pans at the Maceira-Liz and Secil-Outão plants, improving product dispatch systems at the Maceira-Liz and Cibra-Pataias plants and start up of the CO₂ sequestration (microalgae) at the Cibra-Pataias plant.
- In the field of Industrial Development, support for the Lobito and Sibline plants, completion of the biodiversity assessment at the Maceira-Liz plant (fauna) and the Cibra-Pataias plant (fauna and flora), and conclusion of the 2nd phase of the Action Plan for implementation of biodiversity management and monitoring models at the Secil-Outão plant, the start of project for using alternative fuels derived from solid urban waste and sewage sludge.

5 Environment Business Area – ETSA

5.1 Leading Business Indicators

IFRS - accrued amounts (million euros)	Dec 10	Dec 09	Dec 10/Dec 09 (Var%)
Sales	29.4	28.9	1.5%
Other income	0.2	1.0	(79.5%)
Costs and losses	(21.9)	(23.0)	4.6%
EBITDA	7.7	7.0	9.8%
Recurrent EBITDA	7.7	7.0	9.8%
Depreciation and impairment losses	(2.9)	(1.8)	(56.7%)
Provisions (increases and reversals)	-	0.2	(100.0%)
EBIT	4.8	5.4	(10.8%)
Net financial profit	(0.6)	(0.5)	(11.3%)
Pre-tax profit	4.3	4.9	(13.1%)
Tax on profits	(1.8)	(1.5)	(25.5%)
Retained profits for the period	2.4	3.4	(29.5%)
Attributable to ETSA equity holders *	2.5	3.5	(29.5%)
Attributable to minority interests (MI)	(0.0)	(0.0)	30.3%
Cash-Flow	5.3	5.0	5.1%
EBITDA margin (%)	26.2%	24.2%	8.2%
EBIT margin (%)	16.4%	18.7%	(12.1%)

	31-12-2010	31-12-2009	Dec10 vs Dec09
Total net assets	70.4	26.3	168.0%
Equity (before MI)	49.7	7.0	613.8%
Net debt	11.0	12.8	(14.0%)

* of which 96% is attributable to Semapa

Leading Operating Indicators

	Unit	Dec 10	Dec 09	10/09
Collection of raw materials – Animal waste (categories 1 and 2)	1.000 t	49.3	44.5	10.8%
Collection of raw materials – Animal waste (category 3)	1.000 t	46.3	60.3	-23.2%
Sales – animal fats	1.000 t	17.0	20.4	-16.7%
Sales – meal	1.000 t	8.5	9.7	-12.2%
Sales – Frozen products for pet food	1.000 t	7.8	14.4	-46.0%

5.2 Overview of ETSA Group Operations

The financial year of 2010 was marked by consolidation of the ETA Group's strategy of business diversification.

The Group expanded its business to include the collection of waste from retail chains.

However, this was not enough to avoid contraction in the collection of category 3 raw materials, due to the decrease in the number of animals slaughtered in Portugal and Spain and to changing consumer habits, with raw materials previously collected by the Group being redirected to human consumption.

In addition, with the possibility of incorporating raw material in the production of poultry meals in petfood, the main vertically integrated suppliers opted to reuse these meals rather than sell them to the ETSA Group.

Mandatory collection of swine carcasses, required by community rules, led to an increase in the quantities of category 1 and 2 raw materials collected in 2010.

The ETSA Group recorded turnover in 2010 of **29.4 million euros**, representing an increase of 1.5% over 2009. Collection of category 1 and 2 by-products represented 45% of the Group's business in 2010.

Higher prices on the fats market diluted the negative effect of the reduction in the quantity of raw materials collected.

Sales of animal fats, meals, and frozen products for petfood and collection of used oils accounted for approximately 55% of total turnover.

Business expanded in the collection of used food oils, thanks to increased quantities and higher average sales prices, prompted by strong demand in the international markets for the production of biodiesel.

EBITDA stood at **7.7 million euros** in 2010, representing growth of 9.8% over the same period in 2009.

Net profits stood at **2.5 million euros**, down by 29.5% from 2009.

At 31 December 2010, the ETSA Group's net debt stood at **11.0 million euros**, down by 1.8 million euros from 31 December 2009.

6 Semapa Group Human Resources

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

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

The workforce of the Semapa Group rose from 5,167 employees in December 2009 to 5,172 employees in December 2010, as shown in the following table:

Segment	31-12-2010	31-12-2009	Var. 10/09
Paper and Pulp	2,331	2,288	43
Cement	2,630	2,676	-46
Environment	190	182	8
Holdings	21	21	0
TOTAL	5,172	5,167	5

The increase in the workforce in the paper and pulp segment was due essentially to the contracting of staff to man the Group's new paper mill inaugurated last year.

In the Secil Group, reductions in the workforce resulted fundamentally from personnel streamlining/voluntary redundancy schemes in certain business segments, and the lay-off of temporary workers contracted on a casual basis, in particular in operations in Angola.

7 Social Responsibility in the Semapa Group

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

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

- *Associação Salvador* – Association which works to defend the interests and rights of persons with reduced mobility, especially individuals with motor handicaps.
- *MDV Projecto Família* – A pioneering project in Portugal seeking to work with families with children at risk. The aim is keep the family together through intensive, immediate and individualized support.
- *Associação Qe* - Rehabilitation services for the disabled, providing welfare support activities for disabled people, with accommodation.

In 2010, the Portucel Group continued to pursue a policy of social responsibility by supporting a wide range of institutions working in the regions in which it operates. Special mention should be made of the following projects:

- Hospital de São Bernardo in Setúbal – acquisition of equipment for the Physical Medicine and Rehabilitation Department. This equipment will be used by children with serious motor handicaps from low income families.
- Aveiro Novos Fire Service – support for acquisition of a truck to be used primarily for removal and rescue of accident victims.
- Support for forestation - on Forests Day, the Group took part in a number of initiatives up and down the country, and donated overall more than 3,600 saplings, all with the purpose of raising public awareness of wildlife and countryside preservation.

Paper was also donated to schools and welfare organizations in the area of influence of the Group's mills. A total of 167 donations were made to social, educational and cultural projects in 2009, corresponding to approximately 49 tons of paper.

In order to further strengthen its ties with shareholders, as part of its wider operations, the Group put its weight behind the workshop on "*New Generation Plantations & Responsible Forest Finance*". This event was organized by the WWF (World Wildlife Fund for Nature), in partnership with the Portucel Group, with the principal aim of bringing together representatives of the financial sector with people working on the NGP (New Generation Plantations) project, in order to design joint approaches able to sustain an industry based on increasingly sustainable plantations and consolidation in the sector of a model offering high standards of environmental and social responsibility.

For the seventh year running, the Secil Group signed cooperation agreements with arts, sports and social welfare organizations in Setúbal.

The ETSA Group has established a partnership with AMI, under which AMI's logo will be used on the vehicles of one of its companies (Biological) and used oils will be collected at municipal waste collection points, with agreed donations being made to AMI.

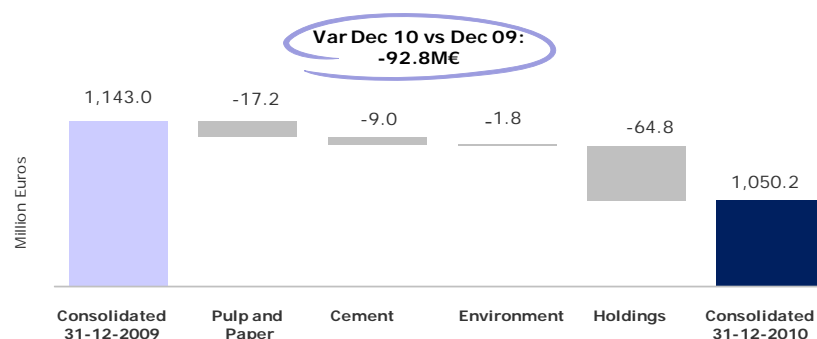
8 Semapa Group – Financial Area

8.1 Indebtedness

At year-end 2010, Semapa's consolidated net debt totalled approximately **1,050.2 million euros**, as compared with **1,143.0 million euros** recorded at 31 December 2009. The following table and chart show historical figures for consolidated net debt, and the respective breakdown:

Consolidated Net Debt

	Dec 10	Dec 09	Var
Pulp and Paper	652.7	670.0	-17.2
Cement	39.6	48.6	-9.0
Environment	11.0	12.8	-1.8
Holdings	346.9	411.7	-64.8
Total	1,050.2	1,143.0	-92.8



Considering (i) the scale of capital expenditure, which exceeded 900 million euros over the last two financial years; (ii) the fact that Semapa Group subsidiaries have paid out dividends and reserves totalling 224.4 million euros; and iii) that Semapa distributed dividends of 59.1 million euros; the figures for indebtedness bear witness to the Semapa Group's excellent capacity for generating cash flow.

We are pleased to report that the Group enjoys a sound financial position, reflected by a ratio of Net Debt to EBITDA of 2.3.

8.2 Risk Management

As detailed in the specific item in the Notes to the consolidated financial statements, Semapa Group operations are exposed to a number of risks, both financial and operational.

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.

8.2.1 Financial Risks

Exchange rate risk

Neither Semapa SGPS and its instrumental sub-holding nor the ETSA Group are exposed to exchange rate risk as they carry out no transactions in currencies other than the euro.

In the case of the Portucel group, variations in the exchange rate of the Euro against other currencies can significant affect the Group revenues in several ways.

On the one hand, a significant part of the Group's sales is denominated in non-Euro currencies, mostly in USD but also in others, meaning that the evolution of the Euro against these currencies can have a significant impact on the company's future sales. On the other hand, BEKP pulp prices on the international market are traditionally fixed in USD, meaning that variations in the Euro against the USD can have an impact on the Group's future sales, irrespective of whether the sales are denominated in Euros or a different currency.

In addition, once the Company makes a sale in a non-Euro currency, it runs an exchange rate risk until it receives the price of the sale, unless it takes out hedges for this risk. This means that, at any given time, its assets include a significant sum in receivables exposed to exchange rate risks.

The Group has a commercial subsidiary in the US, Soporcel North America, with equity of approximately USD 25 million, exposed to exchange rate risk. Other than this operation, the Group has no investments in materially relevant operations abroad with net assets exposed to exchange rate risks.

Occasionally, and as it sees fit, the Group has recourse to derivatives to manage its exchange rate risk, in keeping with a policy which is reviewed from time to time and designed to limit the foreign exchange exposure associated with future sales, receivables and other assets denominated in non-euro currencies.

Accordingly, in order to hedge parts of its sales subject to the EUR/USD exchange rate risk as budgeted for 2010, the Group took out a set of hedges, in the form of zero cost collars, with a value of 75 million USD and maturing at the end of 2010.

In relation to its foreign exchange exposure on customer accounts, the Group maintained its policy of hedging its net exposure to USD and GBP at all times by contracting foreign exchange forwards for the expected maturities of these receivables.

In order to hedge its foreign exchange exposure on the equity of its commercial subsidiary in the US, the Group also contracted a foreign exchange forward for a value of 25 million USD.

The Secil has assets located in Tunisia, Angola and Lebanon, meaning that variations in the respective currencies may have an impact on Semapa's balance sheet.

In this context, the Secil Group kept to its policy of maximising the potential of natural cover of its exchange rate exposure, by offsetting intra-group currency flows. In relation to the USD, the main currency to which it is exposed, natural hedging was in excess of 90%.

Interest rate risk

The main market indexes to which Group borrowing is pegged remained at very low levels throughout the 1st half of 2010, and then tended to rise through to the end of the year for all maturities.

Since July 2009, Semapa SGPS has had an interest rate hedge for two bond issues maturing in 2016, with a total hedged amount of 225 million euros. This operation consisted of contracting zero cost collars from a number of financial institutions in Portugal. The remaining bank borrowing contracted by Semapa SGPS is exposed to interest rate risk, as the respective loans were obtained on a floating rate basis.

The Portucel Group has made use of derivatives, in the form of interest rate swaps, in order to fix the interest rate on its borrowing, within given parameters. The various swaps contracted in 2005 matured in 2010, and at the end of the year there were no interest rate hedges in force.

The Secil Group's exposure to interest rate risks was low at the end of 2010, as of all its borrowing only approximately 2% is on a variable rate basis.

In the course of 2009, the Secil Group contracted a Swap Forward Start for a notional of 40 million euros, maturing in 2017.

The ETSA Group has all of its financial debt pegged to short term reference rates, in most cases the Euribor 6 month rate.

Liquidity Risk

A correct match between the maturities on the Semapa Group's borrowing and the requirements of the business areas in which it operates, together with the existence of unused credit facilities (approximately 338 million euros at year-end 2010), assures the Group a high level of liquidity.

Most of the bank borrowing taken out by the Semapa Group matures in the medium to long term.

Carbon emission license risk

The CO2 emissions license market has been relatively stable, with prices of European Union emission Licenses - EUAs – fluctuating between 12.5 and 16.5 euros, standing at approximately 13.75 euros per ton at the end of the year.

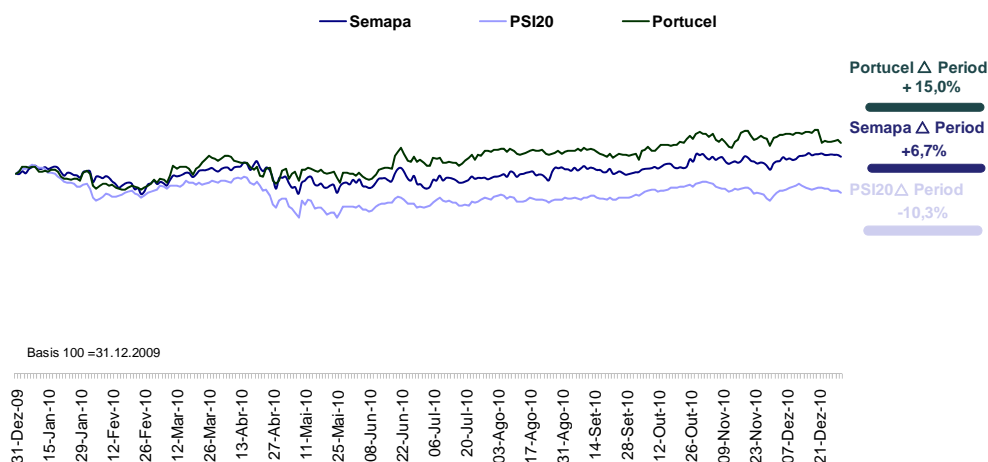
Following on from allocation of CO2 emission rights for phase 2 of EU-ETS, in force from 2008 to 2012, heading operations were carried out to cover the respective price risk, on the sale of the expected surplus of emission licenses.

8.3 Pensions and Other Post-employment Benefits

Total liabilities for pensions, in consolidated terms, at 31 December 2010, stood at 235.2 million euros, of which 119.4 million euros were covered by independent pension funds. Uncovered liabilities at this date, totalling 115.8 million euros, comprise i) 10.6 million euros for the Portucel Group, ii) 5.3 million euros for the Secil Group and iii) 99.9 million euros for Semapa.

In addition, the Semapa Group also calculated liabilities for other post-employment benefits totalling 10.5 million euros (3.1 million euros for the Portucel Group and 7.4 million euros for the Secil Group).

8.4 Listed Share Prices



Nota: Closing Quotes

The Portuguese share index – the PSI 20 – recorded a loss for the year of 10.3%, less sharp than that experienced by the Spanish market, where the IBEX 35 dropped 17.4% in the course of 2010 but still worse than the performance of Euro Stoxx 50, which was down by 5.6%.

In contrast, Semapa shares rose by 6.7% over the year, making them the 5th best performer on the Portuguese stock exchange in 2010. The listed price ranged between a low of 6.961 euros and a high of 8.569 euros. Average daily trading stood at 112,616 shares.

Portucel shares ended the year up 15%, recording the third largest gain on the Lisbon stock exchange index. The lowest price for the year was 1.824€/share during the 1st quarter (on 25 February), after which the shares moved consistently upwards, reaching a high of 2.415€/share (on 20 December). Average trading stood at 480 thousand shares per day.

8.5 Dividends

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

- At the General Meeting of Semapa, held on 22 April 2010, it was resolved to distribute a dividend of 25.5 cents per share, representing a total dividend of 29,481,173 euros.
- At its meeting of 29 November 2010, the Board of Directors approved an advance on profits for the period of 29,481,173 euros, leading to payment of an interim dividend of 25.5 cents per share on 10 December.
- At the General Meeting of Portucel, held on 15 March 2010, it was resolved to distribute a dividend of 8.25 cents per share, which was paid on 14 April, representing a total of 63,318,750 euros.

- At the Extraordinary General Meeting of 17 December 2010, it was resolved to distribute to shareholders free reserves of 120,037,000 euros, corresponding to 15.64 cents per share, paid on 27 December 2010.
- At Secil's 2010 General Meeting it was resolved to distribute a dividend of 74 cents per share, representing a total of 37,017,345.60 euros.
- At the General Meeting of ETSA, held on 31 March 2010 it was resolved to distribute a total dividend of 2,000,000 euros.

On 12 May 2010, a further General Meeting of the ETSA Group resolved to distribute retained earnings totalling 2,000,000 euros.

8.6 Net Profits for 2010

Semapa has recorded Consolidated Net Profit for 2010, before minority interests, of 174.3 million euros, of which 126.7 million euros is attributable to Semapa equity holders.

9 Principal Developments in 2010

Holdings – Semapa SGPS and instrumental sub-holdings

- In the course of the first half of 2010, Semapa acquired on the stock exchange 150,000 shares in Portucel for a sum of 290 thousand euros, increasing its holding to 76.97% of the share capital of the Portucel Group.
- At the General Meeting held on 22 April, new company officers were elected for the four-year term 2010-13.
- In September, Semapa, acting through a subsidiary, acquired from SGVR (Semapa's partner in ETSA) 16% of its 20% holding in ETSA.

Paper and Paper Pulp - PORTUCEL SOPORCEL Group

- The Council of Ministers of Mozambique approved a resolution granting Portucel a provisional permit to use and develop an area of 173,327 hectares in the province of Zambézia, for forestry purposes, along with a package of benefits for possible future industrial investment which Portucel may decide to implement in Mozambique. The same resolution also grants a permit for use and development of an additional area of 220,000 hectares in Manica province, as soon as the formalities currently underway are completed.

Cement and Derivatives – SECIL Group

- Acquisition of an additional holding in its subsidiary Britobetão, increasing its total holding to 82%.
- In May, Secil awarded the Secil 2009 Civil Engineering Prize to Eng^o Fernando Silveira Ramos for his design for the Northern Breakwater at the mouth of the River Douro.
- In November, Secil Martingança officially started construction work on a new factory in Montijo for the production of industrial mortars.
- In October, Secil was made an honorary member of the Portuguese Architectural Association, at a ceremony held at the association's headquarters.
- In later Dezembro, Secil signed a contract with a view to acquisition of the entire share capital of Lafarge Betões, S.A., a company operating in the concrete and aggregates market. The transaction is currently awaiting approval from the Competition Authority before going ahead.

Environment – ETSA Group

- In a change of structure in the ETSA Group, in the final quarter of 2010, the company ETSA – Transformação de sub Produtos Animais, SA was merged into ETSA – Investimentos SGPS, SA (formerly Verdeoculto, SGPS SA).

10 Outlook for 2011

The economic prospects for the world economy in 2011 are optimistic, although a slight slowdown is expected at global level. The pace of growth in emerging markets may cool, in particular in China and Brazil, falling to more sustainable levels. Estimates point to the possibility of healthy growth in the US economy.

Expectations for the Euro zone and Japan are more moderate.

There are various factors of uncertainty and risk which could undermine economic performance in different regions of the world: tensions in Northern African countries which might spread to the Middle East, with repercussions for the oil price, inflationary pressures which have recently grown stronger, rising food prices, the sovereign debt crisis in the outlying countries of the Euro zone, and uncertainties on the real estate and employment markets in the United States.

For Portugal in particular the forecasts are pessimistic, in view of the austerity plan which is being implemented to control the public deficit and the level of foreign debt.

The following constitute cause for concern:

- High levels of unemployment which appear to show no signs of improvement in the short term;
- A shortage of liquidity in the Portuguese financial system which is experiencing funding difficulties, making credit an increasingly scarce resource. Credit spreads have consequently increased, hitting the financial results of companies;
- Sustainability of Portugal's budgetary policy and its capacity to service its sovereign debt, which may require the joint intervention of the IMF and/ or the European Union Financial Stabilization Fund;
- The high interest rates at which the Portuguese Republic has been obliged to borrow on the financial markets.

Paper and Pulp (Portucel Group)

In view of the current economic situation, expectations for paper business over the coming months have to remain prudent. Budgetary consolidation measures, currently being applied across much of Europe, combined with the low or negative economic growth expected in the outlying countries of the Euro zone, which are important markets for the Portucel Group, could have a negative impact on consumption.

Continued high unemployment in Europe and the US also exerts significant downwards pressure on paper consumption, especially in the case of office stationery, a segment which accounts for more than 50% of the Group's sales.

At the same time, the start-up of new production capacity in Asia could cause a degree of imbalance in the market, especially if the EUR/USD exchange rate moves in a direction unfavourable to European producers, undermining their competitiveness in overseas markets, especially in Northern Africa, which has been an important destination for European exports.

Finally, future trends in pulp prices, where high levels have served to sustain sales prices for paper, could have a significant impact on business.

The main source of uncertainty in the **pulp** market lies in the sustainability of demand from China. The slight slowdown in consumption in the Chinese market, observed over nearly all of 2010, combined with resumed production by plant which had been temporarily closed down, has caused a measure of imbalance, resulting in price adjustments. In addition, expanding paper production capacity in Asia, especially in China, and the closure of obsolete plant currently underway in the country could help to sustain demand in the medium term. The recovery in Chinese imports in later 2010 offered a positive indicator of this tendency.

It should nonetheless be stressed that the Group's decision to move further along the value chain, significantly increasing its paper output, integrating an increasing quantity of pulp in paper and expanding its energy output, sharply reduces Portucel's exposure to the volatility of the pulp market.

In the **energy** sector, with the start-up of the new steam turbine for the biomass-fuelled cogeneration plant at the Figueira da Foz industrial complex, the Group has completed its investment programme in this area, constituting a firm commitment to its own sustainable growth. With its newly augmented capacity, the Group will be able to generate the equivalent of approximately 5% of all power generated in Portugal, most of it obtained from renewable resources – forest biomass and operating by-products.

The Group is also pressing ahead with analysis of possibilities for international expansion in the southern hemisphere, so as to be able to take the relevant decisions with the necessary degree of security.

Cement (Secil Group)

In the Secil Group's main market – Portugal – no substantial improvement is foreseen due to the country's current economic situation, and the uncertainty as to the effect of the budgetary consolidation measures now underway, the restrictions on bank finance for the economy and the sovereign debt crisis. As a result, no improvement can be expected in the construction industry or in demand for cement. Export performance will depend on the evolving economic situation worldwide.

The prospects for economic growth in Lebanon are positive, with an estimated GDP growth rate of 5.0%, expected to have a positive impact on Group operations in this country.

Recent events in Tunisia could have a negative affect on the Group's operations in the country.

In Angola, the economy is expected to pick up speed in 2011, with growth in GDP at 7.1% and a return to public spending on national reconstruction, which will increase demand for the cement and boost Secil Group business operations.

Environment (ETSA Group)

The ETSA Group's business in Portugal is constrained by the economic performance of the country, for which no improvement is expected.

In Spain, a decline in business is anticipated as a result of a general reduction in consumption and increased competition in the markets in which the ETSA Group operates.

11 Acknowledgements

2010 was a year in which the Group focussed further on export operations, building on the heavy capital expenditure projects implemented in previous years. Semapa is a Portuguese Group rooted in manufacturing industry whose strategic decisions have led it to play an increasingly important role in the country's economy.

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

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

12 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,

Considering that the Company recorded individual net profits of 126,720,229.28 euros (one hundred and twenty six million, seven hundred and twenty thousand, two hundred and twenty nine euros and twenty eight cents), determined under SNC rules, and

Considering that an advance on these profits of 29,481,173.48 euros (twenty nine million, four hundred and eighty one thousand, one hundred and seventy three euros and forty eight cents) was paid out on December 2010, by resolution of the Board of Directors of 29 of November 2010,

It is proposed that the unallocated portion of the net profits for the period, in the amount of 97,239,055.80 euros (ninety seven million, two hundred and thirty nine thousand and fifty five euros and eighty cents) be transferred in full to Free Reserves.

Lisbon, 4 March 2011

The Board of Directors

Pedro Mendonça de Queiroz Pereira
Chairman

Maria Maude Mendonça de Queiroz Pereira Lagos
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

Joaquim Martins Ferreira do Amaral
Director

António Pedro de Carvalho Viana-Baptista
Director

Vítor Manuel Galvão Rocha Novais Gonçalves
Director

Information on
Corporate Governance

INTRODUCTION

The new Corporate Governance Code, approved by the Securities Market Commission in January 2010, is now applicable for the first time with reference to the financial year of 2010. Semapa has already declared its intention of complying with some of the new Recommendations, which were already approved at the time of last year's report. As ever, we have made every effort to improve the adoption of the recommendations we believe can have a positive effect on corporate governance, whilst maintaining the same reservations concerning certain recommendations which are still made and a degree of apprehension as to the position taken by the Securities Market Commission on a number of issues.

It is also with reference to the financial year of 2010 that Securities Market Commission Regulation 1/2010 takes full effect, requiring adoption of the new template for the report, as attached to the Regulation. This new model is applied in this year's report.

The structure of this report is the same as that for the previous year, and divides into the following parts:

- I. Report on the corporate governance structure and practices, drawn up in accordance with Securities Market Commission Regulation no. 1/2010;
- II. Remuneration policy statement;
- III. Disclosures required under Articles 447 and 448 of the Companies Code and paragraphs 6 and 7 of Article 14 of Securities Market Commission Regulation 5/2008, and
- IV. Assessment of the corporate governance model adopted and activities of non-executive directors

I. REPORT ON CORPORATE GOVERNANCE STRUCTURE AND PRACTICES, DRAWN UP IN ACCORDANCE WITH SECURITIES MARKET COMMISSION REGULATION NO. 1/2010

Chapter 0 Declaration of compliance

► 0.1. CODES ADOPTED

Semapa has not voluntarily opted to submit to any other corporate governance code and is accordingly subject to the “Corporate Governance Code” approved by the Securities Market Commission in January 2010.

These texts are available online at the website of the Securities Market Commission (www.cmvm.pt).

► 0.2., 0.3 AND 0.4. RECOMMENDATIONS ADOPTED, NOT ADOPTED AND REASONS FOR DIVERGENCE

The company and its shareholders have made the following options with regard to compliance with the recommendations in the text approved by the Securities Market Commission:

I. GENERAL MEETING

I.1 OFFICERS OF THE GENERAL MEETING

- I.1.1 THE CHAIRMAN OF THE GENERAL MEETING SHALL HAVE AT HIS DISPOSAL THE NECESSARY AND ADEQUATE HUMAN RESOURCES AND LOGISTIC SUPPORT, TAKING THE FINANCIAL POSITION OF THE COMPANY INTO CONSIDERATION.

ADOPTED

The company complies with this recommendation, and the assessment of the resources as adequate is confirmed by the Chairman of the General Meeting.

- I.1.2 THE REMUNERATION OF THE CHAIRMAN OF THE GENERAL MEETING SHALL BE DISCLOSED IN THE ANNUAL REPORT ON CORPORATE GOVERNANCE.

NOT ADOPTED

As in the previous year, the remuneration of the Chairman of the General Meeting is not disclosed as it is the company's understanding that the individual remuneration of its officers should not be disclosed, although this disclosure is now mandatory in relation to directors and members of the audit board. We do not however believe that this should prevent the company from maintaining a policy of reserving information, where this is permitted, in view of the principles it defends, and despite the fact that the Chairman of the General Meeting has no objection to such disclosure.

I.2 PARTICIPATION AT THE MEETING

- I.2.1 THE DEADLINE FOR SUBMITTING PROOF OF THE DEPOSIT OR BLOCKING OF SHARES FOR THE PURPOSES OF ATTENDING GENERAL MEETINGS SHALL BE NO MORE THAN FIVE BUSINESS DAYS PRIOR TO THE DATE OF THE MEETING

ADOPTED

The articles of association define the period in question in terms of days elapsed (five) and not business days, which is more favourable to shareholders than the terms recommended by the Securities Market Commission. However, the legislation on this issue was altered by Decree-Law 49/2010, of 19 May, which added Article 23-C to the Securities Code, exempting shares from blocking, it now being sufficient that the shares be held on the 5th trading day prior to the holding of the meeting. In addition to this change, Decree-Law 49/2010 established different rules and time limits for shareholder participation: (i) shareholders are required to inform the Chairman of the General Meeting and their financial intermediary of their intention to take part in the general meeting, by the 6th trading day prior to the date of the meeting, and (ii) the financial intermediary is required to notify the Chairman of the General Meeting of the number of shares registered in its client's name on the 5th trading day prior to the date of the meeting. The Board of Directors of Semapa intends to propose to its shareholders the necessary amendment to the articles of association, in order to bring them into line with the new rules. This issue is dealt with further in chapter I.4 of this Report.

- I.2.2 IN THE EVENT OF THE GENERAL MEETING BEING ADJOURNED, THE COMPANY SHALL NOT REQUIRE SHARES TO BE BLOCKED UNTIL THE MEETING IS RESUMED, WHEN THE NORMAL REQUIREMENT FOR THE FIRST SESSION SHALL AGAIN APPLY.

ADOPTED

As reported in the past, this is the understanding of the Chairman of the General Meeting, who has confirmed that this solution will be adopted in the event of adjournment. However, we believe that as a result of the legislative changes referred to in the preceding item, this recommendation, as currently worded, is no longer appropriate insofar as the blocking of shares is no longer required for shareholders to attend general meetings, as expressly stated in Article 23-C: *"The exercise of the rights referred to in the preceding paragraph shall not be prejudiced by the transfer of shares subsequent to the registration date, nor shall it depend on their being blocked between such date and the date of the general meeting"*.

However, the text of the recommendation could now be interpreted as requiring the use of a new reference date (ownership on the 5th trading day prior to the resumed meeting), as opposed to the original reference date (ownership on the 5th trading day prior to the first session). Even if this is the new interpretation, it may be deemed, on balance, to be adopted by the company. This issue is further pursued in chapter I.5 of this Report.

I.3 VOTING AND EXERCISE OF VOTING RIGHTS

- I.3.1 THE ARTICLES OF ASSOCIATION SHALL NOT IMPOSE ANY RESTRICTION ON POSTAL VOTING OR, WHENEVER ADOPTED OR ADMISSIBLE, ON ELECTRONIC VOTING.

ADOPTED

The company has adopted this recommendation insofar as its articles of association impose no restriction on exercise of the right to cast postal votes and also permit the Board of Directors to issue rules on the exercise of voting rights using media other than paper. This question is referred to in further detail in chapters I.9 to I.12 of this Report.

- I.3.2 THE DEADLINE ESTABLISHED IN THE ARTICLES OF ASSOCIATION FOR RECEIVING POSTAL BALLOTS SHALL BE NO MORE THAN 3 BUSINESS DAYS PRIOR TO THE DATE OF THE MEETING.

ADOPTED

The company accepts all postal votes received up to the day before the General Meeting, and this recommendation is therefore adopted in full. This issue is further referred to in chapter I.11 of this Report.

- I.3.3 COMPANIES SHALL ENSURE THAT VOTING RIGHTS ARE PROPORTIONAL TO SHAREHOLDER'S HOLDINGS, PREFERABLY BY ENSHRINING THE ONE SHARE-ONE VOTE PRINCIPLE IN THE ARTICLES OF ASSOCIATION. COMPANIES ARE DEEMED NOT TO COMPLY WITH THE REQUIREMENT OF PROPORTIONALITY WHEN: I) THEY HAVE NON-VOTING SHARES; II) HAVE SHARES FOR WHICH THE RESPECTIVE VOTING RIGHTS ARE NOT COUNTED IF IN EXCESS OF A GIVEN NUMBER, WHEN CAST BY A SINGLE SHAREHOLDER OR RELATED SHAREHOLDERS.

ADOPTED

The new wording of this recommendation brings it closer to the understanding which the company has advocated on this matter, and the company may be unequivocally said to have adopted the recommendation. The focus is now on assuring that voting rights are proportional to holdings.

As we have argued in the past, and as follows from the concerns reflected in the Companies Code, which in Article 384.2 a) allows for the possibility of one vote being assigned for each 1,000 euros of share capital, the right to attend and take part in discussions at General Meetings of persons with negligible holdings in the capital is often prejudicial to the interests of the company and of the shareholders in general. This does not stand in the way of the proportionality principle being respected by the right of shareholders to group together and by the absence of any upper limit on the number of votes which can be cast by each shareholder, either individually or in conjunction. As regards the right to form groups, if all shareholders are present or represented, with the groupings necessary, the number of votes which can be cast is equal to the total number of shares in the company divided by 385, the number of shares corresponding to one vote. There are therefore no non-voting shares.

This question is also referred to in chapters I.6 and I.7 of this report.

I.4 QUORUM FOR RESOLUTIONS

COMPANIES SHALL NOT SET A QUORUM FOR ADOPTING RESOLUTIONS GREATER THAN THAT ESTABLISHED IN LAW.

ADOPTED

The company's articles of association do not set a quorum for adopting resolutions greater than that established in law; the recommendation is accordingly adopted by the company. This question is also referred to in chapter I.8 of this report.

I.5 MINUTES AND INFORMATION ON RESOLUTIONS PASSED

AN EXTRACT FROM THE MINUTES OF THE GENERAL MEETINGS SHALL BE POSTED OR THEIR CONTENTS OTHERWISE MADE AVAILABLE TO SHAREHOLDERS THROUGH THE COMPANY'S WEBSITE, WITHIN FIVE DAYS OF THE HOLDING OF THE GENERAL MEETING, IRRESPECTIVE OF WHETHER CONSTITUTING PRIVILEGED INFORMATION. THE INFORMATION DISCLOSED SHALL INCLUDE THE RESOLUTIONS ADOPTED, THE SHARE CAPITAL REPRESENTED AND THE RESULTS OF VOTES. THIS INFORMATION SHALL BE KEPT ON THE COMPANY'S WEBSITE FOR NO LESS THAN THREE YEARS.

ADOPTED

The new wording of this recommendation has restricted the scope of the information to be disclosed on the company's website to information it deems relevant to all shareholders, including those with a holding of less than 1%, and which is sufficient to safeguard their interests. Accordingly, in 2010 the company disclosed on its website an extract from the minutes of the annual general meeting, containing the resolutions adopted, the capital represented and the results of votes, and intends to maintain historical information for the period recommended. Extracts from the general meetings held in 2008 and 2009 are also available on the website. The recommendation has therefore been adopted.

I.6 MEASURES ON CORPORATE CONTROL

I.6.1 MEASURES AIMED AT PREVENTING SUCCESSFUL TAKEOVER BIDS, SHALL RESPECT BOTH THE COMPANY'S AND THE SHAREHOLDERS' INTERESTS. WHEN, IN KEEPING WITH THIS PRINCIPLE, THE ARTICLES OF ASSOCIATION OF A COMPANY SET A LIMIT ON THE NUMBER OF VOTES WHICH MAY BE HELD OR EXERCISED BY A SINGLE SHAREHOLDER, INDIVIDUALLY OR IN CONJUNCTION WITH OTHER SHAREHOLDERS, THEY SHALL ALSO PROVIDE THAT, NO LESS THAN EVERY FIVE YEARS, A MOTION FOR MAINTAINING OR ALTERING THIS PROVISION SHALL BE PUT BEFORE THE GENERAL MEETING (WITHOUT REQUIRING A QUORUM GREATER THAN THAT PROVIDED FOR IN LAW) AND THAT ALL VOTES CAST IN RELATION TO SUCH RESOLUTION SHALL BE COUNTED, WITHOUT OPERATION OF THE RESTRICTION IN QUESTION.

ADOPTED

No measure has been adopted to prevent the success of takeover bids, namely a provision in the articles of association limiting the number of votes which can be exercised by each shareholder. This recommendation is therefore adopted. This issue is also referred to in chapters I.19 and I.21 of this report.

I.6.2 IN CASES SUCH AS CHANGE OF CONTROL OR CHANGES TO THE COMPOSITION OF THE BOARD OF DIRECTORS, DEFENSIVE MEASURES SHALL NOT BE ADOPTED THAT INSTIGATE IMMEDIATE AND SERIOUS EROSION OF THE COMPANY'S ASSETS, THEREBY DISRUPTING THE FREE TRANSFERABILITY OF SHARES AND FREE ASSESSMENT OF THE PERFORMANCE OF THE BOARD OF DIRECTORS BY THE SHAREHOLDERS.

ADOPTED

No defensive measures have been adopted in the company with the effect of causing erosion of its assets in the event of transfer of control or a change in the composition of the board of directors; the recommendation is therefore adopted. This issue is also referred to in chapter I.20 of this report

II. MANAGEMENT AND AUDIT BOARD

II.1. GENERAL TERMS

II.1.1. STRUCTURE AND DUTIES

II.1.1.1 THE BOARD OF DIRECTORS SHALL ASSESS THE MODEL ADOPTED IN ITS ANNUAL CORPORATE GOVERNANCE REPORT AND IDENTIFY ANY CONSTRAINTS ON ITS FUNCTIONING AND SHALL PROPOSE MEASURES THAT IT CONSIDERS APPROPRIATE FOR OVERCOMING SUCH CONSTRAINTS.

ADOPTED

This recommendation is adopted in full by the company, and the assessment in question is set out in part IV of this Information on Corporate Governance.

II.1.1.2 COMPANIES SHALL SET UP INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN ORDER TO SAFEGUARD THEIR VALUE AND FOR THE SAKE OF TRANSPARENCY IN THEIR CORPORATE GOVERNANCE, ALLOWING IT TO IDENTIFY AND MANAGE RISK. THESE SYSTEMS SHALL INCLUDE AT LEAST THE FOLLOWING COMPONENTS: I) SETTING OF STRATEGIC COMPANY OBJECTIVES WITH REGARD TO RISK ACCEPTANCE; II) IDENTIFICATION OF THE MAIN RISKS ASSOCIATED WITH THE SPECIFIC BUSINESS CARRIED ON AND OF THE EVENTS WHICH MAY GIVE RISE TO RISKS; III) ANALYSIS AND MEASUREMENT OF THE IMPACT AND PROBABILITY OF THE OCCURRENCE OF EACH OF THE POTENTIAL RISKS; IV) RISK MANAGEMENT WITH A VIEW TO ALIGNING THE RISKS EFFECTIVELY INCURRED WITH THE COMPANY'S STRATEGIC OPTIONS REGARDING RISK ASSESSMENT; V) PROCEDURES FOR MONITORING EXECUTION OF RISK MANAGEMENT MEASURES ADOPTED AND THEIR EFFECTIVENESS; VI) ADOPTION OF INTERNAL REPORTING AND INFORMATION PROCEDURES RELATING TO THE DIFFERENT COMPONENTS OF THE SYSTEM AND RISK ALERTS; VII) PERIODIC ASSESSMENT OF THE SYSTEM IMPLEMENTED AND ADOPTION OF CHANGES AS REQUIRED.

ADOPTED

In addition to the bodies and procedures in place in the company's subsidiaries, the company has its own Internal Control Committee with specific powers in the field of risk control and management, as described in chapter II.5 of this Report. Aware of the growing importance of risk monitoring and management and in order to adopt the new recommendation, which defines the minimum components of the risk management system, and as described in its latest report, the Board of Directors reviewed and altered the powers of this Commission in order to accommodate the text of this recommendation. The recommendation has therefore been adopted by the company.

II.1.1.3 THE BOARD OF DIRECTORS SHALL ENSURE THAT INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS ARE SET UP AND FUNCTION. THE SUPERVISORY BOARD SHALL BE RESPONSIBLE FOR ASSESSING THE FUNCTIONING OF THESE

SYSTEMS AND PROPOSING ANY CHANGES REQUIRED TO ADJUST THEM TO THE COMPANY'S NEEDS.

ADOPTED

This recommendation has been adopted by the company. In addition to its own direct powers in this area, the Board of Directors resolved in 2006 to set up an Internal Control Committee which, in keeping with its responsibilities as defined by the directors (which have been reviewed and adapted to the company's changing needs), has taken charge of internal control and risk management. At the same time, the Audit Board is responsible for monitoring the effectiveness of the risk management and internal control system, proposing adjustments to the existing system, whenever appropriate, which the Internal Control Committee is required to adopt.

II.1.1.4 IN THEIR ANNUAL CORPORATE GOVERNANCE REPORTS, COMPANIES SHALL:

i) IDENTIFY THE MAIN ECONOMIC, FINANCIAL AND LEGAL RISKS TO WHICH THE COMPANY IS EXPOSED IN CARRYING ON ITS BUSINESS; ii) DESCRIBE THE ACTIVITIES AND EFFECTIVENESS OF THE RISK MANAGEMENT SYSTEM.

ADOPTED

The main risks to which the company is exposed have always been described in its Annual Report and are now also detailed in chapter II.9 of this Report. A description of the entire risk management system is contained in chapter II.5 of this Report. This recommendation has accordingly been adopted by the company.

II.1.1.5 THE MANAGEMENT AND AUDIT BOARDS SHALL ESTABLISH INTERNAL REGULATIONS WHICH SHALL BE DISCLOSED ON ITS WEBSITE.

ADOPTED

The company complies in full with this recommendation, and the rules of procedure in question are disclosed on its website. This issue is further discussed in chapter II.7 of this Report.

II.1.2 INCOMPATIBILITY AND INDEPENDENCE

II.1.2.1 THE BOARD OF DIRECTORS SHALL INCLUDE A NUMBER OF NON-EXECUTIVE MEMBERS THAT ASSURES EFFECTIVE CAPACITY TO OVERSEE, AUDIT AND ASSESS THE ACTIVITIES OF THE EXECUTIVE MEMBERS.

ADOPTED

The company's Board of Directors has delegated powers to an Executive Board currently comprising six directors. Half of the directors are non-executive which, in the view adopted by the Securities Market Commission and most listed companies, assures effective capacity to oversee, audit and assess the activities of the other directors. This recommendation has accordingly been adopted by the company.

II.1.2.2 NON-EXECUTIVE MEMBERS SHALL INCLUDE AN ADEQUATE NUMBER OF INDEPENDENT MEMBERS. THE SIZE OF THE COMPANY AND ITS SHAREHOLDER STRUCTURE SHALL BE TAKEN INTO ACCOUNT WHEN SETTING THIS NUMBER, WHICH SHALL NEVER BE LESS THAN A QUARTER OF THE TOTAL NUMBER OF DIRECTORS.

ADOPTED

In keeping with the legal and regulatory criteria on the classification of directors as independent or otherwise, the company currently has four directors who qualify as independent. This recommendation is therefore adopted on numerical grounds, insofar as 1/3 of the twelve directors sitting on the company's board are independent. This classification is detailed further in chapter II.14 of this Report.

As stated in previous years, the company acknowledges that diversity and the inclusion of a number of directors who are removed from the life of the company can contribute to the successful exercise of their office and the overall performance of the board of directors.

However, it considers that the grounds for formal classification as independent and the quantitative assessment adopted are not effective in assessing overall the existence of such circumstances which might be of interest to the company. This assessment should instead be conducted in the light of the specific team, its personal and professional characteristics and its overall relationship with the company.

The Board of Directors considers that, irrespective of compliance with this directive, its individual membership, thanks to its different origins and relations with the company and its subsidiaries and to its personal characteristics, effectively assures a complementary range of views and independence of character and judgment, such as safeguards the principles which the regulatory authority sought to protect with this recommendation.

II.1.2.3 THE ASSESSMENT BY THE BOARD OF DIRECTORS OF THE INDEPENDENCE OF ITS MEMBERS SHALL TAKE INTO ACCOUNT THE LEGAL AND REGULATORY RULES IN FORCE CONCERNING INDEPENDENCE REQUIREMENTS AND THE RULES ON INCOMPATIBILITY APPLICABLE TO MEMBERS OF OTHER COMPANY BODIES, SO THAT INDEPENDENCE CRITERIA ARE APPLIED SYSTEMATICALLY AND COHERENTLY ACROSS THE ENTIRE COMPANY, INCLUDING OVER TIME. A DIRECTOR SHALL NOT BE DEEMED INDEPENDENT IF, ON ANY OTHER CORPORATE BOARD OF BODY, HE OR SHE WOULD NOT QUALIFY AS INDEPENDENT UNDER THE APPLICABLE RULES.

ADOPTED

The independence of non-executive directors is assessed in accordance with the recommendations, as described in greater detail in chapter II.15. However, this has been adopted for practical reasons, so as to facilitate comparability between Semapa and other companies and not from any conviction held by the Board of Directors as to the appropriateness of the criteria resulting from the reference to other applicable rules.

II.1.3 ELIGIBILITY AND APPOINTMENT

II.1.3.1 DEPENDING ON THE APPLICABLE MODEL, THE CHAIRMAN OF THE AUDIT BOARD, THE AUDIT COMMITTEE OR THE FINANCIAL AFFAIRS COMMITTEES SHALL BE INDEPENDENT AND BE ADEQUATELY CAPABLE OF PERFORMING HIS DUTIES.

ADOPTED

This recommendation has been adopted by the company, insofar as the Chairman of the Audit Board, appointed, for this first time for this post, by the last annual general meeting, complies with the legal criteria for independence and possesses the appropriate expertise. This issue is further referred to in chapter II.21 of this Report.

II.1.3.2 THE SELECTION PROCESS FOR APPLICANTS FOR NON-EXECUTIVE DIRECTORSHIPS SHALL BE DESIGNED SO AS TO PREVENT INTERFERENCE FROM EXECUTIVE DIRECTORS.

NOT APPLICABLE

Powers to appoint company officers lie essentially with the shareholders. To structure the recommendations as if directors chose themselves reflects a concept of public companies without any stable control, in which the board of directors often concentrates more power than the shareholders, which is not the case of Semapa. As there is no internal selection process, the recommendation as to how this process should be designed is not applicable. As the choice of directors is a matter for the

shareholders, the principle that this recommendation seeks to safeguard, that of the non-involvement of executive directors, is fully assured.

II.1.4 POLICY ON WHISTLEBLOWING

II.1.4.1 THE COMPANY SHALL ADOPT A POLICY WHEREBY ALLEGED IRREGULARITIES OCCURRING WITHIN THE COMPANY ARE REPORTED, SPECIFYING: I) THE MEANS THROUGH WHICH SUCH IRREGULARITIES MAY BE REPORTED INTERNALLY, INCLUDING THE PERSONS THAT ARE ENTITLED TO RECEIVE THE REPORTS; II) HOW THE REPORT IS TO BE HANDLED, INCLUDING CONFIDENTIAL TREATMENT, SHOULD IT BE REQUIRED BY THE REPORTER.

ADOPTED

The company complies with this recommendation and has adopted internal rules on the reporting of irregularities allegedly occurring within the company, setting down the channels, the persons to whom such reports are to be addressed and the rules on treatment, as described in further detail in chapter II.35 of this report.

II.1.4.2 THE GENERAL GUIDELINES ON THIS POLICY SHALL BE DISCLOSED IN THE CORPORATE GOVERNANCE REPORT.

ADOPTED

This recommendation has been fully adopted by the company, and the policy in question is outlined in chapter II.35 of this Report.

II.1.5 REMUNERATION

II.1.5.1 THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS SHALL BE STRUCTURED SO AS TO ALIGN THEIR INTERESTS WITH THE LONG TERM INTERESTS OF THE COMPANY, SHALL BE BASED ON PERFORMANCE ASSESSMENTS AND DISCOURAGE EXCESSIVE RISK TAKING. TO THIS END, REMUNERATION SHALL BE STRUCTURED, NAMELY, AS FOLLOWS: (I) THE REMUNERATION OF DIRECTORS WITH EXECUTIVE DUTIES SHALL INCLUDE A VARIABLE COMPONENT, SET IN ACCORDANCE WITH THE PERFORMANCE ASSESSMENT, CONDUCTED BY THE COMPETENT COMPANY BODIES, IN ACCORDANCE WITH MEASURABLE AND PRE-SET CRITERIA, WHICH CONSIDER THE REAL GROWTH OF THE COMPANY AND THE WEALTH EFFECTIVELY CREATED FOR SHAREHOLDERS, ITS LONG TERM SUSTAINABILITY AND THE RISKS ACCEPTED, AND ALSO COMPLIANCE WITH THE RULES APPLICABLE TO THE COMPANY'S BUSINESS OPERATIONS. (II) THE VARIABLE COMPONENT OF REMUNERATION SHALL BE REASONABLE OVERALL IN RELATION TO THE FIXED REMUNERATION COMPONENT, AND UPPER LIMITS SHALL BE SET FOR ALL COMPONENTS. (III) A SIGNIFICANT PART OF THE VARIABLE REMUNERATION SHALL BE DEFERRED FOR A PERIOD OF NO LESS THAN THREE YEARS, AND PAYMENT OF SUCH PART SHALL DEPEND ON THE CONTINUED POSITIVE PERFORMANCE OF THE COMPANY OVER THIS PERIOD. (IV) MEMBERS OF THE BOARD OF DIRECTORS SHALL NOT ENTER INTO CONTRACTS EITHER WITH THE COMPANY OR WITH THIRD PARTIES WHICH HAVE THE EFFECT OF MITIGATING THE RISK INHERENT IN THE VARIABILITY OF THEIR REMUNERATION AS FIXED BY THE COMPANY. (V) UNTIL THE END OF THEIR TERM OF OFFICE, EXECUTIVE DIRECTORS SHALL MAINTAIN THE SHARES IN THE COMPANY WHICH THEY MAY HAVE RECEIVED UNDER VARIABLE PAY SCHEMES, UP TO A LIMIT OF TWICE THE VALUE OF THEIR TOTAL ANNUAL REMUNERATION, SAVE THOSE WHICH HAVE TO BE DISPOSED OF IN ORDER TO PAY TAXES RESULTING FROM THE EARNINGS OF THESE SHARES. (VI) WHEN THE VARIABLE REMUNERATION INCLUDES THE ALLOCATION OF OPTIONS, THE START OF THE PERIOD FOR EXERCISE SHALL BE DEFERRED FOR A PERIOD OF NO LESS THAN THREE YEARS. (VII) APPROPRIATE LEGAL INSTRUMENTS SHALL BE INSTITUTED SO THAT THE SEVERANCE PAY ESTABLISHED FOR ANY FORM OF DISMISSAL

WITHOUT DUE CAUSE OR TERMINATION OF DIRECTORSHIP IS NOT PAID IF THE DISMISSAL OR TERMINATION BY AGREEMENT IS DUE TO FAILINGS IN THE DIRECTOR'S PERFORMANCE. (VIII) THE REMUNERATION OF NON-EXECUTIVE DIRECTORS SHALL NOT INCLUDE ANY COMPONENT DEPENDENT ON THEIR PERFORMANCE OR THE VALUE OF THE COMPANY.

ADOPTED

It is not easy to determine what this recommendation means in practice, due to the form in which it is structured. Although it appears to be centred on the three essential principles proclaimed in its opening sentence, it then goes on to set out a series of specific measures, which would in fact achieve implementation of the principles but which are enumerated using the word "namely", which fails to make it clear whether the principles may be assured by wholly or partially different means or options.

Believing that the essence must inevitably be found in these principles, and that the degree of detail presented by the specific options enumerated is not wholly compatible with a recommendation of this type, it is our view that the correct interpretation is that the specific measures listed are stated by way of example.

It is clear that the company has a remuneration policy which makes it possible to align the directors' interests with the long term interests of the company, and which is based on performance assessments, as follows with sufficient clarity from the remuneration policy approved by the shareholders and from the contents of item II.33 below referring to the remuneration system.

In relation to the recommendation that the remuneration policy should discourage excessive risk-taking, we should note that this follows in the first place from the fact that remuneration does not vary in direct proportion to results, but is instead determined by conjugating a range of factors which inevitably includes the level of risk, despite the difficulty involved in making this assessment.

However, in the case of Semapa, where shareholder control is stable, and which has therefore also enjoyed great stability in terms of management, this principle is efficiently assured by the fact its senior officers serve the company on a long term basis, meaning that their future remuneration is dependent on long term policies and the level of risks accepted.

As for the examples of how remuneration is to be structured:

- (i) This set of specific measures is assured in the company's remuneration system, except with regard to the requirement of measurable and pre-set criteria for the variable component, as there is a subjective element at play here. But if this were not the case, it would not for example be possible to weigh up the level of risk, as in the system currently in force in the company.
- (ii) Despite the difficulty in determining whether the value of the variable component is reasonable in relation to the fixed component, we believe that the proportion currently prevailing in this respect is reasonable. Upper limits exist on variable remuneration, established in the articles of association as detailed below, but not for fixed remuneration, and this limit is set by resolution of the Remuneration Committee.
- (iii) There is no deferral of remuneration components, as explained in detail in chapter III of the remuneration policy approved by the shareholders.
- (iv) The company is not aware of the existence of contracts of the type mentioned, but also has no policy for discouraging them. It should be noted that the signing of such contracts by some of the company officers is something beyond the company's control.
- (v) This specific measure does not apply to Semapa as the company runs no share-based variable remuneration scheme.
- (vi) The company likewise has no option-based payment plans, meaning that this measure is not applicable.

- (vii) This measure is also not applicable, as the company has no contractual relationships which establish special sets of rules for instances of departure/removal from office, meaning that the supplementary rules established in law apply.
- (viii) This measure has not been adopted for reasons explained in the final paragraph of sub-paragraph a) of chapter V of the Remuneration policy statement and in item 2 of chapter VII of the same document.

II.1.5.2 THE STATEMENT ON REMUNERATION POLICY FOR MEMBERS OF THE BOARD OF DIRECTORS AND AUDIT BOARD REFERRED TO IN ARTICLE 2 OF LAW 28/2009, OF 19 JULY, SHALL CONTAIN, IN ADDITION TO THE CONTENT REFERRED TO THEREIN, SUFFICIENT INFORMATION: *I)* ON WHICH CORPORATE GROUPS WERE SELECTED FOR COMPARISON OF REMUNERATION POLICY AND PRACTICES FOR THE PURPOSES OF SETTING REMUNERATION; *II)* ON SEVERANCE PAYMENTS FOR DIRECTORS.

ADOPTED

The approved remuneration policy statement contains the mandatory content referred to in Law 28/2009, of 19 June, and describes the comparative data considered by the Remuneration Committee in setting remuneration. As regards severance pay paid by Semapa to departing directors, the statement indicates that no agreements exist or have ever been set by the remuneration committee.

The company accordingly complies with the recommendation.

II.1.5.3 THE REMUNERATION POLICY STATEMENT REFERRED TO IN ARTICLE 2 OF LAW 28/2009 SHOULD ALSO ENCOMPASS THE REMUNERATION OF MANAGEMENT PERSONNEL, AS DEFINED IN ARTICLE 248-B.3 OF THE SECURITIES CODE, WHOSE REMUNERATION INCLUDES A SIGNIFICANT VARIABLE COMPONENT. THE STATEMENT SHOULD BE DETAILED AND THE POLICY PRESENTED SHOULD TAKE INTO ACCOUNT THE COMPANY'S LONG TERM PERFORMANCE, COMPLIANCE WITH THE RULES APPLICABLE TO THE COMPANY'S OPERATIONS AND RESTRAINT IN RISK-TAKING.

NOT ADOPTED

The Company holds to the understanding set out last year and continues not to comply with this recommendation. At issue here are the company's managers, and the directors consider that employment pay policy is a management act for which they have sole responsibility, as follows clearly from a combined interpretation of Articles 373.3 and 405 of the Companies Code. Contrary to the situation in a company by quota shares, in public limited companies shareholder involvement in management is highly exceptional, and should only occur on the initiative of the management body. No grounds are here deemed to exist for an exception, and it is considered that the existence of restraints on the management of the pay policy for the company's senior management could even undermine the directors' accountability to the shareholders. The remuneration policy statement limits itself to acknowledging the position of the Board of Directors, of which it is well aware.

II.1.5.4 A PROPOSAL SHALL BE SUBMITTED AT THE GENERAL MEETING ON THE APPROVAL OF PLANS FOR THE ALLOTMENT OF SHARES AND/OR SHARE OPTIONS OR OPTIONS BASED ON VARIATIONS IN SHARE PRICES, TO MEMBERS OF THE MANAGEMENT AND AUDIT BOARDS AND OTHER MANAGEMENT PERSONNEL AS DEFINED IN ARTICLE 248/3/B OF THE SECURITIES CODE. THE PROPOSAL SHALL MENTION ALL THE NECESSARY INFORMATION FOR A CORRECT ASSESSMENT OF ANY SUCH PLAN. THE PROPOSAL SHALL CONTAIN THE PLAN REGULATIONS OR, IF THESE HAVE NOT YET BEEN DRAWN UP, THE GENERAL CONDITIONS TO WHICH THE PLAN IS SUBJECT. THE MAIN FEATURES OF THE RETIREMENT BENEFIT PLANS FOR MEMBERS OF THE MANAGEMENT

AND AUDIT BOARDS AND OTHER MANAGEMENT PERSONNEL, AS DEFINED IN ARTICLE 248/3/B OF THE SECURITIES CODE, SHALL ALSO BE APPROVED AT THE GENERAL MEETING.

ADOPTED

The company has no share allocation schemes. It does however have a pension plan, for directors only, with regulations approved by resolution of the shareholders. The recommendation is therefore adopted.

This issue is further referred to in chapter II.33 o) of this Report.

II.1.5.5 NO LESS THAN ONE REPRESENTATIVE OF THE REMUNERATION COMMITTEE SHALL BE PRESENT AT THE ANNUAL SHAREHOLDERS' GENERAL MEETING

ADOPTED

This recommendation has been adopted. It should nonetheless be noted that the decision to adopt this recommendation has not been imposed by the company, but has instead flown from a decision taken freely by the Remuneration Committee itself.

II.2. BOARD OF DIRECTORS

II.2.1. WITHIN THE LIMITS ESTABLISHED BY LAW FOR EACH MANAGEMENT AND SUPERVISORY STRUCTURE, AND EXCEPT ON THE GROUNDS OF THE SMALL SIZE OF THE COMPANY, THE BOARD OF DIRECTORS SHALL DELEGATE THE DAY-TO-DAY RUNNING OF THE COMPANY AND THE DELEGATED RESPONSIBILITIES SHALL BE IDENTIFIED IN THE ANNUAL REPORT ON CORPORATE GOVERNANCE.

ADOPTED

In this company, day-to-day management responsibilities are delegated to an Executive Board and the respective powers are identified in this report. This question is considered at further length in Chapters II.2 and II.3.

II.2.2. THE BOARD OF DIRECTORS SHALL ENSURE THAT THE COMPANY ACTS IN ACCORDANCE WITH ITS OBJECTS, AND SHALL NOT DELEGATE ITS RESPONSIBILITIES WITH REGARD TO: I) DEFINITION OF THE COMPANY'S STRATEGY AND GENERAL POLICIES; II) DEFINITION OF THE CORPORATE STRUCTURE OF THE GROUP; III) DECISIONS THAT SHOULD BE CONSIDERED AS STRATEGIC DUE TO THE AMOUNTS, RISK AND PARTICULAR CHARACTERISTICS INVOLVED.

NOT ADOPTED

As in this past, this recommendation is not adopted in full because the powers delegated to the Executive Board include some of the powers contemplated in the recommendation.

However, in practice, this recommendation has been adopted, as the powers in question have so far been exercised by the Board of Directors, and it is the intention of both the Board of Directors and of the Executive Board that this should continue to be the procedure in future.

However, the Board of Directors, having once again reflected on this matter during the period when appointing the Executive Board as the result of the elections, considers that the formal situation of wider delegated powers should be maintained, as the company should not take the risk that, in particular situations not compatible with the relative inflexibility of the procedures for holding meetings of the Board of Directors, important steps might not be taken in due time because the Executive Board lacks the necessary powers.

II.2.3. IF CHAIRMAN OF THE BOARD OF DIRECTORS EXERCISES EXECUTIVE DUTIES, THE BOARD OF DIRECTORS SHALL SET UP EFFICIENT PROCEDURES FOR COORDINATING NON-EXECUTIVE MEMBERS THAT ASSURE THAT THESE MAY REACH DECISIONS IN AN INDEPENDENT AND INFORMED MANNER, AND FURTHERMORE SHALL PROVIDE SHAREHOLDERS WITH DETAILS OF THESE PROCEDURES IN THE CORPORATE GOVERNANCE REPORT.

ADOPTED

The Chairman of the Board of Directors is also Chairman of the Executive Board, but the necessary procedures are in place in the company to assure efficient coordination of the work of non-executive directors; this recommendation is therefore adopted in full. This issue is further referred to in Chapter II.8 of this Report.

II.2.4. THE ANNUAL MANAGEMENT REPORT SHALL INCLUDE A DESCRIPTION OF THE WORK OF NON-EXECUTIVE BOARD MEMBERS AND SHALL MENTION ANY CONSTRAINTS ENCOUNTERED.

ADOPTED

This recommendation has been fully adopted, and a description of the activities of the non-executive directors is included in part IV of this Corporate Governance Report.

II.2.5. THE COMPANY SHALL SPECIFY ITS POLICY ON ROTATING AREAS OF RESPONSIBILITY WITHIN THE BOARD OF DIRECTORS, AND IN PARTICULAR RESPONSIBILITY FOR FINANCIAL MATTERS, PROVIDING INFORMATION ON THIS IN ITS ANNUAL CORPORATE GOVERNANCE REPORT.

ADOPTED

This recommendation has been adopted insofar as there is a policy whereby the advantages of rotation are periodically considered and assessed, but not in the sense of there being any requirement for rotation, or maximum periods of time without rotation. As regards responsibility for financial matters, it is important to point out that this responsibility is shared in the company by two directors, Dr. José Alfredo Almeida Honório and Dr. José Miguel Pereira Gens Paredes. This matter is further considered in chapters II.3 and II.11.

II.3. CHIEF EXECUTIVE OFFICER (CEO), EXECUTIVE COMMITTEE AND EXECUTIVE BOARD OF DIRECTORS

II.3.1. DIRECTORS WHO EXERCISE EXECUTIVE DUTIES, WHEN REQUESTED BY OTHER BOARD MEMBERS TO SUPPLY INFORMATION, SHALL DO SO IN GOOD TIME AND THE INFORMATION SUPPLIED SHALL ADEQUATELY RESPOND TO THE ENQUIRY.

ADOPTED

The executive directors provide the information requested by other company officers in a timely and appropriate manner, as detailed in chapter II.3 of this report. This recommendation has therefore been adopted.

II.3.2. THE CHAIRMAN OF THE EXECUTIVE COMMITTEE SHALL SEND NOTICES AND MINUTES OF MEETINGS TO THE CHAIRMAN OF THE BOARD OF THE DIRECTORS AND, WHEN APPLICABLE, TO THE CHAIRMAN OF THE AUDIT BOARD OR THE AUDITING COMMITTEE.

ADOPTED

This recommendation has been adopted, and the notices of meetings and minutes of the Executive Board are forwarded to the Chairman of the Audit Board.

II.3.3. THE CHAIRMAN OF THE EXECUTIVE BOARD OF DIRECTORS SHALL SEND THE NOTICES AND MINUTES OF MEETINGS TO THE CHAIRMAN OF THE GENERAL AND AUDIT BOARD AND TO THE CHAIRMAN OF THE FINANCIAL AFFAIRS COMMITTEE.

NOT APPLICABLE

This recommendation does not apply to the company, as it is structured differently.

II.4. GENERAL AND AUDIT BOARD, FINANCIAL AFFAIRS COMMITTEE, AUDIT COMMITTEE AND AUDIT BOARD

II.4.1. IN ADDITION TO ITS SUPERVISORY DUTIES, THE GENERAL AND AUDIT BOARD SHALL ADVISE, MONITOR AND ASSESS, ON AN ONGOING BASIS, THE MANAGEMENT OF THE COMPANY BY THE EXECUTIVE BOARD OF DIRECTORS. IN ADDITION TO OTHER MATTERS, THE GENERAL AND AUDIT BOARD SHALL PRONOUNCE ON: I) DEFINITION OF THE STRATEGY AND GENERAL POLICIES OF THE COMPANY; II) THE CORPORATE STRUCTURE OF THE GROUP; AND III) DECISIONS WHICH SHOULD BE CONSIDERED STRATEGIC DUE TO THE AMOUNTS, RISK AND PARTICULAR CHARACTERISTICS INVOLVED.

NOT APPLICABLE

This recommendation does not apply to the company, as it is structured differently.

II.4.2. THE ANNUAL REPORTS AND FINANCIAL INFORMATION ON THE WORK OF THE GENERAL AND SUPERVISORY COMMITTEE, THE FINANCIAL AFFAIRS COMMITTEE, THE AUDIT COMMITTEE AND THE AUDIT BOARD SHALL BE DISCLOSED ON THE COMPANY'S WEBSITE TOGETHER WITH THE FINANCIAL STATEMENTS.

ADOPTED

This recommendation is adopted, insofar as the report of the Audit Board, covering its activities in the period in question, has always been disclosed on the company's website, together with the other reports and financial statements.

II.4.3. THE ANNUAL REPORTS ON THE WORK OF THE GENERAL AND AUDIT BOARD, THE FINANCIAL AFFAIRS COMMITTEE, THE AUDIT COMMITTEE AND THE AUDIT BOARD SHALL INCLUDE A DESCRIPTION OF THEIR SUPERVISORY ACTIVITY AND SHALL MENTION ANY CONSTRAINTS ENCOUNTERED

ADOPTED

The report in question includes a description of the supervisory activities of the Audit Board, indicating any constraints encountered. This recommendation is therefore adopted.

II.4.4. THE FINANCIAL AFFAIRS COMMITTEE, THE AUDIT COMMITTEE AND THE AUDIT BOARD (DEPENDING ON THE APPLICABLE MODEL) SHALL REPRESENT THE COMPANY FOR ALL PURPOSES IN DEALINGS WITH THE EXTERNAL AUDITOR, AND SHALL PROPOSE THE PROVIDER OF THESE SERVICES AND THE RESPECTIVE REMUNERATION, ENSURE THAT ADEQUATE CONDITIONS FOR THE SUPPLY OF THESE SERVICES ARE IN PLACE WITHIN THE COMPANY, AS WELL AS PROVIDING THE POINT OF CONTACT AT THE COMPANY AND RECEIVING THE RESPECTIVE REPORTS

NOT ADOPTED

The letter of this recommendation has not been adopted but the company complies with its spirit.

As explained in the previous year, the company considers in the first place that the recommendation should not be interpreted as meaning that formal powers to represent the company in this regard should be granted to the audit board, by powers of attorney or other equivalent instruments.

The Audit Board effectively as a prime point of contact with the External Auditor, and its reports are generally received and discussed at joint meetings with the Audit Board and a member of the Board of Directors; the Audit Board assures that proper arrangements have been made within the company for the audit services to be conducted correctly.

But the letter of the recommendation goes further, asserting that the Audit Board should be "the" point of contact between the company and the external auditor, and also requiring that instead of the report being received simultaneously it should instead be submitted in the first place to the Audit Board. This appears excessive. The company takes the sufficient steps to assure there are no barriers or filters between the external auditor and the Audit Board which would deny the Audit Board direct knowledge of the auditor's work; the Board of Directors takes the necessary steps to assure the reports are submitted simultaneously to

the Audit Board and itself, but it cannot in all conscience deny itself knowledge of the findings of the external auditors, or delay the moment when it learns of such findings. Final responsibility for the company's affairs and its financial statements lies with the Board of Directors.

As regards the contracting of the external auditor, the Audit Board proposes the auditor under the terms of Article 420.2 b) of the Companies Code and is party to the process of fixing the respective remuneration. It should be noted that the External Auditor is the company's Official Auditor and has been elected by the shareholders for a term of office identical to that of the Audit Board.

This means that in years when the general meeting elects officers, the company may be faced with the procedural difficulty relating essentially to the fact that the proposal refers to a term of office for which the actual members of the audit board do not know if they will remain in office, as this depends on a decision of the shareholders, which will be taken at the same time as it elects the official auditor. It should be noted that, in view of the need to rotate the members of the Audit Board (Article 414.5 b) of the Companies Code), they may find themselves proposing an auditor for a period when they themselves will not be following through his activities.

In other words, as stated above, the concerns which prompted this recommendation have been taken into due account by Semapa, but the literal text of the recommendation has not been adopted.

- II.4.5.** DEPENDING ON THE APPLICABLE MODEL, THE AUDIT COMMITTEE AND THE AUDIT BOARD SHALL ASSESS THE EXTERNAL AUDITOR ANNUALLY AND PROPOSE HIS DISMISSAL TO THE GENERAL MEETING WHENEVER THERE IS DUE CAUSE.

ADOPTED

The external auditor is assessed by the Audit Board on a continuous basis, and especially at the close of each half and full year. No proposal has ever been made for dismissal, but such powers are in fact recognized as existing.

This recommendation has therefore been adopted by the company.

- II.4.6.** THE INTERNAL AUDIT DEPARTMENTS AND THOSE THAT ENSURE COMPLIANCE WITH THE RULES APPLICABLE TO THE COMPANY (COMPLIANCE SERVICES) SHALL REPORT TO THE AUDIT COMMITTEE, THE GENERAL AND SUPERVISORY BOARD OR IN THE CASE OF COMPANIES ADOPTING THE LATIN MODEL, AN INDEPENDENT DIRECTOR OR SUPERVISORY BOARD, REGARDLESS OF THE HIERARCHICAL RELATIONSHIP THAT THESE SERVICES HAVE WITH THE EXECUTIVE MANAGEMENT OF THE COMPANY.

NOT APPLICABLE

The company does not have internal audit departments or compliance departments. These functions are assigned essentially to the Audit Board and to Semapa's Legal Department. This option is due to Semapa's simplified administrative structure as a holding company, without prejudice to the existence of departments of this type in its subsidiaries.

II.5. SPECIAL COMMITTEES

II.5.1 EXCEPT IN SMALL COMPANIES AND DEPENDING ON THE MODEL ADOPTED, THE BOARD OF DIRECTORS AND THE GENERAL AND SUPERVISORY COMMITTEES SHALL SET UP THE NECESSARY COMMITTEES IN ORDER TO: I) ASSURE COMPETENT AND INDEPENDENT ASSESSMENT OF THE PERFORMANCE OF THE EXECUTIVE DIRECTORS, AS WELL AS OF THEIR OWN OVERALL PERFORMANCE AND ALSO THAT OF ALL EXISTING COMMITTEES; II) REFLECT ON THE GOVERNANCE SYSTEM IN PLACE AND MONITOR ITS EFFECTIVENESS AND PROPOSE TO THE RELEVANT BODIES THE MEASURES REQUIRED TO IMPROVE IT; III) IDENTIFY PROMPTLY POTENTIAL CANDIDATES WITH THE HIGH PROFILE NEEDED TO HOLD THE OFFICE OF DIRECTOR.

ADOPTED

With regard to the question of a committee to assess the performance of executive directors, the company considers that, as it is a holding company with a very simple management structure, with direct business operations carried on by its subsidiaries, there is no need to create such an independent committee. Given the nature of the company, this role is satisfactorily filled by the chairman of the Board of Directors, by the Audit Board, the Remuneration Committee and the shareholders.

As regards reflection on corporate governance, the company does indeed have a committee for this purpose, as described in chapter II.3 of this Report.

Finally, on the question of the identifying of potential candidates for directorships, such a function does not exist for the reasons set out above in relation to recommendation II.1.3.2, meaning that in this particular the recommendation is not applicable.

We therefore consider that this recommendation has been adopted, insofar that two of the three requirements have been adopted and one is not applicable. Nonetheless, we should note that the Securities Market Commission has taken a different view and considers that Semapa has not adopted this recommendation.

II.5.2 MEMBERS OF THE REMUNERATION COMMITTEE OR THE EQUIVALENT SHALL BE INDEPENDENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND INCLUDE NO LESS THAN ONE MEMBER WITH KNOWLEDGE AND EXPERIENCE IN THE FIELD OF REMUNERATION POLICY.

ADOPTED

The Remuneration Committee was made up of three members, although one of the seats on the committee fell vacant during 2010 as a result of the resignation tendered by Mr. Paulo Abreu; a motion will be submitted to the next general meeting to fill this position. Although he has resigned, we would still wish to point out that Mr. Paulo Abreu never had any type of relationship with Semapa, and was considered at all times as independent.

One of the two remaining committee members, Eng. Frederico da Cunha, was in fact a director of the company until 2005. However, this fact would not appear to undermine his independence given that a closer examination of this relationship shows that there is no position of dependency vis-à-vis the company. The only bond which subsists is that of the retirement pension, which is an entitlement which cannot be called into question by the directors. It is impossible to see what advantages this member of the committee might have in acting in a biased or partial manner. It might be possible, from a more superficial approach, to make much of the fact that, if Eng. Frederico da Cunha were by chance to be elected again as a non-executive director, he could no longer qualify as an independent non-executive director on the grounds that he has held office in the company for more than two terms of office. However, the assessment of independence for the purposes of an office regarded as supervisory cannot be conducted using the same parameters as for assessing independence for the purpose of setting remuneration. Not least because until recently the criteria to be used for assessing independence were radically different between these two cases. For the remuneration committee, the emphasis must be laid on whether or not the directors are able to exert influence on its members, and no factors are therefore identified which might prevent this member of the committee from qualifying as independent.

As regards Dr. José Maury in the past there were occasional instances of services rendered by Egon Zehnder, represented by him, which are nonetheless insignificant in the overall context of the affairs of both this entity and Semapa. In the course of 2010, Egon Zehnder was not involved in any contract work for Semapa or its subsidiaries. There is similarly nothing here to undermine the independence of this member of the committee. Dr. José Maury has extensive knowledge and experience in the field of remuneration policies.

If we extend this analysis to encompass the position of the different members of the committee, we find instead that the membership is extremely favourable to a correct and independent assessment. In effect, the committee consists one person who is familiar with the internal working of the company from the time when he was a director and another who is a specialist in matters of remuneration.

The company therefore considers that this recommendation has been adopted. Nonetheless, we note that the Securities Market Commission has taken a different view, considering that Eng. Frederico da Cunha cannot be classified as independent given that he was formerly a director of the company.

This issue is further referred to in items II.36 and II.38 of this Report.

II.5.3 NO NATURAL OR LEGAL PERSON WHO PROVIDES, OR HAS PROVIDED IN THE LAST THREE YEARS, SERVICES TO ANY BODY OR ORGANIZATION REPORTING TO THE BOARD OF DIRECTORS OR TO THE COMPANY'S BOARD OF DIRECTORS ITSELF, OR WHO HAS ANY CURRENT RELATIONSHIP WITH THE COMPANY'S CONSULTANTS, SHALL BE CONTRACTED TO SUPPORT THE REMUNERATION COMMITTEE IN THE PERFORMANCE OF ITS DUTIES. THIS RECOMMENDATION ALSO APPLIES TO ANY NATURAL OR LEGAL PERSON CONNECTED WITH SUCH PERSONS BY EMPLOYMENT OR SERVICE CONTRACT.

ADOPTED

The Remuneration Committee has never contracted any person or organization to assist it in its duties. The recommendation has therefore been adopted.

II.5.4 ALL COMMITTEES SHALL DRAW UP MINUTES OF THE MEETINGS HELD.

ADOPTED

This recommendation has been adopted by the company given that all the committees identified in Chapter II.3 of this Report draw up minutes of their meetings.

III. REPORTING AND AUDITING

III.1 GENERAL REPORTING DUTIES

III.1.1 COMPANIES SHALL MAINTAIN PERMANENT CONTACT WITH THE MARKET, THEREBY UPHOLDING THE PRINCIPLE OF EQUALITY FOR SHAREHOLDERS AND PREVENTING ANY INEQUALITY IN ACCESS TO INFORMATION FOR INVESTORS. TO THIS END, THE COMPANY SHALL HAVE AN INVESTOR SUPPORT OFFICE.

ADOPTED

This recommendation has been adopted, as follows from the detailed treatment of this issue in Chapter III.16 of this Report.

III.1.2 THE FOLLOWING INFORMATION PUBLISHED ON THE COMPANY'S WEBSITE SHALL BE DISCLOSED IN THE ENGLISH LANGUAGE:

- a)** THE COMPANY NAME, PUBLIC COMPANY STATUS, REGISTERED OFFICE AND OTHER DATA REQUIRED BY ARTICLE 171 OF THE COMPANIES CODE;
- b)** ARTICLES OF ASSOCIATION;
- c)** IDENTITY OF COMPANY OFFICERS AND MARKET RELATIONS OFFICER;
- d)** INVESTOR SUPPORT OFFICE, RESPECTIVE SERVICES AND CONTACT DETAILS;
- e)** FINANCIAL STATEMENTS AND REPORTS;
- f)** SIX-MONTHLY SCHEDULE OF COMPANY EVENTS;

- g) MOTIONS TO BE TABLED AT THE GENERAL MEETING;
- h) NOTICES OF GENERAL MEETINGS.

ADOPTED

All the above information is disclosed in English on the company's website, and this recommendation is therefore adopted by the company.

- III.1.3** COMPANIES SHALL CHANGE TO A NEW AUDITOR AFTER TWO OR THREE TERMS OF OFFICE, DEPENDING ON WHETHER SUCH TERMS ARE RESPECTIVELY OF THREE OR FOUR YEARS. REAPPOINTMENT AFTER SUCH PERIOD HAS ELAPSED SHALL BE ON THE BASIS OF GROUNDS SET OUT IN A SPECIFIC REPORT FROM THE SUPERVISORY BOARD, EXPRESSLY ASSESSING THE AUDITOR'S INDEPENDENCE AND THE ADVANTAGES AND COSTS OF SUBSTITUTION.

ADOPTED

At the annual general meeting in 2010, the Audit Board submitted to shareholders a proposal for retaining the external auditor, issuing its opinion in a report in which it argued that the quality of the work performed by PricewaterhouseCoopers and the firm's accrued experience in the sector in which Semapa invests outweighed the drawbacks of retaining it. It concluded that the external auditor is independent, a position which is reinforced by the proposal for rotating the partner representing the firm, in line with best international practice. The proposal was approved by the shareholders as it stood, and the external auditor, now represented by a different partner, was elected for a further four-year period. The company accordingly complies with the recommendation.

- III.1.4** IN THE EXERCISE OF ITS DUTIES, THE EXTERNAL AUDITOR SHALL CHECK THE APPLICATION OF REMUNERATION POLICIES AND SYSTEMS, THE EFFECTIVENESS AND WORKINGS OF INTERNAL CONTROL PROCEDURES AND REPORT ANY SHORTCOMINGS TO THE COMPANY'S SUPERVISORY BOARD.

ADOPTED

The company's external auditor, PricewaterhouseCoopers, checks the application of remuneration policies and systems, and the effectiveness and workings of procedures through the information and documents provided by the company, and in particular by the Remuneration Committee and the Internal Control Committee. The respective findings are reported by the external auditor to the Audit Board which then reports the shortcomings detected, if any.

- III.1.5** THE COMPANY SHALL NOT CONTRACT FROM THE EXTERNAL AUDITOR, OR FROM ANY ENTITIES BELONGING TO THE SAME CORPORATE GROUP OR NETWORK, ANY SERVICES OTHER THAN AUDIT SERVICES. IF THERE ARE REASONS FOR CONTRACTING SUCH SERVICES, WHICH SHALL BE APPROVED BY THE SUPERVISORY BOARD AND DETAILED IN ITS ANNUAL CORPORATE GOVERNANCE REPORT, THEY SHALL NOT ACCOUNT FOR MORE THAN 30% OF THE TOTAL VALUE OF THE SERVICES SUPPLIED TO THE COMPANY.

ADOPTED

In the course of 2010, services other than audit services contracted by the company from the external auditor, including from entities belonging to the same corporate group or service network, represented 28.65% of the total services provided to the company, which percentage is below the recommended upper limit of 30%. These services consist essentially of support services to safeguard compliance with fiscal obligations, in Portugal and abroad, and are approved by the Audit Board. The Board of Directors and the Audit Board consider that the contracting of these services is justified by the external auditor's store of experience in the sectors in which the company operates and by the quality of its work, in addition to the fact that there are sufficient procedures in place to safeguard the independence of the auditors, through careful definition of the services required at the contracting stage. This recommendation has been adopted by the company.

IV. CONFLICTS OF INTERESTS

IV.1 DEALINGS WITH SHAREHOLDERS

IV.1.1 TRANSACTIONS BETWEEN THE COMPANY AND THE OWNERS OF QUALIFYING HOLDING, OR WITH ENTITIES IN ANY WAY RELATED TO SUCH SHAREHOLDERS, AS DEFINED IN ARTICLE 20 OF THE SECURITIES CODE, SHALL BE CARRIED OUT ON AN ARM'S LENGTH BASIS.

ADOPTED

This recommendation has been adopted, although there were no such transactions during 2010.

IV.1.2 SIGNIFICANT TRANSACTIONS WITH THE OWNERS OF QUALIFYING HOLDINGS, OR WITH ENTITIES IN ANY WAY RELATED TO SUCH SHAREHOLDERS, AS DEFINED IN ARTICLE 20 OF THE SECURITIES CODE, SHALL BE SUBMITTED FOR PRIOR CLEARANCE BY THE SUPERVISORY BOARD. THIS BODY SHALL DETERMINE THE PROCEDURES AND CRITERIA NEEDED FOR ASSESSING WHETHER SUCH TRANSACTIONS ARE SIGNIFICANT AND FOR DECIDING ON ANY STEPS TO BE TAKEN.

ADOPTED

This recommendation has been adopted, although there were no such transactions during 2010.

Chapter I General Meeting

► I.1. IDENTIFICATION OF THE OFFICERS OF THE GENERAL MEETING.

The officers of the General Meeting are:

Chairman - Dr. José Pedro Correia de Aguiar-Branco
Secretary - Dr. Rita Maria Pinheiro Ferreira Soares de Oliveira

► I.2. STARTING AND ENDING DATES OF TERMS OF OFFICE.

The officers of the general meeting indicated above were re-elected at the annual general meeting of 22 April 2010, to hold office until the end of the term of office which ends on 31 December 2013. These officers were elected for the first time on 21 March 2007.

► I.3. REMUNERATION OF THE CHAIRMAN OF THE GENERAL MEETING.

This information, whose disclosure is recommended, is not revealed by the company for the reasons indicated in the previous chapter on compliance with recommendations. Please see the explanation on recommendations I.1.2.

► I.4. TIME DURING WHICH SHARES MUST BE BLOCKED IN ORDER FOR THEIR HOLDERS TO PARTICIPATE IN THE GENERAL MEETING.

At present, the Articles of Association require that shareholder present documentary evidence of ownership of shares and that they have been blocked no less than five days prior to the date of the general meeting. These five days are counted continuously and whenever a time limit ends on a weekend or bank holiday, the end of the period is transferred to the next business day.

The company considers as the date of receipt the date on which the document is first received by fax or email, provided the original is presented by the starting date of the general meeting.

As explained in greater detail in connection with recommendation I.2.1, Decree-Law 49/2010, of 19 May 2010, adding Article 23-C to the Securities Code, no longer requires shares to be blocked, and instead requires merely that they be held on the 5th trading day prior to the general meeting, and also altered the rules and time periods for participation by shareholders. The Board of Directors of Semapa intends to submit to its shareholders a proposal for amendment of the articles that allows the incorporation of this regimen.

► I.5. RULES APPLICABLE TO THE BLOCKING OF SHARES IN THE EVENT OF ADJOURNMENT OF THE GENERAL MEETING.

The chairman of the general meeting considers that shares do not need to be blocked for the entire adjournment period until resumption of the meeting, it being sufficient for the rules applying to the first session to apply to the second in this respect. Under the new rules, shares do not have to be blocked, except on the express request of the shareholders.

► I.6. NUMBER OF SHARES THAT CORRESPOND TO ONE VOTE.

As established in the articles of association, one vote corresponds to each 385 shares.

► I.7. EXISTENCE OF PROVISION IN THE ARTICLES OF ASSOCIATION FOR NON-VOTING SHARES OR RULES ESTABLISHING THAT VOTES IN EXCESS OF A GIVEN NUMBER ARE NOT COUNTED, WHEN CAST BY A SINGLE SHAREHOLDER OR RELATED SHAREHOLDERS.

There are no rules in the articles of association providing for non-voting shares or establishing that votes in excess of a given number are not included, when cast by a single shareholders or related shareholders.

► I.8. THE EXISTENCE OF RULES IN THE ARTICLES OF ASSOCIATION ON THE EXERCISE OF VOTING RIGHTS, INCLUDING QUORUMS FOR HOLDING MEETINGS OR ADOPTING RESOLUTIONS OR SYSTEMS FOR EQUITY RIGHTS.

Nothing to report in this regard except that there are time limits for presentation of the documentation needed for participation in the general meeting and postal votes.

The time limits comply with the relevant recommendations and are as follows:

Deadline for presenting document proving ownership of shares 5 days

Deadline for presentation of proxy letters 5 days

Deadline for presentation of postal voting documentation.....day before the GM

We once again repeat that these time limits do not accord with the current legislative framework, and that the articles of association need to be amended accordingly.

► I.9. EXISTENCE OF RULES IN THE ARTICLES OF ASSOCIATION ON POSTAL VOTES.

Postal votes are permitted on the terms established in the articles of association, the following procedures being observed:

- a) An envelope containing the voting declarations shall be addressed to the Chairman of the General Meeting, and received at the registered offices by the day before the meeting;
- b) This envelope shall contain (1) letter addressed to the Chairman of the General Meeting, with notarized signature, expressing the intention to vote, and (2) the voting declarations, one for each item on the order of business, in a separate sealed envelope indicating on the outside the item on the order of business to which it refers;
- c) Postal votes are counted as votes against any motions submitted subsequent to their casting, and

- d) The Board of Directors may issue rules on alternative forms of exercising voting rights, not using paper, provided they also assure the authenticity and confidentiality of votes until the moment of casting.

► I.10. PROVISION OF POSTAL VOTING FORMS.

The company provides postal voting forms. These forms are available on the company's website and may be requested from the investor support office.

► I.11. TIME LIMIT FOR RECEIPT OF POSTAL BALLOTS PRIOR TO THE DATE OF GENERAL MEETINGS.

As stated, the envelope containing postal votes may be received up to the day prior to the general meeting.

► I.12. EXERCISE OF VOTING RIGHTS BY ELECTRONIC MEANS.

Exercise of voting rights by electronic means is still not possible, although the articles of association authorize the Board of Directors to issue regulations on alternative non-paper forms of exercise of voting rights, provided they also assure the authenticity and confidentiality of votes up to the moment of voting.

We wish to note that the company has yet to receive any enquiry or expression of interest from shareholders or investors in relation to such a facility.

► I.13. SHAREHOLDER ACCESS TO EXTRACTS FROM MINUTES OF GENERAL MEETINGS THROUGH COMPANY WEBSITE WITHIN FIVE DAYS OF THE HOLDING OF THE MEETING.

The company posts extracts from the minutes of its general meetings on its web site within five days of the holding of meetings.

► I.14. EXISTENCE OF HISTORICAL ARCHIVES, ON THE COMPANY'S WEBSITE, WITH RESOLUTIONS ADOPTED AT THE COMPANY'S GENERAL MEETINGS, THE SHARE CAPITAL REPRESENTED AND THE RESULTS OF VOTES, FOR THE LAST THREE YEARS.

Extracts from the minutes of general meetings, with the resolutions, share capital represented, and the results of votes, for the last 3 years, are available for consultation at the company's website.

► I.15. INFORMATION ON PRESENCE AT GENERAL MEETINGS OF REPRESENTATIVE(S) OF THE REMUNERATION COMMITTEE.

The member of the Remuneration Committee usually present at general meetings is Eng. Frederico José da Cunha Mendonça e Meneses.

- I.16. INFORMATION ON THE INTERVENTION BY THE GENERAL MEETING ON MATTERS CONCERNING THE REMUNERATION POLICY OF THE COMPANY AND ASSESSMENT OF THE PERFORMANCE OF MEMBERS OF THE BOARD OF DIRECTORS.

In 2010, the Remuneration Committee submitted for the approval of the shareholders at the general meeting a remuneration policy statement relating to the company officers for which it is responsible; this document is reproduced in part II of this Corporate Governance Report, and was duly discussed and approved.

In view of the legal requirement, the Remuneration Committee will submit a new remuneration policy statement to the general meeting each year, notwithstanding the Committee's view, set out in the first declaration, issued prior to the introduction of this requirement, that it would be more appropriate for the policy to remain in force for the duration of the respective term of office.

This remuneration policy statement does not encompass other management personnel, in the light of the company's view that the setting of employee pay policy is a management act for which the Board of Directors has sole powers, which understanding is explained more fully in connection with recommendation II.1.5.3.

The annual general meeting plays no part in assessing the performance of members of the board of the directors for the purpose of remuneration, notwithstanding the annual approval of the remuneration policy statement concerning company officers.

- I.17. INFORMATION ON THE GENERAL MEETING'S INTERVENTION CONCERNING PROPOSALS FOR SHARE- OR OPTION-BASED PAYMENT SCHEMES OR PAYMENT SCHEMES BASED ON VARIATIONS IN SHARE PRICES FOR MEMBERS OF THE BOARD OF DIRECTORS, AUDIT BOARD OR OTHER MANAGEMENT PERSONNEL, AS DEFINED IN ARTICLE 258-B.3 OF THE SECURITIES CODE, AND ON THE DOCUMENTS MADE AVAILABLE TO THE GENERAL MEETING FOR A CORRECT ASSESSMENT OF THESE SCHEMES.

No such proposal has been presented, as this type of scheme does not exist in the company.

- I.18. INFORMATION ON THE GENERAL MEETING'S INTERVENTION IN APPROVING THE CENTRAL FEATURES OF THE RETIREMENT BENEFITS SYSTEM FOR MEMBERS OF THE BOARD OF DIRECTORS, AUDIT BOARD OR OTHER MANAGEMENT PERSONNEL, AS DEFINED IN ARTICLE 258-B.3 OF THE SECURITIES CODE.

The retirement system existing in the company, which applies solely to members of the Board of Directors, was duly approved by the shareholders at the general meeting, who also approved the respective rules in full.

- I.19. EXISTENCE OF PROVISION IN THE ARTICLES OF ASSOCIATION REQUIRING THE GENERAL MEETING TO RESOLVE, NO LESS THAN EVERY FIVE YEARS, ON WHETHER TO MAINTAIN OR ELIMINATE A RULE IN THE ARTICLES LIMITING THE NUMBER OF VOTES WHICH CAN BE HELD OR CAST BY A SINGLE SHAREHOLDER INDIVIDUALLY OR IN CONJUNCTION WITH OTHER SHAREHOLDERS.

No such provision exists as there is also no such limitation on the holding or casting of votes.

- ▶ I.20. DEFENSIVE MEASURES DESIGNED TO CAUSE AUTOMATIC AND SERIOUS EROSION IN THE COMPANY'S ASSETS IN THE EVENT OF A CHANGE OF CONTROL OR ALTERATIONS TO MEMBERSHIP OF THE MANAGEMENT BODY.

The company has no defensive measures which automatically cause serious erosion in the company's assets in the event of a change of control or alterations to membership of the management body.

- ▶ I.21. 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, 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 OTHER MANDATORY PROVISION OF LAW.

The company is not party to any significant agreements which take effect, are amended or terminate in the event of a change in the control of the company.

- ▶ I.22. AGREEMENTS BETWEEN THE COMPANY AND DIRECTORS OR MANAGERS, AS DEFINED BY ARTICLE 248-B.3 OF THE SECURITIES CODE, WHICH PROVIDE FOR COMPENSATION IN THE EVENT OF RESIGNATION, DISMISSAL WITHOUT DUE CAUSE OR TERMINATION OF EMPLOYMENT CONTRACT AS A RESULT OF A CHANGE OF CONTROL OF THE COMPANY.

There are also no agreements between the company and the company officers or employees providing for compensation in the event of termination or redundancy as the result of a takeover.

Chapter II

Management and Supervisory Bodies

Section I – General Matters

► II.1. COMPANY BODIES AND RESPECTIVE MEMBERSHIP

The following company officers were elected for the term running from 2010 to 2013, and remain in office until a fresh election is held:

General Meeting

Chairman:	Dr. José Pedro Correia de Aguiar-Branco
Secretary:	Dr. Rita Maria Pinheiro Ferreira Soares de Oliveira

Audit Board

Chairman:	Dr. Miguel Camargo de Sousa Eiró
Full members:	Dr. Duarte Nuno d' Orey da Cunha Dr. Gonçalo Nuno Palha Gaio Picão Caldeira
Alternate member:	Dr. Marta Isabel Guardalino da Silva Penetra

Official Auditor:

Full:	PricewaterhouseCoopers & Associados – SROC, Lda, represented by Dr. António Alberto Henriques Assis (ROC) or Dr. César Abel Rodrigues Gonçalves (ROC)
Alternate:	Dr. Jorge Manuel Santos Costa (ROC)

Board of Directors:

Chairman:	Pedro Mendonça de Queiroz Pereira
Directors:	Maria Maude Mendonça de Queiroz Pereira Lagos Dr. José Alfredo de Almeida Honório Dr. Francisco José Melo e Castro Guedes Dr. Carlos Maria Cunha Horta e Costa Dr. José Miguel Pereira Gens Paredes Dr. Paulo Miguel Garcês Ventura Dr. Rita Maria Lagos do Amaral Cabral Eng. António da Nóbrega de Sousa da Câmara Eng. Joaquim Martins Ferreira do Amaral Dr. António Pedro de Carvalho Viana-Baptista Dr. Vitor Manuel Galvão Rocha Novais Gonçalves

► II.2. OTHER COMMITTEES WITH MANAGEMENT AND SUPERVISORY POWERS, AND RESPECTIVE MEMBERS

The company has the following committees with management and supervisory responsibilities:

Executive Board

Pedro Mendonça de Queiroz Pereira, who chairs the committee
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
Dr. Paulo Miguel Garcês Ventura.

Internal Control Committee

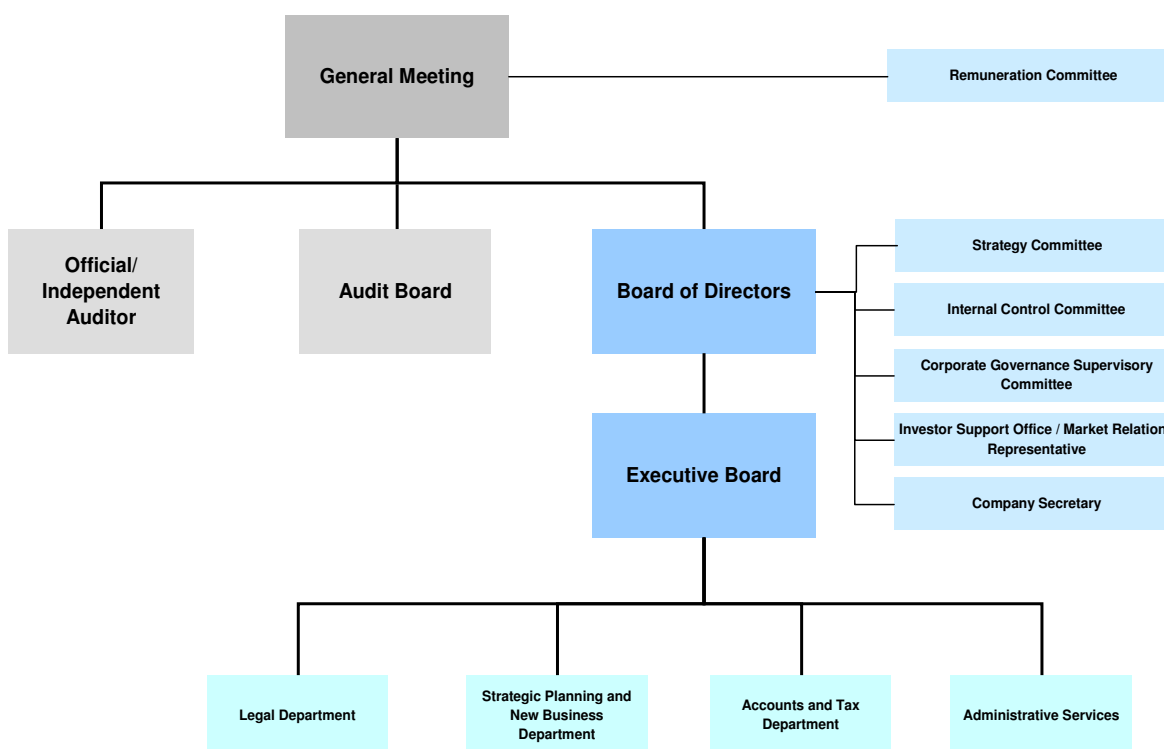
Eng. Joaquim Martins Ferreira do Amaral
Eng. Jaime Alberto Marques Sennfelt Fernandes Falcão
Dra. Margarida Isabel Feijão Antunes Rebocho

Corporate Governance Committee

Dr. Rita Maria Lagos do Amaral Cabral
Eng. Gonçalo Allen Serras Pereira
Eng. Jorge Manuel de Mira Amaral

- II.3. ORGANIZATIONAL CHARTS OR FLOW CHARTS SHOWING THE DIVISION OF RESPONSIBILITIES BETWEEN THE DIFFERENT COMPANY BODIES, COMMITTEES AND/OR DEPARTMENTS, INCLUDING INFORMATION ON SCOPE OF POWERS DELEGATED, IN PARTICULAR CONCERNING DELEGATION OF THE DAY-TO-DAY RUNNING OF THE COMPANY, OR THE DISTRIBUTION OF SPECIAL RESPONSIBILITIES ASSIGNED TO SPECIFIC DIRECTORS OR MEMBERS OF THE AUDIT BOARD AND A LIST OF MATTERS WHERE POWERS CANNOT BE DELEGATED AND POWERS EFFECTIVELY DELEGATED.

The following simplified chart shows the organization of Semapa's different bodies, committees and departments:



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.

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:

- 1 Strategic planning and investment policy, which are the responsibility of the Chairman of the Board of Directors, Pedro Mendonça de Queiroz Pereira.
- 2 Financial policy and risk management, which is the responsibility of the directors Dr. José Alfredo de Almeida Honório and Dr. José Miguel Pereira Gens Paredes.
- 3 Human resources policy and administrative control, which is the responsibility of the directors Dr. Francisco José de Melo e Castro Guedes and Dr. Carlos Maria Cunha Horta e Costa.
- 4 Legal and IT issues, which are the responsibility of Dr. Paulo Miguel Garcês Ventura

The Executive Board has been granted wide 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. Powers are specifically delegated for the following:

- a) To negotiate and resolve to enter into any commercial or civil contract, by public or private act, on the terms and conditions it deems most appropriate, and to take all decisions it sees fit in the performance of these contracts;
- b) To resolve to issue, sign, draw, accept, endorse, guarantee, protest or carry out any other act in connection with the use of bills or credit instruments;
- c) To resolve on all routine banking operations, with Portuguese or foreign financial institutions, namely opening, consulting and establishing the form of effecting movements in bank accounts, in all the legally admissible forms;
- d) To negotiate and resolve to contract and amend loan agreements, with financial institutions or other entities, including the provision of the respective guarantees in cases where the law permits such delegation, all on the terms it sees fit;
- e) To resolve to acquire, dispose of and encumber assets of all kinds, on the terms and conditions it sees fit, negotiating and resolving on the conclusion for such purposes, by public or private document, of any contractual instrument, and carrying out any accessory or complementary acts which may be necessary for the performance of these contracts;
- f) To take all decisions and carry out all acts in connection with the exercise by the company of its position as shareholder, namely by appointing its representatives at the general meetings of companies in which it has holdings and adopting unanimous resolutions in writing;
- g) To draft the company reports, balance sheets, financial statements and proposals for allocation of profits;
- h) To take all steps necessary or appropriate in connection with the company's industrial relations with its employees, namely contracting, dismissing, transferring, defining terms of employment and pay, and revising and amending the same;
- i) To resolve on representation of the company before any court or mediation or arbitration body, taking all decisions as may be necessary or appropriate in connection with any proceedings pending before the same or to bring the same, and namely to desist, confess or settle;
- j) To appoint attorneys for the company within the powers delegated to it;
- k) To take all steps necessary or appropriate in connection with existing or planned issues of bonds and commercial paper, including the actual decision to issue, and
- l) In general, to carry out all acts of day-to-day management in the company, save those which cannot be delegated under Article 407.4 of the Companies Code.

The Executive Board is barred from resolving 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.

In the case of the Audit Board, which has the powers established in law, there are no delegated powers or special areas of responsibility for individual members.

Item II.5 in this chapter outlines the workings of the Audit Board and the Internal Control Committee, together with the powers of the latter.

The Strategy Committee has the central mission of following through and assessing the main strategic options of the Executive Board and the Board of Directors, with the following specific responsibilities:

- a) To cooperate in long term strategic planning, including identification and setting of strategic aims for business development and implementation of initiatives for growth;
- b) To advise, by drawing up recommendations, and to discuss the company's strategic options;
- c) To oversee the company's strategic options, proposing, if necessary, the approval of specific measures and procedures for developing, adopting and modifying the strategies adopted;
- d) To analyze and assess the evolution of the impact of external factors, such as changes in the economy, competition and technology, on the group's overall strategy.

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 is required to submit a full annual report to the Board of Directors on corporate governance, together with any proposals for changes, as it sees fit.

The functions of the Investor Support Office are detailed in chapter III.16 of this report.

The Company Secretary is appointed by the Board of Directors and has the powers defined in law.

The Remuneration Committee draws up an annual statement on remuneration policy for members of the board of directors and audit board, and sets the remuneration of directors and the system for old-age or invalidity retirement pensions, or complementary retirement pensions.

The Legal Department provides the company with legal advice in order to assure compliance with the relevant legislation.

The Strategic Planning and New Business Division is primarily engaged in conducting studies and research in order to identify and implement new business opportunities and contribute to the company's strategic planning.

Finally, the Accounts and Tax Department is principally responsible for rendering the company's accounts and complying with its fiscal obligations.

- II.4. REFERENCE TO THE FACT THAT THE ANNUAL REPORTS ON THE ACTIVITIES OF THE GENERAL AND SUPERVISORY BOARD, THE COMMITTEE FOR FINANCIAL AFFAIRS, THE AUDIT COMMITTEE AND THE AUDIT BOARD INCLUDE A DESCRIPTION OF THE SUPERVISORY ACTIVITIES CARRIED ON, REFERRING TO ANY CONSTRAINTS DETECTED, AND THAT THEY ARE PUBLISHED ON THE COMPANY'S WEBSITE, IN CONJUNCTION WITH THE OTHER REPORTS AND FINANCIAL STATEMENTS.

The annual report on the activities of the Audit Board, including the respective opinion on the company's accounts, is part of the financial statements and is published in full on Semapa's website. This report refers to any constraints encountered in the course of the Audit Board's supervisory activities.

- II.5. DESCRIPTION OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS WITHIN THE COMPANY, NAMELY AS REGARDS THE FINANCIAL INFORMATION DISCLOSURE SYSTEM

The company's risks are controlled by the Board of Directors, by the Audit Board, by the External Auditors and through an organizational unit with special responsibilities in this area, the Internal Control Committee (ICC).

The Audit Board plays a particularly important role in this field, with all the powers and responsibilities assigned to it directly by law.

The main purpose of the ICC is to detect and control all relevant risks in the company's affairs, in particular 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 propose and follow through the implementation of specific measures and procedures relating to the control and reduction of the company's business risks, with a view to perfecting the internal risk control and management system, involving at least the following components:
 - Setting strategic aims for the company in terms of risk-taking;
 - Identifying the mains risks associated with the specific business carried on and the events which may give rise to risks;
 - Analysis and measurement of the impact and likelihood of the occurrence of each of the potential risks;
 - Risk management with a view to aligning the risks effectively run with the company's strategic options on risk-taking;
 - Procedures for monitoring the execution of risk management measures adopted and their effectiveness;
 - Adoption of internal reporting and notification procedures on the various system components and for risk alerts.
- (d) To check implementation of the adjustments to the internal control and risk management system proposed by the Audit Board;
- (e) To monitor the quality of financial and accounting information, taking steps to ensure that it is reliable; and
- (f) To issue its opinion on the choice of external auditors and to monitor their independence.

Up to July 2006, the ICC supervised the whistleblowing system, but with the change in the law introduced by Decree-Law 76-A/2006, of 29 March, which took effect on 30 June 2006, these powers were expressly assigned to the Audit Board.

The committee 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 it is subject.

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

The internal control and risk management systems implemented have been shown to be effective, and no situations have so far arisen which have not been anticipated, duly guarded against or expressly accepted in advance as controlled risks.

- II.6. RESPONSIBILITY OF THE MANAGEMENT BODY AND SUPERVISORY BODY FOR CREATING AND RUNNING INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN THE COMPANY, AND FOR ASSESSING THE WORKINGS OF THESE SYSTEMS AND ADJUSTING THEM TO THE COMPANY'S NEEDS.

As follows from the previous item, in addition to its own powers in this field, the Board of Directors created the ICC in 2006. In accordance with the responsibilities defined by the Board of Directors, which have been reviewed and adapted to the company's changing needs, this committee is responsible for assuring internal control and risk management. The Audit Board is responsible for overseeing the effectiveness of the risk management system and the internal control system, proposing adjustments to the existing system whenever necessary, and the ICC is responsible for implementing these adjustments. Finally, it should be noted that these systems are monitored and overseen at all times by the Board of Directors, which has ultimate responsibility for the company's internal activities.

- II.7. INDICATION OF THE EXISTENCE OF RULES OF PROCEDURE FOR CORPORATE BODIES OR ANY INTERNALLY DEFINED RULES ON INCOMPATIBILITY AND THE MAXIMUM NUMBER OF POSITIONS THAT A MEMBER IS ENTITLED TO HOLD AND WHERE THESE RULES MAY BE CONSULTED

The board of directors and the audit board have rules of procedure which are published on the company website (www.semapa.pt), where they may be consulted.

There are no internal rules on incompatibility or the maximum number of positions that directors may hold on the management bodies of other companies.

Section II – Board of Directors

- II.8. IF THE CHAIRMAN OF THE MANAGEMENT BODY HAS EXECUTIVE POWERS, INFORMATION ON PROCEDURES FOR COORDINATING THE WORK OF NON-EXECUTIVE MEMBERS WHICH ASSURE THAT THEIR DECISIONS ARE INDEPENDENT AND INFORMED

Coordination is assured by regularly transmitting all the relevant information on the day-to-day management of the company to members of the Board of Directors who are not members of the Executive Board in order to keep them permanently abreast of the company life, and by calling

meetings of the Board of Directors for all decisions regarded as especially important, even when they fall within the scope of the general powers delegated.

In addition, the independent and informed nature of the decisions of non-executive directors is assured by the fact that their work is not organized by either the Chairman of the Board of Directors or by the executive directors. It should be noted that non-executive directors are not dependent on the Chairman for accessing information, and have direct access to the Audit Board and other executives, who respond to all requests without any restriction.

The specific position of the Chairman therefore has no impact on the independent and informed character of the decisions of non-executive directors.

► II.9. IDENTIFICATION OF THE MAIN ECONOMIC, FINANCIAL AND LEGAL RISKS TO WHICH THE COMPANY IS EXPOSED IN THE COURSE OF ITS BUSINESS

Chapter 2 of the notes to the consolidated financial statements provides a detailed analysis of all financial and economic risks, including foreign exchange risk, interest rate risk, credit risk, liquidity risk, carbon emissions license risk, raw material supplies risk, sales price risk, the risk of product demand, the risk of competition, risk of environmental legislation, energy cost risk and economic and market risks in general.

With regard to legal risks, which are not detailed in the same way in the notes to the financial statements, it is important to point out that they derive essentially from fiscal and regulatory risks which are covered by the analysis of economic risks, specific general liability risks or risks relating to the negotiation and conclusion of contracts.

These risks are controlled by legal offices both in Semapa as the holding company and in its subsidiaries, and through recourse to external lawyers whenever warranted by their particular expertise, the amount at stake or other factors in specific cases.

► II.10. POWERS OF THE MANAGEMENT BODY, IN PARTICULAR WITH REGARD TO RESOLUTIONS ON INCREASING THE SHARE CAPITAL

Under the Articles of Association, the Board of Directors does not have powers to resolve on increases in share capital.

It is recognized that permitting the board of directors to resolve on this would offer practical advantages and greater rapidity. However, the need has not yet been felt to propose this to the shareholders.

► II.11. INFORMATION ON THE POLICY OF ROTATING AREAS OF INDIVIDUAL RESPONSIBILITY IN THE BOARD OF DIRECTORS, AND IN PARTICULAR RESPONSIBILITY FOR FINANCIAL AFFAIRS, AND ON THE RULES APPLICABLE TO THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

The rotation of areas of individual responsibility within the Board of Directors, including responsibility for financial matters, is considered by the Executive Board whenever it organizes itself in view of the delegation of powers. This is what happened in the financial year now ended, during which elections were held for the company offices. After considering rotation, it was decided to retain the existing distribution of areas of responsibility. The company believes it is

necessary to weigh up the need to provide directors with fresh challenges with the real contribution made by the experience and expertise of directors in specific areas. This is the only way to assure that different areas of responsibility are distributed and exercised by the most suitable persons at any given moment.

It is also relevant to note the existence of various institutions and procedures for supervising the company's activities, starting with the Audit Board, which assures effective oversight in this and other areas of company activities, as described in greater detail in chapter II.4.

There are no special rules in Semapa on the appointment and replacement of members of the board of directors. The general rules contained in the Companies Code should therefore be applied.

As the code provides a balanced framework, for both the appointment and the replacement of directors, and given that there are no special circumstances in Semapa requiring another solution, the Board of Directors has seen fit to maintain the situation as it stands.

► II.12. NUMBER OF MEETINGS OF THE MANAGEMENT AND SUPERVISORY BODIES, AND REFERENCE TO THE MINUTES OF THESE MEETINGS

In the course of 2010 there were 8 meetings of the Board of Directors and 9 meetings of the Audit Board.

Minutes were drawn up of all meetings of the Board of Directors and Audit Board.

► II.13. INDICATION OF THE NUMBER OF MEETINGS OF THE EXECUTIVE BOARD OR THE EXECUTIVE BOARD OF DIRECTORS, TOGETHER WITH REFERENCE TO THE TAKING OF MINUTES OF THESE MEETINGS AND THE FORWARDING OF THE SAME, TOGETHER WITH THE NOTICE OF MEETINGS, AS APPLICABLE, TO THE CHAIRMAN OF THE BOARD OF DIRECTORS, THE CHAIRMAN OF THE AUDIT BOARD OR THE AUDIT COMMITTEE, TO THE CHAIRMAN OF THE GENERAL AND SUPERVISORY BOARD AND TO THE CHAIRMAN OF THE FINANCIAL AFFAIRS COMMITTEE.

The Executive Board met 27 times in 2010, with minutes being taken on each occasion. The board's minutes, together with the respective notices of meetings, were sent to all members, who include the Chairman of the Board of Directors, who also chairs the Executive Board, and to the Chairman of the Audit Board.

► II.14. INDICATION OF THE EXECUTIVE AND NON-EXECUTIVE MEMBERS AND, WITH REGARD TO THE LATTER, A LIST OF MEMBERS WHO COMPLIED, WHEN APPLICABLE, WITH THE INCOMPATIBILITY RULES PROVIDED FOR IN ARTICLE 414-A.1, EXCEPT FOR ITEM B), AND THE INDEPENDENCE CRITERION REFERRED TO IN ARTICLE 414.5, BOTH OF THE COMPANIES CODE

Executive Directors

The executive members of the Board of Directors are those indicated above as members of the Executive Board.

It should be noted that, in the case of Semapa, it is not possible to draw a clear line between directors who are members of the executive board and directors who serve as mere "advisers" to the Board of Directors. Directors who are not members of the Executive Board are sometimes

called on to perform duties in the company which go beyond providing advice at board meetings. However, these duties cannot be described in a standardized format, as they vary from person to person, and over time, depending also on the issues involved.

None of the directors who are not members of the executive board can be classified as “executive” directors. Not even in cases where these members sit on committees, in particular the Strategy Committee, whose work brings it closer to management, is their involvement so broad and permanent as to justify such a classification.

Due to the actual nature of their duties, the executive directors cannot and should not be regarded as “independent” or not “incompatible” under the criteria of Articles 414-A and 414 of the Companies Code.

Non-executive Directors

Maria Maude Mendonça de Queiroz Pereira Lagos, as director of companies with significant holdings in Semapa, is not independent. She also fails to meet the criteria for incompatibility, insofar as she is related to the Chairman of the Board of Directors, who holds office in companies related to Semapa.

Dr. Rita Maria Lagos do Amaral Cabral is also a director of companies with significant holdings in Semapa, and cannot therefore be classified as independent. However, in her case there are no circumstances which qualify as a factor of “incompatibility”.

Dr. António Pedro de Carvalho Viana-Baptista qualifies as independent under Article 414.5 of the Companies Code. As regards factors of incompatibility, we can only refer to the circumstance envisaged in Article 414-A.1 h) of the Companies Code, in relation to which the Company has the understanding set out above in Chapter 0.4, which does not prevent him from being classified as an independent director. The company considers that two explanations are required to demonstrate the consistency of this classification with the criterion established in Article 414-A.1 h) of the Companies Code: (i) some of the directorships are held by this director in companies of the same group, and consequently the assessment as to the meeting of the quantitative requirement in this sub-paragraph considered these positions as representing a single directorship and (ii) the company has reservations as to the suitability of applying this criterion in determining the independence of directors as it is underlain by a judgement as to the availability of a given person, and not by his position vis-à-vis a given company, rendering it in our view inappropriate for the purposes of determining independence.

Finally, with regard to Eng. António da Nóbrega de Sousa da Câmara, Eng. Joaquim Martins Ferreira do Amaral and Dr. Vitor Manuel Galvão Rocha Novais, no factor of incompatibility exists, meaning that they may be classified as independent.

► II.15. INDICATION OF THE LEGAL AND REGULATORY RULES AND OTHER CRITERIA FORMING THE BASIS FOR THE MANAGEMENT BODY’S ASSESSMENT OF ITS MEMBERS INDEPENDENCE

The regulatory and legal criteria used by Semapa are those indicated in the title to chapter II.14 of this report.

In addition, Semapa makes only a general assessment as to the existence or otherwise of any circumstances which might constraint the independence of judgement of its officers. In making this assessment, the Board of Directors is aware that the personal and professional qualities of each person are generally much more crucial in determining his or her independence of conduct

than objective circumstances representing greater or lesser proximity to the company and its interests.

- II.16. INDICATION OF THE PROCEDURAL RULES FOR THE SELECTION OF CANDIDATES FOR NON-EXECUTIVE DIRECTORSHIPS AND HOW THESE RULES PRECLUDE ANY INTERFERENCE IN THE PROCESS BY EXECUTIVE DIRECTORS.

The company has established no rules on selecting candidates for non-executive directorships, as it considers that authority to appoint company officers lies with the general meeting.

- II.17. REFERENCE TO THE FACT THAT THE COMPANY'S ANNUAL MANAGEMENT REPORT INCLUDES A DESCRIPTION OF THE WORK UNDERTAKEN BY NON-EXECUTIVE DIRECTORS AND ANY CONSTRAINTS DETECTED

The Board of Directors includes this description in chapter IV of this report on the governance model adopted and on the work of the non-executive members of the board of directors.

- II.18. PROFESSIONAL QUALIFICATIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS, INDICATING THEIR PROFESSIONAL ACTIVITIES OVER AT LEAST THE LAST FIVE YEARS, THE NUMBER OF SHARES HELD IN THE COMPANY, THE DATE OF FIRST APPOINTMENT AND OF EXPIRY OF THEIR TERM OF OFFICE.
- II.19. OFFICE HELD BY MEMBERS OF THE BOARD OF DIRECTORS IN OTHER COMPANIES, INDICATING THAT HELD IN OTHER COMPANIES OF THE SAME GROUP.

Below we detail, for each of the members, their professional qualifications, the number of shares held, the date when first appointed and term of office, office held in other companies, distinguishing between office held in other companies in the same group as Semapa and in other companies in which Semapa has a direct or indirect holdings, and also other professional activities carried on in the last 5 years.

Pedro Mendonça de Queiroz Pereira

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: General High School Certificate (Lisbon), studied at the Instituto Superior de Administração.
3. Date of first appointment and end-date of term of office: 1991 - 2013
4. Office held in other companies belonging to same group as Semapa:

CIMENTOSPAR - Participações Sociais, SGPS, Lda	Manager
SEINPART - Participações, SGPS, S.A.	Chairman of the Board of Directors
SEMINV - Investimentos, SGPS, S.A.	Chairman of the Board of Directors

5. Office held in other companies in which Semapa has a direct or indirect holding:

ABOUT THE FUTURE – Empresa Produtora de Papel, S.A	Chairman of the Board of Directors
CIMINPART - Investimentos e Participações, SGPS, S.A.	Chairman of the Board of Directors
CMP - Cimentos Maceira e Pataias, S.A.	Chairman of the Board of Directors
PORTUCEL - Empresa Produtora de Pasta e Papel, S.A.	Chairman of the Board of Directors
SECIL - Companhia Geral de Cal e Cimento, S.A.	Chairman of the Board of Directors
SECILPAR, S.L.	Chairman of the Board of Directors
SOPORCEL - Sociedade Portuguesa de Papel, S.A.	Chairman of the Board of Directors

6. Office held in other companies:

CIMIGEST, SGPS, S.A.	Chairman of the Board of Directors
COSTA DAS PALMEIRAS – Turismo e Imobiliário, S.A.	Chairman of the Board of Directors
ECOVALUE – Investimentos Imobiliários, L.da	Manager
LONGAPAR, SGPS, SA	Chairman of the Board of Directors
O E M - Organização de Empresas, SGPS, S.A.	Chairman of the Board of Directors
SODIM, SGPS, SA	Chairman of the Board of Directors
TEMA PRINCIPAL – SGPS, S.A.	Director
TERRAÇOS D'AREIA – SGPS, S.A.	Chairman of the Board of Directors
VÉRTICE - Gestão de Participações, SGPS, S.A.	Chairman of the Board of Directors

7. Other office held in the last five years:

CIMO - Gestão de Participações, SGPS, S.A.	Chairman of the Board of Directors
CMPARTIN - Inversiones y Participaciones Empresariales S.L.	Chairman of the Board of Directors
ECOLUA - Actividades Desportivas, L.da	Manager
PARSECIL, S.L.	Chairman of the Board of Directors
PARSEINGES - Gestão de Investimentos, SGPS, S.A.	Chairman of the Board of Directors
SEMAPA Inversiones, S.L.	Chairman of the Board of Directors
SOPORCEL – Gestão de Participações Sociais, SGPS, S.A.	Director

Maria Maude Mendonça de Queiroz Pereira Lagos

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: General High School Certificate
3. Date of first appointment and end-date of term of office: 1994 - 2013
4. Office held in other companies belonging to same group as Semapa: No office held in other companies belonging to the same group as Semapa
5. Office held in other companies in which Semapa has a direct or indirect holding: No office held in other companies in which Semapa has a direct or indirect holding
6. Office held in other companies:

CIMIGEST, SGPS, S.A.	Director
HOTEL VILLA MAGNA, S.L.	Chairman of the Board of Directors
HOTEL RITZ, SA	Chairman of the Board of Directors
YDREAMS - Informática S.A.	Director
O E M - Organização de Empresas, SGPS, S.A.	Director
SODIM, SGPS, S.A.	Director
SONAGI, SGPS, S.A.	Director
VIEZNADA, SL	Director

7. Other office held in the last five years: In addition to the positions indicated in the previous item, no other office held in the last five years.

José Alfredo de Almeida Honório

1. Number of shares held in the company: Holds 20.000 shares in the company
2. Professional qualifications: Degree in Economics from the Faculty of Economics, University of Coimbra (1980)
3. Date of first appointment and end-date of term of office: 1994 - 2013
4. Office held in other companies belonging to same group as Semapa:

CIMENTOSPAR - Participações Sociais, SGPS, L.da	Manager
SEINPART - Participações, SGPS, S.A.	Director

SEMINV - Investimentos, SGPS, S.A. Director

5. Office held in other companies in which Semapa has a direct or indirect holding:

ABOUT THE FUTURE – Empresa Produtora de Papel, S.A. Director and Chairman of the Executive Board
 CIMINPART - Investimentos e Participações, SGPS, S.A. Director
 CMP - Cimentos Maceira e Pataias, S.A. Director
 COUNTRYTARGET, SGPS, S.A. Chairman of the Board of Directors
 EUCALIPTUSLAND, S.A. Chairman of the Board of Directors
 IMPACTVALUE - SGPS, S.A. Chairman of the Board of Directors
 PORTUCEL – Empresa Produtora de Pasta e Papel, S.A. Director and Chairman of the Executive Board
 PORTUCELPAPEL SETÚBAL S.A. Chairman of the Board of Directors
 PORTUCEL FLORESTAL – Empresa de Desenv. Agro-Florestal, S.A. Chairman of the Board of Directors
 PORTUCELSOPORCEL Energia, SGPS, S.A. Chairman of the Board of Directors
 PORTUCELSOPORCEL FINE PAPER, S.A. Chairman of the Board of Directors
 PORTUCELSOPORCEL Floresta, SGPS, S.A (formerly called SOPORCEL – Gest. de Part. Sociais, SGPS, S.A). Chairman of the Board of Directors
 PORTUCELSOPORCEL FLORESTAL, S.A. Chairman of the Board of Directors
 PORTUCELSOPORCEL Papel – SGPS, S.A. Chairman of the Board of Directors
 PORTUCELSOPORCEL Participações, SGPS, S.A. Chairman of the Board of Directors
 PORTUCEL SOPORCEL SALES & MARKETING S.A. Director
 SECIL - Companhia Geral de Cal e Cimento, S.A. Director
 SOPORCEL – Sociedade Portuguesa de Papel, S.A. Director and Chairman of the Executive Board
 SOPORCEL PULP, SA. Chairman of the Board of Directors
 TECNIPAPEL – Soc. de Transformação e Distribuição de Papel, L.da. Chairman of the Board of Directors
 RAIZ – Instituto de Investigação da Floresta e Papel Member of the Management Board

6. Office held in other companies:

IBET – Instituto de Biologia Experimental e Tecnológica Chairman of the Management Board
 CELPA – Associação da Indústria Papeleira Chairman of the General Board and Member of the Executive Board
 CEPI – Confederation of European Paper Industries Director and Member of the Executive Board

7. Other office held in the last five years:

ALIANÇA FLORESTAL – Soc. para o Des. Agro-Florestal, S.A. Chairman of the Board of Directors
 BETOPAL, S.L. Director
 CIMO - Gestão de Participações, SGPS, S.A. Director
 CMPartin - Inversiones y Participaciones Empresariales S.L. Director
 FLORIMAR – Gestão e Participações, SGPS, Soc. Unipessoal, L.da. Manager
 HEWBOL – SGPS, L.da Manager
 LONGAPAR, SGPS, S.A. Director
 PARCIM Investments B.V. Director
 PARSECIL, S.L. Director
 PARSEINGES - Gestão de Investimentos, SGPS, S.A. Director
 SEMAPA Inversiones, S.L. Director

Francisco José Melo e Castro Guedes

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: Degree in Finance from the Instituto Superior de Ciências Económicas e Financeiras; MBA Insead
3. Date of first appointment and end-date of term of office: 2001 – 2013

4. Office held in other companies belonging to same group as Semapa:

CIMENTOSPAR – Participações Sociais, SGPS, L.da.....	Manager
SEINPART Participações, SGPS, S.A.....	Director
SEMINV – Investimentos, SGPS, S.A.	Director
SEMAPA Inversiones, S.L.	Chairman of the Board of Directors

5. Office held in other companies in which Semapa has a direct or indirect holding:

ABOUT THE FUTURE – Empresa Produtora de Papel, S.A.....	Director
CMP- Cimentos Maceira e Pataias, S.A.	Director
CIMENTS DE SIBLINE S.A.L.	Director
CIMINPART - Investimentos e Participações, SGPS, S.A.....	Director
FLORIMAR – Gestão e Participações, SGPS, Soc. Unipessoal, L.da.....	Manager
HEWBOL – SGPS, L.da	Manager
PORTUCEL – Empresa Produtora de Pasta e Papel, S.A.	Director
SECIL – Companhia Geral de Cal e Cimento, S.A.	Director
SECILPAR S.L.....	Director
SCG – Société des Ciments de Gabès, S.A.	Director
SERIFE – Soc. Estudos e Realiz. Indust. Fornec. Equipamentos, L.da ...	Manager
SILONOR, S.A.....	Director
So.I.Me Liban S.A.L.	Director
SOPORCEL – Sociedade Portuguesa de Papel, S.A.	Director

6. Office held in other companies:

VIROC PORTUGAL – Indústrias de Madeira e Cimento, S.A.	Chairman of the Board of Directors
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7. Other office held in the last five years:

ETSA Investimentos, SGPS, S.A (formerly called VERDEOCULTO - Investimentos, SGPS, S.A).	Chairman of the Board of Directors
PARSEINGES - Gestão de Investimentos, SGPS, S.A.	Director

Carlos Maria Cunha Horta e Costa

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: Degree in Economics from the Instituto Superior de Economia
3. Date of first appointment and end-date of term of office: 2006 – 2013
4. Office held in other companies belonging to same group as Semapa:

GREAT EARTH - Projectos, S.A.	Director
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5. Office held in other companies in which Semapa has a direct or indirect holding: Holds no office in other companies in which Semapa has a direct or indirect holding

6. Office held in other companies:

CIMIGEST, SGPS, S.A.....	Director
CIMIPAR, Sociedade Gestora de Participações Sociais, S.A.....	Chairman of the Board of Directors
CIMO - Gestão de Participações, SGPS, S.A.....	Chairman of the Board of Directors
GOLIATUR – Sociedade de Investimentos Imobiliários, S.A.....	Chairman of the Board of Directors
LONGAPAR, SGPS, S.A.	Director
SONACA, SGPS, S.A.....	Chairman of the Board of Directors

7. Other office held in the last five years: In addition to the positions indicated in the previous item, no other office held in the last five years.

José Miguel Pereira Gens Paredes

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: Degree in Economics
3. Date of first appointment and end-date of term of office: 2006 – 2013
4. Office held in other companies belonging to same group as Semapa:

ABAPOR - Comércio e Indústria de Carnes, S.A. Chairman of the Board of Directors
 Aprovechamiento Integral de Subproductos Ibéricos, S.A. Director
 BIOLOGICAL - Gestão de Resíduos Industriais, L.da Manager
 CIMENTOSPAR - Participações Sociais, SGPS, L.da Manager
 ETSA Investimentos, SGPS, S.A (formerly
 called VERDEOCULTO - Investimentos, SGPS, S.A) Chairman of the Board of Directors
 ETSA, SGPS, S.A. Chairman of the Board of Directors
 GREAT EARTH - Projectos, S.A. Director
 I.T.S. - Indústria Transformadora de Subprodutos, S.A. Chairman of the Board of Directors
 SEBOL - Comércio e Indústria de Sebo, S.A. Chairman of the Board of Directors
 SEINPART - Participações, SGPS, S.A. Director
 SEMINV - Investimentos, SGPS, S.A. Director

5. Office held in other companies in which Semapa has a direct or indirect holding: Holds no office in other companies in which Semapa has a direct or indirect holding

6. Office held in other companies:

CIMIPAR – Sociedade Gestora de Participações Sociais, S.A. Director
 CIMO – Gestão de Participações, SGPS, S.A. Director
 GOLIAUR – Sociedade de Investimentos Imobiliários, S.A. Director
 LONGAPAR, SGPS, S.A. Director
 MOR ON-LINE – Gestão de Plataformas de
 Negociação de Resíduos On-Line, S.A. Director
 O E M – Organização de Empresas, SGPS, S.A. Director
 SONACA, SGPS, S.A. Director

7. Other office held in the last five years:

ABAPOR - Comércio e Indústria de Carnes, S.A. Director
 BECIM – Corretora de Seguros, L.da Manager
 ENERSIS – Sociedade Gestora de Participações Sociais, SGPS, S.A. Director
 ECH – Exploração de Centrais Hidroelétricas, S.A. Director
 ETSA - Empresa de Transformação de Subprodutos Animais S.A. Chairman of the Board of Directors
 ETSA, SGPS, S.A. Director
 I.T.S. - Indústria Transformadora de Subprodutos, S.A. Director
 SEBOL - Comércio e Indústria de Sebo, S.A. Director
 SILONOR, S.A. Director
 SODIM, SGPS, S.A. Member of Audit Board
 SECILPAR Inversiones, S.L. Director
 TERCIM – Terminais de Cimento, S.A. Director
 VERDEOCULTO - Investimentos, SGPS, S.A. Director

Paulo Miguel Garcês Ventura

1. Number of shares held in the company: Holds no shares in the company

2. Professional qualifications: Degree in Law from Faculty of Law, University of Lisbon. Registered with the Portuguese Bar Association. IEP Insead.
3. Date of first appointment and end-date of term of office: 2006 – 2013
4. Office held in other companies belonging to same group as Semapa:

ABAPOR - Comércio e Indústria de Carnes, S.A.	Director
Aprovechamiento Integral de Subproductos Ibéricos, S.A.	Director
BIOLOGICAL - Gestão de Resíduos Industriais, L.da	Manager
CIMENTOSPAR – Participações Sociais, SGPS, L.da.....	Manager
ETSA Investimentos, SGPS, S.A (formerly called VERDEOCULTO - Investimentos, SGPS, S.A)	Director
ETSA, SGPS, S.A.....	Director
GREAT EARTH - Projectos, S.A.	Director
I.T.S. - Indústria Transformadora de Subprodutos, S.A.	Director
SEBOL - Comércio e Indústria de Sebo, S.A.....	Director
SEINPART - Participações, SGPS, S.A.	Director
SEMAPA Inversiones, S.L.	Director
SEMINV - Investimentos, SGPS, S.A	Director

5. Office held in other companies in which Semapa has a direct or indirect holding:

CIMINPART - Investimentos e Participações, SGPS, S.A.....	Chairman of General Meeting
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6. Office held in other companies:

ANTASOBRAL - Sociedade Agro-Pecuária, SA.....	Chairman of General Meeting
BEIRA-RIO – Sociedade Construtora de Armazéns, S.A.	Chairman of General Meeting
CIMIGEST, SGPS, S.A.	Company Secretary
CIMILONGA – Imobiliária, S.A.....	Chairman of General Meeting
CIMIPAR – Sociedade Gestora de Participações Sociais, S.A.....	Director
CIMO - Gestão de Participações, SGPS, S.A.....	Director
ESTRADAS DE PORTUGAL, S.A.	Vice-Chairman of General Meeting
GALERIAS RITZ – Imobiliária, S.A.	Chairman of General Meeting
GOLIATUR – Sociedade de Investimentos Imobiliários, S.A.	Director
HOTEL RITZ, S.A.	Chairman of General Meeting
LONGAPAR, SGPS, S.A.	Director
LONGAVIA – Imobiliária, S.A.	Chairman of General Meeting
O E M - Organização de Empresas, SGPS, S.A.	Director
PARQUE RITZ – Imobiliária, S.A.....	Chairman of General Meeting
REFUNDOS - Sociedade Gest. de Fundos de Invest. Imobiliário, S.A.....	Chairman of General Meeting
SODIM, SGPS, S.A.	Director
SONAGI – Imobiliária, S.A.	Chairman of General Meeting
VÉRTICE – Gestão de Participações, SGPS, S.A.....	Chairman of General Meeting
Sociedade Agrícola da Quinta da Vialonga, S.A.....	Chairman of General Meeting

7. Other office held in the last five years:

CIMIPAR – Sociedade Gestora de Participações Sociais, S.A.....	Chairman of General Meeting
CIMO - Gestão de Participações, SGPS, S.A.....	Chairman of General Meeting
ETSA - Empresa de Transformação de Subprodutos Animais S.A.	Director
IMOCIPAR – Imobiliária, S.A.	Chairman of General Meeting
GOLIATUR – Sociedade de Investimentos Imobiliários, S.A.....	Chairman of General Meeting
LONGAPAR, SGPS, S.A.	Chairman of General Meeting
REN – Redes Eléctricas Nacionais, SGPS, S.A.	Vice-Chairman of General Meeting
SEINPART - Participações, SGPS, S.A.	Chairman of General Meeting
SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.....	Company Secretary
SEMINV - Investimentos, SGPS, S.A	Chairman of General Meeting
VERDEOCULTO – Investimentos, SGPS, S.A.....	Chairman of General Meeting

Legal practice.

Rita Maria Lagos do Amaral Cabral

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: Degree in Law from Faculty of Law, University of Lisbon. Registered with the Portuguese Bar Association
3. Date of first appointment and end-date of term of office: 2006 – 2013
4. Office held in other companies belonging to same group as Semapa: No office held in other companies belonging to the same group as Semapa
5. Office held in other companies in which Semapa has a direct or indirect holding: Holds no office in other companies in which Semapa has a direct or indirect holding

6. Office held in other companies:

Casa Agrícola Amaral Cabral, L.da	Manager
CIMIGEST, SGPS, S.A.	Director
Companhia Agrícola da Quinta do Duque, S.A.	Chairman of General Meeting
Sociedade Amaral Cabral & Associados – Soc. de Advogados, RL.	Director
Sociedade Agrícola do Margarido, S.A.	Chairman of General Meeting
SODIM, SGPS, S.A.	Director
Banco Espírito Santo, S.A.	Member of Remuneration Committee

7. Other professional activities in the last five years:

Guest lecturer, Faculty of Law, Portuguese Catholic University.
 Member of the National Ethics Council for Life Sciences
 Vice-President of the Institute of Bioethics, Portuguese Catholic University

António da Nóbrega de Sousa da Câmara

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: Degree Civil Engineering (1977), IST; MSc (1979) and PhD (1982) in Environmental Engineering Systems; Professor of the Faculty of Science and Technology, Universidade Nova de Lisboa.
3. Date of first appointment and end-date of term of office: 2006-2013
4. Office held in other companies belonging to same group as Semapa: No office held in other companies belonging to the same group as Semapa
5. Office held in other companies in which Semapa has a direct or indirect holding: Holds no office in other companies in which Semapa has a direct or indirect holding

6. Office held in other companies:

YDREAMS - Informática S.A.	Chairman of the Board of Directors
YD YNVISIBLE, S.A.	Director

7. Other office held in the last five years:

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

Joaquim Martins Ferreira do Amaral

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: Degree in Mechanical Engineering - IST

3. Date of first appointment and end-date of term of office: 2006-2013
4. Office held in other companies belonging to same group as Semapa: No office held in other companies belonging to the same group as Semapa
5. Office held in other companies in which Semapa has a direct or indirect holding: Holds no office in other companies in which Semapa has a direct or indirect holding
6. Office held in other companies:

AEM – Assoc Empresas Emitentes de Valores Cotados em MercadoChairman of the General Board
 LVT - Lisboa Vista do Tejo.....Chairman of the Board of Directors
 LUSOPONTE – Concessionária para a Travessia do Tejo S.A.....Chairman of the Board of Directors
 Transdev – Transportes.....Consultant

7. Other office held in the last five years:

GREAT EARTH - Projectos, S.A.Chairman of the Board of Directors
 CIMIANTO - Sociedade Técnica de Hidráulica, S.A.Director
 ENERSIS - Sociedade Gestora de Participações Sociais, S.A.....Director
 ENERSIS II – Sociedade Gestora de Participações Sociais, SGPS, SA..Director
 GALP ENERGIA, SGPS, S.A.Chairman of the Board of Directors

António Pedro de Carvalho Viana-Baptista

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: Degree in economics from the Portuguese Catholic University (1980); post-graduate studies in European economics from the Portuguese Catholic University (1981); MBA from INSEAD, Fontainebleau, France (1983).
3. Date of first appointment and end-date of term of office: 2010-2013
4. Office held in other companies belonging to same group as Semapa: No office held in other companies belonging to the same group as Semapa
5. Office held in other companies in which Semapa has a direct or indirect holding: Holds no office in other companies in which Semapa has a direct or indirect holding
6. Office held in other companies:

IJM Investments, SLConsultant
 JERÓNIMO MARTINS SGPS, S.A.Manager and Member of Audit Board
 O2 Europe (UK, Ireland, Germany, Czech Republic)Director
 RIM – Research In Motion (BlackBerry) (Canada).....Director
 TELESF (São Paulo, Brazil)Director
 Telefonica Moviles Mexico (Mexico)Director
 NH Hoteles (Madrid, Spain)Director

7. Other office held in the last five years:

Telefonica S.A.Director
 Telefonica Moviles, S.A.Chairman of the Board of Directors and of Executive Board
 Telefonica EspañaChairman of the Board of Directors and of Executive Board
 Portugal Telecom.....Director

Vítor Manuel Galvão Rocha Novais Gonçalves

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: Degree in Business Management ISC-HEC- Brussels – 1984.
3. Date of first appointment and end-date of term of office: 2010-2013

4. Office held in other companies belonging to same group as Semapa: No office held in other companies belonging to the same group as Semapa
5. Office held in other companies in which Semapa has a direct or indirect holding: Holds no office in other companies in which Semapa has a direct or indirect holding

6. Office held in other companies:

ZOOM INVESTMENT, SGPS, S.A. Director
 TCARE - Conhecimento e Saúde, S.A. Director
 TRC – Tecnologia, Representação e Comércio, S.A. Director
 MAGALHÃES e GONÇALVES - Consultoria e Gestão, Lda. Manager

7. Other office held in the last five years:

SGC COMUNICAÇÕES, SGPS, S.A. Director
 SGC TELECOM, SGPS, S.A. Member of Executive Board
 AR Telecom, Acessos e Redes de Telecomunicações, S.A. Member of Executive Board

Section III – General and Supervisory Board, Committee for Financial Affairs and Audit Board

- ▶ II.21. IDENTIFICATION OF THE MEMBERS OF THE AUDIT BOARD, DECLARING THAT MEMBERS COMPLY WITH THE INCOMPATIBILITY RULES PROVIDED FOR IN ARTICLE 414-A.1 AND THE INDEPENDENCE CRITERION PROVIDED FOR IN ARTICLE 414.5, BOTH OF THE COMPANIES CODE. THE AUDIT BOARD CONDUCTS A SELF-ASSESSMENT FOR THIS PURPOSE.

The composition of the Audit Board is indicated above; there are three full members and one alternate member.

The self-assessment carried out by the Audit Board for the financial year of 2010 shows that:

All the members of the Audit Board comply with the incompatibility requirements in Article 414-A of the Companies Code.

The assessment of independence in accordance with the criteria established in Article 414.5 of the same Code shows that Dr. Duarte Nuno D'Orey da Cunha no longer complies with subparagraph b) of this article, due to being appointed to the board for the third term running. Nonetheless, at the general meeting holding elections, this member was appointed as member of the Audit Board, and is no longer subject to the recommendation regarding the independence of the chairman of the Audit Board. As the other members remain independent on the terms defined in the article in question, a majority of board members and the Chairman continue to be independent.

- ▶ II.22. PROFESSIONAL QUALIFICATIONS OF THE MEMBERS OF THE AUDIT BOARD, PROFESSIONAL ACTIVITIES OVER THE LAST FIVE YEARS OR MORE, THE NUMBER OF SHARES HELD IN THE COMPANY, DATE OF FIRST APPOINTMENT AND EXPIRY OF TERM OF OFFICE
- ▶ II.23. OFFICE HELD BY MEMBERS OF THE AUDIT BOARD IN OTHER COMPANIES, INDICATING THAT HELD IN OTHER COMPANIES OF THE SAME GROUP

Miguel Camargo de Sousa Eiró

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: Degree in law, University of Lisbon (1971)
3. Date of first appointment and term of office: 2006-2013
4. Office held in other companies belonging to same group as Semapa: No office held in other companies belonging to the same group as Semapa
5. Office held in other companies in which Semapa has a direct or indirect holding::

PORTUCEL – Empresa Produtora de Pasta e Papel, S.AMember of Audit Board

6. Office held in other companies: No office held in other companies.

7. Other professional activities over the last five years:

Legal practice

SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A..... Member of Audit Board

Duarte Nuno D'Orey da Cunha

1. Number of shares held in the company: Holds 2,907 shares in the company
2. Professional qualifications: Degree in finance, ISCEF
3. Date of first appointment and term of office: 2004-2013
4. Office held in other companies belonging to same group as Semapa: No office held in other companies belonging to the same group as Semapa
5. Office held in other companies in which Semapa has a direct or indirect holding:

PORTUCEL – Empresa Produtora de Pasta e Papel, S.A Chairman of Audit Board

6. Office held in other companies:

CIMIPAR – Sociedade Gestora de Participações Sociais, S.A..... Chairman of General Meeting
 VÉRTICE – Gestão de Participações, SGPS, S.A..... Director
 Sociedade Agrícola da Quinta da Vialonga, S.A..... Director
 SONACA, SGPS, S.A..... Chairman of General Meeting

7. Other professional activities over the last five years:

BEIRA-RIO – Sociedade Construtora de Armazéns, S.A Director
 CIMILONGA – Imobiliária, S.A..... Adviser to the Directors
 LONGAVIA – Imobiliária, S.A. Director
 SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A..... Chairman of Audit Board
 SONAGI, SGPS, S.A. Director

Gonçalo Nuno Palha Gaio Picão Caldeira

1. Number of shares held in the company: Holds no shares in the company
2. Professional qualifications: Degree in law, Portuguese Catholic University, Lisbon (1990); Concluded professional traineeship at the Lisbon District Council of the Bar Association (1991); Master of Business Administration (MBA), Universidade Nova de Lisboa (1996); Attended postgraduate course in real estate management and valuation, ISEG (2004)
3. Date of first appointment and term of office: 2006-2013
4. Office held in other companies belonging to same group as Semapa: No office held in other companies belonging to the same group as Semapa
5. Office held in other companies in which Semapa has a direct or indirect holding::

PORTUCEL – Empresa Produtora de Pasta e Papel, S.A Member of Audit Board

6. Office held in other companies:

LOFTMANIA – Gestão Imobiliária, L.da Manager
 LINHA DO HORIZONTE – Investimentos Imobiliários, Lda..... Manager

7. Other professional activities over the last five years: In addition to the positions indicated above, no other office held in the last five years.

- II.24. REFERENCE TO THE FACT THAT THE AUDIT BOARD CONDUCTS AN ANNUAL ASSESSMENT OF THE EXTERNAL AUDITOR AND TO THE POSSIBILITY OF IT PROPOSING TO THE GENERAL MEETING THE AUDITOR'S DISMISSAL WITH DUE CAUSE

As part of its supervisory work and auditing of the company's accounts, the Audit Board assesses the external auditor each year, and the result of this assessment is included in its Report and Opinion on the annual accounts.

Although the powers of the Audit Board do not expressly include the possibility of proposing dismissal of the auditor to the general meeting, it is fully accepted that these powers derive from its general duties and responsibilities – oversight and notification of irregularities detected to the first general meeting held after such discovery. If the irregularities constitute due cause for dismissal, the Audit Board must inevitably submit a proposal to the shareholders to this effect.

Section IV – Remuneration

- II.30. DESCRIPTION OF THE REMUNERATION POLICY FOR MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES AS REFERRED TO IN ARTICLE 2 OF LAW NO. 28/2009, OF 19 JUNE.

We refer in this regard to the statement issued by the Remuneration Committee, included below in part II of this Information on Corporate Governance, which describes in full the remuneration policy for the management and supervisory bodies.

- II.31. INDICATION OF THE ANNUAL REMUNERATION EARNED INDIVIDUALLY BY MEMBERS OF THE COMPANY'S MANAGEMENT AND SUPERVISORY BODIES, INCLUDING FIXED AND VARIABLE REMUNERATION AND, WITH REGARD TO THE LATTER, INDICATION OF THE DIFFERENT COMPONENT PARTS, THE PORTION WHICH IS DEFERRED AND THE PORTION ALREADY PAID.

The following table indicates the remuneration, in Euros, earned in 2010 by the members of the company's management and supervisory bodies. The table breaks down remuneration into fixed and variable components, but not into the component parts of the variable remuneration, or into the portions deferred and already paid. Variable remuneration is stated as a whole because this is how it is set, taking into consideration the factors described in the report from the Remuneration Committee, without specifically identifying components, and the portions deferred/paid are not indicated because no portion is deferred.

	Fixed remuneration	Variable remuneration
BOARD OF DIRECTORS		
António da Nóbrega de Sousa da Câmara	6.535,08	0,00
António Paiva de Andrada Reis (*)	63.785,83	0,00
António Pedro de Carvalho Viana-Baptista (*)	127.347,95	0,00
Carlos Maria Cunha Horta e Costa	376.486,36	0,00
Francisco José Melo e Castro Guedes	61.781,31	39.426,00
Joaquim Martins Ferreira do Amaral	226.772,85	39.425,00
José Alfredo de Almeida Honório	266.153,86	224.582,00
José Miguel Pereira Gens Paredes	269.708,06	237.768,00
Maria Maude Mendonça de Queiroz Pereira Lagos	430.308,43	551.945,00
Paulo Miguel Garcês Ventura	270.469,75	236.739,00
Pedro Mendonça de Queiroz Pereira	430.308,43	553.599,00
Rita Maria Lagos do Amaral Cabral	11.436,39	78.849,00

	Fixed remuneration	Variable remuneration
Vítor Manuel Galvão Rocha Novais Gonçalves (*)	89.589,65	0,00
TOTAL	2.630.683,95	1.962.333,00
AUDIT BOARD		
Duarte Nuno d' Orey da Cunha	15 747,23	0,00
Gonçalo Nuno Palha Gaio Picão Caldeira	14 256,13	0,00
Miguel Camargo de Sousa Eiró	18 467,48	0,00
TOTAL	48.470,84	0,00

(*) The remuneration of these directors relates to the period during which they were in office in 2010.

► **II.32. INFORMATION ON HOW REMUNERATION IS STRUCTURED IN ORDER TO ALIGN THE INTERESTS OF MEMBERS OF THE MANAGEMENT BODY WITH THE LONG TERM INTERESTS OF THE COMPANY, AND ON HOW IT IS BASED ON PERFORMANCE ASSESSMENT AND DISCOURAGES EXCESSIVE RISK-TAKING**

The way in which remuneration is structured and how it is based on the directors' performance follows with sufficient clarity from the report of the Remuneration Committee, specifically from item 1 of chapter VI, to which we refer, and from the references to performance assessment included in item II.33 above.

As regards the discouragement of excessive risk-taking, we should clarify that there is no separate mechanism in place with this specific aim. Risk is an intrinsic characteristic of any act of management and, as such, it unavoidably and continuously considered in all management decisions. A quantitative or qualitative assessment of risk as good or bad cannot be made in isolation, but only in the light of its results in company performance over time. Nonetheless, the factors considered by the Remuneration Committee also include any excessive risk-taking.

► **II.33. IN RELATION TO THE REMUNERATION OF EXECUTIVE DIRECTORS:**

a) **REFERENCE TO THE FACT THAT THE REMUNERATION OF EXECUTIVE DIRECTORS INCLUDES A VARIABLE COMPONENT AND INFORMATION ON HOW THIS COMPONENT DEPENDS ON A PERFORMANCE ASSESSMENT**

The remuneration of executive directors effectively includes a variable component which depends on a performance assessment, as described in the Remuneration Policy Statement, in particular in item 2 of chapter VI.

b) **INDICATION OF THE COMPANY BODIES EMPOWERED TO ASSESS THE PERFORMANCE OF EXECUTIVE DIRECTORS;**

The body empowered to conduct the performance assessment of executive directors is the Remuneration Committee, which uses for this purpose the information at its disposal and other information and documents requested from the Chairman of the Directors, as the main person responsible for the team, and from non-executive directors and members of the Audit Board who are best placed to observe the performance of the executive members of the Board of Directors and have direct access to these members.

However, in view of the actual nature of the situation, this is not a technical/functional assessment in which the assessor is responsible for setting objectives, monitoring progress and discussing performance with the person assessed. Instead, this is a general assessment of performance on the basis of the information and documents referred to.

c) INDICATION OF THE PRE-SET CRITERIA FOR ASSESSING THE PERFORMANCE OF EXECUTIVE DIRECTORS;

There are no pre-set criteria for assessing the performance of executive directors, notwithstanding the criteria defined in item 2 of chapter VI of the Remuneration Policy Statement for setting the variable remuneration component.

As a basic tool for setting variable remuneration, the members of the Remuneration Committee work with a system of KPIs which have evolved and are not publicly disclosed, although remuneration has not been set merely by appraising and applying these quantitative elements.

d) SPECIFICATION OF THE PROPORTION OF DIRECTORS' PAY REPRESENTED BY VARIABLE AND FIXED COMPONENTS, AND INDICATION OF UPPER LIMITS FOR BOTH COMPONENTS;

As stated above, there are no upper limits on remuneration, notwithstanding the limit set by the articles of association on directors' profit sharing.

The relative weight of the fixed and variable components of remuneration has fluctuated, as is inevitable given the variable nature of one of these components. The following table provides a comparison of fixed and variable remuneration earned by executive directors over the last three years:

Year	Fixed	Variable	Total
2010	56%	44%	100%
2009	50%	50%	100%
2008	44%	56%	100%

e) INFORMATION ON DEFERRED PAYMENT OF THE VARIABLE COMPONENT OF REMUNERATION, INDICATING THE DEFERRAL PERIOD.

As also explained above, payment of the variable component of remuneration is not deferred.

f) DETAILS OF HOW PAYMENT OF VARIABLE REMUNERATION IS SUBJECT TO THE COMPANY'S CONTINUED POSITIVE PERFORMANCE OVER THE DEFERRAL PERIOD;

As follows from the previous item, Semapa operates no such mechanism.

g) SUFFICIENT INFORMATION ON THE CRITERIA APPLIED IN ALLOCATING VARIABLE REMUNERATION IN SHARES AND ON THE CONTINUED HOLDING BY EXECUTIVE DIRECTORS OF THE SHARES IN THE COMPANY ACQUIRED IN THIS MANNER, ON ANY CONTRACTS CONCLUDED WITH REGARD TO THESE SHARES, SPECIFICALLY HEDGING OR TRANSFERRING RISK, THE RESPECTIVE LIMITS AND THE RESPECTIVE PROPORTION REPRESENTED OF TOTAL ANNUAL REMUNERATION;

This information is also not applicable in the case of Semapa as the variable remuneration includes no component paid in shares.

- h) SUFFICIENT INFORMATION ON THE CRITERIA APPLIED IN ALLOCATING VARIABLE REMUNERATION IN OPTIONS AND INDICATION OF THE DEFERRAL PERIOD AND THE PRICE FOR EXERCISING OPTIONS;

The information is also not applicable in this case as Semapa has no scheme for allocating options.

- i) IDENTIFICATION OF THE MAIN PARAMETERS AND GROUNDS FOR ANY ANNUAL BONUS SYSTEM AND ANY OTHER NON-CASH BENEFITS;

The criteria for setting annual bonuses are those relating to the variable remuneration as described in item 2 of chapter VI of the Remuneration Policy Statement, and no other non-cash benefits are allocated.

- j) REMUNERATION PAID IN THE FORM OF PROFIT SHARING AND/OR PAYMENT OF BONUSES, AND THE GROUNDS ON WHICH THESE BONUSES AND/OR PROFIT SHARING WERE GRANTED;

The value of the remuneration paid in the form of profit-sharing and/or payment of bonuses corresponds to the variable remuneration indicated in item II.31 of this report, which amounts were set on the basis of application by the Remuneration Committee (as explained more fully in its report) of the criteria described in item 2 of chapter VI of the Remuneration Policy Statement.

- l) COMPENSATION PAID OR OWING TO FORMER EXECUTIVE DIRECTORS IN RELATION TO TERMINATION OF THEIR DIRECTORSHIPS DURING THE PERIOD;

No compensation was paid or is owing to former directors in respect of termination of their directorships in 2010.

- m) REFERENCE TO CONTRACTUAL LIMITS ON SEVERANCE PAY FOR DIRECTOR, AND THE RESPECTIVE RELATIONSHIP WITH THE VARIABLE REMUNERATION COMPONENT.

Semapa has not contract with directors limiting or otherwise altering the supplementary legal rules on fair or unfair termination.

- n) SUMS PAID ON ANY GROUNDS BY CONTROLLED OR CONTROLLING COMPANIES OR COMPANIES BELONGING TO THE SAME GROUP;

In the financial year of 2010, the directors of Semapa earned no remuneration from companies belonging to the same group. The remuneration earned in the same period by these directors from controlled or controlling companies stood at 5,355,454.01 Euros in aggregate.

o) DESCRIPTION OF THE MAIN FEATURES OF COMPLEMENTARY OR EARLY RETIREMENT SCHEMES FOR DIRECTORS, INDICATING WHETHER THEY HAVE BEEN ASSESSED BY THE GENERAL MEETING;

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 incapable 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.

In compliance with Article 3 d) of Regulation 1/2010 of the Securities Market Commission, we are pleased to clarify that, during the period in question, no directors took retirement and the eight-year period on which pension entitlement depends was not completed in respect of any director. Nonetheless, a change was made to the value of the provision, due to variations in the other factors determining the overall value of pensions and the advancing age of the potential beneficiaries, and also to reflect the inclusion of persons who will soon meet the minimum service requirement. The provision was accordingly increased by 9,331,007 euros, as detailed in the respective notes to the financial statements.

p) ESTIMATED VALUE OF RELEVANT NON-CASH BENEFITS CONSIDERED AS REMUNERATION AND NOT INCLUDED IN THE FOREGOING.

There are no other relevant non-cash benefits considered as remuneration and not included in the above items.

q) ARRANGEMENTS WHICH PREVENT EXECUTIVE DIRECTORS FROM ENTERING INTO CONTRACTS WHICH UNDERMINE THE RATIONALE OF VARIABLE REMUNERATION.

As explained above, the company has no policy for preventing or discouraging executive directors from entering into contracts of this type, and cannot fully understand the underlying concerns. Whilst insurance contracts, agreements to donate bonuses or other contracts might mean that the personal wealth of a director receiving a bonus is less affected by the company's performance, we fail to grasp how a contract concluded with a third party might undermine the rationale of variable remuneration.

► II.34. REFERENCE TO THE FACT THAT THE REMUNERATION OF NON-EXECUTIVE MEMBERS OF THE MANAGEMENT BODY DOES NOT INCLUDE VARIABLE COMPONENTS

There is no impediment in the company to variable remuneration being assigned to non-executive directors where justified, as follows from the 2nd option described in chapter VII of the Remuneration Policy Statement.

► II.35. INFORMATION ON THE POLICY ADOPTED IN THE COMPANY ON WHISTLEBLOWING (REPORTING CHANNELS, PERSONS ENTITLED TO RECEIVE REPORTS, REQUIRED TREATMENT OF SUCH REPORTS AND INDICATION OF PERSONS AND BODIES WITH ACCESS TO THE INFORMATION AND THEIR RESPECTIVE INVOLVEMENT IN THE PROCEDURE)

The company 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 “Regulations on Notification of Irregularities” is reserved.

The Company also 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.

Section V – Specialist Committees

► II.36. IDENTIFICATION OF THE MEMBERS OF THE COMMITTEES SET UP TO ASSESS THE INDIVIDUAL AND COLLECTIVE PERFORMANCE OF EXECUTIVE DIRECTORS, TO REFLECT ON THE GOVERNANCE

SYSTEM ADOPTED BY THE COMPANY AND TO IDENTIFY POTENTIAL CANDIDATES WITH THE RIGHT PROFILE FOR DIRECTORSHIPS

The performance of executive directors is assessed by the Remuneration Committee as described in item II.33 b) and as detailed in recommendation II.5.1.

The Remuneration Committee has the following members:

Dr. José Gonçalo Maury
Eng. Frederico José da Cunha Mendonça e Meneses.
(vacant)

The CGSC has specific responsibility for assessing the governance system adopted; this committee's membership and mission is detailed above in item II.3.6 of this report.

No committee has responsibility for identifying candidates, as explained in connection with recommendations II.1.3.2 and II.5.1 and item II.16 of this Report.

- II.37. NUMBER OF MEETINGS OF COMMITTEES WITH MANAGEMENT AND SUPERVISORY RESPONSIBILITIES DURING THE PERIOD IN QUESTION, WITH REFERENCE TO THE TAKING OF MINUTES OF THESE MEETINGS.

During the financial year of 2010, the Internal Control Committee met 3 times and the Corporate Governance Supervisory Committee met 4 times, with minutes being taken of all meetings held.

- II.38. REFERENCE TO THE FACT THAT ONE MEMBER OF THE REMUNERATION COMMITTEE HAS KNOWLEDGE AND EXPERIENCE IN THE FIELD OF REMUNERATION POLICY

One of the members of the Remuneration Committee, Dr. José Maury, as stated above, has vast knowledge and experience in the field of remuneration.

- II.39. REFERENCE TO THE INDEPENDENCE IN RELATION TO THE BOARD OF DIRECTORS OF INDIVIDUALS OR ENTITIES CONTRACTED TO SIT ON THE REMUNERATION COMMITTEE BY EMPLOYMENT OR SERVICE CONTRACT AND, WHEN APPLICABLE TO THE FACT THAT SUCH PERSONS HAVE CURRENT RELATIONSHIPS WITH THE COMPANY'S CONSULTANTS

As stated above in connection with recommendation II.5.3, the Remuneration Committee has never contracted any person or body to assist it. The actual members of this committee are independent, on the terms detailed above in connection with recommendation II.5.2.

Chapter III

Information and Auditing

- III.1. CAPITAL STRUCTURE, INCLUDING INDICATION OF SHARES NOT ADMITTED FOR TRADING, DIFFERENT CATEGORIES OF SHARES, RIGHTS AND DUTIES ATTACHED TO THE SAME, AND THE PERCENTAGE OF THE CAPITAL REPRESENTED BY ANY SUCH CATEGORY

Semapa's share capital comprises solely ordinary shares, with a nominal value of one euro each, with no differences in the rights and duties pertaining to each share.

The share capital is represented by 118,332,445 shares, corresponding to share capital of the same amount in euros; all shares are admitted for trading.

- III.2. QUALIFYING HOLDINGS IN THE ISSUER'S SHARE CAPITAL, CALCULATED IN ACCORDANCE WITH ARTICLE 20 OF THE SECURITIES CODE.

	Entity	No. shares	% capital and voting rights	% non-suspended voting rights
A -	Cimigest, SGPS, SA	1.097.966	0,93%	0,97%
	Cimo - Gestão de Participações, SGPS, S.A.	14.106.675	11,92%	12,50%
	Longapar, SGPS, S.A.	20.869.300	17,64 %	18,49 %
	Sonaca, SGPS, S.A.	1.630.590	1,38%	1,44%
	OEM - Organização de Empresas, SGPS, S.A.	535.000	0,45 %	0,47 %
	Sociedade Agrícola da Quinta da Vialonga, S.A.	625.199	0,53%	0,55%
	Directors of Soc. Agrícola da Q.ta da Vialonga:			
	Duarte Nuno d'Orey da Cunha	2.907	0,00%	0,00%
	Maude da Conceição Santos M. de Queiroz Pereira	145.685	0,12%	0,13%
	Sodim, SGPS, S.A.	18.842.424	15,92%	16,69%
	Sub-total:	57.855.746	48,89%	51,25 %
B -	Banco BPI, S.A.	-	-	-
	Banco Português de Investimento, S.A. – own portfolio	3.294	0,00%	0,00%
	BPI Vida - Companhia de Seguros de Vida, S.A.	405.804	0,34%	0,36%
	Pension funds managed by BPI Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	10.362.388	8,76%	9,18%
	Investment funds managed by BPI Fundos – Gestão de Fundos de Investimento Mobiliário, S.A.	1.237.518	1,05%	1,10%
	Sub-total:	12.009.004	10,15%	10,64%
C -	Banco Espírito Santo, S.A.	-	-	-
	BES Pension Fund	3.871.957	3,27 %	3,43%
	Sub-total:	3.871.957	3,27 %	3,43%
D -	Bestinver Gestión, SA, SGIIC	-	-	-

Entity	No. shares	% capital and voting rights	% non-suspended voting rights
Bestinver Bolsa, F.I.	3.892.368	3,29%	3,45%
Bestinfond, F.I.	2.384.394	2,01%	2,11%
Bestinver Mixto, F.I.	696.737	0,59%	0,62%
Soixa SICAV	453.626	0,38%	0,40%
Bestinver Bestvalue SICAV	414.359	0,35%	0,37%
Bestinver Global, FP	407.007	0,34%	0,36%
Bestinver Ahorro, F.P.	343.616	0,29%	0,30%
Texrenta Inversiones SICAV	127.855	0,11%	0,11%
Loupri Inversiones	34.058	0,03%	0,03%
Divalsa de Inversiones SICAV, SA	22.064	0,02%	0,02%
Acciones, Cup. y Obli. Segovianas	16.740	0,01%	0,01%
Linker Inversiones, SICAV, SA	12.442	0,01%	0,01%
Bestinver Empleo FP	12.059	0,01%	0,01%
Jorick Investment	5.897	0,00%	0,01%
Sub-total:	8.823.222	7,46%	7,82%
E -			
Norges Bank (the Central Bank of Norway)	2.468.712	2,09%	2,19%
Sub-total:	2.468.712	2,09%	2,19%

Semapa holds 2,720,000 own shares, and the company Seminv - Inverimentos, SGPS, S.A., wholly controlled by Semapa, holds 2,727,975 shares in Semapa, meaning that there are 5,447,975 shares, corresponding to 4.6% of the capital, subject to the rules on treasury stock.

► III.3. IDENTIFICATION OF SHAREHOLDERS WITH SPECIAL RIGHTS, AND DESCRIPTION OF SUCH RIGHTS.

No shareholders or categories of shareholders in Semapa have special rights.

► III.4. ANY RESTRICTIONS ON THE TRANSFERABILITY OF SHARES, SUCH AS CONSENT CLAUSES FOR DISPOSAL, OR LIMITATIONS ON OWNERSHIP OF SHARES

Semapa has no restrictions of any kind on the transferability or ownership of its shares.

► III.5. SHAREHOLDERS' AGREEMENTS KNOWN TO THE COMPANY OR WHICH MIGHT LEAD TO RESTRICTIONS ON THE TRANSFER OF SECURITIES OR VOTING RIGHTS

The company is unaware of any shareholders' agreement on shares in its capital, notwithstanding the open coordination of voting rights by Cimigest, SGPS, S.A. and other entities, on terms which follow from the list of qualifying holdings.

► III.6. RULES APPLICABLE TO AMENDMENT OF THE ARTICLES OF ASSOCIATION

Semapa has no special rules on the amendment of its articles of association. The general rules deriving from the Companies Code therefore apply to these issues.

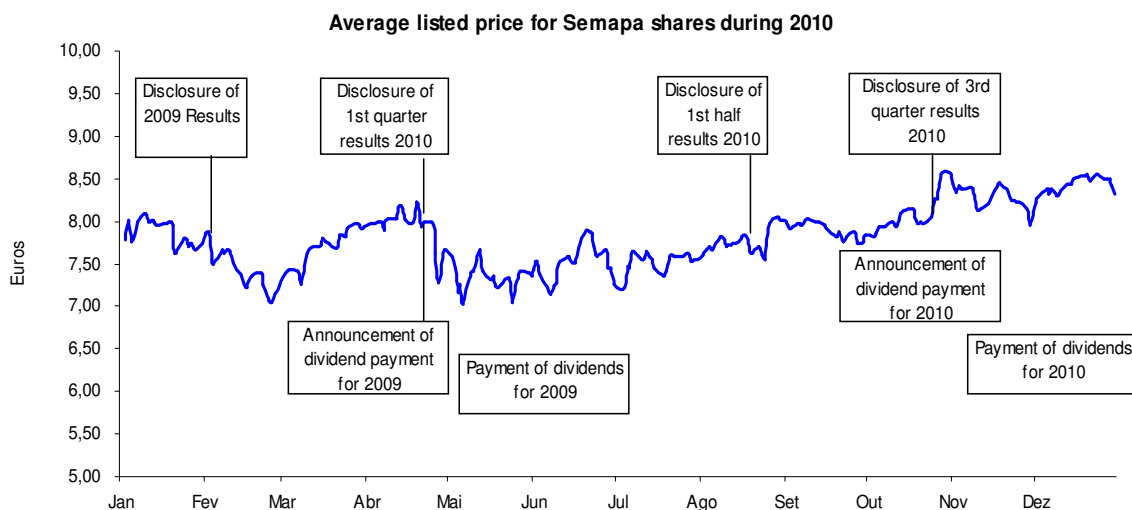
► III.7. CONTROL MECHANISMS IN AN EMPLOYEE OWNERSHIP SCHEME INsofar AS VOTING RIGHTS ARE NOT DIRECTLY EXERCISED BY EMPLOYEES

There is no employee ownership scheme in Semapa.

► III.8. DESCRIPTION OF EVOLUTION IN THE ISSUER'S SHARE PRICE.

The Portuguese share index PSI 20 lost 10.3% over the year, falling less steeply than Spanish index, IBEX 35, which dropped 17.4% over 2010, but still worse than the Euro Stoxx 50 index, which was down by 5.6%.

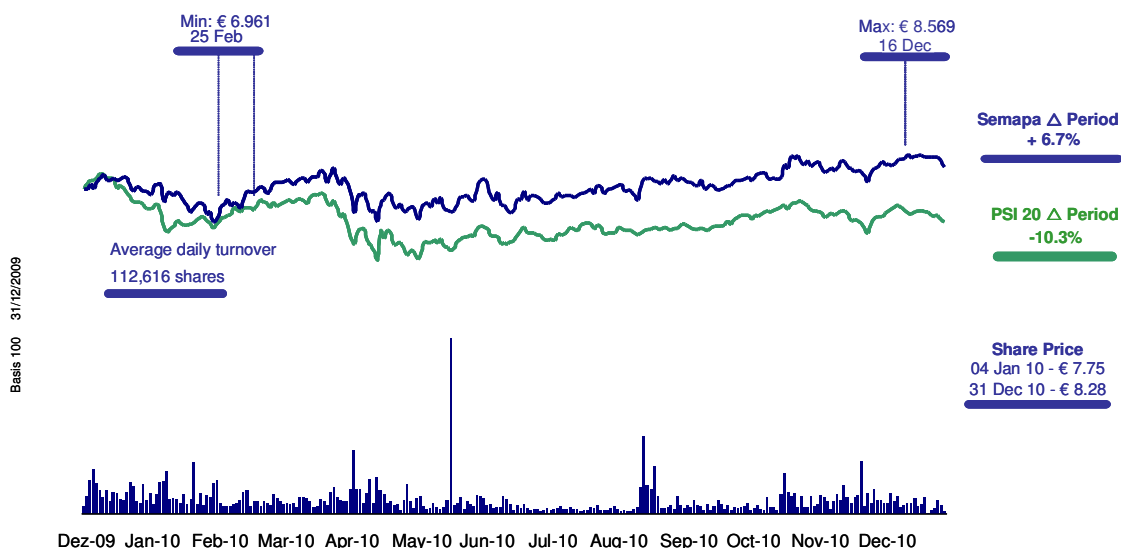
The following graph shows average listed prices over the period, together with the main disclosures made to the market:



In the period immediately following publication of the results for 2009, on 5 February 2009, no significant change was observed in the share price.

The payment of dividends for the previous year also had no relevant impact on formation of the share price. With regard to the payment of dividends which took place on 10 December by way of an advance on the 2010 profits, the listed price moved upwards practically through to the end of the year.

In contrast with the PSI 20, Semapa shares rose by 6.7% over the year, making them the 5th best performer on Euronext Lisbon in 2010.



Note: closing prices

The listed price for Semapa shares ranged between a minimum of 6.961 euros and a maximum of 8.569 euros. Average daily trading over the period stood at 112.616 shares.

► III.9. DESCRIPTION OF THE DIVIDEND DISTRIBUTION POLICY ADOPTED BY THE COMPANY, INCLUDING THE DIVIDEND PER SHARE DISTRIBUTED DURING THE LAST THREE PERIODS

The Company has followed a dividend policy of distributing a large amount without resorting to additional 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 2004, at 7.1%.

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

2008 (in relation to 2007) 0.255€ per share
 2009 (in relation to 2008) 0.255€ per share
 2010 (in relation to 2009) 0.255€ per share
 2010 (in relation to 2010*) 0.255€ per share

* paid on 10 December as an advance on 2010 profits

► III.10. A DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE SHARE AND SHARE OPTION PLANS ADOPTED OR VALID FOR THE FINANCIAL YEAR IN QUESTION, THE REASON FOR ADOPTING SAID SCHEME AND DETAILS OF THE CATEGORY AND NUMBER OF PERSONS INCLUDED IN THE SCHEME, SHARE-ASSIGNMENT CONDITIONS, NON-TRANSFER OF SHARE CLAUSES, CRITERIA ON SHARE-PRICING AND THE EXERCISING OPTION PRICE, THE PERIOD DURING WHICH THE OPTIONS MAY BE EXERCISED, THE CHARACTERISTICS OF THE SHARES TO BE DISTRIBUTED, THE EXISTENCE OF

INCENTIVES TO PURCHASE AND/OR EXERCISE OPTIONS, AND THE RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR EXECUTING AND/OR CHANGING THE PLAN

As stated above, the company has no share or share option plans.

- ▶ III.11. DESCRIPTION OF THE MAIN TRANSACTIONS AND OPERATIONS CARRIED OUT BETWEEN THE COMPANY AND THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODY, THE OWNERS OF QUALIFYING HOLDINGS OR CONTROLLED, CONTROLLING OR GROUP COMPANIES, WHEN ECONOMICALLY SIGNIFICANT FOR ANY OF THE PARTIES INVOLVED, EXCEPT FOR THOSE TRANSACTIONS OR OPERATIONS THAT ARE CARRIED OUT ON AN ARMS-LENGTH BASIS AND FORM PART OF THE COMPANY'S NORMAL BUSINESS

There are no transactions to record.

- ▶ III.12. OUTLINE ESSENTIAL DETAILS OF TRANSACTIONS AND OPERATIONS CARRIED OUT BETWEEN THE COMPANY AND HOLDERS OF QUALIFYING HOLDINGS OR ANY RELATED ENTITIES, UNDER ARTICLE 20 OF THE SECURITIES CODE, NOT ON AN ARM'S LENGTH BASIS

There are no transactions to record.

- ▶ III.13. DESCRIPTION OF THE PROCEDURES AND CRITERIA APPLICABLE TO INTERVENTION BY THE SUPERVISORY BODY FOR THE PURPOSES OF PRIOR ASSESSMENT OF TRANSACTIONS TO BE CARRIED OUT BETWEEN THE COMPANY AND HOLDERS OF QUALIFYING HOLDINGS OR RELATED ENTITIES, UNDER ARTICLE 20 OF THE SECURITIES CODE.

No such procedures have been instituted.

- ▶ III.14. DESCRIPTION OF STATISTICAL DATA (NUMBER, AVERAGE AND MAXIMUM VALUES) RELATING TO TRANSACTIONS SUBJECT TO PRIOR INTERVENTION BY THE SUPERVISORY BODY.

There are no transactions to record.

- ▶ III.15. INDICATION THAT THE ANNUAL REPORTS ISSUED BY THE GENERAL AND SUPERVISORY BOARD, BY THE COMMITTEE FOR FINANCIAL AFFAIRS, BY THE AUDIT COMMITTEE AND BY THE AUDIT BOARD ARE MADE AVAILABLE ON THE COMPANY'S WEBSITE IN CONJUNCTION WITH THE FINANCIAL STATEMENTS, INCLUDING INDICATION OF ANY CONSTRAINTS ENCOUNTERED

The Audit Board's report, covering its activities over the period in question, is published on the company's website in conjunction with the other reports and financial statements.

- ▶ III.16. REFERENCE TO THE EXISTENCE OF AN INVESTOR SUPPORT OFFICE OR OTHER SIMILAR SERVICE.

The investor support service is provided from an office headed by the director, 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.

Dr. José Miguel Gens Paredes can be contacted at the email address imparedes@semapa.pt or on the company's general telephone numbers. All public information on the company can be accessed by these means. It should be noted, in any case, that the information most frequently requested by investors is available at the company's website at www.semapa.pt.

► III.17. INDICATION OF ANNUAL REMUNERATION PAID TO THE AUDITOR OR OTHER INDIVIDUALS OR ENTITIES BELONGING TO THE SAME NETWORK AND BORNE BY THE COMPANY AND/OR BY CONTROLLED, CONTROLLING OR GROUP ENTITIES AND DETAILS OF THE PERCENTAGE RELATING TO SUCH SERVICES

The following costs were incurred in relation to auditors in 2010 by the company and other related companies:

Account audit services	653.468,00 €	63,94%
Fiscal consultancy services	227.116,00 €	22,22%
Other reliability assurance services	141.497,00 €	13,84%
Services other than legal auditing	- €	- %
Sub-total:	1.022.081,00 €	100%

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.

► III.18. REFERENCE TO THE PERIOD FOR ROTATING THE EXTERNAL AUDITOR.

The company does not require rotation of its external auditor, but if it is decided to retain the auditor for more than two terms of office, the Audit Board is required to issue a report recommending such continuation. This was the course adopted at the last elections, when the audit firm was retained, but not the person in charge of the audit team.

II. REMUNERATION POLICY STATEMENT

Law 28/2009, of 19 June, requires the Remuneration Committee to submit each year for the approval of the general meeting of shareholders a statement on the remuneration policy for members of the management supervisory bodies. A draft document was accordingly submitted to shareholders in 2010, resulting in approval of a remuneration policy statement as transcribed below:

“REMUNERATION POLICY STATEMENT - SEMAPA DIRECTORS AND AUDITORS

I. Introduction

Semapa's Remuneration Committee drew up a remuneration policy statement for the first time in early 2007, successfully submitting it for approval by the company's general meeting that year. This statement was drafted in line with a recommendation issued on this matter by the Securities Market Commission (*Comissão de Mercado de Valores Mobiliários*).

The Remunerations Committee declared at this time that it felt that the options set out in the statement should be maintained until the end of the term of office of the company's officers then underway. This term ran from 2006 to 2009.

The policy statement was in any case due for review, and the entry into force of Law 28/2009, of 19 June, requiring remuneration committees to submit a remuneration policy statement annually to the general meeting, further underlines this need.

The new legal requirements go further than the previous recommendations of the Securities Market Commission, stipulating specific information to be included in the statement.

As we said in our previous statement, there is a significant divide between the two most common systems for setting the remuneration of company officers. The first is for such remuneration to be set by the general meeting; this solution is rarely adopted, being rather impractical for a variety of reasons. The second is for remuneration to be set by a Remuneration Committee, which decides in keeping with criteria on which the shareholders have had not always had the opportunity to pronounce.

The solution now before us amounts to an intermediate system whereby the shareholders can appraise a remuneration policy to be followed by the Committee. This seeks to draw on the best features of both theoretical systems, as we propose to do in this document, reasserting the position we have previously defended whilst also including the contribution from the additional experience and expertise acquired by the company, and complying with the new legal requirements in this field.

II. Legal requirements and recommendations

This statement is issued in the legal framework formed by Law 28/2009, of 19 June (as referred to above), and the recommendations of the Securities Market Commission for 2010.

In addition to requiring annual statements, approved by the general meeting and duly disclosed, the new law requires the statement on remuneration policy to include information on:

- a) *Procedures to permit directors' interests to be aligned with those of the company;*
- b) *The criteria for setting the variable component of remuneration;*
- c) *The existence of share bonus and share option plans for directors and auditors;*
- d) *The possibility of the variable remuneration component, if any, being paid, in full or in part, after the accounts for the periods corresponding to the entire term of office having been drawn up;*
- e) *Procedures for capping variable remuneration, in the event of the results showing a significant deterioration in the company's performance in the last period for which accounts have been reported or when such a deterioration may be expected in the period underway.*

The recommendations from the Securities Market Commission currently in force state that:

II.1.5.2. A statement on the remuneration policy of the Board of Directors and Supervisory Board referred to in Article 2 of Law No. 28/2009 of 19 June, shall contain, in addition to the content therein stated, adequate information on: i) which groups of companies the remuneration policy and practices of which were taken as a baseline for setting the remuneration ii) the payments for the dismissal or termination by agreement of the Directors' duties.

II.1.5.3. The remuneration policy statement referred to in Article 2 of Law No. 28/2009 shall also include the managers' remunerations which contain an important variable component, within the meaning of Article 248-B/3 of the Securities Code. The statement shall be detailed and the policy presented shall particularly take the long-term performance of the company, compliance with the rules applicable to its business and restraint in taking risks into account.

III. Legal requirements and the Articles of Association

Any system for setting remuneration will inevitably have to consider the legal rules, as well as any private rules which may be established in the articles of association.

The legal rules for the board of directors are essentially established in Article 399 of the Companies Code, and may in practice be summarised as follows:

- Remuneration is to be set by the general meeting of shareholders or by a committee appointed at such meeting.
- The remuneration fixed shall take into account the duties performed and the state of the company's affairs.

- The remuneration may be fixed or else consist in part of a percentage of the profits of the period, but the maximum percentage for distribution to directors must be authorized by a clause in the articles of association, and shall not apply to the amounts allocated to reserves or to any portion of the profits not legally available for distribution to the shareholders.

For the members of the Audit Board and the officers of the General Meeting, the law lays down that the remuneration shall consist of a fixed sum, which shall be determined in the same way by the general meeting of shareholders or by a committee appointed by the same, taking into account the duties performed and the state of the company's affairs.

Semapa's articles of association contain a specific clause, number seventeen, dealing only with the directors and governing also retirement provision. We transcribe the relevant passages:

"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 to be observed in defining remuneration policy.

IV. 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.

This is the procedure which has stayed in place through to the present, although since 2007 this has taken place within the terms of a remuneration policy statement approved by the company's General Meeting.

It should be noted that the allocation of a percentage of profits is not applied directly, but rather as an indicator, and also as a limit, in line with the articles of association, on amounts which are determined in a more involved process, taking into account the factors set out in the remuneration policy statement in force.

The percentage for the directors' variable remuneration has ranged between a maximum of 5% and a minimum of 2.23% of the net profits. In recent years, the percentage has been lower than initially, due essentially to the consideration given to other earnings received by the same directors in companies controlled by Semapa.

There has therefore been a constant procedure since 2003, with the directors' remuneration comprising a fixed component and a variable component.

Since the incorporation of the company, the members of the audit board have received fixed monthly remuneration. Since the officers of the general meeting started to receive remuneration, this has been set in accordance with the number of meetings actually held.

V. General Principles

The general principles to be observed when setting the remuneration of the company officers are essentially those which in very general terms derive from the law: on the one hand, the duties performed and on the other the state of the company's affairs. If we add to these the general market terms for similar situations, we find that these appear to be the three main general principles:

a) Duties performed.

It is necessary to consider the duties performed by each company officer not only in the formal sense, but also in the broader sense of the work carried out and the associated responsibilities. Not all the executive directors are in the same position, and the same is also true, for example, of the members of the audit board. Duties have to be assessed in the broadest sense, taking into account criteria as varied as, for example, responsibility, time dedicated, or the added value to the company resulting from a given type of intervention or representation of a given institution.

The fact that time is spent by the officer on duties in other controlled companies also cannot be taken out of the equation, due, on the one hand, to the added responsibility this represents, and, on the other hand, to the existence of another source of income.

It should be noted that Semapa's experience has shown that the directors of this company, contrary to what is often observed in other companies of the same time, cannot be neatly split into executive and non-executive. There are a number of directors with delegated powers and who are generally referred to as executive directors, but some of directors without delegated powers are closely involved in the life of the company in a variety of ways, sometimes on a daily basis. These are essential aspects which must inevitably be considered when setting remuneration.

b) The state of the company's affairs.

This criterion must also be understood and interpreted with care. The size of the company and the inevitable complexity of the associated management responsibilities, is clearly one of the relevant aspects of the state of affairs, understood in the broadest sense. There are implications here for the need to remunerate a responsibility which is greater in larger companies with complex business models and for the capacity to remunerate management duties appropriately.

d) Market criteria.

It is unavoidably necessary to match supply to demand when setting any level of pay, and the officers of a corporation are no exception. Only respect for market practices makes it possible to keep professionals of a calibre required for the complexity of the duties performed and the responsibilities shouldered, thereby assuring not only their own interests but essentially those of the company, and the generation of value of all its shareholders. In the case of Semapa, in view of its characteristics and size, the market criteria to be considered are those prevailing internationally, as well as those to be observed in Portugal.

VI. Compliance with legal requirements and recommendations

Having described the historical background and the general principles adopted, we shall now consider the issue of compliance by these principles with the relevant legal requirements.

1. Article 2 a) of Law 28/2009. Alignment of interests.

The first requirement that Law 28/2009 regards as essential in terms of the information in this statement is for a description of the procedures which assure that the directors' interests are aligned with those of the company.

We believe that the remuneration system adopted in Semapa is successful in assuring such alignment. Firstly, because the remuneration sets out to be fair and equitable in the light of the principles set out, and secondly because it links the directors to results by means of a variable remuneration component which is set primarily in the light of these results.

2. Article 2 b) of Law 28/2009. Criteria for the variable component.

The second requirement established by the law is for information on the criteria used to determine the variable component.

The company's results are the most important factor in setting the variable remuneration: not the results seen as an absolute value, but as viewed from a critical perspective in the light of what may be expected of a company of this size and characteristics, and in view of the actual market conditions. The importance of the results in setting the variable component derives from the actual articles of association, which expressly provide for the possibility of "profit sharing" and limit this to a percentage of profits.

In setting the variable component, other factors are also considered, resulting in the main from the general principles - market, specific duties, the state of the company's affairs. These factors are often more individual, relating to the specific position and performance of each director.

Another important factor which is taken into overall account when setting the variable component is Semapa's option not to provide any share or option plans..

3. Article 2 c) of Law 28/2009. Share or option plans.

The decision whether or not to provide share or option plans is structural in nature. The existence of such a plan is not a simple add-on to an existing remuneration system, but rather an underlying to change to the existing system, at least in terms of the variable remuneration.

Although a remuneration system of this type is not incompatible with the company's articles of association, we feel that the wording of the relevant provisions in the articles and the historical background to the existing system argue in favour of maintaining a remuneration system without any share or option component.

This is not to say that we see no merits in including a share or option component in directors' remuneration, nor that we would not be receptive to restructuring directors' remuneration to incorporate such a plan. However, such a component is not essential in order to promote the principles we defend and, as we have said, we do not believe that this was the fundamental intention of the company's shareholders.

4. Article 2 d) of Law 28/2009. Date of payment of variable remuneration.

Specialists in this field have drawn attention to significant advantages in deferring payment of the variable component of remuneration to a date when the entire period corresponding to the term of office can in some way be appraised.

We accept this principle as theoretically sound, but it appears to us to offer few advantages in the specific case of Semapa and other similar companies.

One of the main arguments supporting this system is that directors should be committed to achieving sustainable medium-term results, and that the remuneration system should support this, avoiding a situation where remuneration is pegged simply to one financial year, which may not be representative, and which may present higher profits at the cost of worse results in subsequent years.

However, whilst this danger is real and is worth safeguarding against by means of systems such as this in companies where the capital is completely dispersed and the directors may be tempted to take a short term view, maximizing quick results by sacrificing long term potential, this does not correspond to the situation in a company such as Semapa, with a stable shareholder structure and management, where these concerns are inherently less of an issue.

5. Article 2 e) of Law 28/2009. Procedures for capping variable remuneration.

Procedures of this kind are designed to limit variable remuneration in the event of the results showing a significant deterioration in the company's performance in the last reporting period or when such a deterioration may be expected in the period underway.

This type of provision also reflects a concern that good performance in the short term, which may boost directors' remuneration, could be achieved at the cost of future performance.

For obvious reasons, the arguments presented above also apply here. It should also be noted that a system of this kind would have little practical effect if not combined with significant deferral of remuneration, which is not proposed for Semapa.

6. First part of Recommendation II.1.5.2.. Comparative information.

In relation to groups of companies whose remuneration policies and practices have been taken as the baseline for setting remuneration, this Committee took into consideration, to the extent of the information accessible, all Portuguese companies of equivalent size, namely PSI-20 companies, and also companies in international markets with characteristics similar to those of Semapa.

7. Second part of Recommendation II.1.5.2.. Termination agreements.

There are no agreements, and no such provisions have been defined by this Committee, on payments by Semapa relating to dismissal or termination by agreement of Directors' duties.

This fact is the natural result of the particular situations existing in the company, and not a position of principle taken by this Committee against the existence of agreements of this nature.

8. Recommendation II.1.5.3. Inclusion of managers in this statement

The Remuneration Committee has no proposal or statement to make on this issue, as it is the express understanding of the Board of Directors that it has sole powers over this matter and that it is not in the company's interest to comply with this recommendation.

VII. Specific Options

The specific options for the remuneration policy we propose are as follows:

1. The remuneration of executive directors shall comprise a fixed component and a variable component.
2. The remuneration of non-executive directors shall comprise only a fixed component, or else a fixed component and a variable component, as for executive directors, whenever justified by the nature of the duties actually exercised and their degree of responsibility and involvement in the day to day running of the company.
3. The remuneration of the members of the Audit Board and the officers of the General Meeting shall comprise a fixed component only.
4. The fixed component of the remuneration of directors shall consist of a monthly amount payable fourteen times a year or of a pre-set amount for each meeting of the Board of Directors attended.
5. A monthly rate shall be set for the fixed component of the remuneration of directors for all those who are members of the Executive Board and those who, although not

members of such Board, perform duties or carry out specific work of a repeated or ongoing nature.

6. The pre-set amount for participation in meetings of the Board of Directors shall be fixed for those who have duties which are essentially advisory and supervisory.
7. The fixed remuneration of the members of the Audit Board shall consist in all cases of a pre-set amount paid fourteen times a year.
8. The fixed remuneration of the officers of the General Meeting shall consist in all cases of a pre-set amount for each meeting, the remuneration for second and subsequent meetings being lower than that for the first general meeting of the year.
9. The procedure for assigning variable remuneration to the executive members of the Board of Directors shall comply with the criteria proposed by the Remuneration Committee, and the total such remuneration shall not exceed five per cent of the consolidated net profits (IFRS format).
10. In setting all remuneration, including in particular the distribution of the total amount allocated to the variable remuneration of the Board of Directors, the general principles established above shall be observed: the duties performed, the state of the company's affairs and market criteria.

The Remuneration Committee

*José Gonalo Maury
Frederico Jos  da Cunha Mendona e Meneses
Paulo Lu s  vila de Abreu"*

III. DISCLOSURES REQUIRED BY ARTICLES 447 AND 448 OF THE COMPANIES CODE AND PARAGRAPHS 6 AND 7 OF ARTICLE 14 OF SECURITIES MARKET COMMISSION REGULATION 5/2008

(with reference to the financial year of 2010)

1. Securities issued by the company and held by company officers, in the sense defined in paragraphs 1 and 2 of Article 447 of the Companies Code:

- José Alfredo de Almeida Honório – 20,000 shares in the company
- Duarte Nuno d'Orey da Cunha – 2,907 shares in the company
- Maria Rita Carvalhosa Mendes de Almeida Queiroz Pereira – 16,464 shares in the company

2. Securities issued by companies controlled by or belonging to the same group as Semapa held by company officers, in the sense defined in paragraphs 1 and 2 of Article 447 of the Companies Code:

- Duarte Nuno d'Orey da Cunha – 16,000 shares in Portucel - Empresa Produtora de Pasta e Papel, S.A.

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

- Cimigest, SGPS, S.A. – 1,097,966 shares in the company and 1.669.253 shares in Portucel - Empresa Produtora de Pasta e Papel, S.A.
- Cimo - Gestão de Participações, SGPS, S.A. – 14,106,675 shares in the company and 107,204 shares in Portucel – Empresa Produtora de Pasta e Papel, S.A.
- Longapar, SGPS, S.A. – 20,869,300 shares in the company
- Sodim, SGPS, SA – 18,842,424 shares in the company
- Sociedade Agrícola da Quinta da Vialonga, S.A. – 625,199 shares in the company and 61.696 shares in Portucel - Empresa Produtora de Pasta e Papel, S.A.
- Sonagi, SGPS, S.A. – 96,000 shares in Portucel - Empresa Produtora de Pasta e Papel, S.A.
- Sonaca, SGPS, SA – 1,630,590 shares in the company.
- OEM - Organização de Empresas, SGPS, SA – 535,000 shares in the company.
- ZOOM Investment, SGPS, SA – 1,434,761 shares in the company and 10,298,855 shares in Portucel - Empresa Produtora de Pasta e Papel, S.A.

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

- Maria Rita Carvalhosa Mendes de Almeida de Queiroz Pereira carried out the following transactions with shares in the company:

Date	Quantity	Price per share	Nature
28-Jun	17.627	7,676 € (*)	Disposal in swap

(*) Amount determined in accordance with Article 14.2 of Securities Market Commission Regulation CMVM 5/2008

- A Longapar, SGPS, S.A. carried out the following transactions with shares in the company:

Date	Quantity	Price per share	Nature
28-Apr	10.000	7,552 €	Purchase
28-Apr	10.000	7,60 €	Purchase
28-Apr	5.000	7,615 €	Purchase
28-Apr	5.000	7,62 €	Purchase
28-Apr	10.000	7,63 €	Purchase
28-Apr	10.000	7,64 €	Purchase
05-May	15.000	7,09 €	Purchase
05-May	15.000	7,10 €	Purchase
07-May	4.090	6,99 €	Purchase
07-May	5.910	7,00 €	Purchase
07-May	5.000	7,05 €	Purchase
07-May	5.000	7,10 €	Purchase

- OEM – Organização de Empresas, SGPS, S.A. carried out the following transactions with shares in the company:

Date	Quantity	Price per share	Nature
20-May	5.000	7,10 €	Purchase
22-Jul	10.000	7,60 €	Purchase
23-Jul	858	7,59 €	Purchase
23-Jul	4.142	7,60 €	Purchase

IV. ASSESSMENT OF THE GOVERNANCE MODEL ADOPTED AND ACTIVITIES OF THE NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors has assessed the governance model adopted, with special assistance to this end from the Corporate Governance Supervisory Committee, and maintains its positions as previously expressed, to a large extent reproduced below.

The assessment of a corporate governance model is a process of reflection which should involve not only the various aspects of the issues considered throughout the Corporate Governance Report, but most importantly the manner in which governance is structured, in terms of boards and committees. The first part of this reflection has been conducted in the report, dealing in particular with the recommendations adopted and not adopted, and explanation of the associated reasons. The second part is carried out here, by looking at a range of issues, from the structure adopted under the terms of Article 278 of the Companies Code, the committees operating in the company and the supervisory framework chosen through to the activities of non-executive directors and, in the last instance, the characteristics of the persons suitable or not suitable for appointment to particular office in the company.

This assessment involves a perspective which is halfway between the shareholder view and the management view, because whilst it is the directors who experience the system implemented most directly on a daily basis, it is broadly up to the shareholders to decide on the model they wish to apply and the persons they wish to elect to corporate office, in line with the model chosen.

So in addition to describing the activities of the non-executive members of the board of directors, we shall provide merely a brief outline of the sensibilities of the members of the Board of Directors in this regard, considering also that this is a matter where sensibilities are always highly varied.

Starting with the basic framework, it is generally agreed that the structure adopted under Article 278 of the Companies Code is the most appropriate. This conclusion is reached not merely through resistance to change; instead, it is essentially based on a perception that the other two possible structures are less appropriate.

The possible structure consisting of a board of directors with its own audit committee is generally rejected intuitively, as it goes against the general feeling as to what constitutes a “normal” organizational structure in a company. To have the persons responsible for supervision as members of the Board of Directors, even if this were essentially just a legal fiction, would generate confusion as to roles and positions which would be experienced negatively by most of the directors. This might be the easiest option for companies who look on their non-executive directors as essentially “supervisors”, but this is not the case at Semapa and is consequently the reason for this feeling.

The other possible structure, consisting of an Executive Board of Directors and a General and Supervisory Board, also appears less appropriate than the model currently in place. A General and Supervisory Board would appear to function, in comparison with the model currently in place in Semapa, as a hybrid between the non-executive directors and the Audit Board: on the one hand it has powers of supervision, on the other hand it can act as a second instance for management matters. Here too, the blurring of the line between management duties and supervisory duties is not very attractive, and the option of a General and Supervisory Board without the need to authorize certain management acts would not bring any great advantage in comparison with the structure of a Board of Directors and an Audit Board.

Another factor in favour of the existing system is always the familiarity of the persons involved with the existing structure, allowing them to take better advantage of its potential, and also the inevitable costs of a radical change.

No advantage is therefore seen in proposing to the shareholders any structural change in the company's organization.

As regard the auditing structure, the legislation in these cases leaves no other option to listed companies – Article 413.2 of the Companies Code.

The decision to set up the committees currently existing in the company, except for the Remuneration Committee, was taken in the exercise of the Board of Directors' own powers.

Special reference should be made to the Executive Board. Although Semapa is a holding company, and therefore has a very simple administrative structure, the delegation of powers to this board is considered to be fully justified. There are many matters which require immediate collegiate attention, and the intervention of the other directors is reserved for matters of greater moment or specific issues. The directors without delegated powers are not only not regarded as mere "supervisors" of the company but are also in some cases more deeply engaged than simply as advisers at board meetings.

The Internal Control Committee and the Corporate Governance Supervisory Committee are justified by reasons already explored in other parts of this Corporate Governance Report. However, as a result of the assessment conducted by the corporate governance committee, questions have been raised as to the usefulness of maintaining the Internal Control Committee, which was originally created in response to the rules on whistleblowing, for which responsibility has since been transferred by law to the Audit Board, whilst the simplified administrative structure of Semapa as a holding company and the fact that its subsidiaries have their own systems for internal control means that the need for the internal control committee is less keenly felt. However, the issuing of new Securities Market Commission recommendations on this matter has led to a different solution, with the committee being retained, and some of its powers of control being reinforced.

It is nonetheless this option that has again raised questions, especially considering the control systems in place in the subsidiaries and the simple administrative structure of the holding, as already mentioned.

The actual activities of the non-executive members of the Board of Directors constitute an important part of the general assessment of the governance model in force in the company. As we have already seen elsewhere in this Corporate Governance Report, the activity of the non-executive directors of Semapa does not consist merely of attending and providing advice at meetings of the Board of Directors.

The position, participation and engagement of the non-executive directors is not the same in all cases. Some directors are further removed from daily activities, as is the case of Eng. António Câmara and Dr. Vítor Novais Gonçalves, who have collaborated as advisers at the formal meetings of the Board of Directors and have been heard and asked to contribute to specific discussions on particular issues.

Other directors, such as Dr. Rita Amaral Cabral and Eng. Joaquim Ferreira do Amaral, in addition to taking part in the way described, are also more directly involved in the company's activities, not least by sitting on the committees set up by the Board of Directors. The former sits on the

Corporate Governance Supervisory Committee whilst the latter is a member of the Internal Control Committee.

There are other specific tasks carried out by non-executive directors which are not related to the specialist committees, such as the participation by the director Ms. Maude Queiroz Pereira Lagos in the corporate representation of the company.

Web should also point to the creation in 2010 of the Strategy Committee, which comprises the Chairman of the Directors, Maria Maude Queiroz Pereira Lagos, Dr. José Alfredo de Almeida Honório, Eng. Joaquim Ferreira do Amaral and Dr. António Pedro Carvalho Viana-Baptista. Depending on the matters under discussion, the meetings of this committee can also be attended by the other members of the Executive Board.

As already explained elsewhere in this report, the non-executive directors have access to all information on company affairs, are supported at all times by the executive directors and have reported no constraints experienced in the course of their work.

The essential feature of the activities of non-executive directors is the diversity of their participation and contribution, which is believed to be healthy and positive for the company's interests.

The most important decision to be taken by shareholders with regard to corporate governance and the composition of the company bodies is whether or not to appoint independent directors. The other independence restrictions are mandatory legal requirements. There are no great reasons for wishing independent non-executive directors in the case of Semapa and, as stated above in relation to the clear distinction between those with responsibility for management (with more or less direct or hands-on involvement) and those with responsibility for supervision, this option fits in with the directors' understanding of the role of the different company officers. Nonetheless, the company currently has four independent directors.

It is sincerely believed that the manner in which the company organizes and conducts itself within a given form which it has adopted has greater implications in terms of corporate governance than the manner in which the company may have formally decided to structure itself.

The organization of corporate governance in this company has functioned effectively, without constraints, with respect for the interests of shareholders, employees and officers, and we therefore believe that different arrangements are not currently of interest.

DECLARATION
AS REQUIRED BY ARTICLE 245.1 c)
OF THE SECURITIES CODE

Article 245.1 c) of the Securities Code requires that each of the persons responsible for issuers make a number of declarations, as described in this article. In the case of Semapa, a uniform declaration has been adopted, worded as follows:

I hereby declare, under the terms and for the purposes of Article 245.1 c) of the Securities Code that, as far as I am aware, the management report, annual accounts, legal accounts certificate and other financial statements of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., for the financial year of 2010, were drawn up in accordance with the relevant accounting rules, and provide a true and fair view of the assets and liabilities, financial affairs and profit or loss of the said company and other companies included in the consolidated accounts, and that the management report contains a faithful account of the business, performance and position of the said company and other companies included in the consolidated accounts, describing the main risks and uncertainties which they face.

Considering that the members of the Audit Board and the Official Auditor sign an equivalent declaration in relation to the documents for which they are responsible, a separate declaration with the above text was signed by the directors only, as it was deemed that the company officers fall within the concept of “persons responsible for the issuer”. As required by this rule, we provide below a list of the persons signing the declaration and their office in the company:

Name	Office
Pedro Mendonça de Queiroz Pereira	Director
Maria Mande Mendonça de Queiroz Pereira Lagos	Director

Name	Office
José Alfredo de Almeida Honório	Director
Francisco José 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
Joaquim Martins Ferreira do Amaral	Director
António Pedro de Carvalho Viana-Baptista	Director
Vítor Manuel Galvão Rocha Novais Gonçalves	Director



CONSOLIDATED
FINANCIAL STATEMENTS

31 DECEMBER 2010

CONSOLIDATED SEPARATE INCOME STATEMENT AS OF 31 DECEMBER 2010 AND 2009

Amounts in Euro	Notes	2010	2009	4th Q 2010 (unaudited)	4th Q 2009 (unaudited)
Revenues					
Sales	4	1,653,001,567	1,381,142,560	444,153,112	355,586,765
Services rendered	4	35,234,753	35,287,857	9,585,822	10,015,660
Other income					
Gains on disposal of non-current assets	5	4,087,228	4,073,467	260,317	348,706
Other operating income	5	40,197,076	50,584,494	11,882,715	15,211,619
Change in fair value of biological assets	18	(7,787,354)	(4,537,080)	100,310	(5,535,534)
Costs, expenses and losses					
Cost of inventories sold and consumed	6	(595,904,289)	(568,341,107)	(170,774,938)	(139,352,328)
Variation in production	6	(6,535,646)	(1,160,048)	147,061	15,500,941
Cost of materials and services consumed	6	(444,672,390)	(395,511,547)	(119,042,558)	(106,865,194)
Payroll costs	6	(189,136,394)	(172,770,263)	(51,558,595)	(49,256,043)
Other costs and losses	6	(35,833,244)	(36,365,058)	(7,071,088)	(11,868,518)
Provisions	6	(3,455,956)	22,104,770	(21,770,122)	11,599,266
Depreciation, amortization and impairment losses	8	(166,380,145)	(160,290,426)	(35,092,659)	(54,095,058)
Operational results		282,815,206	154,217,619	60,819,377	41,290,282
Group share of (loss) / gains of associated companies	9	291,941	395,181	3,536	4,649
Net financial results	10	(44,841,506)	(26,603,620)	(6,899,670)	(3,298,486)
Profit before tax		238,265,641	128,009,180	53,923,243	37,996,445
Income tax	11	(63,918,087)	(22,266,123)	(5,260,914)	(3,978,847)
Net Income		174,347,554	105,743,057	48,662,329	34,017,598
Net profit for the year					
Attributable to Semapa shareholders		126,720,230	78,849,324	36,140,321	26,603,998
Attributable to non-controlling interests	13	47,627,324	26,893,733	12,522,008	7,413,600
Earnings per share					
Basic earnings per share, EUR	12	1.123	0.698	0.320	0.236
Diluted earnings per share, EUR	12	1.123	0.698	0.320	0.236

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2010 AND 2009

Amounts in Euro	Notes	31-12-2010	31-12-2009
ASSETS			
Non-Current Assets			
Goodwill	15	320,204,947	321,274,798
Other intangible assets	16	169,630,374	169,912,322
Plant, property and equipment	17	2,113,206,535	2,152,005,430
Investment properties		845,791	161,117
Biological assets	18	110,502,616	118,289,970
Investment in associates	19	2,039,513	1,855,433
Financial assets at fair value through profit or loss	20	13,128,488	14,871,574
Available-for-sale financial assets	21	677,180	798,167
Deferred tax assets	28	37,157,841	30,904,802
Other non-current assets		1,282,641	1,363,767
		2,768,675,926	2,811,437,380
Current Assets			
Inventories	23	226,840,348	189,847,791
Receivable and other current assets	24	272,242,644	226,038,886
State and other public entities	25	36,799,405	57,100,036
Cash and cash equivalents	31	265,091,311	89,034,727
		800,973,708	562,021,440
Total Assets		3,569,649,634	3,373,458,820
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	26	118,332,445	118,332,445
Treasury shares	26	(47,164,986)	(47,164,986)
Share premiums		3,923,459	3,923,459
Translation reserves	27	(15,078,437)	(17,978,700)
Fair value reserves	27	(5,621,595)	(6,220,818)
Other reserves	27	760,984,662	711,616,512
Retained earnings	27	20,806,145	24,386,833
Retained earnings from the year	27	126,720,230	78,849,324
Interim dividends	27	(29,481,174)	-
Consolidated shareholders' equity		933,420,749	865,744,069
Non-controlling interests	13	310,520,846	305,375,260
Total Equity		1,243,941,595	1,171,119,329
Non-current liabilities			
Deferred taxes liabilities	28	313,340,341	280,120,078
Pensions and other post-employment benefits	29	126,382,060	120,484,945
Provisions	30	36,263,863	32,625,824
Interest-bearing liabilities	31	1,257,882,924	871,817,132
Other non-current liabilities	17	26,402,576	29,437,896
		1,760,271,764	1,334,485,875
Current liabilities			
Interest-bearing liabilities	31	150,478,637	447,973,519
Payables and other current liabilities	32	348,469,759	346,913,088
State and other public entities	25	66,487,879	72,967,009
		565,436,275	867,853,616
Total liabilities		2,325,708,039	2,202,339,491
Total equity and liabilities		3,569,649,634	3,373,458,820

STATEMENT OF COMPREHENSIVE CONSOLIDATED INCOME

AS OF 31 DECEMBER 2010 AND 2009

Amounts in Euro	2010	2009	4th Q 2010 (unaudited)	4th Q 2009 (unaudited)
Retained earnings for the year without non-controlling interests	174,347,554	105,743,057	48,662,329	34,017,598
Fair value in financial derivative instruments				
Fair value changes	1,440,383	(13,401,886)	526,273	(3,450,231)
Tax on items above when applicable	(487,595)	2,368,236	544,669	1,001,392
Currency translation differences	4,968,529	(5,089,174)	4,437,376	1,620,603
Actuarial gains / (losses)				
Actuarial gains / (losses)	(4,990,550)	10,244,403	(8,377,408)	3,104,703
Tax on items above when applicable	662,639	(3,126)	609,999	(160,598)
Profit directly recognized in equity	1,593,406	(5,881,547)	(2,259,091)	2,115,869
Total recognized income and expense for the period	175,940,960	99,861,510	46,403,238	36,133,467
Attributable to:				
Semapa's shareholders	125,887,059	73,954,033	33,229,158	28,211,558
Non-controlling interests	50,053,901	25,907,477	13,174,080	7,921,909
	175,940,960	99,861,510	46,403,238	36,133,467

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM 1 JANUARY 2009 TO 31 DECEMBER 2010

	Share Capital	Treasury shares	Share premiums	Fair value reserves	Other reserves	Translation reserves	Retained earnings	Net profit for the year	Total	Non-controlling interests	Total
Equity as of 1 January 2009	118,332,445	(47,164,986)	3,923,459	3,580,893	649,750,204	(14,005,971)	574,051	106,347,480	821,337,575	302,940,493	1,124,278,068
Distribution of net profit of 2008:											
- Transfer to reserves	-	-	-	-	61,866,307	-	-	(61,866,307)	-	-	-
- Transfer to retained earnings	-	-	-	-	-	-	15,000,000	(15,000,000)	-	-	-
- Dividends paid	-	-	-	-	-	-	-	(29,481,173)	(29,481,173)	-	(29,481,173)
Change in consolidation perimeter	-	-	-	-	-	-	-	-	-	-	-
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(21,576,475)	(21,576,475)
Income and expenses recognized directly in equity *	-	-	-	(9,485,325)	-	(3,972,729)	8,539,032	-	(4,919,022)	(962,525)	(5,881,547)
Differences in non-controlling interests acquisitions	-	-	-	-	-	-	(421,711)	-	(421,711)	(1,678,024)	(2,099,735)
Dividends distributed to subsidiary Seminv, SGPS, SA	-	-	-	-	-	-	695,634	-	695,634	-	695,634
Other movements	-	-	-	(316,386)	-	-	(173)	-	(316,559)	(241,944)	(558,503)
Net profit for the year	-	-	-	-	-	-	-	78,849,324	78,849,324	26,893,733	105,743,057
Equity as of 1 January 2010	118,332,445	(47,164,986)	3,923,459	(6,220,818)	711,616,511	(17,978,700)	24,386,833	78,849,324	865,744,068	305,375,259	1,171,119,327
Distribution of net profit of 2009:											
- Transfer to reserves	-	-	-	-	49,368,151	-	-	(49,368,151)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(29,481,174)	(29,481,174)	-	(29,481,174)
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(46,017,677)	(46,017,677)
Income and expenses recognized directly in equity *	-	-	-	599,223	-	2,900,263	(4,332,657)	-	(833,171)	2,426,579	1,593,408
Differences in non-controlling interests acquisitions	-	-	-	-	-	-	(77,028)	-	(77,028)	(293,249)	(370,277)
Dividends distributed to subsidiary Seminv, SGPS, SA	-	-	-	-	-	-	1,391,268	-	1,391,268	-	1,391,268
Other movements	-	-	-	-	-	-	(562,271)	-	(562,271)	1,402,610	840,339
Interim dividends	-	-	-	-	-	-	-	(29,481,174)	(29,481,174)	-	(29,481,174)
Net profit for the year	-	-	-	-	-	-	-	126,720,230	126,720,230	47,627,324	174,347,554
Equity as of 31 December 2010	118,332,445	(47,164,986)	3,923,459	(5,621,595)	760,984,662	(15,078,437)	20,806,145	97,239,056	933,420,749	310,520,846	1,243,941,595

* Net of deferred taxes

CONSOLIDATED CASH FLOW STATEMENT AS OF 31 DECEMBER 2010 AND 2009

Amounts in Euro	Notes	2010	2009	4th Q 2010 (unaudited)	4th Q 2009 (unaudited)
OPERATING ACTIVITIES					
Payments from customers		1,806,503,592	1,549,979,114	464,078,083	368,670,425
Payments to suppliers		(1,379,259,485)	(1,137,137,683)	(345,143,991)	(289,657,656)
Payments to personnel		(150,240,186)	(144,941,303)	(57,401,372)	(53,964,298)
Cash flow from operations		277,003,921	267,900,128	61,532,720	25,048,471
Income tax received / (paid)		(36,889,211)	(42,251,967)	(17,446,584)	(7,736,085)
Other receipts / (payments) relating to operating activities		46,507,491	67,876,902	29,694,059	21,524,352
Cash flow from operating activities (1)		286,622,201	293,525,063	73,780,196	38,836,738
INVESTING ACTIVITIES					
Inflows					
Financial investments		994,000	35,772,191	-	8,859,676
Property, plant and equipment		1,723,418	156,401	-	60,276
Intangible Assets		10,604,340	5,522,900	6,051,980	-
Government Grants		79,864	6,191,855	29,875	-
Interest and similar income		8,611,556	11,065,763	760,799	832,592
Dividends		1,329,228	561,216	-	275
		23,342,405	59,270,326	6,842,654	9,752,819
Outflows					
Financial investments		(11,411,649)	(5,387,343)	(264,615)	(163,317)
Property, plant and equipment		(71,619,171)	(387,684,793)	(5,265,453)	(58,445,885)
		(83,030,820)	(393,072,136)	(5,530,067)	(58,609,202)
Cash flow from investing activities (2)		(59,688,414)	(333,801,810)	1,312,586	(48,856,383)
FINANCING ACTIVITIES					
Inflows					
Receipts relating to loans		1,620,000,269	1,008,301,397	479,437,558	298,215,290
Share Capital, Additional paid in capital and Share premiums increases		1,593,750	-	-	-
		1,621,594,019	1,008,301,397	479,437,558	298,215,290
Outflows					
Payments relating to loans		(1,528,800,353)	(970,742,009)	(386,701,295)	(303,302,802)
Amortisation of financial leases		(1,018,116)	(1,287,117)	(30,613)	(348,329)
Interest and similar expenses		(41,170,358)	(58,186,603)	(15,018,708)	(13,811,368)
Dividends paid		(103,226,962)	(51,417,510)	(56,424,752)	100,102
Acquisition of treasury shares		-	(2,356,650)	-	-
		(1,674,215,789)	(1,083,989,889)	(458,175,367)	(317,362,397)
Cash flow from financing activities (3)		(52,621,770)	(75,688,492)	21,262,191	(19,147,107)
CHANGE IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		174,312,017	(115,965,239)	96,354,973	(29,166,752)
FOREIGN EXCHANGE DIFFERENCES		1,744,565	(172,665)	762,348	718,166
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		89,034,729	205,172,631	167,973,057	117,483,313
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		265,091,311	89,034,727	265,090,378	136,328,227

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2010

(Translation of a report originally issued in Portuguese)

(In these notes, unless indicated otherwise, all amounts are expressed in euro)

The SEMAPA Group ("Group") comprises Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. ("Semapa") and its subsidiaries. Semapa was incorporated on 21 June 1991 and has as its main object the management of financial investments in other companies as an indirect form of carrying out economic activity.

Head Office: Av. Fontes Pereira de Melo,
14, Lisbon
Share Capital: Euro 118,332,445
Corporate body no.: 502 593 130

Semapa leads an Enterprise Group with activities in three distinct business segments: pulp and paper, cements and derivatives, and environment, developed respectively through its subsidiaries Portucel - Empresa Produtora de Pasta e Papel, S.A Secil - Companhia Geral de Cal e Cimento, S.A. and ETSA – Investimentos, SGPS, S.A..

These consolidated financial statements were approved by the Board of Directors on 4 March 2011.

The Group's senior management, that is the members of the Board of Directors who sign this report, declare that, to the best of their knowledge, the information contained herein was prepared in conformity with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial position and results of the companies included in the Group's consolidation scope.

1. Summary of the principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are described below.

1.1 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS – formerly referred to as the International Accounting Standards - IAS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee

(SIC) in force on the date of preparation of the mentioned financial statements.

The accompanying consolidated financial statements were prepared on the going concern basis from the accounting books and records of the companies included in the consolidation (Note 44), and under the historic cost convention, except for biological assets, and financial instruments which are recorded at fair value (Notes 18, 20, 21 and 33). Plant, property and equipment acquired previously to 1 January 2004 are measured under its revalued amount.

The preparation of the financial statements requires the use of important estimates and judgments in the application of the Group's accounting policies. The principal statements which involve a greater degree of judgment or complexity, or the most significant assumptions and estimates used in the preparation of the aforesaid financial statements are disclosed in Note 3.

1.2 Changes in consolidation methods and comparability

In the year 2010, no change was recorded in the consolidation methods and therefore comparability is not affected by this aspect.

1.3 Basis of Consolidation

1.3.1 Subsidiaries

Subsidiaries are all the entities over which the Group has the right to determine their financial and operating policies, generally where the Group's interest is represented by more than half of the voting rights. The existence and the effect of the potential voting rights which are currently exercisable or convertible are taken into account when the Group assesses whether it has control over another entity.

These companies' shareholders equity and net income/loss, corresponding to the third-party investment in such companies, are presented under the caption non-controlling interests respectively in the Consolidated Statement of Financial Position, in a separate component of shareholders' equity, and in the Consolidated Income Statement. Companies included in the consolidated financial statements are detailed in Note 44.

The purchase method is used in recording the acquisition of subsidiaries. The cost of an acquisition is measured by the fair value of the assets transferred, the equity instruments issued and liabilities incurred or assumed on acquisition date, plus costs directly attributable to the acquisition.

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are initially measured at fair value on the acquisition date, irrespective of the existence of non-controlling interests. The excess of the acquisition cost relative to the fair value of the Group's share of the identifiable assets and liabilities acquired is recorded as goodwill, as described in note 15.

The subsidiaries are consolidated using the full consolidation method with effect from the date that control is transferred to the Group, while they are excluded as from the date control ceases.

In the acquisition of additional share capital of controlled entities, the excess between the proportion of acquired net assets and respective acquisition cost is directly recognised in Equity under the caption Retained earnings (Note 27).

Whenever an increased stake in the equity of an associated company results in the acquisition of control, as a result of which it is then included in the consolidated financial statements using the full consolidation method, the proportionate fair values attributed to the assets and liabilities, corresponding to the percentages previously held, are recorded under the caption Fair value reserves (Note 27).

If the acquisition cost is less than the fair value of the net assets of the subsidiary acquired (negative goodwill), the difference is recognised directly in the income statement under the caption “Other operating income”.

Transaction costs directly attributable are immediately expensed.

Intercompany transactions, balances, unrealised gains on transactions and dividends distributed between group companies are eliminated. Unrealised losses are also eliminated, except where the transaction displays evidence of impairment of a transferred asset.

Subsidiaries’ accounting policies have been changed whenever necessary so as to ensure consistency with the policies adopted by the Group.

1.3.2 Associates

Associates are all the entities in which the group exercises significant influence but does not have control, generally applied in the case of investments representing between 20% and 50% of the voting rights. Investments in associates are equity accounted.

In conformity with the equity accounting method, financial investments are recorded at their acquisition cost, adjusted by the amount corresponding to the Group’s share of changes in the associates’ shareholders’ equity (including net income/loss) with a corresponding gain or loss recognised for the period, and by dividends received.

The difference between the acquisition cost and the fair value of the associate’s identifiable assets, liabilities and contingent liabilities on the acquisition date, if positive, are recognised as goodwill and recorded as investments in affiliated companies. If these differences are negative, they are recorded as income for the period under the caption “Profit in affiliated companies”.

Transaction costs directly attributable are immediately expensed.

An evaluation of investments in associates occurs when there are signs that the asset could be impaired, while impairment losses are recorded as costs also under the same caption. When impairment losses recognised in previous periods cease to exist, they are reversed, with the exception of goodwill.

When the Group’s share in the associate’s losses is equal to or exceeds its investment in the associate, the Group ceases to recognise additional losses, except where it has assumed liability or made payments in the associate’s name. Unrealised gains on transactions with associates are eliminated to the extent of the Group’s investment in the associates. Unrealised losses are also eliminated, except where the transaction reveals evidence of impairment of a transferred asset.

Associates’ accounting policies have been changed whenever necessary so as to ensure consistency with the policies adopted by the Group. Investments in associated companies are detailed in Note 19.

1.3.3 Joint Ventures

A jointly-controlled entity is a joint venture which involves the creation of a company, a partnership or other entity in which the Group has an interest.

Jointly-controlled entities are included in the consolidated financial statements under the proportional consolidation method, with the assets, liabilities and income and expenses of the jointly-controlled entities recognised on a line-by-line basis in the consolidated financial statements, such as sub-group Secil.

1.4 Segmental reporting

A business segment is a group of assets and operations of the Group which is subject to different risks and returns than those relating to other business segments.

Three business segments have been identified: pulp and paper, cement and derivatives and environment.

Pulp and Paper

Portucel – Empresa Produtora de Pasta e Papel, S.A. is the subsidiary, acquired in 2004, that leads the Enterprise Group dedicated to the production and sales in Portugal, Germany, Spain, France, Italy, United Kingdom, Netherlands, Austria, Belgium, Morocco, Poland and United States, among others less relevant, of cellulose pulp and paper and its related products purchase of wood, forest and agricultural production, cutting timber and sale of pulp and paper, activities developed in Portugal mainly by itself and its subsidiaries Soporcel – Sociedade Portuguesa de papel, S.A. and Portucel Florestal, S.A., among others.

Cement and derivatives

Secil - Companhia Geral de Cal e Cimento, S.A. leads the Enterprise Group of cements and related products which operates in Portugal, Tunisia, Spain, Angola, Netherlands, France, Lebanon and Cape Verde with cement production, taking place at the Outão

(Portugal), Maceira (Portugal), Pataias (Portugal), Gabés (Tunisia), Lobito (Angola) and Beirut (Lebanon) plants and the production and sale of premixed concrete and clay and the operations of quarries facilities via its subsidiaries, of the sub-holding Secil Betões e Inertes, SGPS S.A..

Environment

ETSA – Investimentos, SGPS, SA leads the Enterprise Group of environment which operates in Portugal.

Geographical segment is an individual area committed to supplying products or services in a particular economic environment and which is subject to different risks and benefits than those arising from segments which operate in other economic environments. The geographical segment is based on the destination country of the goods and services sold by the Group.

The segment reporting accounting policies are those consistently used in the Group. All the inter-segment sales and services are effected at market prices and are all eliminated on consolidation. The segment reporting is presented in Note 4.

1.5 Foreign currency translation

1.5.1 Functional and Reporting currency

The items included in the financial statements of each one of the Group's entities are measured using the currency of the economic environment in which the entity operates (functional currency).

The consolidated financial statements are presented in Euro, which is the Group's functional and reporting currency.

1.5.2 Balances and transactions expressed in foreign currencies

All the Group's assets and liabilities denominated in foreign currencies were converted into euro using the exchange rates ruling at the balance sheet date.

The currency differences, favourable and unfavourable, arising from the differences between the exchange rates ruling at the transaction date and those ruling on collection, payment or balance sheet dates, were recorded as income and costs in the consolidated income statement for the year.

1.5.3 Group Companies

The results and the financial position of the Group's entities which have a different functional currency from the Group's reporting currency are converted into the reporting currency as follows:

- (i) The assets and liabilities of each balance sheet are translated at the exchange rates ruling at the date of the financial statements;

The resulting exchange rate differences are recognised as a separate component of

Shareholders' Equity, under the caption "Translation reserve"; and

- (ii) The income and costs of each income statement are translated using the average exchange rate of the reporting period, except where the average exchange rate is not a reasonable approximation of the cumulative effect of the rates ruling on the transaction dates, in which case the income and costs are converted at the exchange rate ruling on the transaction dates.

1.6 Intangible assets

Intangible assets are booked at acquisition cost less accumulated amortisation and impairment losses, by the straight-line method over a period between 3 and 5 years and annually for CO2 emission rights.

1.6.1 CO2 emission rights

The CO2 emission rights attributed to the Group within the National Plan for the assignment of CO2 emission licences at no cost, are recognised under Intangible Assets at market value on the award date, with a corresponding liability being recorded under "Deferred income – grants", for the same amount.

The Group records as an operating cost with a corresponding liability and an operating income as a result of the recognition of the proportion of the corresponding subsidy relating to the Group's CO2 emissions.

Sales of emission rights give rise to a gain or a loss, for the difference between the amount realised and the respective initial recognition cost, net of the corresponding State subsidy, which is recorded as "Other operating income" or "Other operating costs", respectively.

At the date of the consolidated statement of financial position, CO2 emission rights' portfolio is valued at the lower of the acquisition or their market value. On the other hand, liabilities due for those emissions are valued at market value at the same date.

1.6.2 Brands

Whenever brands are identified in a business combination, the Group records them separately in the consolidated statements as an asset at historical cost, which represents their fair value on the acquisition date.

On subsequent valuation, brands are measured in the Group's consolidated financial statements at cost less accumulated amortization and impairment losses.

1.7 Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of the identifiable assets and liabilities of the subsidiaries and associates on the acquisition date.

Goodwill is not amortised and is subject to impairment tests at least once a year. Impairment losses relating to

Goodwill cannot be reversed. Gains or losses arising from the sale of an entity include the amount of the corresponding Goodwill.

1.8 Plant, property and equipment

Property, plant and equipment acquired up to 1 January 2004 (date of transition to IFRS) are recorded at acquisition cost, or acquisition cost revalued in accordance with accounting principles generally accepted in Portugal up to that date, less depreciation and accumulated impairment losses.

Regarding the subsidiaries CMP, Société des Ciments de Gabés (SCG), Portucel, Soporcel and ETSA, the cost of the tangible fixed assets on the date these subsidiaries were acquired was calculated based on valuations made by independent entities.

Property, plant and equipment acquired after transition date are recorded at acquisition cost, less depreciation and impairment losses. Acquisition cost includes all the expenses directly attributable to the acquisition of the assets.

Subsequent costs are included in acquisition cost of the asset or recognised as separate assets, as appropriate, only when it is probable that future economic benefits will flow to the company and the respective cost can be reliably measured. Other repairs and maintenance costs are recognised as a cost in the period they are incurred.

Depreciation is calculated on the acquisition cost, using the straight-line method, using the rates that best reflect their estimated useful life, as follows:

	Average Useful life
Land	14
Buildings and other constructions	12 – 30
Equipment:	
Machinery and equipment	6 – 25
Transportation equipment	4 - 9
Tools and utensils	2 - 8
Office equipment	4 - 8
Returnable containers	6
Other property, plant and equipment	4 - 10

The residual values of the assets and respective useful lives are reviewed and adjusted when necessary at the balance sheet date. If the book value of the asset is higher than the asset's realisable value, then this is written down to the estimated recoverable amount by the recording of impairment losses (Note 1.10).

Gains or losses arising from derecognition or disposal are calculated as the difference between the proceeds received on disposal and the asset's book value, and are recognised in the income statement as other operating income or costs.

1.9 Investment properties

Investment properties are valued at acquisition cost, less depreciation and impairment losses, being the cost of those acquired up to 1 January 2004 (date of transition to IFRS) the historical acquisition cost, or the revalued cost in accordance with generally accounting accepted principles in Portugal up to that date.

1.10 Impairment of non-current assets

Non-current assets which do not have a defined useful life are not subject to depreciation, but are subject to annual impairment tests. Assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the amount at which they are shown in the accounts may not be recoverable.

An impairment loss is recognised as the amount of the excess of the asset's book value over its recoverable amount. The recoverable amount is the higher of the net sale price and its value in use.

For the purpose of conducting impairment tests, the assets are grouped at the lowest level for which cash flows can be identified separately (cash generating units which belong to the asset), when it is not possible to do so individually for each asset.

The reversal of impairment losses recognised in previous periods is recorded when it can be concluded that the recognised impairment losses no longer exist or have decreased (with the exception of impairment losses relating to Goodwill – see Note 1.7).

The reversal of impairment losses is recognised in the income statement as Other operating income, unless the asset has been revalued in which case the reversal corresponds to an additional revaluation. However, the reversal of the impairment loss is effected up to the limit of the amount that would have been recognised (net of amortisation or depreciation) had the impairment loss not been recorded in previous years.

1.11 Biological assets

Biological assets are measured at fair value, less estimated selling costs at the time of harvesting. The Group's biological assets comprise the forests held for the production of timber.

When calculating the fair value of the forests, the Group used the discounted cash flows method, based on a model developed in house that is subject to periodical validation by external and independent experts, which considers assumptions about the nature of the assets being valued, namely, the expected yield of the forests, the timber selling price deducted by costs relating to harvest and transportation, and also considered plantation costs, maintenance costs and a discount rate.

The discount rate was determined on the basis of the Group's expected rate of return on its forests and its risks.

Fair value adjustments resulting from changes in estimates of growth, growth period, price, cost and other assumptions are recognised as “Changes in fair value of biological assets” on the income statement.

At the time of harvest, wood is recognised at fair value less estimated costs at point of sale, in this case, the pulp mills.

1.12 Financial instruments

The Group classifies its financial instruments in the following categories: loans and receivables, financial assets at fair value through profit and loss, held-to-maturity investments, and available-for-sale financial assets.

The classification depends on the intention motivating the instruments’ acquisition. Management determines the classification at the moment of initial recognition of the instruments and reappraises this classification on each reporting date.

All acquisitions and disposals of these instruments are recognised at the date of the relevant purchase and sale contracts, irrespective of the financial settlement date.

Financial instruments are initially recorded at the acquisition cost, while fair value is equal to the price paid, including transaction expenses. The subsequent measurement depends on the category the instrument falls under, as follows:

Loans granted and receivables

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments and which are not quoted in an active market. They originate when the Group advances money, goods or services directly to a debtor without any intention of negotiating the debt.

These are included in current assets, except as regards that portion with a maturity of more than 12 months at balance sheet date, in which case they are classified as non-current assets.

Loans and accounts receivable are reported as part of receivables and other current assets.

Financial assets at fair value through profit and loss

A financial asset is classified under this category if primarily acquired with the object of being sold in the short-term or if so designated by management. Assets in this category are classified as current if held for dealing or if they are realisable in a period of up to 12 months of the balance sheet date. These investments are measured at fair value through the income statement (Note 20).

Investments held to maturity

Investments held to maturity are non-derivative financial assets, with fixed or determinable payments and fixed maturities which the Group has the intention and ability

to hold to maturity. This investment category is recorded at amortised cost using the effective interest rate method.

Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not meet the conditions to be classified in the above categories. These assets are included in non-current assets unless management expects to sell them over the 12 months following the balance sheet date (Note 21). These financial instruments are recognised at market value, as quoted on the balance sheet date.

If the market of a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash-flows analysis and option pricing models refined to reflect the issuer’s specific circumstances.

Potential gains and losses arising from these instruments are recorded directly in the fair value reserve until the financial investment is sold, received, or disposed of in any way, at which time the accumulated gain or loss formerly reflected in shareholders’ equity is taken to the income statement (Note 27).

If there is no market value or if it is not possible to determine one, the investments in question are recognised at acquisition cost. Loss of impairment is recognised whenever a reduction of value is identified and it is justifiable.

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. If a prolonged decline in fair value of the available-for-sale financial assets takes place, then the cumulative loss – measured as the difference between acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

An impairment loss recognised on available-for-sale financial assets is reversed if the loss was caused by specific external events of an exceptional nature that are not expected to recur but which subsequent external events have reversed; under these circumstances, the reversal does not affect the income statement and the assets subsequent increase in value is thus taken to the fair value reserve.

1.13 Derivative financial instruments

The Group uses derivatives with the object of managing the financial risks to which it is exposed (subjected).

Notwithstanding the fact that the derivative financial instruments contracted by the Group represent effective economic hedging instruments, not all of them qualify as hedging instruments in accordance with IAS 39. Derivative financial instruments which do not qualify as

hedging instruments are stated at fair value and changes in fair value are recognised as gains and losses in financial instruments (Note 10).

Whenever possible, the fair value of derivatives is estimated based on quoted instruments. In the absence of market prices, the fair value of derivatives is estimated based on the discounted cash flow method and option valuation models, in accordance with the assumptions generally used in the market. The fair value of derivative financial instruments is essentially included in the captions receivables and other-current assets and payables and other-current liabilities.

Furthermore, the Group contracted derivative financial instruments relating to the portfolio of greenhouse-gas emission rights.

The derivative financial instruments used for hedge purposes may be classified as hedge instruments whether they fulfil the following conditions:

- i) The beginning date of the transaction and hedge relationship is identified and formally documented, including the identification of the hedged item, the hedge instrument and the evaluation of the hedge's effectiveness;
- ii) There is an expectation that the hedge relationship is extremely effective, at transaction date as throughout the operation;
- iii) The hedge effectiveness can be clearly measured at transaction date and throughout the operation;
- iv) As for cash flow hedge operations, it should be extremely probable that they will occur.

1.14 Corporate income tax

Corporate income tax includes current and deferred tax. Current income tax is calculated based on net income, adjusted in conformity with tax legislation in force at the balance sheet date.

Deferred tax is calculated using the liability method, based on the temporary differences between the book values of the assets and liabilities and their respective tax base. The income tax rate expected to be in force in the period in which the temporary differences will reverse is used in calculating deferred tax.

Deferred tax assets are recognised whenever there is a reasonable probability that future taxable profits will be generated against which they can be offset. Deferred tax assets are revised periodically and decreased whenever it is likely that tax losses will not be utilised.

Deferred taxes are recorded as a cost or income for the year, except where they result from amounts recorded directly under shareholders' equity, situation in which deferred tax is also recorded under the same caption.

Tax benefits attributed to the Group regarding its investment projects are recognised through the income statement as there is sufficient taxable income to allow its use.

1.15 Inventory

Inventories are valued in accordance with the following criteria:

- i) Goods and raw materials

Goods and raw, subsidiary and consumable materials are valued at the lower of their purchase cost or their net realisable value. The purchase cost includes ancillary costs, and it is determined using the weighted average cost as the valuation method.

- ii) Finish products and work in progress

Finished and intermediate products and work in progress are valued at the lower of their production cost (which includes incorporated raw materials, labour and general manufacturing costs, based on a normal production capacity level) or their net realisable value, excluding any storage (warehousing), logistical and selling costs.

The net realisable value corresponds to the estimated selling price after deducting estimated completion and selling costs. Differences between costs and net realisable value, if lower, are recorded in Inventories consumed and sold.

1.16 Receivables and other current assets

Debtors' balances and other current assets are recorded at fair value and are subsequently recognized at their amortised cost, net of impairment losses, so as to state them at their expected net realisable value (Note 24).

Impairment losses are recorded when there is objective evidence that the Group will not receive the full amount outstanding in accordance with the original conditions of the accounts receivable.

1.17 Cash and cash equivalents

Cash and cash equivalents includes cash, bank accounts and other short-term investments with an initial maturity of up to 3 months which can be mobilised immediately without any significant risk in value fluctuations. For cash flow statement purposes, this caption also includes bank overdrafts, which are presented in the balance sheet as a current liability, under the caption Interest-bearing liabilities.

1.18 Share capital and treasury shares

Ordinary shares are classified in shareholders' equity (Note 26).

Costs directly attributable to the issue of new shares or other equity instruments are reported as a deduction, net of taxes, from the issue proceeds.

Costs directly attributable to the issue of new shares or options for the acquisition of a new business are included in the acquisition cost as part of the purchase consideration.

Treasury shares are recorded at their acquisition amount, as a decrease in shareholders' equity, in the caption Treasury shares, while the gains or losses inherent in their disposal are recorded under Other reserves. Pursuant to applicable corporate legislation, as long as treasury shares remain in the company's possession, it is mandatory to set aside a reserve equal to their acquisition cost.

When any Group company acquires shares of the parent company (treasury shares), the payment, which includes directly-attributable incremental costs, is deducted from the shareholders' equity attributable to the holders of the parent company's capital until such time the shares are cancelled, redeemed or sold.

When such shares are subsequently sold or repurchased, any proceeds, net of the directly attributable transaction costs and taxes, is reflected in the shareholders' equity of the company's shareholders, under other reserves.

1.19 Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value, net of the transaction costs incurred, and are subsequently stated at their amortised cost. Any difference between the amounts received (net of transaction costs) and the repayment amount is recognised in the income statement over the term of the debt, using the effective interest rate method.

Interest-bearing debt is classified as a current liability, except where the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date (Note 31).

1.20 Borrowing costs

Borrowing costs relating to loans are generally recognised as financial costs, in accordance with the accrual accounting principle (Note 10).

Borrowing costs directly related to the acquisition, construction or production of fixed assets are capitalised when their construction period exceeds one year, and form part of the asset's cost.

Capitalisation of these charges commences after the start of the asset's preparation or development activities and ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed or when the relevant project is suspended or substantially concluded.

Any financial income directly related to a specific investment is deducted from the borrowing costs of the referred asset.

1.21 Provisions

Provisions are recognised whenever the Group has a present legal or constructive obligation, as a result of past events, in which it is probable that an outflow of

resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions for future operating losses are not recognised. Provisions are reviewed on balance sheet date and are adjusted so as to reflect the best estimate at that date (Note 30).

The Group incurs expenditure and assumes commitments of an environmental nature. Thus, expenditure on equipment and technical staff responsible for compliance with legislation and applicable regulations (as well as curtailing the environmental impacts to levels which do not exceed those corresponding to the viable application of the best technologies available - ranging from those relating to the minimisation of energy consumption, atmospheric emissions, waste production and noise pollution to those laid down for the execution of visual and landscape requalification plans) are capitalised when they are earmarked to sustain the Group's activity over the long term, as well as where they relate to future economic benefits and permit prolonging the life, increasing the capacity or improving the security or efficiency of the other assets held by the Group (Notes 30 and 36).

In addition, the land used for the exploitation of quarries have to be the object of environmental restoration, while it is the Group's practice to continuously and progressively reconstitute the land freed up by the quarries, recognising in the income statement of the period the expenditure incurred.

In the case of quarries whose reconstitution is only possible at the close of operations, the Group has approached independent and specialised entities to quantify those obligations, having for this purpose recognised a provision under the caption "Provisions" (Note 30).

1.22 Pensions and other employee benefits

1.22.1 Pensions obligations – defined benefit plans

Some of the Group's subsidiaries have assumed the commitment to make payments to their employees in the form of complementary retirement pensions, disability, early retirement and survivors' pensions, having constituted defined-benefit plans.

As referred to in Note 29, the Group constituted autonomous Pension Funds as a means of funding a part of the commitments for such payments. According to IAS 19, companies with pension plans recognise the costs with the granting of these benefits as and when the services are rendered by the beneficiary employees. In this manner, the Group's total liability is estimated at least every six months at the date of the interim and annual accounts for each plan separately by an independent and specialised entity in conformity with the projected unit credit method.

The costs relating to past liabilities, which result from the implementation of a new plan or additional benefits granted, are recognised immediately in situations in which the benefits are being paid or are overdue.

The liability thus calculated is presented in the Consolidated Statement of Financial Position after deducting the market value of the funds constituted, under the caption Pensions and other post-employment benefits included in non-current liabilities.

Actuarial gains and losses resulting from differences between the assumptions used for purposes of calculating the liabilities and what effectively occurred (as well as from changes made thereto and from the difference between the expected amount of the return on the funds' assets and the actual return) are recognised when incurred directly in shareholders' equity (Note 27).

The gains and losses generated by a curtailment in or a settlement of a defined-benefit plan are recognised in the income statement of the financial year when the curtailment or settlement occurs. A curtailment occurs when there is a material reduction in the number of employees or the plan is altered in such a way that the benefits awarded are reduced with a material impact.

1.22.2 Other post-employment benefits

In addition, the Group awards the following post-employment benefits:

Retirement and death subsidy

The subsidiary CMP – Cimentos Maceira e Pataias, S.A. assumed the commitment to its workers to pay (i) an old-age and disability retirement subsidy, which represents 3 months of the last salary earned and (ii) a subsidy on the death of a current employee equivalent to 1 month of the last salary earned.

Portucel assumed an obligation to pay a retirement bonus, equivalent to six-month salary, for employees that retire at the regular date of retirement, 65 years old. The present value of the liabilities for future retirement payments and bonuses are determined on an actuarial basis and recorded as a cost of the period in line with the services provided by the potential beneficiaries in their employment

Long-service bonus

Secil – Companhia Geral de Cal e Cimento, S.A. and the subsidiary CMP – Cimentos Maceira e Pataias, S.A. have assumed a commitment to its employees to pay bonuses: at Secil, to those who attain 25, 35 and 40 years of service and) at CMP, to those who attain 20 and 35 years, calculated on the basis of the basic monthly remuneration, up to the equivalent of 3 monthly salaries.

Healthcare assistance

Secil – Companhia Geral de Cal e Cimento, S.A. and its subsidiary CMP – Cimentos Maceira and Pataias, S.A. offer their employees a healthcare assistance scheme which complements the official Health and Social Security services, extensive to their families, retirees and widows.

Under this scheme, certain healthcare costs are reimbursed: (i) at Secil via a Health Insurance contracted by the company, (ii) at CMP, through "Cimentos – Federação das Caixas de Previdência", for the employees included therein, as well as by way of the company's prior approval of the medical services for the remaining employees.

1.22.3 Holiday pay and allowances and bonuses

Under the terms of the prevailing legislation, employees are entitled annually to 25 working days leave, as well as to a month's holiday allowance, entitlement to which is acquired in the year preceding its payment.

According to the current Performance Management System ("Sistema de Gestão de Desempenho"), employees have the right to a bonus based on annually-defined objectives.

Accordingly, these liabilities are recorded in the period in which the employees acquire the respective right, irrespective of the date of payment, whilst the balance payable at the date of the statement of financial position is shown under the caption "Payables and other current liabilities".

1.23 Payables and other current liabilities

Trade creditors and current accounts payable are initially recorded at their fair value and subsequently at amortised cost (Note 32).

1.24 Government grants

Government grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the group will comply with all required conditions.

Government grants related to costs are deferred and recognised in the income statement over the period that matches the costs with the compensating grants.

Grants related to biological assets carried at fair value, in accordance with IAS 41, are recognised in the income statement when the terms and conditions of the grant are met.

Government grants that the Group receives to compensate its capital expenditures are reported under the caption "Payables and other current liabilities" and are recognised in the income statement during the estimated useful life of the granted asset, by deducting the value of its amortization.

1.25 Leases

Fixed assets acquired under leasing contracts, as well as the corresponding liabilities, are recorded using the financial method.

According to this method, the asset's cost is recorded in property, plant and equipment and the corresponding liability is recorded under liabilities as loans, while the interest included in the instalments and the asset's depreciation, calculated as described in Note 1.8, are

recorded as costs in the income statement of the period to which they relate.

Leases, under which a significant part of the risks and benefits of the property is assumed by the lessor, with the Group being the lessee, are classified as operating leases. Payments made under operating leases, net of any incentives received by the lessee, are recorded in the income statement during the period of the lease (Note 39).

Leases included in contracts according to IFRIC 4

The Group recognizes an operating or financial lease whenever it enters into an agreement, encompassing a transaction or a series of related transactions which even if not in the legal form of a lease, transfers a right to use an asset in return for a payment or a series of payments (Note 17).

1.26 Dividends distribution

The distribution of dividends to shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the shareholders and up until the time of their payment.

1.27 Revenue recognition and accrual basis

Income derived from sales is recognised in the consolidated income statement when risks and benefits attached to possession of the assets are transferred to the purchaser and the amount of the income can be reasonably quantified.

Sales are recognised net of taxes, discounts and other costs associated with their realisation, at the fair value of the amount received or receivable.

The income derived from the services rendered is recognised in the consolidated income statement with reference to the stage of completion of the services rendered at the balance sheet date.

Interest received is recognised in accordance with the principle of accrual accounting, taking into consideration the amount of debt and the effective rate of interest during the period to maturity.

The Group companies record as their costs and income in accordance with the principle of accrual accounting, in terms of which costs and income are recognised as and when generated, irrespective of the moment in which they are received or paid.

The differences between the amounts received and paid and the respective costs and income are recognised in the "Receivables and other current assets" and "Payables and other current liabilities" headings (Notes 24 and 32, respectively).

1.28 Contingent assets and liabilities

Contingent liabilities in which there is probability of an outflow of funds affecting future economic benefits is only probable, are not recognised in the consolidated

financial statements, and are disclosed in the notes, unless the probability of the outflow of funds affecting future economic benefits is remote, in which case they are not the object of disclosure.

Provisions are recognised for liabilities which meet the conditions described in note 1.21.

Contingent assets are not recognised in the consolidated financial statements but are disclosed in the notes when it is probable that a future economic benefit will arise from them (Note 41).

1.29 Subsequent events

Events after the date of the statement of financial position which provide additional information about the conditions prevailing at the date of the statement of financial position are reflected in the consolidated financial statements.

Subsequent events which provide information about conditions which occur after the date of the statement of financial position are disclosed in the notes to the consolidated financial statements, if material.

1.30 New standards, changes and interpretations of existing standards

The application of the interpretations and amendments to the standards mentioned below, are mandatory by the IASB for the financial years that begin on or after 1 January 2010:

New standards	Effective date *
IFRS 3 (revised) - Business combinations	1 January 2010
IAS 27 (revised) - Consolidated and separate financial statements	1 January 2010
Changes in IFRS 5 - Non-current assets held for sale and discontinued operations	1 January 2010
IFRS 1 (revised) - First-time Adoption of International Financial Reporting	1 January 2010
IFRS 2 (revised) - Share-based Payment	1 January 2010
IAS 39 (revised) - Financial instruments: recognition and measurement	1 January 2010
IFRIC 12 - Service concession arrangements	1 January 2010
IFRIC 15 - Agreements for the construction of a real estate	1 January 2010
IFRIC 16 - Hedges of a net investment in a foreign operation	1 January 2010
IFRIC 17 - Distributions of a non-cash assets to owners	1 January 2010
IFRIC 18 Transfers of Assets from Customers	1 January 2010

*Periods beginning on or after

Annual improvement of standards in 2009 (effective for annual financial periods beginning on 1 January 2010)	Effective date *
IAS 17 - Leases	1 January 2010
IAS 36 - Impairment of assets	1 January 2010
IAS 38 - Intangible assets	1 January 2010

*Periods beginning on or after

The adoption of these new interpretations and the amendments to the above-mentioned standard did not have any relevant impact in the Group's financial statements.

New standards and interpretations not mandatory as at 31 December 2010:

There are new standards, interpretations and amendments of existing standards, despite having already been published, they are only mandatory for the periods starting on 1 January 2010 or further, as the Group decided not to adopt them in advance in the current period, as follows.

New standards approved by the European Commission	Effective date *
IAS 32 (revised) - Financial Instruments - Presentation	1 February 2010
IFRS 1 (revised) - First-time Adoption of International Financial Reporting Standards	1 July 2010
IAS 24 (revised) - Related Party Disclosures	1 January 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IFRIC 14 (revised) - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2011

* Periods beginning on or after

Standards not yet approved by the European Commission	Effective date *
IFRS 9 (New) - Financial Instruments - Classification and measurement	1 January 2013
Annual improvement of standards in 2010	
IFRS 1 - First-time Adoption of International Financial Reporting Standards	1 January 2011
IFRS 3 - Business combinations	1 January 2011
IFRS 7 - Financial Instruments - Disclosure	1 January 2011
IAS 1 - Presentation of financial statements	1 January 2011
IAS 27 - Consolidated and separate financial statements	1 January 2011
IAS 34 - Interim financial reporting	1 January 2011
IFRIC 13 Customer Loyalty Programmes	1 January 2011

* Periods beginning on or after

Up to the date of issuing this report, the Group had not concluded the estimate of the effects of the changes arising from the adoption of these standards, for which it decide not to early-adopt them. However, no material effect is expected in the financial statements as a result of their adoption.

2. Risk management

2.1 Financial risk factors

Semapa, as a holding company develops direct and indirect managing activities over its subsidiaries. Therefore the fulfilment of the assumed obligations depends on the cash flow generated by its subsidiaries. Thus, the company depends on the eventual dividends distribution by subsidiaries, interests' payment, loans reimbursement and other cash-flows generated by those companies.

The ability of Semapa's subsidiaries to make funds available will depend, partly, of their ability to generate positive cash flows and, on the other hand, of the respective earnings, available reserves and financial structure.

The Semapa group has a risk-management programme which focuses its analysis on the financial markets with a view to mitigate the potential adverse effects on the Semapa Group's financial performance. Risk management is undertaken by Financial Management of the holding and main subsidiaries, in accordance with the policies approved by the Board of Directors. An Internal Control Commission with specific functions over the operations risk control is established at Semapa level.

2.1.1 Currency risk

Variations in the euro's exchange rate against other currencies can affect the Group's revenue in a number of ways.

Regarding Portucel Group, on one hand, it is customary to set the price of BEKP on the world market in US dollars, and, as such, the change of the Euro against the US dollar can have an impact on the Portucel sub-Group's future sales regardless of the currency used (Euro or any other). On the other hand, a significant portion of UWF paper sales is priced in currencies other than the Euro, namely in US dollar and other currencies

with less relevance. The change of the Euro vis a vis these currencies can also have an impact on the Company's future sales.

Furthermore, once a sale is made in a currency other than the Euro, the Group takes on an exchange risk up to the time it receives the proceeds of that sale, if no hedging instruments are in place, as it's been usual for the BEKP sales. Therefore, Portucel's assets present receivables exposed to currency risk permanently.

Occasionally, when considered appropriate, the Group manages foreign exchange risks through the use of derivative financial instruments, in accordance with a policy that is subject to periodic review, the prime purpose of which is to limit the exchange risk associated with future sales and accounts receivable priced in currencies other than the euro.

The sub-group Secil foreign exchange risk arises primarily from purchases of pet coke and sea freight, both of which are paid for in USD. The Secil Group pursued its policy of maximising the potential natural hedging of its currency exposure through the compensation of intragroup currency flows. In the case of cash flows which are not offset naturally, the risk has been analysed and hedged by means of currency options contracts which stipulate the maximum counter value to be settled and which permit the group to benefit partially from favourable movements in exchange rates.

The sub-group Secil has assets located in Tunisia, Angola and Lebanon, with the result that any change in these countries' exchange rates could have an impact on Semapa's balance sheet.

The Group's exposure to foreign exchange rate risk as of 31 December 2010, based on the financial assets and liabilities that amounted to a net asset Euro 69,191,108 converted at the exchange rate as of that date (31 December 2009 Euro 29,410,308) as follows:

	United States Dollar	British Pound	Polish Zloty	Swedish Krona	Czech Koruna	Swiss Franc
Amounts in Foreign Currency						
As of 31 December 2010						
Assets						
Cash and cash equivalents	26,908,360	38,577	40,309	-	10	11
Receivables	54,924,062	16,026,642	4,245,538	1,326,797	264	2,595,778
Other assets	960,926	-	-	-	-	-
Total Financial Assets	82,393,348	16,065,219	4,285,847	1,326,797	274	2,595,789
Liabilities						
Bearing liabilities	(9,662,724)	-	-	-	-	-
Payables	(11,935,739)	(1,355,221)	(310,266)	(136,638)	(87,660)	(1,025,407)
Total Financial Liabilities	(21,598,522)	(1,355,221)	(310,266)	(136,638)	(87,660)	(1,025,407)
Net financial position	60,794,826	14,709,998	3,975,581	1,190,159	(87,386)	1,570,382
As of 31 December 2009						
Total Financial Assets	69,237,451	10,044,396	766,757	-	845	722,599
Total Financial Liabilities	(26,142,852)	(2,301,837)	(115,008)	(16,157)	(8,316)	(1,101,863)
Net financial position	43,094,599	7,742,559	651,749	(16,157)	(7,471)	(379,263)

	Danish Krone	Hungarian Florint	Australian Dollar	000 Lebanese Pounds	Tunisian Dinar
Amounts in Foreign Currency					
As of 31 December 2010					
Assets					
Cash and cash equivalents	5,511	-	-	3,737,353	755,752
Receivables	1,520,999	5,160,001	96,887	11,066,574	12,741,632
Other assets	-	-	-	204,595	219,554
Total Financial Assets	1,526,510	5,160,001	96,887	15,008,522	13,716,938
Liabilities					
Bearing liabilities	-	-	-	-	(13,660,224)
Payables	(622,428)	(67,508)	(3,042)	(18,763,829)	(15,354,289)
Total Financial Liabilities	(622,428)	(67,508)	(3,042)	(18,763,829)	(29,014,513)
Net financial position	904,082	5,092,493	93,845	(3,755,307)	(15,297,575)
As of 31 December 2009					
Total Financial Assets	210,922	14,527	45,005	13,126,171	20,848,688
Total Financial Liabilities	(238,531)	(1,109)	(2,296)	(28,486,076)	(27,213,376)
Net financial position	(27,609)	13,418	42,707	(15,359,905)	(6,364,688)

As of 31 December 2010 a negative variation of 5% of all currency rates to euro would have a negative impact

on results of Euro 2,710,037 (as of 31 December 2009 Euro 1,676,057 negative).

2.1.2 Interest rate risk

Whenever the evolution in interest rates requires, the Group hedges adverse risks through derivative financial instruments, such as interest rate swaps (IRS), interest rate collars, forwards, etc. In selecting derivative financial instruments, the Group focuses on the economic efficiency underlying such instruments. The inclusion of any additional instrument is also measured regarding the impact on the current portfolio of derivative instruments, namely in terms of results volatility.

The Group, in its management of exposure to interest rate, only hedges for cash flows. These operations are recorded in the balance sheet by its fair value, when its coverage is considered effective, and changes on fair value are initially recorded on equity and reclassified to the caption Gains/Losses in financial derivative instruments when they cease.

Whenever hedge operations are not effective they are recorded directly in results. Therefore, associated costs to covered debt are matched to the rate related to the contracted hedge operation.

When an instrument expires or is sold, or when hedge no longer fulfils the requirements for accounting standards, the accumulated variations presented in reserves are recognised in results when the hedge operation also is.

The cost of the Group's financial debt is indexed to short-term reference interest rates, which are reviewed more than once a year (generally every six months for medium and long-term debt) added of negotiated risk premiums. Hence, changes in interest rates can have an impact on the Company's earnings. Where the Board considers appropriate, the Group relies on the use of derivative financial instruments, including interest rate swaps and collars to manage the interest rate risk, and these tools aim to fix the interest rate on loans it obtains, within certain parameters.

The sub-group Portucel resorted to the use of interest rate swaps for approximately 30% of the debt.

Towards the end of 2005, the sub-group Secil opted to partially hedge interest rate risk by means of derivative instruments which fixed a maximum figure for the finance charges relating to long-term debt with phased repayment terms. It also contracted in 2009 an hedge for interest rate risk with an interest rate swap of Euro 40 million, notional value. The remaining debt was maintained at a variable interest rate.

During 2009 Semapa SGPS contracted three interest rate collar structures in order to reduce the exposure to interest rate fluctuations risk of the two bond loans.

The sub-group ETSA and holding's kept all its debt allocated to a variable tax rate, although it is expected that the company resorts to the use of derivative financial instruments to manage the interest rate risk.

On 31 December 2010 and 2009, the detail of the financial assets and liabilities with interest rate exposure, taking in consideration the maturity or the next settlement date was as follows:

Amounts in Euro	Until 1 month	1-3 months	3-12 months	1-5 years	+ 5 years	Total
As of 31 December, 2010						
Assets						
Currents						
Cash and cash equivalents	211,722,675	53,368,636	-	-	-	265,091,311
Total Financial Assets	211,722,675	53,368,636	-	-	-	265,091,311
Liabilities						
Non-current						
Bearing liabilities	65,400,000	31,200,000	133,079,000	691,977,190	336,226,733	1,257,882,924
Currents						
Bearing liabilities	90,667,342	46,938,993	12,872,301	-	-	150,478,637
Total Financial Liabilities	156,067,342	78,138,993	145,951,301	691,977,190	336,226,733	1,408,361,561
Difference	55,655,333	(24,770,357)	(145,951,301)	(691,977,190)	(336,226,733)	(1,143,270,250)
As of 31 December, 2009						
Assets						
Non-current						
Financial assets held-for-sale	-	-	157,206	-	-	157,206
Currents						
Cash and cash equivalents	63,977,893	-	-	-	-	63,977,893
Total Financial Assets	63,977,893	-	157,206	-	-	64,135,099
Liabilities						
Non-current						
Bearing liabilities	59,350,000	-	554,064,054	14,967,091	243,633,092	872,014,237
Currents						
Bearing liabilities	4,781,913	99,440,619	343,526,406	-	-	447,748,938
Total Financial Liabilities	64,131,913	99,440,619	897,590,460	14,967,091	243,633,092	1,319,763,175
Difference	(154,020)	(99,440,619)	(897,433,255)	(14,967,091)	(243,633,092)	(1,255,628,076)

Semapa uses the sensibility analysis technique that measures impacts on earnings and equity of increase or decrease on interest rates maintaining the other variables constant. This analysis is only for theoretical reasons since interest rate rarely changes alone in the market.

Thus, an increase of 0.5% on the interest rates for all currencies where the Group has loans as of 31 December 2010 would have had an positive impact in the income statement of Euro 7,041,808 (Euro 5,716,351 for net interest-bearing debt) excluding the effect of the derivative financial instruments contracted to hedge this risk (Note 33).

2.1.3 Credit risk

The deterioration in global economic conditions or adverse situations which only affect economies at the local level could give rise to situations in which customers are unable to meet their commitments stemming from the sales of products.

Credit insurance has been one of the instruments adopted by the Semapa Group to mitigate the negative impact of this type of risk.

Sales that are not covered by credit insurance are subject to rules which ensure that sales are made to customers with a satisfactory credit history and are within reasonable exposure limits and approved for each customer.

The Group renegotiates periodically the receivables in accordance with its own management risk policy.

As of 31 December 2010 and 31 December 2009, accounts receivable from customers showed the following ageing structure, considering the due dates for the open balances:

Amounts in Euro	Total				
	Pulp and paper	Cement	Environment	31-12-2010	31-12-2009
Not overdue	131,370,138	24,256,807	2,693,047	158,319,992	142,431,815
1 to 90 days	27,195,090	11,899,936	2,130,927	41,225,953	44,910,044
91 to 180 days	2,548,492	2,244,491	613,386	5,406,369	4,985,167
181 to 360 days	2,108,739	913,045	121,639	3,141,423	3,183,047
361 to 540 days	346,987	617,788	237,972	1,202,747	2,786,443
541 to 720 days	126,078	778,523	43,477	948,078	876,859
more than 721 days	123,199	5,908,246	153,041	6,184,486	4,824,459
	163,816,723	46,619,236	5,993,489	216,429,448	203,997,834
Litigation – doubtful debts	2,285,539	3,342,028	-	5,627,567	4,947,581
Impairments (Note 22)	(1,999,809)	(11,282,326)	(427,404)	(13,689,539)	(12,283,776)
Net receivables balance (Note 24)	164,102,453	38,698,938	5,566,085	208,367,476	196,561,608

The presented amounts correspond to the open items by the contracted due dates. Despite some delays in the liquidation of those amounts, that does not result, in accordance with the available information, in the identification of impairments further than the ones considered through the respective losses.

These are identified using the information periodically collected about the financial behaviour of the Group customers, which allow, in conjunction with the experience obtained in the client portfolio analysis and with the history of credit defaults, in the share not attributable to the insurance company, to define the amount of losses to recognise in the period.

The existing guarantees for a significant part of the open and old balances, justify the fact that no impairment has been recorded related to those amounts.

The table below represents the quality of the Group's credit risk, as of 31 December 2010 and 31 December 2009, for financial assets (cash and cash equivalents), whose counterparts are financial institutions:

Amounts in Euro	31-12-2010	31-12-2009
AA	1,064,538	3,166,263
A	3,549,044	-
AA-	93,491,476	6,254,089
A+	-	7,951,860
A	-	46,684,989
A-	16,573,192	2,167,188
BBB+	125,423,058	-
B	1,783,478	-
Others	23,206,526	22,810,339
	265,091,311	89,034,727

The caption "Others" concern the Angola's financial institutions with which there are transactions relatively to which it was not possible to obtain the ratings with reference to the presented dates.

The analysis of receivables' ageing that are already in delay is as follows:

Amounts in Euro	31-12-2010		31-12-2009	
	Gross value	Credit insurance	Gross value	Credit insurance
Accounts receivable overdue but not impaired				
Overdue - less than 3 months	41,031,041	7,171,492	44,850,035	13,051,788
Overdue - more than 3 months	8,800,130	2,164,195	9,249,921	405,446
	49,831,170	9,335,677	54,099,956	13,507,234
Accounts receivable overdue and impaired				
Overdue - less than 3 months	194,912	-	60,009	-
Overdue - more than 3 months	13,640,720	-	12,302,095	-
	13,835,632	-	12,362,104	-

It should be noted that, in accordance with the above-mentioned, the Group adopted a policy of credit insurance for all accounts receivable from costumers and has the procedure of selecting the financial entities for counterparts in its transactions that show solid financial ratings.

Thus, it is considered that the effective Group's exposure to the credit risk has been mitigated and within acceptable levels.

The maximum exposure to the credit risk as at 31 December 2010 and 2009 is detailed in the following schedule:

Amounts in Euro	31-12-2010	31-12-2009
Non-current		
Financial assets available-for-sale	677,180	798,167
Other non-current assets	3,322,155	1,363,767
Current		
Receivables and other current assets	298,322,782	214,558,442
Cash and cash equivalents	265,091,311	88,825,813
	563,414,093	303,384,255
Credit risk exposures relating to off-balance sheet items		
Commitments (Note 38)	59,996,236	44,402,845
Liabilities (Note 24)	(18,948,939)	(13,330,982)
	41,047,297	31,071,863

2.1.4 Liquidity risk

The Group manages liquidity risk in two ways: ensuring that its interest-bearing debt has a large medium and long-term component with maturities in harmony with the characteristics of the industry in which it operates, and having access to credit facilities available at any moment.

The liquidity of the agreed financial liabilities will generate the following not discounted cash flows, including interests till maturity at balance sheet date:

Amounts in Euro	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
As of 31 December 2010						
Liabilities						
Interest-bearing liabilities						
Bond loans	-	2,488,522	18,440,041	610,010,328	248,081,967	879,020,858
Commercial paper	50,402,763	173,856	995,749	66,987,447	47,878,291	166,238,106
Bank loans	41,097,448	604,502	48,773,791	294,605,586	103,333,587	488,414,914
Financial leases payables	80,491	182,261	601,147	869,361	790,622	2,523,883
Accounts payable and other liabilities	140,999,868	91,382,053	50,946,359	26,402,570	-	309,730,850
Total liabilities	232,580,579	94,831,194	119,757,087	988,875,298	399,884,467	1,845,928,616
As of 31 December 2009						
Liabilities						
Interest-bearing liabilities						
Bond loans	-	303,046,833	38,102,731	401,350,819	254,863,324	997,363,707
Commercial paper	322,064	-	318,563	19,142,936	42,734,444	62,518,007
Bank loans	5,066,885	41,705,392	75,153,798	202,302,768	35,099,243	359,328,086
Financial leases payables	122,082	261,048	891,325	1,641,899	-	2,916,354
Accounts payable and other liabilities	143,562,974	103,186,372	56,374,967	29,437,896	-	332,562,209
Total liabilities	149,074,005	448,199,645	170,841,385	653,876,317	332,697,011	1,754,688,363

As of 31 December 2010 and 2009, bank loans granted and not withdrawn amounts to Euro 338,178,006 and Euro 708,869,890 respectively.

2.1.5 Carbon emission allowances risk

The Group promotes the active management of its portfolio of carbon-emission rights allocated to it within the ambit of phase 2 of the EU-ETS, performing transactions on the market with the purpose of eliminating or reducing price risk.

2.2 Operational risk factors

2.2.1 Supply of raw materials

As of the group Portucel, the supply of wood, namely eucalyptus, is subject to price fluctuations and difficulties encountered in the supply of raw materials that could have a significant impact on the production costs of companies producing BEKP (Bleached Eucalyptus Kraft Pulp).

The planting of new areas of eucalyptus and pine is subject to the authorization of the relevant entities, so that increases in forested areas, or the substitution of some of the currently used areas depend on forest owners which are estimated in some 400,000, on the applicable legislation and the speed of the responsible authorities in approving the new projects.

If domestic production proved to be insufficient, in volume and in quality, namely of certified wood, the Group could have to place greater reliance on the importation of wood.

Furthermore, and considering the unsurpassable National Value Added in the Portuguese Economy, direct and indirect, of the eucalyptus industry, as well as the significance of such industries for exports, the level of employment they provide and the increasing demand for eucalyptus, not easily satisfied by national forests, the Group has been making the Government and the public opinion aware that it is necessary to guarantee that, whilst the internal production of this type of wood does not increase significantly on an economically viable basis, its use as bio fuels for energy production should not be put ahead of its use as a raw material, to be used to produce tradable goods.

Regarding group Secil, the main raw materials in the manufacturing process of cement are limestone and clay or marl, which extraction is carried out in its own quarries, located within the factory, with the reservation that ensure Secil sustained operation in the coming years.

The supply of raw materials for group ETSA is subject to the availability of dead animals and food industry waste, particularly in slaughterhouses.

Although this market is relatively resilient to the deterioration of the economic situation, a change in consumption habits and ease of substitution between foods may limit the activity of this group.

2.2.2 Market price

Regarding group Portucel, market prices for BEKP and UWF paper are settled in the world market within a globally competitive environment and have a significant impact on Group's revenues and its profitability.

Fluctuations over the price of both BEKP and UWF paper mainly arise from changes in the global supply and demand and from the financial situation of each one of the different players intervening in these markets (producers, traders, distributors, customers, etc.) worldwide, which lead to different and successive levels of price equilibrium increasing global market's volatility.

In order to limit the risk associated with fluctuations in BEKP's price in the short-term, the Group carried out some hedging operations through forward sales agreements.

Group Secil's turnover is dependent on the level of activity in the building sector in each one of the geographic markets in which it operates.

Unlike the specifications exposed in the privatization process of the Tunisian market, the price of cement is not liberalized being regulated by government entities.

Group ETSA's business is exposed to volatility in prices of soft commodities on international markets (cereals and cereal products), since these are substitute products to those transacted by ETSA.

The correlation between ETSA's selling prices and movements in prices of soft commodities on international markets is an additional risk factor for the activity.

2.2.3 Demand for Group's products

Any decline in the demand for BEKP and UWF paper in the EU and US markets may have a severe impact on the Portucel Group's sales. Moreover, demand for BEKP depends on the growth of worldwide paper production capacity, since paper producers are Group's main pulp customers.

Secil's turnover is dependent on the level of activity in the building sector in each one of the geographic markets in which it operates. The construction sector tends to be cyclical, in particular in mature economies, and depends on the level of residential and commercial building, as well as on the level of investments in infrastructures.

The construction sector is sensitive to factors such as interest rates, while a downturn in economic activity in any specific economy may lead to a recession in the building industry.

Despite the company considering that its geographical diversification is the best means to stabilise earnings, its business, financial situation and operating profit can be negatively affected by a downswing in the construction sector in any of the significant markets in which it operates.

In mature markets, the demand for cement and other building materials tends to be highly constant throughout the year, although situations where snow or heavy rain occurs have a negative impact on the business. The demand for Secil products is in general aligned with this behavioural pattern.

A decrease in demand or diminished level of activity in animal feed industry, agriculture exploitations, pet food and biodiesel may have a significant impact on group ETSA's turnover.

2.2.4 Competition

The increase competition in markets where it operates can have a significant impact on prices and hence on Group's profitability.

Paper markets where sub-group Portucel acts are highly competitive, so that, in the present situation, the coming on stream of new capacity could have a strong influence on world market prices.

These factors have encouraged the Group to follow the defined marketing and branding strategy and to invest in relevant capital expenditures to increase the quality of goods sold.

The main factor of threat for the competitiveness of the eucalyptus forest sector is the low productivity of the Portuguese forest and in the worldwide search of certified products, as only a small part of the forest is certified, being predictable that this competitive pressure will be held in the future.

Sub-group Secil develops its activity in a strong competitive environment. In the Portuguese market, and in the current context, any excess capacity of national operators together with imports from the Spanish market, which is in sharp decline, may affect the performance of the Sub-group in this segment.

Sub-group ETSA develops its activity in a market where it competes with other companies operating in the collection and recovery of animal by-products and other companies that produce substitutes for these products such as industries related to the production of cereals and edible oils. In this framework, any increase or decrease in competition will be reflected in the levels of profitability of the Group.

2.2.5 Environmental legislation

In recent years, community and national environmental legislation has been more demanding with regards to waste control.

Semapa Group complies with the legislation currently in force, having for this reason made very substantial investments in the past few years. Although no significant changes to current legislation are envisaged in the near future, the possibility exist that the Group may need to realise additional investments in this area, in such manner as to comply with any new limits that may eventually be approved.

2.2.6 Energy costs

A significant portion of Semapa Group's costs is dependent on energy costs.

The Group protects itself to a certain degree against the risk of an increase in energy prices by virtue of the fact that some of its factories are able to use alternative fuels and can resort to long-term electric-power supply contracts for certain of their energy requirements.

Notwithstanding those measures, significant fluctuations in electricity and fuel costs can have a negative impact on the Group's activity, financial position and operating profit.

2.2.7 Context risks

The lack of efficiency in the Portuguese economy may have a negative effect on the Group's ability to compete. This is more so, but not exclusively, in the following areas:

- i) Infra-structures: ports and railroads; roads, particularly those providing access to Group's plants;
- ii) Rules regarding territory and the subsequent additional risk of forest fires;
- iii) Low productivity of the country's forests.

3. **Important accounting estimates and judgments**

The preparation of consolidated financial statements requires that Group's management make judgments and estimates that affect the amount of revenue, costs, assets, liabilities and disclosures at balance sheet date.

These estimates are influenced by Group's management's judgments, based on: (i) the best information and knowledge of present events and in certain cases on the reports of independent experts; and (ii) the actions which the Group considers it may have to take in the future. However, on the date on which the operations are realised, the outcome could be quite different from those estimates.

The estimates and assumptions which present a significant risk of engendering a material adjustment to the book value of assets and liabilities in the following financial year are presented below:

3.1 **Impairment of Goodwill**

The Group tests annually whether has been any impairment in goodwill, in accordance with the accounting policy described in Note 1.10. The recoverable amounts of the cash generating units are ascertained based on the calculation of their value-in-use. These calculations require the use of estimates.

On 31 December 2010, a potential worsening of 0.5% in the discount rate used in impairment tests of the various cash-generating units would mean an overall decrease of 10% in their assessed value, which would still be higher than its book value.

3.2 **Income tax**

The Group recognizes additional tax assessments resulting from inspections undertaken by tax authorities.

When the final outcome of the above reviews is different from the amounts initially recorded, the differences will have an impact on corporate income tax and deferred taxes in the periods where such differences are identified.

3.3 **Actuarial assumptions**

Liabilities relating to defined-benefit plans are calculated based on certain actuarial assumptions. Changes to those assumptions can have a material impact on the aforesaid liabilities.

At 31 December 2010 the Group downgraded the discount rate used to measure its pensions' liabilities from 5.50% to 5% (see Note 29). Due to the analysis made, based on the current economical scenario, the

Group also reviewed the rate used for salary's growth from 2.5% to 2%.

The above mentioned changes had a negative impact of Euro 5,688,799, which was recorded in equity.

3.4 Fair value of biological assets

In determining the fair value of biological assets the Group used the discounted cash flows method considering account assumptions about the nature of the assets being valued (Note 1.9). Changes in these assumptions may have an impact on those assets.

As of 31 December 2010, an increase of 0.5% in the discount rate (5.5%) used to value those assets, would decrease their value by Euro 4,706,128.

3.5 Recognition of provisions and adjustments

The Group is part in several lawsuits underway, for which, based in the opinion of its lawyers, a judgment is made to determine the booking of a provision for these contingencies.

Impairment in accounts receivable are calculated essentially based on accounts receivable's ageing, customers' risk profile and customers' financial situation.

4. Segment reporting

Segmental information is presented in relation to the business segments identified, namely Pulp and Paper, Cement and Derivatives, Environment and Holdings. The earnings, assets and liabilities for each segment correspond to those which are directly attributed to them, as well as those which can be imputed to them on a reasonable basis.

Segmental report

Financial information by business segment for the year ended 31 December 2010 is shown as follows:

Amounts in Euro	Pulp and paper	Cement and derivatives	Environment	Holdings	Consolidated
REVENUE					
REVENUE	1,385,455,688	273,267,641	29,370,874	142,117	1,688,236,320
Operational results	257,742,023	43,061,891	4,823,752	(22,812,460)	282,815,206
Net financial results	(20,079,417)	(2,441,815)	(565,542)	(21,754,732)	(44,841,506)
Group share of (loss) / gains of associated companies	-	291,941	-	-	291,941
Income tax	(51,084,638)	(10,918,814)	(1,828,547)	(86,088)	(63,918,087)
Ordinary activities results	186,577,968	29,993,203	2,429,663	(44,653,280)	174,347,554
Non-controlling interest	(42,976,548)	(4,683,988)	33,212	-	(47,627,324)
Net profit for the year	143,601,420	25,309,215	2,462,875	(44,653,280)	126,720,230
OTHER INFORMATION					
Segment assets	2,660,006,407	498,637,280	70,522,903	340,483,044	3,569,649,634
Investments in associates	516,173	1,523,340	-	-	2,039,513
Total segmental liabilities	1,470,635,160	210,076,042	20,877,901	624,118,936	2,325,708,039
Depreciation, amortization and impairment losses	141,259,490	21,990,712	2,862,826	267,117	166,380,145
Provisions	1,165,032	685,923	-	1,605,001	3,455,956
Capital expenditures	95,809,579	23,944,177	1,158,435	688,822	121,601,013

Financial information by business segment for the year ended 31 December 2009 is shown as follows:

Amounts in Euro	Pulp and paper	Cement and derivatives	Environment	Holdings	Consolidated
REVENUE					
REVENUE	1,095,309,074	291,837,810	28,940,766	342,767	1,416,430,417
Operational results	107,201,984	56,383,827	5,409,891	(14,778,083)	154,217,619
Net financial results	(7,545,480)	(2,945,734)	(507,816)	(15,604,590)	(26,603,620)
Group share of (loss) / gains of associated companies	-	395,181	-	-	395,181
Income tax	(12,869,267)	(7,859,336)	(1,456,729)	(80,791)	(22,266,123)
Ordinary activities results	86,787,237	45,973,938	3,445,346	(30,463,464)	105,743,057
Non-controlling interest	(20,014,658)	(6,449,677)	(429,398)	-	(26,893,733)
Net profit for the year	66,772,579	39,524,261	3,015,948	(30,463,464)	78,849,324
OTHER INFORMATION					
Segment assets	2,574,370,284	482,195,651	26,258,165	290,634,720	3,373,458,820
Investments in associates	130,074	1,725,359	-	-	1,855,433
Total segmental liabilities	1,393,943,379	203,934,818	19,328,396	585,132,899	2,202,339,492
Depreciation, amortization and impairment losses	136,421,895	21,880,528	1,826,675	161,328	160,290,426
Provisions	(21,464,011)	229,839	(235,000)	(635,598)	(22,104,770)
Capital expenditures	522,306,829	15,723,500	4,071,489	47,333	542,149,151

Geographical segment

2010	Pulp and paper	Cement	Environment	Total
Sales and services rendered:				
Portugal	227,373,130	155,503,579	21,046,249	403,922,958
Rest of Europe	835,679,610	1,243,214	8,112,852	845,035,676
America	129,941,848	-	-	129,941,848
Africa	-	50,323,675	211,773	50,535,448
Asia	-	39,325,805	-	39,325,805
Overseas	192,461,100	26,871,368	-	219,332,468
	1,385,455,688	273,267,641	29,370,874	1,688,094,203

2009	Pulp and paper	Cement	Environment	Total
Sales and services rendered:				
Portugal	221,118,131	170,987,223	19,113,455	411,218,809
Rest of Europe	679,448,979	814,757	9,496,486	689,760,222
America	78,166,261	-	-	78,166,261
Africa	-	58,827,704	330,825	59,158,529
Asia	-	35,549,302	-	35,549,302
Overseas	116,575,703	25,658,825	-	142,234,528
	1,095,309,074	291,837,811	28,940,766	1,416,087,651

The segment of Cement and derivatives (sub-group Secil) is consolidated by the proportional method so that the values expressed in the above table is only 51% of the sub-group.

5. Other income

As of 31 December 2010 and 2009, the caption “Other income” comprises:

Amounts in Euro	2010	2009
Grants - CO2 Emission allowances	27,887,589	18,272,735
Adjustment reversal	-	1,658,787
Reversion of impairment (Note 22)	1,014,340	6,485,170
Sw ap - CO2 Emission licences	864,283	864,283
Supplementary income	844,844	2,738,711
Gains on disposals of non-current assets	4,087,228	4,073,467
Gains on inventories	74,932	496,728
Gains on current assets	1,765,481	35,668
Operating government grants	1,871,029	1,502,652
Own work capitalised	79,247	6,498,490
Revenues from waste management	711,412	478,294
Other operating income	5,083,919	11,552,976
	44,284,304	54,657,961

The amount presented in section “Grants – CO2 emissions allowances” is the recognition of the grant, originated in the allocation of free allowances (Note 1.6.1).

6. Costs, expenses and losses

As of 31 December 2010 and 2009, Costs, expenses and losses were detailed as follows:

Amounts in Euro	2010	2009
Cost of sales and service rendered		
Cost of inventories sold and consumed	(595,904,289)	(568,341,107)
Cost of materials and services consumed	(444,672,390)	(395,511,547)
Variation in production	(6,535,646)	(1,160,048)
Payroll costs		
Statutory bodies (Note 7)	(11,070,803)	(11,911,099)
Other remunerations	(126,036,003)	(111,952,299)
Pension costs (Note 29)	(12,631,173)	(11,952,789)
Other payroll costs	(39,398,415)	(36,954,076)
	(189,136,394)	(172,770,263)
Other costs and losses		
Membership fees	(714,808)	(759,635)
Donations	(703,574)	(586,946)
Cost with emission allowances	(21,486,675)	(18,753,577)
Inventories and other receivables impairment (Note 22)	(3,465,127)	(3,406,420)
Losses on inventories	(395,174)	(1,108,556)
Indirect taxes	(5,793,775)	(6,082,194)
Losses on disposal of non-current assets	(278,405)	(30,479)
Other operating costs	(2,995,706)	(5,637,251)
	(35,833,244)	(36,365,058)
Provisions (Note 30)	(3,455,956)	22,104,770
	(1,275,537,919)	(1,152,043,253)

7. Remuneration of Statutory bodies

As of 31 December 2010 and 2009, the caption “Board of directors”, including performance bonuses, comprises:

Amounts in Euro	2010	2009
Board of directors		
Semapa SGPS, S.A.	4,455,754	5,343,372
Members of Semapa board in other companies	4,138,779	5,028,399
Corporate bodies from other group companies	2,476,270	1,539,328
	11,070,803	11,911,099

Additionally, Semapa's Board of Directors, as well as Portucel's, benefit from a pension plan as described in Note 29.

8. Depreciation, amortisation and impairment losses

As of 31 December 2010 and 2009, “Depreciation, amortisation and impairment losses” were detailed as follows:

Amounts in Euro	2010	2009
Depreciation of property, plant and equipment		
Land	(1,556,408)	(1,147,430)
Buildings	(25,874,901)	(23,258,492)
Other tangible assets	(137,623,705)	(135,420,084)
	(165,055,014)	(159,826,006)
Depreciation of intangible assets		
Industrial property and other rights (Note 16)	(465,729)	(464,420)
	(465,729)	(464,420)
Impairment losses in tangible assets		
Work in progress (Note 22)	(102,292)	-
	(102,292)	-
Impairment losses in intangible assets		
Goodwill (Note 15 and 22)	(757,110)	-
	(757,110)	-
	(166,380,145)	(160,290,426)

Depreciations are net of recognised government grants of Euro 1,486,324 (2009: Euro 5,223,932).

Goodwill impairment losses refer to Abapor – Comércio e Indústria de Carnes, SA (Note 15).

9. Group share of associates' net profits

In the years ended 31 December 2010 and 2009, the Group recorded its share of the net income/ (loss) of associated companies as follows:

Amounts in Euro	2010	2009
Sub-group Secil		
Chryso - Aditivos de Portugal, S.A.	2,730	(2,237)
Setefrete, SGPS, S.A.	295,399	393,512
J.M. Henriques, Lda.	(6,188)	3,906
	291,941	395,181

The company does not recognise deferred taxes on these amounts as it considers that the provisions of article 51 of the corporate income tax code (Portuguese initials IRC) apply.

10. Net financial results

As of 31 December 2010 and 2009, "Net financial results" comprise:

Amounts in Euro	2010	2009
Interest paid on loans from shareholders	(136,234)	(181,872)
Interest paid on borrowings	(35,131,732)	(48,487,477)
Interest paid on loans from associates companies	71,352	-
Other interest earned	3,642,581	4,363,494
Compensatory interest	-	10,862,681
Fair value in available-for-sale financial assets (Note 21)	(247,061)	1,584,204
Gains / (losses) on fair value financial assets valuation (Note 21)	(3,601,878)	-
Gains / (losses) on financial instruments - hedging (Note 33)	(5,739,313)	7,785,198
Gains / (losses) on financial instruments - trading (Note 33)	(2,136,316)	(3,167,947)
Foreign exchange gains / (losses)	258,495	3,896,004
Other financial expenses	(2,506,610)	(3,228,367)
Other financial income	685,210	(29,538)
	(44,841,506)	(26,603,620)

The amount stated in "Gains / (losses) on fair value financial assets valuation" refers to the devaluation in the listed securities held by the Group and classified as "Financial assets at fair value through profit or loss", as described in note 20.

In 2009 and previous years, interest on deferred payments related to additional tax payments (due to payments over the years of 1998 to 2003) and to tax contingencies both in Portugal and abroad, that were reversed in 2009 as they were found not to be due.

Gains / (losses) on trading and hedging financial instruments comprise the results from the instruments detailed in note 33.

11. Income tax

The Groups Semapa, Portucel and Secil are subject to the special regime governing business groups comprising companies in which the shareholding is equal to or more than 90% and which meet the conditions laid down in articles 69 and following of the IRC Code.

Companies included within the consolidation scope of the group of companies subject to this regime calculate and recognise income tax (IRC) as though they were taxed on an individual basis.

Where there are gains on the use of this regime, these are recorded as a deduction for the parent company's tax.

Pursuant to prevailing legislation, the gains and losses relating to group and associated companies resulting from the application of the equity method are deducted from or added to, respectively, to the net income of the year for the purpose of calculating taxable income.

Dividends are considered when determining the taxable income in the year in which they are received, if the assets are held for less than one year or if investments represent less than 10% of the share capital.

As of 31 December 2010 and 2009, income tax comprises:

Amounts in Euro	31-12-2010	31-12-2009
Current tax	41,541,627	28,153,221
Provision for current tax	(4,443,051)	(10,814,479)
Deferred tax (Note 28)	26,819,511	4,927,381
	63,918,087	22,266,123

The reconciliation of the effective tax rate in the years ended 31 December 2010 and 2009 is as follows:

Amounts in Euro	2010	2009
Profit before tax	238,265,641	128,009,180
Expected income tax	63,140,395	33,922,433
State Surcharge	16,847,780	-
Differences (a)	(11,853,725)	(1,656,950)
Prior year tax adjustments	(2,393,005)	-
Recoverable tax losses carried forward	(114,804)	(2,385,638)
Non recoverable tax losses	8,088,301	5,977,781
Impact of the change in the income tax rate	11,320,256	(695,248)
Provision for current tax	(4,443,052)	(10,814,479)
Tax benefits	(15,937,709)	(1,721,629)
Adjustments to taxable income	(736,350)	(360,147)
	63,918,087	22,266,123

Effective tax rate	26.83%	17.39%
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(a) This amount is made up essentially of :

Goodwill amortization	556,576	-
Effects arising from the application of the equity method	(291,941)	(395,181)
Capital gains / (losses) for tax purposes	(20,985,706)	(454,720)
Capital gains / (losses) for accounting purposes	(11,325,450)	(6,665,300)
Provisions not allowed for tax purposes	14,073,256	10,492,078
Tax benefits	(3,021,661)	(5,707,551)
Dividends received from non EU companies	4,234,801	2,537,887
Decrease in taxed provisions	(23,270,795)	(1,115,360)
Intra-group earnings subject to taxation	-	(13,321,222)
Effect of pension funds	(1,380,812)	2,428,820
Others	(3,319,305)	5,947,907
	(44,731,037)	(6,252,642)
Tax effect (26,50%)	(11,853,725)	(1,656,950)

During the year ended 31 December 2010, due to the application of the Growth and Stability Plan (Portuguese initials PEC), in force by law 12-A/2010, the Group used an income tax rate of 29% over the 26.5% previously applied.

The annual tax returns in Portugal are subject to review and possible adjustment on the part of the tax authorities during a period of 4 years. However, where there are tax losses, these may be subject to review and additional assessment by the tax authorities for a period of 6 years.

In the other countries in which the Group carries on its operations, the periods differ (as a general rule, they are longer).

The Board of Directors is of the opinion that any corrections to those tax returns as a result of assessments by the tax authorities will not have a material impact on the consolidated financial statements at 31 December 2010. Additionally, the periods until 2008 have already been reviewed.

12. Earnings per share

There are no convertible financial instruments over Semapa' shares, with the result that there is no dilution of earnings.

Amounts in Euro	2010	2009
Profit attributable to Semapa's shareholders	126,720,230	78,849,324
Weighted average number of ordinary shares in issue	112,884,470	112,884,470
Basic earnings per share	1.123	0.698
Diluted earnings per share	1.123	0.698

The weighted average number of shares is shown after deducting 2,727,975 treasury shares owned by Seminv, S.A., subsidiary owned by Semapa, SGPS, S.A. and 2,720,000 treasury shares acquired by Semapa in July 2007.

13. Non-controlling interests

As of 31 December 2010 and 2009, non-controlling interests shown in the Income statement comprise:

Amounts in Euro	2010	2009
Portucel - Empresa de Pasta e Papel, SA	42,984,403	20,021,752
Raiz - Instituto de Investigação da Floresta e Papel	(7,855)	(7,094)
Secil Betões e Inertes Group	15,401	17,672
Société des Ciments de Gabès	49,053	37,038
Secil Martingança	530	11,294
Secil - Companhia de Cimento do Lobito, S.A.	(572,717)	1,540,600
Cimentos de Siblino, S.A.L.	4,865,664	4,671,602
Cimentos Madeira Group	317,097	133,576
ETSA - Investimentos, SGPS, SA	(33,212)	429,399
Other	8,960	37,894
	47,627,324	26,893,733

As of 31 December 2010 and 2009, non-controlling interests in the Consolidated Statement of Financial Position comprise:

Amounts in Euro	31-12-2010	31-12-2009
Portucel - Empresa de Pasta e Papel, SA	273,913,139	272,085,085
Raiz - Instituto de Investigação da Floresta e Papel	216,754	230,002
Secil Betões e Inertes Group	134,992	197,286
Société des Ciments de Gabès	685,077	675,225
Secil Martingança	167,269	166,700
Secil - Companhia de Cimento do Lobito, S.A.	4,367,609	4,576,867
Cimentos de Siblino, S.A.L.	25,481,508	22,616,610
Cimentos Madeira Group	3,085,408	2,865,844
ETSA - Investimentos, SGPS, SA	1,932,481	1,392,465
Other	536,609	569,176
	310,520,846	305,375,260

The movement in the non-controlling interests' account in the years ended 31 December 2010 and 2009 is as follows:

Amounts in Euro	Pulp and Paper	Cement and Derivatives	Environment	Total
Balance as of 1 January 2009	273,570,762	29,368,927	803	302,940,492
Change in consolidation perimeter	(3,222,604)	(110,579)	1,655,159	(1,678,024)
Dividends	(18,248,232)	(2,908,243)	(420,000)	(21,576,475)
Currency translation reserve	(4,419)	(1,117,509)	-	(1,121,928)
Financial instruments	(1,548,325)	-	-	(1,548,325)
Actuarial gains and losses	1,689,735	17,993	-	1,707,728
Other movements in equity	63,512	-	(305,453)	(241,941)
Net profit for the year	20,014,658	6,449,676	429,399	26,893,733
Balance as of 31 December 2009	272,315,087	31,700,265	1,359,908	305,375,260
Acquisitions/(disposals) non controlling interest	(232,029)	(64,397)	-	(296,426)
Dividends	(41,418,806)	(3,798,871)	(800,000)	(46,017,677)
Currency translation reserve	147,669	1,920,597	-	2,068,266
Financial instruments	353,565	-	-	353,565
Actuarial gains and losses	(12,141)	16,890	-	4,749
Other movements in equity	-	-	1,405,785	1,405,785
Net profit for the year	42,976,548	4,683,988	(33,212)	47,627,324
Balance as of 31 December 2010	274,129,893	34,458,472	1,932,481	310,520,846

14. Appropriation of previous year's profit

Amounts in Euro	Application of year's net profit	
	2009	2008
Dividends distribution	29,481,174	29,481,173
Other reserves	49,368,150	61,866,307
Retained earnings	-	15,000,000
Net profit for the year	78,849,324	106,347,480
Dividends per share	0.255	0.255

As of 31 December 2010, legal reserves are recorded at maximum amount, to which is added the share premiums reserve.

15. Goodwill

The following movements were registered in the caption "Goodwill" during 2010 and 2009:

Amounts in Euro	31-12-2010	31-12-2009
Net amount at the beginning of the year	321,274,798	330,370,980
Transfers	(441,842)	-
Impairment losses (Note 8)	(757,110)	-
Acquisitions	-	694,850
Disposals	-	(8,966,590)
Foreign exchange differences	129,101	(824,442)
Ending Balance	320,204,947	321,274,798

Note: net of impairment losses (Note 22)

In accordance with IAS 36, Goodwill is subject to impairment tests performed on an annual basis, in accordance to the accounting policy described on note 1.7.

As of 31 December 2010 and 2009 Goodwill is made up as follows:

Entity	Aquisition date	31-12-2010	31-12-2009
Acquisitions made by Semapa and holdings			
Secil - Companhia Geral de Cal e Cimento, SA	1997	6,766,530	6,766,530
Cimentospar, SGPS, SA	2003	81,296,931	81,296,931
Portucel - Empresa Produtora de Pasta e Papel, SA	2004	135,565,059	135,565,059
ETSA - Investimentos, SGPS, SA	2008	35,866,358	35,866,358
		259,494,878	259,494,878
Acquisitions made by Sub-group Secil (51%)			
CMP - Cimentos Maceira e Pataias, S.A.	1994	24,906,178	24,906,178
Société des Ciments de Gabès	2000	16,382,556	16,726,887
Secil Betões e Inertes Group	2000	6,796,621	6,796,621
Sud-Béton-Société de Fabrication de Béton du Sud	2001	973,828	994,295
Tecnosecil, S.A.R.L.	2005	907,617	841,843
IRP - Indústria de Reboco de Portugal, S.A.	2005	1,611,226	1,611,226
Sicobeto - Fabricação de Betão, S.A.	2006	421,747	421,747
Secil Cabo Verde Comércio e Serviços, S.A.	2005	61,418	71,117
Secil Betões e Inertes, SGPS, S.A.	2006	311,197	311,197
Cimentos Madeira, S.A.	2007	924,103	924,103
Minerbetão, S.A.	2007	476,507	476,507
Cimentos de Siblino, S.A.L.	2007	5,995,677	5,567,554
Teporsret, S.A.	2008	78,403	78,403
Colagra	2008	43,706	43,706
Quimpedra	2009	262,709	694,850
		60,153,493	60,466,234
Acquisitions made by Sub-group ETSA			
Abapor - Comércio e Indústria de Carnes, SA	2008	556,576	1,313,686
		556,576	1,313,686
		320,204,947	321,274,798

Goodwill is attributed to the Group's cash generating units (CGU's) identified according to the country of the operation and the business segment, as follows:

Amounts in Euro	31-12-2010			
	Cement and derivatives	Pulp and Paper	Environment	Total
Portugal	123,895,858	135,565,059	36,422,934	295,883,851
Tunisia	17,356,384	-	-	17,356,384
Lebanon	5,995,677	-	-	5,995,677
Angola	907,617	-	-	907,617
Cape Verde	61,418	-	-	61,418
	148,216,954	135,565,059	36,422,934	320,204,947

Amounts in Euro	31-12-2009			
	Cement and derivatives	Pulp and Paper	Environment	Total
Portugal	124,327,999	135,565,059	37,180,044	297,073,102
Tunisia	17,721,182	-	-	17,721,182
Lebanon	5,567,554	-	-	5,567,554
Angola	841,843	-	-	841,843
Cape Verde	71,117	-	-	71,117
	148,529,695	135,565,059	37,180,044	321,274,798

For purposes of impairment testing, the recoverable amount of the CGU's is determined based on the value-in-use, in accordance with the discounted cash flow method.

The calculations are based on historical performance and on expectations of business expansion with the current production structure, using for this purpose the Group's 4-year medium-term plan.

As a result of the calculations made to the different CGU's, no impairment losses relating to Goodwill have been identified, beyond those recognised and detailed in note 8.

Impairment testing was based on the following assumptions:

	WACC*	Growth rate
Cement and Derivatives		
Portugal	7.80%	0.00%
Tunisia	8.70%	2.25%
Lebanon	10.50%	2.25%
Angola	10.70%	2.25%
Cape Verde	10.10%	2.25%
Pulp and Paper		
Paper	8.96%	0.00%
Environment	8.95%	0.00%

* After tax

16. Other intangible assets

During 2010 and 2009, changes under the “Other intangible assets” heading were as follows:

Amounts in Euro	Brands	Industrial property and other rights	CO2 emission licences	Total
Acquisition costs				
Amount as of 1 January 2009	151,488,000	1,898,102	25,611,098	178,997,200
Change in consolidation perimeter	-	-	-	-
Acquisitions	-	-	19,790,628	19,790,628
Disposals	-	-	(6,748,536)	(6,748,536)
Adjustments, transfers and write-off's	-	-	(19,170,252)	(19,170,252)
Amount as of 31 December 2009	151,488,000	1,898,102	19,482,938	172,869,040
Change in consolidation perimeter	-	-	-	-
Acquisitions	-	-	30,354,950	30,354,950
Disposals	-	-	(15,421,623)	(15,421,623)
Adjustments, transfers and write-off's	-	-	(14,749,546)	(14,749,546)
Amount as of 31 December 2010	151,488,000	1,898,102	19,666,719	173,052,821
Accumulated depreciation and impairment losses				
Amount as of 1 January 2009	-	(948,782)	(1,543,516)	(2,492,298)
Change in consolidation perimeter	-	-	-	-
Amortisations and impairment losses	-	(464,420)	-	(464,420)
Disposals	-	-	-	-
Adjustments, transfers and write-off's	-	-	-	-
Amount as of 31 December 2009	-	(1,413,202)	(1,543,516)	(2,956,718)
Change in consolidation perimeter	-	-	-	-
Amortisations and impairment losses	-	(465,729)	-	(465,729)
Disposals	-	-	-	-
Adjustments, transfers and write-off's	-	-	-	-
Amount as of 31 December 2010	-	(1,878,931)	(1,543,516)	(3,422,447)
Net book value as of 1 January 2009	151,488,000	949,320	24,067,582	176,504,902
Net book value as of 31 December 2009	151,488,000	484,900	17,939,422	169,912,322
Net book value as of 31 December 2010	151,488,000	19,171	18,123,203	169,630,374

The amount of Euro 151,488,000 under the caption Brands, relates to the initial evaluation performed by a specialized and independent entity, for trademarks Navigator and Soporset, using the respective cash-flow projections at an appropriate discount rate, after determined the fair value of Portucel's assets and liabilities, which is not subject to amortization as its useful life is undefined (Note 1.6).

The impairment of this intangible asset is tested annually. Based on the assessment carried out in the first six months of 2010 there was no impairment. The assumptions to this conclusion are presented as follows:

Brand	Markets	Risk-free interest rate	Discount rate*	Inflation rate	Tax rate**
Navigator	Europe	2.7%	6.4%	2.0%	26.5%
	USA	3.0%	11.8%	2.5%	-
Soporset	Europe	2.7%	6.1%	2.0%	26.5%
	USA	3.0%	12.4%	2.5%	-

* The discount rates presented include the level of robustness of each brand

** evaluation made in the 1st Semester 2010

17. Property, plant and equipment

The following movements were registered in the years ended 31 December 2010 and 2009 under the caption “Property, plant and equipment”, as well as on the respective amortisation and impairment losses accounts:

Amounts in Euro	Land	Buildings and other constructions	Equipments and others tangibles	Assets under construction	Total
Acquisition Cost					
Amount as of 1 January 2009	179,530,283	647,473,486	3,452,542,094	288,345,993	4,567,891,856
Change of perimeter	3,016,134	64,229	1,848,399	-	4,928,762
Acquisitions	5,510,070	47,624,704	460,399,899	28,673,854	542,208,527
Disposals	(10,046)	(183,260)	(6,294,540)	-	(6,487,846)
Changes in fair value	988,790	47,544,029	78,872,903	(128,259,658)	(853,936)
Exchange differences	(1,311,034)	(1,160,714)	(4,285,593)	(222,741)	(6,980,082)
Amount as of 31 December 2009	187,724,197	741,362,474	3,983,083,162	188,537,448	5,100,707,281
Acquisitions	2,422,151	23,054,775	63,844,273	32,279,814	121,601,013
Disposals	(1,003,798)	(1,873,539)	(3,497,769)	-	(6,375,106)
Changes in fair value	4,851,903	11,142,048	156,793,069	(176,599,440)	(3,812,420)
Exchange differences	(89,251)	1,239,139	3,128,871	337,762	4,616,521
Amount as of 31 December 2010	193,905,202	774,924,897	4,203,351,606	44,555,584	5,216,737,289
Accumulated depreciations and impairment losses					
Amount as of 1 January 2009	(14,281,002)	(394,438,371)	(2,383,596,257)	-	(2,792,315,630)
Change of perimeter	(111,285)	(40,836)	(1,416,255)	-	(1,568,376)
Depreciations and impairment losses	(1,147,430)	(23,707,394)	(139,133,093)	-	(163,987,917)
Disposals	3,415	119,511	6,260,467	-	6,383,393
Adjustments, transfers and write-off's	-	1,982	(54,725)	-	(52,743)
Exchange differences	217,526	525,896	2,096,000	-	2,839,422
Amount as of 31 December 2009	(15,318,776)	(417,539,212)	(2,515,843,863)	-	(2,948,701,851)
Change of perimeter	-	-	-	-	-
Depreciations and impairment losses	(1,963,041)	(7,453,352)	(154,152,297)	(102,292)	(163,670,982)
Disposals	(6,097)	556,912	3,260,016	-	3,810,831
Adjustments, transfers and write-off's	873	1,233,449	5,590,202	-	6,824,524
Exchange differences	72,556	(519,253)	(1,346,579)	-	(1,793,276)
Amount as of 31 December 2010	(17,214,485)	(423,721,456)	(2,662,492,521)	(102,292)	(3,103,530,754)
Net book value as of 1 January 2009	165,249,281	253,035,115	1,068,945,837	288,345,993	1,775,576,226
Net book value as of 31 December 2009	172,405,421	323,823,262	1,467,239,299	188,537,448	2,152,005,430
Net book value as of 31 December 2010	176,690,717	351,203,441	1,540,859,085	44,453,292	2,113,206,535

The group holds a stake of 8% in Soporgen – Sociedade Portuguesa de Geração de Electricidade e Calor, S.A. (Soporgen), a company whose main activity is the production of electricity and steam sold mainly to the subsidiary Soporcel.

In 2009, with the start of operations in the new paper mill, the Group recognised as a finance lease contract the cost of the Precipitated Calcium Carbonate production unit, installed by Omya, S.A. at the industry site in Setúbal for the exclusive use of the new factory. This contract foresees the transfer of the ownership of the assets upon the end of the contract.

Following the above-mentioned agreements, the Group applies “IFRIC 4 – Determining whether an arrangement contains a lease”. By following this interpretation Property, plant and equipment – equipment and other tangibles was increased by Euro 58,003,950, from which the respective accumulated depreciation of Euro 34,161,456 (31 December 2009: Euro 29,714,344), was deducted as of 31 December 2010. As of 31 December 2010, the net book value of these equipments was Euro 23,842,494 (31 December 2009: Euro 28,289,606).

As of 31 December 2010 “Assets under construction” included Euro 3,919,787 (31 December 2009: Euro 35,770,635), related to advance payments and supplies of Property Plant and Equipment, under the scope of the investment projects being developed by the Group. These amounts are fully guaranteed by first demand bank guarantees, handed by the respective suppliers that are promoting the investments of the Group companies, in accordance with the implemented policies for the mitigation of credit risk.

At 31 December 2010 and 2009, the caption “Equipments and other tangibles” comprised assets in others' property (piggeries) for temporary storage of bodies to collect, amounting a total, net of depreciation, of Euro 1,547,293 and Euro 1,638,970 respectively.

18. Biological assets

Over the years ended 31 December 2010 and 2009, changes in biological assets were as follows:

Amounts in Euro	31-12-2010	31-12-2009
Amount as of 1 January	118,289,970	122,827,050
Changes in fair value		
Logging in the period	(21,058,399)	(14,389,877)
Growth	6,950,100	5,289,007
New plantations	3,210,386	1,874,122
Other changes in fair value	3,110,559	2,689,668
Total changes in fair value	(7,787,354)	(4,537,080)
	110,502,616	118,289,970

The amounts shown as “Other changes in fair value” correspond to changes (positive or negative) in the estimated volume of future wood harvests due to: new plantations, increase or decrease in the forest management efficiency and write-downs as result of fires.

19. Investment in associates

The following movements were registered in this caption during the years ended 31 December 2010 and 2009:

Amounts in Euro	31-12-2010	31-12-2009
Opening balance	1,855,433	1,828,322
Appropriated net profit	291,941	395,181
Dividends received	(655,839)	(339,788)
Exchange differences	(26)	(45)
Other	548,004	(28,237)
	2,039,513	1,855,433

The “Investment in associates” includes goodwill amounting to Euro 1,136,153 of Setefrete, SGPS, SA..

As of 31 December 2010 and 2009 “Investments in associates”, including goodwill, comprises:

Associated Companies	% Held	Book Value	
		31-12-2010	31-12-2009
Chryso - Aditivos de Portugal, S.A.	40.00%	16,259	13,530
Setefrete, SGPS, S.A.	25.00%	1,310,387	1,508,924
MC - Materiaux de Construction	49.36%	1,276	1,353
J.M. Henriques, Lda.	100.00%	195,417	201,552
Soporgen	8.00%	516,174	4,000
Liaison Technologie	1.52%	-	126,074
		2,039,513	1,855,433

This caption includes the 8% stake in Soporgen – Sociedade Portuguesa de Geração de Electricidade e Calor, S.A.. This company holds a gas power plant at the Figueira da Foz site that the Group, as mentioned in note 17, considers to be a finance lease and recognises as such in the consolidated financial statements.

Although the share represents only 8% of the company's equity and respective voting rights, the Group recognizes this as an associated company as it can influence Soporgen's management decisions:

1 – One of the five directors of the company is nominated in representation of the Group.

2 – A significant part of Soporgen's sales is made to the Group (at least 10% of the associate's revenues), and the rest, corresponding to electric energy, is sold to the EDP Group.

3 – The Group, as well as the remaining shareholders, is responsible for Soporgen's contracted bank loan, in the same proportion as its share.

At 31 December 2010, the financial information relating to associated companies was as follows:

		31 December 2010				
Amounts in Euro		Total Assets	Total Liabilities	Equity a)	Net Income	Revenue
Chryso - Aditivos de Portugal, S.A.	b)	1,108,837	1,068,188	40,649	6,825	1,828,983
MC - Materiaux de Construction	c)	325,963	314,981	10,982	5,341	4,191,233
Inerogrande Central de Betão, Lda.	c)	983,883	1,024,796	(40,913)	(4,291)	-
Viroc Portugal - Industrias de						-
Madeira e Cimento, S.A.	b)	5,430,937	11,389,863	(7,011,253)	(1,208,031)	2,917,509
J.M.J. - Henriques, Lda.	c)	546,167	155,333	390,834	(12,376)	-
Setefrete, SGPS, S.A.	a)	2,789,967	1,069,533	696,944	1,181,597	10,558,626
a) Amounts related to 31.12.2009, deducted by distributed dividends						
b) Amounts related to 30.11.2010						
c) Amounts related to 31.12.2010						

20. Financial assets at fair value through profit or loss

The following movements were registered in this caption during the years ended 31 December 2010 and 2009:

Amounts in Euro	31-12-2010	31-12-2009
Fair value at the beginning of the year	14,871,574	13,400,586
Acquisitions	1,858,792	-
Changes in fair value (Note 10)	(3,601,878)	1,470,988
	13,128,488	14,871,574

As of 31 December 2010 and 2009, “Financial assets at fair value through profit or loss” comprised:

Amounts in Euro	Fair Value	
	31-12-2010	31-12-2009
Banco Comercial Português, SA	3,570,570	5,184,075
EDP - Energias de Portugal, SA	9,555,168	9,684,749
Other	2,750	2,750
	13,128,488	14,871,574

21. Available-for-sale financial assets

The following movements were registered in this caption during the years ended 31 December 2010 and 2009:

Amounts in Euro	31-12-2010	31-12-2009
Fair value at the beginning of the year	798,167	877,174
Acquisitions	-	115,945
Disposals	-	(2,272,580)
Transfers	126,074	1,741,598
Exchange fluctuation	-	222,814
Changes in fair value	(247,061)	113,216
	677,180	798,167

As of 31 December 2010 and 2009 the fair value of available-for-sale financial assets comprises:

Amounts in Euro	Fair Value	
	31-12-2010	31-12-2009
Banco Espírito Santo, SA	324,648	515,153
Liaison Technologie	126,074	-
Others	226,458	283,014
	677,180	798,167

22. Impairment in non-current and current assets

In the years ended 31 December 2010 and 2009, the following movements were registered on impairments in non-current assets:

Amounts in Euro	Goodwill*	Intangible Assets	Tangible Assets	Investments Assoc. Comp.	Total
As of 1 January 2009	10,279,453	946,547	7,632,093	8,301	18,866,394
Foreign exchange differences (246,228)	-	-	-	-	(246,228)
Reversals	-	-	(150,000)	-	(150,000)
Direct utilisations	-	-	(2,643,478)	-	(2,643,478)
As of 31 December 2009	10,033,225	946,547	4,838,615	8,301	15,826,688
Foreign exchange differences (147,730)	-	-	-	-	(147,730)
Increases (Note 8)	757,110	-	102,292	-	859,402
As of 31 December 2010	10,642,605	946,547	4,940,907	8,301	16,538,360

* Goodwill impairment due to affiliates and associated companies

In the years ended 31 December 2010 and 2009, the following movements were registered on impairments in current assets:

Amounts in Euro	Inventories	Accounts receivable	Receivables Assoc. Comp.	Other Receivables	Total
As of 1 January 2009	8,807,114	11,698,242	1,292,818	5,175,097	26,973,271
Foreign exchange differences (72,246)	-	(41,458)	-	(13,036)	(126,740)
Increases	410,469	1,284,155	29,306	422,941	2,146,871
Reversals (5,893,049)	-	(462,632)	-	(1,638,277)	(7,993,958)
Direct utilisations	-	(194,530)	-	-	(194,530)
Transfers	-	-	-	731,309	731,309
As of 31 December 2009	3,252,288	12,283,777	1,322,124	4,678,034	21,536,223
Foreign exchange differences	43,002	37,776	-	29,702	110,480
Increases (Note 6)	500,564	1,977,390	565,142	422,031	3,465,127
Reversals (Note 5)	(315,442)	(416,823)	(31,931)	(250,144)	(1,014,340)
Direct utilisations (6,516)	-	(300,187)	-	(51,885)	(358,588)
Transfers	-	107,606	-	981	108,587
As of 31 December 2010	3,473,896	13,689,539	1,855,335	4,828,719	23,847,489

23. Inventories

As of 31 December 2010 and 2009 the caption "Inventories" comprised:

Amounts in Euro	31-12-2010	31-12-2009
Raw materials	119,426,026	106,314,039
Work in progress	22,684,829	18,108,557
Byproducts and waste	1,240,632	2,034,449
Finished and intermediate products	73,862,716	56,580,323
Goods for resale	6,069,230	4,743,283
Advances to inventories' suppliers	3,556,915	2,067,140
	226,840,348	189,847,791

Note: Values are presented net of impairment losses (Note 22)

24. Receivables and other current assets

As of 31 December 2010 and 2009 the caption "Receivables and other current assets" comprised:

Amounts in Euro	31-12-2010	31-12-2009
Accounts receivable	208,353,482	196,467,451
Accounts receivable - related parties	587,347	2,800,242
Derivative financial instruments	1,207,189	1,514,537
Other receivables	57,165,572	20,970,996
Accrued income	2,458,148	838,721
Deferred costs	2,470,906	3,446,939
	272,242,644	226,038,886

Note: Values are presented net of impairment losses (Note 22)

At 31 December 2010 and 2009, "Other receivables" comprised:

Amounts in Euro	31-12-2010	31-12-2009
Associated companies		
Associated companies (Note 34)	573,353	-
	573,353	-
Others debtors		
Advance payments to suppliers	856,686	707,762
AICEP - Financial incentives to receive	38,199,792	6,891,182
IMT	143,270	311,919
Others	17,392,471	13,060,133
	57,165,572	20,970,996

At 31 December 2010, the caption "Others debtors" includes notes receivable related to financial incentives to be received from AICEP regarding the group's investment on a new paper machine in Setubal.

The movements in the AICEP balance are detailed below:

Amounts in Euro	31-12-2010	31-12-2009
Opening balance	6,891,182	15,840,784
Amounts received	-	(6,556,913)
Increase / (Rectification)	31,308,610	(2,392,689)
Ending balance	38,199,792	6,891,182

As of 31 December 2010 and 2009, captions "Accrued income" and "Deferred costs" comprised:

Amounts in Euro	31-12-2010	31-12-2009
Accrued income		
Interest receivable	1,287,853	177,929
Discounts in acquisitions	118,550	122,643
Grants	86,700	-
Other	965,046	538,149
	2,458,149	838,721
Deferred costs		
Major repairs	58,277	1,043,627
Insurance	150,794	498,506
Rents and leases	197,463	272,189
Other	2,064,372	1,632,617
	2,470,906	3,446,939
	4,929,055	4,285,660

25. State and other public entities

At 31 December 2010 and 2009, there were no arrear debts to the State and other public bodies.

The balances relating to these entities were as follows:

Current assets

Amounts in Euro	31-12-2010	31-12-2009
State and other public entities		
Corporate Income Tax - IRC	2,242,503	2,888,580
Individual Income Tax - IRS	35,799	43
Value added tax	4,296,112	5,080,640
Value added tax - refunds requested	30,118,674	48,939,828
Other	106,317	190,945
	36,799,405	57,100,036

Current liabilities

Amounts in Euro	31-12-2010	31-12-2009
State and other public entities		
Corporate Income Tax - IRC	13,437,268	6,920,393
Individual Income Tax - IRS	7,081,908	2,836,332
Value added tax	9,462,098	27,219,997
Social Security	2,894,674	3,004,797
Additional tax payment	31,279,497	32,678,716
Other	2,332,434	306,774
	66,487,879	72,967,009

As of 31 December 2010 and 2009, the caption "Corporate Income tax - IRC" comprised:

Amounts in Euro	31-12-2010	31-12-2009
Year income tax	45,210,795	25,930,923
Foreign Exchange differences	(56,015)	(44,552)
Payments on account	(25,975,655)	(16,605,478)
RETGS Savings	-	(605,707)
Withholding tax	(3,466,809)	(1,651,231)
Prior years income tax	(2,275,048)	(103,562)
	13,437,268	6,920,393

26. Share capital and treasury shares

At 31 December 2010 and 2009, Semapa's share capital was fully subscribed and paid up, being represented by 118,332,445 shares with a unit nominal value of 1 Euro.

At 31 December 2010 and 2009 the following entities had substantial holdings in the company's capital:

Name	Nº of Shares	31-12-2010	%	31-12-2009
Longapar, SGPS, S.A.	20,869,300	17.64	17.55	
Sodim, SGPS, S.A.	18,842,424	15.92	15.92	
Cmo - Gestão de Participações, SGPS, S.A.	14,106,675	11.92	11.92	
Banco BPI, SA	12,009,004	10.15	10.15	
Bestinver Gestão, SGIC, S.A.	8,823,222	7.46	7.46	
Banco Espírito Santo, SA	3,871,957	3.27	2.72	
Seminv - Investimentos, SGPS, S.A	2,727,975	2.31	2.31	
ESAF - Espírito Santo Fundos de Investimento Mobiliário, SA	2,569,232	2.17	2.17	
Norges Bank (the Central Bank of Norway)	2,468,712	2.09	-	
Sonaca - SGPS, S.A.	1,630,590	1.38	1.38	
Cimigest, SGPS, SA	1,097,966	0.93	0.93	
Sociedade Agrícola da Quinta da Vialonga, S.A.	625,199	0.53	0.53	
OBM - Organização de Empresas, SGPS, S.A.	535,000	0.45	0.44	
Treasury shares	2,720,000	2.30	2.30	
Other shareholders with less than 2% participation	25,435,189	21.49	24.23	
	118,332,445	100.00	100.00	

Seminv Investimentos, SGPS, S.A. is a subsidiary of Semapa, with the result that the 2,727,975 Semapa shares held by the company are shown as treasury shares in the Group's consolidated financial statements.

Additionally, as of 4 July 2007, Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., acquired in the stock market, 2,720,000 treasury shares, holding from then on, directly and indirectly, 4.6% of its share capital.

27. Reserves and retained earnings

At 31 December 2010 and 2009 the captions "Fair value reserves", "Translation reserves" and "Other reserves" comprised:

Amounts in Euro	31-12-2010	31-12-2009
Fair value of available-for-sale financial assets	(4,339,853)	(4,939,076)
Control acquisition revaluation	(1,281,742)	(1,281,742)
Total of fair value reserves	(5,621,595)	(6,220,818)
Translation reserve	(15,078,437)	(17,978,700)
Legal Reserves	23,666,489	23,666,489
Others Reserves	737,318,173	687,950,023
Total of other reservers	760,984,662	711,616,512
Total reserves	740,284,630	687,416,994

Fair value of financial instruments

The negative amount of Euro 4,339,853, net of deferred tax, shown under the caption "Fair value of available-for-sale financial assets", relates to the appropriation of financial instruments classified as hedging, which, on 31 December 2010, were negatively valued at Euro 5,548,929 (Note 33), accounted for in accordance with the policy described in Note 1.13.

Control acquisitions revaluation

The negative amount of Euro 1,281,742, relates to the fair value of subsidiary Ciment de Sibline assets, in the proportional part to the participation already held before the control acquisition, occurred in 2007.

Currency translation reserve

The negative figure of Euro 15,078,437 refers to the exchange differences appropriated by the Group, resulting from the financial statements translation of the companies operating outside the Euro zone, essentially Tunisia, Lebanon, Angola, USA and United Kingdom.

Legal reserve

Commercial Company law prescribes that at least 5% of annual net income must be transferred to the legal reserve until this is equal to at least 20% of the issued capital, which is verified as of 31 December 2010.

This reserve cannot be distributed unless in the event of the company's winding up: however, it may be used to absorb losses after the other reserves have been exhausted or it can be incorporated into the issued capital.

Other reserves

Correspond to free reserves for distribution to shareholders, constituted through the appropriation of prior years' earnings.

Following the purchase of 2,720,000 treasury shares during 2007 and the holding of 2,727,975 shares by subsidiary Seminv Investimentos, SGPS, S.A., a reserve with the same amount has been made unavailable, in accordance with the applicable trade law. This reserve should be kept until the disposal of the shares.

Retained earnings

Additional stake acquisition on controlled entities

The Group records in this caption the excess over the group share of net assets in result of additional stake acquisition of already controlled entities.

As of 31 December 2010, the accumulated differences amounted to Euro 61,779,573.

Actuarial gains or losses

The differences between the assumptions used for the purpose of determining liabilities related to post-employment benefits and what effectively occurred are equally recorded under this caption (as well as changes made to those assumptions and the difference between the expected return on the assets of the funds and their actual yield) as described in Note 1.22.1.

In 2010, the group recorded actuarial losses amounting to Euro 4,990,550 (Note 29).

Translation of a report originally issued in Portuguese – Note 43

28. Deferred taxes

The following movement took place in the caption Deferred tax assets and liabilities during the year ended 31 December 2010:

Amounts in Euro	As of 1 January 2010	Exchange adjustment	Income Statement		Retained earnings	Transfers	Changes in perimeter	As of 31 December 2010
			Increases	Decreases				
Temporary differences originating deferred tax assets								
Tax losses carried forward	24,471,815	-	189,273	(112,187)	-	218,900	-	24,767,801
Taxed provisions	14,879,967	(39,889)	10,199,030	(6,145,028)	-	-	-	18,894,080
Fixed assets adjustments	36,991,010	-	15,288,166	-	-	-	-	52,279,176
Retirement benefits	2,864,220	(1,703)	451,688	(70,107)	7,403	294,265	-	3,545,766
Derivative Financial Instruments	2,317,069	-	1,203,855	-	(2,291,304)	-	-	1,229,620
Deferred accounting gains on inter-group transactions	5,507,032	-	4,740,447	(96,483)	-	-	-	10,150,996
Valuation of biological assets	10,127,672	-	(121,157)	(8,988,943)	-	-	-	1,017,572
Depreciation of assets recognised under IFRIC 4	3,983,424	-	295,904	(508,278)	-	-	-	3,771,050
Liabilities with retirement benefits	597,992	5,476	17,423	-	(12,054)	-	-	608,837
Liabilities with long service award	687,966	-	21,419	-	-	-	-	709,385
Retirement benefits not covered by an autonomous fund	5,233,861	-	-	(325,643)	19,818	-	-	4,928,036
Derecognition of government grants	2,895,940	-	-	(218,769)	-	-	-	2,677,171
Liabilities for healthcare benefits	5,754,960	-	72,427	-	543,455	-	-	6,370,842
Other temporary differences	2,662,263	121,339	933,604	(647,118)	13,123	-	-	3,083,211
	118,975,191	85,223	33,292,079	(17,112,556)	(1,719,559)	513,165	-	134,033,543
Temporary differences originating deferred tax liabilities								
Revaluation of fixed assets	(16,874,592)	-	-	4,679,595	1,679	-	-	(12,193,318)
Retirement benefits	(999,965)	-	(63,747)	-	69,909	-	-	(993,803)
Derivative Financial Instruments	(1,514,536)	-	-	-	438,198	-	-	(1,076,338)
Fair Value of fixed assets - Soporcel	(232,991,369)	-	-	17,348,416	-	-	-	(215,642,953)
Tax Benefits	(89,442,118)	-	-	6,503,897	-	-	-	(82,938,221)
Extension of the useful life of the tangible fixed assets	(148,757,332)	37,505	(158,556)	27,354,185	-	-	-	(121,524,198)
Deferred accounting losses on inter-group transactions	(33,462,192)	(379,582)	(76,209,759)	-	-	-	-	(110,051,533)
Deferred tax gains	(601,752)	-	-	60,602	-	-	-	(541,150)
Harmonisation of depreciation criteria	(81,182,313)	152,683	(4,162,158)	-	-	-	-	(85,191,788)
Fair Value of intangible assets - Brands	(151,488,000)	-	-	-	-	-	-	(151,488,000)
Fair Value of tangible fixed assets - Portucel	(223,900,762)	-	-	20,074,706	-	-	-	(203,826,056)
Subsidiaries fair value	(70,988,607)	269,246	-	245,787	-	-	(587,949)	(71,061,523)
Retirement benefits	(2,174,097)	-	-	836,355	1,632,007	(294,265)	-	-
Other temporary differences	(14,225)	-	(30,185,673)	-	-	(1,243,198)	-	(31,443,096)
	(1,054,391,860)	79,852	(110,779,893)	77,103,543	2,141,793	(1,537,463)	(587,949)	(1,087,971,977)
Deferred tax assets	30,904,802	5,365	11,070,667	(4,513,931)	(467,427)	158,365	-	37,157,841
Deferred tax liabilities	(280,120,078)	109,790	(45,137,524)	11,761,278	642,471	(440,471)	(155,807)	(313,340,341)

The following movement took place in the caption Deferred income tax assets and liabilities during the year ended 31 December 2009:

Amounts in Euros	As of 1 January 2009	Exchange adjustment	Income Statement		Retained earnings	Transfers	Changes in perimeter	As of 31 December 2009
			Increases	Decreases				
Temporary differences originating deferred tax assets								
Tax losses carried forward	24,754,819	-	-	(283,004)	-	-	-	24,471,815
Taxed provisions	21,884,997	(56,467)	5,184,214	(11,163,778)	-	(969,000)	-	14,879,967
Fixed assets adjustments	13,149,228	-	26,958,421	(3,116,640)	-	-	-	36,991,010
Retirement benefits	2,597,369	(2,915)	268,843	(14,303)	15,227	-	-	2,864,221
Derivative Financial Instruments	-	-	269,098	-	1,981,284	66,687	-	2,317,069
Deferred accounting gains on inter-group transactions	9,535,257	-	-	(4,028,225)	-	-	-	5,507,032
Valuation of biological assets	15,681,948	-	8,507,386	(14,061,662)	-	-	-	10,127,672
Depreciation of assets recognised under IFRIC 4	3,842,014	-	368,113	(226,703)	-	-	-	3,983,424
Investment Tax Incentives	11,785,472	-	-	(11,785,472)	-	-	-	-
Liabilities with retirement benefits	582,178	(5,209)	19,855	-	1,168	-	-	597,992
Liabilities with long service award	645,460	-	28,309	-	14,197	-	-	687,966
Retirement benefits not covered by an autonomous fund	5,608,438	-	-	(369,874)	(4,702)	-	-	5,233,862
Derecognition of government grants	2,837,899	-	74,907	-	(16,866)	-	-	2,895,940
Liabilities for healthcare benefits	5,876,962	-	-	(122,002)	-	-	-	5,754,960
Other temporary differences	3,163,754	(57,398)	-	(1,346,406)	-	902,313	-	2,662,263
	121,945,795	(121,989)	41,679,146	(46,518,069)	1,990,308	-	-	118,975,191
Temporary differences originating deferred tax liabilities								
Revaluation of fixed assets	(22,915,042)	-	-	6,040,687	-	-	(237)	(16,874,592)
Retirement benefits	(905,721)	-	(26,200)	-	(68,044)	-	-	(999,965)
Derivative Financial Instruments	(8,403,307)	-	(66,687)	-	6,955,458	-	-	(1,514,536)
Fair Value of fixed assets - Soporcel	(239,782,448)	-	-	6,791,079	-	-	-	(232,991,369)
Tax Benefits	(1,181,592)	-	(88,260,526)	-	-	-	-	(89,442,118)
Extension of the useful life of the tangible fixed assets	(120,401,323)	54,060	(47,621,465)	19,211,396	-	-	-	(148,757,332)
Deferred accounting losses on inter-group transactions	(102,863,202)	-	(6,541,729)	75,942,740	-	-	-	(33,462,192)
Deferred tax gains	(675,336)	-	-	73,584	-	-	-	(601,752)
Harmonisation of depreciation criteria	(76,846,322)	190,315	(4,526,306)	-	-	-	-	(81,182,313)
Fair Value of intangible assets - Brands	(151,488,000)	-	-	-	-	-	-	(151,488,000)
Fair Value of tangible fixed assets - Portucel	(248,778,625)	-	-	24,877,863	-	-	-	(223,900,762)
Subsidiaries fair value	(70,354,485)	1,767,076	-	503,652	-	-	(2,904,850)	(70,988,607)
Retirement benefits	(1,899,062)	-	(305,394)	-	30,359	-	-	(2,174,097)
Other temporary differences	(29,535)	-	-	15,310	-	-	-	(14,225)
	(1,046,524,000)	2,011,451	(147,348,308)	133,456,310	6,917,773	-	(2,905,087)	(1,054,391,860)
Deferred tax assets	31,775,603	33,264	10,984,086	(12,307,618)	529,372	(109,905)	-	30,904,802
Deferred tax liabilities	(278,308,207)	616,436	(34,425,347)	30,821,498	1,835,485	109,905	(769,848)	(280,120,078)

As of 31 December 2010 deferred taxes were recognised based on a corporate income tax rate of 29% (2009: 26.5%). Although the Groups' understanding that the reversal of the majority of the existing deferred taxes passed will take place after 2013, the period within the scope of the stability and growth plan (PEC), the corporate income tax includes the additional tax (state surcharge) introduced by the additional measures in the stability and growth plan (PEC), legislated by the Law 12-A/2010.

Deferred tax assets on tax losses carried forward

Deferred income tax assets resulting from tax losses are recognised to the extent that the realisation of the relevant tax benefit is probable by means of the existence of future taxable profits.

Deferred income tax assets recognised by the Group refer to tax losses which can be offset against future taxable profits, as follows:

Amounts in Euro	31-12-2010	31-12-2009	Expiry date
Interholding Investment BV	24,332,428	24,332,428	2013
Minerbetão, S.A.	-	116,054	2011
Raiz - Instituto de Investigação da Floresta e Papel	408,173	-	2015
Teportset - Terminal Portuário de Setúbal, S.A.	27,200	23,333	2015
	24,767,801	24,471,815	

Tax losses carried forward without a deferred income tax asset

Tax losses which the Group considers, at this date, cannot be offset against future taxable profits, and as such do not warrant recognition as a deferred income tax asset, are shown by year in which they expire as follows:

Amounts in Euro	31-12-2010	31-12-2009	Expiry date
Semapa and Holdings			
Semapa SGPS S.A.	96,839,182	47,333,113	2015
Seminv SGPS S.A.	7,743,074	15,730,099	2010
Seinpart SGPS S.A.	12,279,536	12,382,302	2014
ETSA - Invest. SGPS S.A.	1,566	1,566	2014
Sub-Group Portucel			
Portucel Florestal, S.A.	-	7,385,939	-
Sub-Group Secil			
Betomadeira, S.A.	652,890	427,028	2014
Cimentos Costa Verde	182,722	247,327	2014
Valcem, Lda.	278,453	279,296	2012
Florimar, SGPS, Lda	43,149	22,284	2015
Hewbol, SGPS, Lda	-	652,573	-
I3 Participações e Serviços, Lda	24,756	-	not defined
Madebritas, Lda.	55,109	15,257	2015
Parcim, B.V.	45,026	12,868	2019
Pedra Regional, S.A.	304,085	158,838	2015
Promadeira, Lda.	-	434,377	-
Sanimar	-	165	-
Secil Pré-betão, S.A.	1,809,121	1,405,979	2016
Secil Unicon - S.G.P.S., Lda.	11,024	5,851	2015
Serife, Lda.	135,983	-	2015
Silonor, S.A.	4,432,543	3,872,972	not defined
Zarzis Béton	23,975	24,478	2017
	124,862,194	90,392,312	

29. Pensions and other post-employment benefits

As referred to in Note 1.22, the Group grants various post-employment benefits to its employees and their families.

The following is a breakdown of the obligations assumed and reflected in the Consolidated Statement of Financial Position at 31 December 2010 and 2009:

Amounts in Euro	31-12-2010	31-12-2009
Group liability for past services	235,215,221	262,314,386
Market value of the pension funds	(118,286,476)	(150,801,537)
Covered capital	(1,094,663)	(1,027,336)
Reserve account (overfunding due to the change to a defined contribution plan)	(434,234)	-
Under/(overfunding) of pension funds liabilities	115,399,848	110,485,513
Other unfunded liabilities		
Healthcare assistance	6,550,885	5,935,003
Retirement and death liabilities	3,721,942	3,376,463
Long-service award liabilities	709,385	687,966
Total unfunded liabilities	126,382,060	120,484,945

During the year ended 31 December 2010 subsidiaries Portucel, Portucel Florestal and Secil ceased their share of the defined-benefit pension plans. The mentioned share was then used to create a new defined contribution plan for those workers who agreed.

Therefore, the amounts presented as curtailment or settlements that lead to a decrease over the liabilities and assets of the funds were Euro 36,775,923 and Euro 37,485,065 respectively. Additionally, a new reserve account had to be created, due to the change of the type of pension plans, which will be deducted through future contributions reduction.

Semapa

The Shareholders' General Meeting, held in 30 March 2005, approved the retirement directors' regulation, as foreseen in the article 17º of the Company's statutes.

As per the terms of the referred regulation, Semapa's 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, which can only be exercised when the directors resign.

This allowance reaches a maximum of 80% of directors' monthly salary at the date of ceasing functions, when they have worked at least 20 years for the company (8 of which as directors), and a minimum of 27.2%, corresponding to 8 years in that position being guaranteed survival pensions, to the spouse or direct descendants which are under aged or incapable, corresponding to 50% of the pension when the beneficiary deceases.

However, these amounts are deducted from the values received by the beneficiaries through the Social Security system. As determined in the articles of incorporation the Company's corporate bodies are assigned for a period of four years, the liability of this plan is recognised from the beginning of the second year.

As of 31 December 2010 the liabilities of the plan amount to Euro 99,931,260 (2009: Euro 90,600,253). No pension fund was established for the financing of this Group's obligation.

Sub-Group Portucel

There are currently several retirement and survival pension supplement plans, and retirement bonus, in place in the companies included in the consolidation. For some categories of employees there are plans in addition to the ones described below, for which independent funds were also created to cover these additional liabilities.

Under the prevailing Social Benefits Regulation, permanent employees of Portucel and its main subsidiaries with more than five years' service (ten years for Soporcel, Aliança Florestal and Raiz) are entitled to a monthly retirement pension or disability supplement after retirement or disability.

This is calculated according to a formula, which considers the beneficiary's gross monthly remuneration updated to the work category at the date of retirement and the number of years of service, up to a limit of 30 (limit of 25 to Soporcel, Aliança Florestal and Raiz), including a survivor pensions to the spouse and direct descendants.

To cover this liability, externally managed pension funds were set up, and the funds' assets are apportioned between each of the companies.

Additionally, some of the Portucel Group companies assumed the liability of a retirement bonus, which is equal to 6 months of salary, if the employee retires on the regular retirement age (65 years).

As of 31 December 2010, the liability related with post employment benefit plans for five members of Portucel's Board was Euro 5,477,465 (2009: Euro 4,676,538).

Sub-Group Secil

In September 2010, the constitutive contract of Secil's Pension Fund was amended, which is now designated by Pension Fund Group Secil, fully replacing the previous contract and in force as at 1 January 2010.

The Pension Fund Group Secil comprises Secil and the subsidiaries:

(i) CMP – Cimentos Maceira e Pataias, S.A. and Unibetão – Industrias de Betão Preparado, S.A. whose funds were incorporated (and simultaneously extinguished) into Secil Pension Fund;

(ii) Minerbetão – Fabricação de Betão Pronto, Lda., Britobetão – Central de Betão, Lda., Secil Britas, S.A. and Quimipiedra – Secil Britas, Calcários e Derivados, Lda..

The Pension Fund Group Secil is the financial support for the payment of the benefits predicted in each associate Pension Fund (now jointly managed).

Defined contribution plan

The defined contribution plan, managed by the Pension Fund Group Secil and finance by the associates and

beneficiaries was implemented with effects as of 1 January 2010 as follows:

- i) Secil and CMP pension plans include all workers with a no-term contract as of 31 December 2009 (and who were covered by the defined-benefit plans) who opted for the transition to these plan and all employees hired under a permanent contract after 1 January 2010, also applied to board members.
- ii) Unibetão, Britobetão and Minerbetão pension plans include all workers with a no-term contract as of 31 December 2009, signed under the CTT agreement between APEB and FETESE and all employees hired under a permanent contract after 1 January 2010, with the exception of workers who are covered by CTT agreement between APEB and FETESE, which continue to benefit from the defined-benefit plan, also applied to board members;
- iii) Secil Britas and Quimipiedra pension plans include all workers with a no-term contract as of 31 December 2009 and all employees hired under a permanent contract after 1 January 2010, also applied to board members.

Regarding workers who had a no-term contract and who were covered by the defined-benefit plan, the initial fund contribution was based on their share of the defined-benefit pension plan liabilities as at 31 December 2009.

The companies with autonomous Pension Funds (Secil, CMP and Unibetão) allocated their share of assets to the defined contribution plan.

Additionally, the excess funds determined on 14 September 2010, after the allocation between defined-benefit and defined contribution, established with respect to 31 December 2009, was also transferred to a reserve account.

This account can be used to fund contributions, deal with management fees provided for in the pension plan or to improve benefits.

Defined-benefit plans

(i) Defined-benefit plans with funds managed by independent entities

LIABILITIES FOR COMPLEMENTARY RETIREMENT AND SURVIVOR'S PENSIONS

Secil and its subsidiaries CMP - Cimentos Maceira e Pataias, S.A., Unibetão- Industrias de Betão Preparado, S.A., Cimentos Madeira, Lda. and Société des Ciments de Gabes have assumed the commitment to pay their employees amounts by way of complementary old age, disability, early retirement and survivors' pensions and a retirement subsidy.

The liabilities arising from these plans are guaranteed by independent funds, administered by third parties, or covered by insurance policies.

These plans are valued every six months, at the dates of closing of the interim and annual financial statements, by specialised and independent entities, using the projected unit credit method.

(ii) Defined-benefit plans managed by the Group

LIABILITIES FOR COMPLEMENTARY RETIREMENT AND SURVIVOR'S PENSIONS

The liabilities relating to Secil's retirees at the date the Pension Fund was constituted, 31 December 1987, are guaranteed directly by Secil. Similarly, the liabilities assumed by a number of its subsidiaries in Portugal which are involved in the production and sales of ready-mixed concrete, are guaranteed directly by those companies.

These plans are also valued every six months by independent entities using the method for calculating capital cover corresponding to single premiums of the immediate life annuities in the valuation of the liabilities to current pensioners and the projected unit credit method for valuing liabilities relating to current employees.

LIABILITIES FOR HEALTHCARE

Secil and its subsidiaries CMP – Cimentos Maceira e Pataias, S.A., Cimentos Madeira, Lda. and Brimade – Sociedade de Britas da Madeira, S.A., provided their employees with a healthcare scheme which supplements the official health services and which is available to their families, pre-retired and retired staff and widows.

Under this scheme, certain healthcare costs are subsidised:

- (i) at Secil through the Health Insurance scheme contracted by the company;
- (ii) at CMP, during the 1st semester through "Cimentos - Federação das Caixas de Previdência" for the employees included therein, as well as through the prior approval of the company's medical services for the remaining employees, and after 1 July 2010 through the insurance scheme contracted by the company; and
- (iii) at the subsidiaries Cimentos Madeira e Brimade through the approval of expenses for medical services and medicines.

During the year ended 31 December 2010, the impact of an increase of 1% on healthcare expenses is as follows:

	Increase 1%	Decrease 1%
Amounts in Euro		
Impact on long services liabilities:		
- Active	(547.659)	730.348
- Retired	(323.638)	385.334
	(871.297)	1.115.682
Impact on interest costs and current services	(76.854)	104.102

LIABILITIES FOR RETIREMENT AND DEATH BENEFITS

Secil and its subsidiaries, hereafter identified, assumed the commitment to its employees to pay an old-age retirement and disability subsidy and a death subsidy, with the following attribution criteria:

- (i) at Secil, a subsidy on death of current employee, equal to one month's last salary earned;
- (ii) at CMP – Cimentos Maceira e Pataias, S.A., an old-age retirement and disability subsidy, representing 3 months of the last salary earned and a subsidy on death of current employee, equal to one month's last salary earned;
- (iii) at Secil Angola, S.A.R.L. and Secil Lobito, S.A., (Angola) on retirement date and in terms of the General Labour Law no. 2/2000, a retirement subsidy equivalent to one quarter of the last salary multiplied by the number of years service within the company;
- (iv) at Société des Ciments de Gabes (Tunisia), on retirement date and in terms of the General Labour Agreement, article no. 52, a retirement subsidy representing: (i) 2 months of the last salary if the worker has less than 30 years service to the company, and (ii) 3 months of the last salary, if the worker has 30 years or more service to the company.

LIABILITIES FOR LONG-SERVICE AWARDS

Secil and its subsidiaries CMP – Cimentos Maceira e Pataias, S.A. have assumed the commitment to pay their employees bonuses to those who:

- at Secil, attain 25, 35 and 40 years of service; and
- at CMP, attain 20 and 35 years of service at the aforesaid companies, which are paid in the year the employee reaches that number of years of service within the company.

These liabilities are guaranteed directly by the company.

ASSUMPTIONS USED IN THE VALUATION OF LIABILITIES

The actuarial studies conducted by independent entities with reference to 31 December 2010 and 2009 for the purpose of calculating the liabilities for past services on those dates, were based on the following assumptions:

	2010	2009
Social Benefits formula	Decret-Law nº 187/2007 of May 10th	Decret-Law nº 187/2007 of May 10th
Disability table	EKV 80	EKV 80
Mortality table	TV 88/90	TV 88/90
Wage growth rate - Group Secil	3.30%	3.30%
Wage growth rate - other companies	2.00%	2.50%
Technical interest rate	5.00%	5.50%
Pensions growth rate - Group Secil	2.25%	2.25%
Pensions growth rate - other companies	1.50%	2.25%
Semapa pensions reversability rate	50.00%	50.00%
Number of of Semapa complement annual payments	12	12
Healthcare costs growth rate	4.60%	4.60%
Cost to the health insurance - Secil	518.79	498.84
Cost to the health insurance - CMP	518.79	484.00

The discount rates used in this study were selected over the return rates of a bonds' portfolio, namely *Markit iBoxx Eur Corporates AA 10*. From the portfolio, bonds with adequate maturity and rating were selected according to the amount and period cash will occur in connection to the payment of the benefits to employees. Healthcare costs growth rate of 4.60% was calculated based on the following assumptions:

- Inflation rate: 2%
- Historical difference between general consumers' price index (initials in portuguese IPC) and the index for health: 0.10%
- Cost to health insurance (related to actual cost to health insurance increase, showing insurance companies' margin): 2.50%

For the year ended 31 December 2009 the Group used a technical rate of 5.50% to calculate costs related to current services. However, due to capital market's behaviour and its future expectations, liabilities with pensions were measured using a technical rate of 5.00% as of 31 December 2010.

The rate of the expected return on assets was determined based on the historical monthly returns over the last 20 years for the different types of assets integrating the strategic allocation of the pension's fund.

The following table presents five-year historical information on the present value of liabilities, funds' market value, non-financed liabilities and net actuarial gains/ (losses).

Information related to the last five years is as follows:

Amounts in Euro	2006	2007	2008	2009	2010
Present value of liabilities	308,164,071	269,285,974	265,662,626	272,313,818	246,204,576
Fair value of plan assets	156,950,033	146,677,690	140,519,777	151,828,873	119,815,373
Surplus / (deficit)	(151,214,038)	(122,608,284)	(125,142,849)	(120,484,945)	(126,389,203)
Net actuarial gains/(losses)	308,517	12,406,135	(312,926)	10,244,403	(4,990,550)

FUNDS LINKED TO BENEFIT PLANS' PENSIONS

During 2010 and 2009, fund's assets/insurance policies registered the following movements:

Amounts in Euro	31-12-2010		31-12-2009	
	Autonomous fund	Covered Capital	Autonomous fund	Covered Capital
Opening balance	150,801,536	1,027,336	139,531,808	987,968
Curtailment and/or Settlement	(37,485,066)	-	-	-
Exchange differences	-	(1,669)	-	(1,865)
Endow ments made in the year	8,390,500	22,797	3,687,551	26,173
Actuarial return of funds	1,369,034	59,761	12,058,872	20,536
Pensions paid	(4,789,527)	-	(4,476,693)	-
Retirement charged	-	(13,561)	-	(5,476)
	118,286,477	1,094,664	150,801,538	1,027,336

At years ended 31 December 2010 and 2009, fund's assets were made up as follows:

Amounts in Euro	31-12-2010	%	31-12-2009	%
Shares	24,186,870	20.4%	31,355,263	20.8%
Bonds	58,818,345	49.7%	90,795,721	60.2%
Public debt	6,675,477	5.6%	972,028	0.6%
Index Linked Bonds	655,389	0.6%	82,680	0.1%
Property	214,612	0.2%	87,273	0.1%
Liquidity	27,735,754	23.4%	27,446,789	18.2%
Other applications	30	0.0%	61,784	0.0%
	118,286,477	100.0%	150,801,538	100.0%

Obligations for pensions and other post-employment benefits

As of 31 December 2010, Company's liabilities with pensions recognised on the consolidated statement of Financial Position were as follows:

Amounts in Euro	Opening Balance	Exchange differences	Assumptions changes	Curtailments and/or Settlements	Costs and Income in FS	Actuarial gains and losses	Pensions Paid	Retirement Ended	Closing Balance
Post-employment benefits									
Assumed by the Group	95,834,114	-	5,601,018	-	8,535,104	(2,851,187)	(2,259,753)	-	104,859,296
Autonomous Fund	165,835,438	-	(390,004)	(36,775,923)	10,304,910	(4,510,343)	(4,789,527)	-	129,674,551
Insurance Policy	644,833	(3,372)	-	-	55,373	(1,899)	-	(13,561)	681,374
Retirement and Death	3,376,464	5,476	18,511	-	463,512	(59,792)	(82,230)	-	3,721,941
Healthcare assistance	5,935,003	-	459,274	-	443,089	84,181	(370,661)	-	6,550,886
Long-service award	687,966	-	-	-	72,010	-	(50,591)	-	709,385
	272,313,818	2,104	5,688,799	(36,775,923)	19,873,998	(7,339,040)	(7,552,762)	(13,561)	246,197,433

Costs incurred in pensions and other post-employment benefits

For costs incurred in pensions and other post-employment benefits, the detail was as follows:

Amounts in Euro	2010				2009			
	Current services	Interest cost	Expected return on the plan assets	Impact in the profit for the year	Current services	Interest cost	Expected return on the plan assets	Impact in the profit for the year
Post-employment benefits								
Group liability for pensions	3,373,566	5,161,538	-	8,535,104	265,411	5,130,316	-	5,395,727
Autonomous Fund	3,109,166	7,159,999	(7,184,883)	3,084,282	4,169,732	8,934,521	(7,354,756)	5,749,497
Insurance Policy	32,458	22,915	(57,941)	(2,568)	-	-	-	-
Death and retirement	26,142	44,209	-	70,351	23,568	303,439	-	327,007
Healthcare assistance	118,812	365,949	-	484,761	96,425	317,225	-	413,650
Long-service award	32,391	82,224	-	114,615	29,770	37,138	-	66,908
Contributions for defined contribution plans	344,628	-	-	344,628	-	-	-	-
	7,037,163	12,836,834	(7,242,824)	12,631,173	4,584,906	14,722,639	(7,354,756)	11,952,789

Actuarial gains or losses recognised on Equity

Actuarial gains and losses directly recognised in shareholders' equity during 2010, as described in Note 1.22, were as follows:

Amounts in Euro	Actuarial gains & (losses)			Gross value	Deferred tax	Impact in equity
	Assumptions changes	Others	Return of assets expected vs real			
Post-employment benefits						
Group liability for pensions	(5,601,018)	2,851,184	-	(2,749,834)	9,073	(2,740,761)
Autonomous Fund	390,004	2,879,625	(4,978,944)	(1,709,315)	499,024	(1,210,291)
Insurance Policy	-	-	-	-	-	-
Death and retirement	(18,511)	30,565	-	12,054	(2,816)	9,238
Healthcare assistance	(459,274)	(84,181)	-	(543,455)	157,358	(386,097)
	(5,688,799)	5,677,193	(4,978,944)	(4,990,550)	662,639	(4,327,911)

30. Provisions

During the course of the year ended 31 December 2010 and 2009, the following movements took place in the caption “Provisions”:

Amounts in Euro	Legal claims	Fiscal claims	Environmental restoration	Others	Total
As of 1 January 2009	1,917,090	2,393,391	529,438	50,025,876	54,865,795
Changes of perimeter	-	-	1,539	148,920	150,459
Increases	687,414	-	205,807	2,000,881	2,894,102
Reversals	(507,548)	(2,393,391)	(26,153)	(22,071,779)	(24,998,871)
Direct utilisations	-	-	(23,871)	(1,904,063)	(1,927,934)
Exchange differences	-	-	-	(99,324)	(99,324)
Transfers	-	-	-	1,741,597	1,741,597
As of 31 December 2009	2,096,956	-	686,760	29,842,108	32,625,824
Increases	2,361	-	25,462,332	25,464,693	51,228,786
Reversals	(667,610)	-	(77,706)	(21,263,421)	(22,008,737)
Direct utilisations	-	-	(17,420)	(2,271,370)	(2,288,790)
Exchange differences	-	-	-	49,058	49,058
Transfers	-	-	2,421,815	-	2,421,815
As of 31 December 2010	1,431,707	-	3,013,449	31,818,707	36,263,863

The amount shown as “Others” relates to a provision for risks with other public entities which may originate a cash outflow in the future.

31. Interest-bearing liabilities

As of 31 December 2010 and 2009, Group's net debt was as follows:

Amounts in Euro	31-12-2010	31-12-2009
Interest-bearing liabilities		
Non-current	1,257,882,924	871,817,132
Current	150,478,637	447,973,519
	1,408,361,561	1,319,790,651
Cash and cash equivalents		
Cash	221,441	208,914
Short term bank deposits	13,324,273	24,847,920
Other	251,545,597	63,977,893
	265,091,311	89,034,727
Market Value	79,372,952	87,733,655
Interest-bearing net debt	1,063,897,298	1,143,022,269

Non-current interest-bearing liabilities

As of 31 December 2010 and 2009, non-current interest-bearing liabilities were as follows:

Amounts in Euro	31-12-2010	31-12-2009
Non-current		
Bond loans	795,400,000	595,400,000
Commercial paper	80,600,000	59,350,000
Bank Loans	383,318,013	220,402,282
Expenses with bond loans issuing	(5,797,553)	(5,681,979)
Interest-bearing bank debt	1,253,520,460	869,470,303
Financial leases	1,641,588	1,582,631
Other loans - POEs	28,669	57,338
Other loans - QREN	2,692,207	706,860
Other interest-bearing debts	4,362,464	2,346,829
Non-current interest-bearing liabilities	1,257,882,924	871,817,132

Bond loans

As of 31 December 2010 and 2009, non-current interest-bearing liabilities were as follows:

Amounts in Euro	31-12-2010	31-12-2009
Bond loans		
Portucel 2005 / 2010	-	300,000,000
Portucel 2005 / 2010 II	-	25,000,000
Portucel 2005 / 2012	150,000,000	150,000,000
Portucel 2005 / 2013	200,000,000	200,000,000
Portucel 2010 / 2015	100,000,000	-
Portucel 2010 / 2015 - 2nd emission	100,000,000	-
Semapa 2006 / 2016	175,000,000	175,000,000
Semapa 2006 / 2016	50,000,000	50,000,000
SBI 2007	20,400,000	20,400,000
	795,400,000	920,400,000

Amounts in Euro	Amount	Maturity	Reference rate
Bond loans			
Portucel 2005 / 2012	150,000,000	Oct 2012	Euribor 6m
Portucel 2005 / 2013	200,000,000	May 2013	Euribor 6m
Portucel 2010 / 2015 - 2nd emission	100,000,000	Feb 2015	Euribor 6m
Portucel 2010 / 2015	100,000,000	Mar 2015	Euribor 3m
Semapa 2006 / 2016	175,000,000	Apr 2016	Euribor 6m
Semapa 2006 / 2016	50,000,000	May 2016	Euribor 6m
SBI 2007	20,400,000	Dec 2017	Euribor 6m
	795,400,000		

Portucel's loan designated “Obrigações Portucel 2005/2012” of Euro 150,000,000 is listed in Euronext Lisboa. Its unit value is, as of 31 December 2010, Euro 99.40 (31 December 2009: Euro 99.87).

Additionally, Semapa SGPS, SA have restructured its debt, issuing two bond loans amounting Euro 50,000,000 and Euro 175,000,000 with 10 years maturity. This last is listed in Euronext Lisbon under the designation “Obrigações Semapa 2006/2016”, whose unit value is, as of 31 December 2010, Euro 95 (31 December 2009: Euro 94).

Commercial paper

In 2006 Semapa SGPS, SA contracted a commercial paper amounting Euro 175,000,000 with 10 years maturity which amounts Euro 47,400,000 as at 31 December 2010.

During the year ended 31 December 2008, Semapa and holdings contracted a commercial paper program amounting Euro 70,000,000, for a period of 5 years, which is fully used by Semapa in the amount of Euro 33,200,000 as of 31 December 2010.

Maturity of bond loans and other loans

The reimbursement terms relating to the balance recorded on bond, bank and other medium and long-term loans is shown as follows:

Amounts in Euro	31-12-2010	31-12-2009
1 to 2 years	336,229,165	105,493,392
2 to 3 years	228,687,811	28,168,969
3 to 4 years	71,735,507	163,246,642
4 to 5 years	187,278,452	212,539,263
More than 5 years	357,507,954	306,411,354
	1,181,438,889	815,859,620

Current interest-bearing liabilities

As of 31 December 2010 and 2009, current interest-bearing liabilities were as follows:

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Amounts in Euro	31-12-2010	31-12-2009
Current		
Bond loans	-	325,000,000
Loans from financial institutions	130,312,353	111,087,808
Interest-bearing bank debt	130,312,353	436,087,808
Shareholders short term loans	19,298,227	10,637,809
Financial leases	839,388	1,219,233
Other loans - POE	28,669	28,669
Other interest-bearing debts	20,166,284	11,885,711
Current interest-bearing liabilities	150,478,637	447,973,519

Bank loans

As of 31 December 2010 and 2009, bank loans were as follows:

Amounts in Euro	31-12-2010	31-12-2009	Reference rate
Non - current			
Holdings			
Caixa Galicia	16,000,000	-	Euribor 3m
Caixa Geral de Depósitos	133,079,000	133,079,000	Euribor 6m
Cement and derivatives segment			
Amen Bank	2,311,340	-	TMM
Banco Espírito Santo	1,232,449	-	Euribor
Banque Mediterranée	799,927	350,248	Several
UBCI Credit	3,366,949	4,669,338	TMM
Multiple	31,104,034	1,304,621	Several
Paper and pulp segment			
BEI	180,000,000	68,125,000	Euribor 6m
Caja Duero	3,125,000	6,250,000	Euribor 6m
Environment segment			
Banco BBVA	440,229	725,322	Euribor 3M
Banco BPI, SA	7,000,000	-	Euribor 3m
Banco Espírito Santo	2,000,000	2,000,000	Euribor 3M
Banco Santander Totta	2,750,000	3,750,000	Euribor 3M
Other	109,085	148,753	Euribor 6M
	383,318,013	220,402,282	
Current			
Holdings			
Caixa Galicia	4,003,907	25,001,320	Euribor 12m
Caixa Geral de Depósitos	81,799	480,717	Euribor 3m
Fortis Bank	25,000,000	25,000,000	Euribor 3m
Cement and derivatives segment			
Banco BCP Investimentos	-	3,984,375	Euribor 3m
Banco BPI, SA	-	2,798,256	Euribor 3m
Banco Espírito Santo	304,153	32,526,723	Euribor 3m
Banco Santander Totta	-	-	Euribor 1s
Banque Mediterranée	4,217,830	4,628,018	TMM
Multiple	3,802,675	6,287,525	Several
Paper and pulp segment			
Caja Duero	91,250,000	6,311,677	Euribor 6m
Environment segment			
Caixa Geral de Depósitos	325,062	97,778	Euribor 3M
Banco BBVA	287,260	1,279,518	Euribor 3M
Banco Santander Totta	1,000,000	2,000,000	Euribor 3M
Banco Espírito Santo	-	652,234	Euribor 3M
Multiple	39,667	39,667	Euribor 3M
	130,312,353	111,087,808	
	513,630,366	331,490,090	

Liabilities related to financial leasing

As of 31 December 2010 and 2009, the Group's debt-repayment terms relating to finance leases, except for liabilities resulting from the application of IFRIC 4 (Note 17), are shown as follows:

Amounts in Euro	31-12-2010	31-12-2009
Less than 1 year	843,781	1,224,578
1 to 2 years	416,734	763,557
2 to 3 years	283,380	429,107
3 to 4 years	154,394	278,827
4 to 5 years	-	118,880
More than 5 years	790,622	-
	2,488,911	2,814,949
Future interests	(7,935)	(13,085)
Liabilities' present value	2,480,976	2,801,864

At 31 December 2010, Group's debt under financial lease plans, was as follows:

Amounts in Euro	Acquisition value	2010 Accumulated depreciation	Net book value
Machinery and equipment	3,925,755	(1,644,654)	2,281,101
Machinery and equipment - IFRIC 14	58,003,950	(34,161,456)	23,842,494
Transport equipment	2,227,523	(1,140,835)	1,086,688
Administrative Equipment	95,271	(93,600)	1,671
	64,252,499	(37,040,545)	27,211,954

The group holds 8% of Soporgen – Sociedade Portuguesa de Geração de Electricidade e Calor, S.A, a company whose main activity is the production of electricity and steam, sold mainly to the subsidiary Soporcel.

Soporcel has a purchase option for the capital that does not hold in Soporgen, until the contract of steam electricity supply between Soporgen and Soporcel expires. This option is exercisable for pre-assigned values during 2010 at 2015, on the 1st of January of each year.

In 2009, with the launch of the new paper mill, the Group recognized as a finance lease contract the cost of the Precipitated Calcium Carbonate production unit, installed by Omya, S.A. at the industry site in Setúbal for the exclusive use of the new mill. This contract foresees the transfer of the assets' ownership to About The Future, S.A., upon its termination.

Bank credit facilities granted and not drawn

At 31 December 2010 and 2009, bank credit facilities granted and not drawn amounted to Euro 338,178,006 and Euro 708,869,890 respectively.

Financial Covenants

For certain types of financing operations, there are commitments to maintain certain financial ratios within previously negotiated limits.

The Board of Directors believes the company is not exposed to risk of default regarding its covenants and believes probability of default is extremely low.

The existing covenants are clauses of Cross default, *Pari Passu*, Negative pledge, Ownership-clause, clauses related to group's activities maintenance, financial ratios and fulfilment of regular financial contracts' obligations (operational, legal and tax obligations). As of 31 December 2010 the Group presents a rate over 200% on the fulfilment of its covenants.

32. Payables and other current liabilities

As of 31 December 2010 and 2009, the caption "Payables and other current liabilities" comprised:

Amounts in Euro	31-12-2010	31-12-2009
Accounts payable to suppliers	139,855,488	142,193,701
Accounts payable to associated companies	1,144,380	1,369,273
Accounts payable to suppliers of fixed assets	42,002,605	55,478,828
Accounts payable to suppliers of fixed assets - leases	2,115,500	596,958
Instituto do Ambiente - CO2 Emission allowances	21,383,272	19,859,906
Derivative financial instruments (Note 33)	6,834,160	6,702,720
Other creditors	15,479,272	13,102,034
Accrued costs	54,513,605	63,820,894
Deferred income	65,141,477	43,788,774
	348,469,759	346,913,088

The amount presented in the caption “Instituto do Ambiente – CO2 emission allowances”, as of 31 December 2010, related to the fair value of gases emission licences to be delivered by the emissions carried through that year, which were allocated free of charge to the Group under the National Plan for the Allocation of CO2 Emission Licences (PNALE).

At 31 December 2010 and 2009, the captions “Accrued costs” and “Deferred income” comprised:

Amounts in Euro	31-12-2010	31-12-2009
Accrued costs		
Insurance costs	42,115	47,432
Payroll expenses	29,563,088	36,515,061
Interests payable	6,439,532	5,541,185
Energy costs	8,043,267	10,581,714
Forest acquisitions	221,812	329,796
Commitments to settle the sale of paper	403,551	1,920,346
Others	9,800,240	8,885,360
	54,513,605	63,820,894
Deferred income		
Government grants	60,826,740	40,809,361
Grants - CO2 Emission allowances	2,980,929	1,383,589
Others	1,333,808	1,595,824
	65,141,477	43,788,774

33. Financial assets and liabilities

Since its activities are exposed to a variety of financial and operational risk factors, the Group adopts a proactive approach to risk management, endeavouring to mitigate the potential adverse effects associated there with, namely the risk stemming from the price of pulp, foreign exchange risk and interest rate risk.

In order to minimize the effects of exchange rate variations on Group's sales of pulp and paper's exports to non-European countries, financial instruments were contracted to hedge almost all items denominated in foreign currency in the consolidated statement of financial position, as well as for a part of projected sales subject to currency risk.

In addition and in order to hedge interest rate risk, interest rate swaps and collars associated with bond loans have been contracted.

The reconciliation of the consolidated statement of financial position with the various categories of financial assets and liabilities included therein is detailed as follows:

Amounts in Euro	31 December 2010	Financial instruments trading	Financial instruments hedging	Loans and other receivables	Financial assets at fair value through profit or loss	Financial assets held-for-sale	Other interest-bearing liabilities	Non-financial assets/liabilities
		Note 33	Note 33	Note 24	Note 20	Note 21	Note 32	
Assets								
Financial assets at fair value through profit or loss	-	-	-	-	13,128,488	-	-	-
Financial assets held-for-sale	-	-	-	-	-	677,180	-	-
Other non-current assets	-	-	-	-	-	-	-	-
Current assets	130,850	1,076,339	287,394,253	-	-	-	-	3,641,202
Cash and cash equivalents	-	-	250,081,311	-	-	-	-	-
Total assets	130,850	1,076,339	537,769,256	13,128,488	677,180	-	-	3,641,202
Liabilities								
Non-current interest-bearing liabilities	-	-	-	-	-	1,259,882,924	-	-
Other liabilities	-	-	-	-	-	-	-	26,402,576
Current interest-bearing liabilities	-	-	-	-	-	-	148,478,537	-
Current liabilities	208,892	6,625,268	-	-	-	223,360,147	-	119,245,452
Total liabilities	208,892	6,625,268	-	-	-	1,483,243,071	-	145,648,028

Amounts in Euro	31 December 2009	Financial instruments trading	Financial instruments hedging	Loans and other receivables	Financial assets at fair value through profit or loss	Financial assets held-for-sale	Other interest-bearing liabilities	Non-financial assets/liabilities
		Note 33	Note 33	Note 24	Note 20	Note 21	Note 32	
Assets								
Financial assets at fair value through profit or loss	-	-	-	-	14,871,574	-	-	-
Financial assets held-for-sale	-	-	-	-	-	798,167	-	-
Other non-current assets	-	-	-	-	-	-	-	-
Current assets	1,514,537	-	220,416,618	-	-	-	-	4,107,731
Cash and cash equivalents	-	-	80,058,727	-	-	-	-	-
Total assets	1,514,537	-	318,815,112	14,871,574	798,167	-	-	4,107,731
Liabilities								
Non-current interest-bearing liabilities	-	-	-	-	-	871,817,132	-	-
Other liabilities	-	-	-	-	-	-	-	29,437,896
Current interest-bearing liabilities	-	-	-	-	-	-	447,873,519	-
Current liabilities	1,714,945	4,987,775	-	-	-	239,690,651	-	100,211,173
Total liabilities	1,714,945	4,987,775	-	-	-	1,111,507,782	-	129,649,069

As of 31 December 2010 and 2009 the fair value of these assets and liabilities is nearly the same as presented in the Consolidated Statement of Financial Position.

On the following table are presented the assets and liabilities at fair value as of 31 December 2010 in accordance with hierarchic levels on IFRS 7:

- Level 1: Fair value of financial instruments is based on prices ruling on active, liquid markets at the date of the statement of financial position;
- Level 2: financial instruments' fair value based on evaluation models where main inputs can be observed in the market; and
- Level 3: financial instruments' fair value based on evaluation models where main inputs cannot be observed in the market.

Assets measured at fair value

Amounts in Euro	2010	Level 1	Level 2	Level 3
Financial assets at fair value recognized in earnings				
Hedging	1,076,339	-	1,076,339	-
Financial assets at fair value through profit or loss				
Trading	130,850	-	130,850	-
Financial assets at fair value through profit or loss				
Shares	13,128,488	13,128,488	-	-
Financial assets held-for-sale				
Shares	677,180	677,180	-	-

Liabilities measured at fair value

Amounts in Euro	2009	Level 1	Level 2	Level 3
Financial assets at fair value recognized in earnings				
Hedging	(6,625,268)	-	(6,625,268)	-
Financial liabilities at fair value through profit or loss				
Trading	(208,892)	-	(208,892)	-

Derivative Financial Instruments

The Group has a currency exposure on sales invoiced in foreign currencies, namely US dollars (USD) and pounds sterling (GBP). Since the Group's financial statements are translated into Euro, it runs an economic risk on the conversion of these currency flows to the Euro.

The Group is also obliged, albeit to a lesser degree, to make certain payments in those same currencies which, for currency exposure purposes, act as a natural hedge. Thus, the hedge is aimed at safeguarding the net value of the statement of financial position items denominated in foreign currencies against the respective currency fluctuations.

The hedging instruments used in this operation are foreign exchange forward contracts covering the net exposure to the USD and to the GBP at the time the invoices are issued, for the same maturity dates and the same amounts of these documents in such a way as to fix the exchange rate associated with the sales.

The nature of the risk hedged is the book exchange rate variation recorded on sales and purchases expressed in USD and GBP. At the end of each month customer and suppliers' balances expressed in foreign currency are updated, with the gain or loss offset against the fair value of the forwards negotiated

As of 31 December 2010, details of the fair value of derivative financial instruments were as follows:

Amounts in Euro	Fair value variation (Trading)	Fair value variation (Hedging)	Total
As of 31 December 2009	(256,290)	(4,931,893)	(5,188,183)
Maturity	87,938	5,739,313	5,827,251
Variation in fair value at earnings	(2,136,316)	-	(2,136,316)
Variation in fair value at equity	-	(4,129,723)	(4,129,723)
Transfers	2,191,844	(2,191,844)	-
As of 31 December 2010	(112,824)	(5,514,147)	(5,626,971)

Movement occurred in Derivative Financial Instruments caption

The fair value of derivative financial instruments is included under the caption "Current payables" (Note 32), if negative, and in the caption "Current receivables" (Note 24), if positive.

The movement in the balances presented in the years ended 31 December 2010 and 2009, relating to financial instruments was as follows:

Amounts in Euro	Currency	Notional	Maturity	Fair value 31-12-2010	Fair value 31-12-2009
Financial instruments - trading					
Foreign exchange forwards	EUR	612,000	31-Dec-2011	(19,275)	-
	USD	32,777,000	26-Apr-2011	123,396	-
	GBP	3,900,000	12-Apr-2011	7,455	-
	USD	40,057,000	12-May-2011	(268,405)	(338,615)
	GBP	11,267,000	12-May-2011	78,787	(1,840,545)
Options on interest rate	EUR	6,782,631	03-Dec-2010	-	(25,145)
SWAPs	EUR	20,400,000	28-Feb-2010	-	(310,640)
Collar interest rate	EUR	175,000,000	30-Nov-2015	34,079	1,368,373
Collar interest rate	EUR	25,000,000	30-Nov-2015	2,353	70,070
Collar interest rate	EUR	25,000,000	30-Nov-2015	(36,432)	20,210
Ending balance				(78,042)	(256,292)

Amounts in Euro	Currency	Notional	Maturity	Fair value 31-12-2010	Fair value 31-12-2009
Financial instruments - hedging					
Foreign exchange forwards	EUR	150,000,000	29-Mar-2010	-	(762,218)
Foreign exchange forwards	EUR	75,000,000	27-Oct-2010	-	(1,219,066)
Subsidiaries investments	USD	25,050,000	26-Nov-2011	109,529	-
Foreign exchange forwards (USD)	EUR	20,400,000	28-Feb-2011	(262,810)	1,514,537
Collar interest rate	EUR	175,000,000	30-Nov-2015	(4,274,039)	(3,749,335)
Collar interest rate	EUR	25,000,000	30-Nov-2015	(585,883)	(382,898)
Collar interest rate	EUR	25,000,000	30-Nov-2015	(535,726)	(332,911)
Ending balance				(5,548,929)	(4,931,891)
Total financial instruments				(5,626,971)	(5,188,183)

On 5 September and 19 November 2008, the Group entered into swap agreements of "Emission EU Allowances (EUA) and Certified Emission Reductions "(CER) with a financial institution.

The Group will deliver in future periods CER allowances to the licensing coordination entity, as part of its obligations to the stated entity.

The Group views this transaction as a swap of similar goods with similar value in use, not exposed to future volatility in market prices of the allowances and

consequently not regarded as a transaction which generates revenue in the current period. Revenue arising from this transaction is recognised in the income statement on its maturity date.

Financial assets at fair value through earnings

These amounts are recognised at fair value which corresponds to their market value (Note 20).

Available-for-sale financial assets

These amounts are recognised at fair value which corresponds to their market value, after deducting any impairment losses (Note 21).

Loans and receivables

These amounts are recognised at fair value which corresponds to their nominal value, after deducting any impairment losses identified during the course of the credit risk analysis of the credit portfolios held (Notes 2.1.3, 22 and 24).

Other financial liabilities

These items are recognised at their amortised cost, corresponding to the value of the respective cash flows discounted at the effective interest rate associated with each one of the liabilities concerned (Note 31).

34. Balances and transactions with related parties

As of 31 December 2010 and 2009, related parties receivables and payables comprised:

Amounts in Euro	Interest-bearing liabilities	
	31-12-2010	31-12-2009
Shareholders		
Cimo SGPS, SA	4,600,244	198,015
Longapar, SGPS, SA	14,123,140	9,871,902
Sonaca SGPS, SA	574,843	567,892
	19,298,227	10,637,809

Amounts in Euro	31-12-2010		31-12-2009	
	Other Receivables	Other Payables	Other Receivables	Other Payables
Associated companies				
Colif Sicar	-	11,634	-	11,878
Seribo, S.A.	-	94,737	-	94,737
J.M. Henriques, Lda.	54,189	-	52,078	-
Cimentapor	35	-	35	-
Socil Unicon - S.G.P.S., Lda	102,805	-	103,704	-
Setefrete	245,310	283,576	339,788	52,965
Chryso Portugal, S.A.	35,646	146,601	-	119,790
Socil Prebetão - Pré-Fabricados de Betão, S.A.	15,961	18,148	86,972	12,688
Viroc Portugal - Industria de Madeira e Cimento, S.A.	20,511	67	574,452	-
Inertogrande	104,141	-	-	-
Taporiet	-	-	786,383	-
Soporgien	-	-	854,034	489,856
Other related parties	8,749	589,617	2,796	587,359
Total	587,347	1,144,380	2,800,242	1,369,273

As of 31 December 2010 and 2009, transactions between related parties comprised:

Amounts in Euro	2010		2009	
	Service Purchase	Financial Losses	Service Purchase	Financial Losses
Shareholders				
Cimianto SGPS, SA	107,740	-	107,740	-
Cimo SGPS, SA	-	11,011	-	5,011
Longapar, SGPS, SA	-	120,008	-	161,335
Sonaca SGPS, SA	-	5,215	-	15,526
	107,740	136,234	107,740	181,872

2010				
Amounts in Euro	Service Purchase	Services rendered	Operating Income	Losses/(Gains) financial
Subsidiaries shareholders and Joint ventures				
Viroc Portugal, S.A.	55	422,996	68,067	(53,518)
Chryso Portugal, S.A.	559,607	-	29,460	-
Setefrete, S.A.	1,902,603	-	13,542	-
Secil Prebetão, S.A.	27,928	328,139	26,687	-
Other	1,372,309	358,852	12,892	(17,809)
	4,387,803	1,109,987	150,648	(71,327)

2009				
Amounts in Euro	Service Purchase	Services rendered	Operating Income	Losses/(Gains) financial
Subsidiaries shareholders and Joint ventures				
Viroc Portugal, S.A.	-	515,429	3,630	(7,767)
Chryso Portugal, S.A.	580,537	-	36,419	-
Setefrete, S.A.	2,027,451	-	-	-
Secil Prebetão, S.A.	-	373,060	57,928	3,919
Soporgen	5,133,362	-	-	-
TASC	52,013	-	-	-
Other	-	-	969	(25,555)
	8,318,664	888,489	98,946	(29,403)

35. Interests in joint ventures

Semapa Group holds 51% of Secil (joint venture) having included Secil's assets, liabilities, revenues and costs under the proportional consolidation method in the Consolidated Financial Statements.

Thus, total non-current and current assets, non-current and current liabilities, revenues, costs and net income corresponding to 51% of Secil are presented in the following table:

Amounts in Euro	2010	2009
Assets		
Non-current assets	367,417,488	358,638,436
Current assets	131,219,780	123,536,867
	498,637,268	482,175,303
Liabilities		
Non-current liabilities	126,043,902	83,921,468
Current liabilities	84,032,135	119,993,007
	210,076,037	203,914,475
Net	288,561,231	278,260,828
Revenue	273,267,641	291,837,810
Operating profit	43,061,888	56,383,827
Profit before tax	40,912,014	53,833,274
Net profit of the year*	25,309,211	39,524,262

* Attributable to Secil shareholders

36. Environmental related expenditures

As part of its business operations, the Group incurs in several environmental expenditure which, depending on their nature, are capitalised or recognised as costs in the operating results for the year.

Environmental expenses incurred by the Group in order to preserve resources or to avoid or reduce future damage, are capitalised when they are expected to extend the useful life or to increase the capacity, safety or efficiency of other assets held by the Group.

Expenditures capitalised and recognised as costs in the year ended 31 December 2010 comprise:

Areas	Expenses of the period	Capitalisation in the period	Total
Atmospheric emissions	691,982	841,860	1,533,842
Management of residual waters	9,567	24,770	34,337
Residual managements	1,093,525	1,190,790	2,284,315
Waste/residual management	1,025	165,364	166,389
Protection of soils and underground waters	273,845	4,121	277,966
Generator oil boiler	-	576,931	576,931
Liquid effluent treatment	7,543,581	18,731	7,562,312
Materials recycling	1,699,098	-	1,699,098
Sew age netw ork	548,023	-	548,023
Solid w aste embankment	103,150	-	103,150
Solid w aste landfill	286,241	-	286,241
Other environmental protection activities	647,856	161,861	809,717
	12,897,893	2,984,428	15,882,321

Expenditures capitalised and recognised as costs in the year ended 31 December 2009 comprise:

Areas	Expenses of the period	Capitalisation in the period	Total
Atmospheric emissions	1,223,689	696,203	1,919,892
Management of residual waters	4,408	14,607	19,015
Residual managements	590,963	1,857,675	2,448,638
Waste/residual management	45,063	11,990	57,053
Protection of soils and underground waters	437,140	199,044	636,184
Generator oil boiler	-	5,807,485	5,807,485
Liquid effluent treatment	2,800,820	93,640	2,894,460
Materials recycling	157,895	-	157,895
Sew age netw ork	1,135,168	-	1,135,168
Solid w aste embankment	247,900	-	247,900
Solid w aste landfill	611,152	-	611,152
Other environmental protection activities	267,479	215,047	482,525
	7,521,677	8,895,691	16,417,368

CO2 emission rights

Within the scope of the Kyoto Protocol, the European Union has undertaken to reduce the emission of greenhouse gases. In this context, a Community Directive was published which makes provision for the trading in the so-called CO2 emission licences. In the meantime, this directive was transposed into Portuguese legislation and is applicable with effect from 1 January 2005, amongst others, to the cement and pulp and paper industries.

As result of negotiations of the National Plan for the allocation of CO2 emission licences (PNALE), for the period 2008-2012, licences were granted to the Group in sufficient amount to satisfy its needs.

37. Audit fees

In the years ended 31 December 2010 and 2009, expenses pertaining to statutory audit and audit services, comprised:

Amounts in Euro	2010	2009
Statutory auditors services		
Statutory audit services	521,327	499,832
Audit services to foreign subsidiaries	132,141	26,893
Tax consultancy services and others	227,116	186,279
Other reliability assurance services	141,497	106,118
	1,022,081	819,122

The services described as tax consultancy, mainly comprise the support in complying with tax obligations, in Portugal and abroad, as well as in services, surveys of operational business processes which did not result in any advice for redesign of existing practices, procedures or controls.

The Board of Directors believes there are adequate procedures safeguarding the independence of auditors through the audit committee process analysis of the work proposed and careful definition of the work to be performed by the auditors.

38. Number of employees

At 31 December 2010 and 2009, the number of employees in service of the Group's various companies, was as follows:

2010	Pulp and Paper	Cement and Derivatives	Environment	Holdings	Total
Portugal	2,253	1,372	180	21	3,826
Rest of Europe	78	2	10	-	90
Angola	-	289	-	-	289
Lebanon	-	516	-	-	516
Tunisia	-	415	-	-	415
Cape Verde	-	36	-	-	36
	2,331	2,630	190	21	5,172

2009	Pulp and Paper	Cement and Derivatives	Environment	Holdings	Total
Portugal	2,212	1,414	171	21	3,818
Rest of Europe	76	-	11	-	87
Angola	-	306	-	-	306
Lebanon	-	495	-	-	495
Tunisia	-	425	-	-	425
Cape Verde	-	36	-	-	36
	2,288	2,676	182	21	5,167

39. Commitments

At 31 December 2010 and 2009, the guarantees and other financial commitments provided by the Group were as follows:

Amounts in Euro	2010	2009
Warranties		
IAPMEI (in the perimeter of POE)	15,060	870,944
IAPMEI (in the perimeter of QREN)	1,923,818	-
VAT refunds request	3,531,019	3,330,746
Portuguese tax authorities (DGCI)	37,100,231	23,618,566
Soporgen financing	333,333	444,444
Câmara Municipal de Setúbal	492,101	487,700
APSS - Adm. dos Portos de Setúbal e Sesimbra	1,246,355	1,246,355
Direcção Geral de Alifândegas	435,751	435,751
APDL - Administração do Porto de Leixões	322,505	322,505
Lafarge	5,100,000	-
Simria	340,005	514,361
Instituto de Conservação da Natureza - Arrábida	508,188	481,771
IFAP	1,520,820	1,937,544
BankMed for SOIME (Lebanon)	1,034,362	959,394
IAPMEI (in the perimeter of PEDIP)	50,878	50,878
Comissão de Coord. e Desenv. Reg. Centro	421,858	419,971
Chaussee	-	121,809
Comissão de Coordenação e Desenv. Regional LVT	446,950	366,424
AKA (Lebanon)	-	3,705,238
Other	5,173,002	5,088,444
	59,996,236	44,402,845
Other commitments		
Purchase commitments with suppliers	73,195,329	169,431,236
Operating lease - rent due less than 12 months	2,626,794	5,861,628
Mortgage loan guarantee	3,656,811	3,856,587
	79,478,934	179,149,451
	139,475,170	223,552,296

During 2006, Semapa SGPS and Semapa Inversiones, SL, as guarantor, concluded a promise of a credits granting contract with a financial institution, in order to finance the acquisition of listed shares on the Euronext Lisbon and that integrate PSI 20 and / or acquisition of Portucel shares.

With funds availability under that contract, Semapa and/or guarantor undertake to provide security in the corresponding shares acquired and/or holding in portfolio Portucel shares, or alternately the establishment of a long term deposit, sufficient to maintain a coverage ratio amounting never less than 1.1.

This credit line was used up, on 31 December 2010 by the amount of Euro 133,079,000, having been given as security 68,866,199 Portucel shares.

The amounts regarding purchase commitments include the commitments assumed to AICEP which contemplate overall capital investments of around Euro 914,600,000 due to the construction of the new pulp paper plant in Setubal.

Liabilities assumed due to operating leases

As of 31 December 2010 and 2009 debt's reimbursement plans for operating leases are as follows:

Amounts in Euro	2010	2009
No more than one year	1,533.114	687.037
More than one and less than five years	2,301.654	5,909.576
	3.834.768	6.596.613

40. Other commitments of the Group

Promissory liens

The associated company Secil Martingança, S.A., contracted in April 2005 a loan from a bank with maturity in 2012 for the acquisition of the subsidiaries IRP – Industrias de Rebocos de Portugal, S.A. and Lusocil – Sociedade Portuguesa de Cimento Cola, S.A. In terms of this financing facility, Secil Martingança issued an irrevocable power of attorney to the financial institution, enabling it to place a lien over the aforesaid companies' shares in the event of defaulting on its obligations.

In December 2008 the subsidiary Ciments de Sibline, S.A.L. renegotiated with a Lebanese bank a medium/long-term loan (financing operation) and a bank overdraft of USD 15,000,000 and USD 10,000,000, respectively. Under the terms of these facilities, the subsidiary Ciments de Sibline, S.A.L. registered two mortgages over property, plant and equipment owned by it in favour of the bank in the amounts of USD 57,500,000 and USD 12,270,000. At 31 December 2010, the amount recognised in the Consolidated Statement of Financial Position relating to the medium/long-term was USD 11,050,714 while the bank overdraft had not yet been utilised.

Comfort letters

Secil has issued comfort letters to two financial institutions as security for compliance with the obligations under the financing facilities contracted by the associate Viroc Portugal, S.A. in amount of Euro 2,574,082.

Investment in a new plant in Angola

In terms of the Memorandum of Understanding signed between the Angolan Government and the subsidiary Secil in April 2004, Secil – Companhia de Cimentos do Lobito, S.A. – approximately 51% held by the SECIL Group and, indirectly, 49% by the Angolan State - was incorporated on 29 November 2005 and commenced operations on 1 January 2006. Accordingly, the contract for the operation of the Encime do Lobito plant, between the Angolan State and Tecnosecil (now called

Secil Angola) and which has been in force since September 2000, has now terminated.

Secil Lobito's share capital of USD 21,274,286 was paid up through the transfer of the tangible and intangible assets of Secil Angola and Encime U.E.E. respectively by the SECIL Group and by the Angolan Government at the amount resulting from the valuation carried out in October 2003 by an independent international audit firm.

In this Memorandum of Agreement, it was estimated that within a time horizon of 36 months commencing from the date the respective share capital was paid up, Secil Lobito would erect cement and clinker factory in Lobito.

On 26 October 2007, the Angolan Cabinet approved the Private Investment Project called the "Lobito New Cement Factory" involving an amount of USD 91,539,000, contracted on 14 December 2007, by Secil Lobito and by "ANIP – Agência Nacional para o Investimento Privado", the latter representing the Angolan state.

Furthermore, in 2008, an electric-power generating plant costing USD 18,000,000 was added to the investment.

However, at this time it has not yet been possible to commence the construction of the new plant by Secil Lobito.

41. Contingent assets

Non-tax matters

Lafarge Betões, S.A. acquisition

On 27 December 2010, Secil – Companhia Geral de Cal e Cimento, S.A., signed a contract for the acquisition of the entire share capital of *Lafarge Betões, S.A.*, which operates on the market of concrete and aggregates, arresting thirty four concrete plants and aggregate holdings.

The enterprise value of *Lafarge Betões, S.A.*, that will underpin the transaction, is Euro 65 million and completion of the deal is still subject to approval by the Competition Authority.

CMP Pension Plan

The Group recorded in its financial statements for the year ended 31 December 1995, EUR 5,598,358 (which is fully adjusted) due by the Portuguese Government as a result of an actuarial valuation of retirement obligations as at 31 December 1993, valued by a specialised and independent entity in the reprivatization of the subsidiary CMP.

As a result of the aforesaid valuation, errors were detected, with the Portuguese Government being requested in 1996 to settle the abovementioned amount. Secil filed a legal action against the Portuguese State, claiming settlement of the aforesaid amount and respective interest. The Supreme

Administrative Court judged the lawsuit as having no legal grounds, ruling in the Government's favour.

Secil is studying the recourse to alternative means at its disposal, namely through the Public debt settlement fund, in order to obtain a settlement of the amount in question.

Public debt settlement fund

According to the Decree-Law no. 36/93 of 13 February, tax debts of privatised companies relating to periods prior to the privatisation date (25 November 2006) are the responsibility of the Public Debt Settlement Fund.

In addition to the tax matters described above, a second request to the Public Debt Settlement Fund was submitted on 2 June 2010, which called for the reimbursement of various amounts, totaling Euro 136,243,939. These amounts related to adjustments in the financial statements of the group after its privatization, that had not been considered in formulating the price of such privatization as they were not included in the documentation made available for consultation by the bidders.

BEKP Sales' agency

In October 2009, the Group through its German subsidiary Portucel International Trading, GmbH, set off two legal actions for undue agency contract termination, celebrated in December 2007 with CPK S.A. and Celtejo, S.A. These legal actions amounted to approximately Euro 175,000 and aim at proper compensation of Portucel International Trading, GmbH, for the expected gains, should the contracts had not been unilaterally terminated.

Investment contract – AICEP

Regarding the contracts signed with AICEP and up to 31 December 2010, a total amount of Euro 38,915,501 of tax incentives is yet to be recognised.

Infrastructure enhancement and maintenance rate

Under the licensing process nº 408/04 related to the new paper mill project, the Setubal city Council issued a settlement note to Portucel regarding an infrastructure increase and maintenance fee ("TMUE ") amounting to Euro 1,199,560, with which the company disagrees.

This situation regards the amount collected under this concept in the licensing process mentioned above, for the construction of a new paper mill in the industrial site of Mitrena, Setubal. Portucel disagrees with the amount charged and filled an administrative claim against it on 25 February 2008 (request 2485/08), followed by an appeal in Court against the rejection of the claim on 28 October 2008.

In the appeal, Portucel claims the cancelation of the settlement act, on the following grounds: (i) disproportionality of the fee applied; (ii) it as the nature of a tax, that cannot be imposed by the City Council and (iii) the absence of any consideration paid on their behalf by the Setubal City Council since it was Portucel

that supported all costs regarding the urban infrastructure and maintenance, thus proving that the TMUE configures a true tax.

The decision of the Court is still pending.

Tax matters

Withholding tax in Spain – Euros 516,729

From 2001 to 2004, ENCE – Empresa Nacional de Celulose, S.A., a company in which Portucel held a 8% share until 2004, paid dividends totaling Euro 3,444,862, which were subject to withholding tax of Euro 516,729.

Portucel challenged the amount withheld on the basis that it violated the right of free establishment foreseen in the Treaty of Rome (dividends paid to an entity resident in Spain are not subject to withholding tax). The claim was rejected in February 15, 2008, and the Company appealed to court on April 29, 2008.

Through a court ruling of 26 October 2010, and following the decision of 3 June 2010 – case C-487/08 (European Commission vs. Kingdom of Spain) – the EU court of Justice concluded in favour of Portucel's views in a similar case.

As such, in 2011, measures will be taken in order to collect the refund of the excess amounts paid by Portucel, as recognised by Spanish courts.

Public Debt Settlement Fund

Portucel submitted an application to the Public Debt Settlement Fund on 16 April 2008 requesting the payment by the State of the tax debts raised by the tax authorities for periods before that date.

In this context, the aforementioned Fund is liable for Euro 31,018,150, detailed as follows:

Amounts in Euro	Period	Amounts Requested	1st refund	Outstanding
Portucel				
Value added tax - Germany	1998-2004	5,850,000	(5,850,000)	-
Corporate Income Tax	2001	314,340	-	314,340
Corporate Income Tax	2002	625,033	(625,033)	-
Value added tax	2002	2,697	(2,697)	-
Corporate Income Tax	2003	1,573,165	(1,573,165)	-
Corporate Income Tax	2003	197,394	(157,915)	39,479
Corporate Income Tax	2004	3,324	-	3,324
Corporate Income Tax	2004	766,395	-	766,395
Corporate Income Tax	2005	1,736	(1,736)	-
Corporate Income Tax	2005	11,754,680	-	11,754,680
Corporate Income Tax	2005*	9,238,171	-	9,238,171
		30,326,934	(8,210,546)	22,116,389
Soporcel				
Corporate Income Tax	2002	169,220	-	169,220
Corporate Income Tax (Replacement)	2003	5,725,771	-	5,725,771
Corporate Income Tax (Replacement)	2003	2,509,101	-	2,509,101
Stamp Tax	2004	497,669	-	497,669
		8,901,761	-	8,901,761
		39,228,695	(8,210,546)	31,018,150

* Denied the utilisation of 2005 losses in 2006

In December 2009, the Group was informed by the Institute for Public Credit and Treasury Management of the eminent payment of Euro 8,210,546, related to the amounts previously paid and unclaimed to the Tax Authorities. A similar outcome for the remaining open amounts is expected once the legal and administrative

processes are over. This amount was received on 22 January 2010.

Corporate income tax (IRC) 2007– Euro 1,472,351

As a result of the tax inspection for the year ended 31 December 2007 a correction of Euro 937,116 was raised and Portucel paid it on 24 February 2010, followed by a tax claim where corrections show a total of Euro 12,397 and a correction for the year of 2007 of Euro 1,459,954 related to contracted tax incentives due for Soporcel's investment in a second paper machine because there was no taxable income in the year 2005 and 2006.

As at 17 January 2011 the Court ruling was not favourable to the Company's views and it presented an appeal on 31 January 2011.

Stamp tax on loans – Stamp tax on share capital – €7,000

On 7 April 2008 SPCG and PortucelSoporcel Cogeração de Energia S.A. lodged an appeal with the Almada Administrative and Tax Court against the stamp duty of Euro 50,000 and Euro 27,000, respectively, levied on the share capital increases made by the aforesaid companies, on the grounds that such act is contrary to the provisions of the EU Directive no. 69/335/EEC of the Council dated July 17, 1969, as amended by Directive 85/303/EEC of the Council dated June 10, 1985.

The above-mentioned companies are awaiting the Court's decision.

Municipal surcharge (RETGS) 2008 / 2009 – Euro 1,062,068

In 2008 and 2009 Portucel presented the Income Tax form with a Municipal surcharge corresponding to the sum of the individual municipal surcharge of the companies included in the special tax regime applicable to groups of companies (RETGS) in accordance with the tax authorities' understanding, (Circular Letter No. 20132 as of 14 April 2008).

Nevertheless, Portucel believes this municipal surcharge should correspond to 1.5% of the Group's taxable income, as stated by the Law nº2/2007 (Local Finance Law).

Due to this, Portucel presented a tax claim in order to collect the refund of the excess amounts paid amounting to Euro 173,868 and Euro 888,200.

Following the initial rejection of the claim, Portucel appealed to the Court on 14 May 2010 and 6 January 2011.

As at 2 February 2011 the Supreme Administrative Court decided in favour of Portucel's views, in a similar case. Therefore, a successful outcome is expected for this claim.

42. Exchange Rates

The assets and liabilities of the foreign subsidiaries and associated companies were translated to Euro at the exchange rate prevailing on 31 December 2010.

The income statement transactions were translated at the average rate for the year. The differences arising from the application of these rates as compared with the balance prior to the conversion were reflected under the Currency translation reserve heading in shareholders' equity.

The rates used in 2010 and 2009 against the euro, were as follows:

	2010	2009	Valuation/ (depreciation)
TND (tunisian dinar)			
Average exchange rate for the year	1.895	1.8728	(1.19%)
Exchange rate at the end of the year	1.9237	1.8841	(2.10%)
LBN (libanese pound)			
Average exchange rate for the year	1,998.50	2,102.60	4.95%
Exchange rate at the end of the year	2,014.30	2,171.70	7.25%
USD (american dollar)			
Average exchange rate for the year	1.3257	1.3948	4.95%
Exchange rate at the end of the year	1.3362	1.4406	7.25%
GBP (sterling pound)			
Average exchange rate for the year	0.8579	0.8909	3.70%
Exchange rate at the end of the year	0.8572	0.8881	3.48%
PLN (polish zloty)			
Average exchange rate for the year	3.9896	4.3216	7.68%
Exchange rate at the end of the year	3.9580	4.1040	3.56%
SEK (swedish krona)			
Average exchange rate for the year	9.5365	10.6122	10.14%
Exchange rate at the end of the year	8.9809	10.2400	12.30%
CZK (czech koruna)			
Average exchange rate for the year	25.2550	26.4123	4.38%
Exchange rate at the end of the year	25.0000	26.3180	5.01%
CHF (swiss franc)			
Average exchange rate for the year	1.3807	1.5095	8.53%
Exchange rate at the end of the year	1.2488	1.4827	15.78%
DKK (danish krone)			
Average exchange rate for the year	7.4470	7.4459	(0.01%)
Exchange rate at the end of the year	7.4532	7.4410	(0.16%)
HUF (hungarian forint)			
Average exchange rate for the year	275.0925	280.0582	1.77%
Exchange rate at the end of the year	277.9800	270.3500	(2.82%)
AUD (australian dollar)			
Average exchange rate for the year	1.4424	1.7722	18.61%
Exchange rate at the end of the year	1.3074	1.5978	18.17%
BRL (brazilian real)			
Average exchange rate for the year	2.2419	-	0.00%
Exchange rate at the end of the year	2.2077	-	0.00%

43. 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.

44. Companies included in the consolidation

Name	Head Office	Direct and Indirect % of equity held by subsidiary Semapa		
		Direct	Indirect	Total
Parent - company:				
Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.	Lisbon	-	-	-
Subsidiaries				
Seminv, SGPS, S.A.	Lisbon	100.00	-	100.00
Cimentospar - Participações Sociais, SGPS, Lda.	Lisbon	-	100.00	100.00
Seinpart, SGPS, S.A.	Lisbon	49.00	51.00	100.00
ETSA - Investimentos, SGPS, SA	Lisbon	96.00	-	96.00
Seinpar Investments, B.V.	Amsterdam	100.00	-	100.00
Interholding Investments B.V. (ex Semapa Investments B.V.)	Amsterdam	100.00	-	100.00
Semapa Inversiones S.L.	Madrid	100.00	-	100.00
Great Earth, SA	Lisbon	100.00	-	100.00
NSOSPE - Empreendimentos e Participações, SA*	Rio de Janeiro	100.00	-	100.00

* Created in 2010

Subsidiary companies of sub-group ETSA – under full consolidation

Name	Head Office	Direct and indirect % of equity held by subsidiary ETSA			Equity % actually held by Semapa
		Direct	Indirect	Total	
Parent - company:					
ETSA - Investimentos, SGPS, SA	Stº Antão do Tojal	96.00	-	96.00	96.00
Subsidiaries					
ETSA, SGPS,S.A.	Loures	100.00	-	100.00	96.00
ABAPOR – Comércio e Industria de Carnes, S.A	Stº Antão do Tojal	100.00	-	100.00	96.00
SEBOL – Comércio e Industria de Sebo, S.A.	Stº Antão do Tojal	100.00	-	100.00	96.00
ITS – Indústria Transformadora de Subprodutos Animais, S.A.	Coruche	100.00	-	100.00	96.00
BIOLOGICAL - Gestão de Resíduos Industriais, Lda.	Stº Antão do Tojal	95.00	5.00	100.00	96.00
AISIB – Aprovechamiento Integral de Subprodutos Ibéricos, S.A.	Mérida	100.00	-	100.00	96.00
Transportes Carvajal, S.L.	Huelva	-	80.00	80.00	76.80

Subsidiary companies of sub-group Portucel – under full consolidation

Name	Head Office	Direct and indirect % of equity held by subsidiary Portucel			Equity % actually held by Semapa
		Direct	Indirect	Total	
Parent - company:					
Portucel – Empresa Produtora de Pasta e Papel, SA	Setúbal	14.02	62.94	76.97	76.97
Subsidiaries					
Soporcel - Sociedade Portuguesa de Papel, SA	Figueira da Foz	100.00	-	100.00	76.97
Soporcel Pulp - Sociedade Portuguesa de Celulose, SA*	Figueira da Foz	100.00	-	100.00	76.97
CountryTarget SGPS SA*	Setúbal	100.00	-	100.00	76.97
Sociedade de Vinhos da Herdade de Espirra - Produção e					
Comercialização de Vinhos, SA	Setúbal	-	100.00	100.00	76.97
Enerforest - Empresa de Biomassa para Energia, SA	Setúbal	-	100.00	100.00	76.97
Atlantic Forests, SA	Setúbal	-	100.00	100.00	76.97
Viveiros Aliança - Empresa Produtora de Plantas, SA	Palmela	-	100.00	100.00	76.97
Aflomec - Empresa de Exploração Florestal, SA	Setúbal	-	100.00	100.00	76.97
Cofotrans - Empresa de Exploração Florestal, SA	Figueira da Foz	-	100.00	100.00	76.97
Raiz - Instituto de Investigação da Floresta e Papel	Aveiro	-	94.00	94.00	72.35
PortucelSoporcel Floresta, SGPS, SA	Figueira da Foz	50.00	50.00	100.00	76.97
Portucel Floresta – Empresa de Desenvolvimento Agro-Florestal, SA	Setúbal	-	100.00	100.00	76.97
Naturfunji, ACE	Setúbal	-	50.00	50.00	38.48
PortucelSoporcel Floresta – Sociedade para o Desenvolvimento Agro-Florestal, SA	Setúbal	-	100.00	100.00	76.97
Afocelca - Agrupamento complementar de empresas para protecção contra incêndios ACE	Portugal	-	64.80	64.80	49.87
Bosques do Atlantico, SL	Spain	-	100.00	100.00	76.97
PortucelSoporcel Pulp SGPS, S.A.	Setúbal	100.00	-	100.00	76.97
EPFF - Empresa de Pasta de Figueira da Foz, S.A.	Figueira da Foz	-	100.00	100.00	76.97
CELSET - Celulose de Setúbal, S.A.	Setúbal	-	100.00	100.00	76.97
CELCA CIA - Celulose de Cacia, S.A.	Cacia	-	100.00	100.00	76.97
Portucel International GmbH	Germany	-	100.00	100.00	76.97
PortucelSoporcel Papel, SGPS SA	Setúbal	100.00	-	100.00	76.97
Soporcel North America Inc.	USA	-	100.00	100.00	76.97
About the Future - Empresa Produtora de Papel, SA	Setúbal	0.01	99.99	100.00	76.97
Portucel Papel Setúbal, S.A.	Setúbal	-	100.00	100.00	76.97
Tecnipapel – Sociedade de Transformação e Distribuição de Papel, Lda	Setúbal	56.00	44.00	100.00	76.97
PortucelSoporcel Sales & Marketing NV	Belgium	25.00	75.00	100.00	76.97
PortucelSoporcel Fine Paper , S.A.	Setúbal	-	100.00	100.00	76.97
Soporcel España, SA	Spain	-	100.00	100.00	76.97
Soporcel International, BV	Netherlands	-	100.00	100.00	76.97
Soporcel France, EURL	France	-	100.00	100.00	76.97
Portucel Soporcel United Kingdom, Ltd	United Kingdom	-	100.00	100.00	76.97
Portucel Soporcel Italia, SRL	Italy	-	100.00	100.00	76.97
Soporcel 2000 - Serviços Comerciais de Papel, Soc. Unipessoal, Lda	Figueira da Foz	-	100.00	100.00	76.97
Soporcel Deutschland, GmbH	Germany	-	100.00	100.00	76.97
Soporcel Handels, GmbH	Austria	-	100.00	100.00	76.97
PortucelSoporcel Afrique du Nord	Morocco	-	100.00	100.00	76.97
PortucelSoporcel Poland SP Z O *	Poland	-	100.00	100.00	76.97
PortucelSoporcel Energia, SGPS SA	Setúbal	100.00	-	100.00	76.97
SPCG – Sociedade Portuguesa de Co-Geração Eléctrica, SA	Setúbal	-	100.00	100.00	76.97
Enerpulp – Cogeração Energética de Pasta, SA	Setúbal	-	100.00	100.00	76.97
PortucelSoporcel Cogeração de Energia, SA	Setúbal	-	100.00	100.00	76.97
PortucelSoporcel Participações, SGPS SA	Setúbal	100.00	-	100.00	76.97
Arboser – Serviços Agro-Industriais, SA	Setúbal	-	100.00	100.00	76.97
Empremédia - Corretores de Seguros, Lda	Lisbon	-	100.00	100.00	76.97
Socortel - Sociedade de Corte de Papel, SA	Figueira da Foz	-	100.00	100.00	76.97
Outpaper - Transformação, Corte e Embalagem de Papel, ACE	Figueira da Foz	-	50.00	50.00	38.48
Headbox - Operação e Contolo Industrial, SA	Setúbal	-	100.00	100.00	76.97
EMA21 - Engenharia e Manutenção Industrial Século XXI, SA	Setúbal	-	100.00	100.00	76.97
Ema Cacia - Engenharia e Manutenção Industrial, ACE	Cacia	-	91.15	91.15	70.15
Ema Setúbal - Engenharia e Manutenção Industrial, ACE	Setúbal	-	92.56	92.56	71.24
Ema Figueira da Foz - Engenharia e Manutenção Industrial, ACE	Figueira da Foz	-	91.47	91.47	70.40
ImpactValue - SGPS, SA	Setúbal	100.00	-	100.00	76.97
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Mozambique	25.00	75.00	100.00	76.97
Portucel Florestal Brasil - Gestão de Participações, Ltda	Brazil	25.00	75.00	100.00	76.97
PortucelSoporcel Papel - Sales e Marketing, ACE	Figueira da Foz	50.00	50.00	100.00	76.97
PortucelSoporcel Logística de Papel, ACE	Figueira da Foz	33.33	66.67	100.00	76.97

* Created in 2010

Subsidiary companies of sub-group Secil – under proportional consolidation

Name	Head Office	Direct and indirect % of equity held by subsidiary Secil			Equity % actually held by Semapa
		Direct	Indirect	Total	
Parent - company:					
Secil - Companhia Geral de Cal e Cimento, S.A.	Setúbal	6.42	44.58	51.00	51.00
Subsidiaries					
Parcim Investments, B.V.	Amsterdam	100.00	-	100.00	51.00
Secilpar, SL	Madrid	-	100.00	100.00	51.00
Somera Trading Inc.	Panama	-	100.00	100.00	51.00
Hew bol, SGPS, Lda.	Funchal	-	100.00	100.00	51.00
Secil Cabo Verde Comércio e Serviços, Lda.	Praia	-	100.00	100.00	51.00
ICV - Inertes de Cabo Verde, Lda.	Praia	37.50	25.00	62.50	31.88
Florimar- Gestão e Participações, SGPS, Lda.	Funchal	100.00	-	100.00	51.00
Seciment Investments, B.V.	Amsterdam	100.00	-	100.00	51.00
Serife - Sociedade de Estudos e Realizações Industriais e de Fornecimento de Equipamento, Lda.	Lisboa	100.00	-	100.00	51.00
Silonor, S.A.	Dunkerque - France	100.00	-	100.00	51.00
Société des Ciments de Gabès	Tunis	98.72	-	98.72	50.35
Sud- Béton- Société de Fabrication de Béton du Sud	Tunis	-	98.72	98.72	50.35
Zarzis Béton	Tunis	-	98.52	98.52	50.25
Secil Angola, SARL	Luanda	100.00	-	100.00	51.00
Secil - Companhia de Cimento do Lobito, S.A.	Lobito	-	51.00	51.00	26.01
Secil, Betões e Inertes, S.G.P.S., S.A. e Subsidiárias	Setúbal	91.85	8.15	100.00	51.00
Britobetão - Central de Betão, Lda.	Évora	-	82.00	82.00	41.82
Unibetão - Indústrias de Betão Preparado, S.A.	Lisbon	-	100.00	100.00	51.00
Sicobetão - Fabricação de Betão, S.A.	Lisbon	-	100.00	100.00	51.00
Secil Britas, S.A.	Lisbon	-	100.00	100.00	51.00
Quimpedra - Secil Britas, Calcários e Derivados, Lda.	Lisbon	-	100.00	100.00	51.00
Colegra - Exploração de Pedreiras, S.A.	Lisbon	-	100.00	100.00	51.00
Secil Martingança - Aglomerantes e Novos Materiais para a Construção, Lda.	Leiria	51.19	45.81	97.00	49.47
IRP - Industria de Rebocos de Portugal, S.A.	Santarém	-	97.00	97.00	49.47
Condind - Conservação e Desenvolvimento Industrial, Lda.	Setúbal	50.00	50.00	100.00	51.00
Ciminpart - Investimentos e Participações, SGPS, S.A.	Lisbon	-	100.00	100.00	51.00
Argibetão - Sociedade de Novos Produtos de Argila e Betão, S.A.	Lisbon	-	90.87	90.87	46.34
Ave- Gestão Ambiental e Valorização Energética, S.A.	Lisbon	-	70.00	70.00	35.70
Cimentos Costa Verde - Comércio de Cimentos, Lda.	Lisbon	-	100.00	100.00	51.00
Valcem - Produtos Cimentícios,Lda.	Setúbal	50.00	50.00	100.00	51.00
Prescor Produção de Escórias Moídas, Lda.	Lisbon	-	100.00	100.00	51.00
CMP - Cimentos Maceira e Pataias, S.A. ("CMP")	Leiria	100.00	-	100.00	51.00
Ciments de Sibline, S.A.L.	Beirute	28.64	22.41	51.05	26.04
Soime, S.A.L.	Beirute	-	51.05	51.05	26.04
Premix Liban, S.A.L	Beirute	-	51.05	51.05	26.04
Cimentos Madeira, Lda.	Funchal	57.14	-	57.14	29.14
Beto Madeira - Betões e Britas da Madeira, S.A.	Funchal	-	57.14	57.14	29.14
Promadeira - Sociedade Técnica de Construção da Ilha da Madeira, Lda.	Funchal	-	57.14	57.14	29.14
Brimade - Sociedade de Britas da Madeira, S.A.	Funchal	-	57.14	57.14	29.14
Madebritas - Sociedade de Britas da Madeira, Lda. (a)	Funchal	-	29.14	29.14	14.86
Pedra Regional - Transformação e Comercialização de Rochas Ornamentais	Funchal	-	29.14	29.14	14.86
Secil Unicon - S.G.P.S., Lda.	Lisbon	50.00	-	50.00	25.50
Secil Prébetão, S.A.	Montijo	-	39.80	39.80	20.30
Teporset - Terminal Portuário de Setúbal, S.A.	Lisbon	-	50.00	50.00	25.50

BOARD OF DIRECTORS**Chairman:**

Pedro Mendonça de Queiroz Pereira

Members:

Maria Maude Mendonça de Queiroz Pereira Lagos

José Alfredo de Almeida Honório

Francisco José Melo e Castro Guedes

Carlos Maria Cunha Horta e Costa

José Miguel Pereira Gens Paredes

Paulo Miguel Garcês Ventura

Rita Maria Lagos do Amaral Cabral

António da Nóbrega de Sousa da Câmara

Joaquim Martins Ferreira do Amaral

António Pedro de Carvalho Viana-Baptista

Vitor Manuel Galvão Rocha Novais Gonçalves



Statutory Auditors Report in respect of the Consolidated Financial Information

(Free translation from the original version in Portuguese)

Introduction

1 As required by law, we present the Statutory Auditors Report in respect of the Consolidated Financial Information included in the consolidated Board of Directors' Report and the consolidated financial statements of **Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.**, comprising the consolidated statement of financial position as at December 31, 2010, (which shows total assets of Euro 3,569,649,634, and a total shareholder's equity of Euro 1,243,941,595 including non-controlling interest of Euro 310,520,846 and a net profit of Euro 126,720,230), the consolidated separate income statement, the statement of comprehensive consolidated income, the consolidated statement of changes in equity and the consolidated 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 the consolidated Directors' Report and consolidated financial statements which present fairly, in all material respects, the financial position of the company and its subsidiaries, the consolidated changes in equity, the consolidated result of their operations and their consolidated cash flows; (ii) to prepare historic financial information in accordance with International Financial Reporting Standards as adopted by the EU and which is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code; (iii) to adopt adequate accounting policies and criteria; (iv) to maintain appropriate systems of internal control; and (v) to disclose any relevant matters which have influenced the activity, the financial position or results of the company and its subsidiaries.

3 Our responsibility is to verify the consolidated financial information included in the documents referred to above, namely if it is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue an independent and professional report 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Accordingly, our audit included: (i) verification that the subsidiary's financial statements have been properly examined and for the cases where such an audit was not carried out, verification, on a sample basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of Management used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations, and, when applicable, the utilization of the equity method; (iii) assessing the appropriateness and consistency of the accounting principles used

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.

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Matriculada na Conservatória do Registo Comercial sob o NUPC 506 628 752, Capital Social Euros 314.000

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and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v) assessing the overall presentation of the consolidated financial statements; and (vi) assessing whether the consolidated financial information is complete, true, timely, clear, objective and licit.

5 Our audit also covered the verification that the information included in the consolidated Directors' Report is in agreement with the other documents as well as the verification set forth in paragraphs 4 and 5 of Article 451 of the Companies Code.

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

Opinion

7 In our opinion, the consolidated financial statements referred to above, present fairly in all material respects, the consolidated financial position of **Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.** as at December 31, 2010, the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the information included is complete, true, timely, clear, objective and licit.

Report on other legal requirements

8 It is also our opinion that the information included in the Directors' Report is in agreement with the financial statements for the year and that the Corporate Governance Report includes the information required under Article 245-A of the Portuguese Securities Code.

Lisbon, March 15, 2011

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
Represented by:

António Alberto Henriques Assis, R.O.C.

SEMAPA – Sociedade de Investimento e Gestão, SGPS,SA

Report and Opinion of the Audit Board Consolidated Accounts

Financial year of 2010

Shareholders,

1. As required by law, the articles of association and our mandate from the shareholders, we are pleased to present our report on our supervisory activities in 2010 and to issue our opinion on the Consolidated Management Report and Consolidated Financial Statements presented by the Board of Directors of Semapa – Sociedade de Investimento e Gestão, SGPS, SA for the financial year ended 31 December 2010.
2. Over the course of the year we regularly monitored the company's affairs and those of its subsidiaries at the intervals and to the extent we deemed appropriate, in particular through periodic meetings with the directors. We confirmed that the accounts were properly kept and the respective documentation in order, as well as checking the effectiveness of the systems for risk management, internal control and internal auditing. We were watchful of compliance with the law and the articles of association. We were not notified of any irregularities and we encountered no constraints in the course of our work.
3. We held several meetings with the official auditor and external auditor, PricewaterhouseCoopers & Associados, SROC, Lda., thereby monitoring the audit work carried out and assuring the independence of such work. We have assessed the Legal Certificate of Accounts and the Audit Report, with which we are in agreement.
4. In the course of our duties we found that:
 - a) the Consolidated Balance Sheet, the Consolidated Statement of Financial Position, the Consolidated Statement of Recognized Income and Expense, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows and the corresponding Notes to the financial statements provide an appropriate picture of the state of the company's affairs and of its results;
 - b) the accounting policies and valuation criteria adopted comply with the International Financial Reporting Standards (IFRS) and are appropriate so as to assure that they lead to a correct assessment of the company's assets and its results; the analyses and recommendations issued by the external auditor have been duly followed up;
 - c) the Consolidated Management Report provides sufficient information on the progress of the company's activities and those of its subsidiaries included in the consolidated accounts and the state of their affairs and offers a clear account of the most significant developments during the period;
 - d) the Corporate Governance Report includes the information required by Article 245-A of the Securities Code.
5. Accordingly, taking into consideration the information received from the Board of Directors and from the company departments, together with the conclusions set out in the Legal Certificate of Accounts and the Audit Report, we recommend that:
 - a) the Consolidated Management Report be approved;

b) the Consolidated Financial Statements be approved;

6. Finally, the members of the Audit Board wish to express their acknowledgment and thanks to the Board of Directors and to the company's senior management and other staff for their assistance and cooperation.

Lisbon, 15 March 2011

The Chairman of the Audit Board

Miguel Camargo de Sousa Eiró

The Member

Duarte Nuno d'Orey da Cunha

The Member

Gonçalo Nuno Palha Gaio Picão Caldeira



FINANCIAL STATEMENTS

31 DECEMBER 2010

INCOME STATEMENT BY NATURE

AS OF 31 DECEMBER 2010 AND 2009

Amounts in Euro	Note	2010	2009
REVENUES AND COSTS			
Sales and service rendered	4	2,825,760	2,904,832
Gains / (losses) of subsidiaries, associates and joint ventures	5	181,206,112	109,278,006
Consumed materials and services	6	(6,956,716)	(2,620,631)
Payroll costs	7	(14,975,908)	(12,461,804)
Provisions increase / (decrease)	8	(1,605,001)	660,796
Fair value increase / (decrease)	9	(2,354,722)	2,186,776
Other operating income	10	47,579	10
Other costs and losses	10	(1,047,833)	(1,372,625)
Operational results		157,139,271	98,575,360
(Expense) / reversals of depreciation and amortization	11	(164,825)	(161,328)
Impairment on depreciable/amortisable investments (expenses/reversals)	11	(102,292)	-
Profit before tax		156,872,154	98,414,032
Interest and similar income	12	670,001	415,759
Interest and similar expenses	12	(16,824,667)	(19,868,147)
Net Income		140,717,488	78,961,644
Income tax	13	(13,997,259)	(80,738)
Net profit for the year		126,720,229	78,880,906
Earnings per share			
Basic earnings per share, Eur	14	1.10	0.68

BALANCE SHEET

AS OF 31 DECEMBER 2010 AND 2009

Amounts in Euro	Note	2010	2009
Assets			
Non-Current Assets			
Intangible assets	15	1.068.602	790.921
Goodwill	16	3.451.111	-
Investment in associates	5	1.492.953.934	1.442.844.156
Deferred tax assets	13	-	13.911.345
		1.497.473.647	1.457.546.422
Current Assets			
State and other public entities	17	419.919	130.819
Receivable and other current assets	18	1.246.007	1.976.442
Deferred assets	19	204.296	79.628
Financial assets held for trading	20	549.594	795.971
Other financial assets	21	2.264.710	11.901.418
Cash and cash equivalents	24	95.012.083	6.630.593
		99.696.609	21.514.871
Total Assets		1.597.170.256	1.479.061.293
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	22	118.332.445	118.332.445
Treasury shares	22	(36.765.574)	(36.765.574)
Share premiums	23	3.923.459	3.923.459
Legal reserves	23	23.666.489	23.666.489
Other reserves	23	738.890.375	689.522.224
Retained earnings	23	25.061.217	27.759.648
Financial adjustments assets	23	6.317.024	(7.337.065)
Other changes in equity	23	(4.827.952)	(4.465.146)
		874.597.483	814.636.480
Net profit for the year		126.720.229	78.880.906
Dividends paid in advance	23	(29.481.173)	-
Shareholders' equity		971.836.539	893.517.386
Liabilities			
Non-current liabilities			
Provisions	8	2.540.000	2.087.596
Interest-bearing liabilities	24	454.224.308	415.136.967
Pensions and other post-employment benefits	25	99.931.261	90.600.253
		556.695.569	507.824.816
Current liabilities			
Payables and other current liabilities		50.116	65.639
State and other public entities	17	247.535	187.982
Interest-bearing liabilities	24	46.434.133	61.142.089
Other current liabilities	26	21.900.481	16.317.498
Deferred liabilities	19	5.883	5.883
		68.638.148	77.719.091
Total liabilities		625.333.717	585.543.907
Total equity and liabilities		1.597.170.256	1.479.061.293

STATEMENT OF CHANGES IN EQUITY

FROM 1 JANUARY 2009 TO 31 DECEMBER 2010

Amounts in Euro	Note	Share Capital	Treasury shares	Share premiums	Legal reserves	Other reserves	Retained earnings	Financial adjustments assets	Other changes Equity	Net profit for the year	Dividends paid in advance	Total
Equity as of 1 January 2009 - POC		118,332,445	(36,765,574)	3,923,459	23,666,489	627,655,918	10,656,838	(32,479,479)		106,347,480	-	821,337,576
Changes in period												
First amendment of the new applicable accounting standards		-	-	-	-	-	-	31,621,011	-	-	-	31,621,011
Investment grants' recognition on the subsidiaries' equity		-	-	-	-	-	(858,468)	858,468	-	-	-	-
Transfers - Applicable expense		-	-	-	-	-	-	-	-	-	-	-
Equity as of 1 January 2009 - SNC	1	118,332,445	(36,765,574)	3,923,459	23,666,489	627,655,918	9,798,370	-	-	106,347,480	-	852,958,587
Other changes recognised in equity												
Adjustments of investments on subsidiaries		-	-	-	-	-	-	(3,489,372)	-	-	-	(3,489,372)
Fair value of derivatives financial instruments		-	-	-	-	-	-	-	(4,465,146)	-	-	(4,465,146)
Actuarial gains / (losses)		-	-	-	-	-	2,961,280	-	-	-	-	2,961,280
Changes on investment grants in subsidiaries		-	-	-	-	-	-	(3,847,693)	-	-	-	(3,847,693)
Transfer to reserves and retained earnings		-	-	-	-	61,866,306	15,000,001	-	-	(76,866,307)	-	-
Other movements		-	-	-	-	-	(3)	-	-	-	-	(3)
Net profit for the year	3	-	-	-	-	61,866,306	17,961,278	(7,337,065)	(4,465,146)	(76,866,307)	-	(8,840,934)
Net profit	4=2+3	-	-	-	-	-	-	-	-	78,880,906	-	78,880,906
Operations with Shareholders in the period												
Distributions	5	-	-	-	-	-	-	-	-	(29,481,173)	-	(29,481,173)
Equity as of 31 December 2009	6=1+2+3+5	118,332,445	(36,765,574)	3,923,459	23,666,489	689,522,224	27,759,648	(7,337,065)	(4,465,146)	78,880,906	-	893,517,386
Amounts in Euro	Note	Share Capital	Treasury shares	Share premiums	Legal reserves	Other reserves	Retained earnings	Financial adjustments assets	Other changes Equity	Net profit for the year	Dividends paid in advance	Total
Equity as of 1 January 2010	6	118,332,445	(36,765,574)	3,923,459	23,666,489	689,522,224	27,759,648	(7,337,065)	(4,465,146)	78,880,906	-	893,517,386
Changes in period												
Currency translation effects		-	-	-	-	-	-	-	(192)	-	-	(192)
Income and expenses recognized directly in equity		-	-	-	-	-	-	-	-	-	-	-
Adjustments of investments on subsidiaries		-	-	-	-	-	-	3,072,808	-	-	-	3,072,808
Fair value of derivatives financial instruments		-	-	-	-	-	-	-	(362,614)	-	-	(362,614)
Actuarial gains / (losses)		-	-	-	-	-	(2,730,013)	-	-	-	-	(2,730,013)
Changes on investment grants in subsidiaries		-	-	-	-	-	-	10,581,281	-	-	-	10,581,281
Transfer to reserves and retained earnings		-	-	-	-	49,368,151	31,582	-	-	(49,399,733)	-	-
Net profit for the year	7	-	-	-	-	49,368,151	(2,698,431)	13,654,089	(362,806)	(49,399,733)	-	10,561,270
Net profit	9=7+8	-	-	-	-	-	-	-	-	126,720,229	-	126,720,229
Operations with Shareholders in the period												
Distributions	10	-	-	-	-	-	-	-	-	(29,481,173)	(29,481,173)	(58,962,346)
Equity as of 31 December 2010	6+7+8+10	118,332,445	(36,765,574)	3,923,459	23,666,489	738,890,375	25,061,217	6,317,024	(4,827,952)	126,720,229	(29,481,173)	971,836,539

CASH FLOW STATEMENT

AS OF 31 DECEMBER 2010 AND 2009

Amounts in Euro	Note	2010	2009
OPERATING ACTIVITIES - Direct Method			
Payments to suppliers		(6.562.904)	(3.863.353)
Payments to personnel		(8.430.238)	(9.164.141)
Cash flow from operations		(14.993.142)	(13.027.494)
Income tax received / (paid)		(131.659)	748.637
Other receipts / (payments) relating to operating activities		2.448.800	3.020.152
Cash flow from operating activities (1)		(12.676.001)	(9.258.705)
INVESTING ACTIVITIES			
Inflow s			
Financial investments		144.450.616	125.733.945
Interest and similar income		170.315	106.743
Dividends		25.508.006	13.918.455
Outflow s			
Property, plant and equipment		(15.831)	(37.873)
Financial investments		(28.629.746)	(13.628.885)
Cash flow from investing activities (2)		(28.645.577)	(13.666.758)
FINANCING ACTIVITIES			
Inflow s			
Borrow ings		750.694.806	564.029.616
Loans granted		16.447.906	20.870.888
Outflow s			
Borrow ings		(726.262.172)	(587.045.441)
Loans granted		(6.420.131)	(22.345.265)
Interest and similar expenses		(15.923.931)	(20.847.067)
Dividends	23	(58.962.347)	(29.481.173)
Cash flow from financing activities (3)		(40.425.869)	(74.818.442)
CHANGE IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)		(81.747.447)	(97.743.905)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	24	(133.128.550)	(35.384.645)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	24	(214.875.997)	(133.128.550)

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NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2010

(Translation of a report originally issued in Portuguese)

(In these notes, unless indicated otherwise, all amounts are expressed in Euro)

1. Company identification

Entity:

Semapa — Sociedade de Investimento e Gestão, SGPS, SA

Head Office:

Av. Fontes Pereira de Melo, 14, Lisbon

Share Capital:

Euro 118,332,445

Corporate body no.:

502 593 130

Semapa — Sociedade de Investimento e Gestão, SGPS, S.A. ("The Company") was incorporated on 21 June 1991 and its main activity being is investing in other companies, namely in the production of cement and derivatives, pulp and paper, through its subsidiaries, Secil — Companhia Geral de Cal e Cimento, S.A., Portucel — Empresa Produtora de Pasta e Papel, S.A. and ETSA Investimentos, SGPS, SA..

2. Applicable accounting standards in the preparation of the financial statements

The attached financial statements were prepared according to all standards present in the Accounting Normalization System (Portuguese initials – SNC). As part of those standards are included the Base for the Presentation of Financial Statements, the Financial Statements' Models, the Code of Accounts, the Accounting and Financial Reporting Standards (Portuguese initials – NCRF) and the Interpretational Standards (Portuguese initials – NI).

Whenever SNC does not address to particular transactions or situations, the International Accounting Standards are used, adopted under regulation (EU) n.1606/2002 from the European Parliament and Counsel at July 19, the International Accounting Standards (IAS) and the International Financing Reporting Standards (IFRS) issued by IASB and interpreted by SIC-IFRIC.

The accounting policies and measurement criteria adopted at 31 December 2010 are comparable to those used on the financial statements as of 31 December 2009.

The reconciliation between the financial position and performance as of 1 January and 31 December 2009 is as follows:

Amounts in Euro	31-12-2009		01-01-2009	
	Net profit	Equity others	Equity	Equity
POC	78,849,324	786,894,744	865,744,068	821,337,576
Investment grants recognition on equity in subsidiaries	-	27,773,318	27,773,318	31,621,011
Minority interests' negative acquisition difference	31,582	(31,582)	-	-
SNC	78,880,906	814,636,480	893,517,386	852,958,587

The transition to SNC did not have any impact on the cash flow statement over the periods presented on the financial statements.

3. Summary of the principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are described below.

3.1 Tangible assets

Tangible assets are booked at acquisition cost less accumulated amortisation and impairment losses (Note 15).

Depreciation is calculated on the acquisition cost, using the straight-line method, as from the date the asset is available for, using the rates that best reflect their estimated useful life as follows:

	Average Useful life
Buildings and other constructions	7 – 10
Equipment:	
Transportation equipment	4
Tools and utensils	4
Office equipment	3 - 8
Other property, plant and equipment	4 - 10

The residual values of the assets and respective useful lives are reviewed and adjusted when necessary at the balance sheet date. If the book value of the asset is higher than the asset's realisable value, then this is written down to the estimated recoverable amount by the recording of impairment losses (Note 3.5).

Gains or losses arising from derecognition or disposal are calculated as the difference between the proceeds received on disposal and the asset's book value, and are recognised in the income statement as other operating income or costs..

3.2 Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of the identifiable assets and liabilities of the subsidiaries and associates on the acquisition date (Note 16).

Goodwill is not amortised and is subject to impairment tests at least once a year. Impairment losses relating to Goodwill cannot be reversed. Gains or losses arising from the sale of an entity include the amount of the corresponding Goodwill.

3.3 Financial investments – equity method

The caption “Financial Investments – equity method” includes investments in an affiliated or associated company where the Company has control (this happens when the Company has direct or indirectly more than 50% of the voting rights on Board meetings or has the power to influence the operational and financial policies) or has significant influence (this would happen if the company participated on the financial or operational decisions, which generally happens in investments representing from 20 to 50% of the share capital of the acquired company).

Financial investments are measured at the equity method deduced from any accumulated impairment loss (Note 5).

3.3.1 Subsidiaries

Subsidiaries are all entities over which the Company has the power to determine their financial and operating policies, generally where Company's interest is represented by more than half of the voting rights. The existence and potential voting rights' effect, which are currently exercisable or convertible, are taken into account when the Company assesses whether it has control over another entity. Investments in subsidiaries are recorded under the equity accounting method.

In conformity with the equity accounting method, financial investments are recorded at their acquisition cost, adjusted by the amount corresponding to the Company's share of changes in the subsidiaries' shareholders' equity (including net income/loss) and by dividends received.

The difference between the acquisition cost and the fair value of the assets, liabilities and contingent liabilities attributable to the subsidiary on the acquisition date is, if positive, recognised as Goodwill. If negative, goodwill is recorded as income for the period under the caption “Gains / (losses) of subsidiaries, associates and joint ventures”.

An evaluation of investments in subsidiaries is done when there are signs that the asset could be impaired, while impairment losses are recorded as costs also under the same caption. When impairment losses recognised in previous periods cease to exist, they are reversed, with the exception of goodwill.

When the Company's share in the subsidiaries' losses is equal to or exceeds its investment in the subsidiary, the Company ceases to recognise additional losses, except where it has assumed liability or made payments in the subsidiaries' name. Unrealised gains on transactions with subsidiaries are eliminated to the extent of the Company's investment in the subsidiary. Unrealised losses are also eliminated, except where the transaction reveals evidence of impairment of a transferred asset.

Subsidiaries' accounting policies were amended whenever necessary so as to ensure consistency with

the policies adopted by the Company. Investments in subsidiaries are detailed in Note 5.

3.3.2 Joint Ventures

A jointly-controlled entity is a joint venture which involves the creation of a company, a partnership or other entity in which the Company has an interest.

Jointly-controlled entities are included in the financial statements under the equity accounting method, previously detailed.

3.4 Foreign currency translation

3.4.1 Functional and Reporting currency

The items included in the financial statements of each one of the Company's entities are measured using the currency of the economic environment in which the entity operates (functional currency).

The consolidated financial statements are presented in Euro, which is the Company's functional and reporting currency.

3.4.2 Balances and transactions expressed in foreign currencies

All the Company's assets and liabilities denominated in foreign currencies were converted into euro using the exchange rates ruling at the balance sheet date.

The currency differences, favourable and unfavourable, arising from the differences between the exchange rates ruling at the transaction date and those ruling on collection, payment or balance sheet dates, were recorded as income and costs in the income statement for the year.

3.4.3 Subsidiaries

The results and the financial position of the Company's entities which have a different functional currency from the Company's reporting currency are converted into the reporting currency as follows:

- (i) The assets and liabilities of each balance sheet are translated at the exchange rates ruling at the date of the financial statements;

The resulting exchange rate differences are recognised as a separate component of Shareholders' Equity, under the caption “Other changes in Equity”; and

- (ii) The income and costs of each income statement are translated using the average exchange rate of the reporting period, except where the average exchange rate is not a reasonable approximation of the cumulative effect of the rates ruling on the transaction dates, in which case the income and costs are converted at the exchange rate ruling on the transaction dates.

3.5 Impairment of non-current assets

Non-current assets which do not have a defined useful life are not subject to depreciation, but are subject to annual impairment tests. Assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the amount at which they are shown in the accounts may not be recoverable.

An impairment loss is recognised as the amount of the excess of the asset's book value over its recoverable amount. The recoverable amount is the higher of the net sales price and its value in use.

For the purpose of conducting impairment tests, the assets are grouped at the lowest level for which cash flows can be identified separately (cash generating units which belong to the asset), when it is not possible to do so individually for each asset.

The reversal of impairment losses recognised in previous periods is recorded when it can be concluded that the recognised impairment losses no longer exist or have decreased (with the exception of impairment losses relating to Goodwill – see Note 3.2).

The reversal of impairment losses is recognised in the income statement as "Other operating income", unless the asset has been revalued in which case the reversal corresponds to an additional revaluation. However, the reversal of the impairment loss is effected up to the limit of the amount that would have been recognised (net of amortisation or depreciation) had the impairment loss not been recorded in previous years.

3.6 Financial instruments

The Company classifies its financial instruments according to the following categories: financial assets at amortised cost and at fair value through profit and loss. The classification depends on the intention motivating the investment's acquisition. Management determines the classification at the moment of initial recognition of the instruments and reappraises this classification on each reporting date.

All acquisitions and disposals of these instruments are recognised at the date of the relevant purchase and sale contracts, irrespective of the financial settlement date.

Financial instruments are initially recorded at the acquisition cost, while fair value is equal to the price paid, including transaction expenses. The subsequent measurement depends on the category the instrument falls under, as follows:

Financial assets at amortised cost

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments and which are not quoted in an active market. They originate when the Company advances money, goods or services directly to a debtor without any intention of negotiating the debt.

These are included in current assets, except as regards that portion with a maturity of more than 12 months at balance sheet date, in which case they are classified as non-current assets.

Loans and accounts receivable are reported as part of receivables and other current assets.

Financial assets held for trading

A financial asset is classified under this category if primarily acquired with the object of being sold in the short term or if so designated by management and fair value can be reliably measured. These investments are measured at fair value through the income statement.

At each balance sheet date the Company assesses whether there is objective evidence that a financial asset or Company of financial assets is impaired. If a prolonged decline in fair value of the financial assets held for trading takes place, then loss is measured as the difference between acquisition cost and current fair value recognised in profit or loss.

3.7 Derivative financial instruments

The Company uses derivatives to manage the financial risks to which it is exposed.

Notwithstanding the fact that the derivative financial instruments contracted by the Group represent effective economic hedging instruments, not all of them qualify as hedging instruments in accordance with IAS 39. Derivative financial instruments which do not qualify as hedging instruments are stated at fair value and changes in fair value are recognised as gains and losses in financial instruments.

Whenever possible, the fair value of derivatives is estimated based on quoted instruments. In the absence of market prices, the fair value of derivatives is estimated based on the discounted cash flow method and option valuation models, in accordance with the assumptions generally used in the market. The fair value of derivative financial instruments is essentially included in the captions receivables and other-current assets and payables and other-current liabilities.

The derivative financial instruments used for hedge purposes may be classified as hedge instruments whether they fulfil the following conditions:

- i) The beginning date of the transaction and hedge relationship is identified and formally documented, including the identification of the hedged item, the hedge instrument and the evaluation of the hedge's effectiveness;
- ii) There is an expectation that the hedge relationship is extremely effective, at transaction date as throughout the operation;
- iii) The hedge effectiveness can be clearly measured at transaction date and throughout the operation;

- iv) As for cash flow hedge operations, it should be extremely probable that they will occur.

3.8 Corporate income tax

Corporate income tax includes current and deferred tax. Current income tax is calculated based on net income, adjusted in conformity with tax legislation in force at the balance sheet date (Note 13).

Deferred tax is calculated using the liability method, based on the temporary differences between the book values of the assets and liabilities and their respective tax base. The income tax rate expected to be in force in the period in which the temporary differences will reverse is used in calculating deferred tax.

Deferred tax assets are recognised whenever there is a reasonable likelihood that future taxable profits will be generated against which they can be offset. Deferred tax assets are revised periodically and decreased whenever it is likely that tax losses will not be utilised.

Deferred taxes are recorded as a cost or income for the year, except where they result from amounts recorded directly under shareholders' equity, situation in which deferred tax is also recorded under the same caption.

3.9 Receivables and other current assets

Debtors' balances and other current assets are recorded at fair value and are subsequently recognised at their amortised cost, net of impairment losses, so as to state them at their expected net realisable value (Note 18).

Impairment losses are recorded when there is objective evidence that the Company will not receive the full amount outstanding in accordance with the original conditions of the accounts receivable.

3.10 Cash and cash equivalents

Cash and cash equivalents includes cash, bank accounts and other short-term investments with an initial maturity of up to 3 months which can be mobilised immediately without any significant risk in value fluctuations (Note 24).

3.11 Share capital and treasury shares

Ordinary shares are classified in shareholders' equity (Note 22).

Costs directly attributable to the issue of new shares or other equity instruments are reported as a deduction, net of taxes, from the issue proceeds.

Costs directly attributable to the issue of new shares or options for the acquisition of a new business are included in the acquisition cost as part of the purchase consideration.

Treasury shares are recorded at their acquisition amount, as a decrease in shareholders' equity, in the caption Treasury shares, while the gains or losses

inherent in their disposal are recorded under Other reserves. Pursuant to applicable corporate legislation, as long as treasury shares remain in the company's possession, it is mandatory to set aside a reserve equal to their acquisition cost.

When any subsidiary company acquires shares of the parent company (treasury shares), the payment, which includes directly-attributable incremental costs, is deducted from the shareholders' equity attributable to the holders of the parent company's capital until such time the shares are cancelled, redeemed or sold.

When such shares are subsequently sold or repurchased, any proceeds, net of the directly attributable transaction costs and taxes, is reflected in the shareholders' equity of the company's shareholders, under other reserves.

3.12 Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value, net of the transaction costs incurred, and are subsequently stated at their amortised cost. Any difference between the amounts received (net of transaction costs) and the repayment amount is recognised in the income statement over the term of the debt, using the effective interest rate method.

Interest-bearing debt is classified as a current liability, except where the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date (Note 24).

3.13 Borrowing costs

Borrowing costs relating to loans are generally recognised as financial costs, in accordance with the accrual accounting principle (Note 12).

Borrowing costs directly related to the acquisition, construction or production of fixed assets are capitalised when their construction period exceeds one year, and form part of the asset's cost.

Capitalisation of these charges commences after the start of the asset's preparation or development activities and ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed or when the relevant project is suspended or substantially concluded.

Any financial income directly related to a specific investment is deducted from the borrowing costs of the referred asset.

3.14 Provisions

Provisions are recognised when the Company has a legal or constructive obligation resulting from past events that will probably entail an outflow of funds and/or resources in order to discharge an obligation and that a reliable estimate can be made of the amount of the obligation.

Provisions for future operating losses are not recognised. Provisions are reviewed on balance sheet date and are adjusted to reflect the best estimate at that date (Note 8)

3.15 Pensions and other employee benefits

3.15.1 Pensions obligations – defined benefit plans

The Company has undertaken the commitment to pay to Board of directors' members a retirement benefit complement, in terms described in Note 25.

The responsibilities for the payment of retirement benefits are recorded in accordance with NCRF 28.

In accordance with NCRF 28, companies with pension plans recognise the costs with the granting of these benefits as and when the services are rendered by the beneficiary employees. In this manner, the Company's total liability is estimated at least every six months at the date of the interim and annual accounts for each plan separately by an independent and specialised entity in conformity with the projected unit credit method.

The liability thus determined is recognised in the balance sheet and pension costs are recognised in the caption Payroll. Actuarial gains and losses resulting from differences between the assumptions used for purposes of calculating the liabilities and what effectively occurred (as well as from changes made thereto and from the difference between the expected amount of the return on the funds' assets and the actual return) are recognised when incurred directly in shareholders' equity, in the caption "Retained Earnings" (Note 23).

The costs relating to past liabilities, which result from the implementation of a new plan or additional benefits granted, are recognised immediately in situations in which the benefits are being paid or are overdue.

The liability thus calculated is presented in the Balance sheet under the caption "Pensions and post-employment benefits" in non-current liabilities.

Actuarial gains and losses resulting from differences between the assumptions used for purposes of calculating the liabilities and what effectively occurred (as well as from changes made thereto and from the difference between the expected amount of the return on the funds' assets and the actual return) are recognised when incurred directly in shareholders' equity (Note 25).

The gains and losses generated by a curtailment in or a settlement of a defined-benefit plan are recognised in the income statement of the financial year when the curtailment or settlement occurs. A curtailment occurs when there is a material reduction in the number of employees or the plan is altered in such a way that the benefits awarded are reduced with a material impact.

3.15.2 Holiday pay and allowances and bonuses

In terms of prevailing legislation, employees are entitled annually to 25 working days leave, as well as to a month's holiday allowance, entitlement to which is acquired in the year preceding its payment.

According to the current Performance Management System ("Sistema de Gestão de Desempenho"), employees have the right to a bonus based on annually-defined objectives, entitlement to which is normally acquired in the year preceding its payment.

Accordingly, these liabilities are recorded in the period in which the employees acquire the respective right, irrespective of the date of payment, whilst the balance payable at balance sheet is shown under the caption "Payables and other current liabilities".

3.16 Payables and other current liabilities

Payables and other current liabilities are registered at its nominal value, namely its cost.

3.17 Leases

Leases, under which a significant part of the risks and benefits of the property is assumed by the lessor and where the Company is the lessee, are classified as operating leases. Payments made under operating leases, net of any incentives received by the lessee, are recorded in the income statement during the period of the lease.

3.18 Dividends distribution

The distribution of dividends to shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholders and up until the time of their payment.

3.19 Revenue recognition and accrual basis

The income derived from the services rendered is recognised in the consolidated income statement with reference to the stage of completion of the services rendered at the balance sheet date.

Interest received is recognised in accordance with accrual basis principle, taking into consideration the amount of debt and the effective rate of interest during the period to maturity.

The Company record as their costs and income in accordance with the principle of accrual accounting, in terms of which costs and income are recognised as and when generated, irrespective of the moment in which they are received or paid.

The differences between the amounts received and paid and the corresponding costs and income are recorded under the captions Current accounts receivable and Current accounts payable (Notes 18 and 26, respectively).

3.20 Contingent assets and liabilities

Contingent assets are possible assets resulting from past events and which occurrence is dependent on future uncertain events not totally subject to the company's control.

Contingent assets are not recognised in the consolidated financial statements but are disclosed in the notes when it is probable that a future economic benefit will arise from them.

Contingent liabilities are defined as: (i) possible liabilities resulting from past events and which occurrence is dependent on future uncertain events not totally subject to the company's control; or (ii) current liabilities from past events where the future outflow that influences future benefits is not likely to take place or the amount cannot be reliably calculated.

Contingent liabilities are not recognised in the financial statements but are disclosed, unless outflows from those liabilities are remote where disclosure does not take place.

3.21 Subsequent events

Events after the balance sheet date which provide additional information about the conditions prevailing at the balance sheet date are reflected in the consolidated financial statements.

Post-balance sheet events which provide information about conditions which occur after the balance sheet date are disclosed in the notes to the consolidated financial statements, if material.

3.22 Risk management

3.22.1 Financial risk factors

Semapa, as a holding company develops direct and indirect managing activities over its subsidiaries. Therefore the fulfilment of the assumed obligations depends on the cash flow generated by its subsidiaries. Thus, the company depends on the eventual dividends distribution by subsidiaries, interests' payment, loans reimbursement and other cash-flows generated by those companies.

The ability of Semapa's subsidiaries to make funds available will depend, partly, of their ability to generate positive cash flows and, on the other hand, of the respective earnings, available reserves and financial structure.

Semapa has a risk-management programme which focuses its analysis on the financial markets with a view to mitigate the potential adverse effects on the financial performance. Risk management is undertaken by Financial Management in accordance with the policies approved by the Board of Directors. An Internal Control Commission with specific functions over the operations risk control is established at Semapa level.

Currency risk

Variations in the euro's exchange rate against other currencies can affect the Company's revenue, mainly through its subsidiaries.

Interest rate risk

Whenever the evolution in interest rates requires, the Company hedges adverse risks through derivative financial instruments, such as interest rate swaps (IRS), interest rate collars, forwards, etc. In selecting derivative financial instruments, the Company focuses on the economic efficiency underlying such instruments. The inclusion of any additional instrument is also measured regarding the impact on the current portfolio of derivative instruments, namely in terms of results volatility.

The Company, in its management of exposure to interest rate, only hedges for cash flows. These operations are recorded in the balance sheet by its fair value, when its coverage is considered effective, and changes on fair value are initially recorded on equity and reclassified to the caption Gains/Losses in financial derivative instruments when they cease.

Whenever hedge operations are not effective they are recorded directly in results. Therefore, associated costs to covered debt are matched to the rate related to the contracted hedge operation.

When an instrument expires or is sold, or when hedge no longer fulfils the requirements for accounting standards, the accumulated variations presented in reserves are recognised in results when the hedge operation also is.

The cost of the Company's financial debt is indexed to short-term reference interest rates, which are reviewed more than once a year (generally every six months for medium and long-term debt) added of negotiated opportunity risk premiums. Hence, changes in interest rates can have an impact on the Company's earnings. Where the Board considers appropriate, the Company relies on the use of derivative financial instruments, including interest rate swaps and collars to manage the interest rate risk, and these tools aim to fix the interest rate on loans it obtains, within certain parameters.

During 2009 Semapa SGPS contracted three interest rate collar structures in order to reduce the exposure to interest rate fluctuations risk of the two bond loans.

Semapa uses the sensibility analysis technique that measures impacts on earnings and equity of increase or decrease on interest rates maintaining the other variables constant. This analysis is only for theoretical reasons since interest rate rarely changes alone in the market. The sensibility analysis is based on the following assumptions:

- 1 Changes on market interest rates have impact on revenues or on variable financial instruments' interest costs;
- 2 Changes on market interest rates only have impact on revenues or on fixed financial instruments'

- interest costs when these are recognised at fair value;
- 3 Changes on market interest rates have impact on derivative financial instruments' fair value and other financial assets and liabilities;
 - 4 Changes on derivative financial instruments' fair value and other financial assets and liabilities are estimated by discounting cash flows using year end's market rates.

Credit risk

The deterioration in global economic conditions or adverse situations which only affect economies at the local level could give rise to situations in which customers are unable to meet their commitments stemming from the sales of products.

Credit insurance has been one of the instruments adopted by the Company to mitigate the negative impact of this type of risk.

Sales that are not covered by credit insurance are subject to rules which ensure that sales are made to customers with a satisfactory credit history and are within reasonable exposure limits and approved for each customer.

Liquidity risk

The Company manages liquidity risk in two ways: (i) ensuring that its interest-bearing debt has a large medium and long-term component with maturities in harmony with the characteristics of the industry in which it operates, and (ii) having access to credit facilities available at any moment.

3.22.2 Operational risk factors

Operational risk factors mainly exist at subsidiaries and jointly controlled entities' level and are as follows:

- Supply of raw materials
- Market price
- Demand for Company's products
- Competition
- Environmental legislation
- Energy costs
- Context costs

3.23 Important accounting estimates and judgments

The preparation of financial statements requires Company's management to make judgments and estimates that affect the amount of revenue, costs, assets, liabilities and disclosures at balance sheet date.

All estimates and assumptions made by management were based on the best information and knowledge as

of the date of the financial statements' approval, of events and transactions in progress.

The most relevant accounting estimates used on the financial statements include: i) estimated useful life of tangible and intangible assets; ii) impairment analysis, namely Goodwill and receivables; and iii) provisions.

Estimates were determined on the best available information at the financial statements' date based on the best knowledge and experience of past and current events. However, events may take place in subsequent periods which are not predictable at this time and therefore not included in the current estimates. Changes to current estimates on subsequent periods to the financial statements will be corrected on the income statement.

The estimates and assumptions which present a significant risk of engendering a material adjustment to the book value of assets and liabilities in the following financial period are presented below:

3.23.1 Impairment of Goodwill

The Company tests annually whether has been any impairment in goodwill, in accordance with the accounting policy described in Note 1.10. The recoverable amounts of the cash generating units are ascertained based on the calculation of their value-in-use. These calculations require the use of estimates.

3.23.2 Actuarial assumptions

Liabilities relating to defined-benefit plans are calculated based on certain actuarial assumptions. Changes to those assumptions can have a material impact on the aforesaid liabilities.

4. Sales and services rendered

The amount of Euro 2,825,760 and Euro 2,904,832 recognised in Services rendered for periods ended 31 December 2010 and 2009 respectively, refer to management services provided by Semapa to its subsidiaries in financial, accounting, tax and IT areas, among others, that were provided in the domestic market (Note 28)

5. Financial investments – equity method

Changes on investments in subsidiaries for the periods ended 31 December 2010 and 2009 were as follows:

Amounts in Euro	2010	2009
Opening balance	1,411,238,582	1,383,067,182
Creation	74,000	-
Acquisitions	19,932,746	13,512,940
Goodwill (Note 16)	(3,451,111)	-
Badwill	-	31,582
Currency translation differences	(192)	-
Net income	178,022,385	103,586,136
Dividends distribution	(23,164,562)	(10,904,238)
Additional paid in capital	7,629,000	-
Reimbursement of:		
Additional paid in capital	(45,786,240)	(40,806,610)
Share premium	(57,670,376)	(38,755,000)
Participating lender branch	(40,000,000)	(22,800,000)
Adjustments on investments	13,524,054	24,306,590
Closing balance	1,460,348,286	1,411,238,582

In the periods ended 31 December 2010 and 2009, gains/losses on subsidiaries and joint ventures were as follows:

Amounts in Euro	2010	2009
Appropriate results in subsidiaries		
ETSA Investimentos, SGPS, S.A.	2,462,875	2,706,975
Great Earth - Projectos, S.A.	(177)	157,491
Interholding Investments, B.V.	(41,628)	(58,223)
N.S.O.S.P.E. - Empreendimentos e Participações, S.A.	(58,930)	-
Portucel - Empresa Produtora de Pasta e Papel, S.A.	24,051,591	11,059,815
Seinpar Investimentos, B.V.	59,911,835	27,953,039
Seinpar - Participações, SGPS, S.A.	28,043,331	13,062,480
Semapa Inversiones, S.L.	30,878,881	13,036,820
Seminv - Investimentos, SGPS, S.A.	32,774,607	35,699,321
Appropriate results in joint ventures		
Secil - Companhia Geral de Cal e Cimento, S.A.	3,183,727	5,660,288
	181,206,112	109,278,006

On 31 December 2009, the amount of Euro 688,404 in the caption "Gains in joint ventures" relates to price adjustment of Secil's share capital disposal to Béton Catalán, SL (CRH Company), occurred in 2004, due to the completion during 2009 of some procedures and events, which have started before the disposal date and have impacted the transaction price.

Changes on investments in joint ventures for the periods ended 31 December 2010 and 2009 were as follows:

Amounts in Euro	2010	2009
Opening balance	31,605,574	30,564,592
Net income	3,183,727	4,971,884
Dividends distribution	(2,313,688)	(3,908,258)
Adjustments on investments	130,035	(22,644)
Closing balance	32,605,648	31,605,574

As of 31 December 2010 and 2009, investments in subsidiaries and in joint ventures on the balance sheet were as follows:

Amounts in Euro	% held	2010	2009
Subsidiaries			
ETSA Investimentos, SGPS, S.A.	96.00%	47,802,503	41,505,782
Great Earth - Projectos, S.A.	100.00%	157,316	157,491
Interholding Investments, B.V.	100.00%	6,044,247	6,085,875
N.S.O.S.P.E. - Empreendimentos e Participações, S.A.	100.00%	14,878	-
Portucel - Empresa Produtora de Pasta e Papel, S.A.	14.02%	172,809,219	155,776,365
Seinpar Investimentos, B.V.	100.00%	477,851,845	470,680,175
Seinpar - Participações, SGPS, S.A.	49.00%	209,717,524	206,402,064
Semapa Inversiones, S.L.	100.00%	216,106,487	220,330,199
Seminv - Investimentos, SGPS, S.A.	100.00%	329,844,267	310,300,631
Joint Ventures			
Secil - Companhia Geral de Cal e Cimento, S.A.	6.42%	32,605,648	31,605,574
		1,492,953,934	1,442,844,156

As of 31 December 2010, subsidiaries' financial information, after adjustments related to the harmonization of accounting principles, was as follows:

Amounts in Euro	Total Assets	Total Liabilities	31 December 2010 Equity	Net Profit	Revenue
Subsidiaries					
ETSA Investimentos, SGPS, S.A.	70,522,903	20,784,170	49,794,274	2,452,648	29,579,946
Great Earth - Projectos, S.A.	159,043	1,727	167,316	(177)	17
Interholding Investments, B.V.	6,103,647	59,400	6,044,247	(41,628)	-
N.S.O.S.P.E. - Empreendimentos e Participações, S.A.	14,878	-	14,878	(58,930)	-
Portucel - Empresa Produtora de Pasta e Papel, S.A.	2,660,202,250	1,427,737,748	1,232,247,748	186,585,824	1,407,517,290
Seinpar Investimentos, B.V.	477,864,309	12,463	477,851,846	59,911,835	59,973,652
Seinpar - Participações, SGPS, S.A.	427,996,219	1,273	427,994,946	57,231,287	57,241,824
Semapa Inversiones, S.L.	216,220,693	2,177,206	216,106,487	30,878,881	31,297,462
Seminv - Investimentos, SGPS, S.A.	329,845,605	1,338	329,844,267	32,774,607	35,697,330
Joint Ventures					
Secil - Companhia Geral de Cal e Cimento, S.A.	977,720,133	401,918,453	508,236,051	49,625,903	578,105,778

As of 31 December 2009, subsidiaries' financial information, after adjustments related to the harmonization of accounting principles, was as follows:

Amounts in Euro	Total Assets	Total Liabilities	31 December 2009 Equity	Net Profit	Revenue
Subsidiaries					
ETSA Investimentos, SGPS, S.A.	41,540,650	34,868	41,505,782	2,706,975	2,887,807
Great Earth - Projectos, S.A.	159,011	1,520	157,491	182,589	238,728
Interholding Investments, B.V.	6,096,176	9,301	6,085,875	(58,223)	958
N.S.O.S.P.E. - Empreendimentos e Participações, S.A.	-	-	-	-	-
Portucel - Empresa Produtora de Pasta e Papel, S.A.	2,574,370,284	1,364,074,963	1,210,065,319	86,794,331	1,152,862,551
Seinpar Investimentos, B.V.	470,742,817	62,642	470,680,175	27,429,959	27,999,765
Seinpar - Participações, SGPS, S.A.	421,230,942	2,240	421,228,702	26,658,122	26,668,392
Semapa Inversiones, S.L.	231,901,509	11,571,310	220,330,199	13,036,820	14,705,062
Seminv - Investimentos, SGPS, S.A.	324,216,060	13,915,429	310,300,631	36,394,955	36,401,934
Joint Ventures					
Secil - Companhia Geral de Cal e Cimento, S.A.	945,441,769	390,636,837	492,647,550	77,498,552	608,693,278

6. Consumed materials and services

The caption "Consumed materials and services" are detailed as follows for the periods ended 31 December 2010 and 2009:

Amounts in Euro	2010	2009
Specialized services	5,751,105	1,545,256
Materials	41,752	25,712
Energy and fluids	39,368	34,885
Travel, lodging and transportation	106,802	23,988
Other services	1,128,577	1,180,975
External services re-charge	(110,888)	(190,185)
	6,956,716	2,620,631

7. Board member's remuneration

As of 31 December 2010 and 2009 the remunerations to the members of the corporate bodies, were made up as follows:

Amounts in Euro	2010	2009
Board of directors (Note 28)	4,455,754	5,343,372
Other remunerations	1,606,085	1,412,659
Post-employment benefits	8,246,199	5,111,677
Other payroll costs	667,870	594,096
	14,975,908	12,461,804

Additionally, Semapa's Board of Directors, benefit from a pension plan as described in Note 25.

The number of employees working for the Company on 31 December 2010 and 2009 was 21.

8. Provisions

As of 31 December 2010 and 2009, provisions for other risks amounted to Euro 2,540,000 and Euro 2,087,596, respectively.

During the course of the year ended 31 December 2010 and 2009, the following movements took place in the caption "Provisions increase / (decrease)":

Amounts in Euro	2010	2009
Opening balance	2,087,596	2,748,392
Increases	1,605,001	528,160
Reversals	-	(1,188,956)
Direct Utilisations	(1,152,597)	-
Closing balance	2,540,000	2,087,596

9. Changes in fair value

In the years ended 31 December 2010 and 2009, changes in fair value were as follows:

Amounts in Euro	2010	2009
Trading financial instruments - Gains/ (losses)	(246,377)	113,216
Financial instruments derivatives - Gains/ (losses)	(2,108,345)	2,073,560
Closing balance	(2,354,722)	2,186,776

Fair values' changes on financial instruments held for trade are gains and losses in the period due to changes in market prices of shares held by Semapa, as described in Note 20.

The caption "Derivative financial instruments – Gains / (losses)" incorporates fair value changes in the period on instruments described in Note 27.

10. Other operating income and other operating expenses

"Other operating income" is detailed as follows for the years ended 31 December 2010 and 2009:

Amounts in Euro	2010	2009
Foreign exchange gains	2,257	-
Others	45,322	10
47,579	10	

"Other operating expenses" is detailed as follows for the years ended 31 December 2010 and 2009:

Amounts in Euro	2010	2009
Taxes	(815,134)	(780,355)
Others	(232,699)	(592,270)
(1,047,833)	(1,372,625)	

11. Depreciation, amortisation and impairment losses

As of 31 December 2010 and 2009 depreciation, amortisation and impairment losses were as following:

Amounts in Euro	2010	2009
Depreciation of property, plant and equipment		
Buildings	(83,852)	(79,148)
Industrial property and other rigths	(80,973)	(82,180)
	(164,825)	(161,328)
Impairment Losses on Tangible Assets		
Work in progress	(102,292)	-
	(102,292)	-
(267,117)	(161,328)	

12. Net financial results

As of 31 December 2010 and 2009 "Interest and similar income" and "Interest and similar expenses" are detailed as follows:

Amounts in Euro	2010	2009
Interest and similar income:		
Interest income from bank deposits	212,117	7,791
Interest income on loans to associated companies (Note 28)	403,152	387,616
Interest income on bonds	12,959	-
Earned dividends	29,756	20,352
Other financial income	12,017	-
670,001	415,759	
Interest and similar expenses:		
Interest paid on loans from credit institutions	(5,300,103)	(6,001,667)
Interest paid on loans from shareholders (Note 28)	(136,234)	(181,872)
Interest paid on loans to associated companies (Note 28)	(77,382)	(153,796)
Gains / (losses) on financial instruments (Note 27)	(3,552,398)	(614,906)
Interest from other loans	(5,373,569)	(10,549,387)
Other financial expenses	(2,384,981)	(2,366,519)
(16,824,667)	(19,868,147)	

The amount stated in "Gains / (losses) on financial instruments" refers to the devaluation in the financial instruments described in note 27.

13. Income tax

Since January 1, 2006, the Company is taxed under the special tax regime for Company Corporate Income Tax ("RETGS"), constituted by the Companies in which minimum investments of 90% are held and which fulfil the conditions set out in article 69º and following articles of the Corporate Income Tax Code (Código do IRC), as of 31 December 2010, owning tax losses carried forward previous of the referred regime amounting Euro 8,830,887 (2009: Euro 13,951,328), which have not been recognised deferred tax assets due to the fact that there is no reasonable expectation that future profits will be generated.

In terms of the prevailing legislation, tax losses generated until 2009 and after 2010 can be carried forward a period of six and four years, respectively, after their occurrence and where they can be deducted to tax gains over that period.

Pursuant to prevailing legislation, the gains and losses relating to group and associated companies resulting from the application of the equity method are deducted from or added to, respectively, to the net income of the year for the purpose of calculating taxable income.

As of 31 December 2010 and 2009, income tax comprises:

Amounts in Euro	2010	2009
Current tax	85,914	80,738
Deferred tax	13,911,345	-
13,997,259	80,738	

The reconciliation of the effective tax rate in the years ended 31 December 2010 and 2009 is as follows:

Amounts in Euro	2010	2009
Profit before tax	140,717,488	78,961,644
Expected income tax	37,290,134	20,924,836
Differences (a)	(44,179,882)	(26,702,339)
Recoverable tax losses carried forw ard	-	-
Non recoverable tax losses	20,801,093	5,777,503
Autonomous taxation	85,914	80,738
13,997,259	80,738	
Effective Tax rate	9.95%	0.10%
Effective tax rate without the equity method	29.29%	29.26%

(a) This amount is made up essentially of :

Amounts in Euro	2010	2009
Effects arising from the application of the equity method (Note 5)	(181,206,112)	(108,558,020)
Badwill	-	(31,582)
Not tax deductible impairment losses (Note 11)	102,292	-
Adjustments and provisions taxed (Note 8)	1,605,001	528,160
Decrease in taxed provisions	(1,645,205)	(2,479,713)
Derivative financial instruments' fair value decrease	2,108,345	-
Post-employment benefits (Note 25)	8,246,199	5,111,677
Earned dividends	(29,756)	(20,352)
Capital gains / (losses) for accounting purposes	-	(688,404)
Others	4,102,700	5,374,690
	(166,716,536)	(100,763,544)
Tax Effect (26.50%)	(44,179,882)	(26,702,339)

The annual tax returns in Portugal are subject to review and possible adjustment on the part of the tax authorities during a period of 4 years. However, where there are tax losses, these may be subject to review and additional assessment by the tax authorities for a period of 6 years.

The Board of Directors is of the opinion that any corrections to those tax returns as a result of assessments by the tax authorities will not have a material impact on the consolidated financial statements at 31 December 2010. Additionally, the periods until 2008 have already been reviewed.

14. Earnings per share

There are no convertible financial instruments over Semapa' shares, with the result that there is no dilution of earnings.

Amounts in Euro	2010	2009
Profit attributable to Semapa's shareholders	126,720,229	78,880,906
Weighted average number of ordinary shares in issue	115,604,470	115,604,470
Basic earnings per share	1.10	0.68
Diluted earnings per share	1.10	0.68

The weighted average number of shares is shown after deducting 2,727,975 treasury shares owned by Seminiv, S.A., subsidiary owned by Semapa, SGPS, S.A. and 2,720,000 treasury shares acquired by Semapa in July 2007.

15. Property, plant and equipment

The following movements were registered in the years ended 31 December 2010 and 2009 under the caption "Property, plant and equipment", as well as on the respective amortisation and impairment losses accounts:

Amounts in Euro	Buildings and other constructions	Equipments and others tangibles	Work in progress	Total
Acquisition Cost				
Amount as of 1 January 2009	775,005	466,959	257,072	1,499,036
Acquisitions	-	29,701	17,631	47,332
Transfers	-	66,562	(66,562)	-
Amount as of 31 December 2009	775,005	563,222	208,141	1,546,368
Acquisitions	37,626	11,698	495,474	644,798
Amount as of 31 December 2010	812,631	574,920	703,615	2,091,166
Accumulated depreciations and impairment losses				
Amount as of January 01, 2009	(291,104)	(303,015)	-	(594,119)
Increase	(79,148)	(82,180)	-	(161,328)
Amount as of 31 December 2009	(370,252)	(385,195)	-	(755,447)
Increase	(83,852)	(80,973)	(102,292)	(267,117)
Amount as of 31 December 2010	(454,104)	(466,168)	(102,292)	(1,022,564)
Net book value as of 1 January 2009	483,901	163,944	257,072	904,917
Net book value as of 31 December 2009	404,753	178,027	208,141	790,921
Net book value as of 31 December 2010	358,527	108,752	601,323	1,068,602

16. Goodwill

As of 31 December 2010 and 2009 Goodwill is made up as follows:

Amounts in Euro	Acquisition Cost	Share on Equity in acquired companies %	Initial Purchase Amount	Initial Purchase Differences (Note 5)
Portucel - Empresa Produtora de Pasta e Papel, S.A.				
Acquisitions (2010)	19,932,746	1.15	14,183,585	5,749,161
Intragroup transfer by acquisition	-	-	-	(2,298,050)
				3,451,111

In accordance with NCRF 14, Goodwill is subject to impairment tests performed on an annual basis, in accordance to the accounting policy described on note 3.2.

Goodwill is attributed to the Company's cash generating units (CGU's) based on value in use, according to the method of discounted cash flows.

Impairment testing was based on the following assumptions:

Growth rate	2.25%
Discount rate	8.96%
WACC composition *	
Risk-free interest rate	3.16%
Risk-premium of capital	5.50%
Country risk rate	3.67%
Tax rate	29.00%

* for purposes of discount rate calculation

The calculations are based on historical performance and on expectations of business expansion with the current production structure, using for this purpose the Company's 4-year medium-term plan.

As a result of the calculations made, no impairment losses relating to Goodwill have been identified, related to the different CGU's.

17. State and other public entities

At 31 December 2010 and 2009, there were no arrear debts to the State and other public bodies.

The balances relating to these entities were as follows:

Current assets

Amounts in Euro	2010	2009
State and other public entities		
Corporate Income Tax - IRC	145,682	80,465
Value Added Tax	274,237	50,354
	419,919	130,819

Current liabilities

Amounts in Euro	2010	2009
State and other public entities		
Individual Income Tax - IRS	205,803	120,017
Social Security	41,732	67,965
	247,535	187,982

As of 31 December 2010 and 2009, the caption "Corporate Income tax - IRC" comprised:

Amounts in Euro	2010	2009
Autonomous taxation	(85,914)	(80,738)
RETGS subsidiaries savings	-	(53)
Additional tax payment	61,647	50,391
Withholding tax to recover	169,949	110,865
	145,682	80,465

18. Receivables and other current assets

At 31 December 2010 and 2009, "Other receivables and other current assets" comprise:

Amounts in Euro	2010	2009
Accrued income		
Interest receivable	71,131	435
Others	1,196	-
	72,327	435
Other debtors		
Advances to suppliers	-	26
Advances to staff	-	1,260
Accounts receivable - associated companies (Note 28)	1,161,918	815,125
Accounts receivable - Joint ventures (Note 28)	681	1,543
Other debtors	11,081	1,158,053
	1,173,680	1,976,007
	1,246,007	1,976,442

19. Deferrals

As of 31 December 2010 and 2009, this caption comprised:

Amounts in Euro	2010	2009
Deferred costs		
Consumed materials and services	72,435	57,413
Prepaid interest	131,861	22,215
	204,296	79,628
Deferred revenues		
Others	(5,883)	(5,883)
	(5,883)	(5,883)

20. Available-for-sale financial assets

The following movements were registered in this caption during the years ended 31 December 2010 and 2009:

Amounts in Euro	2010	2009
Fair value at the beginning of the year	795,971	566,810
Acquisitions	-	115,945
Changes in fair value (Note 9)	(246,377)	113,216
Fair value at end of period	549,594	795,971

As of 31 December 2010 and 2009 the fair value of available-for-sale financial assets comprises:

Amounts in Euro	Fair value	
	2010	2009
EDP - Energias de Portugal, S.A.	224,190	279,720
Banco Espírito Santo, S.A.	324,648	515,153
Banco Comercial Português, S.A.	756	1,098
	549,594	795,971

21. Other financial assets

As of 31 December 2010 and 2009, "Other financial assets" were related to receivables from companies belonging to the Company in the amounts of Euro 2,264,710 and Euro 11,901,418 referring to short term cash operations plus interests at market rates which are collected every three months (Note 28).

22. Share capital and treasury shares

At 31 December 2010 and 2009, Semapa's share capital was fully subscribed and paid up, being represented by 118,332,445 shares with a unit nominal value of 1 Euro each.

At 31 December 2010 and 2009 the following entities had substantial holdings in the company's capital:

Name	Nº of Shares	2010	%	2009
Longapar, SGPS, S.A.	20,869,300	17.64	17.55	
Sodim, SGPS, S.A.	18,842,424	15.92	15.92	
Cimo - Gestão de Participações, SGPS, S.A.	14,106,675	11.92	11.92	
Banco BPI, SA	12,009,004	10.15	10.15	
Bestinver Gestión, SGIC, S.A.	8,823,222	7.46	7.46	
Banco Espírito Santo, SA	3,871,957	3.27	2.72	
Seminiv - Investimentos, SGPS, S.A.	2,727,975	2.31	2.31	
ESAF - Espírito Santo Fundos de Investimento Mobiliário, SA	2,569,232	2.17	2.17	
Norges Bank (the Central Bank of Norway)	2,468,712	2.09	-	
Sonaca - SGPS, S.A.	1,630,590	1.38	1.38	
Omigest, SGPS, SA	1,097,966	0.93	0.93	
Sociedade Agrícola da Quinta da Vialonga, S.A.	625,199	0.53	0.53	
OEM - Organização de Empresas, SGPS, S.A.	535,000	0.45	0.44	
Treasury shares	2,720,000	2.30	2.30	
Other shareholders with less than 2% participation	25,435,189	21.49	24.23	
	118,332,445	100.00	100.00	

Additionally, as of 4 July 2007, Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., acquired in the stock market, 2,720,000 treasury shares, holding from then on, directly and indirectly, 4.6% of its share capital.

23. Reserves and retained earnings

Emission's Premium

This value cannot be distributed unless in the event of the company's winding up: however it may be used to absorb losses after the other reserves have been exhausted or it can be incorporated into the issued capital.

Legal reserve

Commercial Company law prescribes that at least 5% of annual net income must be transferred to the legal reserve until this is equal to at least 20% of the issued capital, which is verified as of 31 December 2010.

This reserve cannot be distributed unless in the event of the company's winding up: however, it may be used to absorb losses after the other reserves have been exhausted or it can be incorporated into the issued capital.

Other reserves

The amounts booked in this caption correspond to free reserves for distribution to shareholders, constituted through the appropriation of prior years' earnings.

Following the purchase of 2,720,000 treasury shares and the holding of 2,727,975 shares by subsidiary Seminiv Investimentos, SGPS, S.A., a reserve with the same amount has been made unavailable, in accordance with the applicable trade law. This reserve should be kept until the disposal of the shares.

Retained earnings

Actuarial gains or losses

The differences between the assumptions used for the purpose of determining liabilities related to post-employment benefits and what effectively occurred, as well as changes made to those assumptions are equally recorded under this caption as described in Note 3.15.1.

Previous year's net income was distributed as follows:

Amounts in Euro	Application of year's net profit	
	2009	2008
Dividends paid	29,481,174	29,481,173
Others reserves	49,368,150	61,866,307
Retained earnings	-	15,000,000
Net profit for the year (POC)	78,849,324	106,347,480
Earnings per share	0.255	0.255

Adjustments on financial assets

This caption shows the adjustments made due to the equity method's application on subsidiaries.

Changes in adjustments on financial assets during the periods ended 31 December 2010 and 2009 were as follows:

Amounts in Euro	2010	2009
Opening balance	(7.337.065)	-
Investment grants recognition on equity in subsidiaries	10.581.281	(3.847.693)
Actuarial gains / (losses)	(4.332.657)	5.577.752
Treasury shares acquired by subsidiary companies	-	231.869
Fair value of derivative financial instruments	599.223	(5.020.179)
Fair value of available-for-sale financial assets	-	(316.386)
Translation reserve	2.900.263	(685.162)
Intragroup differences in acquisition of share capital	3.154.011	(3.972.729)
Dividends distributed to subsidiary Seminv, SGPS, SA	1.391.268	695.634
Other movements	(639.300)	(171)
	6.317.024	(7.337.065)

Other changes on Equity

As of 31 December 2010 this caption comprises:

Amounts in Euro	2010	2009
Fair value of derivative financial instruments	(4.827.760)	(4.465.146)
Differences arising on translation of financial statements	(192)	-
	(4.827.952)	(4.465.146)

The negative amounts of Euro 4,827,760 and Euro 4,465,146 presented under "Fair value of derivative financial instruments" correspond to changes on hedging financial instruments' fair value, where Mark to Market as at 31 December 2010 was negative totalizing Euro 5,395,648 (Note 26) and intrinsic value of Euro 4,827,750. All of these amounts are recorded according to the policy described on note 3.7.

The negative amount of Euro 192 represents the company's appropriation of exchange differences due to the financial statements' conversion of companies acting outside the Euro zone, namely the conversion of the subsidiary N.S.O.S.P.E. - Empreendimentos e Participações, S.A., with head office in Rio de Janeiro, Brazil.

Dividends paid in advance

The Board of Directors decided on 29 November 2010 to pay dividends in advance in the total amount of Euro 29,481,173.

24. Interest-bearing liabilities

As of 31 December 2010 and 2009, Company's net debt was as follows:

Amounts in Euro	2010	2009
Interest-bearing liabilities		
Non-current	454.224.308	415.136.967
Current	46.434.133	61.142.089
	500.658.441	476.279.056
Cash and cash equivalents		
Cash	3.263	3.021
Short term bank deposits	30.820	27.572
Others	94.978.000	6.600.000
	95.012.083	6.630.593
Held securities market value	22.521.600	21.107.200
Interest-bearing net debt	383.124.758	448.541.263

Non-current interest-bearing liabilities

As of 31 December 2010 and 2009, non-current interest-bearing liabilities were as follows:

Amounts in Euro	2010	2009
Non currents		
Bonds loans	225.000.000	225.000.000
Commercial paper	80.600.000	59.350.000
Loans from financial institutions	151.079.000	133.079.000
Expenses with bond loans issuing	(2.454.692)	(2.292.033)
Non-current interest-bearing liabilities	454.224.308	415.136.967

Bond loans

As of 31 December 2010 and 2009, non-current bond loans were as follows:

Amounts in Euro	2010	2009
Bond loans		
Semapa 2006 / 2016	175.000.000	175.000.000
Semapa 2006 / 2016	50.000.000	50.000.000
	225.000.000	225.000.000

Semapa SGPS, SA have restructured its debt, issuing two bond loans amounting Euro 50,000,000 and Euro 175,000,000 with 10 years maturity. This last is listed in Euronext Lisbon under the designation "Obrigações Semapa 2006/2016", whose unit value is, as of 31 December 2010, Euro 95 (31 December 2009: Euro 94).

Commercial paper

In 2006 Semapa SGPS, SA contracted a commercial paper amounting Euro 175,000,000 with 10 years maturity which amounts Euro 47,400,000 as at 31 December 2010.

During the year ended 31 December 2008, Semapa and ETSA – Investimentos SGPS SA (former designated by VerdeOculto) contracted a commercial paper program amounting Euro 70,000,000, for a period of 5 years, which is fully used by Semapa in the amount of Euro 33,200,000 as of 31 December 2010.

Maturity of bond loans and other loans

The reimbursement terms relating to the balance recorded on bond, bank and other medium and long-term loans is shown as follows:

Amounts in Euro	2010	2009
1 to 2 years	137.079.000	73.729.000
2 to 3 years	4.000.000	17.000.000
3 to 4 years	4.000.000	-
4 to 5 years	6.000.000	-
More than 5 years	225.000.000	267.350.000
	376.079.000	358.079.000

Current interest-bearing liabilities

As of 31 December 2010 and 2009, current interest-bearing liabilities were as follows:

Amounts in Euro	2010	2009
Currents		
Loans from financial institutions	27.085.706	50.482.037
Interest-bearing bank debt	27.085.706	50.482.037
Shareholders short term loans	19.298.227	10.635.760
Subsidiaries short term loans	50.200	24.292
Other interest-bearing debts	19.348.427	10.660.052
Current interest-bearing liabilities	46.434.133	61.142.089

Liabilities assumed due to Operating Leases

As of 31 December 2010 and 2009 debt's reimbursement plans for operating leases are as follows:

Amounts in Euro	2010	2009
Less than 1 year	103.713	108.914
1 to 2 years	86.169	59.021
2 to 3 years	60.980	45.388
3 to 4 years	35.435	21.876
4 to 5 years	10.725	1.187
More than 5 years	-	-
Total liabilities	297.022	236.386
Cost for the year	113.072	135.572

Bank credit facilities granted and not drawn

At 31 December 2010 and 2009, bank credit facilities granted and not drawn against amounted to Euro 171,564,294 and Euro 192,417,963 respectively.

25. Pensions and other post-employment benefits

The Shareholders' General Meeting, held in 30 March 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's 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, which can only be exercised when the directors resign.

This allowance reaches a maximum of 80% of directors' monthly salary at the date of ceasing functions, when they have worked at least 20 years for the company (8 of which as directors), and a minimum of 27.2%, corresponding to 8 years in that position being guaranteed survival pensions, to the spouse or direct descendants which are under aged or incapable,

corresponding to 50% of the pension when the beneficiary deceases.

However, these amounts are deducted from the values received by the beneficiaries through the Social Security system.

As of 31 December 2010 the liabilities of the plan amount to Euro 99,931,261 (2009: Euro 89,740,615). No pension fund was established for the financing of this Company's obligation.

During the periods ended 31 December 2010 and 2009, Company's changes on liabilities were as follows:

Amounts in Euro	2010	2009
Opening balance	90.600.253	89.740.615
Movements in the year:		
Expenses recognised in income statement (Note 7)	8.246.199	5.111.677
Actuarial losses / (gains) (Note 23)	2.730.013	(2.961.280)
Pensions paid in the year	(1.645.204)	(1.290.759)
Liabilities at year end	99.931.261	90.600.253

The actuarial studies with reference to 31 December 2010 and 2009 for the purpose of calculating the liabilities for past services on those dates were based on the following assumptions:

	2010	2009
Mortality table	TV 88/90	TV 88/90
Disability table	EKV 80	EKV 80
Wage growth rate	2,25%	2,25%
Technical interest rate	5,00%	5,50%
Pensions growth rate	2,00%	2,50%
Pensions reversability rate	50%	50%
Number of annual payments of Semapa complement	12	12
Social Benefits formula	Decret-Law nº 187/2007 of May 10th	Decret-Law nº 187/2007 of May 10th

At 31 December 2010 the Company downgraded the discount rate used to measure its pensions' liabilities from 5.50% to 5% (see Note 29). Due to the analysis made, based on the current economical scenario, the Company also reviewed the rate used for salary's growth from 2.5% to 2%.

The above mentioned changes had a net impact of Euro 5,451,805, which was recorded in equity.

26. Payables and other current liabilities

As of 31 December 2010 and 2009 the caption "Payables and other current liabilities" comprises:

Amounts in Euro	2010	2009
Subsidiaries (Note 28)	951.638	198.750
Shareholders (Note 28)	898	2.047
Accounts payable - fixed assets suppliers	95.739	26.224
Consultants and advisers	891.866	95.007
Derivative financial instruments	5.395.648	3.006.492
Other payables	6.600.000	6.600.000
Accrued expenses	7.964.692	6.388.978
	21.900.481	16.317.498

At 31 December 2010 and 2009, the caption “Accrued expenses” comprised:

Amounts in Euro	2010	2009
Accrued expenses		
Payroll costs	4,738,942	4,907,940
Interest payable	2,022,619	1,227,840
Others	1,203,131	253,198
	7,964,692	6,388,978

27. Financial assets and liabilities

During the year ended 31 December 2009 and in order to cover the interest rate risk of its bond loans, Semapa contracted three interest rate collar structures: (i) Euro 175,000,000 with Caixa BI; (ii) Euro 25,000,000 with BPI and (iii) Euro 25,000,000 with BES. These instruments allow Semapa to establish a minimum and maximum rate to cash outflows related to the above mentioned loans.

According to NCRF 27, these instruments are recorded in the financial statement as mentioned on note 3.7.

Fair value of derivative financial instruments is included under the caption “Payables and other current liabilities” (Note 26), if negative, and in the caption “Receivable and other current assets” (Note 18), if positive.

Detail and maturity of the Derivative Financial Instruments

As of 31 December 2010 details of the fair value of derivative financial instruments were as follows:

Amounts in Euro	Currency	Notional	Maturity	Fair value	
				2010	2009
Financial instruments - trading					
Collar interest rate	EUR	175,000,000	20-Apr-16	81,096	1,368,372
Collar interest rate	EUR	25,000,000	30-Nov-15	2,353	70,070
Collar interest rate	EUR	25,000,000	30-Nov-15	(36,432)	20,210
Ending balance				47,017	1,458,652
Financial instruments - hedging					
Collar interest rate	EUR	175,000,000	20-Apr-16	(4,321,056)	(3,749,335)
Collar interest rate	EUR	25,000,000	30-Nov-15	(585,883)	(382,898)
Collar interest rate	EUR	25,000,000	30-Nov-15	(535,726)	(332,911)
Ending balance				(5,442,665)	(4,465,144)
Total financial instruments				(5,395,648)	(3,006,492)

The movement on the balances presented in the periods ended 31 December 2010 and 2009 relating to financial instruments was as follows:

Amounts in Euro	Fair Value Variation (Trading)	Fair Value Variation (Hedging)	Total
As of 1 January 2009	-	-	-
Change in fair value booked in the income statement	1,458,656	-	1,458,656
Change in fair value booked in equity	-	(4,465,146)	(4,465,146)
As of 31 December 2009	1,458,656	(4,465,146)	(3,006,490)
Maturity	-	3,634,199	3,634,199
Change in fair value booked in the income statement (Note 9)	(2,108,345)	-	(2,108,345)
Reclassification to the income statement (Note 12)	-	(3,552,398)	(3,552,398)
Change in fair value booked in equity	-	(362,614)	(362,614)
Transfers	614,906	(614,906)	-
As of 31 December 2010	(34,783)	(5,360,865)	(5,395,648)

28. Balances and transactions with related parties

As 31 December 2010, balances with related parties are as follows:

Amounts in Euro	2010			
	Other Receivables (Note 18)	Other Financial assets (Note 21)	Loans (Note 24)	Other Payables (Note 26)
Shareholders				
Cimo SGPS, SA	-	-	4,600,244	-
Longapar, SGPS, SA	-	-	14,123,140	-
Sonaca SGPS, SA	-	-	574,843	898
	-	-	19,298,227	898
Subsidiaries				
Cimentospar - Participações Sociais, Lda.	154,471	-	-	1
ETSA Investimentos, SGPS, S.A.	834,625	52,480	-	731,356
Great Earth - Projectos, S.A.	134	-	-	90,000
Interholding Investments, B.V.	-	42,180	-	-
Portucel - Emp. Prod. de Pasta e Papel, S.A.	164,318	-	-	-
Sebol - Comércio e Indústria de Sebo, S.A.	16	-	-	-
Seinpart - Participações, SGPS, S.A.	173	-	-	-
Semapa Inversões, S.L.	-	2,170,040	-	-
Seminiv - Investimentos, SGPS, SA	173	-	50,200	130,281
Soporcel - Soc. Portuguesa de Papel, S.A.	8,008	-	-	-
	1,161,918	2,264,710	50,200	951,638
Joint ventures				
Secil - Companhia Geral de Cal e Cimento, S.A.	678	-	-	-
Ciminaprt - Investimentos e Participações	3	-	-	-
	681	-	-	-
Total	1,162,599	2,264,710	19,348,427	952,536

As 31 December 2009, balances with related parties are as follows:

Amounts in Euro	2009			
	Other Receivables (Note 18)	Other Financial assets (Note 21)	Loans (Note 24)	Other Payables (Note 26)
Shareholders				
Cimo SGPS, SA	-	-	198,015	-
Longapar, SGPS, SA	-	-	9,871,902	-
Sonaca SGPS, SA	-	-	565,843	2,047
	-	-	10,635,760	2,047
Subsidiaries				
Cimentospar - Participações Sociais, Lda.	626,950	255,488	-	2
ETSA Investimentos, SGPS, S.A.	28,388	30,000	-	638
Great Earth - Projectos, S.A.	39	-	-	90,000
Interholding Investments, B.V.	-	-	5,889	-
ITS - Indústria Transf. de Subprodutos, S.A.	45	-	-	-
Portucel - Emp. Prod. de Pasta e Papel, S.A.	158,503	-	-	-
Sebol - Comércio e Indústria de Sebo, S.A.	-	-	-	-
Seinpart - Participações, SGPS, S.A.	75	44,620	-	-
Semapa Inversões, S.L.	-	11,571,310	18,403	-
Seminiv - Investimentos, SGPS, SA	575	-	-	108,110
Soporcel - Soc. Portuguesa de Papel, S.A.	550	-	-	-
	815,125	11,901,418	24,292	198,750
Joint ventures				
Secil - Companhia Geral de Cal e Cimento, S.A.	1,540	-	-	-
Ciminaprt - Investimentos e Participações	3	-	-	-
	1,543	-	-	-
Total	816,668	11,901,418	10,660,052	200,797

During the year ended 31 December 2010, transactions with related parties were as follows:

Amounts in Euro	Sales and Services Rendered	Supplementary income	Interest and other income (Note12)	Financial costs (Note12)	Services and Goods purchase	Investment goods purchase
Shareholders						
Cimgest, SGPS, S.A.	-	-	-	-	(107,740)	-
Cimo SGPS, SA	-	-	-	-	(11,011)	-
Longapar, SGPS, SA	-	-	-	-	(120,008)	-
Sonaca SGPS, SA	-	-	-	-	(5,215)	-
	-	-	-	-	(136,234)	(107,740)
Subsidiaries						
Cimentospar - Participações, SGPS, Lda	816,960	-	5,810	-	-	-
ETSA Investimentos, SGPS, S.A.	485,100	-	2,485	(5,646)	-	-
Great Earth - Projectos, SA	-	-	369	-	-	-
Interholding Investments, B.V.	-	-	-	-	-	-
Portucel - Emp. Produtora de Pasta e Papel, SA	1,523,700	20,496	-	-	-	-
Seinpart - Participações, SGPS, SA	-	-	401	(67,807)	-	-
Semapa Inversões, SL	-	-	-	(236)	-	-
Seminiv - Investimentos, SGPS, SA	-	-	393,773	(3,491)	-	(19,642,709)
Soporcel - Soc. Portuguesa de Papel, SA	-	-	314	(102)	-	-
	2,825,760	95,674	405,152	(77,382)	-	(19,642,709)
Joint ventures						
Secil - Companhia Geral de Cal e Cimento, SA	-	9,425	-	-	-	-
	-	9,425	-	-	-	-
Total	2,825,760	104,999	405,152	(213,616)	(107,740)	(19,642,709)

During the year ended 31 December 2009, transactions with related parties were as follows:

Amounts in Euro	Sales and Services Rendered	Supplementary Income	Interest and other income (Note 12)	Financial costs (Note 12)	Services and Goods purchase	Investment goods purchase
Shareholders						
Onipet, SGPS, S.A.	-	-	-	-	(107,740)	-
Cmo SGPS, SA	-	-	-	(5,011)	-	-
Longapar, SGPS, SA	-	-	-	(161,335)	-	-
Sonaca SGPS, SA	-	-	-	(15,526)	-	-
	-	-	-	(181,872)	(107,740)	-
Subsidiaries						
Orientospar - Participações, SGPS, Lda	1,181,040	-	93,207	-	-	-
ETSA Investimentos, SGPS, S.A.	242,592	3,573	18,289	-	-	-
Great Earth - Projectos, SA	-	45,000	-	-	(42,000)	-
Interholding Investimentos, BV	-	-	-	(1,186)	-	-
Portucel - Emp. Produtora de Pasta e Papel, S	1,481,200	45,169	-	-	-	-
Sempac Investimentos, BV	-	-	758	-	-	(12,981,100)
Sempac - Participações, SGPS, SA	-	-	4,040	(152,610)	-	-
Semapa Inversões, SL	-	-	270,957	-	-	-
Semav - Investimentos, SGPS, SA	-	-	365	-	-	-
Sopocel - Soc. Portuguesa de Papel, SA	-	75,779	-	-	-	-
	2,904,832	186,459	387,616	(153,796)	(42,000)	(12,981,100)
Joint ventures						
Becl - Companhia Geral de Cal e Cimento, SA	-	16,938	-	-	-	-
	-	16,938	-	-	-	-
Total	2,904,832	186,459	387,616	(153,796)	(42,000)	(12,981,100)

Remunerations to member of the corporate bodies, including management premium's estimate, for the years ended 31 December 2010 and 2009 were as follows:

Amounts in Euro	2010	2009
Board of directos - Remuneration	3,249,174	2,578,109
Board of directos - Bonus	3,319,182	4,149,964
Board of directos - Reversal of 2009's overstate for participation results	(2,187,631)	(1,437,274)
Fiscal Board and other corporate bodies	75,029	52,573
Impact on Net profit (Note 7)	4,455,754	5,343,372

Additionally, Semapa's Board of Directors, benefit from a pension plan as described in Note 25.

29. Audit fees

In the years ended 31 December 2010 and 2009, expenses with statutory audits and other audit services, were as follows:

Amounts in Euro	2010	2009
Statutory auditors services	58,148	55,207
Tax consultancy services and others	1,450	10,827
Other reliability assurance services	21,900	10,202
	81,498	76,236

The services described as tax consultancy, mainly comprise the support in complying with tax obligations, in Portugal and abroad, as well as in services, surveys of operational business processes which did not result in any advice for redesign of existing practices, procedures or controls.

The Board of Directors believes there are adequate procedures safeguarding the independence of auditors through the audit committee process analysis of the work proposed and careful definition of the work to be performed by the auditors

30. Commitments

During 2006, Semapa SGPS and Semapa Inversões, SL, as guarantor, concluded a promise of a credits granting contract with a financial institution in order to finance the acquisition of listed shares on the Euronext Lisbon and that integrate PSI 20 and / or acquisition of Portucel shares.

With funds availability under that contract, Semapa and/or guarantor undertake to provide security in the corresponding shares acquired and/or holding in portfolio Portucel shares, or alternately the

establishment of a long term deposit, sufficient to maintain a coverage ratio amounting never less than 1.1.

This credit line was used up, on 31 December 2010 by the amount of Euro 133,079,000, having been given as security 68,866,199 Portucel shares.

31. Exchange Rates

The assets and liabilities of the foreign subsidiaries and associated companies were translated to Euro at the exchange rate prevailing on 31 December 2010.

The income statement transactions were translated at the average rate for the period. The differences arising from the application of these rates as compared with the balance prior to the conversion were reflected under the Currency translation reserve heading in shareholders' equity.

The rates used in 2010 against the euro, were as follows:

	2010
BRL (Brazilian real)	58,148
Average exchange rate for the year	1,450
Exchange rate at year end	21,900
	81,498

BOARD OF DIRECTORS

Chairman:

Pedro Mendonça de Queiroz Pereira

Members:

Maria Maude Mendonça de Queiroz Pereira Lagos

José Alfredo de Almeida Honório

Francisco José Melo e Castro Guedes

Carlos Maria Cunha Horta e Costa

José Miguel Pereira Gens Paredes

Paulo Miguel Garcês Ventura

Rita Maria Lagos do Amaral Cabral

António da Nóbrega de Sousa da Câmara

Joaquim Martins Ferreira do Amaral

António Pedro de Carvalho Viana Baptista

Vitor Manuel Galvão Rocha Novais Gonçalves

Paulo Jorge Morais Costa
The Accountant



Statutory Auditors Report in respect of the Individual Financial Information

(Free translation from the original version in Portuguese)

Introduction

1 As required by law, we present the Statutory Auditors Report in respect of the Financial Information included in the Directors' Report and the financial statements of **Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.**, comprising the balance sheet as at December 21, 2010, (which shows total assets of Euro 1,597,170,256 and a total of shareholder's equity of Euro 971,836,539 including a net profit of Euro 126,720,229), the income statement, the statement of changes in equity and 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 International Financial Reporting Standards as adopted by the EU 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Accordingly, our audit 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 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.

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.

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Matriculada na Conservatória do Registo Comercial sob o NUPC 506 628 752, Capital Social Euros 314.000

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5 Our audit also covered the verification that the information included in the Directors' Report is in agreement with the other documents as well as the verification set forth in paragraphs 4 and 5 of Article 451 of the Companies Code.

6 We believe that our audit 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, S.A.** as at December 31, 2010, the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and duly comply with principles of completeness, truthfulness, accuracy, clarity, objectivity and lawfulness.

Report on other legal requirements

8 It is also our opinion that the information included in the Directors' Report is in agreement with the financial statements for the year and that the Corporate Governance Report includes the information required under Article 245-A of the Portuguese Securities Code.

Lisbon, March 15, 2011

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
Represented by:

António Alberto Henriques Assis, R.O.C.

SEMAPA – Sociedade de Investimento e Gestão, SGPS,SA
Report and Opinion of the Audit Board
Separate Accounts

Financial year of 2010

Shareholders,

1. As required by law, the articles of association and our mandate from the shareholders, we are pleased to present our report on our supervisory activities and to issue our opinion on the Separate Management Report and Separate Financial Statements presented by the Board of Directors of Semapa – Sociedade de Investimento e Gestão, SGPS, SA for the financial year ended 31 December 2010.
2. Over the course of the year we regularly monitored the company's affairs at the intervals and to the extent we deemed appropriate, in particular through periodic meetings with the directors. We confirmed that the accounts were properly kept and the respective documentation in order, as well as checking the effectiveness of the systems for risk management, internal control and internal auditing. We were watchful of compliance with the law and the articles of association. We were not notified of any irregularities and we encountered no constraints in the course of our work.
3. We held several meetings with the external auditor, PricewaterhouseCoopers & Associados, SROC, Lda., thereby monitoring the audit work carried out. We have assessed the Legal Certificate of Accounts and the Audit Report, with which we are in agreement.
4. In the course of our duties we found that:
 - a) the Separate Balance Sheet, the Separate Income Statement by nature and by functions, the Separate Statement of Cash Flows and the corresponding Notes to the financial statements provide an appropriate picture of the state of the company's affairs and of its results;
 - b) the accounting policies and valuation criteria adopted comply with accounting principles generally accepted in Portugal and are appropriate, so as to assure that they lead to a correct appraisal of the company's assets and results; the analyses and recommendations issued by the external auditor have been duly followed up;
 - c) the Separate Management Report provides sufficient information on the progress of the company's activities and the state of its affairs and offers a clear account of the most significant developments during the period;
 - d) the Corporate Governance Report includes the information required by Article 245-A of the Securities Code.
5. It is our opinion that the proposal submitted by the Board of Directors for allocation of profits is appropriate and supported by due grounds.
6. Accordingly, taking into consideration the information received from the Board of Directors and from the company departments, together with the conclusions set out in the Legal Certificate of Accounts and the Audit Report, we recommend that:

- a) the Separate Management Report be approved;
- b) the Separate Financial Statements be approved;
- c) the proposal submitted by the Board of Directors for allocation of profits be approved.

7. Finally, the members of the Audit Board wish to express their acknowledgment and thanks to the Board of Directors and to the company's senior management and other staff for their assistance and cooperation.

Lisbon, 15 March 2011

The Chairman of the Audit Board

Miguel Camargo de Sousa Eiró

The Member

Duarte Nuno d'Orey da Cunha

The Member

Gonçalo Nuno Palha Gaio Picão Caldeira