

## ***DIRECTORS' REPORT***

### ***CONSOLIDATED FINANCIAL STATEMENTS***

***As Of 31<sup>ST</sup> DECEMBER 2004***

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## DIRECTORS' REPORT

### CONTENTS

1.	Introduction	3
2.	Overview of Group Operations	4
	Table: Leading Economic and Financial Indicators	
3.	Principal Developments and Events	8
4.	Group Business Áreas	10
4.1	Cement, cement products and aggregates	10
4.1.1	Business area highlights	10
4.1.2	Table: Indicators	11
4.1.3	Capital expenditure	12
4.2	Renewable Energy	14
4.2.1	Changes to company structure	14
4.2.2	Business area highlights	15
4.2.3	Table: Indicators	16
4.2.4	Capital expenditure	17
4.3	Paper and Paper Pulp	18
4.3.1	Business area highlights	18
4.3.2	Table: Indicators	22
4.3.3	Capital expenditure	23
5.	Human Resources	24
6.	Financial	24
6.1	Alterations to holdings	24
6.2	Financing	24
6.3	Pension funds	25
6.4	Risk management	26
6.4.1	Client credit risk	26
6.4.2	Asset, civil liability, personal accident and sickness risks	26
6.5	Listed share prices	27
6.6	Dividends	28
6.7	Net profit for period	28
7.	Developments subsequent to close of financial year	28
8.	Acknowledgements	28
9.	Proposal for distribution of profits	28

## • DIRECTORS' REPORT

### 1. Introduction

It has been the company's constant concern to create value for its shareholders, as well as to pursue the sustained development of the **Semapa Group**.

In the course of the financial year, we took a further step in this direction with the acquisition of a controlling holding (67.1%) in the **Portucel Soporcel Group**.

As a result, the Group now conducts its business by controlling three business areas:

- Cement and derivatives, through the **Secil Group**
- Renewable energy, through the **Enersis II Group**
- Paper and paper pulp, through the **Portucel Soporcel Group**

We are now a major Portuguese industrial group with growing responsibilities in the Portuguese economy. The group is now attaining a size which allows us to step up the pace of international expansion, increasing the possibilities of seizing new business opportunities.

As is public knowledge, in 2003 **SEMAPA** acquired a further 41.06% of **Secil's** share capital, making it, directly and indirectly, the sole shareholder in the company.

In the course of 2004, in keeping with the strategy mapped out in the past, the company sold a 45.1% holding in **Secil** to the Irish cement group, CRh PLC, for approximately 327 million euros, resulting in a gain of approximately 144 million euros.

The Group also disposed of its holding in the share capital of Cimpor (9%), for approximately 251 million euros, thereby realizing a capital gain of approximately 27.5 million euros net of deferred taxes.

The process of reorganizing the structure of participating interests in **Enersis SGPS, S.A.** was also concluded in the course of the year. This company groups together the **Semapa Group's** holdings in the renewable energy sector, and this now constitutes an independent business sector within the group, after the transfer of the relevant interests from **Secil** to **Semapa**.

The **Semapa Group** was declared by the Council of Ministers to be the successful bidder for the privatization of a 30% holding in **Portucel – Empresa Produtora de Pasta e Papel, S.A.**. The **Group** subsequently launched a takeover bid for the entire share capital of **Portucel**, and closed the year with a 67.1% holding in the company.

As a result of these operations, the **Semapa Group** recorded extremely positive performance in 2004: the net profit of 182 million euros was substantially higher than that recorded in previous years, due essentially to the capital gains generated by disposal of the holdings in **Secil** and Cimpor.

In terms of operations, the difficult economic situation in Portugal and abroad had a negative impact on the operating margin for pulp and paper, as described below.

## 2. Overview of Group Operations

The changes in the **Semapa Group's** holdings over the course of 2004, as indicated above, led to a significant alteration in the line-up of companies included in the consolidated accounts, meaning that the principal indicators and figures for 2003 and 2004 are not directly comparable.

The most significant change was the inclusion of the **Portucel Soporcel Group** in the consolidated accounts, in accordance with the accounting standards in force:

- Consolidation by the full consolidation method of the **Portucel Soporcel Group's** accounts from October to December.
- Appropriation by **SEMAPA** of 30% of the net results of **Portucel** from June to September, 60% in October, and 67.1% in November and December.

In turn, as a result of the disposal of part of **Secil** in June, **SEMAPA** consolidated 100% of the Secil Group results up to May, inclusive, and 51% from June to December.

In keeping with the procedure adopted in the previous year, the Enersis II Group continues to be included in Semapa's consolidated financial statements by means of the equity method; there is therefore no effect on comparability between financial years.

In addition, uniform accounting policies were adopted across the group, especially with regard to depreciation criteria and rates, and the financial and actuarial assumptions relating to pension liabilities.

As a result of this, the profits from **Secil** appropriated by **SEMAPA's** subsidiaries total approximately 61 million euros, and not 51 million euros as would have been the case without these standardization measures. And **Portucel's** profits appropriated by **SEMAPA's** subsidiaries total 3.0 million euros, of which 1.7 million euros derives from application of the equity method to the period from 1 June to 30 September, and 1.3 million euros relating to full consolidation in **SEMAPA's** accounts in the last quarter of the year.

Given that the business community needs to make comparisons and forecasts, we present below the main items from the **pro forma and unaudited** balance sheet and income statement, with consolidation of Portucel's accounts, by the full consolidation method, for the 12 months of the year.

We would stress that the pro forma statements give a more realistic picture of the Group, given that in the financial statements presented:

- ☐ The balance sheet reflects the Group's assets and liabilities at a given moment, whilst Portucel's operations have only be included in the consolidated accounts as from the last quarter.
- ☐ The financial sector currently uses the Net Debt / EBITDA ratio as a leading indicator, and when this is calculated on the basis of the financial statements presented it is greatly distorted, given that net debt had held steady, and the EBITDA figure relates only to the last three months.

When seeking to estimate the future operations of the **Semapa Group**, the pro forma financial statements should be taken as the basis.

Notwithstanding these considerations, the following table shows the main economic and financial indicators for the **Semapa Group** over the last four years. This table should be read with the prudence required by the circumstances described.

<b>Leading Economic and Financial Indicators</b>					<b>10<sup>6</sup> €</b>
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2004 Pro Forma Unaudited</b>
<b>Turnover</b>	<b>500,6</b>	<b>491,1</b>	<b>417,8</b>	<b>700,0</b>	<b>1.426,6</b>
<b>EBITDA</b>	<b>162,4</b>	<b>168,1</b>	<b>120,4</b>	<b>170,1</b>	<b>333,6</b>
Depreciation and provisions	54,1	55,0	62,3	70,5	147,4
Depreciation of goodwill	8,1	11,6	17,3	39,6	52,7
<b>EBIT</b>	<b>100,3</b>	<b>101,5</b>	<b>40,8</b>	<b>60,1</b>	<b>133,5</b>
Financial results	-10,2	-22,4	-2,8	-27,7	-50,5
<b>Current results</b>	<b>90,1</b>	<b>79,2</b>	<b>37,9</b>	<b>32,3</b>	<b>83,0</b>
Extraordinary results	-1,8	2,5	22,9	195,9	201,9
<b>Pre-tax profits</b>	<b>88,3</b>	<b>81,7</b>	<b>60,8</b>	<b>228,2</b>	<b>285,0</b>
Taxes	4,3	21,2	20,5	31,5	53,2
Minority interests	39,8	29,7	0,3	14,7	25,8
<b>Net profits</b>	<b>44,1</b>	<b>30,8</b>	<b>40,1</b>	<b>182,1</b>	<b>205,9</b>
Cash flow	106,3	97,4	119,7	292,1	406,0
Total net assets	1.003,0	1.068,5	1.225,5	3.349,0	3.354,0
Shareholders' equity	211,1	224,5	237,6	384,4	389,4
Net debt	230,5	162,3	461,1	1.790,7	1.790,7
EBITDA margin	32%	34%	29%	24%	23%

Comparing the financial years of 2003 and 2004, including the pro forma statements, the main variations in accounts may be explained as follows:

Variation in consolidated sales and services – alteration to the list of companies included in the consolidated accounts, and an increase of approximately 29 million euros in turnover recorded by the **Secil Group**.

EBITDA – Alteration to list of companies included in consolidated accounts.

EBITDA margin – No significant variation in the **Secil Group** margin, which held steady at 29%.

**Portucel** has an annual EBITDA margin of approximately 22% (as already stated), which brought down **SEMAPA's** consolidated margin.

Depreciation and Provisions – Little variation due to extension of the useful life of assets in the cement and derivatives sectors and the adoption of uniform criteria for straight line and monthly depreciation

Depreciation of goodwill – The variation is due above all to the goodwill generated by acquisition of **Portucel**.

Operating earnings (EBIT) – explained by the increase in EBITDA, countered by the increase in depreciation of goodwill.

The variation in financial results is due essentially to 1) the increase in bank charges deriving from the new bank loan taken out in order to acquire the 67.1% holding in Portucel, 2) non-receipt of dividends from CIMPOR, due to disposal of the holding in this company, 3) inclusion of the net results of the **Portucel Group** from June to September, in proportion to the holding owned by **SEMAPA**, and 4) variations in the net profits of various subsidiaries.

Extraordinary results – due essentially to capital gains realized on the disposal of **Secil** and Cimpor, amounting to 144 and 27.5 million euros respectively, and to the imparity in the Gabès holding;

Taxes – the variation is not proportional to the variation in pre-tax profits, due to the fact that some of the extraordinary results derived from gains on the disposal of capital holdings, taxed on a more favourable basis;

Minority interests - the increase was due essentially to the fact that 1) during the financial year we disposed of shares in **Secil** and consequently the Group's respective proportional share in the results is not recorded in this account and 2) **Portucel** has been included in the consolidated accounts, and this has also generated minority interests.

As a result of the above, net profits after minority interests stood at approximately 182 million euros, up by 142 million euros on the previous year.

Total net assets – Alteration in the list of companies included in the consolidated accounts.

Shareholders' funds – the increase is due essentially to the positive effect of the net profits for the period, and the negative effect of the transposition of the financial statements of Tunisian companies, especially after the consolidation of goodwill and the fair value generated on the acquisition as an asset of the subsidiaries, with consequent exchange rate adjustment.

Net borrowing – the increase is due to finance contracted for the acquisition of **Portucel** and the net borrowing of the **Portucel Soporcel Group** (approx. 873 million euros). The disposal of shares in **Secil** and Cimpor resulted in a reduction in net borrowing.

The following points should be noted with regard to the pro forma financial statements:

- ☐ The company would have had turnover in 2004 of 1,426 million euros, as against 700 million recorded in the 2004 financial statements.
- ☐ EBITDA would have been up by approximately 163.5 million euros to 333.6 million euros.
- ☐ Net profits would have been up by approximately 182 to close to 203 million euros.
- ☐ The EBITDA margin was down on the previous year, due to the fact that Portucel SA has a lower margin than Secil's, which remained at 29%. Portucel's margin was also penalized by exterior factors such as the depreciation of the dollar against the euro, and the significant reduction in average paper and pulp prices in the international market,

which has pushed down the company's margin, which stood at 31%, 26% and 22% in 2002, 2003 and 2004 respectively.

The following table contains highlights from the consolidated balance sheet:

<b>CONSOLIDATED BALANCE SHEET</b>		<b>10<sup>6</sup>€</b>	
	<b>2003</b>	<b>2004</b>	<b>2004 Pro Forma Unaudited*</b>
<b>ASSETS</b>			
Intangible fixed assets	311,7	705	710
Tangible fixed assets	330,5	1.588,5	1.588,5
Financial investments	70,2	100,0	100,0
Other assets	513,1	955,3	955,3
<b>TOTAL</b>	<b>1.225,5</b>	<b>3.349,0</b>	<b>3.354,0</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Capital, premiums and reserves	197,8	207,5	207,2
Retained earnings	-0,2	-5,1	-23,8
Net consolidated profit	40,1	182,1	205,9
<b>SHAREHOLDERS' FUNDS</b>	<b>237,6</b>	<b>384,4</b>	<b>389,4</b>
Minority interests	7,4	507,6	507,6
Liabilities	980,5	2.457,0	2.457,0
<b>TOTAL</b>	<b>1.225,5</b>	<b>3.349,0</b>	<b>3.354,0</b>

\* considering Portucel's accounts consolidated for all of 2004.

## Production

Major business developments in the cement sector:

- Production capacity remained at 5,630,000 tons of cement.
- Cement sales rose by 13%, to 4,744,000 tons.
- Clinker sales were up by 32%, at 275,000 tons.
- Ready-mixed concrete sales increased by 15%, to 2,564,000 m3.
- Sales of aggregates were up by 7%, standing at 2,966,000 m3.
- Pre-cast concrete sales rose by 2%.
- Contraction of sales of hydraulic lime, mortar fixative and binders, down by 6%, 8% and 6%, respectively.

Major business developments in the paper and paper pulp sector:

- Production of white pulp up by 2.5%, to 1,254,000 tons.
- Production of printing and writing paper up by 4.3%, to 984,000 tons;

- Slight reduction in turnover, down to 980.6 million euros, due essentially to depreciation of the USD against the EUR.

Finally, the principal developments in the renewable energy sector were as follows:

- Rated capacity up from 152 MW to 198 MW in 2004;
- Reduction in output: 414 GWh in 2003, as against 370 GWh in 2004, due to extremely unfavourable atmospheric conditions, given that 2004 was a year with extremely low hydraulicity;
- Expansion of wind farm operations to include projects in France;
- Development of PCH projects in Brazil.

### 3. Principal Developments and Events

#### February

**SEMAPA**, acting through **Seinpart – Participações SGPS, SA**, submitted a bid for purchase of a block of 230,250,000 shares, representing 30% of the share capital in **Portucel – Empresa Produtora de Pasta e Papel, SA**, in the tendering procedure for the second phase of privatization of this company.

#### March

**Secil** incorporated **Secil Algérie, S.p.a.**, based in Algiers, Algeria, with share capital of 1 million Algerian dinars, with a view to future investment in the country.

**SEMAPA** agreed to sell to the company **Beton Catalan, SL**, a CRH Group company, a block of 23,880,414 shares, representing 45.126% of the share capital of **Secil – Companhia Geral de Cal e Cimento, S.A.** and 49% of the voting rights.

#### April

**Enersis**, acting through its subsidiary **ECH – Empresa de Centrais Hidroeléctricas, S.A.**, reached agreement on the acquisition of a wind park in Aljezur from the company **Euroventos – Projectos Energéticos e Ecológicos, S.A.**

**SEMAPA**, again acting through its subsidiaries, disposed of its entire holding in **Cimpor – Cimentos de Portugal, SGPS, S.A.**, representing approximately 9% of the company's share capital, for a price of 251 million euros.

**SEMAPA** learned of the decision of the Council of Ministers to accept its bid, submitted via its subsidiary **Seinpart – Participações, SGPS, S.A.**, in the tendering procedure for privatization of a 30% holding in the share capital of **Portucel – Empresa Produtora de Pasta de Papel, S.A.**

Also in April, **SEMAPA**, acting through its subsidiary **ECH – Empresa de Centrais Hidroeléctricas, S.A.**, acquired through a company jointly owned with **Caixa – Banco de Investimento, S.A.**, the interests of **Renewable Energy Systems, Limited (RES)** in Portugal, in **Parque de Pampilhosa da Serra – Energia Eólica, S.A.**, **Parque Eólico de Malhadas Góis, S.A.** and **Parque Eólico de Leomil, S.A.**



## May

The Standing Committee of the Council of Ministers of Angola approved a memorandum of understanding providing for privatization of 51% of the share capital of the Angolan cement company ENCIME, to be attributed to Secil.

In May the Group completed the process of reorganizing the chain of interests in the renewable energy sector, making this a separate business area managed by **SEMAPA**.

## June

**Secil**, acting through its subsidiary **Secil Martingança, S.A.**, reached agreement on the acquisition of 70% of the companies IRP – Indústria de Rebocos de Portugal, Lda and Lusocil – Sociedade Portuguesa de Cimento Cola, Lda, which manufacture dry mortars, plasters and cement glue.

In June the **Group** formally sold to the CRH Group a 45.1% holding in **Secil – Companhia Geral de Cal e Cimento SA**, and 49% of the respective voting rights; this operation brought in 327 million euros.

## July

In July, **SEMAPA** was informed of the understanding of the Securities Market Board, with which it disagrees, to the effect that no less than 55% of the voting rights in **Portucel – Empresa Produtora de Pasta de Papel, S.A.** may be imputed to it, as a result of considering the voting rights attached to the shares held by Sonae Wood Products B.V., under contracts established with financial institutions.

Also in July, **Semapa Investments B.V.** published its preliminary notice of the launch of a takeover bid for shares issued by **Portucel – Empresa Produtora de Pasta de Papel, S.A.**, at a price of 1.55 Euros per share; the offeror company – **Semapa Investments B.V.** – is wholly owned by **Semapa SGPS**.

July also marked the start of the **Enersis Group's** expansion into wind farm activities in France, where it hopes to build a platform from which to launch the Group into central and eastern European countries. Two wind farm projects are under construction, with capacity of 23 MW, and further capacity of approximately 100 MW is at a preliminary stage of construction.

## August

In August, **Semapa Investments B.V.** published the definitive notice of the takeover bid for shares in **Portucel**, an operation which closed on 28 September.

## September

The offer for the purchase of shares in **Portucel** was open during August and September.

## October and November

As a result of the takeover bid for **Portucel**, **Semapa Investments BV** paid a total of 361 million Euros for shares corresponding to 30.37% of the share capital. As a result of this operation and a subsequent acquisition of 6.7% of the shares in **Portucel**, **Semapa Investments B.V.** now

directly holds 284,712,433 shares in Portucel, representing 37.10% of the respective voting rights. And the **Semapa Group** as a whole now owns 67.10% of the share capital and voting rights in **Portucel**.

## **December**

**Seinpar Investments BV**, a wholly owned subsidiary of **SEMAPA – Sociedade de Investimento e Gestão, SGPS**, acquired on the stock exchange 1,018,800 shares in ENCE – Grupo Empresarial Ence SA, corresponding to 4% of the shares in this Spanish company.

**Portucel SA** in turn sells on the stock exchange 8% of the share capital of ENCE SA.

## **4. Group Business Areas**

### **4.1. CEMENT, CEMENT PRODUCTS AND AGGREGATES**

#### **4.1.1 Business area highlights**

In 2004 the **Secil Group** improved its performance overall, thanks mainly to the good performance of its cement interests in **Portugal** and **Tunisia**.

In **Portugal**, demand for cement fell for the third consecutive year. Demand in 2004 is estimated at 9.3 million tons, which represents only a slight drop, in the order of 1.8%, as compared with 2003, when the contraction in the market was more significant (- 14.5%).

The internal market was supplied from Portuguese output and from cement imports, which grew slightly over the previous year, to an estimated total of 1.35 million tons.

Cement sales stood at 3.9 million tons, up 15% in volume and 8% in value. It should be noted that sales on the domestic market (up by 9%) were achieved in the difficult context of a shrinking market, and that exports were even more successful, up by 48%.

Electricity costs increased by approximately 6% because of tariff increases, further widening the substantial differential between the price paid by the Portuguese cement industry and those paid by the industry in most other European countries, making the Portuguese industry vulnerable to imports.

The cost of thermal energy was appreciably higher than in the previous year, due to significant increases both in coke prices on the international markets and in maritime freights.

Despite these adverse factors, the Group recorded improved performance in the “Portugal-Cement” business unit, reflected in the increase in EBITDA to 106 million € (up by 3%), representing approximately 83% of Secil consolidated EBITDA of 128 million €.

The Group has continued to pursue its policy of strict environmental control, with heavy investment in this field at all plants.

The companies operating in the ready-mixed, aggregates, precast and binder sectors recorded profits which were down on 2003, as a result of the continuing overall recession in the construction sector.

In February, the Group launched a project for “Progressive integration of sustainability in the strategic management of the **Secil Group**”, covering all the **Group’s** companies in **Portugal**, with the essential objective of training company managements in sustainability concepts. The main target areas are eco-efficiency of processes and the creation of integrated product and service solutions with greater value added for the customer. This final aspect is crucial given the increasingly competitive nature of the markets in which the companies operate.

In **Tunisia**, cement and artificial lime production stood at 5.9 million tons, up by 6.3% on 2003.

The increase in sales recorded by **Société des Ciments de Gabès** and the improvements in productivity led to positive evolution in the performance of the “Tunisia-Cement” business unit, reflected in EBITDA (up 249%) and net profits (up by 120%).

It should be noted that during the financial year of 2003, clinker output was brought down by 100 days’ standstill in the furnaces, in order to invest in increased capacity. This explains the wide percentage variations in these indicators.

#### 4.1.2 Cement, Cement Products and Aggregates - Indicators

##### Leading Production Indicators - Consolidated

		2000	2001	2002	2003	2004	%
<b>Cement Production Capacity</b>		<b>4 934</b>	<b>5 006</b>	<b>5 281</b>	<b>5 631</b>	<b>5 631</b>	0%
<b>Sales</b>							
Grey cement	1 000 t	4 850	4 894	4 764	4 189	4 744	13%
White cement	1 000 t	89	107	96	82	75	-9%
Artificial lime	1 000 t	82	78	84	85	81	-5%
Clinker	1 000 t	0	14	55	208	275	32%
Ready-mixed concrete	1 000 m <sup>3</sup>	2 170	2 602	2 534	2 230	2 564	15%
Aggregates	1 000 t	2 455	3 615	3 586	2 779	2 966	7%
Pre-cast concrete	1 000 t	388	410	368	324	331	2%
Hydraulic lime	1 000 t	69	64	64	50	47	-6%
Mortar fixative	1 000 t	11	10	10	12	11	-8%
Mortars	1 000 t	59	96	132	161	152	-6%
<b>Personnel (1)</b>		<b>2 118</b>	<b>2 141</b>	<b>2 084</b>	<b>1 994</b>	<b>1 978</b>	-1%

1. Average workforce of the companies included in the consolidated accounts.

Leading Economic and Financial Indicators - Consolidated						M €
	2000	2001	2002	2003	2004*	%
<b>Turnover</b>	<b>465</b>	<b>501</b>	<b>491</b>	<b>417</b>	<b>446</b>	<b>7%</b>
<b>EBITDA</b>	<b>168</b>	<b>165</b>	<b>172</b>	<b>123</b>	<b>128</b>	<b>4%</b>
Depreciation and Provisions	54	54	55	62	49	-21%
Depreciation of Goodwill	8	8	12	12	25	108%
<b>EBIT</b>	<b>106</b>	<b>103</b>	<b>106</b>	<b>49</b>	<b>54</b>	<b>10%</b>
	-15	-9	-22	5	-8	-
Financial Results						260%
Current Results	91	94	83	53	46	-13%
Extraordinary Results	11	-2	2	26	37	42%
Pre-tax Profits	103	92	86	79	84	6%
Taxes	40	4	21	23	28	22%
Minority Interests	1	1	1	0	0	-
<b>Net Profits</b>	<b>62</b>	<b>87</b>	<b>64</b>	<b>56</b>	<b>56</b>	<b>0%</b>
Cash Flow	124	149	131	131	130	-1%
Total Net Assets	953	1 003	1 045	1 135	718	-37%
Shareholders' Funds	396	424	453	461	313	-32%
Net Borrowing	227	206	162	185	203	10%
<b>EBITDA margin</b>	<b>36%</b>	<b>33%</b>	<b>35%</b>	<b>29%</b>	<b>29%</b>	

\* NB: As noted in item 2, Semapa appropriated 100% of Secil's results up to 31 May 2004 and 51% of these results in following months, amounting to 61 million €. This differs from the figures presented above because Group accounting policies were standardized on consolidation, as regards depreciation rates and criteria and the financial and actuarial assumptions for the calculation of pension liabilities.

**Secil** recorded consolidated performance in 2004 which represents an improvement on its 2003 results, with sales of 446 million € (up 7%) and EBITDA of 128 million € (up 4%). Net profits stood at 56 million €, at much the same level as in 2003.

The extraordinary profits were the result of significant extraordinary income (51.5 million €), deriving in large part from capital gains on the disposal of assets, notably shares in Cimpor, and extraordinary costs (14.1 million €) which include the accounting, in the period, of part of the imparity losses detected at **Société des Ciments de Gabès** in an independent audit.

#### 4.1.3 Capital Expenditure

- **Portugal**
- **Cement**

Significant capital expenditure projects were launched in order to improve plant performance, to prepare plants for reusing waste, to improve the quality of products and service supplied, to improve environmental conditions and customer services, and to provide for flexible transport

and distribution systems. Investment in tangible and intangible fixed assets totalled 53 million €, and involved the following major projects:

At the **Secil-Outão** plant, visual and landscape rehabilitation of the wet process facilities and various works designed to prepare the plant for the use of ordinary and forestry waste for energy purposes.

At the **Maceira-Liz** plant, re-equipping the paper bag plant, construction of a covered storage area for coal and robotization of XRay fluorescence analysis of unrefined products and cement.

At the **Cibra-Pataias** plant, construction of a covered storage area for solid fuel, installation of tyre shredding equipment and also robotization of XRay fluorescence analysis of unrefined products and cement.

Investment programmes were stepped up at the three plants under the “Contract for Continued Improvement in Environmental Performance for the Cement Sector”; this is expected to be completed in February 2005, in keeping with the contract.

These programmes are particularly important given that the Kyoto Protocol mechanisms come into effect in 2005.

**Secil** anticipates that the certificates to be allocated to it in the first period (2005-2007) will be sufficient. However, it is very concerned at the lack of concrete decisions for the second period (2008-2012), as a capital intensive industry of this nature needs to take investment decisions in due time.

- **Ready-mixed concrete and aggregates**

Major developments included the installation of a new plant in Muge and the revamping of the Feira plant. This business area also underwent functional and operational reorganization, involving the merger of a number of companies and the operational integration of others.

- **Precast concrete**

At **Secil Prebetão**, major developments included the restructuring of management at the Montijo, Setúbal and Castelo Branco plants.

At **Argibetão**, work proceeded on the process of restructuring the company with a view to streamlining it on the basis of cement tile production. As part of this process, the blocks factory in Azeitão was closed down.

- **Binders and mortars**

Major investment projects have been implemented at the Maceira plant, including acquisition of three new filters. Steps have also been taken to obtain the Environmental License, which is expected to be obtained in 2007.

- **Tunisia**

Investment in 2004 stood at approximately 10.7 million dinars. This means that investment in the company since acquisition by **Secil** has totalled approximately 60 million dinars, which represents practically all of the modernisation programme submitted to the Tunisian authorities in relation to the national programme for supporting industrial modernisation.

In October, the coke mill and the port facilities for unloading and handling coke at the Port of Gabès came into operation. These port facilities will also serve two other cement companies (CJO and SCE), in keeping with the articles of association of the Economic Interest Grouping formed for this purpose (**TCG – Terminal Cimentier de Gabès, GIE**), the investment being shared equally between the three members.

In February, **SCG** subscribed its share to the capital of **TCG – Terminal Cimentier de Gabès**. The sum of 200,000 dinars corresponds to one third of the respective statutory share capital.

Loan contracts were signed with the subsidiaries **Sud Béton** and **Zarzis Béton** in order to support the capital expenditure plans underway at these companies.

- **Angola**

Capital expenditure stood at 5.5 million €, relating to the installation of a new cement mill, which made it possible to increase annual production capacity to 240,000 t.

- **Lebanon**

Work went ahead on two major investment projects – the Port of Jieh and the fuel used – albeit at a slower pace than planned. These projects are expected to be wholly operational in early 2005.

## **4.2. RENEWABLE ENERGY**

### **4.2.1 Changes to company structure**

The reorganization of the corporate structure in 2004, which consisted of transferring the holdings of **Enersis SGPS, S.A.** to **Enersis II SGPS, S.A.**, was directly related to the need to separate the Enersis Group from the Secil sub-group and to establish it as a major and independent business area in its own right within the **Semapa Group**.

To this end, further steps are currently being taken to create three sub-holdings for each of the different business areas within the **Enersis Group**: (i) development and operation of mini-hydro stations, (ii) development and operation of wind farms and (ii) research and development in renewable energies and the internal provision of value added services. This process will result in a simplified organizational structure, facilitating the segmentation of business units and paving the way for future mergers between companies which are sufficiently “close” to each other, as well as optimizing the equity structure and providing for possible future spin-offs, if the opportunity arises.

The corporate transfers effected during the period did not therefore imply real changes in terms of effective holdings.

#### 4.2.2 Business area highlights

In general terms, the **Enersis Group** brought a significant number of wind farm developments into industrial operation during the course of 2004. Nonetheless, we should note that the start-up of some other wind farms and certain hydro stations was delayed, due above all to the following factors:

- Slow progress in licensing procedures, due to various factors, but essentially because of the lack of a sustainable vision shared by both the licensing authority and the prospective licensee.
- Successive failures to meet targets established in the plans for connecting networks, or unexpected changes in the respective work plans, without the developer being informed;
- Various difficulties and restrictions, caused essentially by the large number of projects currently being developed.

The company proved to be highly resilient to these difficulties, compounded to a great extent by tight restrictions on hydraulic resources, which significantly limited power generation by the existing facilities.

### NEW BUSINESS

#### Wave Power

The next source of renewable energy will probably be offshore wave power, given the density and availability of this resource and the number of competing projects seeking to demonstrate the most appropriate technology for converting this source of energy. Oceanergia, Lda., the Group company engaged in researching this type of technology, is aware of the potential scale of the market, and is on the look out for opportunities to create a new area of technological know-how in Portugal.

The **Enersis Group** has recently achieved pioneering success in the development of renewable energy sources for power generation, using wave power, which represents a stable energy source, which may be forecasts three days ahead.

Portugal is also recognized as one of the best placed countries for taking advantage of wave power. This is due not only to the country's extensive coastline, but also to the type of waves to be found in Portugal's maritime areas.

#### Biofuels

The **Enersis Group's** commitment to the Biodiesel project in 2003 has proved fully justified by the various advantages to be obtained, especially in relation to so-called conventional fuels, consumption of which has not stopped growing, both in the EU and in Portugal, with the consequent increase in greenhouse gases.



Design work has proceeded on a facility with capacity for 25,000 tons/year, to be located on land belonging to API-Parques, near the Sines refinery. A 5-year contract for the supply of biodiesel has been concluded with the refinery.

Cooperation agreements have also been established with the University of Évora for determining the areas in Portugal with appropriate soils for planting oleaginous crops, on an irrigated and non-irrigated basis, in order to accelerate the integration of the agroenergy sector as a project supplier.

### International expansion

In the 3rd quarter, the Group started to expand its wind power activities into France, where it hopes to build up a base to serve as a stepping stone to countries in eastern and central Europe, either already belonging to the EU or else at an advanced stage of the joining process. Two wind farms are under construction, with capacity of 23 MW, and facilities representing capacity of a further 100 MW are at a preliminary stage of construction.

In Brazil, activities centred primarily on the development of mini-hydro plants. The Group is developing 8 such plants in Minas Gerais, set to have total capacity of approximately 50 MW. These projects have been developed through local consultants, and construction work will start on one of them during the second half of 2005.

#### 4.2.3. Table: Indicators

With the corporate reorganization, currently underway, of the **Enersis Group**, as described above, certain indicators for 2003 and 2004, where deriving from figures affected by changes in accounting procedures, cannot be reliably compared on a direct basis. We have consequently sought to present primarily the leading physical and economic statistics for the period, which are more easily comparable. Nonetheless, the following table provides an overview of a broader set of indicators:

			2002	2003	2004
1	Rated capacity	MW	143,00	152,00	197,85
2	Production	GWh	321,33	413,85	370,34
3	Operating earnings	M .€uros	24,49	36,40	35,79
4	EBITDA	M .€uros	18,60	28,86	23,01
5	Net profit	M .€uros	6,10	8,64	3,56
6	Total borrowing	M .€uros			
	Interest bearing	M .€uros	81,52	119,55	272,40
	Non-interest bearing	M .€uros	24,02	32,82	41,07
7	Shareholder loans	M .€uros	10,04	13,72	27,15
8	Net Capex	M .€uros	46,01	64,91	178,69
9	Net debt	M .€uros	111,69	163,96	337,77
10	Total assets	M .€uros	151,28	213,43	408,73
11	Financial autonomy	%	12,54%	13,24%	7,47%
12	Debt to income ratio	%	87,46%	86,76%	92,53%
13	ROE	%	32,15%	30,56%	11,67%
14	EBITDA margin	%	75,94%	79,31%	64,29%
15	(Debt-Capex) / EBITDA	x	3,53	3,43	6,91
16	EBITDA / (Debt service [10 years] – Capex)	x	1,92	1,86	1,02
17	Workforce	#	61	100	116
18	Profit per share	€uros	6,42	9,09	356,40



Consolidated electricity sales were down by approximately 6.9% on the previous year, falling from 33.5 million euros in 2003 to approximately 31.2 million euros in 2004. This was directly due to the low hydraulicity during 2004, which resulted in a very significant slowdown in hydroelectric production at all Group plants. Output by mini-hydro stations in 2004 stood at only 180 GWh, the lowest figure since 2000, despite an increase in hydro capacity since the same year of approximately 21 MW. Combined output of all the **Enersis Group** generating stations in 2004 totalled approximately 370 GWh, 11.0% down from the figure of approximately 414 GWh recorded in 2003, despite the start-up of wind farms with a capacity of approximately 46 MW (note that these facilities were not yet fully operational).

Total operating income stood at approximately 35.8 million euros, including, in addition to the electricity sales mentioned above, approximately 4.6 million euros in other operating income.

Operating cash flow fell to approximately 23.0 million euros in 2004, as compared to 28.9 million euros in 2003, reflecting operating performance which fell short of expectations and illustrating the devastating effects of reduced hydraulicity. This effect was also visible in analysis of the EBITDA margin, which fell from 79.3% in 2003 to approximately 64.3% in 2004.

Net profits for the period stood at approximately 3.6 million euros, well below the figure of 8.6 million euros recorded in the previous year. The financial autonomy ratio also deteriorated, dropping from 13.24% in 2003 to 7.47% in 2004, reflecting the heavy investment being made by the company at this stage in its development, the alteration in depreciation policy and the poor hydraulicity experienced in 2004.

#### 4.2.4. Capital Expenditure

The **Enersis Group** completed the formal process of acquiring the assets of RES, Ltd. in Portugal, adding wind farm capacity of 145 MW to its portfolio of facilities under development. A new company, Fespect, S.A., was incorporated as a vehicle to promote and develop the Pampilhosa da Serra wind farm project, with rated capacity of 96 MW, expandable to 114 MW. As at the end of 2004, Enersis II, SGPS, S.A. did not have a direct majority holding in this project, due to the sale of 8% of the share capital to CMP BV, controlled by **SEMAPA**, at the end of the year. Nonetheless, the Fespect Group is still fully consolidated in the accounts, due to effective management control.

As a result of this process, the **Enersis Group** now has a diverse portfolio of projects, at different stages of development/maturity:

- Projects at the commercial operation stage – Malhadas-Góis wind farm, municipality of Pampilhosa da Serra, rated capacity of 9.9 MW;
- Projects under construction –Pampilhosa da Serra wind farm, municipality of Pampilhosa da Serra, with potential rated capacity of 114 MW and the largest wind farm under construction in the country, with 38 3 MW towers;
- Projects awaiting licensing – potential capacity of 21 MW.

With this acquisition, the **Enersis Group** has strengthened its leadership position in the special regime power generation market, using renewable sources, with a market share, including projects under construction, in December 2004, of approximately 35% in the wind sector, and approximately 30% in the mini hydro sector.

Investment in tangible and intangible assets totalled approximately 178.7 million euros during the period, almost triple that in the previous year, due essentially to the completion of construction work on wind farms with capacity of approximately 46 MW and mini hydro plants with capacity of approximately 2 MW, set to come into operation in early 2005.

This capital expenditure also includes approximately 58.7 million euros invested in the acquisition of the assets of RES, Ltd. in Portugal, and also the incorporation of the balance sheet of the company promoting the Malhadas wind farm, Phases I and II.

Net borrowing, contracted during the period, kept up with the pace of investment, in view of the slower release of funds generated internally, and stood at an accrued total of approximately 337.8 million euros in 2004, as against 164.0 million euros in 2003. Of this total, approximately 41.1 million euros corresponds to interest-free loans, granted under the POE, and approximately 27.2 million euros in shareholder loans (*suprimentos*). Total interest bearing loans totalled approximately 272.4 million euros in 2004. All the additional borrowing contracted includes derivative hedges, designed to neutralize interest rate risks; this is essential in a business largely supported by project finance.

### **4.3 PAPER AND PAPER PULP**

#### **4.3.1 Business area highlights**

##### **Paper market and marketing**

The European uncoated fine paper market faced an apparently paradoxical situation in 2004, consisting of strong demand and a simultaneous drop in average sale prices.

Total sales by Western European producers grew by 4.7%, or approximately 330 thousand tons, over 2003. This growth was sustained by an increase of 4.1% in sales within Western Europe (approximately 245 thousand tons) and a rise of 31% in sales to other European markets (approximately 98 thousand tons). This growth more than offset a reduction of 1% in exports to non-European markets.

In an analysis by products, we find that apparent consumption of office stationary grew by 6.8% (up by 230,000 tons), whilst the market for large formats for the printing industry grew by only 1.6% (up by 26,000 tons). Apparent consumption of rolls grew in the order of 8.5% (up by 175,000 tons), although it remains lower than the level of consumption recorded in 2002.

The continued appreciation of the euro led to a deterioration in the margins of European producers in transactions denominated in dollars and made access to this market easier for competitors from other geographical regions. As a result of this double effect, competition grew stronger in Western Europe, leading to a significant reduction in prices, despite the considerable growth in demand.

In keeping with the trend which started in 2003, prices for paper sales continued to fall across the board. In particular, the standard index for the average price of office stationary in Europe (PIX) fell by 9%, in comparison with 2003.

In this context, the Group's results from the sales of paper products were fairly positive:

- Paper sales were up by 4.1% or 38,000 tons in volume, standing at a total of 976,000 tons;
- The sales mix improved, with products manufactured in sheets representing 81% of total sales, as against an average of 66% for the industry in Europe;
- Sales of premium products rose to approximately 60% of total sales;
- The geographical sales mix improved, with strategic market representing 93% of total sales;
- The Group's own brands accounted for a growing proportion of total sales, rising in volume to approximately 57 thousand tons, representing 41% of total sales of products in sheets, as against 35% in the previous year;
- The Group's sales in the US market have grown at a good rate, accompanied by an improvement in the sales margin, despite the depreciation of the dollar. The success of the Group's products with US consumers and the premium positioning of factory brands (Navigator, Discovery and Soporset), combined with four price rises in the US market, made it possible to record better margins than in the previous year.

The strength of the US market made it possible to offset the sharp fall in prices in European markets. Even so, the average price of paper sold by the Group was down by approximately 8%.

### **Pulp market and marketing**

The demand for pulp in non-European markets grew significantly in 2004, principally in China. In the European Union, the pace of growth was more modest, in line with growth in the economy, a situation which had natural repercussions on the orders placed with European who also saw their competitiveness hampered by the strong rise in the euro against the dollar, in which pulp prices are generally quoted.

At the same time, the short fibre market witnessed an increase in production capacity of eucalyptus pulp, due to producers in South America. This represented capacity of approximately 680,000 tons which, in addition to enjoying competitive production costs in comparison with European products, also benefited from the current foreign exchange situation.

As a result of this combination of factors:

- There was a significant recovery in average prices in USD for long fibre (NBSK), leading to the best quoted prices since 2001;
- There was a slight recovery in average prices expressed in USD for eucalyptus short fibre, with the best quoted prices since 2001;
- The price differential between long fibre and short fibre increased significantly, rising to above USD 100/ton, and it is unlikely that the prices will move closer in the short term, due to the increased production of short fibre expected in the next few years;
- The average price in euros of eucalyptus short fibre fell during the year, leading to the worst quoted prices for the last 5 years.

Despite this particularly difficult context, the Group was able to consolidate its position in the European markets, recording growth of approximately 11% in sale, and ending the year with a balanced level of stocks. Volume sales reached 609 thousand tons.

This was possible thanks to the benchmark quality of the pulps products, and especially to the characteristics of fibre of Portuguese globules eucalyptus, the excellent standard of service offered, a continuous presence in the markets, and geographical proximity.

The intrinsic properties of the pulp produced by the Group, combined with a high level of physical and mechanical resistance and excellent structural and optical properties, mean that we continue to provide clients with added value, visible in the quality of end products and a reduction in their production costs.

This client focus has helped the Group to build up its sales to producers of special paper and stationary, where the quality standards for the final product are higher.

## **Forestry Operations**

### **Services and Resources**

As the organization responsible for providing forestry services to the **Portucel Soporcel Group**, the Forestry Alliance set as one of its prime objectives for 2004, in addition to the operational activities involved in managing the Group's forest holdings, consolidation of the organizational changes and improvements to the processes initiated in the previous year.

Additional efforts were made in 2004 to minimize the effect of the fires which occurred in 2003. Various forestry operations were undertaken with a view to taking advantage of burned timber, for use as a fuel at the Setúbal factory, which made it possible to use timber resources which would otherwise be lost. Acquisition by the Setúbal factory of a mobile chipper for this purpose was to a large extent crucial to the success of this operation.

The forest fires in 2004 were much less dramatic in Portugal, and this benefited the **Portucel Soporcel Group**, which only suffered fires on 980 hectares of its total forestry holdings.

With a view to taking better advantage of the opportunities offered by the open market, the Forestry Alliance continued to acquire forest operation services by competitive tender, at a Portuguese level, on the basis of detailed and full contract specifications, for each specific job. This practice has been extended to the principal maintenance work, including selection of yucca shoots, mechanical control of undergrowth and maintenance of tracks and fire breaks.

The Group replanted 1000 hectares, carried out maintenance operations on 7,607 kilometres of tracks and fire breaks and 21,622 hectares of forestry plantations, as well as fertilizing 11,472 hectares and transporting to its factories the equivalent of 644,908 cubic metres of eucalyptus timber (without bark).

## Industrial Operations

### Production

In 2004, all the Group's plants set new records for output, and total production of white pulp and paper increased by 2.5% and 4.1% over the previous year.

Factory	2004 Output (10 <sup>3</sup> t)		2003 Output (10 <sup>3</sup> t)	
	Pulp	Paper	Pulp	Paper
Cacia	247	-	244	-
Setúbal	499	253	480	237
Figueira da Foz	508	731	499	707
Portucel Soporcel Group	1.254	984	1223	944

Production at Cacia and Setúbal were affected by a stoppage and slower pace in January in view of excess stocks, causing them to cut output by 12,000 t and 7,500 t respectively, but the subsequent increase in pace and regularity allowed them to recover and record output in excess of their annual budgets. In Setúbal, annual output was up by 4.1%, despite this go-slow.

At Figueira da Foz, the new recovery boiler came online in December, and this will make it possible to increase output to a significant extent.

Improved efficiency in the performance of the Figueira da Foz plant made it possible to set yet another annual record, as in 2003, with total output from the two paper machines exceeding the previous annual records by 4,800 t and 11,100 t.

The increase in production in Setúbal was due essentially to successful investment in modernization of PM1, which made it possible to record an increase of 24.5% over the previous year; the other machines also broke their previous records for annual output.

At both factories, measures were successfully adopted for reducing long fibre pulp consumption, by increasing the incorporation of integrated eucalyptus pulp, which made a significant contribution to a sustained reduction in paper production costs.

In the course of the financial year, the Group altered its status as energy producer using renewable resources, which has led to a significant increase in revenues from the sale of surplus power. The reduction in energy costs was also helped by previous capital expenditure in the biomass boilers in Figueira da Foz and Setúbal, which have made it possible to optimize and reduce the consumption of fuel acquired.

Efforts to outsource auxiliary services have continued at all plants, with satisfactory results in terms of efficiency and cost reduction. This strategy has been adopted in the areas of processing and warehousing, at the paper factories, maintenance, workshops and operation of timber yards, at the pulp plants.

#### 4.3.2 Table: Indicators

The following table provides an overview of the Group's leading operational indicators and asset structure:

Leading Consolidated Indicators: Production, Economic and Financial					
		2001	2002	2003	2004*
<b>Output</b>					
. White pulp	1.000 ton	1.114	1.223	1.223	1.254
. printing and writing paper	1.000 ton	842	922	943	984
<b>Sales</b>					
. Pulp	1.000 ton	575	600	548	608
. Paper	1.000 ton	840	906	938	976
<b>Sales</b>	million Euros	1.049,9	1.085,6	1.000,6	980,6
EBITDA	million Euros	302,7	335,2	258,7	217,9
EBITDA margin	%	29%	31%	26%	22%
Operating results	million Euros	172,6	191,7	111,0	66,6
Net profit	million Euros	71,7	89,5	66,8	33,3
Cash flow	million Euros	216,5	233,7	211,0	184,7
Net debt	million Euros	1.211,1	1.019,1	948,4	872,9

\*NB: Semapa does not appropriate in full the accounts in Portucel's 2004 Income Statement, for the reasons set out in chapter 2. Portucel's contribution to Semapa's results totals 3.0 million euros.

The Group's good operational and commercial efficiency indicators – reflected in new records for output and sales of pulp and paper on the market – failed to have a corresponding impact on results, due to the adverse price and exchange rate conditions described above.

However, it should be noted that the profitability levels achieved compare very favourably with similar companies within Europe.

It was possible to reduce net debt by approximately 65 million euros over the course of the year, despite the distribution of dividends and the considerable investment efforts.

The Group's financial structure, as measured by the financial autonomy ratio, coverage of fixed assets by long term capital and the leverage indicator, was strengthened over the course of the financial year.

#### Capital Markets

The indexes for the pulp and paper sector followed the general trend on the stock exchanges, ending the year with more modest gains than in 2003, reflecting the mixed performance of companies, in both Europe and the US.



**Portucel** shares closed the year with accrued appreciation of 2.14%, roughly 10 percentage points below the average for the Portuguese market, having lost 6% since the public announcement, on 14 December of the review of the composition of the PSI-20 index, which decided temporarily to exclude **Portucel** shares, as a result of their low liquidity, subsequent to the takeover bid launched by the **Semapa Group** in September.

Although the shares ceased to be represented in the current Portuguese stock market index, the reasons for this made it possible to provide the Group with a sound and stable shareholder structure, able to assure the best conditions for pursuing its objectives of growth and consolidation.

In terms of trading, **Portucel** traded approximately 132 million shares in 2004, corresponding to a monthly average of 11 million shares.

The financial year witnessed the conclusion of the 2nd phase of privatization of **Portucel**, with **Semapa – Sociedade de Investimento e Gestão, SGPS, SA**, acting through its subsidiary **Seinpart – Participações, SGPS, SA**, acquiring 30% of the share capital in June 2004. At the start of the 3rd quarter, **Semapa Investments BV**, another subsidiary of Semapa, launched a takeover bid for all the shares in **Portucel**, as a result of which it obtained 60.37% of the share capital and voting rights. On 15 November, **Semapa – Sociedade de Investimento e Gestão, SGPS, SA** informed the market that from such date it was the holder, directly and indirectly, of 67.1% of the share capital and voting rights in **Portucel**, as a result of the purchase, through **Semapa Investments, BV** of shares representing 6.73% of the share capital.

#### 4.3.3 Capital Expenditure

Industrial investment has been regarded as a decisive factor in enhancing the Group's productivity and competitiveness, and major capital expenditure projects went ahead for modernization of plant, efficiency and productivity gains and environmental improvements.

The Group has paid increasing attention to power generation from renewable resources, and this has led to changes in the power distribution networks at the three pulp plants, optimizing the reuse of energy generated at these factories.

These changes have already had a significant impact on the 2004 results for Figueira and Setúbal, and will also have a highly significant impact at Cacia, as from January 2005.

In Cacia, a total of approximately 20.3 million euros has been invested, with work starting on replacement of the existing two recovery boilers by a new boiler which will permit essential improvements in safety and reliability, as well as in the field of production capacity and environmental impact.

At the Setúbal pulp plant, where industrial investment totalled approximately 9.7 million euros, work started on the project for the new electrofilter for the recovery boiler. This will make it possible to obtain significantly lower readings for particle emissions, within the legal limits soon to come into effect.

At the Setúbal paper factory, investment totalled approximately 10.3 million euros, aimed essentially at modernization of plant and facilities, in keeping with the strategy followed since 2000 of optimizing the plant's production capacity through gains in operational efficiency and production quality.

At Figueira da Foz, industrial investment stood at approximately 56 million euros. At the pulp plant, the major development was the conclusion and commissioning of the new recovery boiler, which is the crucial piece of equipment for improving environmental performance, plant reliability and developing the factory's potential production capacity.

Major work was also carried out on the internal industrial water piping, on de-barker 1, on the lime furnace, the auxiliary furnace and the turbo-generator.

At the paper plant, the PM1 drying sector was optimized, and work completed on phase 2 of modernization of the procedure control system, and updating the quality control system.

## 5. Human Resources

The total workforce of Semapa and the companies included in the consolidated accounts (fully consolidated) fell from 4,277 employees in December 2003 to 4,173 in December 2004, due to the inclusion of the Portucel/Soporcel Group in the consolidated accounts for this period, despite some lay-offs in the Portugal-cement, Portugal-concrete and aggregates, Portugal-pre-cast and Tunisia-cement business areas.

## 6. Financial

### 6.1 Alterations to holdings

The alterations to holdings over the course of 2004 are detailed in Chapter 3 of this Report.

### 6.2 Financing

The General Meeting of Bondholders held in March made changes to the conditions of the **Obrigações SEMAPA 98** bond issue, by eliminating the call option, restricting the put option to the maturity date of the 12<sup>th</sup> coupon (9 March 2004) and altering the interest rate.

Also in March the company redeemed 149,639,459 bonds of the **Semapa 98** issue, for a value of 6 million Euros, thereby reducing the issue to a total of 2,244,590,447 bonds, with a nominal value of 17.9 million Euros.

During the same month, the company paid off in full the BTA (Banco Totta & Açores) loan to **SEMAPA**, with a value of 4,414,286 Euros, and the BTA loan to its subsidiary **Seinpart B.V.**, with a value of 244,157,143 Euros.

In May **Semapa** received dividends from **Secil**, both directly and through its subsidiary **Cimentospar – Participações Sociais, SGPS, S.A.**, with a value of 140 million Euros, of which 115 million was paid out of the free reserves and 25 million from the profits for the financial year of 2003.



In June, **Semapa**, acting through its subsidiary **Seinpart – Participações, SGPS, S.A.** paid the price for acquisition of a block of 230,250,000 shares in **Portucel – Empresa Produtora de Pasta de Papel, S.A.**. This operation represented total investment of 333 million Euros. In order to provide financial cover for this operation and the subsequent phases, consisting of the takeover bid for 339,785,231 shares in **Portucel** (excluding those held by the Portuguese State, **Semapa SGPS, SA, Semapa Inversiones SL, Semapa Investments BV** and **Seinpart SGPS, SA** contracted a loan from the CGD and BES banking groups with a total value of up to 850 million Euros, maturing up to 7 years. As at 31 December, approximately 700 million euros of this had been used, given that the operation was partly financed through equity funds in the acquisition of this holding. This sum is reflected in the financial statements of **SEMAPA's** subsidiaries.

In November, **SEMAPA** and **Cimentospar** (a company controlled by **SEMAPA**) received advance dividends for 2004 from Secil totalling approximately 10.4 million euros.

The Group's consolidated net debt as at 31 December 2004 totals 1,791 million Euros, as against 461 million Euros at year-end 2003. The variation in net borrowing is due to the disinvestment and investment operations referred to above, and especially to the sales of holdings in Cimpor and **Secil**, the acquisition of a 67.10% holding in **Portucel**, and to full consolidation of Portucel's debt, totalling 873 million euros.

The European economy, and the Portuguese economy in particular, has been slow in showing signs of a recovery, which has caused the European Central Bank to pursue a monetary policy of low interests, which is not expected to change in the near future. The company has therefore opted to maintain all its borrowing on a floating rate basis, with the consequent benefit of the low levels of the Euribor index.

Note that bank borrowing contracted is stated in euros, except that contracted in Tunisia, which is stated in the local currency.

### 6.3 Pension Funds

The legal proceedings brought by **Secil** against the Portuguese State, for compensation for damage caused by incorrect assessment of the liabilities of the **CMP** pension fund in the confidential information supplied in the privatization processes for **Secil** and **CMP**, continue pending at the Lisbon administrative court, and no development has taken place since April 2000.

The management of independent pension funds created by **Group** companies has been entrusted to independent bodies, since constitution.

As a result of a change in the policy of allocation of pension fund assets, an annual return of 6.9% was obtained on the **Secil** fund, 5.5% on the **CMP** fund and 7.5% on the **Secil Betões e Inertes** fund. A conservative policy has been adopted, giving priority to lower risk assets.

With regard to the Portucel pension funds, readers are referred to the respective item in the Notes to the Financial Statements.

## 6.4 Risk Management

Risk management priorities have been to detect and cover 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.

In relation to management of interest rate risks, it was decided, in view of the economic situation, to maintain all borrowing on a floating rate basis at **SEMAPA** and **Secil**.

In order to manage the interest rate risk associated with medium and long term finance, the **Portucel Soporcel Group** has contracted two swap operations with a total value of € 250,000, maturing in 2007.

At the same time, in order to manage the exchange rate risk associated with receivables denominated in foreign currencies, the **Portucel Soporcel Group** has used futures for these currencies.

### 6.4.1 Client Portfolio Credit Risk

The company has for some time contracted credit insurance policies for the Cement, Ready-Mixed Concrete and Aggregates and Pre-Cast business sectors, with coverage tailored to the risk involved in each of these areas of business.

This policy was renegotiated in the course of the financial year, obtaining a substantial reduction for 2004 and 2005 in the average rate, which will result in a cost saving in this area over the next two years.

In order to hedge against the risk of receivables relating to paper and pulp, the **Portucel Soporcel Group** has taken out credit insurance policies, with terms and cover and premium rates negotiated annually.

### 6.4.2 Property Risks, Civil Liability and Accidents and Health

At the end of the financial year, the insurance policies for 2005 were renegotiated for the Cement, Ready-Mixed Concrete and Aggregates and Pre-Cast business sectors where there has been a slight increase in insurance premium rates for accidents at work and health, and a reduction in rates for property insurance, which corresponds to the most significant premiums in our portfolio.

In relation to the power generation companies, policies for property liability were renewed on 1 July 2004, when the respective annuities fell due. The premium rate was increased, due to the increase in rates in the insurance industry for this type of activity. The opportunity was taken to adjust the expiry date of this policy to the end of 2005.

In the **Portucel Soporcel Group**, the policies were renegotiated at the end of the year, with more favourable terms than in the previous year.

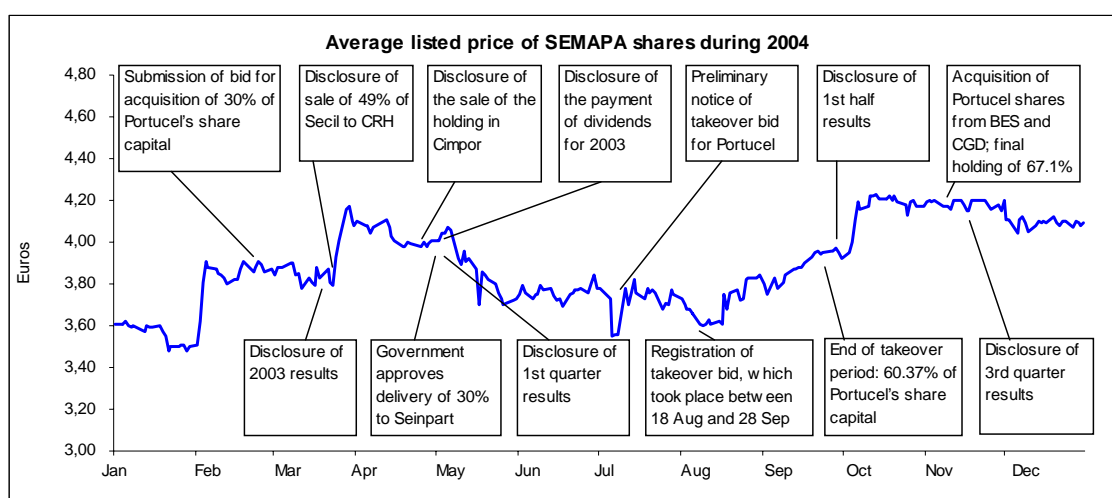
## 6.5 Listed share prices

Over the course of 2004, the average listed price of SEMAPA shares rose by 13.3%. The average daily listed price for these shares varied between a minimum of EUR 3.48 and a maximum of EUR 4.23. An average of approximately 34,310 shares were traded daily during the period.

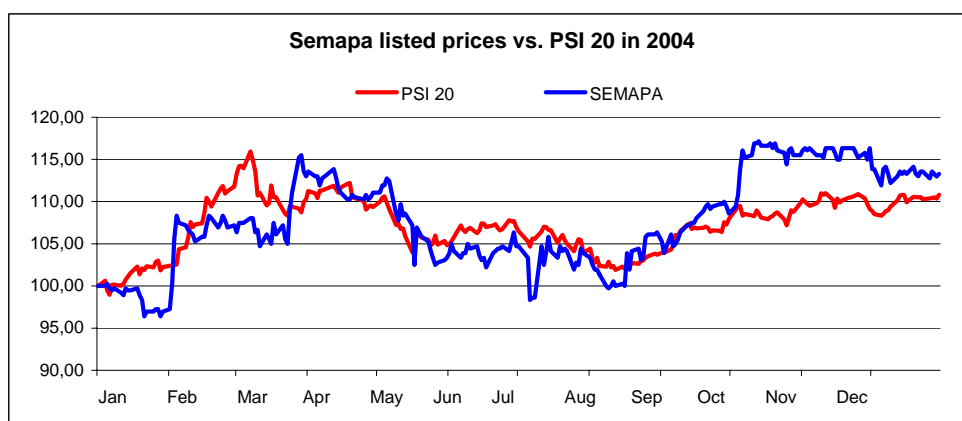
On 19 March 2004, the date on which the company disclosed its 2003 results to the market, there was no significant alteration in the average listed price in relation to the previous session.

The distribution of EUR 0.10 per share in circulation, which represented, in net terms, for shareholders subject to tax, approximately EUR 0.085 per share for resident shareholders and EUR 0.075 per share for non-resident shareholders, had no significant impact on formation of the share price.

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



Semapa shares performed well overall in 2004, rising at above the rate of the main Portuguese equity market index – PSI 20, as shown in the following graph:



## 6.6 Dividends

In the first half of 2004, **SEMAPA** paid its shareholders dividends relating to the profits for 2003, totalling 11,833,244.50 euros, corresponding to a dividend of 0.10 euros per share in circulation.

## 6.7 Net profit for the period

The company recorded a consolidated net profit for the period, after deduction of minority interests of 14,685,763.00 euros, totalling 182,073,722.32 euros. As stated above, this result was strongly influenced by the capital gains realized on the disposal of holdings in **Secil** and **Cimpor**.

## 7. Developments after the close of the financial year

On 26 January 2005, the company disclosed to the market the disposal of its entire holding in **ENCE – Grupo Empresarial Ence, S.A.**. This disposal was effected through companies controlled by **SEMAPA – Sociedade de Investimento e Gestão, SGPS, SA: Seinpar Investments BV** disposed of its block of 1,018,800 shares and **Portucel – Empresa Produtora de Pasta e Papel, SA** disposed of its holding of 1,018,800 shares acquired on the same date.

## 8. Acknowledgements

Despite the difficult economic climate, in 2004 the **Semapa Group** successfully bolstered its position as a corporate group with diversified interests, making extremely significant investments and recording highly satisfactory indicators, as well as pursuing an ambitious plan of streamlining the organization and procedures in its various business areas. None of this would have been possible without the dedication of its employees, the support and understanding of its clients and suppliers, the cooperation of financial institutions, regulatory and supervisory authorities and the Audit Board, and, finally, the continuing interest and confidence of its shareholders.

The Board of Directors would therefore like to thank all those concerned for their support during the year.

## 9. 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 the value of the investment in **Portucel** and the financial liabilities deriving from this;

We propose the following distribution of the balance of 182,073,722.32 euros in the account for net profits:

Dividends for shares in circulation ...(0.10 euros/share).....	11,833,244.50 Euros
Retained earnings .....	3,000,000.00 Euros
Legal reserve .....	9,103,686.00 Euros
Free reserves .....	158,136,791.82 Euros

Lisbon, 28 February 2005

***The Board of Directors***

***Chairman***

Pedro Mendonça de Queiroz Pereira

***Directors***

Maria Maude Mendonça de Queiroz Pereira Lagos

Carlos Eduardo Coelho Alves

José Alfredo de Almeida Honório

Frederico José da Cunha Mendonça e Meneses

Gonçalo Allen Serras Pereira

Francisco José de Melo e Castro Guedes

Paulo Jorge de Carvalho Ventura

Luís Manuel Pego Todo Bom

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## **Corporate Governance Report Financial year of 2004**

### Chapter 0 Declaration of Compliance

#### Recommendation no. 1

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

This recommendation has therefore been adopted in full.

#### Recommendation no. 2

The recommendation has been adopted with regard to postal votes, with the voting slips available on the company's website. Postal votes are only required to arrive at the company three business days prior to the meeting, and the articles of association place no further limitation on this form of voting.

The only restriction in the articles of association on voting by proxy is that on the representation of individual shareholders, as referred to in article 380, para. 1 of the Companies Code.

The company has not adopted the recommendation that the requirement for deposit or freezing of shares be for no more than five business days, and instead requires that the documents proving the freezing of shares be presented 8 calendar days prior to the meeting. This is therefore a difference of merely one day, and does not therefore constitute a divergence from the principles which this recommendation seeks to preserve.

It should be noted that the 8-day rule was approved unanimously by all shareholders present at the annual general meeting in 2003. A motion requiring that shares should be owned no less than 30 days prior to the general meeting was also carried unanimously; the person or organisation depositing the shares may present proof of this 30-day period without having to freeze the shares in question for any part of this period in excess of the 8-day period required for notice.

This recommendation has not been adopted in full.

#### Recommendation no. 3

The company has adopted the recommendation that an internal system of control be created. Risk control in Semapa is the responsibility of the directors themselves, and only in subsidiaries, where the size and complexity of exposure so requires, have other staff been allocated to these duties.

#### Recommendation no. 4

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

#### Recommendation no. 5

The management body comprises several members, who effectively direct the management of the company and its senior staff. The recommendation to this effect has therefore been adopted by the company.

#### Recommendation no. 6

This recommendation has not been adopted because none of the current directors falls within the category of independent director as defined in para.2 of article 1 of Securities Market Commission Regulations 11/2003.

The Board of Directors believes that its composition reflects adequate diversity in order to maximise the pursuit of the company's interest, meaning that no immediate alteration to the composition of the board is justified in order to include a director who meets the criteria now adopted by these regulations, without prejudice to the possibility of evolving in due time in the direction recommended.

#### Recommendation no. 7

The company has not adopted the recommendation that internal control committees be created with powers to assess the company's structure and governance.

The board of directors is aware of the advantages of continuous reflection on and tuning of the governance structure and procedures, but has not considered the creation of a committee with these specific responsibilities to be justified. The board of directors itself exercises this form of control, and is open to opinions and suggestions from the other bodies and structures within the company.

#### Recommendation no. 8

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

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

#### Recommendation no. 9

The company's remuneration committee comprises only corporate bodies. In the light of the concept of independence followed by the recommendation, this means that the recommendation cannot but be deemed to be fully adopted.

#### Recommendation no. 10

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

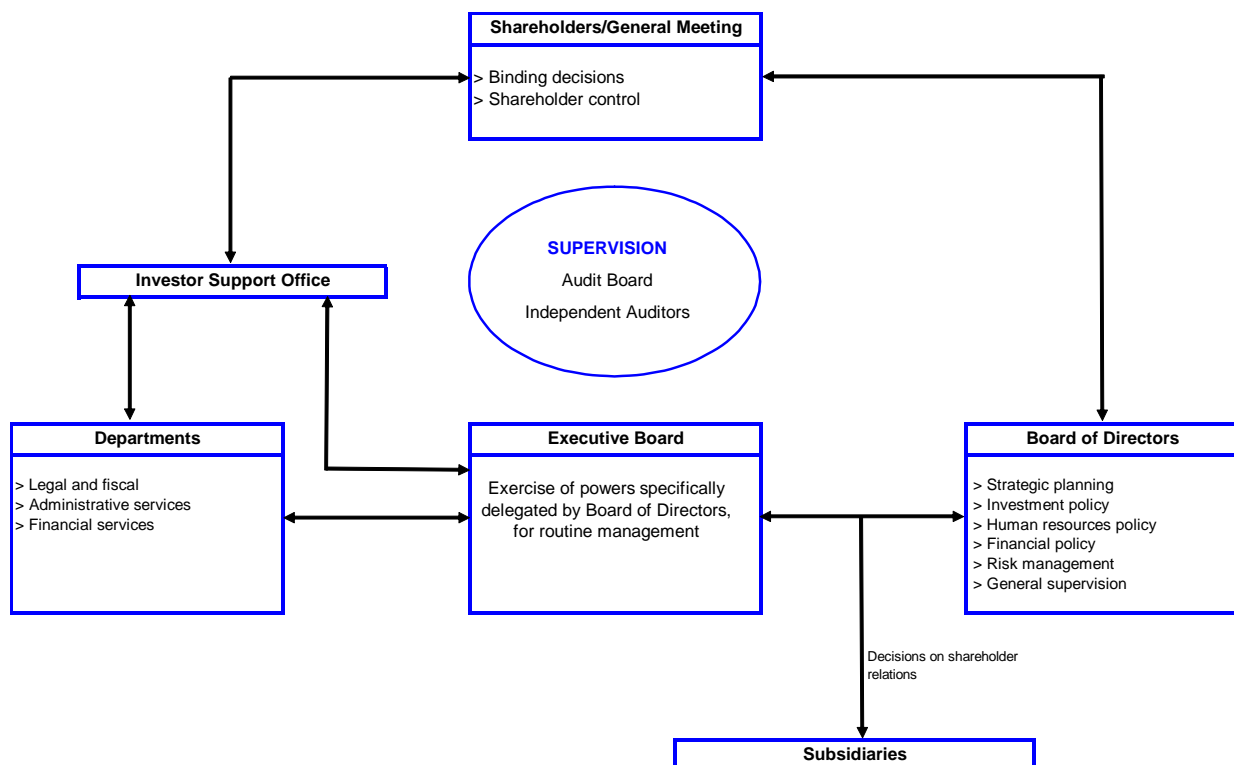
#### Recommendation no. 11

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

Chapter I  
Disclosure of information

1. Organisational structure

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



2. Specific Committees

The only specific committee within the company is the remuneration committee, which comprises the following shareholders in Semapa:

Sociedade Agrícola da Quinta da Vialonga, S.A.  
Cimo – Gestão e Participações, S.A.  
Longapar, SGPS, S.A.

The duties usually assigned to other committees, such as assessment of corporate structure and governance or ethical questions, are attributed in Semapa to the Board of Directors. In relation to questions of ethics, the Board of Directors was assigned specific powers as a result of the approval in 2002 of the company's "Principles of Professional Conduct".

As a holding company, Semapa has a relatively simple structure, and there are therefore various committees in the companies controlled by Semapa, without any direct impact on the company.



### 3. Risk Control

Risk control activities are carried on through independent audits, through the company boards and the departments with specific duties in this area.

Independent audits of Semapa and the companies it controls are conducted by PriceWaterhouseCoopers except for Soporocel and its subsidiaries, where the audits are conducted by Deloitte & Touche.

Internally, in addition to the leading role played by the Audit Board, risk management differs between Semapa and its main subsidiaries, in view of the different nature and exposure of the companies.

At Semapa, risk control is the responsibility of the directors themselves, under the leadership of Dr. José Alfredo de Almeida Honório. Risk management at Semapa focuses on the management of financial resources, as other risk components, namely client credit risks and property risks, third party liability and health risks, are covered to a significant extent by the work of our subsidiaries.

Especially significant in this area is environmental risk which, in the cases of both Secil and Portucel, is paid particular attention, being controlled by the relevant departments of these subsidiaries.

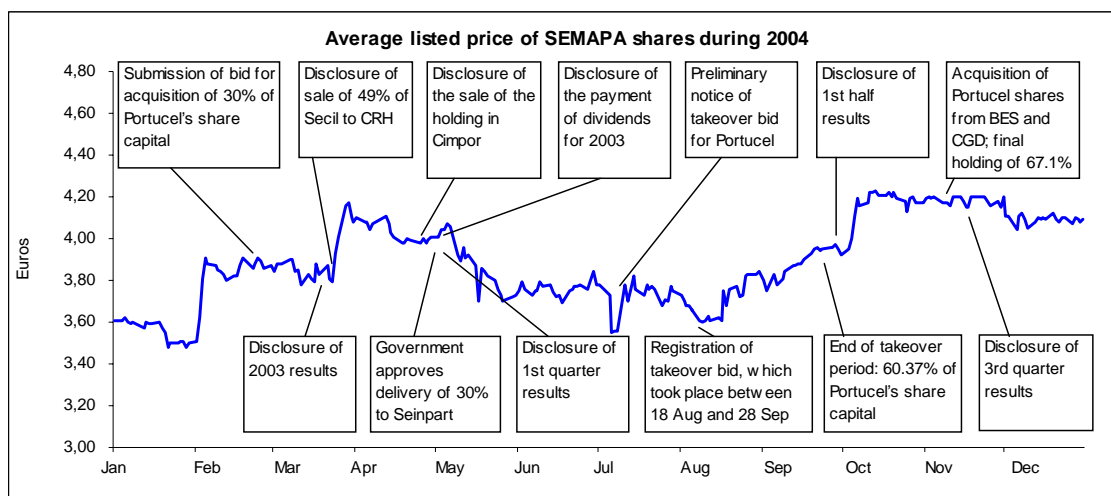
### 4. Listed share prices

Over the course of 2004, the average listed price of SEMAPA shares rose by 13.3%. The average daily listed price for these shares varied between a minimum of EUR 3.48 and a maximum of EUR 4.23. An average of approximately 34,310 shares were traded daily during the period.

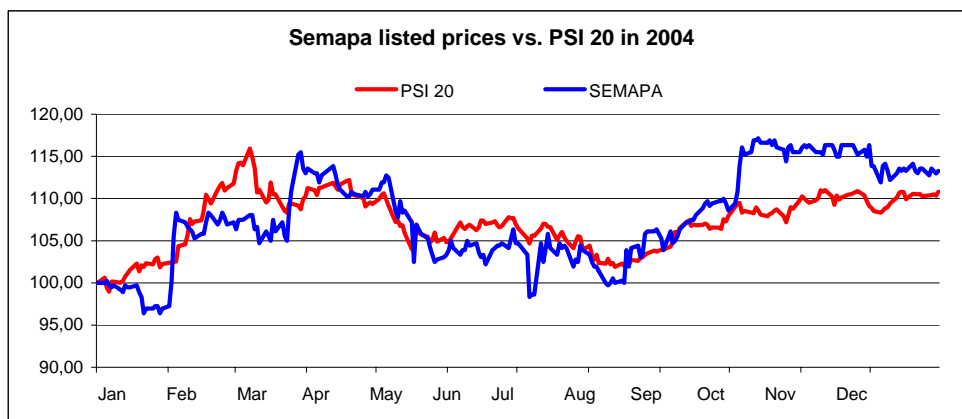
On 19 March 2004, the date on which the company disclosed its 2003 results to the market, there was no significant alteration in the average listed price in relation to the previous session.

The distribution of EUR 0.10 per share in circulation, which represented, in net terms, for shareholders subject to tax, approximately EUR 0.085 per share for resident shareholders and EUR 0.075 per share for non-resident shareholders, had no significant impact on formation of the share price.

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



Semapa shares performed well overall in 2004, rising at above the rate of the main Portuguese equity market index – PSI 20, as shown in the following graph:



#### 5. Dividend distribution policy

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

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

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

2002 (in relation to 2001)	0.10 € per share
2003 (in relation to 2002)	0.10 € per share
2004 (in relation to 2003)	0.10 € per share

#### 6. Share and option allocation schemes

The Company runs no share or option allocation scheme.

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

No transactions to report.

#### 8. Investor Support Office

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

In addition to the general contact details for the company, Dr. José Miguel Gens Paredes can be contacted at the address [jmparedes@semapa.pt](mailto:jmparedes@semapa.pt) or on the company's general telephone numbers.

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

#### 9. Remuneration Committee

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

Sociedade Agrícola da Quinta da Vialonga, S.A.  
Cimo – Gestão e Participações, S.A.  
Longapar, SGPS, S.A.

All of these companies have directors who are also directors of Semapa.

#### 10. Remuneration of Auditors

The following costs were incurred in relation to auditors in 2004 by the company and other related companies:

Services – Audit of Accounts	415.464€
Other services – reliability assurance	177.102€
Fiscal consultancy services	168.111€
Services other than legal auditing	77.322€
	<u>837.999€</u>

NB: In relation to the Portucel Soporcel Group, it should be noted that the figures stated include 100% of the amounts paid annually by this corporate group, without taking Semapa's proportional share into account.

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

### Chapter II

#### Exercise of voting rights and representation of shareholders

##### 1. Company rules on voting rights

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

##### 2. Postal vote form

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

##### 3. Electronic voting

Electronic voting is still not provided for. Note that no shareholder or investors have yet requested or expressed an interest in such procedures.

#### 4. Period for freezing shares

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

The same document must also state that the shareholder has owned the shares in the company since at least 30 days prior to the date of the meeting, and that the shares will be frozen until the end of the meeting. As stated in this report, this 30 day period may be certified by the party making the deposit, without any requirement that shares be blocked for any part of this period in excess of the 8 calendar day period required for notice.

#### 5. Deadline for receipt of postal votes

Postal votes must be received no less than three business days prior the date of the general meeting.

#### 6. Number of shares corresponding to one vote

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

### Chapter III Company Rules

#### 1. Codes of Conduct

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

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

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

Access to this document is reserved.

#### 2. Control of operating risks

Semapa has no division or department dedicated to internal audit or risk management, and risk control activities are carried out as described in point I-3.

#### 3. Measures capable of interfering with takeover bids

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

## Chapter IV Management Body

### 1. Description of Board of Directors

The company's Board of Directors consists of nine members. Messrs. Pedro Mendonça de Queiroz Pereira, Eng. Carlos Eduardo Coelho Alves, Dr. José Alfredo de Almeida Honório, Eng. Gonçalo Allen Serras Pereira and Dr. Francisco José Melo e Castro Guedes exercise executive duties, and are members of the company's Executive Board. The director Ms. Maria Maude Mendonça de Queiroz Pereira Lagos and the directors Messrs. Eng. Frederico José da Cunha Mendonça e Meneses, Dr. Paulo Jorge Barreto de Carvalho Ventura e Eng. Luís Manuel Pego Todo Bom do not exercise executive duties.

As stated above, none of the members of the Board of Directors is independent in accordance with the concept as defined in Securities Market Commission Regulations 11/2003.

The directors hold office in the following companies. Companies marked (SG) are members of the Semapa Group.

#### **Pedro Mendonça de Queiroz Pereira**

CIMENTOSPAR Participações Sociais, SGPS, Lda (GS) .....	Manager
CIMIANTO - Gestão de Participações, SA, .....	Chairman Board of Directors
CIMINPART - Investimentos e Participações, SGPS, S.A. (GS) .....	Chairman Board of Directors
CIMO - Gestão de Participações, SGPS, SA.....	Chairman Board of Directors
CMPartin - Inversiones y Participaciones Empresariales SL (GS).....	Chairman Board of Directors
CMP - Cimentos Maceira e Pataias, SA (GS).....	Chairman Board of Directors
ECOLUA - Actividades Desportivas, Lda.....	Manager
LONGAPAR, SGPS, SA .....	Chairman Board of Directors
O E M - Organização de Empresas, SGPS, SA.....	Chairman Board of Directors
PARSECIL, SL (GS) .....	Chairman Board of Directors
PARSEINGES - Gestão de Investimentos, SGPS, S.A. (GS).....	Chairman Board of Directors
PORTUCEL - Empresa Produtora de Pasta e Papel, S.A. (GS).....	Chairman Board of Directors
REFUNDOS – Sociedade Gestora de Fundos de Investimento Imobiliários, S.A	Chairman of General Meeting
SECIL - Companhia Geral de Cal e Cimento, SA (GS) .....	Chairman Board of Directors
SECILPAR, SL (GS) .....	Chairman Board of Directors
SEINPART Participações, SGPS, S.A (GS) .....	Chairman Board of Directors
SEMAPA Inversiones, SL (GS).....	Chairman Board of Directors
SEMINV - Investimentos, SGPS, S.A (GS).....	Chairman Board of Directors
Sociedade Agrícola da QUINTA DA VIALONGA, SA .....	Chairman Board of Directors
SODIM SGPS, SA .....	Chairman Board of Directors
SONACA – Sociedade Nacional de Canalizações, S.A.....	Secretary of General Meeting
SOPORCEL - Sociedade Portuguesa de Papel, S.A. (GS) .....	Chairman Board of Directors
VÉRTICE-Gestão de Participações, SGPS, SA.....	Chairman Board of Directors

#### **Maria Maude Mendonça de Queiroz Pereira Lagos**

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

#### **Carlos Eduardo Coelho Alves**

SONACA – Sociedade Nacional de Canalizações, S.A.....	Director
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CIMIANTO - Gestão de Participações, SA .....	Director
SODIM, SGPS, SA .....	Director
SECIL - Companhia Geral de Cal e Cimento, SA (GS) .....	Chief Executive Officer
CMP - Cimentos Maceira e Pataias, SA (GS) .....	Chief Executive Officer
CIMO - Gestão de Participações, SGPS, SA .....	Director
SCG – Soci��t�� des Ciments de Gab��s, SA (GS) .....	Chairman Board of Directors
SEMINV - Investimentos, SGPS, S.A (GS) .....	Director
SECILPAR, SL (GS) .....	Director
CIMINPART - Investimentos e Participa���es, SGPS, S.A. (GS) .....	Director
PARCIM – Investments B.V. (GS) .....	Director
PARSEINGES - Gest��o de Investimentos, SGPS, S.A. (GS) .....	Director
SEINPART Participa���es, SGPS, S.A (GS) .....	Director
LONGAPAR, SGPS, SA .....	Director
BETOPAL, S.L. (GS) .....	Director
ENERSIS, SGPS, S.A. ....	Chairman of General Meeting
CMPartin-Inversiones y Participaciones Empresariales SL (GS) .....	Director
PARSECIL, SL (GS) .....	Director
SEMAPA Inversiones, SL (GS) .....	Director
CIMENTOSPAR - Participa���es Sociais, Lda. (GS) .....	Manager
FLORIMAR – Gest��o e Participa���es, SGPS, Soc. Unipessoal, Lda. (GS)	Manager
PORTUCEL – Empresa Produtora de Pasta e Papel, SA (GS) .....	Director
SOPORCEL – Sociedade Portuguesa de Papel, SA (GS) .....	Director
ENERSIS II – Sociedade de Gest��o de Participa���es, SGPS, S.A .....	Chairman of General Meeting

#### **Jos   Alfredo de Almeida Hon  rio**

PORTUCEL – Empresa Produtora de Pasta e Papel, SA (GS) .....	Chairman of Executive Board
SOPORCEL – Sociedade Portuguesa de Papel, SA (GS) .....	Chairman of Executive Board
PORTUCEL FLORESTAL–Empresa de Desenvolvimento Agro-Florestal, SA (GS)	Chairman Board of Directors
ALIAN��A FLORESTAL – Sociedade para o Desenvol. Agro-Florestal, SA (GS)	Chairman Board of Directors
SEMINV - Investimentos, SGPS, S.A (GS) .....	Director
CMPartin-Inversiones y Participaciones Empresariales SL (GS) .....	Director
PARSECIL, SL (GS) .....	Director
SEMAPA Inversiones, SL (GS) .....	Director
CIMENTOSPAR - Participa���es Sociais, SGPS, Lda. (GS) .....	Manager
FLORIMAR – Gest��o e Participa���es, SGPS, Soc. Unipessoal, Lda. (GS)	Manager
BETOPAL, S.L. (GS) .....	Director
LONGAPAR, SGPS, S.A. ....	Director
CIMINPART-Investimentos e Participa���es, SGPS, S.A. (GS) .....	Director
PARCIM Investment B.V. (GS) .....	Director
PARSEINGES-Gest��o de Investimentos, SGPS, S.A. (GS) .....	Director
SEINPART Participa���es, SGPS, S.A. (GS) .....	Director
CIMO-Gest��o de Participa���es, SGPS, S.A. ....	Director
CIMIANTO-Gest��o de Participa���es, SGPS, S.A .....	Director
CMP-Cimentos Maceira e Pataias, S.A (GS) .....	Director
SECIL-Companhia Geral de Cal e Cimento, S.A. (GS) .....	Director
HIDROTUELA – Hidroel��ctrica do Tuela, SA (GS) .....	Vice-Chairman of General Meeting

#### **Frederico Jos   da Cunha Mendon  a e Meneses**

CIMILONGA – Imobili��ria S.A. ....	Chairman Board of Directors
LONGAVIA – Imobili��ria, S.A. ....	Chairman Board of Directors
IMOCIPAR – Imobili��ria, S.A. ....	Chairman Board of Directors
SONAGI, SGPS, S.A. ....	Chairman Board of Directors
SONAGI – Imobili��ria S.A. ....	Chairman Board of Directors
Sociedade Imobili��ria de Baldio de Paula, S.A. ....	Chairman Board of Directors
SAIVANE Imobili��ria, S.A. ....	Chairman Board of Directors
CIMIANTO-Gest��o de Participa���es, SGPS, S.A .....	Director
Hotel RITZ, SA .....	Director
SCG – Soci��t�� des Ciments de Gab��s, SA (GS) .....	Director

Goliatur – Sociedade Investimentos Imobiliários SA .....	Director
Cunha e Meneses, Lda .....	Manager

**Francisco José Melo e Castro Guedes**

CMP- Cimentos Maceira e Pataias, S.A (GS).....	Director
PARSEINGES-Gestão de Investimentos, SGPS, S.A. (GS).....	Director
SECIL – Companhia Geral de Cal e Cimento, S.A. (GS).....	Director
SEINPART Participações, SGPS, S.A. (GS) .....	Director
SEMINV – Investimentos, SGPS, S.A. (GS).....	Director
SCG – Soci��t�� des Ciments de Gab��s, S.A. (GS).....	Director
ENERSIS II – Sociedade de Gest��o de Participa���es, SGPS, S.A. (GS)	Director
CDS- Ciments de Sibline, SGPS, S.A. (GS) .....	Director
CIMINPART-Investimentos e Participa���es, SGPS, S.A. (GS) .....	Director
ENERSIS, SGPS, S.A. (GS).....	Director
SEMAPA Inversiones, SL (GS).....	Director
SILONOR, S.A. (GS) .....	Director

**Gon  alo Allen Serras Pereira**

Alto Mar��o - Energia E��lica, Unipessoal, Lda(GS) .....	Manager
Aproveitamento H��drico Vale Ruvinhosa, Lda(GS) .....	Manager
CIMENTOSPAR - Participa���es Sociais, Lda (GS) .....	Manager
CIMIANTO - Gest��o de Participa���es, SGPS, SA.....	Director
CIMINPART - Investimentos e Participa���es, SGPS, SA (GS) .....	Director
CMPartin - Inversiones y Participaciones Empresariales, SL (GS).....	Director
Comp�� das Energias Renov��veis da Serra dos Candeeiros, Lda (GS) ....	Manager
ECH - Explora���o de Centrais Hidroel��ctricas, SA (GS).....	Director
ENEPRO - Projectos de Energias Renov��veis, Lda (GS) .....	Manager
ENERFLORA - Produ���o de Energia El��ctrica, Lda (GS) .....	Manager
Enerfuel Produ���o de Biocombust��veis, Lda (GS).....	Manager
ENERSIS, SGPS, SA (GS).....	Chairman Board of Directors
ENERSIS II, Sociedade Gestora de Participa���es Sociais,SA (GS) .....	Chairman Board of Directors
ENERULTRA, Produ���o de Energia El��ctrica,Lda (GS) .....	Manager
ENERVIA - Sociedade de Produ���o de Energia, SA (GS) .....	Director
Freita E��lica - Energia E��lica, Lda(GS) .....	Manager
HE 70 - Energias Renov��veis Reunidas, SGPS, SA(GS) .....	Chairman Board of Directors
HIDROCORG�� - Hidroel��ctrica do Corgo, SA(GS) .....	Director
Hidroel��ctrica da Barroca, Lda (GS).....	Manager
Hidroel��ctrica da Mesa do Galo, Lda(GS) .....	Manager
Hidroel��ctrica da Ribeira de Alfor��a, SA (GS) .....	Director
Hidroel��ctrica de Dornelas, Lda (GS) .....	Manager
Hidroel��ctrica de Fraga, Lda(GS) .....	Manager
Hidroel��ctrica de Penacova, Lda (GS).....	Manager
HIDROMAR��O - Sociedade Produtora de Energia, SA (GS) .....	Chairman Board of Directors
JAYME DA COSTA - Mec��nica e Electricidade, SA .....	Director
MCD - Materiais de Constr����o Dragados e Bet��o Pronto, SA (GS) .....	Director
Mini H��drica do Palhal, Lda (GS).....	Manager
Parque E��lico Cabe��a Alta, Lda (GS).....	Manager
Parque E��lico Chiqueiro, Lda(GS) .....	Manager
Parque E��lico da Penha da Gardunha, Lda (GS) .....	Manager
Parque E��lico da Serra de Leomil, S.A. (GS) .....	Chairman Board of Directors
Parque E��lico de Marco Negro - Prod. Energias Renov��veis, Lda (GS) ..	Manager
Parque E��lico de Trevim, Lda (GS) . .....	Manager
Parque E��lico do Infante - Prod. Energias Renov��veis, Lda (GS) .....	Manager
Parque E��lico do Zibreiro, Lda (GS) .....	Manager
Parque E��lico Malhadas-G��is, S.A. (GS) .....	Chairman Board of Directors
Parque E��lico Serra da Opa, Lda (GS).....	Manager
Parc Eolien de la Voie Bleriot Est (GS).....	Director
PARSEINGES - Gest��o de Investimentos, SGPS, SA. (GS).....	Director
PECF - Parque E��lico de Ch��o Falc��o, Lda (GS) .....	Manager
PEL - Parque E��lico da Lous��, Lda (GS) .....	Manager



PEP - Parque Eólico da Povoeira, Lda (GS).....	Manager
PESL - Parque Eólico da Serra do Larouco, SA. (GS) .....	Chairman Board of Directors
PESM - Parque Eólico da Serra das Meadas, Lda (GS).....	Manager
PEVB - Parque Eólico de Vila do Bispo, Lda (GS).....	Manager
Renewable Energy Systems Sistemas Energéticos, S.A. (GS) .....	Chairman Board of Directors
SCG - Société des Ciments de Gabès, SA(GS). .....	Director
SECIL Investimentos, SGPS, SA. (GS) .....	Director
SECILPAR, SL (GS) .....	Director
SEINPART - Participações, SGPS, SA. (GS) .....	Director
SEMAPA Inversiones, SL. (GS).....	Director
SONACA - Sociedade Nacional de Canalizações, S.A. ....	Chairman Board of Directors
Ventos da Serra, Produção de Energia Lda. (GS) .....	Manager

#### **Paulo Jorge Barreto de Carvalho Ventura**

Besleasing e Factoring - Instituição Financeira de Crédito, SA .....	Chairman of General Meeting
CARREFOUR - Sociedade de Exploração de Centros Comerciais, SA ...	Chairman of General Meeting
CIMIANTO - Gestão de Participações, SGPS, SA.....	Chairman of General Meeting
CIMIANTO - Sociedade Técnica de Hidráulica, SA .....	Chairman of General Meeting
CIMINPART - Investimentos e Participações, SGPS, SA.....	Chairman of General Meeting
CMP - Cimentos Maceira e Pataias, SA .....	Chairman of General Meeting
COMPANHIA DE SEGUROS ALLIANZ, PORTUGAL, SA .....	Chairman of General Meeting
COMPANHIA DE SEGUROS TRANQUILIDADE, SA.....	Chairman of General Meeting
ESIA - Inter Atlântico Companhia de Seguros, SA .....	Chairman of General Meeting
ESPÍRITO SANTO FINANCIAL (PORTUGAL) - SGPS, SA .....	Chairman of General Meeting
GALERIAS RITZ - Imobiliária, SA.....	Chairman of General Meeting
GOLIATUR - Sociedade de Investimentos Imobiliários, SA.....	Chairman of General Meeting
HIDROPROJECTO - Engenharia e Gestão, SA .....	Chairman of General Meeting
HOTEL RITZ, SA .....	Chairman of General Meeting
JCDECAUX AIRPORT - Publicidade em Aeroportos, SA.....	Chairman of General Meeting
JCDECAUX NEONLIGHT – Publicidade Luminosa, SA.....	Chairman of General Meeting
PARQUE RITZ - Imobiliária, SA.....	Chairman of General Meeting
PARSEINGES - Gestão de Investimentos, SGPS, SA .....	Chairman of General Meeting
PEMA - Pesquisas e Empreend. Mineiros, Agro-Industriais e de Comércio, SA	Director
RED PORTUGUESA - Publicidade Exterior, SA.....	Chairman of General Meeting
SAIVANE IMOBILIÁRIA SA .....	Chairman of General Meeting
SECIL - Companhia Geral de Cal e Cimento, SA (GS) .....	Chairman of General Meeting
SECIL, Betões e Inertes - Sociedade Gestora de Participações Sociais, SA(GS)	Chairman of General Meeting
SEINPART - Participações, SGPS, SA (GS) .....	Chairman of General Meeting
SEMINV - Investimentos, SGPS, SA (GS).....	Chairman of General Meeting
SODIM - SGPS, SA .....	Chairman of General Meeting
SONACA - Sociedade Nacional de Canalizações, SA.....	Chairman of General Meeting
VÉRTICE - Gestão de Participações, SGPS, SA .....	Director

#### **Luís Manuel Pego Todo Bom**

Banco Finantia, S.A. ....	Director
Amorim Imobiliária, SGPS, S.A.....	Director
Celulose do Caima, SGPS, S.A. ....	Director
Companhia de Seguros Sagres, S.A.	Director

## **2. Executive Board**

The only board with management powers is the Executive Board, which comprises, as already stated, Messrs. Pedro Mendonça de Queiroz Pereira, Eng. Carlos Eduardo Coelho Alves, Dr. José Alfredo de Almeida Honório, Eng. Gonçalo Allen Serras Pereira and Dr. Francisco José Melo e Castro Guedes.

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



### 3. Workings of the Management Body

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

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

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

The Executive Board cannot resolve on the following:

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

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

The Board of Directors met ten times in 2004.

### 4. Remuneration Policy

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

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

### 5. Remuneration

The total remuneration earned by directors with executive powers in the company, including amounts paid on any grounds by controlled or controlling companies stood at 7,427,953.00 €, of which 3,935,579.00 € corresponded to the fixed component, and 3,492,374.00 € corresponded to profit sharing.

Total remuneration earned by non-executive directors, including amounts paid on any grounds by controlled or controlling companies, stood at 1,342,956.00 €, of which 620,956.00 € corresponded to the fixed component and 722,000.00 € corresponded to profit sharing.

**Disclosure required by articles 447 and 448 of the Companies Code and para. 1 e of article  
8 of Stock Market Commission Regulations no. 04/2004  
(Financial year of 2004)**

- 1. Securities issued by the company held by company officers:** José Alfredo de Almeida Honório – 20,000 shares.
- 2. The company officers hold no securities issued by companies controlled by or related to Semapa.**
- 3. Securities issued by the company held by companies in which directors and auditors hold corporate office:** Cimianto – Gestão de Participações, S.A. – 100 shares; Cimo - Gestão de Participações, SGPS, S.A. – 14,592,300 shares; Longapar, SGPS, S.A. – 20,000,000 shares; Sodim SGPS, SA – 26,115,000 shares; Sociedade Agrícola da Quinta da Vialonga, SA – 642,535 shares; Sonaca - Sociedade Nacional de Canalizações, SA – 1,250,000 shares; OEM - Organização de Empresas, SGPS, SA – 500,000 shares; Cunha e Meneses, Lda – 8,000 shares; Secil Investimentos, SGPS, S.A. – 2,727,975 shares.
- 4. Acquisition, disposal or encumbrance of securities issued by the company or companies controlled by or related to the group by company officers and the companies referred to in 3:** Banco Espírito Santo de Investimento, S.A. purchased 42,225 shares in the company on 2-2-2004 for a price of 3,51€ per share, purchased 4,500 shares in the company on 3-2-2004 for a price of 3.63€ per share and sold 46,725 shares in the company on 6-2-2004 for a price of 3.90€ per share; Carlos Eduardo Coelho Alves sold 761 shares in Enersis – Sociedade Gestora de Participações Sociais, S.A. on 17-5-2004 for a price of 14.9147€ per share; Sonagi, SGPS, S.A. sold 6,360 shares in Enersis– Sociedade Gestora de Participações Sociais, S.A., on 26-5-2004, for a price of 14.9147€ per share to Geciment – Gestão de Participações, SGPS, S.A., now called Enersis II – Sociedade Gestora de Participações Sociais, S.A.; Sonagi, SGPS, S.A. purchased 67 shares in Geciment on 21-5-2004 for a price of 5.00€ per share, from Semapa; Frederico José da Cunha Mendonça e Meneses sold 8,000 shares in the company on 27-12-2004 for a price of 4.10€ per share to Cunha e Meneses, Lda.

## 5. Qualifying holdings calculated under the terms of article 20 of the Securities Code:

Holder	No. shares	% voting rights	% non-suspended voting rights
<b>A -</b> Cimianto - Gestão de Participações, S.A.	100	0,00%	0,00%
Cimo - Gestão de Participações, SGPS, S.A.	14.592.300	12,33%	12,62%
Longapar, SGPS, S.A.	20.000.000	16,90%	17,30%
Sonaca - Sociedade Nacional de Canalizações, S.A.	1.250.000	1,06%	1,08%
OEM – Organização de Empresas, SGPS, S.A.	500.000	0,42%	0,43%
Sociedade Agrícola da Quinta da Vialonga, S.A.	642.535	0,54%	0,56%
Sodim, SGPS, S.A.	26.115.000	22,07%	22,59%
José Alfredo Almeida Honório	20.000	0,02%	0,02%
Subtotal:	63.119.935	53,34%	54,60%
<b>B -</b> Banco BPI, S.A.	-	-	-
Banco Português de Investimento, S.A.	17.490	0,01%	0,02%
BPI Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	4.195.830	3,55%	3,63%
BPI Fundos - Gestão de Fundos de Investimento Mobiliário, S.A.	1.051.000	0,89%	0,91%
BPI Vida - Companhia de Seguros de Vida, S.A.	33.546	0,03%	0,03%
Institutional clients with discretionary portfolio management	70.016	0,06%	0,06%
Private clients with discretionary portfolio management	72.534	0,06%	0,06%
Subtotal:	5.440.416	4,60%	4,71%
<b>C -</b> Cimpor Portugal, SGPS, S.A.	23.695.611	20,02%	20,50%
<b>D -</b> AF Investimentos - Fundos Mobiliários, S.A.	2.468.900	2,09%	2,14%

Note that the 2,727,975 shares in the company held by Seminv Investimentos, SGPS, S.A., corresponding to 2.305% of the share capital, are subject to the rules on own shares.

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

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2004 AND 2003

(Amounts stated in Euros)

ASSETS	Notes	2004			2003		EQUITY, MINORITY INTERESTS AND LIABILITIES	Notes	2004	2003
		Gross	Depreciation/ provisions	Net	Net					
FIXED ASSETS:										
Intangible assets:										
Incorporation expenses	27	3.117.503	(2.486.487)	631.016	952.763	Share capital	50 and 51	118.332.445	118.332.445	
Research and development expenses	27	1.062.948	(1.017.907)	45.041	103.850	Treasury stock - nominal value	51	(2.727.975)	(2.727.975)	
Industrial property and other rights	27	71.542.884	(9.342.514)	62.200.370	80.183.578	Treasury stock - discounts and premiums	51	(7.671.437)	(7.671.437)	
Goodwill	27	103.345	(31.434)	71.911	362.728	Share premiums	10 and 51	3.923.459	3.923.459	
Consolidation differences	10 and 27	869.366.277	(227.242.683)	642.123.594	230.084.173	Accumulated exchange adjustments	51	(29.354.978)	(11.707.344)	
Intangible assets in progress	27	164.068	-	164.068	45.645	Revaluation reserves	51 and 52	10.099.610	8.986.163	
Advances to suppliers of intangible assets	27	-	-	-	7.885	Reserves:				
		945.357.025	(240.121.025)	705.236.000	311.740.622	Legal reserves	51	13.117.391	11.113.752	
Tangible assets:										
Land and natural resources	27 and 42	145.900.051	(10.376.699)	135.523.352	36.263.494	Other reserves	51	101.765.900	77.530.008	
Buildings and other constructions	27 and 42	666.590.317	(390.460.439)	276.129.878	91.862.088	Retained earnings	51	(5.133.439)	(226.340)	
Machinery and equipment	27 and 42	3.152.672.334	(2.134.372.181)	1.018.300.153	175.559.832	Consolidated net profit for the year	51	182.073.722	40.072.775	
Transport equipment	27 and 42	68.070.844	(51.527.354)	16.543.490	4.641.153	Total equity		384.424.698	237.625.506	
Tools and utensils	27 and 42	8.354.307	(7.532.970)	821.337	412.942	MINORITY INTERESTS				
Administrative equipment	27 and 42	65.268.445	(56.283.571)	8.984.874	3.310.663	53				
Reusable containers	27 and 42	378.360	(245.180)	133.180	834	LIABILITIES:				
Other tangible fixed assets	27 and 42	31.168.902	(14.914.182)	16.254.720	3.331.457	PROVISIONS FOR RISKS AND COSTS:				
Construction in progress	27	112.037.443	-	112.037.443	12.294.947	Provision for pensions	21 and 46	17.754.927	17.698.798	
Advances to suppliers of tangible fixed assets	27	3.774.106	-	3.774.106	2.793.252	Provision for taxes	46	16.273.024	213.409	
		4.254.215.109	(2.665.712.576)	1.588.502.533	330.470.662	Other provisions for risks and costs	46	27.334.878	15.200.327	
Investments:										
Investments in subsidiaries	27 and 60	29.690.821	-	29.690.821	23.600.071	MEDIUM AND LONG TERM LIABILITIES:				
Loans to subsidiaries	27 and 60	4.801.409	-	4.801.409	3.167.063	Debtenture loans	57	30.130.324	48.138.287	
Investments in affiliated companies	27 and 60	38.354.756	(250.000)	38.104.756	37.122.205	Bank loans	57	1.565.321.615	614.160.232	
Loans to affiliated companies	27 and 60	-	-	-	198.611	Other loans	57	12.029.087	8.996.898	
Securities and other investments	27 and 42	29.259.307	(1.985.526)	27.273.781	6.031.102	Accounts payable to shareholders	59	-	442.385	
Advances on account of investments		164.291	-	164.291	65.588	Accounts payable to suppliers of fixed assets	47	1.259.891	116.337	
	46	102.270.584	(2.235.526)	100.035.058	70.184.640			1.608.740.917	671.854.139	
MEDIUM AND LONG TERM RECEIVABLES:										
Work in progress		118.594.851	-	118.594.851	-	SHORT TERM LIABILITIES:				
Group companies	61	23.747.967	-	23.747.967	7.049.149	Debtenture loans	57	16.811.248	14.459.998	
Other debtors	55	1.682.195	(1.180.250)	511.945	2.965.707	Bank loans	57	293.936.204	103.130.007	
		25.440.162	(1.180.250)	24.259.912	10.014.856	Other loans	57	2.698.153	1.301.686	
CURRENT ASSETS:										
Inventories:						Advances on sales		69.193	1.200	
Raw, subsidiary and consumable materials		117.605.550	(2.465.310)	115.140.240	20.901.851	Accounts payable to suppliers		138.657.961	33.683.672	
Work in progress		45.413.247	-	45.413.247	2.002.211	Suppliers' invoices pending		19.373.235	2.493.862	
Byproducts and waste		704.662	-	704.662	-	Notes payable to suppliers		2.528.591	408.838	
Finished goods and intermediate products		52.039.090	(18.827)	52.020.263	10.406.430	Accounts payable to suppliers of fixed assets - securities		-	1.911.412	
Merchandise		4.932.567	(14.545)	4.918.022	6.790.077	Accounts payable to group companies	61	8.949	101.251	
Advances to suppliers of inventories		445.666	-	445.666	-	Accounts payable to affiliated companies	62	22.470	-	
	46	221.140.782	(2.498.682)	218.642.100	40.100.569	Shareholders	59	7.104.563	6.420.195	
Accounts receivable - Short term:										
Accounts receivable from customers		268.637.915	(405.071)	268.232.844	65.337.413	Advances from customers		40.553	7.925	
Notes receivable from customers		3.478.367	(131.375)	3.346.992	1.425.457	Accounts payable to suppliers of fixed assets		38.202.742	4.012.062	
Doubtful accounts receivable		16.464.409	(15.747.030)	717.379	682.460	Accounts payable to state entities	54	13.398.408	7.602.964	
Accounts receivable from group companies	61	686.150	-	686.150	41.708	Other creditors	55	8.251.134	4.099.942	
Affiliated companies	62	2.246.529	(2.138.126)	108.403	13.209			541.103.404	179.635.014	
Participant and participated companies	59	385.704	-	385.704	-	ACCRUALS AND DEFERRALS:				
Other Shareholders	59	2.743	-	2.743	-	Accrued costs	56	77.481.979	11.358.429	
Advances to suppliers		1.579.163	(67.786)	1.511.377	297.306	Deferred income	56	12.881.840	3.138.871	
Accounts receivable from state entities	54	64.155.058	-	64.155.058	5.493.999	Deferred tax liabilities	38	155.446.545	81.362.229	
Other debtors	55	51.892.426	(42.153.588)	9.738.838	8.200.825			245.810.364	95.859.529	
	46	409.528.464	(60.642.976)	348.885.488	81.492.377					
Marketable securities:										
Other treasury investments	58	531.521	(6.405)	525.116	212.091.662					
Other marketable securities		70.000.000	-	70.000.000	18.000.000					
		70.531.521	(6.405)	70.525.116	230.091.662					
Banks and cash:										
Bank deposits		59.319.559	-	59.319.559	98.822.049					
Cash	64	429.177	-	429.177	146.096					
		59.748.736	-	59.748.736	98.968.145					
ACCRUALS AND DEFERRALS:										
Accrued income	56	1.534.188	-	1.534.188	222.794					
Deferred costs	56	19.048.639	-	19.048.639	7.204.570					
Deferred tax assets	38	94.025.981	-	94.025.981	44.993.751					
		114.608.808	-	114.608.808	52.421.115					
Total depreciation			(2.905.833.601)							
Total provisions			(66.563.839)							
Total assets		6.321.436.042	(2.972.397.440)	3.349.038.602	1.225.484.648	Total equity, minority interests and liabilities				
						3.349.038.602 1.225.484.648				

The accompanying notes form an integral part of the consolidated balance sheet as of December 31, 2004.

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

CONSOLIDATED INCOME STATEMENT BY NATURE FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(Amounts stated in Euros)

EXPENSES	Notes	2004	2003	INCOME	Notes	2004	2003
Cost of inventories sold and consumed		212.168.836	111.858.794	Sales of merchandise and finished goods	36	673.047.537	397.873.991
				Services rendered	36	26.913.435	19.947.254
External supplies and services		214.305.205	120.266.332				
Payroll expenses:				Variation in production		(1.102.997)	(3.503.292)
Salaries		69.525.087	43.673.937	Work for the company		1.297.275	144.603
Social charges:				Supplementary income		4.614.980	3.456.587
Pensions	21	9.087.029	2.670.631	Subsidies		106.203	176.895
Other		27.691.568	16.994.700	Other operating income		1.987.025	1.571.707
						6.708.208	5.205.189
Depreciation and amortisation	27	98.032.297	70.789.849		(B)	706.863.458	419.667.745
Provisions	46	12.016.710	8.812.200	Gain on investments:			
				Relating to affiliated companies	44 and 60	8.577.771	9.868.263
				Relating to other companies	44	702.881	10.069.218
Taxes		2.822.264	2.487.848	Income relating to marketable securities	44	217.454	124.630
Other operating costs		1.143.748	1.353.488	Other interest and similar income:			
(A)		646.792.744	378.907.779	Income relating to group and affiliated companies	44	597.854	682.937
Loss on affiliated companies	44 and 60	155.858	838.214	Other	44 and 61	10.016.934	1.630.325
Depreciation and provisions for investments	44 and 60	440.180	789.183		(D)	726.976.352	22.375.373
Others financial expenses	44	47.247.397	23.574.686				442.043.118
(C)		694.636.179	404.109.862	Extraordinary income	45	213.505.547	26.618.862
Extraordinary expenses	45	17.608.831	3.729.891				
(E)		712.245.010	407.839.753				
Income tax for the year	38	31.477.404	20.490.721				
		743.722.414	428.330.474				
Minority interests	53	14.685.763	258.731				
(G)		758.408.177	428.589.205				
Consolidated net profit for the year		182.073.722	40.072.775				
		940.481.899	468.661.980	(F)		940.481.899	468.661.980
				Operating results:	(B) - (A)	60.070.714	40.759.966
				Net financial results:	(D - B) - (C - A)	(27.730.541)	(2.826.710)
				Current results:	(D) - (C)	32.340.173	37.933.256
				Profit before income tax and minority interests:	(F) - (E)	228.236.889	60.822.227
				Consolidated net profit for the year:	(F) - (G)	182.073.722	40.072.775

Accompanying notes form an integral part of the consolidated income statement by nature for the year ended December 31, 2004

The Accountant

The Board of Directors

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

CONSOLIDATED INCOME STATEMENT BY FUNCTIONS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(Amounts stated in Euros)			
	Notes	2004	2003
Sales and services rendered	36	699.960.972	417.821.245
Cost of sales and services rendered		(444.680.410)	(252.381.568)
<b>Gross results</b>		<b>255.280.562</b>	<b>165.439.677</b>
Other Operating income		17.629.473	10.088.032
Distribution Cost		(60.817.613)	(38.800.652)
Administrative Cost		(80.775.674)	(41.955.302)
Other Operating costs		(51.270.104)	(35.797.230)
<b>Operating results</b>		<b>80.046.645</b>	<b>58.974.525</b>
Financing net cost		(33.006.022)	(21.366.397)
Income/(expenses) with affiliated companies	44	8.421.913	9.368.515
Income/(expenses) with others investments		27.812.074	14.340.925
Non usual or non frequent results		144.962.279	(495.341)
<b>Current results</b>		<b>228.236.889</b>	<b>60.822.227</b>
Income tax for the year	38	(31.477.404)	(20.490.721)
Minority Interests	53	(14.685.763)	(258.731)
<b>Net profit for the year</b>		<b>182.073.722</b>	<b>40.072.775</b>
<b>Net profit per share</b>		<b>1,54</b>	<b>0,34</b>

The accompanying notes form an integral part of the consolidated income statement  
by functions for the year ended December 31, 2004

The Accountant

The Board of Directors

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(Amounts stated in Euros)			
	Notes	2004	2003
<b>OPERATING ACTIVITIES:</b>			
Receives from customers		740.182.175	478.396.604
Paid to suppliers		(490.885.276)	(272.675.635)
Paid to personnel		(84.423.610)	(46.220.037)
Flows from operations		164.873.289	159.500.932
(Payments)/Receipts of income tax		(26.933.346)	(57.682.892)
Other (payments)/receipts relating to operating activities		6.961.679	(17.211.798)
Receipts/(Payments) related with extraordinary captions		1.726.995	33.763
Flows from operating activities (1)		146.628.617	84.640.005
<b>INVESTING ACTIVITIES:</b>			
Receipts relating to:			
Investments		668.224.659	16.306.021
Tangible fixed assets		7.713.563	2.206.860
Subsidies		2.500.991	110.587
Interest and similar income		2.106.292	873.376
Dividends		14.556.086	11.094.989
Others		-	229.937.208
		695.101.591	260.529.041
Payments relating to:			
Investments		(854.921.828)	(315.703.723)
Tangible fixed assets		(63.379.250)	(45.871.645)
Intangible fixed assets		-	(39.153)
Others		-	(241.188.550)
		(918.301.078)	(602.803.071)
Flows from investing activities (2)		(223.199.487)	(342.274.030)
<b>FINANCING ACTIVITIES:</b>			
Receipts relating to:			
Loans obtained		1.871.540.701	1.776.912.373
Subsidies and donations		56.516	213.006
Capital increases, supplementary capital contributions and share premiums		63.602	-
Loans conceded		2.537.332	-
		1.874.198.151	1.777.125.379
Payments relating to:			
Loans obtained		(1.752.183.506)	(1.414.268.702)
Amortisation of lease contracts		(504.442)	(182.936)
Interest and similar expenses		(47.920.738)	(23.022.026)
Dividends		(21.590.219)	(12.752.363)
Treasury stock acquisitions		(26.237.929)	(268.378)
		(1.848.436.834)	(1.450.494.405)
Flows from financing activities (3)		25.761.317	326.630.974
VARIATION IN CASH AND EQUIVALENTS (4) = (1) + (2) + (3)		(50.809.553)	68.996.949
Effect of exchange differences		(158.495)	(18.041)
Regularization of the open balance due to changes in the perimeter		63.643.115	91.512
Shares and other treasury investments	58	(211.606.784)	211.606.784
Provision for treasury investments		(6.405)	-
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR		329.059.807	48.382.603
CASH AND EQUIVALENTS AT THE END OF THE YEAR		130.121.685	329.059.807

The accompanying notes form an integral part of the consolidated cash flow statement  
for the year ended December 31, 2004.



## **SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES**

### **NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

**(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

#### **INTRODUCTION**

The SEMAPA Group consists of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A. ("Semapa") and its Subsidiaries (Note 1). Semapa was incorporated on June 21, 1991 and has as its main object the management of financial investments in other companies as an indirect form of carrying out economic activity.

Semapa leads an Enterprise Group with activities in three distinct business segments: cements and related products, paper and finally the generation of electric energy from renewable sources developed respectively under the edge of Secil - Companhia Geral de Cal e Cimento, S.A., Portucel - Companhia Produtora de Pasta e Papel, S.A. and Enersis II - Sociedade Gestora de Participações Sociais, S.A., and respective subsidiaries.

Secil - Companhia Geral de Cal e Cimento, S.A. is the subsidiary that leads the Enterprise Group of cements and related products which operates in Portugal, Tunisia, Spain, Angola, Netherlands, Luxemburg, France, Lebanon and Cape Verde, with cement production, taking place at the Maceira, Pataias, Gabés (Tunisia) and Lobito (Angola) plants and the production and sale of premixed concrete and clay and the operations of quarries facilities via its subsidiaries, which fall under the sub-holding Secil Betões e Inerentes, SGPS S.A..

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 sale, in Portugal as well as in Germany, Spain, France, Italy, United Kingdom, Netherlands, Austria, among other of small relevance, 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.

Enersis II - Sociedade Gestora de Participações Sociais, S.A. operates mini hydro power stations in Portugal and Spain and operates wind farms in Portugal, Spain and France, producing electric power.

The sequence of the notes follows the definition of the Official Chart of Accounts ("Plano Oficial de Contabilidade - POC") for consolidated financial statements. The numbers not included, relate to notes that are either not applicable to the Group, or their presentation is not material to the consolidated financial statements.

## **I INFORMATION CONCERNING COMPANIES INCLUDED IN THE CONSOLIDATION AND OTHERS**

### **1. COMPANIES INCLUDED IN THE CONSOLIDATION**

The parent company, Semapa – Sociedade de Investimento e Gestão, S.A. and its subsidiaries listed in Appendix 1, were fully consolidated based on the rules established in line a), Article 1 of Decree-Law 238/91 of July 2.

Changes in the consolidation perimeter are presented in Note 14.

### **2. COMPANIES EXCLUDED FROM THE CONSOLIDATION**

Group companies listed in Appendix 2 were excluded from the consolidation for the reasons listed below:

The subsidiaries: Carcubos, Lda., Secil Energia, Lda., Secil Algérie, SPA and Sobioen – Soluções de Bioenergia, S.A. were excluded from the consolidation due to their immateriality in relation to the financial position and results of operations of the Semapa Group, as set forth in item 1 Article 4 of Decree-Law 238/91, of July 2.

The subsidiary Tecnosecil, SARL was excluded from the consolidation as set forth in item 3 Article 4 of Decree-Law 238/91 of July 2, because of the restrictions of fund transfers to Secil. Consequently, this investment has been consistently recorded at cost. If this subsidiary were included in the consolidation by the full consolidation method, consolidation result would be reduced by Euros 380.306.

## SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

During the year ended December 31, 2004, the Group restructured its investments in the renewable energies production sector with the subsidiary Enersis II – Sociedade Gestora de Participações, SGPS, S.A. (previously denominated by Geciment – Gestão de Participações SGPS, S.A.) becoming the holding of this sub-group. Enersis II is a company whose main object is to indirectly operate mini hydroelectric plants and wind farms producing electric power. Because of the different nature of the operations of these subsidiaries, the fact that the activity's financing is structured as "Project Finance" and also its plants being operated on a concession basis, consolidated assets and liabilities of Enersis II, were not included in the accompanying consolidated financial statements as set forth in item nº4 of article 4 of Decree-Law 238/91 of July 2, the investment in the company being recorded in accordance with the equity method. As at December 31, 2004, the total consolidated assets and consolidated income of this subsidiary was Euros 408.735.000 and Euros 45.275.098, respectively.

The subsidiaries MICEP – Manutenção Industrial de Celulose e Papel, ACE (MICEP) and Cutpaper – Transformação, Corte e Embalagem de Papel, ACE (Cutpaper), companies that belong to the perimeter of the subsidiary Portucel – Empresa Produtora de Pasta de Papel, S.A., were consolidated according the proportional consolidation method, in accordance with paragraph a) of item 1 of article 1 of Decree-Law no. 238/91, July 2. As at December 31, 2004, the total assets and income of these subsidiaries were Euros 3.128.540, Euros 883.415, and Euros 11.872.436 and Euros 7.525.183, respectively.

#### 3. ASSOCIATED COMPANIES

The associated companies listed in Appendix 3, were included in the consolidated financial statements in accordance with the equity method, as provided for in item 13.6 of the consolidation procedures established in Decree-Law 238/91 of July 2, being companies where the Group has significant influence over the management and financial policies, namely through representative board members.

#### 7. AVERAGE NUMBER OF EMPLOYEES OF THE GROUP

The companies included in the consolidation had the following average number of employees for the years ended December 31, 2004 and 2003:

By country and activity:	2004	2003
Portugal		
Cement	1.400	1.439
Cellulose pulp and paper	2.177	-
Holding	13	13
Spain		
Cement and derivatives - "Trading"	4	3
Cellulose pulp and paper - "Trading"	5	-
Tunisia		
Cement and derivatives	574	553
Total	<u>4.173</u>	<u>2.008</u>

### III INFORMATION CONCERNING THE CONSOLIDATION PROCEDURES

#### 10. CONSOLIDATION DIFFERENCES

Consolidation differences, represent the differences between the cost of the investment in the companies included in the consolidation and the proportion of their equity acquired, after considering the fair value of their assets and liabilities. Consolidation differences related to Group and associated companies are recorded under the caption – "Consolidation differences" net of amortization charges.

# SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

As of December 31, 2004 this was made up as follows:

							Amortization			
	Year of acquisition	Acquisition Cost	%	Consolidation Difference (Note 27)	Exchange differences (Note 27)	Period (years)	Changes in the perimeter (Note 27)	Amortization for the year (Notes 27 and 44)	Exchange differences (Note 27)	Accumulated Amortization (Note 27)
POSITIVE CONSOLIDATION DIFFERENCES:										
<u>Acquisitions by Seminiv. SGPS, S.A.:</u>										
Cimentospar, SGPS, Lda.	2003	309.137.724	100,00	85.575.717	-	20	-	4.278.786	-	8.557.572
<u>Acquisitions by Cimentospar, SGPS, Lda.:</u>										
Secil - Companhia Geral de Cal e Cimento, S.A.	1997	210.572.520	44,48	78.900.365	-					
Proportion in the 1998 revaluation				(22.711.565)	-					
				56.188.800	-	20	-	520.529	-	49.942.799
<u>Acquisitions by Secil:</u>										
<u>CMP, S.A.:</u>										
First acquisition	1994	151.618.819	80,00	89.775.561	-					
Second acquisition	1995	25.074.296	13,00	14.294.685	-					
Third acquisition	1996	6.019.917	4,00	2.914.900	-					
Proportion in the 1998 revaluation		-		(11.623.393)	-					
		182.713.032		95.361.753	-	20	-	4.883.565	-	51.409.675
Betão Liz, S.A.	1999	2.168.798	7,00	722.853	-	20		36.142		216.855
Société des Ciments de Gabès	TND	2000	309.430.237	99,00	110.383.039	20	-	26.512.091	-	48.588.698
	EUR	2000	244.553.770	99,00	87.471.647	20	-	16.178.512	(3.825.372)	29.847.470
Tercim - Terminais de Cimento, S.A.	2001	249.399	100,00	190.257	-	5	-	76.102	-	190.257
Cimentaçoçr - Cimentos dos Açores, Lda.	2001	1.363.381	5,00	1.042.018	-	5	-	416.806	-	1.042.018
Phaistos, S.A.	2002	1.231.000	100,00	1.200.000	-	5	-	960.000	-	1.200.000
<u>Acquisitions by Phaistos, S.A.:</u>										
Silonor, S.A.	2003	826.420	100,00	826.420	-	5	-	661.136	-	826.420
		433.105.800		186.814.948	(19.664.628)		-	23.212.263	(3.825.372)	84.732.695
<u>Acquisitions by Seipart SGPS:</u>										
Portucel, S.A.	2004	339.864.387	30,00	35.320.511	-	20	-	1.766.026	-	1.766.026
<u>Acquisitions by Semapa Investments B.V.:</u>										
<u>Portucel, S.A.</u>										
First acquisition	2004	368.035.803	30,37	57.834.715	-	20	-	2.891.736	-	2.891.736
Second acquisition	2004	81.131.184	6,73	12.480.650	-	20	-	624.032	-	624.032
		449.166.987		70.315.365	-		-	3.515.768	-	3.515.768
<u>Acquisitions by Portucel S.A.:</u>										
Soporcel, S.A.	2001	1.154.842.470	100,00	428.132.254	-	25	12.843.968	4.281.323	-	68.501.160
Portucel Florestal, S.A.	2003	37.467.531	21,60	1.630.868	-	10	1.467.781	-	-	1.630.868
		1.192.310.001		429.763.122	-		14.311.749	4.281.323	-	70.132.028
<u>Acquisitions by Soporcel S.A.:</u>										
Portucel Florestal, S.A.	2003	31.916.784	18,40	1.389.257	-	10	1.250.332	-	-	1.389.257
<u>Acquisitions by Secil, Betões e Inertes, SGPS, S.A.:</u>										
Unibetão-Indústrias de Betão, SA	2000	5.128	100,00	5.128	-	5	-	1.026	-	5.129
Secil Betão-Indústrias de Betão, SA	2000	556.339	100,00	556.339	-	5	-	111.268	-	556.340
Subbetão-Preparados de Betão, SA	2000	987.869	100,00	987.869	-	5	-	197.574	-	987.870
Betopal-Betões Preparados, SA	2000	33.355	100,00	31.897	-	5	-	6.379	-	31.896
ECOB-Empresa de Construção e Britas, SA	2000	9.143	100,00	5.028	-	5	-	1.006	-	5.029
Asfalbetão - Sociedade Industrial, Lda.	2000	5.994.991	90,00	5.741.780	-	20	-	287.089	-	1.435.445
Asfalbetão - Sociedade Industrial, Lda.	2002	434.727	10,00	370.850	-	20	-	18.543	-	55.628
Almeida & Carvalhais, Lda.	2001	5.662.132	81,00	4.274.795	-	20	-	213.740	-	854.958
Almeida & Carvalhais, Lda.	2002	526.845	11,00	316.419	-	19	-	16.644	-	49.932
Almeida & Carvalhais, Lda.	2003	393.465	8,00	208.922	-	18	-	11.616	-	23.232
Lisconcreto-Betão Pronto, SA	2000	1.203.046	100,00	1.100.910	-	19	-	57.908	-	289.540
Betostrong-Indústria de Betão, Lda	2002	1.745.105	100,00	1.311.170	-	20	-	65.559	-	196.675
Betalves - Betão Preparado, S.A.	2002	653.766	100,00	582.701	-	20	-	29.135	-	87.405
Macrobetão - Comércio e Distribuição de Betão, S.A.	2002	725.462	100,00	688.527	-	20	-	34.425	-	103.277
Camilo & Lopez, Lda.	2003	50.000	100,00	1.095.719	-	20	-	54.786	-	109.572
Fabetão, Lda.	2004	37.479	4,00	1.973	-	3	-	1.973	-	1.973
Carcubos - Granitos, Lda.	2004	375.000	100,00	375.000	-	20	-	9.376	-	9.376
		19.393.852		17.655.027	-		-	1.118.047	-	4.803.277
<u>Acquisitions by Société des Ciments de Gabès:</u>										
Sud-Béton-Société de Fabrication de Béton du Sud	TND	2001	6.870.644	100,00	5.247.484	10	-	524.728	-	2.098.993
	EUR	2001	5.247.484	100,00	3.436.018	10	-	339.028	(80.446)	1.289.387
		5.247.484		3.436.018	(212.547)		-	339.028	(80.446)	1.289.387
<u>Acquisitions by Cimipart, SGPS, S.A.:</u>										
Setefrete, SGPS, S.A.	2003	3.919.955	25,00	2.784.687	-	5	-	556.937	-	1.113.874
				889.243.452	(19.877.175)		15.562.081	39.588.706	(3.905.818)	227.242.683
NEGATIVE CONSOLIDATION DIFFERENCES:										
<u>Acquisitions by Secil:</u>										
Ciments de Sibline, S.A.L. (Note 56)	2002	22.854.680	21,00	(795.685)	-	5	-	433.652	-	712.141

**SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED****(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

The amortizations of the positive consolidation differences are recorded in the income statement under the caption – “Amortization of tangible and intangible assets” (Note 27).

During 2004, the subsidiary Secil requested an international audit firm to perform an evaluation of the several financial investments owned in order to access potential impairments. As a result an impairment charge of Euros 12.612.709 (Notes 27 and 45), was recorded in the caption “Extraordinary Expenses” in relation to the investment in Société des Ciments de Gabés, in addition the current year goodwill amortization charge amounts to Euros 3.565.803.

In accordance with Decree-Law nº 31/98, February 11, the subsidiary CMP undertook a revaluation in 1998 of its tangible fixed assets, resulting in a revaluation reserve of Euros 11.623.393. Considering that the tangible fixed assets revalued already existed at the date of acquisition of the subsidiary, the amount of the revaluation reserve corresponding to the proportional share capital owned was recorded as a reduction of goodwill. This amount is being depreciated in accordance with the estimated useful life of related assets. A similar policy was followed to record similar revaluations in other subsidiaries.

During the year 2000, Secil changed the amortization period from 15 to 20 years in respect of consolidation differences recorded on the acquisition of CMP. The net balance of the investment as at December 31, 1999 of Euros 68.369.901 is being amortized on a straight-line basis during the remaining 14 years.

The goodwill that arose from the acquisition of Société des Ciments de Gabés has been recorded until December 31, 2003 as Secil's asset and translated to euros at historical exchange rate. During the year 2004, Secil considered this asset as an affiliate asset expressed in “Tunisian Dinar” and therefore converted to Euros at the exchange rates prevailing at December 31, 2004. This change resulted in: (i) a decrease in goodwill, of Euros 19.664.627 and in the related accumulated depreciation, of Euros 3.825.372, both recorded against the equity caption “Accumulated exchange adjustments”, of Euros 8.078.020 (Note 51) and Minority Interest of Euros 7.761.235 (Note 53) and (ii) decrease in current year depreciation, of Euros 807.778.

The subsidiary Secil – Companhia Geral de Cal e Cimento, S.A., and its directly owned subsidiaries, proceeded, in 1998, according to the Decree-Law nº 31/98, of February 11, in the revaluation of its tangible fixed assets, resulting in a revaluation reserve of Euros 50.942.608. Attending to the fact that the tangible fixed assets revalued already existed at the time the acquisition took place, the amount of the revaluation reserve corresponding to the proportion (44,43% in 2000) of the subsidiary Cimentospar, SGPS, S.A., was recorded by the latter as a reduction of goodwill, calculated at the time of the acquisition, when the balance of the consolidation differences was larger than that amount. In the 2000 financial year, Cimentospar, SGPS, the direct shareholder of that subsidiary, changed from 5 to 20 years, the total amortization period of the consolidation differences recorded in the share acquisition of Secil, with the balance as at December 31, 1999, of Euros 31.560.558, net of the proportional share in the revaluation reserve of Euro 22.711.565 to be amortized on a straight-line basis for a remaining period of 17 years.

During 2004 and within the second phase of reprivatization of the sharecapital of Portucel - Empresa Produtora de Pasta e Papel, S.A. (“Portucel”), as per Resolution of the Minister Council nº 62-A/2004, of May 18, and subsequent Public Offering Acquisition (“OPA”) and acquisitions in the market, the Semapa Group acquired 67.1% Portucel's capital, as follows:

	Acquisition date	Acquiror	Number of shares	%	Unit Cost	Acquisition cost
1st Tranche	June 04	Seinpart SGPS	230.250.000	30,00%	1,45	333.862.500
2nd Tranche	October 04	Semapa BV	233.059.609	30,37%	1,55	361.242.394
3rd Tranche	November 04	Semapa BV	51.652.824	6,73%	1,55	80.061.877
			<u>514.962.433</u>	<u>67,10%</u>		<u>775.166.771</u>

Total acquisition cost of the 67,1% for Portucel's share capital amounts to Euros 789.031.374, which includes the expense incurred in connection with acquisition resulting in an average cost per share of Euros 1,532.

**NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

**(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

Based on Portucel's net equity determined in each tranche and adjusted by the fair value of the assets and liabilities acquired, "goodwill" amounting of Euros 105.635.877 was recognized, being related amortization in compliance with the described criteria in Note 17. Up to September 30, 2005, on year after the gain of control of this subsidiary, a more accurate valuation of the fair values attributed to the acquired assets and liabilities will be concluded.

**14. CHANGES IN THE CONSOLIDATION PERIMETER**

During 2004 the following companies were included in the consolidation perimeter:

- Semapa Inversiones, SL, based in Madrid, incorporated in 2003 with 100% of its share capital owned by Semapa, was included for the first time according the full consolidation method during the year 2004;
- Parsecil, SL, based in Madrid, incorporated in 2003, with 100% of its share capital owned by the Group, was included for the first time by the full consolidation method during the year 2004;
- Ave – Gestão Ambiental e Valorização Energética, S.A., based in Lisbon, incorporated in 2003, with 51% of its share capital owned by the Group, was included for the first time according to the full consolidation method during the year 2004;
- Portucel – Empresa Produtora de Pasta de Papel, S.A., based in Lisbon and its subsidiaries (as per Note 1 in attach), with 67,1% of its share capital owned by the group, included after the dates referred in Note 10.

The consolidated results of Semapa SGPS, S.A. relating to the year 2004, include the consolidated results of the sub-group Portucel – Empresa Produtora de Pasta e Papel, S.A. and its subsidiaries, according to full consolidation for the 3 month period between October 1 and December 31, 2004, given that effective economic control was acquired after this date. The period between June 1, and September 30, 2004 was recorded in the consolidated income statement of Semapa SGPS, S.A. according to the equity method (Note 60), with Semapa 30% of the results of Portucel in the related period. In October, and already according to the full consolidation method, Semapa recorded 60,37% of net result and in the November 67,1%.

The balances brought forward from the Portucel – Empresa Produtora de Pasta e Papel, S.A. consolidated balance sheet as at September 30, 2004 were accounted a change in the consolidation perimeter.

**15. CONSISTENCY OF ACCOUNTING POLICIES APPLICATION**

The accounting policies applied by the Group companies included in the consolidation were consistently applied within the Group and for the prior year as described in Note 23, with the exception of the year-end exchange rates applied to Goodwill and fair values adjustments of foreign subsidiaries as mentioned in Note 10 and 51.

During 2004, the Group harmonized the depreciation criteria for fixed assets from an annual declined method to a straight-line basis method. Additionally, the useful life of the cements assets in Portugal was extended in 2004 as a result of a valuation undertaken at the time of entry of the new shareholder in Secil, S.A..

**NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

**(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

**17. AMORTIZATION OF CONSOLIDATION DIFFERENCES**

Consolidation differences are amortized on a straight-line basis over periods that vary between 5 to 25 years. The periods were determined according to the nature of the operations of the companies and the estimated period for return on the investment. Consolidation differences arising on the acquisition of additional investments in subsidiary companies are amortized over the remaining period of useful life defined for amortization of the initial consolidation differences.

Amortization of the consolidation differences is recorded in the consolidated income statement, under the caption "Depreciation and amortization" (Note 27).

**18. BASIS OF RECORDING INVESTMENTS IN ASSOCIATED COMPANIES**

Investments in associated companies are recorded according to the equity method, with exception of the investment in Astakos Domika Aluminouha based in Athens, which is in the process of being dissolved. When the net equity is negative, provisions are made in the same proportion of the investment held.

**IV INFORMATION RELATING TO COMMITMENTS**

**21. FINANCIAL COMMITMENTS**

**POST EMPLOYMENT BENEFITS**

As referred in Notes 23 h), i), j) and k), the Group implemented the following defined benefits pension plans which originated, as at December 31, 2004, (i) an increase of Euros 9,087.028 in the caption "Payroll - social charges - pensions", of which Euros 7.446.510 relates to plans managed by third entities and Euros 1.640.517 to benefits plans managed by the group and (ii) an increase of Euros 5.496.765 (Note 46) in the caption " Payroll – social charges - others", related to liabilities for retirement and death of Euros 842.820, long service awards of Euros 1.442.369 and Euros 3.211.576 relating to healthcare benefits.

(i) Funded defined benefits plans funds managed by a third party

**LIABILITIES FOR RETIREMENT BENEFITS**

Secil and its subsidiaries: (i) CMP- Cimentos Maceira e Pataias, S.A., (ii) Unibetão – Indústrias de Betão Preparado, S.A., (iii) Secil Betão – Indústrias de Betão, S.A., and (iv) Sulbetão – Preparados de Betão, S.A., have assumed the commitment to pay their employees pension benefits on retirement as a result of age, incapacity, early retirement and survivor benefits. The liabilities regarding these commitments are covered by an autonomous fund, managed by third parties, with the assets of the fund segregated from those of the subsidiaries. The actuarial liability under the plan is valued every semester by specialized independent entities, and the Projected Credit Unit Method is applied.

In accordance with the prevailing Regulation for Social Benefits, the permanent staff of Portucel and subsidiaries (excluding Soporcel and subsidiaries) with more than five years seniority are entitled upon retirement or disability to a monthly retirement or disability pension benefit ("the Portucel Plan"). This benefit is determined according to a formula that takes into account the employee's gross monthly remuneration, updated for the employee's occupational category on retirement date, and the number of years of service, up to a maximum of 30. Survivors' pensions are also guaranteed for the employee's spouse and progeny. To cover this liability, the independent Portucel Pension Fund was formed, under the management of an external entity.

Soporcel and its subsidiaries' employees are entitled upon retirement or disability to a monthly retirement or disability pension benefit. A survivor's pension is also guaranteed (Soporcel Plan). To cover this liability, an externally managed pension fund was set up, and the fund's assets are apportioned between each of the companies.

**SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

**(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

The following assumptions were used in the actuarial valuations as at December 31, 2004 and 2003:

	2004	2003
Disability table	EKV 80	EKV 80 / Swiss Re
Mortality table	TV 88/90	TV 73/77
Salary growth rate	3,30%	3,0%
Technical interest rate - pensioners	5,32%	4,5%
Fund Income rate	5,32%	5,5%
Pension growth	2,25%	2,0%
Formula for Social security benefits	Decree-Law nº 35/2002 of February, 19	Decree-Law nº 35/2002 of February, 19

In accordance with actuarial valuations, reported as at December 31, 2004, the present value of the past service liability for the retirement benefits as well as the market value of the funds are as follows:

	2004	2003
Past services liabilities		
Active employees	110.249.279	8.521.081
Pensioners	49.371.818	22.884.516
	159.621.097	31.405.597
Market value of the fund	121.340.320	34.089.633
	(38.280.777)	2.684.036

Globally the Group presents a deficit in financing its pensions obligations, although reflecting both an over-funding position in the amount of Euros 1.126.558 (Note 56), in the cement business, and an under-funding of Euros 39.407.355 (Note 56) in cement and paper and pulp segment, both reflected in the balance sheet.

The amounts recognized in the Group's pension funds, during the years December 31, 2004 and 2003 are as follows:

	2004	2003
Opening balance	31.405.597	31.053.649
Changes in the consolidation perimeter	120.768.989	-
Initial liability increase due to change in actuarial assumptions (Note 15)	4.109.615	-
Current services charge	1.630.164	353.032
Interest Cost	3.437.101	1.519.944
Actual return on fund assets	(3.053.968)	(2.487.096)
Actuarial Gains	1.323.598	966.068
Closing balance	159.621.097	31.405.597



**SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED****(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

The amounts recognised in the Group Pension Funds, during the years ended December 31, 2004 and 2003 are as follows:

	2004	2003
Opening balance	34.089.633	32.885.088
Changes in the consolidation perimeter	76.017.394	-
Contributions during the year	8.468.305	1.200.000
Actual return of fund assets	7.012.680	2.487.099
Pension benefits paid during the year	(4.247.691)	(2.482.554)
Closing balance	<u>121.340.321</u>	<u>34.089.633</u>

**(ii) Unfunded defined benefit plans****LIABILITIES FOR RETIREMENT AND SURVIVOR PENSION COMPLEMENTS**

The liability relating to retired personnel at the date of inception of the fund and the liability for the 14th month relating to pensioners, as well as the differences between the pensionable salary according the fund by laws and that approved by the Board of Directors, since that date, are the sole obligation of Secil. The existing liabilities in the Portuguese companies operating in the concrete activities (production and sale) are directly assumed by those companies.

These pension plans are also valued every semester by an independent entity, using the capital coverage method to determine the corresponding single premiums for immediate life pensions in respect of the liability relating to current pensioners and the projected unit credit method to value the liability relating to current employees.

**SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED****(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

These liabilities are fully provided for under “Provisions for pensions” (Note 46) in accordance with the actuarial valuation as at December 31, 2004 and 2003 as follows:

	2004	2003
Past service liabilities		
- Active employees	2.680.160	3.213.483
- Pensioners	15.074.767	14.485.315
	<u>17.754.927</u>	<u>17.698.798</u>

The Group's obligation for the years ended December 31, 2004 and 2003 is as follows:

	2004	2003
Opening balance	17.698.798	14.463.768
Initial liability increase due to change in actuarial assumptions (Note 15)	1.413.930	-
Adjustment on initial balance	(512.573)	501.676
Interest cost	978.436	631.717
Pensions benefits paid during the year	(1.584.389)	(1.599.935)
Actuarial gains	22.224	3.709.687
Actuarial losses	(367.771)	(42.577)
Pensions growth	-	14.040
Current services	106.272	20.422
Closing balance	<u>17.754.927</u>	<u>17.698.798</u>

During the year ended December 31, 2004, the Company paid pension retirement benefits amounting to Euros 1.584.389, which were recorded as a decrease in the provision set up for that purpose (Note 46).

The assumptions applied were the same used for the pension funds valuation.

**SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED****(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

**LIABILITIES FOR BENEFITS ON RETIREMENT AND DEATH**

As referred in note 23 i), the subsidiary CMP – Cimentos Maceira e Pataias, S.A. has committed to pay their employees benefits on retirement according to old age or disability. This retirement benefits represent 3 months of the last salary.

In addition, it concedes a death benefit to the active worker, equal to 1 month of their last salary.

During 2004, the referred subsidiary requested, from an independent and specialized entity, an actuarial valuation, to value their obligation, using the projected unit credit method.

In accordance with the actuarial calculation reported as at December 31, 2004, the progress of the obligation was:

Fair value of past services liabilities as of January 1, 2004	617.837
Impact on opening balance due to change in actuarial assumptions	40.781
Interest cost	35.195
Benefits paid during the year	(18.112)
Actuarial gains	124.994
Actuarial losses	-
Current services change	24.014
Provision for liabilities with Retirement Subsidies (Notes 38 and 46)	<u>824.709</u>

The assumptions applied were the same used for the pension funds valuation.

**LIABILITIES FOR LONG SERVICE AWARDS**

As referred in note 23 j), Secil and its subsidiary CMP – Cimentos Maceira e Pataias, S.A., assumed the commitment to pay to those employees who achieve 25, 35, 40 years service at Secil, and 20 and 35 years service at CMP a long service awards. Those premiums are to be paid in the year in which the worker reaches that service time in the referred companies. These commitments are funded by the company.

In 2004, the Group requested, from an independent and specialized entity, an actuarial valuation, to determine the value of the obligation, using the projected unit credit method.

In accordance with the actuarial calculation reported as at December 31, 2004, the progress of the obligation was:

Fair value of past services liabilities as of January 1, 2004	1.309.389
Interest cost	68.731
Benefits paid during the year	(94.653)
Actuarial losses	(2.609)
Actuarial gains	7.084
Current services change	59.774
Provision for liabilities with Retirement Subsidies (Notes 38 and 46)	<u>1.347.716</u>

The assumptions applied were the same used for the pension funds valuation.

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

**HEALTHCARE BENEFITS**

As referred in Note 23 k) Secil and its subsidiary CMP – Cimentos Maceira e Pataias, S.A., has undertaken to provide its employees with healthcare benefits, which are over and above those provided by the state's health and social security system and are extended to family members, retired staff and widows. Under this scheme, there are certain covered healthcare costs: (i) at Secil via Health insurance, entered into by the company and (ii) at CMP, via "Cimentos – Federação das Caixas de Previdência", for all workers affiliated, plus for all other workers provided authority is obtained from the company's healthcare services.

According to the actuarial valuation used to determine the value of those obligation (i) insurance premiums, guaranteed and financed by Secil, were treated in a similar manner to the contributions relative to post employment benefits, taking into account an average cost per person, retirees, pensioners and spouses of Euros 433 and children Euros 194 assuming an increase in healthcare expenses of 3% per year (higher than the estimated 2,5% for pensions) and (ii) healthcare expenses at CMP led to an increase in the average cost per person, relative to retired employees and pensioners of Euros 380, and their relatives of Euros 80, this therefore providing the basis for the healthcare obligation valuation.

In accordance with the actuarial study reported as at December 31, 2004 and 2003, the current value of the obligation for past service costs of pensioners and active employees, recorded under "Other provisions for risks and costs" (Note 46) was as follows:

	2004	2003
Liabilities for past service		
- Active employees	3.696.046	2.678.364
- Pensioners	6.770.839	5.183.897
	<u>10.466.885</u>	<u>7.862.261</u>

The following amounts were recognized for healthcare benefits for the years ended December 31, 2004 and 2003 as follows:

	2004	2003
Opening balance	7.862.261	7.402.447
Initial liability increase due to change in actuarial assumptions (Note 15)	464.548	-
Interest costs	429.858	345.971
Benefits paid during the year	(265.568)	(260.210)
Insurance premiums paid in the year	(341.384)	(361.765)
Actuarial gains	(150.919)	-
Actuarial losses	2.354.675	629.454
Current services charge	113.414	106.364
Closing balance	<u>10.466.885</u>	<u>7.862.261</u>

The actuarial losses of Euros 2.354.675, calculated for year ended December 31, 2004, is explained (i) in respect of pension obligations, as a result of the correction of the universe included by Secil, since relatives (spouses, children under 18 years old and disability persons in charge) are now included and (ii) in the obligation with active employees as a result of inclusion of spouses at the date of retirement by oldage or disability, and change in CMP average cost change by person to Euros 380 from Euros 260 as at December 31, 2003.

**OTHER COMMITMENTS****Discounted Bills**

As at December 31, 2004, the Group has off balance-sheet commitments on discounted bills amounting to Euros 579.048.

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

**Purchase Commitments**

As at December 31, 2004 and 2003, the pulp and paper companies included in the consolidation, had assumed commitments with suppliers for an amount of Euros 17.260.000 in respect of the acquisition of tangible fixed assets.

**Financial Instruments**

As at December 31, 2004 and 2003, and with the objective of managing the interest rate risk associated with the medium and long term liabilities (see Note 50), the subsidiary Portucel – Empresa Produtora de Pasta e Papel, S.A. had contracted with two financial institutions two swap/cap, with nominal value of Euros 150.000.000 and Euros 100.000.000, with maturity on August 1, 2007.

With the purpose of managing the foreign exchange risk of customer receivables, the Group contracted forwards with a nominal value of Euros 19.622.000 corresponding to USB 26.289 thousand and forwards with a nominal value of Euros 15.263.000 corresponding to GBP 10.685 thousand and with maturity during the course of 2005 financial year.

**22. COMMITMENTS FOR GUARANTEES PROVIDED**

As of December 31, 2004 and 2003, the Group undertook the following obligations for bank guarantees:

	2004	2003
DGT - Direcção Geral do Tesouro	(a) 50.000.000	-
DGCI - Direcção Geral dos Impostos	(b) 15.677.305	-
IAPMEI (POE)	(c) 11.279.489	13.398.544
Soporgen Financing	(d) 2.000.000	-
Municipality of Setúbal	956.275	956.275
Customs & Excise Authorities	698.317	598.557
APDL	557.295	539.492
Simria	514.361	-
OMMP and Elfouladh	305.711	-
EDP	239.883	128.715
IFADAP	201.744	-
IAPMEI (PEDIP)	77.872	1.818.961
Others	514.378	632.091
	<u>83.022.630</u>	<u>18.072.635</u>

- (a) The subsidiary Seinpart – Participações SGPS, issued a bank guarantee, to the tax authorities (Direcção Geral do Tesouro), for Euros 50.000.000, valid five years and destined to cover the fulfillment of all the obligations assumed by this subsidiary, in terms established in chapter IV of the term of references approved by the Resolution of the 194/2003 Council nº 30 of December, relative to the privatization of Portucel (Note 10).
- (b) An amount of Euros 15.677.305 corresponds to two guarantees issued to the authorities (Direcção Geral do Tesouro) for the Soporcel subsidiary, resulting from a judicial impugnation that occurred in the first semester of 2004, in the process of tax incentives resulting from the acquisition of the second paper machine (Note 46).
- (c) The bank guarantees issued to IAPMEI – Instituto de Apoio às Pequenas e Médias Empresas, amounting of Euros 11.279.489 have resulted in a cash in flow of Euros 15.262.647 (Note 63) for the financial support granted from the “POE – Enterprise Modernization Incentive System” Program.
- (d) On May 3, 2000 Soporcel S.A. entered into a joint but not severally guarantee, where by Soporcel assumes 8% of all financial and otherwise pecuniary obligations owing by Soporgen – Sociedade Portuguesa de Geração de Electricidade e calor, S.A., whenever such guarantee is actioned by the financial institution. As

## **SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES**

### **NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

**(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

at December 31, 2004 the whole of the financing had been utilized, which place Soporcel at rank for Euros 2.000.000.

In the year ended at December 31, 2004, the subsidiaries Semapa Inversiones S.L. and Semapa Investments B.V. had contracted jointly with Semapa, SGPS, S.A., next to a banking union, a financing (whose capital in debt as at December 31, 2004 amounts to Euros 700.561.863) for the acquisition, through the Seinpart - Participações, SGPS, S.A. and Semapa Investments B.V., of a participation of 67,1% of the share capital of Portucel - Empresa Produtora de Pasta e Papel, S.A..

Within the scope of this finance arrangement, pledges were made of the shares and loans held directly and indirectly by Semapa in the societies Semapa Inversiones, S.L., Semapa Investments B.V., Seinpart - Participações, SGPS, S.A., Portucel - Empresa Produtora de Pasta e Papel, S.A., CMP Investments B.V. and Enersis II, SGPS, S.A..

During the year ended December 31, 2003 the subsidiary Sud Beton gave guarantees in the amount of Euros 382.833 in transportation equipment to a financial institution, in order to obtain finance for investment, with maturity in 2010.

In addition, during the year 2000, Secil contracted bank loans to finance the acquisition of Société des Ciments de Gabès, in Tunisia (Note 10). Under the terms of those loans, the Company provided an irrevocable power of attorney to the banks, enabling them to pledge the shares of that company in guarantee of the loan, in the event of non-compliance by the Company with the terms of the loan.

## **V INFORMATION ON THE ACCOUNTING POLICIES**

### **23. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES**

#### Basis of presentation

The accompanying financial statements have been prepared on a going concern basis from the records of the companies included in the consolidation (Note 1), and these are kept in accordance with generally accepted accounting principles in Portugal, with exception of the derogation of the adoption of the IAS 41 – Agriculture, in the measurement of the woodlands, as referred on Note 23 e).

#### Consolidation principles

The subsidiary companies referred to in Note 1 were consolidated in accordance with the purchase method of accounting. Significant transactions and balances between the companies were eliminated in the consolidation process. Third party participation in subsidiary companies is reflected under "Minority interests".

Investments in associated companies are stated in the consolidated financial statements in accordance with the equity method.

Investments representing less than 20% of the share capital of the companies are recorded at the lower of cost or estimated net realizable value (except for the investment in Cimentos Madeira, Lda., which is recorded in accordance with the equity method).

The financial statements of foreign companies are translated to Euros at year-end exchange rate for assets and liabilities and historical exchange rate for all shareholders equity balances. Profit and loss items are translated to Euros at the average exchange rate for the period, which represents approximately the exchange rate at the date of transactions. The exchange differences resulting from application of the above mentioned exchange rates are reflected under "Accumulated exchange adjustments".

**NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

**(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

Principal accounting policies

The principal accounting policies used in preparing the consolidated financial statements are as follows:

a) Intangible assets

Intangible assets are stated at cost, and are amortized on a straight-line basis during a period, which varies between 3 and 6 years, except in concern to the Industrial Property and other rights that represent the rights of exploration of the quarries, that were contracted with third parties and are depreciated for the period established in the contract. Consolidation differences arising on the acquisition of investments are amortized as explained in Notes 10 and 17.

b) Tangible fixed assets

Tangible fixed assets acquired up to December 31, 1997 are stated at cost, or revalued in accordance with applicable legislation (Note 41). Tangible fixed assets acquired after that date are stated at cost. The tangible fixed assets of CMP, Société des Ciments de Gabés (SCG) and Soporcel are stated at cost based on valuations made by independent entities at the time of related acquisitions (Nota 27). In a similar way, in subsidiary Portucel, S.A., the historical cost of acquisition at incorporation date, in 1993 resulted from an independent economic evaluation.

Depreciation is computed essentially on a straight line basis from the date the assets are brought into use, at rates acceptable for income tax purposes to depreciate the fixed assets during their estimated useful lives. Some categories of assets, for which legislation permits the use of the declining basis method, are being depreciated on their basis (Note 15).

c) Finance lease contracts

Fixed assets acquired under finance lease contracts and the corresponding liabilities are recorded using the effective interest rate method. Under this method the cost of the assets is recorded under tangible fixed assets, the corresponding liabilities are recorded and the interest included in the lease installments and depreciation of the fixed assets, calculated as explained in Note 23 b), is recorded as an expense in the consolidated income statement for the period to which they relate.

d) Investments

Investments in associated companies are recorded based on the equity method. Under this method investments are initially stated at cost, which is then increased or decreased to correspond to the proportional amount of the equity of these companies at the acquisition date or at the date the equity method is applied for the first time, net of intragroup transactions.

Differences between cost and the corresponding proportion of equity in these companies as of the acquisition date, after the fair value of assets and liabilities, are recorded (i) as intangible assets under the caption "Consolidation differences", when the difference is positive, being amortized over the average estimated recovery period of the investments (Note 17), and (ii) as "Deferred income" when the difference is negative and amortized during five years (Note 56).

In accordance with the equity method, investments are adjusted annually by a charge or gain to the income statement relating to associate companies corresponding amount of the Group's share in their net results. Additionally, dividends received from these companies are deducted from investments in the year in which they are received.

Investments representing less than 20% are stated at the lower of cost or estimated realizable value (except for the investment in Cimentos Madeira, Lda. which is stated based on the equity method), by recording correspondent provisions, when applicable.



## SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

Real estate investments are stated at revalued amounts in accordance with applicable legislation, net of depreciation.

#### e) Inventories

Inventories are stated in accordance with the following criteria:

##### i) Merchandise and raw materials, ancillary and consumable materials

Merchandise and raw materials, ancillary and consumable materials are stated at acquisition cost, which is lower than market value. Cost includes all expenses incurred up to receipt of the material in the warehouse.

##### ii) Finished goods, intermediate products and work-in-progress

Finished goods, intermediate products and work-in-progress, are stated at average production cost which is lower than market value. Production cost includes the raw materials used in production, payroll costs and production overheads.

##### iii) Woodlands

The woodlands, essentially timber inventory by Portucel, S.A. and its subsidiary, are classified under the work in progress heading, and are mainly long-term in nature, excluding lands that are classified under tangible fixed assets.

In 2004, the companies of the Group have started to adopt in their records the accounting principles advocated by IAS 41 which indicate that biological assets are recorded at their fair value. Changes in fair value are recorded in the period during which they take place.

For the determination of the fair value of the woodlands, the present value of the future cash flows was used, according to a model developed internally, in which the followings assumption were considered, namely the yield of the forests, the sale price of wood, deducted from the costs of plantation and maintenance.

The fair value of the forests is recognized as a cost at the moment the wood is cut.

#### f) Marketable securities

Marketable securities are stated at the lowest of cost or market value.

#### g) Balances and transactions expressed in foreign currencies

All assets and liabilities expressed in foreign currencies were translated to Euros at the exchange rates prevailing at balance sheet date. Exchange gains and losses arising due to differences between the historical exchange rates and those prevailing at the date of collection, payment or the date of the balance sheet, are recorded as income or expenses, in the consolidated income statement for the year, except for exchange differences arising from the medium long term loans provided to foreign entities (Tecnosecil), of which settlement is not expected to occur in a near future, as such these loans are considered as part of the group's net investment in that foreign entity and, are therefore, recorded in Shareholders' Equity under the caption – Accumulate Exchange Adjustments.

#### h) Pensions

Several subsidiaries of Semapa, have assumed the commitment to pay their employees pension benefits for retirement due to age, incapacity, early retirement and survivor pensions. As explained in Note 21 the Group has established autonomous pension funds to fund the liability for such payments. The other corresponding entry is recorded as a direct liability of the Group.

The obligations for the pension benefits are recorded in accordance with the principles laid out in Accounting Directive 19, issued by the Accounting Standards Committee (Comissão de Normalização Contabilística).

**NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

**(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

Accounting Directive 19, requires companies with pension plans to record the cost of providing these benefits over the period during which the services are provided.

As such, the Group's total liability (whether funded or not) is valued on a half yearly basis, for each fund separately, by specialized independent entities. That liability is stated on the balance sheet, net of plan assets, which are stated at their fair value. The costs with pensions are recorded under the caption "Payroll expenses – Social charges – Pensions" as referred in such directive.

i) Pension of retirement and death

The subsidiary company CMP – Cimentos Maceira e Pataias, S.A. have assumed the commitment to pay their employees a (i) benefit for retirement by old age and for disability, that represents 3 months of the last salary (ii) a benefit for death of an active worker, equal to the value of the last working month's salary.

The liabilities are valued on a half yearly basis by specialized and independent entities and recorded in accordance with Accounting Directive 19 in the caption "Provision for other risks and charges" against the caption "Payroll expenses – social charges – others".

j) Long service awards

Secil and his subsidiary CMP – Cimentos Maceira e Pataias, S.A. have accorded for all their workers the commitment of paying such premium: (i) in Secil, for those who achieve 25, 35 and 40 years of long service awards and (ii) in CMP, for those who achieve 20 and 35 years of long service awards. These awards are calculated based on a maximum of 3 months salaries.

The liabilities are valued on a half yearly basis by specialized and independent entities and recorded in accordance with Accounting Directive 19 in the caption "Provision for other risks and charges" against the caption "Payroll – social charges – others".

k) Healthcare benefits

Secil and its subsidiary CMP – Cimentos Maceira e Pataias, S.A., has undertaken to provide its employees with health care benefits, which are over and above those provided by the state's social security system and are extended to family members, retired staff and widows. Under this scheme, there are certain covered healthcare costs: (I) at Secil via the Health insurance, entered into by the company and (ii) at CMP, via "Cimentos – Federação das Caixas de Previdência", for all workers affiliated, plus for all other workers provided authority is obtained from the company's health services.

The Group's obligation is estimated on a 6 months basis by a specialized and independent entity.

The Healthcare benefits are also recorded according to Accounting Directive 19 under the caption "Provisions for other risks and charges" against the caption "Payroll – social charges - others"

i) Income tax

Income tax for the six-month period ended June 30, 2004 includes current and deferred tax as per Accounting Directive 28. Income tax is recognized in the income statement, except those gains and losses recorded directly in reserves, in which case the income tax is also recorded directly in reserves, namely, that relating to the impact of asset revaluations.

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

Deferred tax is calculated in accordance with the liability method, based on timing differences, between assets and liabilities recognised for accounting and for tax purposes. Deferred taxes are calculated based on rates to be in force when the timing differences crystallize.

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

**NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

**(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

m) Provisions

The provisions are recorded in respect of amounts deemed necessary to cover estimated financial losses.

n) Subsidies to finance acquisition of tangible fixed assets

Non-repayable subsidies attributed to the Group to finance acquisition of tangible fixed assets are recorded, upon receipt, as deferred income (Note 56), and amortized to extraordinary income in the consolidated income statement in proportion to the depreciation of the subsidized tangible fixed assets.

o) Accrual basis

The Group records income and expenses on an accruals basis. Under this basis, income and expenses are recorded in the year to which they relate, independently of when the amounts are received or paid. Differences between the amounts received and paid and the corresponding income and expenses are recorded in accrual and deferrals (Note 56).

p) Use of estimates

The preparation of the consolidated financial statements, requires that management applies its judgment in the calculation of estimates affecting revenue, expenses, assets, liabilities and presentation and disclosure on balance sheet date. These estimates are determined by the Group's management and are based on i) best information and knowledge of present events, which is supplemented in some cases with independent opinions from third parties and ii) the specific steps which the company may undertake in the future. Nonetheless, based on the date the year-end results were closed for recording purposes, these values may differ from the estimates included in the financial statements.

q) Liabilities and environmental expenditures

The group adopts as accounting policies for the recognition of the liabilities and environmental expenditures, the criteria set forth in Accounting Directive nº29, issued by the Accounting Standards Committee (Comissão de Normalização Contabilística). Therefore, the amounts incurred with equipment and any operational techniques that assure the fulfilment of the legislation and the applicable regulations, as well as the reduction of the environmental impacts, for levels that do not exceed the ones corresponding to a feasible application of the best available techniques (from those to minimize energy consumption, atmospheric emissions, production of residues and noise, to those established for the execution of plans for environmental rehabilitation) are: (i) imputed to the results of the period, when they do not provide future economic benefits and (ii), capitalized when destined to serve in a durable manner the activity of the Group, as well as being in respect of future economic benefits and they allow to draw out the life, to increase the capacity or to improve the security or efficiency of other assets withheld by the Group.

The land used in exploration of quarries must be subject to environmental rehabilitation, with the Group's usual procedure, the continued and gradual reconstitution of the spaces left behind by the quarries and recognizing the income statement the necessary expenditures incurred. In respect of those quarries where the restoration can only be performed at the end of the exploration, the Group request specialized and independent entities to value those liabilities and the estimated period of the exploration and recorded those charges in the caption "Provision for other risks and charges" (Note 46).

r) Segment information

*Business Segment* is a distinguishable component of the Group in providing the individual product and is subject to risks and different returns from other business segments.

Three segments have been identified: cements and related products, pulp and paper, and Holding. The geographical segments were not identified as the consolidated assets associated with these areas of business in Portugal, represent below 10% of the total consolidated assets of the Group.

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

s) Financial Instruments

Financial instruments are used by the Group to manage the interest rate and currency risks inherent to its activities. Profits and losses realized on these financial instruments are recorded in the income statement as they occur, in accordance with the accrual concept.

24. TRANSLATION RATES

All assets and liabilities of foreign subsidiaries and associated companies are translated to Euros at the exchange rates prevailing at December 31, 2004. The income statement items are translated to Euros at the average exchange rates for the period. Differences resulting from the application of the above mentioned exchange rates when compared to previous amounts were reflected in Shareholders Equity "Accumulated Exchange Adjustments".

As referred in Note 23. g) the exchange differences arising from the long term loans given to Tecnosecil were also recorded in net equity included in "Accumulated Exchange Adjustments".

The following exchange rates used on December 31, 2004 and 2003, were as follows:

	<u>2004</u>	<u>2003</u>	<u>Increase/ (Decrease)</u>
TND (tunisian dinar)			
Average exchange rate for the period	1,5478	1,4617	(5,89%)
Exchange rate as December 31, 2004	1,6279	1,5272	(6,59%)
LBN (lebanese pound)			
Average exchange rate for the period	1.871,11	1.912,18	2,15%
Exchange rate as December 31, 2004	2.012,86	1.723,48	(16,79%)
USD (american dollar)			
Exchange rate as December 31, 2004	1,3621	1,2630	(7,85%)

**SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

**VI. SPECIFIC INFORMATION**
**27. MOVEMENT IN TANGIBLE AND INTANGIBLE ASSETS**

The movement in intangible, tangible assets and investments, and the related accumulated amortization, depreciation and provision accounts during the year ended December 31, 2004 was as follows:

Caption	Fixed assets						Closing balance
	Opening balance	Changes in consolidation perimeter	Exchange adjustments	Increases	Disposals	Adjustments, transfers and disposals	
Intangible assets:							
Incorporation expenses	3.722.452	(273)	-	35.019	-	(639.695)	3.117.503
Research and development expenses	1.338.558	-	-	34.411	-	(310.021)	1.062.948
Industrial property and other rights	87.630.377	2.212.344	(18.530.996)	47.749	-	183.410	71.542.884
Goodwill	390.727	-	(6.814)	-	-	(280.568)	103.345
Consolidation differences (Note 10)	358.387.350	431.152.380	(19.877.175)	105.635.877	(6.061.276)	129.121	869.366.277
Intangible assets in progress	45.645	36.841	-	184.646	-	(103.064)	164.068
Advances to suppliers of intangible assets	7.885	-	-	6.401	-	(14.286)	-
	451.522.994	433.401.292	(38.414.985)	105.944.103	(6.061.276)	(1.035.103)	945.357.025
Tangible assets:							
Land and natural resources	45.043.769	99.426.731	(29.552)	1.421.003	(289.168)	327.268	145.900.051
Buildings and other constructions	290.054.889	367.133.239	(5.654.908)	7.660.992	(4.065.601)	11.461.706	666.590.317
Machinery and equipment	867.561.544	2.195.111.182	(17.860.117)	12.596.130	(15.163.176)	110.426.771	3.152.672.334
Transport equipment	36.941.677	34.228.668	(1.339.805)	2.746.530	(3.682.057)	(824.168)	68.070.845
Tools and utensils	4.247.613	3.938.345	-	170.768	(2.899)	480	8.354.307
Administrative equipment	28.622.048	35.391.754	(202.979)	1.733.055	(133.111)	(142.322)	65.268.445
Reusable containers	18.801	359.559	-	-	-	-	378.360
Other tangible fixed assets	6.885.038	11.374.931	-	12.119.090	(6.350)	796.192	31.168.901
Construction in progress	12.294.947	122.954.678	(443.457)	67.881.688	(33.281)	(90.617.132)	112.037.443
Advances to suppliers of tangible assets	2.793.252	54.067.706	-	2.733.490	-	(55.820.341)	3.774.107
	1.294.463.578	2.923.986.793	(25.530.818)	109.062.746	(23.375.643)	(24.391.546)	4.254.215.110
Investments:							
Investments in subsidiaries (Note 60)	23.600.071	2.207.265	-	22.686.797	(11.057.268)	(7.746.044)	29.690.821
Loans to subsidiaries (Note 61)	3.167.063	-	(376.750)	2.011.096	-	-	4.801.409
Investments in affiliated companies (Note 60)	37.372.205	15.223	(903.128)	386.243	(474.199)	1.958.412	38.354.756
Loans to affiliated companies (Note 62)	198.611	25.000	-	-	(22.832)	(200.779)	-
Securities and other investments							
Investments in other companies (Note 58 and 60)	3.750.127	23.617.394	-	22.797.393	(24.083.108)	222.118	26.303.924
Other financial investments	2.025.173	-	(27.514)	498	-	-	1.998.157
Real estate investments (Note 60)	2.557.537	-	-	-	-	(1.600.311)	957.226
Advances on investments	65.588	-	-	539.291	-	(440.589)	164.290
	72.736.375	25.864.882	(1.307.392)	48.421.318	(35.637.407)	(7.807.193)	102.270.583
	1.818.722.947	3.383.252.967	(65.253.195)	263.428.167	(65.074.326)	(33.233.842)	5.301.842.718
Accumulated amortisation, depreciation and expenses							
Caption	Opening balance	Changes in consolidation perimeter	Exchange adjustments	Increases	Disposals	Adjustments, transfers and disposals	Closing balance
Intangible assets:							
Incorporation expenses	2.769.689	(1.482)	-	374.845	-	(656.565)	2.486.487
Research and development expenses	1.234.708	-	-	110.528	-	(327.329)	1.017.907
Industrial property and other rights	7.446.799	2.131.606	(1.560.172)	1.133.376	-	190.905	9.342.514
Goodwill	27.999	-	(1.999)	5.434	-	-	31.434
Consolidation differences (Note 10)	128.303.177	67.239.964	(3.905.818)	39.588.706	(3.735.496)	(247.850)	227.242.683
	139.782.372	69.370.088	(5.467.989)	41.212.889	(3.735.496)	(1.040.839)	240.121.025
Tangible assets:							
Land and natural resources	8.780.275	185.671	-	1.428.806	(18.053)	-	10.376.699
Buildings and other constructions	198.192.801	184.251.751	(1.146.121)	11.825.329	(2.460.451)	(202.870)	390.460.439
Machinery and equipment	692.001.712	1.424.190.219	(5.066.188)	49.159.608	(13.814.058)	(12.099.112)	2.134.372.181
Transport equipment	32.300.524	20.996.032	(1.162.314)	2.290.336	(2.665.850)	(231.374)	51.527.354
Tools and utensils	3.834.671	3.534.572	-	236.665	(504)	(72.434)	7.532.970
Administrative equipment	25.311.385	28.836.786	(169.323)	2.440.014	(120.326)	(14.965)	56.283.571
Reusable containers	17.967	217.353	-	9.860	-	-	245.180
Other tangible fixed assets	3.553.581	9.464.439	-	2.041.499	(3.776)	(141.561)	14.914.182
	963.992.916	1.671.676.823	(7.543.946)	69.432.117	(19.083.018)	(12.762.316)	2.665.712.576
Securities and other investments:							
Investments in affiliated companies							
Provisions (Note 46)	250.000	-	-	-	-	-	250.000
Securities and other investments							
Investments in other companies							
Provisions (Note 46)	77.492	1.338.200	(1.589)	32.304	-	(77.492)	1.368.915
Securities and other investments							
Provisions (Note 46)	53.560	-	(7.966)	9.691	-	-	55.285
Real estate investments							
Provisions (Note 46)	731.018	-	-	-	-	(731.018)	-
Depreciation (Note 44 and 60))	1.439.665	-	-	15.997	-	(894.336)	561.326
	2.551.735	1.338.200	(9.555)	57.992	-	(1.702.846)	2.235.526
	1.106.327.023	1.742.385.111	(13.021.490)	110.702.998	(22.818.514)	(15.506.001)	2.908.069.127

## SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

#### (Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

The current year depreciation charge, added to the provisions for financial investments, of Euros 110.702.998, were recorded in the captions: (i) "current year depreciation", Euros 98.032.297, (ii) "Financial costs and losses", Euros 57.992 (Note 44) and (iii) "Extraordinary Costs and Losses", Euros 12.612.709 (Note 10).

The investment in tangible fixed asset by the Group, to the year ended December, 31 2004, increased to Euros 109.062.746, in which the following projects stand out:

- Cement segment (Euros 52.640.401) - (i) environmental rehabilitation work undertaken at Via Húmida and stone quarries, installation of raw materials in Mill III, installation of new crushing equipment at the quarries, transfer of substation A from Mill III to the peer area, and an automatic laboratory for cement analysis of farms Z4 and Z6, at the Outão factory, (ii) construction of warehouse for solid fuels, purchase of land, set up of tire destruction unit at Cibra-Pataias factory, (iii) automation of fluorescence analysis equipment for the "cru" and cement, construction of coal covered warehouse at the Maceira-Liz factory and (iv) completion of the coke mill and purchase of dumpers for the Gabés factory.
- Cellulose pulp and paper segments (Euros 56.352.125) – The increase is essentially due to the new recovery of the boiler, the two cutters, one especially formatted and another cut, connection to electric energy grid and the systems and auxiliary equipments relative to the transformation building, of subsidiary Soporcel, S.A..

As referred to in Note 15, for the year ended December 31, 2004 the Group followed ahead with the harmonization of the fixed assets depreciation policies, which led to a decrease: (i) of the current year depreciation of Euros 21.610.845 and (ii) of the accumulated depreciation as at December 31, 2003 of Euros 12.386.766 (Note 45), recorded in the caption "Extraordinary Gains and losses of the financial year " as shown in the table , in the "Regularizations" column.

#### 33. ACCOUNTS PAYABLE IN MORE THAN FIVE YEARS

As at December 31, 2004 debenture loans and bank loans repayable in more than five years amount to Euros 76.500.989 (Note 57).

# SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

### 36. SEGMENT INFORMATION

Segment Information is presented in relation to the identified business segments, such as, cements and related products, pulp and paper, and Holding.

The net profit/loss, assets and liabilities of each segment correspond to those, which can be directly attributable, as well as those that can be reasonably attributed to the segment, including intermediary holdings and the respective financing allocated.

The net income for the year ended December 31, 2004, by segment can be analyzed as follows:

	Cement and derivatives	Cellulose pulp and paper	Holding	Eliminations	Consolidated
<b>INCOME</b>					
External sales	445.652.264	254.308.708	-	-	699.960.972
Inter-segment sales	-	-	1.580.874	(1.580.874)	-
<b>Total income</b>	<b>445.652.264</b>	<b>254.308.708</b>	<b>1.580.874</b>	<b>(1.580.874)</b>	<b>699.960.972</b>
External operating results	62.858.865	3.175.671	(5.963.822)	-	60.070.714
Inter-segment operating results	-	-	-	-	-
<b>Total operating results</b>	<b>62.858.865</b>	<b>3.175.671</b>	<b>(5.963.822)</b>	<b>-</b>	<b>60.070.714</b>
External net financial results	(18.064.769)	(23.248.411)	5.004.868	-	(36.308.312)
Inter-segment net financial results	-	-	-	-	-
<b>Total financial results</b>	<b>(18.064.769)</b>	<b>(23.248.411)</b>	<b>5.004.868</b>	<b>-</b>	<b>(36.308.312)</b>
Participation in net profit of associate companies (Note 44)	3.655.108	1.709.032	3.213.631	-	8.577.771
Income tax (Note 38)	35.656.556	(4.315.507)	136.255	-	31.477.304
<b>Results of ordinary activities</b>	<b>12.792.648</b>	<b>(14.048.201)</b>	<b>2.118.422</b>	<b>-</b>	<b>862.869</b>
<b>Extraordinary items (Note 45)</b>	<b>49.247.795</b>	<b>2.229.966</b>	<b>144.418.855</b>	<b>-</b>	<b>195.896.616</b>
<b>Minority interests (Note 53)</b>	<b>(157.048)</b>	<b>644.148</b>	<b>14.198.663</b>	<b>-</b>	<b>14.685.763</b>
<b>Net results for the year</b>	<b>62.197.491</b>	<b>(12.462.383)</b>	<b>132.338.614</b>	<b>-</b>	<b>182.073.722</b>
<b>OTHER INFORMATION</b>					
Segment assets	879.247.996	2.420.403.792	51.844.810	-	3.351.496.598
Total assets	879.247.996	2.420.403.792	51.844.810	-	3.351.496.598
Equity investments in affiliated companies (Note 60)	40.779.708	27.990.225	27.288.600	-	96.058.533
Segment liabilities	427.107.261	2.012.964.080	49.606.730	-	2.489.678.071
Total liabilities	427.107.261	2.012.964.080	49.606.730	-	2.489.678.071

As mentioned in Note 14, the results of Semapa SGPS, S.A. concerning the year ended in 2004, includes the consolidated results of the subgroup Portucel – Empresa Produtora de Pasta e papel, S.A. and their subsidiaries, according to the method of integral consolidation, of the 3 month period between October 1, 2004 and December 31, 2004 since the effective economic control was appropriated. The period between the July 1 and September 30, 2004 is disclosed in the consolidate income statement of Semapa SGPS, S.A. by the equity method (Note 60), Semapa appropriate 30% of the results of Portucel of the referred period. In October, already using the integral method, 60,37% of the result has appropriated and in November 67,1%.

### 38. INCOME TAX

Group companies are taxed in accordance with the corporate income tax act (Código do IRC), based on their individual taxable income with exception of the sub holding Secil and the sub holding Portucel and some of it portuguese subsidiaries which are subject to special tax regime for Group Corporate Income Tax, constituted by the Companies in which minimum investments of 90% are held and fulfils the conditions set in article 63º in the corporate income tax code (Código do IRC).



# SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

In accordance with current legislation, profits and losses in subsidiaries and associated companies resulting from application of the equity method are deducted from or added to, respectively when calculating taxable income. For tax purposes, dividends are recorded in the year when received, if participations held are lower than 10%, or held for less than one year.

All other situations that could affect significantly future income tax are recorded in the financial statements, as at December 31, 2004 under Accounting Directive 28, as described in Note 23 I).

Deferred tax assets and liabilities for the year ended December 31, 2004 is made up as follows:

	Opening balance	Changes in consolidation perimeter	Income statement		Exchange adjustment	Retained Earnings	Minority interests	Closing balance
			Increases	Decreases				
Timing differences giving raise to deferred tax assets								
Taxed provisions (Note 46)	5.767.242	2.927.805	8.254.632	(2.078.089)	(208.214)	-	-	14.663.376
Tax losses carried forward	8.681.315	1.829.114	53.824.983	(492.542)	-	-	-	63.842.870
Liabilities with retirement benefits (Note 21)	-	-	842.821	(18.112)	-	-	-	824.709
Liabilities with long service award (Note 21)	-	-	1.402.719	(55.003)	-	-	-	1.347.716
Underfunding of the pension fund (Note 21)	-	40.400.225	14.321.281	(15.314.171)	-	-	-	39.407.335
Retirement benefits not covered by an autonomous fund (Note 21)	17.698.796	-	1.694.449	(1.638.317)	-	-	-	17.754.928
Liabilities for healthcare benefits (Note 21) a)	7.862.261	-	1.232.188	(1.655.183)	-	-	-	7.439.266
Derecognition of Investment Subsidies	-	-	674.491	-	-	-	-	674.491
Deferred amortisation of Intangible Assets (Note 15)	-	15.170.382	-	(2.408.629)	-	-	-	12.761.753
Gains subject to deferred tax originated in intra-group transactions	95.583.327	-	-	(95.583.327)	-	-	-	0
Woodland fair value	-	171.053.811	-	(5.611.696)	-	-	-	165.442.115
	135.592.941	231.381.337	82.247.564	(124.855.069)	(208.214)	-	-	324.158.559
Timing differences giving raise to deferred tax liabilities								
Revaluation of fixed assets (Note 42)	(32.543.660)	(41.521.087)	(403.093)	9.941.962	-	-	-	(64.525.878)
Harmonization of the depreciation criteria (Note 27)	-	(10.095.378)	(34.448.056)	-	-	-	-	(44.543.434)
Fair value of subsidiary Société des Ciments de Gabès (Note 10)	(157.526.702)	-	-	4.180.355	36.374.308	-	(2.063.836)	(119.035.875)
Fair value of investment in ENCE - Empresa Nacional de Celulose, S.A	-	(22.116.040)	-	22.116.040	-	-	-	0
Losses subject to deferred tax originated in intra-group transactions	(55.884.126)	-	-	734.910	-	-	-	(55.149.216)
Deferred taxation of capital gains	(3.053.300)	-	-	345.853	-	-	-	(2.707.447)
Increased amortisation	(1.592.455)	-	(429.363)	-	119.634	(30.888)	-	(1.933.072)
Overfunding of the pension fund (Note 21)	(2.684.036)	-	(90.936)	1.648.414	-	-	-	(1.126.558)
Fair value of subsidiary Soporcel (Note 10)	-	(241.441.678)	(11.016.892)	8.262.669	-	-	-	(244.195.901)
	(253.284.279)	(315.174.183)	(46.388.340)	47.230.203	36.493.942	(30.888)	(2.063.836)	(533.217.381)
Amounts reflected on the balance sheet								
Deferred tax assets	44.993.751	63.630.907	26.975.468	(41.503.384)	(70.761)	-	-	94.025.981
Deferred tax liabilities	(81.362.229)	(86.674.380)	(12.766.217)	13.318.675	12.770.759	(10.811)	(722.342)	(155.446.545)

a) The value used for the deferred tax asset calculation is lower by the related provision for healthcare assistance charges, given this is not fully accepted as tax deductible by tax authorities for the year 2000 and the following years. Management believes that these costs are tax deductible as i) they relate to rights established in the collective labor agreement since 1976, ii) correspond to substitute charges of rights given by the former Secil's employees "Caixa de Previdência" and iii) are a consequence of charges assumed by the company in respect to services rendered by the employees. The company will appeal against this tax decisions.

Income tax for the year ended December 31, 2004 and 2003 is made up as follows:

	2004	2003
Current Income Tax (Note 54)	17.501.946	22.114.256
Deferred income tax	13.975.458	(1.623.535)
	<u>31.477.404</u>	<u>20.490.721</u>

In accordance with current Portuguese tax legislation the tax returns of the companies included in the consolidation are subject to review and correction by the tax authorities during a period of four years and five years for social security contributions. Consequently the tax returns for the years 2001 to 2004 are still subject to review and correction.

The Company's Management believes that any possible adjustments that may be made by the tax authorities as result of their reviews, will not have a significant effect on the consolidated financial statements as of December 31, 2004.

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

39. REMUNERATIONS OF THE BOARD OF DIRECTORS

The remunerations to the board of directors of associated companies in the year ended December 31, 2004 and 2003 amounts to Euros 13.550.365 and Euros 6.506.598, including in both cases bonuses of Euros 5.581.372 and 1.540.000, respectively.

41. REVALUATIONS – LEGISLATION

The Group companies headquartered in Portugal revalued its tangible fixed assets in prior years in accordance with the applicable legislation, namely: Ministerial Order 258, of 28 December 1963; Decree-Law 126/77, Decree-Law 430/78, Decree-Law 219/82, Decree-Law 319-G/84, Decree-Law 118-B/86, Decree-Law 111/88, Decree-Law 49/91, Decree-Law 264/92, Decree-Law 22/92, Decree-Law 31/98.

42. REVALUATION OF TANGIBLE FIXED ASSETS AND INVESTMENTS IN PROPERTY

As at December 31, 2004 the cost and revalued tangible fixed assets and investments (investments in property), net of accumulated depreciation, are as follows:

Caption	Historical values	Revaluations	Revaluated Values
Tangible assets:			
Land and natural resources	121.917.359	13.605.993	135.523.352
Buildings and other constructions	245.903.895	30.225.983	276.129.878
Machinery and equipment	969.013.658	49.286.495	1.018.300.153
Transport equipment	16.402.228	141.262	16.543.490
Tools and utensils	744.188	77.149	821.337
Administrative equipment	8.703.342	281.532	8.984.874
Reusable containers	133.180	-	133.180
Other tangible fixed assets	16.057.935	196.785	16.254.720
	<u>1.378.875.785</u>	<u>93.815.199</u>	<u>1.472.690.984</u>
Investments:			
Land and natural resources	4.365	153.019	157.384
Buildings and other constructions	7.213	231.304	238.517
	<u>11.578</u>	<u>384.323</u>	<u>395.901</u>
	<u>1.378.887.363</u>	<u>94.199.522</u>	<u>1.473.086.885</u>

# SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

### 44. CONSOLIDATED NET FINANCIAL RESULTS

Net financial results are made up as follows at the year ended December 31, 2004 and 2003:

<u>Expenses:</u>	<u>2004</u>	<u>2003</u>
Interest expense - shareholders loans (Note 59)	250.259	286.841
Interest expense - others	29.889.953	20.358.110
Depreciation and provisions for investments (Note 46)	440.180	789.183
Foreign currency exchange loss	9.949.247	221.191
Financial discounts allowed	3.317.266	1.590.140
Losses on group and affiliated companies (Note 60)	155.858	838.214
Other financial expenses	3.840.672	1.118.404
	<u>47.843.435</u>	<u>25.202.083</u>
Net financial results	<u>(27.730.541)</u>	<u>(2.826.710)</u>
	<u>20.112.894</u>	<u>22.375.373</u>

<u>Income:</u>	<u>2004</u>	<u>2003</u>
Interest income - group companies (Note 61)	525.478	682.937
Interest income - associated companies (Note 62)	72.376	81.935
Other interest income	1.161.564	1.158.064
Income from participation bonds	217.454	124.613
Income from properties	25.410	23.272
Gains on investments in group and affiliated companies	8.577.771	9.868.263
Gains on investments in other companies	702.881	10.069.235
Foreign currency exchange gains	6.833.456	151.091
Financial discounts obtained	217.547	152.643
Gains on the disposal of marketable securities	1.055.128	-
Other financial income	723.829	63.320
	<u>20.112.894</u>	<u>22.375.373</u>

The caption "Depreciation and provisions for investments" corresponds to: (i) depreciation in real-estate investments amounting to Euros 15.997 (Note 27), (ii) to the provision for financial investments, Euros 41.995 (Notes 27 and 46), (iii) provision for the negative equity of Viroc Portugal, S.A., amounting to Euros 375.783 (Note 46) and (iv) to the provision for other marketable securities by Euros 6.405, registered by Semapa SGPS, S. A. (Notes 46 and 58).

The caption "Gains on investments in associated companies" includes (i) the recognition of income arising from the equity method applied to associated companies, Euros 8.144.119 (Note 60), and (ii) the recognition of income arising from Ciments de Sibline S.A.L. goodwill amounting to Euros 433.652 (Note 10).

The caption "Gains on investments in other companies" includes an amount of Euros 639.821 (Note 60), related to the profit for the period of the Cimentos Madeira, Lda, calculated in accordance with the equity method as referred in Note 23 d). As at December 31, 2003 this caption included an amount of Euros 9.673.552 related to dividends received from CIMPOR.

**SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

**(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

**45. CONSOLIDATED NET EXTRAORDINARY ITEMS**

Net extraordinary items are made up as follows at December 31, 2004 and 2003:

<u>Expenses:</u>	<u>2004</u>	<u>2003</u>
Donations	740.209	437.858
Bad debts	15.324	104.110
Loss on inventories	2.365.632	11.837
Loss on fixed assets	397.745	2.401.336
Losses in investments (Note 10)	12.612.709	-
Fines and penalties	26.539	23.855
Prior year adjustments	394.511	643.325
Other extraordinary expenses	1.056.162	107.570
	<u>17.608.831</u>	<u>3.729.891</u>
Net extraordinary results	<u>195.896.616</u>	<u>22.888.971</u>
	<u>213.505.447</u>	<u>26.618.862</u>
<u>Income:</u>	<u>2004</u>	<u>2003</u>
Tax refund	35.161	23.975
Recovery of bad debts	1.994	174.981
Gain on inventories	8.518	-
Gain on assets	191.395.552	3.470.187
Investments subsidies	458.215	-
Decrease in depreciation and provisions	7.404.108	20.277.831
Prior year adjustments	13.217.367	27.244
Other extraordinary income	984.532	2.644.644
	<u>213.505.447</u>	<u>26.618.862</u>

The caption "Gain on asset" includes gains on the disposal of the financial investments, of which Euros 144.303.341 relate to the sale by Semapa, SGPS, S.A., of 45,125% of the share capital of Secil – Companhia Geral de Cal e Cimento, S.A. (49% of the voting rights) as well as the amount of Euros 102.534 corresponding to the gain obtained from the sale of 25% in Becim, it also includes the gains from the sale of shares in Cimpor, amounting to Euros 39.389.710.

The gains on fixed assets include (i) Euros 380.612 obtained on disposal of ready mix trucks by the subsidiaries dedicated to the production and sale of premix concrete and (ii) Euros 3.153.821 obtained from the disposal of a plot of land, ancillary buildings and related equipment at Arrábida – Oporto.

The caption "Other extraordinary income" included in prior year an amount of Euros 1.274.059, related to the tax gain obtained from the special tax regime applicable to Group Companies, while in 2004 this gain was recorded as an income tax charge reduction, as referred in note 54.

The caption "Prior year adjustments" includes an amount of Euros 12.386.766 (Note 27) related to the harmonization of the criteria for the depreciation of fixed assets.

# SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

### 46. MOVEMENT IN PROVISIONS

The movement in provisions during the year ended December 31, 2004 as follows:

Captions	Opening balance	Changes in consolidation perimeter	Exchange rates adjustment	Increase	Utilisation	Transfers	Closing balance
Provisions for investments ( Note 27)	1.112.070	1.338.200	(9.555)	41.995	(808.510)	-	1.674.200
Provisions for losses on inventories	2.133.881	25.053	(149.749)	878.121	(388.624)	-	2.498.682
Provisions for doubtful accounts:							
Costumers	12.411.836	3.297.282	(84.941)	1.609.598	(950.299)	-	16.283.476
Subsidiaries Companies	1.980.416	-	-	202.043	(44.333)	-	2.138.126
Advances to suppliers		67.786					67.786
Other debtors (Note 55)	6.142.798	33.422	(38)	42.131.775	(4.974.119)	-	43.333.838
	20.535.050	3.398.489	(84.979)	43.943.416	(5.968.751)	-	61.823.225
Provisions for other marketable securities (Note 58)	-	-	-	6.405	-	-	6.405
Provisions for risks and charges							
Provisions for pensions (Note 21)	17.698.798	-	-	1.640.518	(1.584.389)	-	17.754.927
Provisions for tax	213.409	15.758.304	(4.849)	480.152	(173.992)	-	16.273.024
Other provisions for risks and charges:	15.200.327	4.023.532	(10.014)	12.234.044	(4.373.326)	260.314	27.334.878
Liabilities with retirement benefits (Note 21)			-	842.820	(18.112)	-	824.708
Liabilities for long service award (Note 21)	7.862.261	-	-	3.211.576	(606.952)	-	10.466.885
Liabilities with ageing bonus (Note 21)			-	1.442.369	(94.653)	-	1.347.716
Provision for potential losses in fixed assets	1.033.668	2.927.297	-	24.623	(354.603)	-	3.630.985
Provision for fiscal reserve investment	4.236.683	-	-	790.523	(2.478.268)	-	2.548.938
Environmental recovery of quarries (Note 66)			-	555.109	(31.349)	-	523.760
Provision for negative shareholders equity (Note 60)	1.067.788	74.041	-	375.783	-	-	1.517.612
Others	999.927	1.022.194	(10.014)	4.991.241	(789.389)	260.314	6.474.274
	33.112.534	19.781.837	(14.863)	14.354.714	(6.131.707)	260.314	61.362.829
	56.893.535	24.543.579	(259.146)	59.218.246	(13.297.592)	260.314	127.358.937

The increase in provisions for the year ended December 31, 2004, of Euros 59.218.246 was recorded in (i) "Payroll – social charges – pensions", Euros 1.640.518 (Note 21), (ii) "Payroll – social charges – others", Euros 5.496.765 (note 21) " , (iii) "Depreciation and provisions for investments", Euros 424.183 (Note 44), (iv) "Retained Earnings", Euros 39.640.070 (Note 55), and (v) "Provisions for the period", of Euros 12.016.710.

**Provision for taxes:** This caption includes mainly, an amount of Euros 16.033.804 related to the additional income tax notification received by the subsidiary Soporcel, for the year 1998 to 2001, in the amount of Euros 11.493.348 (including interests of Euros 2.337.223) as well the estimated fiscal contingency for the years 2002 and 2003, amounting to Euros 1.147.737. For the year 2004, the amount is estimated in Euros 3.392.719. The referred amounts relate to the adjustments to taxable income due to fiscal benefits, as established by the investment contract in PM2 (second paper machine acquisition), having the company presented a tax claim in the respect to those amounts.

**Provision for fiscal investment reserve:** As at December 31, 2004 Secil and their subsidiaries which are subject to special tax regime for Group Corporate Income Tax, recorded as at December 31, 2003 a decrease in income tax of Euros 4.236.683 (Euros 3.361.979 (Note 51) in Secil and Euros 874.704 in other Group companies), based on the Decree-law 23/2004 dated January 23, which was adjusted in this period by Euros 1.758.415 based on the Law 11/2004, May 18. Given that this special reserve is applicable to eligible investment in fixed assets, which must occur during 2004 and 2005, the Group recorded in 2003 a provision for the effective fiscal incentive utilized, in case the companies do not actually incur the required investment.

The fiscal investment reserve to be built up during 2004 net result distribution amounts to Euros 790.523, and is fully provided for based on the reasons referred above.

**Provision for negative shareholders equity:** the Group increased in the year ended December 31, 2004 the provision for investments in companies presenting a negative shareholders' equity at December 31, 2003, by applying the equity method of accounting, resulting in a charge of Euros 375.783 (Note 44).

**SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED****(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

**47. ASSETS HELD UNDER FINANCE LEASE**

As at December 31, 2004, fixed assets held under finance lease included under the following captions are:

Caption	Cost	Accumulated depreciation	Net value
Buildings and other constructions	10.207.518	(4.997.685)	5.209.833
Machinery and equipment	642.960	(187.080)	455.880
Transport equipment	2.605.762	(1.472.798)	1.132.963
	<u>13.456.239</u>	<u>(6.657.563)</u>	<u>6.798.676</u>

Outstanding liabilities in relation to capitalized finance lease contracts are payable as follows:

Payable up to 1 year	1.736.435
Payable between 1 to 5 years	<u>1.259.891</u>
	<u>2.996.326</u>
Future interest payable	<u>145.964</u>

**VII OTHER INFORMATION****50. SHARE CAPITAL**

As at December 31, 2004 the company's share capital is fully subscribed and paid up and consisted of 118.332.445 shares of Euro 1 each.

The share capital of Semapa as at December 31, 2004 was held as follows:

Name	Number of shares	%
Sodim, SGPS, S.A.	25.000.000	21,13
Cimpor Portugal, SGPS, S.A.	23.695.611	20,02
Longapar, SGPS, S.A.	20.000.000	16,90
Cimo - Gestão de Participações, SGPS, S.A.	14.592.300	12,33
Seminv - Investimentos, SGPS, S.A.	2.727.975	2,31
BPI Fundos - Gestão de Fundos de Investimento Mobiliário, S.A.	2.649.810	2,24
AF Investimentos - Fundo Imobiliários, S.A.	2.468.900	2,09
Sonaca - Sociedade Nacional de Canalizações, S.A.	1.254.324	1,06
Other interest shareholders under of 1%	<u>25.943.525</u>	<u>21,92</u>
	<u>118.332.445</u>	<u>100,00</u>

**51. MOVEMENT IN SHAREHOLDERS' EQUITY ACCOUNTS**

The movement in shareholders' equity accounts during the year ended December 31, 2004 was as follows:

**SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

Captions	Opening balance	Increases	Decreases	Transfers	Closing balance
Share capital	118.332.445	-	-	-	118.332.445
Treasury stock - nominal value	(2.727.975)	-	-	-	(2.727.975)
Treasury stock - discounts and premiums	(7.671.437)	-	-	-	(7.671.437)
Share premium	3.923.459	-	-	-	3.923.459
Accumulated exchange adjustments	(11.707.344)	-	(21.726.958)	4.079.324	(29.354.978)
Revaluation reserves (Notes 41 and 52)	8.986.163	-	-	1.113.447	10.099.610
Reserves:					
Legal reserve	11.113.753	-	-	2.003.638	13.117.391
Other reserves	77.530.008	-	-	24.235.892	101.765.900
Retained earnings	(226.340)	285.672	-	(5.192.771)	(5.133.439)
Consolidated net profit for the period	40.072.775	182.073.722	(13.833.245)	(26.239.530)	182.073.722
	<u>237.625.507</u>	<u>182.359.394</u>	<u>(35.560.203)</u>	<u>-</u>	<u>384.424.698</u>

As decided by the Shareholders' General Meeting held on April 16, 2004, the net profit for 2003 was appropriated as follows:

Dividends distribution	11.833.245
Legal reserves	2.003.638
Other reserves	24.235.892
Bonus to Board members	2.000.000
	<u>40.072.775</u>

The dividends and Bonus to board members, approved on April 16, 2004, amounting to Euros 13.833.245, were fully paid as at December 31, 2004.

Accumulated exchange adjustments: movements registered during 2004 in this caption were as follows:

Exchange rate adjustment on goodwill from foreign subsidiaries:	
- Société des Ciments de Gabés (Note 10)	8.078.020
- Sud Beton - Société de Fabrication de Béton du Sud (Note 10)	67.372
Translation of foreign entities assets and liabilities:	-
- Société des Ciments de Gabés	12.928.828
- Société des Ciments de Sibline (Note 60)	460.595
Exchange differences from loan denominated in dollars conceded to the subsidiary Tecnosecil, S.A.R.L.	192.143
	<u>21.726.958</u>

The amount of Euro 12.928.828 relate to the Group share on the translation of the assets and liabilities of the subsidiary Société des Ciments de Gabés, which includes an amount of Euros 11.891.314 corresponding to the fair value adjustments of this subsidiary assets. Until December 31, 2003 fair value of those assets were treated as Secil assets, kept at acquisition historical exchange rate. During 2004, the Group started to treat these fair value adjustments as assets of the foreign operation and, therefore translated to Euro at the closing exchange rate.

The amount of Euros 4.079.324 transferred to the caption "Retained earnings" related to the reduction by 45,125% of the participation in the subsidiary Secil, direct owner of the net equity in the referred company.

Legal reserve: Commercial legislation establishes that a minimum of 5% of annual net profits must be transferred to a legal reserve until it reaches 20% of share capital. This reserve cannot be distributed to the shareholders except upon liquidation of Secil, but may be used to absorb losses after all other reserves have been used up, or to increase capital.

**SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED****(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

Retained earnings: the movements during the year ended December 31, 2004 were as follows:

Opening balance	<u>(226.340)</u>
Transfers:	
Transfers to "Revaluation Reserves" (Note 52)	(1.113.447)
Transfers to "Accumulated Exchange Adjustment"	<u>(4.079.324)</u>
Total transferred	<u>(5.192.771)</u>
Increases:	
Profit distributed to employees:	
- by subsidiary companies	(162.645)
- by associated companies	(7.286)
Semapa dividends distributed to subsidiary Seminv - Investimentos, SGPS, S.A.	545.627
Other Adjustments made by group companies	(75.078)
Other Adjustments made by associated companies	<u>(14.946)</u>
Total increases	<u>285.672</u>
Closing balance	<u><u>(5.133.439)</u></u>

**52. CHANGE IN REVALUATION RESERVES**

As at December 31, 2004, there was a transfer in the consolidated financial statements of Euros 1.113.447 to retained earnings related to the proportional investment of the Group (i) on the value of revaluation reserve from Secil, which was realized in the year by use, disposal or write-off of the corresponding asset for an amount of Euros 194.753, (ii) deferred tax in respect of the realized revaluation reserve, not considered for tax purposes of Euros 25.707, and (iii) transfer, to "Retained earnings" of an amount of Euros 1.282.491 resulting from the proportional adjustment of the Group in "Accumulated Exchange Adjustment" after the disposal by Semapa of 45,125% of Secil's share capital.

**53. MINORITY INTERESTS**

As at December 31, 2004, and 2003, "Minority interests" included in liabilities refer to the following subsidiaries:

	<u>2004</u>	<u>2003</u>
Secil - Companhia Geral de Cal e Cimento, S.A.	162.937.308	-
Portucel, S.A.	336.682.189	-
Secil Betões e Inertes Group	3.081.258	3.282.164
Société des Ciments de Gabés	1.451.473	422.332
Secil Martingança, Lda.	2.858.611	2.953.314
Others	585.551	740.116
	<u>507.596.390</u>	<u>7.397.926</u>



# SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

The movements in the caption “Minority interests” caption for the year ended December 31, 2004 were as follows:

Opening balance	7.397.926
Decrease due to sale of Secil	180.037.221
Increase related to the acquisition of 67,1% of Portucel	336.682.189
Net profit attributed to minority interests	14.685.763
Apropriation of accumulated exchange adjustments of subsidiary Société des Ciments de Gabés	(20.874.920)
Advanced dividends distributed by the subsidiary Secil	(10.029.774)
Apropriation of other adjustments made on equity	(302.014)
Closing balance	<u>507.596.390</u>

### 54. STATE AND OTHER GOVERNMENT ENTITIES

There are no debts overdue to the State and other government entities as at December 31, 2004 and 2003. The balances with these entities are made up as follows:

	2004		2003	
	Receivable balances	Payable balances	Receivable balances	Payable balances
Corporate income tax	25.287.235	666.537	2.559.288	374.109
Personal income tax	-	2.058.576	-	1.158.523
Value added tax	38.077.688	6.971.494	2.289.675	4.633.662
Social security contributions	-	2.804.388	-	1.204.764
Other taxes	790.135	897.414	645.036	231.906
	<u>64.155.058</u>	<u>13.398.408</u>	<u>5.493.999</u>	<u>7.602.964</u>

The receivable and payable balances related to “Corporate income tax” are made up as follows as at December 31, 2004 and 2003:

	2004		2003	
	Receivable balances	Payable balances	Total	Total
Income tax	9.829.873	18.136.605	27.966.478	22.114.256
Exchange rate adjustment	(1.103)	(52.436)	(53.539)	(11.174)
Changes in perimeter	-	-	-	8.360
Payments on account	(11.022.551)	(16.637.504)	(27.660.055)	(22.757.152)
Withholding at source	(602.889)	(253.808)	(856.697)	(254.878)
Income tax from previous years	(23.490.565)	(526.320)	(24.016.885)	(10.532)
Income tax reduction for Group tax purposes (Note 45)	-	-	-	(1.274.059)
	<u>(25.287.235)</u>	<u>666.537</u>	<u>(24.620.698)</u>	<u>(2.185.179)</u>

In respect of the income tax charge for the year amounting to Euros 27.966.478 an amount of Euros 17.501.946 (Note 38) is appropriated by the group. This difference results from the consolidated income tax for the Portucel sub-holding and its subsidiaries, amounting to Euros 9.018.000 only being appropriated for the period between October 1, and December 31, 2004, as referred in Note 14.

**SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

**(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

**55. OTHER DEBTORS AND CREDITORS**

As at December 31, 2004 and 2003 these captions were made up as follows:

	2004	2003
<u>Other debtors - Medium and Long Term:</u>		
Roclim, Lda.	485.025	1.701.007
Manuel Augusto Martins Oliveira	76.953	610.557
Filimate, Lda.	360.718	-
Norcim, Lda.	636.866	-
Other debtors with balances below Euros 500.000	132.633	654.143
	<u>1.692.195</u>	<u>2.965.707</u>
Provisions for doubtful accounts (Note 46)	(1.180.250)	-
	<u>511.945</u>	<u>2.965.707</u>
<u>Other debtors - Short Term:</u>		
Portuguese government (liability for the sale of CMP)	5.598.358	5.598.358
Government of Angola	34.891.075	-
Other Debtors:		
Group Companies (Note 61)	631.344	415.137
Affiliated and related companies (Note 62)	492.788	737.898
Roclim, Lda.	591.864	971.046
Filimate, Lda.	409.498	916.226
Pledge in favour of third parties	1.145.041	1.006.964
PEDIP II Subsidiaries	268.079	-
Employees association (C.F. Setúbal)	126.489	-
Ecocel	105.413	-
Other debtors with balances below Euros 500.000	7.632.477	4.697.994
	<u>51.892.426</u>	<u>14.343.623</u>
Provisions for doubtful accounts (Note 46)	(42.153.588)	(6.142.798)
	<u>9.738.838</u>	<u>8.200.825</u>
<u>Other creditors</u>		
Grupo Mutuelle (insurance)	801.623	727.137
Cimpor (Portuguese islands consortium)	404.085	105.153
Shareholders	402.000	-
Raiz	336.134	-
Portucel Internacional	359.134	-
Souteastern Paper Products	170.069	-
Sociedade Agrícola Quinta do Convento	2.394.227	-
Credits for unpaid investments	-	138.559
Advanced receivables for disposals of fixed assets	-	1.000.000
Other creditors with balances below Euros 500.000	3.383.862	2.129.093
	<u>8.251.134</u>	<u>4.099.942</u>

**SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE  
CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

**(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

The amount of Euros 5.598.358 receivable from the Portuguese Government results from an actuarial study, made by a specialized independent entity of the liability for employee benefits as of December 31, 1993, following the reprivatization process of CMP. As a result of the study, errors were detected. CMP's Management requested in 1996, that the Portuguese Government settle the above amount. The receivable is fully provided for in the caption "Provision for doubtful accounts receivable" (Note 46).

The Euro 34.891.075 balance, pending to be received from Angolan Government, is related to the fact that, at the Angolan independent date, Secil owned several interests in that country, that were nationalized after the independence, namely (i) Bank deposits existent at Banco de Crédito Comercial e Industrial and Banco Totta Standard de Angola, transferred to the Banco Nacional de Angola, nationalized as at 1976, (ii) deposits existent at Banco Comercial de Angola, transferred to Banco de Poupança e Crédito, nationalized as at 1976, building in Luanda nationalized as at 1985, (iv) current account balances and income results from Companhia de Cimento Secil do Ultramar, SARL nationalized as at 1985, (v) financial investment in Companhia de Cimento Secil do Ultramar, SARL and (vi) financial investment in Secil Marítima, SARL, nationalized as at 1987.

Counting now 18 years, from the first nationalization, Secil and Angolan Government representatives have agreed in the need to request, to an international independent independent consultant, an assets valuations, concluded as at July 12, 1996.

Since that date Secil have made efforts in order to receive the referred debt, fully provided for as at December 31, 2004.

The Portuguese Islands consortium was broken by Cimpor, with effects from June 30, 2005.

The amount of Euros 2.394.227 in the caption Other Creditors, refers to an advanced payment received, by the subsidiary Soporcel, S.A., as a result of the disposal of the "Herdade da Torre Bela", whose buyer is the Sociedade Agrícola da Quinta do Convento da Visitação. This advance was received in July 2003 and will be regularized at the time of the celebration of the title deed.

**SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

**(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

**56. ACCRUALS AND DEFERRALS**

As at December 31, 2004 and 2003 accruals and deferrals are made up as follows:

	2004	2003
<u>Accrued income:</u>		
Insurance indemnities	939.989	-
Others	594.199	222.794
	<u>1.534.188</u>	<u>222.794</u>
<u>Deferred costs:</u>		
Maintenance	640.148	2.348.210
Costs to be shared in the scope of the consortium with Cimpor	684.816	-
Interests deferred	5.364.764	-
Expenses with loans	10.007.526	759.205
Overfunding of Pensions Fund (Note 21)	1.126.558	2.684.036
Others	1.224.827	1.413.119
	<u>19.048.639</u>	<u>7.204.570</u>
<u>Accrued costs:</u>		
Payroll expenses	21.637.049	6.879.648
Accrued interest	6.859.360	1.658.665
Underfunding of Pensions Fund (Note 21)	39.407.335	-
Discounts on sales	2.285.350	-
Shareholders (Note 59)	364.666	-
Others	6.928.219	2.820.116
	<u>77.481.979</u>	<u>11.358.429</u>
<u>Deferred income:</u>		
Subsidies for investments	12.300.843	2.433.905
Negative consolidation differences (Note 10)	83.544	517.196
Affiliated companies (Note 62)	52.650	-
Others	444.803	187.770
	<u>12.881.840</u>	<u>3.138.871</u>

**SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

**57. LOANS**

Loans outstanding as at December 31, 2004 and 2003, bear interest at normal market rates and are made up as follows:

	2004			2003
	Short Term	Medium and Long Term	Total	Total
<u>Debenture Loans:</u>				
Semapa / 98 Debenture Loan	4.489.181	13.467.543	17.956.724	23.942.299
CMP / 97 Debenture Loan	11.846.450	16.585.030	28.431.480	37.908.642
Secil / CMP 95 Debenture Loan	475.617	-	475.617	475.215
Others	-	77.751	77.751	272.129
	<u>16.811.248</u>	<u>30.130.324</u>	<u>46.941.572</u>	<u>62.598.285</u>
<u>Bank Loans</u>	<u>293.936.204</u>	<u>1.565.321.615</u>	<u>1.859.257.819</u>	<u>717.290.239</u>
<u>Other Loans:</u>				
Loans obtained under the POE (Note 63)	2.698.153	12.029.087	14.727.240	8.996.898
Loans obtained under the PEDIP II - 3.3 Program	-	-	-	1.301.686
	<u>2.698.153</u>	<u>12.029.087</u>	<u>14.727.240</u>	<u>10.298.584</u>
	<u>313.445.605</u>	<u>1.607.481.026</u>	<u>1.920.926.631</u>	<u>790.187.108</u>

As at December 31, 2004 and 2003 there were available undrawn facilities of Euros 505.592259.

*“Debenture loan Semapa / 98”* was issued by Semapa on March 9, 1998. The Company issued 4.800.000 bonds with the nominal value of mEsc 1 each, redeemable in ten years. During the year ended December 31, 2001, the bonds were redenominated to euros, totalling euros 23.942.299, corresponding to 2.394.229.906 bonds, with a nominal value of euros 0,01 each. After the early redemption and the programmed 12<sup>th</sup> coupon occurred on March 9, 2004, debenture loan amounts to Euro 17.956.724 corresponding to 2.244.590.447 bonds, with a nominal value of euros 0,01 each the coupon interests are paid each semester and the reimbursement will occur 20% in the 14th coupon (September 2005), 25% in the 16th (September 2006) and 18th (September 2007) and 10% in the 20th and last coupon (September 2008), being impossible its anticipated reimbursement in all or part after the changes introduced to the technical note by General Assembly as of March 5, 2004. The bonds were fully subscribed for and paid upon subscription and are represented by dematerialized securities rated in Euronext Lisbon.

*“Debenture loan CMP/97”* was issued by CMP on 14 July 1997 for mEsc 9.500.000 (Euros 47.385.800). The bonds were fully subscribed for and paid up upon subscription and consist of bearer type securities. Coupon interest is payable quarterly in arrears and the bonds are redeemable in tranches of 20% on the 24th and 28th dates of coupon payment, 25% on the 32nd and 36th dates of coupon payment and 10% along with the 40th coupon. Early redemption is possible at par on the date the 24th coupon payment becomes due, which is 14 July 2003. Early redemption can also be requested if Secil's investment in the Company falls below 51%.

*“Debenture loan Secil - CMP/95”* was contracted by the Group on 1 March 1995. Two group companies, Secil and CMP, issued bonds totaling mEsc 10.000.000 (Euros 49.879.790). The bonds were fully subscribed for and paid up upon subscription, and represented by bearer type securities. Coupon interest is payable half yearly and the bonds are redeemable in tranches of 20% on the due date of the 6th and 10th coupons, 25% on the due dates of the 14th and 16th coupons and 10% on the due date of the 20th coupon, early redemption is possible at predetermined prices.

# SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

As at December 31, 2004, the loans classified as medium and long term are repayable as follows:

2006	662.958.272
2007	250.278.710
2008	78.322.072
2009	539.420.983
2010 and following (Note 33)	76.500.989
	<u>1.607.481.026</u>

### 58. OTHER MARKETABLE SECURITIES

As at December 31, 2004 and 2003, the caption “Other marketable securities” is made up as follows:

	2004	2003
Government Bonds	139.589	484.878
Other marketable securities	391.932	-
Shares of Cimpopor, S.G.P.S., S.A. (Note 60)	-	211.606.784
	<u>531.521</u>	<u>212.091.662</u>
Provision for marketable securities	(6.405)	-
	<u>525.116</u>	<u>212.091.662</u>

At December 2003, the amount of Euros 211.606.784 represented 60.459.700 shares of Cimpopor, S.G.P.S., S.A., acquired by the Group in previous financial years, at purchase value of Euros 3,4999. In the first semester of 2004, the Group sold those shares at Euros 4,1518 per share, resulting in a gain of Euros 39.410.398 (Note 45).

### 59. SHAREHOLDERS

As at December 31, 2004, the balances with main shareholders of Group companies are the following:

	Liabilities		
	Accounts payable to suppliers	Shareholders -short term	Accrued expenses (Note 56)
Cimianto - Gestão de Participações, S.A. (SGPS)	10.694	-	-
Cimo - Gestão de Participações, SGPS, S.A.	-	3.888.777	-
Longapar, SGPS, S.A.	-	2.026.737	-
Sonaca - Sociedade Nacional de Canalizações, S.A.	-	967.944	-
Seribo-Société d'Études et des Realisations pour les Industries du Bois, S.A.	-	185.759	13.714
Other shareholders	12.495	35.346	350.952
	<u>23.189</u>	<u>7.104.563</u>	<u>364.666</u>

# SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

During the year ended December 31, 2004, the transactions with shareholders were as follows:

	External supplies and services	Financial costs (Note 44)
Cimianto - Gestão de Participações, S.A. (SGPS)	185.000	-
Cimo - Gestão de Participações, SGPS, S.A.	-	153.166
Longapar, SGPS, S.A.	-	62.093
Sonaca - Sociedade Nacional de Canalizações, S.A.	-	35.000
	<u>185.000</u>	<u>250.259</u>

### 60. INVESTMENTS

As at December 31, 2004, investments in subsidiaries and associated companies and other securities and investments are as follows:

	Head office	Capital	Net equity	Net Income	%	Investment	
						Book Value (Note 27)	Proportional share in net income (Note 44)
					(b)	Losses	Gains
<b>Group Companies (a):</b>							
Enersis II, SGPS, SA	Lisboa	50.000	28.313.576	3.564.010	89,92	25.579.568	-
Portucel - Empresa Produtora de Pasta e Papel, SA							
Appropriation of net result for the period between June and September 2004 (Note 14)	Setúbal	767.500.000	-	-	30,00	-	1.709.032
Raiz - Instituto de Desenvolvimento da Floresta e Papel	Aveiro	-	-	-	63,07	3.282.090	-
Portucel International Trading, SA	Luxemburgo	961.827	420.208	(i)	53,68	363.843	-
Soporcel - SGPS, S.A.	Figueira da Foz	50.000	50.000	-	67,10	50.000	-
Becim - Corretores de Seguros, Lda.	Lisboa	150.000	-	-	-	-	8.873
Tecnosecil, SARL	Luanda	USD 250.000	USD (2.130.069)	USD (g)	(70.071)	35,70	183.517
Secil - Energia, Lda.	Lisboa	1.995	1.995	-	51,00	1.995	-
Asfalbetão Transportes, Lda.	Torres Vedras	49.880	302.619	(d)	(15.518)	51,00	(15.518)
Secil Algérie, S.P.A.	Algéria	15.000	15.000	-	50,49	76.808	-
Sobioen - Soluções de Bioenergia, S.A.	Lisboa	1.000.000	1.000.000	-	26,01	153.000	-
CMP - Investments, BV.	Amsterdão	18.000	(7.229)	(6.956)	51,00	-	(6.956)
Seinpart- Participações, SGPS, S.A.	Lisboa	50.000	46.190	(32)	51,00	-	-
						<u>29.690.821</u>	<u>(22.506)</u>
<b>Associated Companies:</b>							<u>4.922.663</u>
Betão Liz, S.A.	Lisboa	7.000.000	34.111.082	2.262.816	17,02	11.381.846	-
Transeil - Gestão Transp. Mar Especiais, Lda.	Lisboa	2.245	2.245	-	17,00	748	-
Becim - Mediadora de Seguros, Lda.	Lisboa	150.000	494.507	(c)	252.424	13,97	-
Cimentação - Cimentos dos Açores, Lda.	P. Delgada	1.246.995	9.966.660	(g)	3.436.812	12,75	2.491.665
Secil Unicon - S.G.P.S., Lda.	Lisboa	4.987.979	8.865.882	(266.703)	25,50	4.432.941	(133.352)
Viroc Portugal - Ind. de Madeira e Cimento, S.A.	Setúbal	8.729.000	(4.397.510)	(e)	(1.144.738)	16,74	-
Ecoresíduos - Centro de Tratamento e Valorização de Resíduos, Lda.	Lisboa	49.880	1.916.697	(g)	280.789	25,50	958.348
ICV - Inertes de Cabo Verde, Lda.	Cabo Verde	680.179	948.471	(g)	201.811	19,13	355.677
Ciment de Sibline S.A.L.	Beirute	89.195.026	78.711.410	(g)	4.554.338	10,82	16.700.227
Astakos Domika Aluminouha	Atenas	500.000	500.000	(f)	-	25,50	250.000
Chryso - Aditivos de Portugal, S.A.	Lisboa	50.000	72.146	2.463	20,40	28.858	-
Setefrete, SGPS, S.A.	Setúbal	1.625.000	6.956.892	(h)	1.443.040	12,75	1.739.223
Others	-	-	-	-	-	15.223	-
						<u>38.354.756</u>	<u>(133.352)</u>
<b>Other Companies:</b>							<u>3.221.456</u>
Cimentos Madeira, Lda.	Funchal	1.745.793	14.173.993	(g)	4.478.748	14,29	2.024.855
ENCE - Empresa Nacional de Celulose, S.A.	Madrid	-	-	-	4,00	22.797.393	-
Expresso Paper Platform B.V.	Amsterdão	-	-	-	1,27	1.338.200	-
Others	-	-	-	-	-	143.476	-
						<u>26.303.924</u>	<u>639.821</u>
							<u>(155.858)</u>
							<u>8.783.940</u>

Notes:

- Group companies excluded from consolidation, for the reasons stated in Note 2;
- Percentages held directly and indirectly by the Group;
- These investments were sold during 2004;
- Company dissolved in second half of the year. The share capital and net profit presented in this note are reported to the liquidation date.

**SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE  
CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

**(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

- (e) The equity of this company was negative at November 30, 2004 and consequently the investment is stated at nil in the Group's balance sheet and a provision of Euros 1.443.571 corresponding to the Group's proportion of its negative shareholders' equity, was recorded under the caption "Provisions for other risks and costs" (Note 46);
- (f) Investment is being discontinued. To face potential losses a provision of Euros 250.000 has been recorded under the caption "Provisions for investments" (Notes 27 and 46).
- (g) Share Capital as at November 30, 2004.
- (h) Share Capital as at October 31, 2004.
- (i) Share Capital as at December 31, 2003 (more recent financial statements).



**SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

The movements in the captions “Investments in subsidiaries”, “Investments in associated companies” and “Other companies” during the year ended December 31, 2004 were as follows:

	Investments in			Total
	Subsidiaries	Affiliated companies	Other companies	
Opening balance	23.600.071	37.372.205	3.750.127	64.722.403
Changes in perimeter				
Portucel - Empresa Produtora de Pasta e Papel, S.A. (Note 27)	2.210.272	15.223	23.617.394	25.842.889
Semapa Inversões, SL	(3.007)	-	-	(3.007)
	<u>2.207.265</u>	<u>15.223</u>	<u>23.617.394</u>	<u>25.839.882</u>
Acquisitions/ incorporations/ increases in investments financeiras (Note 27):				
- Sobioen, S.A.	153.000	-	-	153.000
- Ciments de Sibline, SAL	-	386.243	-	386.243
- Secil Algérie, S.P.A.	76.807	-	-	76.807
- CMP Investments, B.V.	32.000	-	-	32.000
- Enersis II, SGPS, S.A.	22.374.990	-	-	22.374.990
- ENCE - Empresa Nacional de Celulose, S.A.	-	-	22.797.393	22.797.393
- Soporcel SGPS, S.A.	50.000	-	-	50.000
	<u>22.686.797</u>	<u>386.243</u>	<u>22.797.393</u>	<u>45.870.433</u>
Sales of investments in the following companies (Note 27):				
- Geciment, SGPS, S.A.	(50.000)	-	-	(50.000)
- Enersis, SGPS, S.A.	(10.418.217)	-	-	(10.418.217)
- CMP Investments, B.V.	(24.771)	-	-	(24.771)
- Becim-Corretora de Seguros, Lda	-	(123.628)	-	(123.628)
- Vermoiteira-Extracção e Comércio de Areias, Lda	-	(50.571)	-	(50.571)
- Scoreco, Lda.	-	-	(700)	(700)
- Banco Espírito Santo, S.A.	-	-	(922.016)	(922.016)
- Sonagi, SGPS, S.A.	-	-	(908.911)	(908.911)
- Asfalbetão Transportes, Lda.	(290.910)	-	-	(290.910)
- ENCE - Empresa Nacional de Celulose, S.A.	-	-	(22.201.601)	(22.201.601)
- Sacocel - Soc. Produtora de Embalagens e Sacos de Papel, Lda.	(273.370)	-	-	(273.370)
Liquidation of Somet - Projectos de desenvolvimento, S.A.	-	-	(49.880)	(49.880)
Reimbursement of supplementary capital contributions of Ecoresíduos, Lda.	-	(300.000)	-	(300.000)
	<u>(11.057.268)</u>	<u>(474.199)</u>	<u>(24.083.108)</u>	<u>(35.614.575)</u>
Write-off of investment in Secil Marítima, S.A.R.L.	-	-	(106.986)	(106.986)
Results of group and affiliated companies recorded according to the equity method (Note 44):				
- Gains	4.913.610	3.221.456	639.821	8.774.887
- Losses	(22.506)	(133.352)	-	(155.858)
	<u>4.891.104</u>	<u>3.088.104</u>	<u>639.821</u>	<u>8.619.029</u>
Dividends distributed to the Group:				
- Enersis, SGPS, S.A.	(12.608.405)	-	-	(12.608.405)
- Betão Liz, S.A.	-	(140.140)	-	(140.140)
- Becim-Corretora de Seguros, Lda	-	(69.269)	-	(69.269)
- Cimentação, Lda.	-	(882.673)	-	(882.673)
- Cimentos Madeira, Lda.	-	-	(321.429)	(321.429)
	<u>(12.608.405)</u>	<u>(1.092.082)</u>	<u>(321.429)</u>	<u>(14.021.916)</u>
Proportion of the Group in the profit distributed to employees by affiliated companies related to 2003 net income (Note 51).	-	-	(14.288)	(14.288)
Adjustments in the equity of group and associated companies due to:				
- Ciment de Sibline exchange adjustment (Note 51)	-	(903.128)	-	(903.128)
- other changes in the net equity of the subsidiaries and affiliated companies (Note 51)	-	(37.610)	-	(37.610)
Others	(28.743)	-	25.000	(3.743)
Closing balance	<u>29.690.821</u>	<u>38.354.756</u>	<u>26.303.924</u>	<u>94.349.501</u>

**SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

**61. GROUP COMPANIES**

The balances as at December 31, 2004 with Group companies excluded from consolidation for the reasons explained in note 2 are as follows:

	Assets				Liabilities	
	Investments -Loans to subsidiaries (Note 27)	Accounts receivables from customers	Group Companies -short term	Group Companies - medium and long term	Other Debtors (Note 55)	Group Companies -short term
Tecnosecil, S.A.R.L.	4.801.409	8.966.926	52.518	-	487.404	8.949
Afocecca, ACE	-	-	390.756	-	-	-
Enersis II, SGPS, S.A.	-	-	221.516	23.747.967	-	-
Cutpaper, ACE	-	-	21.360	-	-	-
Carcubos-Granitos, Lda	-	-	-	-	143.940	-
	<u>4.801.409</u>	<u>8.966.926</u>	<u>686.150</u>	<u>23.747.967</u>	<u>631.344</u>	<u>8.949</u>

As at December 31, 2004 the transaction with Group companies are as follows:

	Sales and services rendered	Other operating income	Financial income (Note 44)	Financial expenses	Extraordinary income	Extraordinary expenses
Tecnosecil, S.A.R.L.	5.232.357	208.740	-	39.020	972.040	11.907
Enersis II, SGPS, S.A.	-	-	521.384	-	-	-
Other	-	-	4.094	-	-	-
	<u>5.232.357</u>	<u>208.740</u>	<u>525.478</u>	<u>39.020</u>	<u>972.040</u>	<u>11.907</u>

**62. ASSOCIATED COMPANIES**

The balances as at December 31, 2004 with subsidiaries are as follows:

	Assets				Liabilities	
	Accounts receivable from customers	Associated companies	Other Debtors (Note 55)	Accounts payable to suppliers	Accounts payable to suppliers of fixed assets	Accrued Expenses (Note 56)
Betão Liz, S.A.	183.167	-	76.836	-	-	-
Cimentos Madeira, Lda	1.615.566	-	-	-	-	-
Cimentação - Cimentos dos Açores, Lda	67.095	138	(69)	850	-	-
Viroc Portugal - Indústria de Madeira e Cimento, S.A.	365.475	1.986.776	122.976	450	-	-
Secil Unicon - S.G.P.S., Lda	-	-	5.950	-	-	-
ICV - Inertes de Cabo Verde, Lda.	-	100.134	34.009	-	-	-
Chryso Portugal, S.A.	-	-	110.117	131.784	-	-
Ecoresíduos - Centro de Trata. e Valor. de Resíduos, Lda	-	7.355	-	66.319	-	-
Scoreco - Valorização de Resíduos, Lda.	-	-	1.616	-	-	-
Astakos Domika Aluminouha	-	151.350	-	-	-	-
Secil Prebetão - Pré-Fabricados de Betão, S.A.	87.920	776	31.839	4.638	7.148	-
Ciments Sibline S.A.L.	-	-	109.514	-	-	52.650
	<u>2.319.223</u>	<u>2.246.529</u>	<u>492.788</u>	<u>204.041</u>	<u>7.148</u>	<u>52.650</u>

The accounts receivable from associated companies -Viroc and Astakos in the column "Associated companies", amounting to Euros 1.986.776 and Euros 151.350 respectively, are fully provided for in the caption "Provisions for doubtful accounts - associated companies" (Note 46).

## SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

In respect of Viroc, there is also a provision for the balances to be received, amounting to Euro 365.475 and Euro 122.976 showed in “clients – current accounts” and “others debtors” respectively.

During the year ended December 31, 2004, the transactions with associated companies were as follows:

	Sales and services rendered	Acquisitions of goods and services	Supplementary income	Other operating income	Financial income (Note 44)	Financial expenses	Acquisitions of fixed assets
Betão Liz, S.A.	2.980.750	-	-	196.644	-	24.962	-
Cimentos Madeira, Lda	21.171.615	300.903	-	25.311	-	-	-
Cimentação - Cimentos dos Açores, Lda	2.037.617	57.060	-	1.938	-	-	-
Viroc Portugal - Industria de Madeira e Cimento, S.A.	953.908	-	-	56.501	65.703	1.180	-
Secil Unicon - S.G.P.S., Lda	-	-	-	10.000	-	-	-
ICV - Inertes de Cabo Verde, Lda.	-	-	-	-	6.673	-	-
Chryso Portugal, S.A.	-	1.279.780	-	92.536	-	-	-
Scoreco - Valorização de Resíduos, Lda.	-	-	-	-	-	-	-
Ecoresíduos - Centro de Trata. e Valor. de Resíduos, Lda	-	126.643	-	34.009	-	-	-
Secil Prebetão - Pré-fabricados de Betão, S.A.	2.222.279	19.575	-	171.359	-	22.764	143.200
Ciments de Sibline, S.A.L.	-	-	99.920	12.308	-	-	-
	<u>29.366.169</u>	<u>1.783.961</u>	<u>99.920</u>	<u>600.606</u>	<u>72.376</u>	<u>48.906</u>	<u>143.200</u>

### 63. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2004 and 2003 are made up as follows:

	2004	2003
Other marketable securities	70.000.000	-
Securities and other investments	385.527	229.606.784
Government Bonds	139.589	484.878
Bank deposits	59.139.559	98.822.049
Cash	429.177	146.096
	<u>130.093.852</u>	<u>329.059.807</u>

### 64. CONTINGENT ASSETS

The subsidiary Secil has applied in 2000 for the Foreign Investment Tax Incentive foreseen in Decree-Law 401/99 dated October 14, under the process of the acquisition of Société des Ciments de Gabés. The Incentive consists in a reduction of income tax of 10% of the Investment, for an overall amount of Euros 5.985.575. This application, although approved by ICEP – Foreign Investment Agency was declined by the Tax authorities, but the Company appealed to court against this decision by claiming the amounts of taxes paid in excess in the years 2000 through 2003, which amount to Euros 3.990.383 and Euros 1.000.000 in respect to 2004. Secil is waiting for a decision from the administrative court during 2005.

In 1995, the subsidiary Secil has preceded with the revaluation of tangible assets under the Decree-Law 22/92 dated February 14, with reference to tangible assets existing as at December 31, 1993. The taxable income for the years 1995 through to 1999, has been corrected for amortizations allegedly in excess, relating to the portion attributable to 1994, since then there have been both payments and receipts of taxes paid to or by the State. It is the belief of the Company's Management that the current appeal will be successful with the resulting benefit of an amount of Euros 2.178.972. Secil lost the action related with 1995 and appealed to the central administrative court that defeat the first court decision and impose the re-open of the process. The litigation about 1997 and 1998 started in 2004 and are pending for a decision in 2005.

As referred in note 55, the Group registered in its 1995 financial statements an amount of Euro 5.598.358, to be received from the Portuguese Government, which is fully provided for. Secil's Management presented as at September 16, 1999 a legal claim against the Portuguese Government, claiming for the repayment of that amount and related interests, which is pending from Administrative court decision.

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

As referred in note 55, all the assets that the subsidiary Secil owned in Angola were nationalized after the independence and were fully provided for in the Balance Sheet. Since then, the Company has made every effort in order to be indemnified by the Angolan Government. During the year ended December 31, 2004, the Angolan Government approved an understanding memorandum, which predicts the privatization of 51% of the share capital of the Angolan cement factory Encime, to be attributed to Secil, as a compensation for the Angolan state responsibilities.

65. CONTINGENT LIABILITIES

Under the Kyoto Protocol, the European Union has committed themselves in reducing during the period between 2008 and 2012, the emission of CO<sub>2</sub> gas to levels experienced in 1990. As such, a Directive has been issued which foresees the trading of so-called "CO<sub>2</sub> Emission Rights" which will be applicable among others to the cement and paper industry as of January 1, 2005 until December 31, 2007.

The allocation of "CO<sub>2</sub> Emission Rights" will be effected after this date, but in the event that the allocated amount will not be identical to the present emissions, the Group will incur in costs either having to acquire rights or via investment in equipment that reduces the emission of the gas, otherwise it will be subject to penalties.

66. AUDIT FEES AND OTHER SERVICES

As at December 31, 2004 and 2003 the costs incurred by the Group with Auditors, Statutory auditors and other consultants are as follows:

	2004	2003
Audit fees	415.464	256.142
Other attest services	177.102	57.100
Tax services	168.111	41.942
Others	77.322	11.624
	<u>837.999</u>	<u>366.808</u>

The amount referred above relates to the total costs incurred during a 12 month period, concerning the companies included in the consolidation by the full method (Note 1).

67. RECONCILIATION OF "EXTRAORDINARY RESULTS" BETWEEN THE CONSOLIDATED INCOME STATEMENT BY NATURE AND BY FUNCTIONS

The consolidated income statement by functions presents a meaning for extraordinary results different from what "Plano Oficial de contabilidade" (POC) defines for the preparation of the consolidated income statement by nature. Therefore, the value of extraordinary results for the years ended December 31, 2004 and 2003, of Euros 195.896.716 and Euros 22.888.971 presented, in the consolidated income statement by nature (Note 45) was reclassified to current results, as follows:

	Consolidated income statement					
	2004			2003		
	By nature	Reclas-sifications	By function	By nature	Reclas-sifications	By function
Operating results	60.070.714	26.771.745	86.842.459	40.759.966	18.214.559	58.974.525
Current results	32.340.173	195.896.716	228.236.889	37.933.256	22.888.971	60.822.227
Extraordinary results	195.896.716	(195.896.716)	-	22.888.971	(22.888.971)	-
Consolidated net profit	182.073.722	-	182.073.722	40.072.775	-	40.072.775

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

68. ENVIRONMENTAL INFORMATION(i) Environmental Policy

The environmental policy for the sub holding Secil is clearly detailed in the annual “Social and Environmental Report” presented annually in an autonomous document.

(ii) Environmental expenses

The environmental expenses incurred by the group during the year ended December 31, 2004, directly charged to cost or capitalizes, were as follows:

Areas	Consolidated income statement	Fixed assets	Total
Atmosphere emissions	1.400.791	7.056.506	8.457.297
Management of residual waters	7.796.254	50.000	7.846.254
Waste / residuals management	2.290.217	1.592.050	3.882.267
Protection of soils and underground waters	282.701	159.987	442.688
Other activities of environmental protection	1.658.279	23.435.344	25.093.623
Recuperation boiler investments	-	40.013.448	40.013.448
Lime oven	-	3.001.826	3.001.826
Demineralisation	-	964.495	964.495
	<u>13.428.242</u>	<u>76.273.656</u>	<u>89.701.898</u>

The expenditure directly charged to income statement, amounting to Euros 13.428.242, excludes: (i) employees costs directly working in environmental actions and (ii) current period depreciation related to investments made in the current and previous periods concerning environmental protection.

During the year ended December 31, 2004 the Group recorded as “Supplementary Income” a gain of Euros 1.471.516, related with services rendered with waste management, namely the energy release from co-incineration for used tires.

(iii) Incentives attributed/received

A major part of the capitalized expenditure related with the environmental improvements, are eligible for financial incentives purposes, presented by the subsidiaries Secil and CMP, under the “Economy Operational Program” - “SIME - Sistema de Incentivos à Modernização Empresarial” (Note 63)

The expenditure capitalized in the year ended December 31, 2004 in the cement segment, related to protection of nature, amounting to Euros 18.969.771, include an amount of Euros 16.865.970, concerning the visual requalification of “Via Húmida de Outão”. In 1985, the subsidiary Secil, changed from the production in a wet line to a dry line, which drove to the deactivation of the wet line factory. The subsidiary then developed a project to re-qualify that area, which was submitted to “Economy Operational Program”, receiving an incentive that can reach 21% of the total construction value. The budget for this investment, not mandatory by law, amounts to Euros 22.000.000. As of December 31, 2004, the investment made amounts to Euros 18.835.713, of which no significative amount were received.

As mentioned in Note 23 m) the non-reimbursable subsidies are registered in the caption “Deferred income” (Note 56), and recognized in results in line with the subsidized asset related amortization.

(iv) Environmental rehabilitation of the quarries

As referred in Note 23 q) the group requested to specialized and independent entities an evaluation of environmental liabilities in relation to rehabilitation of quarries currently being explored. As a result an amount of Euros 555.109 (Note 46), was recorded in results against “Provisions for other risks and charges”. That amount includes Euros 83.784, related to a quarry that belongs to the group but is currently being explored by a third party. In accordance with the exploration assignment agreement this cost was an income by the same amount.

**NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

**(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

**69. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

In order to comply with the rule (CE) nº 1606/2002 dated July 19, the Group will adopt the International Financial Reporting Standards (IFRS) in 2005 for its consolidated financial statements with comparative figures for 2004.

The group, in order to prepare for IFRS implementation has undertaken during 2002, 2003 and 2004 training courses for its staff with assistance of external consultants. Therefore, the Group believes that, as of the effective date of transition to IFRS, is prepared to present the financial information in accordance with this new accounting framework.

During the year ended December 31, 2004 the Group have identified the main impacts in the opening IFRS balance sheet, non audited, excluding Portucel and its subsidiaries with impacts mainly in:

- (i) derecognition of intangible assets, namely, costs related with share capital increases, research and development costs and other intangibles that do not qualify as assets under IFRS.
- (ii) derecognition of deferred costs that do not qualify as assets under IFRS.
- (iii) measurement at fair value of available for sale or trading financial instruments, with the related changes in fair value recorded as a gain or loss in the period in which those changes occur.
- (iv) Adjustment to the carrying amounts: (i) of goodwill from foreign entities and (ii) fair value adjustments on assets and liabilities of those foreign entities, by the translation of those values to Euros at exchange rates prevailing at the closing date.
- (iv) Adjustment in the carrying amount of goodwill as a result of IFRS 3 application, which deals with Business combinations, and replaces systematic depreciation of goodwill by a periodic impairment test mandatory in the first time adoption of IFRS.

The Board of Director is of the opinion that Semapa Group is sufficiently prepared to respond to the challenges of the IFRS implementation and that impacts will not affect Group's operations.

**70. EXPLANATION ADDED FOR TRANSLATION**

The accompanying financial statements are a translation of financial statements originally issued in Portuguese in accordance with generally accepted accounting principles in Portugal and the disclosures required by the Official Chart of Accounts, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

# SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

### APPENDIX I

#### COMPANIES INCLUDED IN CONSOLIDATION

COMPANIES INCLUDED IN CONSOLIDATION					Percentage of share capital effectively held by Semapa
Name	Head Office	Direct and indirect percentage of share capital held by Group			
		Direct	Indirect	Total	
Parent company:					
Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.	Lisboa				
Subsidiaries:					
Seminv, SGPS, S.A.	Lisboa	100,000	-	100,000	100,000
Cimenpar Investments, B.V.	Amesterdão	-	100,000	100,000	100,000
Cimentospar - Participações Sociais, SGPS, Lda.	Lisboa	-	100,000	100,000	100,000
Betopal, S.L.	Madrid	100,000	-	100,000	100,000
Seinpar Investments, B.V.	Amesterdão	100,000	-	100,000	100,000
Semapa Investments B.V.	Amesterdão	100,000	-	100,000	100,000
Semapa Inversiones S.L.	Madrid	100,000	-	100,000	100,000
Seinpart, SGPS, S.A.	Lisboa	51,000	49,000	100,000	100,000
CMP Investments, B.V.	Amesterdão	100,000	-	100,000	100,000
Secil - Companhia Geral de Cal e Cimento, S.A.	Outão	6,420	44,580	51,000	51,000
Parcim Investments, B.V.	Amesterdão	100,000	-	100,000	51,000
Secilpar, SL.	Madrid	-	100,000	100,000	51,000
Florimar- Gestão e Participações, SGPS, Lda.	Funchal	100,000	-	100,000	51,000
Somera Trading Inc.	Panamá	-	100,000	100,000	51,000
Seciment Investments, B.V.	Amesterdão	100,000	-	100,000	51,000
Serife - Sociedade de Estudos e Realizações Industriais e de Fornecimento de Equip., Lda.	Lisboa	58,400	-	58,400	29,784
Parsecil, SL.	Madrid	100,000	-	100,000	51,000
Ciminpart - Investimentos e Participações, SGPS, S.A.	Lisboa	100,000	-	100,000	51,000
Parseinges - Gestão de Investimentos, SGPS, S.A.	Lisboa	100,000	-	100,000	51,000
Argibetão - Sociedade de Novos Produtos de Argila e Betão, S.A.	Lisboa	-	90,871	90,871	46,344
Ave- Gestão Ambiental e Valorização Energética, S.A.	Lisboa	-	51,000	51,000	26,010
Société des Ciments de Gabés	Tunes	98,707	-	98,707	50,340
Sud- Béton- Société de Fabrication de Béton du Sud	Tunes	-	98,707	98,707	50,340
Zarzis Béton	Tunes	-	78,965	78,965	40,272
Phaistos, S.A.	Luxemburgo	100,000	-	100,000	51,000
Silonor, S.A.	Dunkerque	-	100,000	100,000	51,000
Tercim- Terminais de Cimento, S.A.	Lisboa	100,000	-	100,000	51,000
Secil, Betões e Inertes, S.G.P.S., S.A. and Subsidiaries	Setúbal	93,660	-	93,660	47,767
Secil Betão - Indústrias de Betão, S.A.	Setúbal	-	93,660	93,660	47,767
Britobetão - Central de Betão, Lda.	Évora	-	51,513	51,513	26,272
Sulbetão - Preparados de Betão, S.A.	Albufeira	-	93,660	93,660	47,767
Unibetão - Indústrias de Betão Preparado, S.A.	Lisboa	-	93,660	93,660	47,767
Lisconcreto - Betão Pronto, S.A.	Leiria	-	93,660	93,660	47,767
Asfalbetão - Sociedade Industrial, Lda.	Torres Vedras	-	93,660	93,660	47,767
Betopal - Betões Preparados, S.A.	Lisboa	-	93,660	93,660	47,767
Secil Britas, S.A.	Penafiel	-	93,660	93,660	47,767
Pedreiral - Pedreiras de Almoester, S.A.	Santarém	-	93,660	93,660	47,767
ECOB - Empresas de Construção e Britas, S.A.	Albufeira	-	93,660	93,660	47,767
Fabetão - Sociedade Industrial de Fabrico de Betão, Lda.	Lisboa	-	93,660	93,660	47,767
Almeida & Carvalhais, Lda.	Aveiro	-	93,660	93,660	47,767
Betalves- Betão Preparado, S.A.	Penafiel	-	93,660	93,660	47,767
Lisconcreto Unibetão, S.A.	Leiria	-	93,660	93,660	47,767
Betostrong - Indústrias de Betão, Lda.	Mafra	-	93,660	93,660	47,767
Camilo Lopez, Lda.	Alcochete	-	93,660	93,660	47,767
Macmetal - Indústrias Metal-Mecânicas da Maceira, Lda.	Leiria	51,000	-	51,000	26,010
Secil Martingança - Aglomerantes e Novos Materiais para a Construção, Lda.	Leiria	51,000	0,191	51,191	26,107
IQM - Indústrias Químicas da Martingança, Lda.	Lisboa	-	51,191	51,191	26,107
Condind - Conservação e Desenvolvimento Industrial, Lda.	Setúbal	50,000	49,999	99,999	50,999
CMP - Cimentos Maceira e Pataias, S.A. ("CMP")	Leiria	96,381	3,616	99,998	50,999
CMPartin - Invertones y Participaciones Empresariales, S.L.	Madrid	-	99,998	99,998	50,999

# SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

### APPENDIX I (Cont.)

#### COMPANIES INCLUDED IN CONSOLIDATION

COMPANIES INCLUDED IN CONSOLIDATION					Percentage of share capital effectively held by Semapa
Name	Head Office	Direct and indirect percentage of share capital held by Group			
		Direct	Indirect	Total	
Subsidiaries (Cont.):					
Portucel – Empresa Produtora de Pasta e Papel, SA	Setúbal	-	67,10	67,10	67,10
Soporcel - Sociedade Portuguesa de Papel, SA	Figueira da Foz	100,00	-	100,00	67,10
Tecnipapel – Sociedade de Transformação e Distribuição de Papel, Lda	Setúbal	100,00	-	100,00	67,10
Portucel Pasta y Papel, SA	Espanha	100,00	-	100,00	67,10
Soporcel España, SA	Espanha	-	100,00	100,00	67,10
Soporcel International, BV	Holanda	-	100,00	100,00	67,10
Soporcel France, EURL	França	-	100,00	100,00	67,10
Soporcel United Kingdom, Ltd	Reino Unido	-	100,00	100,00	67,10
Soporcel Italia, SRL	Itália	-	100,00	100,00	67,10
Soporcel 2000 - Serviços Comerciais de Papel, Soc. Unipessoal, Lda	Figueira da Foz	-	100,00	100,00	67,10
Soporcel North America Inc.	EUA	-	100,00	100,00	67,10
Soporcel Deutschland, GmbH	Alemanha	-	100,00	100,00	67,10
Soporcel Handels, GmbH	Austria	-	100,00	100,00	67,10
Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, SA	Lisboa	82,00	18,00	100,00	67,10
Aliança Florestal – Sociedade para o Desenvolvimento Agro-Florestal, SA	Lisboa	50,00	50,00	100,00	67,10
Arboser – Serviços Agro-Industriais, SA	Setúbal	100,00	-	100,00	67,10
PortucelSoporcel Abastecimento - Empresa de Abastecimento, Logística e Comercialização de Madeiras, SA *	Setúbal	-	100,00	100,00	67,10
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, SA	Lisboa	-	100,00	100,00	67,10
Viveiros Aliança - Empresa Produtora de Plantas, SA	Lisboa	-	100,00	100,00	67,10
Aflomec - Empresa de Exploração Florestal, SA	Lisboa	-	100,00	100,00	67,10
Cofotrans - Empresa de Exploração Florestal, SA	Figueira da Foz	-	100,00	100,00	67,10
SPCG – Sociedade Portuguesa de Co-Geração Eléctrica, SA	Setúbal	100,00	-	100,00	67,10
Enerpulp – Cogeração Energética de Pasta, SA	Lisboa	100,00	-	100,00	67,10
Setipel – Serviços Técnicos para a Indústria Papeleira, SA	Lisboa	100,00	-	100,00	67,10
Empremédia - Corretores de Seguros, Lda	Lisboa	-	100,00	100,00	67,10
Socortel - Sociedade de Corte de Papel, SA	Figueira da Foz	50,00	50,00	100,00	67,10
PortucelSoporcel Papel - Sales e Marketing, ACE	Figueira da Foz	50,00	50,00	100,00	67,10
MICEP - Manutenção Industrial deCelulose e Papel, ACE	Setúbal	-	50,00	100,00	67,10
Cutpaper - Transformação, Corte e Embalagem de Papel, ACE	Figueira da Foz	-	50,00	100,00	67,10

\* ex-Emporsil - Empresa Portuguesa de Silvicultura, Lda



# SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

### APPENDIX II

#### GROUP COMPANIES EXCLUDED FROM CONSOLIDATION

GROUP COMPANIES EXCLUDED FROM CONSOLIDATION					Percentage
		Direct and indirect percentage			of share capital effectively
	Head	of share capital held by the Group			held by
Name	Office	Direct	Indirect	Total	Semapa
Secil - Companhia Geral de Cal e Cimento, S.A. Subsidiaries:					
Secil Energia, Lda.	Setúbal	95,0000	5,0000	100,0000	51,0000
Tecnosecil-Investimentos e Participações, SARL	Luanda	70,0000	-	70,0000	35,7000
Secil Algérie, S.P.A.	Algéria	94,0000	4,0000	98,0000	49,9800
Sobioen - Soluções de Bioenergia, S.A.	Lisboa	-	51,0000	51,0000	26,0100
Portucel - Empresa Produtora de Pasta e Papel, S.A.Subsidiaries:					
Portucel International Trading, SA	Luxemburgo	80,0000	-	80,0000	53,6800
Soporcel - Gestão de Participações Sociais, SGPS, SA	Fig. da Foz	-	100,0000	100,0000	67,1000
Portucel Brasil	Brasil	99,0000	-	99,0000	66,4300
Enersis II -S.G.P.S., S.A. Subsidiaries and Associated Companies :					
Enersis II - S.G.P.S., S.A.	Lisboa	-	89,9200	89,9200	89,9200
Alto de Espinho - Energia Eólica, Unipessoal, Lda.	Lisboa	-	100,0000	100,0000	89,9200
Alto Marão - Energia Eólica, Lda.	Porto	-	96,4900	96,4900	86,7638
Comp. das Energias Renov. da Serra dos Candeeiros, Lda.	Rio Maior	-	100,0000	100,0000	89,9200
ECH - Exploração de Centrais Hidroeléctricas, S.A.	Ovadas	-	100,0000	100,0000	89,9200
Enerduero Zamorana, S.A.	Madrid	-	96,4321	96,4321	86,7117
Enerflora - Produção de Energia Eléctrica, Lda.	Lisboa	-	90,0000	90,0000	80,9280
Enermais - Produção de Energia Eléctrica, Lda	Lisboa	-	87,9928	87,9928	79,1231
Enerpro - Projectos de Energias Renováveis, Lda.	Lisboa	-	85,0000	85,0000	76,4320
Enersis, SGPS, S.A.	Lisboa	-	100,0000	100,0000	89,9200
Enervia - Sociedade de Produção de Energia, S.A	Lisboa	-	96,4900	96,4900	86,7638
Entreventos - Energias Renovaveis, S.A.	Coimbra	-	66,5000	66,5000	59,7968
Fespect - Serviços de Consultoria, S.A.	Lisboa	-	49,5000	49,5000	44,5104
Freita Eólica - Energia Eólica, Lda.	Albergaria da Serra	-	100,0000	100,0000	89,9200
HE70 - Energias Renováveis Reunidas, SGPS, SA	Lisboa	-	100,0000	100,0000	89,9200
Hidrocorgo - Hidroeléctrica do Corgo, S.A.	Vila Real	-	100,0000	100,0000	89,9200
Hidroeléctrica da Barroca, Lda	Pampilhosa da Serra	-	90,0000	90,0000	80,9280
Hidroeléctrica da Ribeira de Alforfa, S.A.	Covilhã	-	100,0000	100,0000	89,9200
Hidroeléctrica de Fagilde, Lda.	Mangualde	-	100,0000	100,0000	89,9200
Hidroeléctrica de Fraga, Unipessoal, Lda.	Lisboa	-	100,0000	100,0000	89,9200
Hidroeléctrica de Penacova, Lda.	Penacova	-	100,0000	100,0000	89,9200
Hidroeléctrica de Pinhel, Lda.	Matosinho	-	68,0000	68,0000	61,1456
Hidroeléctrica do Rabaçal-Ponte, Lda.	Matosinho	-	68,0000	68,0000	61,1456
Hidromarão - Sociedade Produtora de Energia, S.A.	Vila Real	-	100,0000	100,0000	89,9200
Hidroôlo-Hidroeléctrica do Ôlo, Lda.	Amarante	-	75,0000	75,0000	67,4400
Hidrotuela - Hidroeléctrica do Tuela, S.A.	Bragança	-	96,1000	96,1000	86,4131
Minihídrica do Palhal, Lda.	Albergaria - a - Velha	-	100,0000	100,0000	89,9200
Monte Agraço - Energias Alternativas, Lda	Lisboa	-	51,0000	51,0000	45,8592
Oceanergia - Proj. de Produção de Energia das Ondas, Lda.	Matosinhos	-	98,0000	98,0000	88,1216
Parc Eolien Voi Bleriot Est	Paris	-	96,4321	96,4321	86,7117
Parque Eólico da Cabeça Alta, Lda.	Pampilhosa da Serra	-	100,0000	100,0000	89,9200
PECF - Parque Eólico de Chão Falcão, Lda.	Lisboa	-	100,0000	100,0000	89,9200
Parque Eólico do Infante - Pro. de Energias Renováveis, Lda.	Vila do Bispo	-	100,0000	100,0000	89,9200
PEP -Parque Eólico da Polvoeira, Lda.	Lisboa	-	100,0000	100,0000	89,9200
PESL - Parque Eólico da Serra do Larouco, S.A.	Montalegre	-	99,8100	99,8100	89,7492
PESM - Parque Eólico da Serradas Meadas, Lda.	Magueija	-	100,0000	100,0000	89,9200
PEVB Parque Eólico de Vila do Bispo, Lda.	Vila do Bispo	-	100,0000	100,0000	89,9200
PESB - Parque Eólico da Serra de Bornes, Lda	Alfândega da Fé	-	99,9548	99,9548	89,8794
PEL - Parque Eólico da Lousã, Lda.	Lousã	-	100,0000	100,0000	89,9200
Parque Eólico do Trevim, Lda.	Lousã	-	100,0000	100,0000	89,9200
Parque Eólico de Malhadas Gois, Lda	Góis	-	100,0000	100,0000	89,9200
Parque de Pampilhosa da Serra, S.A.	Pampilhosa da Serra	-	49,5000	49,5000	44,5104
Parque Eólico da Serra de Leomil, S.A.	Moimenta da Beira	-	100,0000	100,0000	89,9200
Renewable Energy Systems Sistemas Energéticos, S.A.	Coimbra	-	49,5000	49,5000	44,5104
Ribeira da Teia - Produção de Eneroia Eléctrica, Lda.	Vila Nova de Foz Côa	-	87,1000	87,1000	78,3203

# SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED

(Translation of a report originally issued in Portuguese – Note 70)

(Amounts stated in Euros)

### APPENDIX III

#### ASSOCIATED COMPANIES

Name	Head Office	Direct and indirect percentage of share capital held by the Group			Percentage of share capital effectively held by
		Direct	Indirect	Total	Semapa
Betão Liz, S.A.	Lisboa	-	33,3665	33,3665	17,0169
Cimentos Madeira, Lda.	Funchal	-	14,2857	14,2857	7,2857
Cimentaor - Cimentos dos Açores, Lda.	P.Delgada	-	25,0000	25,0000	12,7500
Viroc Portugal - Industria de Madeira e Cimento, S.A.	Setúbal	-	32,8273	32,8273	16,7419
Secil Unicon - S.G.P.S., Lda.	Lisboa	-	49,9999	49,9999	25,4999
ICV - Inertes de Cabo Verde, Lda.	Cabo Verde	-	37,4999	37,4999	19,1250
Ecoresíduos - Centro de Tratamento e Valorização de Resíduos,Lda.	Lisboa	-	49,9999	49,9999	25,4999
Chryso Portugal, S.A.	Lisboa	-	39,9999	39,9999	20,4000
Astakos Domika Aluminouha	Atenas	-	49,9999	49,9999	25,4999
Setefrete, SGPS, S.A.	Setúbal	-	25,0000	25,0000	12,7500
Ciments de Sibline	Libano	-	21,2172	21,2172	10,8208

**SEMAPA – SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND THE  
CONSOLIDATED INCOME STATEMENT FOR THE YEAR THEN ENDED**

**(Translation of a report originally issued in Portuguese – Note 70)**

(Amounts stated in Euros)

**THE BOARD OF DIRECTORS**

Pedro Mendonça de Queiroz Pereira  
President

Maria Maude Mendonça de Queiroz Pereira Lagos  
Member

Carlos Eduardo Coelho Alves  
Member

José Alfredo de Almeida Honório  
Member

Frederico José da Cunha de Mendonça Meneses  
Member

Gonçalo Allen Serras Pereira  
Member

Francisco José de Melo e Castro Guedes  
Member

Paulo Jorge Barreto de Carvalho Ventura  
Member

Paulo Jorge Morais Costa  
The Accountant

Luis Manuel Todo Bom  
Member

**Belarmino Martins, Eugénio Ferreira  
e Associados, SROC, Lda.**  
Avenida da Liberdade, 245 - 8º C  
1269 - 035 Lisboa  
Portugal  
Telephone +351 21319 70 00  
Facsimile +351 21316 11 12

**Statutory Audit Report  
(Consolidated Financial Statements)  
(Free translation from the original presentation in Portuguese)**

## Introduction

1 As required by law, we present our Statutory Audit Report, including the regulatory Report of the External auditor in respect of the financial information included in the Annual Report of the Board of Directors and the accompanying consolidated financial statements of **SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.**, comprising the consolidated balance sheet as of December 31, 2004, (which shows total assets of Euros 3.349.038.602, a total of minority interests of Euros 507.596.390 and a total of shareholder's equity of Euros 384.424.698, including a net income of Euros 182.073.722), the consolidated statements of income by nature and by functions 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 Annual Report of the Board of Directors and consolidated financial statements which present fairly, in all material respects, the financial position of the companies included in the consolidation, the consolidated results of its operations and consolidated cash flows; (ii) to prepare historical financial information in accordance with generally accepted accounting principles in Portugal that is complete, true, timeliness, clear, objective and licit, as required by the Securities Market Code ("Código dos Valores Mobiliários"); (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 operations, financial position or results of the companies included in the consolidation.

3 Our responsibility is to verify the financial information included in the documents referred to above, namely if, it is complete, true, timeliness, clear, objective and licit, as required by the Securities Market Code ("Código dos Valores Mobiliários"), and to issue a professional and independent report based on our audit.

**SEMAPA – Sociedade de Investimento e Gestão, SGPS, SA**

## **Scope**

4 We conducted our examination in accordance with the Standards and Technical Recommendations approved by the Institute of Statutory Auditors, which require that we plan and perform the examination to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Accordingly, our examination included: (i) verification that the subsidiary's financial statements have been properly examined and for the cases where such an examination was not carried out, verification, on a test basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements, and assessing the reasonableness of the estimates, based on judgments and criteria made by Management in the preparation of these financial statements; (ii) verification of the consolidation operations; (iii) assessing the appropriateness and consistency of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v) evaluating the overall presentation of the consolidated financial statements; and (vi) assessing whether the consolidated financial information is complete, true, timeliness, clear, objective and licit.

5 Our work also covered the verification of the consistency of the consolidated financial information included in the Annual Report of the Board of Directors with the remaining documents referred to above.

6 We believe that our examination 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 of December 31, 2004, the consolidated results of its operations and its consolidated cash flows for the year then ended, in conformity with the generally accepted accounting principles in Portugal, derogated by the early adoption of the International Accounting Standard 41, as disclosed in note 23 in the notes to the consolidated accounts, and the information included is complete, true, timeliness, clear, objective and licit.

Lisbon, March 11, 2005

Belarmino Martins, Eugénio Ferreira & Associados  
- Sociedade de Revisores Oficiais de Contas, Lda  
represented by:

Abdul Nasser Abdul Sattar, R.O.C.

**SEMAPA – Sociedade de Investimento e Gestão, SGPS, SA**

**Report and Opinion  
of the Supervisory Board**

**(Free Translation from the original in Portuguese)**

To the Shareholders

1 In accordance with the law and our mandate, we herewith present the report on our supervisory activity and our opinion on the Directors' Report for the consolidated financial statements and the corresponding Consolidated Financial Statements of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A. with respect to the year ended December 31, 2004.

2 During the course of the year, we have accompanied the evolution of the company's activities and its more relevant subsidiaries and associated companies, as and when deemed necessary, and have verified the timeliness and adequacy of the accounting records and supporting documentation. We have also ensured that the law and the company's statutes have been complied with.

3 We have also accompanied the work performed by Belarmino Martins, Eugénio Ferreira & Associados, SROC, Lda, have reviewed their audit report, in attach, and concur with their conclusions. Furthermore we have considered the Statutory Auditors' Report sent to the Board of Directors in which the audit procedures undertaken are described, as required by Article 451º of the Commercial Companies Code.

4 Within the scope of our mandate, we have verified that:

- i) the Consolidated Balance Sheet, the Consolidated Income statements by nature and by functions, the Consolidated Cash flow statements and the Notes to the accounts present adequately the financial position and the results of the company;
- ii) the accounting policies and valuation methods applied are appropriate;
- iii) the Report of the Board of Directors for the consolidated financial statements is sufficiently clear as to the evolution of the business and the position of the company and its subsidiaries and associated companies and highlights the more significant aspects;

5 On this basis, and taking into account the information obtained from Board of Directors and the company's employees, together with the conclusions in the statutory auditor's report on the consolidated accounts, we are of the opinion that:

- i) the Report of the Board of Directors on the consolidated financial statements be approved;
- ii) the consolidated Financial Statements be approved;

Lisbon. March 11, 2005

The Supervisor Board

The President

Belarmino Martins, Eugénio Ferreira & Associados  
Sociedade de Revisores Oficiais de Contas, Lda  
represented by:

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Abdul Nasser Abdul Sattar, R.O.C.

Member

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Dr. Rafael Caldeira Castel-Branco Valverde

Member

---

Dr. Duarte Nuno D'Orey da Cunha



To the shareholders of  
SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.

**Auditor's Report**  
**(Free translation from the original presentation in Portuguese)**

1 We have audited the accompanying consolidated balance sheet of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A. and its subsidiaries as of December 31, 2004, the consolidated income statements and cash flows and the related notes to the accounts for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3 In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2004 and the consolidated results of their operations and their cash flows for the year then ended in accordance with the generally accepted accounting principles in Portugal, derogated by the early adoption of the International Accounting Standard 41, as disclosed in note 23 in the notes to the consolidated accounts.

Lisbon, March 11, 2005

PricewaterhouseCoopers & Associados  
Sociedade de Revisores Oficiais de Contas, Lda  
represented by:

Ana Maria Ávila de Oliveira Lopes Bertão, R.O.C.



**SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.  
Public Limited Company**

Registered offices: Av. Fontes Pereira de Melo, no. 14, 10º, Lisbon  
Share Capital: 118,332,445 Euros  
Corporate person no.: 502593130  
Registered with the Lisbon Companies Registry under no. 2630

**NOTICE**

We hereby give notice that at the Annual General Meeting of Shareholders of this company, held on 30 March 2005, the financial statements for 2004 were approved, and it was resolved to distribute a dividend of 11 cents per share. The meeting also approved the amendment proposed to article 11, para. 1 of the article of association, permitting the company's Board of Directors to comprise an uneven number of members, between 3 and 15.

31 March 2005

The Board of Directors

**SEMAPA - Sociedade de Investimento e Gestão, SGPS, S.A.**  
**Public Limited Company**

Registered offices: Av. Fontes Pereira de Melo, no. 14, 10º, Lisbon  
Share Capital: 118,332,445 Euros  
Registered with the Lisbon Companies Registry under no. 2630  
Corporate person no.: 502593130

**Excerpt from the Minutes of the General Meeting of Semapa  
of 30-3-2005**

Semapa  
General Meeting  
Minutes of Meeting no. 21

On 30 March 2005, at 11 a.m., a General Meeting was held in Lisbon, at Av. das Forças Armadas, no. 125, 13º C, of Semapa - Sociedade de Investimento e Gestão, SGPS, SA, public limited company, with registered offices in Lisbon, at Av. Fontes Pereira de Melo, no. 14, 10º floor, with share capital of 118,332,445 euros, corporate person no. 502593130, registered at the Lisbon Companies Registry under no. 2630, with the following order of business:

1. To resolve on the Management Report, Balance Sheet and Accounts for the financial year of 2004, and on the Report and Opinion of the Audit Board;
2. To resolve on the consolidated financial statements for the same period;
3. To resolve on the distribution of profits;

[...]

The Chairman started by checking that the meeting had been duly called by the notices published on 22 February 2005 in series III of *Diário da República*, and on 18 February in *Diário Económico*, on the same date in the Lisbon and Oporto editions of *Público*, and also on 15 February in the Euronext Lisbon Bulletin of Listed Prices, that all the company offices were present, except Dr. Rafael Caldeira Castel-Branco Valverde, member of the Audit Board, who had submitted justification for his absence, and that shareholders owning 67,257,132 shares, corresponding to 174,689 votes and approximately 56.84% of the share capital were present or represented, as detailed in the register drawn up and duly filed.

[...]

As no one else wished to speak, the Chairman called a vote and it was unanimously resolved to approve the Management Report, Balance Sheet and Accounts for the financial year of 2004, together with the Report and Opinion of the Audit Board. The consolidated financial statements for the same period were then put separately to the vote, and unanimously approved. The documents were approved with a correction to the annex to the report relating to the qualifying holding in Semapa held by Banco BPI S.A.. The Chairman explained in advance that the correction would be included in the correct place and was due to information subsequently received from Banco BPI; the exact terms of the correction were set out in a document handed out to shareholders prior to the start of the meeting.

[...]

As no one else wished to speak, the Chairman of the Meeting asked if any shareholder objected to the two proposals being voted on together, giving that they were mutually compatible. No objection was expressed, and the two proposals were put jointly to the vote, and unanimously approved, the distribution of the net profits for the period being fixed as follows:

Dividends on shares in circulation .....	13.016.568,95 Euros
Retained earnings .....	3.000.000,00 Euros
Legal reserve.....	9.103.686,00 Euros
Free reserves.....	147.853.467,37 Euros
Directors' remuneration.....	9.100.000,00 Euros

[...]

There being no further business, and given that no one else wished to take the floor, the meeting was closed at 1.15 p.m., and these minutes were drawn up, which are duly signed by the officers of the General Meeting and the company secretary, in respect of the latter also under the terms and for the purposes of para. 1 a) and b) of article 446-B and para. 3 b) of article 85 of the Companies Code.