



DIRECTORS' REPORT

INDIVIDUAL ACCOUNTS

FINANCIAL YEAR OF 2005

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

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Directors' Report

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1. Overview of Operations

The financial year of 2005 was particularly difficult for the Portuguese economy, with economic growth at practically zero. An extraordinary rise in oil prices over the last two years and the unavoidable need to contain public spending combined to keep the country at its current low point in the economic cycle. Indeed, these two situations are expected to continue and will exert a negative influence for some time to come, with far-reaching consequences for the performance of companies, and especially of those which sell most of their output on the Portuguese market, as is the case of the cement sector.

In addition to these more lasting effects, the Portuguese economy is also faced with other structural problems which will be difficult to overcome, such as those resulting from competition with new countries now entering the European and world markets. These factors are particularly important for companies such as Portucel / Soporcel, which are almost exclusively geared to exports.

The deceleration in the Portuguese economy in 2005 resulted from a sharp drop in the contribution of internal demand to growth in GDP, due particularly to the drop in investment (-3.1%) and the slowdown in public spending. Growth in exports also dropped from 5.4% in 2004 to 1.8% in 2005, further contributing to poor performance overall.

These trends in both internal demand and investment inevitably had a significant impact on the business of companies engaged in the production of industrial goods, such as cement, paper and paper pulp.

In view of these constraints, expectations for 2006 are naturally subject to a high degree of uncertainty, although we may presume that some of the more recent negative effects may start to be dispelled as from 2007, allowing the economy to return to more normal levels of growth.

Despite this particularly difficult economic situation, Semapa's performance in 2005 may be regarded as positive.

In the field of Holdings Management, at the start of the year, the companies controlled by SEMAPA - Sociedade de Investimento e Gestão, SGPS, SA – SEINPAR INVESTMENTS BV and PORTUCEL - Empresa Produtora de Pasta de Papel, SA – disposed of their entire holdings in ENCE - Grupo Empresarial Ence, SA, corresponding to 8.00% of the respective share capital, for a total of 46 million euros, although this operation did not generate any capital gain for the Semapa Group in 2005.

In December, SEMAPA – Sociedade de Investimento e Gestão, SGPS, SA, acting through its wholly owned subsidiary CMP Investments BV, sold to a company in the Babcock & Brown Ltd. Group, its entire holding in Enersis II – Sociedade Gestora de Participações Sociais, SA, representing 89.92% of the respective share capital, for a sum of 420.8 million euros. With this operation, the SEMAPA Group re-centred its core business in two business areas, where it is already established:

- Cement and derivatives, through the Secil Group
- Paper and paper pulp, through the Portucel/ Soporcel Group

SEMAPA's strategic thrust will continue to be in consolidating and extending its relative position in these sectors.

The Individual Accounts have been drawn up under the POC rules (Portuguese Plan of Accounts), with the derogations needed in order for the value of the Shareholders' Funds presented to correspond to the value of the same Shareholders' Funds in the consolidated accounts, which were drawn up under the IFRS (International Financial Reporting Standards). These derogations relate to (i) retrospective application of IFRS 3 in connection with the accounting of Business Combinations, (ii) IFRS 41 on the Fair Value of Biological Assets and (iii) application of IAS 19 to the registration of actuarial deviations in post-employment liabilities. In addition to this, the accounts reflect the harmonization of depreciation rates in the different companies in the Group.

As a result of the changes to holdings in the course of 2005, the Net Profit presented by SEMAPA includes appropriation of 51% of the Net Profit of Secil, 67.1% of the Net profit of Portucel / Soporcel and 89.92% of the Net Profit of Enersis II over the period January to November, as well as the SEMAPA's own Net profits from its activities in the management of its corporate holdings.

Comparing the main items in the Individual Income Statements for 2004 and 2005, the main variations are found in the following accounts:

- **Income and Gains** – A total of 441.8 million euros, in which we should point to the following significant factors:
 - ⇒ the non-recurrent income from the sale of SEMAPA's 89.92% holding in Enersis II, which led to a capital gain of 384.6 million euros;
 - ⇒ appropriation of Gains on Group and Related Companies of 44.9 million euros;
 - ⇒ income from the provision of services 6.6 million euros;
 - ⇒ interest on loans to Group companies amounting to 5.5 million euros,

the last three items being of a recurrent nature.

- **Costs and Losses** – In addition to normal operating costs and overheads, the following should be noted:
 - ⇒ full provision was made for liabilities accepted with regard to pensions at SEMAPA – amounting to 84.3 million euros – resulting from approval by the Company's General Meeting, on 30 March 2005, of the Directors' Retirement Benefits Regulations; and
 - ⇒ a provision was made for performance bonuses for Directors for the financial year of 2005, with an estimated value of 10.4 million euros.

Finally, it should be noted that the Company recorded a positive Net result for the period of 329.8 million euros.

2. Major Developments and Events in 2005

In January, the company disposed of its entire holding in ENCE - Grupo Empresarial Ence, SA, corresponding to 2 037 600 shares, representing 8.00% of the respective share capital, for a sum of approximately 46 million euros. The disposal was effected through companies controlled by SEMAPA-Sociedade de Investimento e Gestão, SGPS, SA, SEINPAR INVESTMENTS BV and PORTUCEL - Empresa Produtora de Pasta de Papel, SA.

In December, SEMAPA, acting through its wholly owned subsidiary CMP Investments BV, sold to a company in the Babcock & Brown Ltd. Group, its entire holding in ENERSIS II - Sociedade Gestora de Participações Sociais, SA, representing 89.92% of the respective share capital. The transaction was based on an Enterprise Value for Enersis of approximately 1.005 billion euros, and SEMAPA obtained a sum of 420.8 million euros from the sale of this holding.

3. Financial

3.1. Financing

In March, in keeping with the respective contractual terms, the company reimbursed 20% of the nominal value of the bonds issued in the Semapa 98 programme; these repayments totalled 4.5 million euros.

In June, Semapa SGPS took out medium and long term financing from Caixa Galicia of 25 million euros and its subsidiaries made early repayments, of the same amount, on the loan obtained from the banking syndicate comprising the BES and CGD Groups for partial financing of the acquisition of Portucel. In December, a repayment of 250 million euros was made on this loan, following on from the disposal of Enersis.

In May, SEMAPA received dividends from Portucel of 16.8 million euros, relating to 2004 results, through its subsidiaries Seinpart – Participações, SGPS, S.A. and Semapa Investments BV.

In September, SEMAPA and Cimentospar (controlled by SEMAPA) received approximately 13.2 million euros from Secil, of which 5.1 related to interim dividends.

Enersis repaid in full its loans from Semapa.

3.2. Risk Management

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

In view of the company's object – the management of corporate holdings – it is subject to two types of risk:

- Internal: interest rate risk: in view of the variations in Semapa's net debt over the course of the period, it was decided to keep this borrowing, and that of its instrumental holdings, on a variable rate basis.

- External: the risks to which its subsidiaries are subject. These companies have taken out hedges to minimize or eliminate their risks (for more details, see the company's consolidated financial statements).

3.3. Retirement Benefits

Implementation of the Directors' Retirement Benefits Regulations, approved at the Annual General Meeting of Shareholders, on 30 March 2005, resulted in provisions being made for liabilities relating to past services, for a total of approximately 84 million euros. This was recognized in full as a cost in 2005.

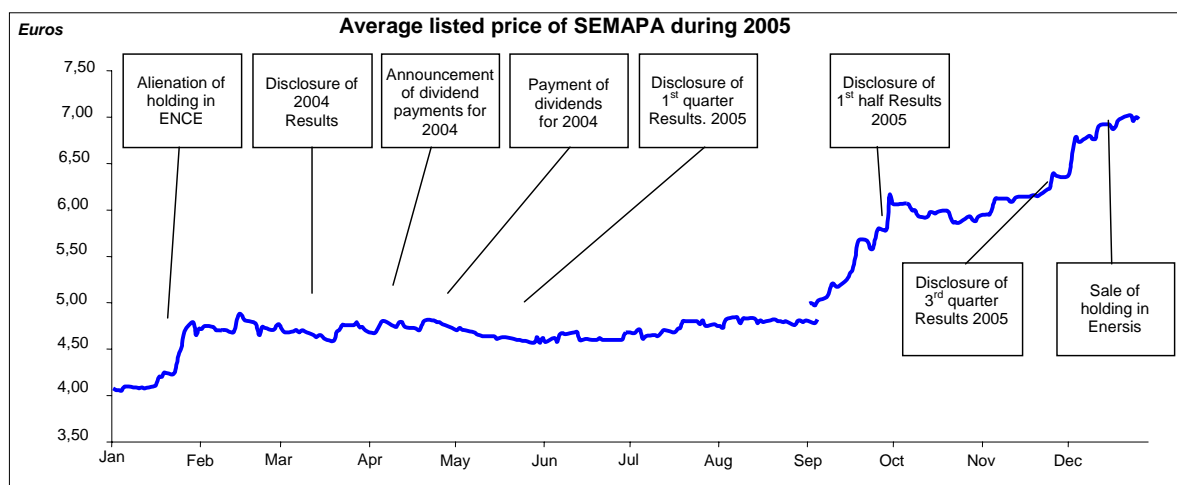
3.4. Listed Share Prices

Over the course of 2005, shares in the company progressively increased in value, with accrued appreciation over the period of approximately 66%. The daily listed price varied between a minimum of EUR 4.05 and a maximum of EUR 6.85. Average daily trading stood at 70,241 shares over the year.

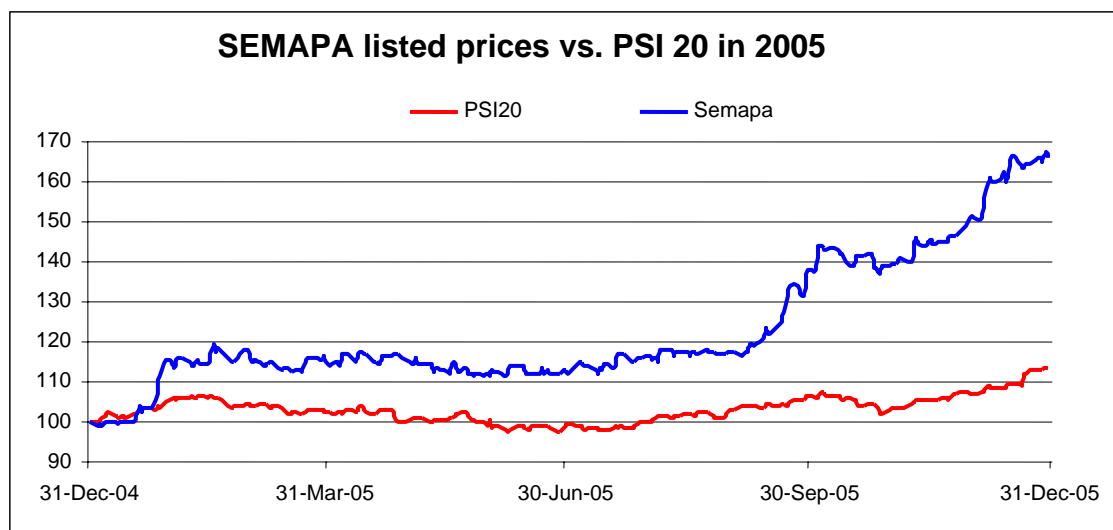
No adjustment in the share price took place at the session after disclosure of the 2004 results, on 15 March 2005.

Likewise, the distribution of a dividend of EUR 0.11 per share, which in net terms represented, for shareholders subject to taxation, a dividend of approximately EUR 0.0935 per share for resident shareholders, and EUR 0.0825 per share for non-resident shareholders, had no significant impact on the formation of the share price.

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



As already stated, listed prices of company shares performed well, especially when compared with the performance of the main Portuguese equity market index, the PSI 20, as may be seen in the following graph:



3.5. Dividends

On 28 April 2005, SEMAPA paid dividends for the financial year of 2004 totalling EUR 13 016 569, which corresponds to a dividend of EUR 0.11 euros per share in circulation. This represented an increase of 10% over the dividend paid in the previous period.

3.6. Net Profit for the Period

The Net Profit for the period was 329 817 303 euros.

4. Prospects for 2006

The Company's object is the management of corporate holdings, and its business affairs are therefore dependent above all on those of its subsidiaries.

It should be noted that the 2006 results are unlikely to be on the scale of those recorded in 2005, given that the latter, as explained above, derived to a great extent from capital gains on the disposal of Enersis.

For the business areas of Cement and Derivatives (Secil Group) and Paper and Paper Pulp (Portucel / Soporcel Group), we may point to the following prospects for 2006:

SECIL Group

- ☐ **Portugal:** business is expected to contract in 2006 in view of the general prospects for the construction sector;
- ☐ **Tunisia:** the slowdown in the market observed in 2005 is expected to continue, although there are moderately positive expectations for the residential housing sector. The revenues of Société des Ciments de Gabès continue to be constrained by the attitude of the Tunisian market with regard to price deregulation;
- ☐ **Angola:** the prospects for the cement market are favourable for the country as a whole and for the Southern region, which is Secil-Lobito's natural market, in view of the expectations of a vast array of public works projects associated with the reconstruction of the country;

- ❑ **Lebanon:** growth in the market is thought to be possible in 2006, in view of the demand in neighbouring markets, especially Iraq and Syria, and the demand resulting from major construction projects being promoted by Arab investors. Whether or not this actually happens will depend greatly on the resolution of the current political crisis in the Middle East and in Lebanon itself. Possible Lebanese membership of the World Trade Organization could lead the Lebanese Government to refrain from imposing import licenses, which will naturally have an effect on the domestic cement market.

PORTUCEL / SOPORCEL Group

- ❑ In the absence of any significant changes in the economic situation in the leading economies, or any sharp alterations in exchange rates, the Group's performance is not expected to differ greatly in the near future from that recorded in 2005. The Group will continue to follow policies designed to obtain gains in business efficiency.
- ❑ The Directors of the PORTUCEL / SOPORCEL Group have decided to go ahead with plans to set up a new paper plant at the Setúbal industrial complex, with nominal capacity of 500 thousand tons/year, involving an investment of approximately € 490 million. This will enable the Company to significantly enhance its competitiveness in the paper market, and to emerge as leaders in the European market for uncoated fine paper (UWF).

This project is now dependent only on obtaining a set of incentives to be agreed with the Portuguese Investment Agency.

5. Acknowledgements

Despite the particularly difficult economic situation experienced over the last year, we may regard 2005 as a year of growth and consolidation for SEMAPA and its Group, now recognized as one of the leading Portuguese business groups, and we are confident that the Company will continue to respond positively to the new challenges which lie ahead.

We would not close this report without expressing our sincere thanks:

- to our employees, whose efforts and dedication have made it possible to develop one of Portugal's most dynamic Companies/Groups;
- for the support and understanding of our customers and suppliers, who have acted as partners in our project;
- for the cooperation of the Financial Institutions, and the Regulatory and Supervisory Authorities;
- for the cooperation of the Audit Board and the officers of the General Meeting and
- to our Shareholders, who have accompanied our progress and whose trust we believe we continue to deserve.

The Board of Directors therefore wishes to express its gratitude to all who contributed to our success in 2005.

6. Proposal for Distribution of Profits

- Considering that the Company needs to maintain a financial structure compatible with sustained growth of its Group, in the various business areas in which it operates;

- Considering that in order for the Company to remain independent from the financial system, it needs to preserve levels of consolidated short, medium and long term indebtedness which allow it to maintain sound solvency indicators; and
- Considering that the disposal by the company of its holding in Enersis II generated non-recurrent extraordinary results which fully justify the payment of a dividend significantly higher than that which would be proposed had such gain not occurred,

We propose that the balance of 329 817 303 euros in the account for Net Profits be distributed as follows:

Dividends for shares in circulation (0.42 euros/ share)	49 699 627 euros
Legal reserve	1 445 412 euros
Free reserves	278 672 264 euros

Lisbon, 01 March 2006

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 de Mendonça e Meneses

Francisco José de Melo e Castro Guedes

Luís Manuel Pego Todo Bom

REPORT
on structure and corporate governance practices
Financial year of 2005

Chapter 0
Declaration of Compliance

Recommendation nr. 1

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

This recommendation has therefore been adopted in full.

Recommendation nr. 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, nr. 1, of the Companies Code.

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

Nonetheless, the Board of Directors decided to propose to the shareholders that the period be reduced to only five days, and this motion is included in the order of business for the annual general meeting, where it will be discussed and put to the vote.

This recommendation has not therefore been adopted in full, although it is expected to be so in the near future, if the shareholders so decide.

Recommendation nr. 3

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

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

Recommendation nr. 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 nr. 5

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

Recommendation nr. 5-A

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

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

This recommendation has therefore been adopted in full.

Recommendation nr. 6

There are currently no independent members of the company's Board of Directors, in accordance with the concept adopted in Article 1.2 of Securities Market Board Regulations 7/2001, although this situation may change at the annual general meeting which is to elect the officers for the next four years, should the shareholders so decide.

Nonetheless, this recommendation is adopted by the company, due to the existence of at least one member of the supervisory board who meets the independence requirements set in the said regulations and who effectively exercises duties equivalent to those which would be exercised by a director who could be categorized as independent. The person in question, Dr. Duarte Nuno d'Orey da Cunha, not only effectively exercises supervisory duties as established in law, with regard to general supervision of the management and monitoring compliance with the law, but is also a member of the company's Internal Control Committee, which also plays a roles in the field of supervision and control, with an advisory function as to the choice of external auditors.

As we have already seen, therefore, this recommendation is adopted by the company.

Recommendation nr. 7

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

Recommendation nr. 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 nr. 8-A

It is recommended that the Remuneration Committee submits to the general meeting a document containing guidelines to be followed by the committee. This recommendation has not yet been adopted, which is not to say that it is regarded as undesirable. In effect, as the term of office of the existing Remuneration Committee comes to an end at the next annual general meeting, its members considered that the decision to draw up such a document and the respective content should be a matter for the members elected for the next term of office.

Recommendation nr. 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 nr. 10

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

Recommendation nr. 10-A

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

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

Recommendation nr. 11

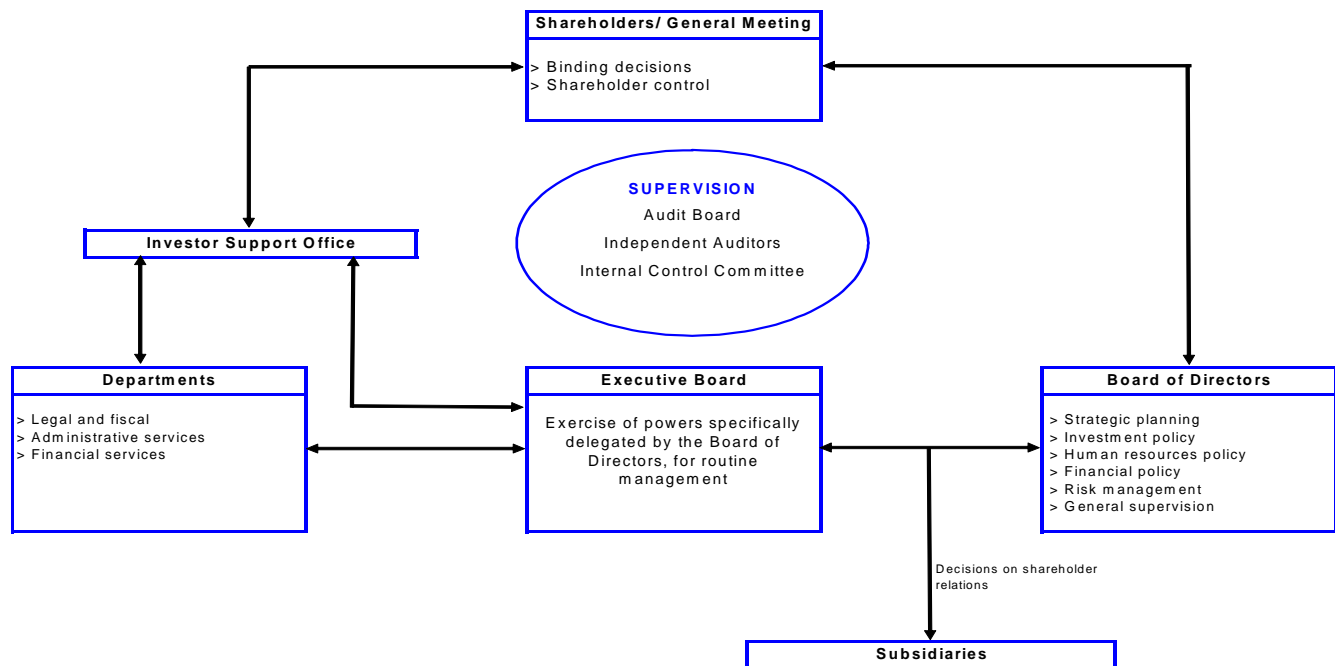
This recommendation is also not applicable, as it is aimed only at institutional investors.

Chapter I

Disclosure of information

1. Organisational structure

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



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

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

2. Specific Committees

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

The Remuneration Committee has specific powers to fix the remuneration of company officers, and comprises the following members, all of them corporate shareholders in the company:

Sociedade Agrícola da Quinta da Vialonga, S.A.
Cimo - Gestão de Participações, SGPS, S.A.
Longapar, SGPS, S.A.

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

Dr. Duarte Nuno D'Orey da Cunha – member of the Audit Board
Dr. Henrique Reynaud Campos Trocado – Chairman of the General Meeting
Eng. Frederico José da Cunha Mendonça e Meneses – Non-executive director

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

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

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

Eng. Frederico José da Cunha Mendonça e Meneses – Non-executive director
Eng. Gonçalo Allen Serras Pereira – Consultant who held the office of executive director until 2005
Dr. António Duarte Serrão – General Manager of the company.

3. Risk control

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

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

- a) To assure compliance by the company with the entire regulatory framework applicable to it, deriving both from law and regulations;
- b) To monitor the company's business affairs, with integrated and permanent analysis of the risks associated with these affairs;
- c) To monitor the quality of financial and accounting information, taking steps to ensure that it is reliable;
- d) To propose the approval of specific measures and procedures for the control and reduction of risks in the company's affairs, with a view to improving the internal risk control system;
- e) To issue its opinion on the choice of external auditors and to monitor their independence; and
- f) To oversee the system for notification of irregularities within the company, in keeping with the duties assigned to it in this area.

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

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

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

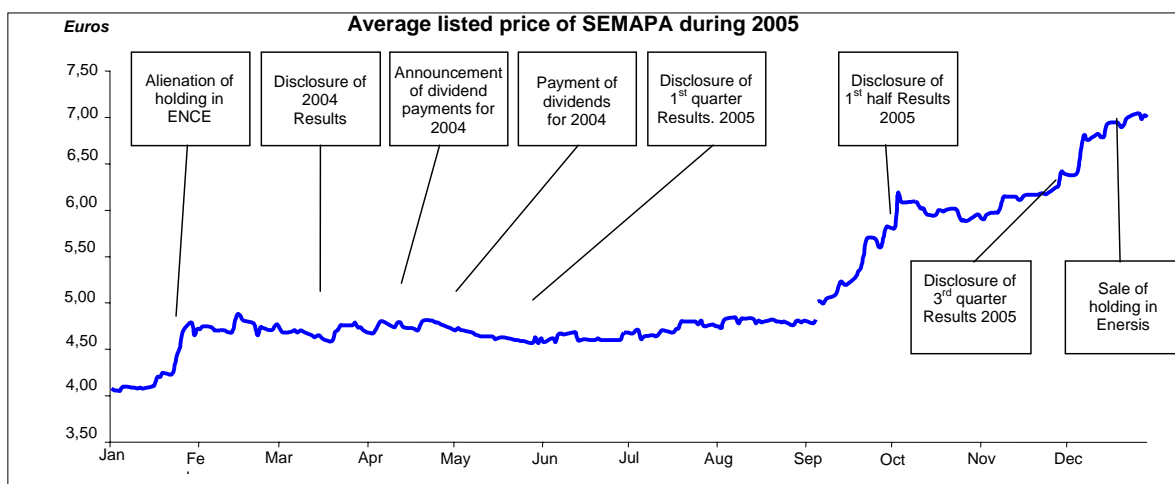
4. Listed share prices

Over the course of 2005, shares in the company progressively increased in value, with accrued appreciation over the period of approximately 66%. The daily listed price varied between a minimum of EUR 4.05 and a maximum of EUR 6.85. Average daily trading stood at 70,241 shares over the year.

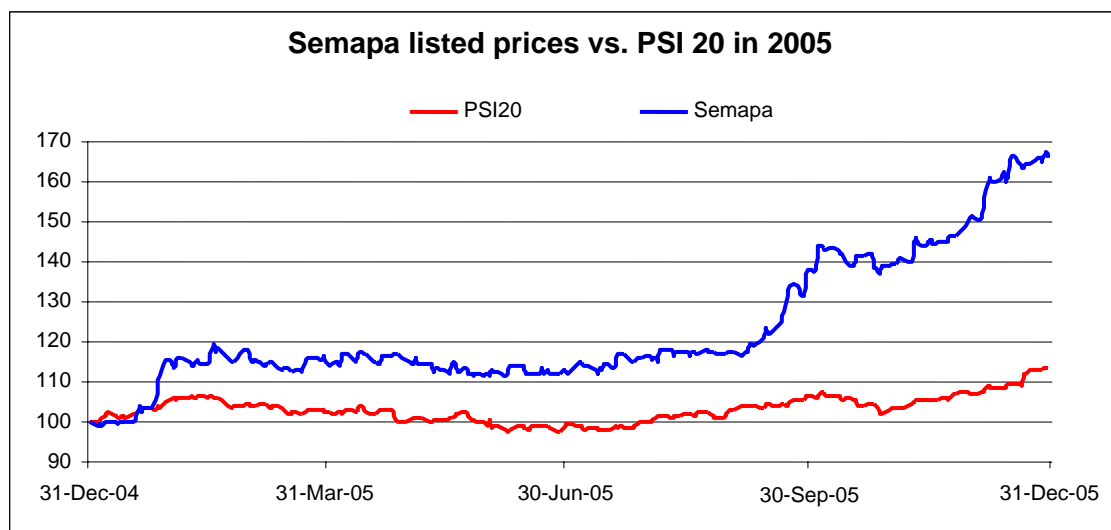
No adjustment in the share price took place at the session after disclosure of the 2004 results, on 15 March 2005.

Likewise, the distribution of a dividend of EUR 0.11 per share, which in net terms represented, for shareholders subject to taxation, a dividend of approximately EUR 0.0935 per share for resident shareholders, and EUR 0.0825 per share for non-resident shareholders, had no significant impact on the formation of the share price.

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



As already stated, listed prices of company shares performed well, especially when compared with the performance of the main Portuguese equity market index, the PSI 20, as may be seen 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:

2003 (in relation to 2002)	0.10 € per share
2004 (in relation to 2003)	0.10 € per share
2005 (in relation to 2004)	0.11 € per share

6. Share and option allocation schemes

The Company runs no share or option allocation scheme.

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

No transactions to report.

8. Investor Support Office

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

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

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

9. Remuneration Committee

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

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

Cimo and Longapar have directors who are also directors of Semapa.

10. Remuneration of Auditors

The following costs were incurred in relation to auditors in 2005 by the company and other related companies:

Services – Audit of Accounts	521 762 €	(59,2%)
Other services – reliability assurance	32 344 €	(3,7%)
Fiscal consultancy services	299 481 €	(34,0%)
Services other than legal auditing	<u>28 120 €</u>	<u>(3,1%)</u>
	881 707 €	(100,0%)

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, in particular by the Internal Control Committee.

Chapter II

Exercise of voting rights and representation of shareholders

1. Company rules on voting rights

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

2. Postal vote form

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

3. Electronic voting

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

4. Period for freezing shares

The company's articles of association require that shareholders submit a document proving ownership of the shares no less than 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.

As stated above, the Board of Directors has tabled a motion for the next annual general meeting for reduction of the period for freezing shares to 5 days.

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.

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

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

The person receiving the information has powers to conduct a preliminary investigation and is required to propose to the Internal Control Committee, which has supervisory powers in this area, that the notification be filed immediately or else that a full enquiry be undertaken. This full process ends with filing or with a submission to the Board of Directors or the

Executive Board, depending on whether a company officer is involved, of a proposal for appropriate measures in the light of the irregularity in question.

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

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

2. Control of operating risks

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

3. Measures capable of interfering with takeover bids

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

Chapter IV

Management Body

1. Details of Board of Directors

The company’s Board of Directors comprises seven members: Pedro Mendonça de Queiroz Pereira, Maria Maude Mendonça de Queiroz Pereira Lagos, Eng. Carlos Eduardo Coelho Alves, Dr. José Alfredo de Almeida Honório, Dr. Francisco José Melo e Castro Guedes, Eng. Frederico José da Cunha Mendonça e Meneses and Eng. Luís Manuel Pego Todo Bom. 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.

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

Pedro Mendonça de Queiroz Pereira

1. Nature of duties on board of director: Executive
2. Number of shares held in the company: holds no shares in the company
3. Professional qualifications: General High School Certificate (Lisbon), studies at the Instituto Superior de Administração
4. Date of first appointment and term of office: 1991 - 2005

5. Office held in other companies:

CIMENTOSPAR Participações Sociais,SGPS, Lda (SG)	Manager
CIMIANTO - Gestão de Participações, SA,	Chairman Board of Directors
CIMINPART - Investimentos e Participações, SGPS, S.A. (SG)	Chairman Board of Directors
CIMO - Gestão de Participações, SGPS, SA.....	Chairman Board of Directors
CMPartin - Inversiones y Participaciones Empresariales SL (SG).....	Chairman Board of Directors
CMP - Cimentos Maceira e Pataias, SA (SG).....	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 (SG)	Chairman Board of Directors
PARSEINGES - Gestão de Investimentos, SGPS, S.A. (SG).....	Chairman Board of Directors
PORTUCEL - Empresa Produtora de Pasta e Papel, S.A. (SG).....	Chairman Board of Directors
SECIL - Companhia Geral de Cal e Cimento, SA (SG)	Chairman Board of Directors
SECILPAR, SL (SG)	Chairman Board of Directors
SEINPART Participações, SGPS, S.A (SG)	Chairman Board of Directors
SEMAPA Inversiones, SL (SG).....	Chairman Board of Directors
SEMINV - Investimentos, SGPS, S.A (SG).....	Chairman Board of Directors
SODIM SGPS, SA	Chairman Board of Directors
SOPORCEL - Sociedade Portuguesa de Papel, S.A. (SG)	Chairman Board of Directors
VÉRTICE-Gestão de Participações, SGPS, SA	Chairman Board of Directors

6. Other professional activities over the last 5 years:

BANCO ESPÍRITO SANTO, S.A.	Director
GOLIATUR – Sociedade de Investimentos Imobiliários, S.A.	Chairman of Board of Directors
HOTEL RITZ, S.A.	Director
IMOCIPAR – Imobiliária, S.A.	Director
LAGUM – Sociedade Imobiliária, Lda.	Manager
Sociedade Agrícola da QUINTA DA VIALONGA, S.A.	Chairman of Board of Directors
SOREL, SGPS, S.A.	Director

Maria Maude Mendonça de Queiroz Pereira Lagos

1. Nature of duties on board of director: Non-executive
2. Number of shares held in the company: holds no shares in the company
3. Professional qualifications: General High School Certificate (Lisbon).
4. Date of first appointment and term of office: 1994 - 2005
5. Office held in other companies:

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

6. Other professional activities over the last 5 years:

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

Carlos Eduardo Coelho Alves

1. Nature of duties on board of director: Executive
2. Number of shares held in the company: holds no shares in the company
3. Professional qualifications: Degree in Mechanical Engineering, from the Instituto Superior Técnico (1971).
4. Date of first appointment and term of office: 1991 - 2005
5. Office held in other companies:

SONACA – Sociedade Nacional de Canalizações, S.A.....	Director
SODIM, SGPS, SA	Director
SECIL - Companhia Geral de Cal e Cimento, SA (SG)	Chairman of Executive Board
CMP - Cimentos Maceira e Pataias, SA (SG).....	Chairman of Executive Board
CIMO - Gestão de Participações, SGPS, SA.....	Director
SCG – Société des Ciments de Gabès, SA (SG)	Chairman Board of Directors
SEMINV - Investimentos, SGPS, S.A (SG).....	Director
SECILPAR, SL (SG)	Director
CIMINPART - Investimentos e Participações, SGPS, S.A. (SG)	Director
PARCIM – Investments B.V. (SG)	Director
PARSEINGES - Gestão de Investimentos, SGPS, S.A. (SG).....	Director
SEINPART Participações, SGPS, S.A (SG)	Director
LONGAPAR, SGPS, SA	Director
BETOPAL, S.L. (SG)	Director
CMPartin-Inversiones y Participaciones Empresariales SL (SG).....	Director
PARSECIL, SL (SG)	Director
SEMAPA Inversiones, SL (SG).....	Director
CIMENTOSPAR - Participações Sociais, Lda. (SG).....	Manager
FLORIMAR – Gestão e Participações, SGPS, Soc. Unipessoal, Lda. (SG)	Manager
PORTUCEL – Empresa Produtora de Pasta e Papel, SA (SG).....	Director
SOPORCEL – Sociedade Portuguesa de Papel, SA (SG)	Director

6. Other professional activities over the last 5 years:

CIMIANTO - Gestão de Participações, S.A.	Director
ENERSIS - Sociedade Gestora de Participações Sociais, S.A.....	Chairman of Board of Directors
FESPECT – Serviço de Consultadoria, S.A.....	Director
GOLIATUR - Sociedade de Investimentos Imobiliários, S.A.....	Director

José Alfredo de Almeida Honório

1. Nature of duties on board of director: Executive
2. Number of shares held in the company: 20,000 shares
3. Professional qualifications: Degree in Economics from the Faculty of Economics, University of Coimbra (1980)
4. Date of first appointment and term of office: 1994 - 2005
5. Office held in other companies:

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

6. Other professional activities over the last 5 years:

PARCIM Investment B.V. (SG)	Director
CIMIANTO-Gestão de Participações, SGPS, S.A.	Director
CIMPOR – Cimentos de Portugal, SGPS, S.A.	Director
SECILPAR, SL.....	Director

Frederico José da Cunha Mendonça e Meneses

1. Nature of duties on board of director: Non-executive
2. Number of shares held in the company: holds no shares in the company
3. Professional qualifications: Degree in Chemical and Industrial Engineering, IST (1959); PMD Harvard Business School (1970)
4. Date of first appointment and term of office: 1994 - 2005
5. Office held in other companies:

CIMILONGA – Imobiliária S.A.....	Chairman Board of Directors
LONGAVIA – Imobiliária, S.A.	Chairman Board of Directors
IMOCIPAR – Imobiliária, S.A.	Chairman Board of Directors
SONAGI, SGPS, S.A.	Chairman Board of Directors
SONAGI – Imobiliária S.A.....	Chairman Board of Directors
Sociedade Imobiliária de Baldio de Paula, S.A.....	Chairman Board of Directors
SAIVANE Imobiliária, S.A.	Chairman Board of Directors
Hotel RITZ, SA.....	Director
SCG – Société des Ciments de Gabès, SA (SG)	Director
Goliatur – Sociedade Investimentos Imobiliários SA	Chairman Board of Directors
Cunha e Meneses, Lda.....	Manager

6. Other professional activities over the last 5 years:

CIMIANTO-Gestão de Participações, S.A.	Director
PVQ – Produção de Vinho da Quinta, Lda	Manager
SCG – Société des Ciments de Gabès, S.A. (GS)	Director
DIMO – Desenvolvimento Imobiliário e Construção, S.A.....	Chairman Board of Directors
ALELUIA – Cerâmica Comércio e Indústria, S.A.	Director
SECLA – Sociedade de Exportação de Cerâmica, S.A.	Chairman Board of Directors

Francisco José Melo e Castro Guedes

1. Nature of duties on board of director: Executive
2. Number of shares held in the company: holds no shares in the company
3. Professional qualifications: Degree in Finance from the Instituto Superior de Ciências Económicas e Financeiras; MBA Insead.
4. Date of first appointment and term of office: 2001 - 2005
5. Office held in other companies:

CMP- Cimentos Maceira e Pataias, S.A (SG).....	Director
PARSEINGES-Gestão de Investimentos, SGPS, S.A. (SG).....	Director
SECIL – Companhia Geral de Cal e Cimento, S.A. (SG)	Director
SEINPART Participações, SGPS, S.A. (SG)	Director
SEMINV – Investimentos, SGPS, S.A. (SG).....	Director
SCG – Société des Ciments de Gabès, S.A. (SG)	Director
CDS- Ciments de Sibline, SGPS, S.A. (SG).....	Director
CIMINPART-Investimentos e Participações, SGPS, S.A. (SG)	Director
SEMAPA Inversiones, SL (SG).....	Director
SILONOR, S.A. (SG)	Director

6. Other professional activities over the last 5 years:

Enersis II, SGPS, S.A.	Director
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Luís Manuel Pego Todo Bom

1. Nature of duties on board of director: Non-executive
2. Number of shares held in the company: holds no shares in the company
3. Professional qualifications: Degree in Chemical and Industrial Engineering - Instituto Superior Técnico (1971); M.B.A. – from Univ. Nova de Lisboa/Wharton School of Pennsylvania (1982); Stanford Executive Program (1997) & Executive Program on Strategy and Organization (1998) – University of Stanford; Concluded first year of DBA – Doctor of Business Administration Program – Cranfield University (2000) and currently preparing for doctorate in Business Strategy, at ISCTE.
4. Date of first appointment and term of office: 2003 - 2005
5. Office held in other companies:

Amorim Imobiliária, SGPS, S.A.	Director
Celulose do Caima, SGPS, S.A.	Director
Companhia de Seguros Sagres, S.A.	Director
Portugal Telecom Investimentos Internacionais, S.A.	Director

6. Other professional activities over the last 5 years:

Banco Finantia, S.A.	Director
Ambelis, S.A.	Director
ParaRede, SGPS, 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 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, nr. 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 seven times in 2005.

4. Remuneration Policy

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

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

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

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

5. Remuneration and retirement benefits

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

	Executive directors	Non-exec. directors	Total
Fixed remuneration	1.252.416,77€	641.537,70€	1.893.954,47€
Variable remuneration	11.435.500,00€	864.500,00€	12.300.000,00€
Total	12.687.916,77€	1.506.037,70€	14.193.954,47€

(Figures for the 9 Directors, including therefore those who left office in the course of the year)

The figures indicated as variable remuneration result essentially from the resolution by the general meeting on the distribution of profits which, under the terms of Article 17.3 of the Articles of Association, provided for profit sharing by the directors. As already indicated, is limited by the articles to 5% of profits. In addition to this, the variable remuneration includes performance bonuses to some of the executive directors, totalling 3,200,000 €, fixed by the Remuneration Committee; these are exceptional, and relate to the disposal of Enersis.

The variable remuneration system is therefore based on results and on the respective resolution of the general meeting, and may also include a performance bonus component set by the Remuneration Committee. It is also the Remuneration Committee which resolves on the distribution between the directors of the profit sharing approved by the general meeting; there are no pre-set mandatory criteria for these decisions.

In addition to these amounts, the company's executive directors also earned remuneration for their management duties in controlled companies totalling 4,934,292.22€.

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

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

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

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

6. Policy on Notification of Irregularities

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

**Disclosures required by Articles 447 and 448 of the Companies Code and
Article 8.1 e) of Stock Market Commission Regulations 04/2004
(Financial year of 2005)**

- 1. Securities issued by the company and held by company officers:** José Alfredo de Almeida Honório – 20,000 shares; Duarte Nuno d'Orey da Cunha – 1,130 shares
- 2. 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:** Duarte Nuno d'Orey da Cunha acquired 1,130 shares in Semapa on 14-7-2005 for a unit price of 4.67€, Banco Espírito Santo de Investimento, S.A. carried out the following operations:

Date	Description	Quantity	Price(€)
27-1-2005	Purchase	735	4,50
27-1-2005	Sale	735	4,50
17-6-2005	Purchase	1.000	4,65
20-6-2005	Sale	1.000	4,60
29-9-2005	Purchase	1.467	5,45
29-9-2005	Sale	1.467	5,60
4-10-2005	Purchase	35.000	5,93
6-10-2005	Purchase	10.475	5,98
7-10-2005	Sale	10.475	5,90
28-10-2005	Purchase	3.474	5,64
28-10-2005	Purchase	1.000	5,70
28-10-2005	Sale	1.000	5,65
2-11-2005	Purchase	1.526	5,74
19-12-2005	Sale	40.000	6,77

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

	Holder	No. shares	% shares voting rights	% of non-suspended
A				
-	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				
-	Banco BPI, S.A.	-	-	-
	Banco Português de Investimento, S.A. – own portfolio	150.680	0,13%	0,13%
	BPI Vida - Companhia de Seguros de Vida, S.A.	105.388	0,09%	0,09%
	Pension Funds managed by BPI Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	10.362.388	8,76%	8,96%
	Investment Funds managed by BPI Fundos – Gestão de Fundos de Investimento Mobiliário, S.A.	1.237.518	1,05%	1,07%
	Subtotal:	11.855.974	10,02%	10,26%
C				
-	Banco Espírito Santo, S.A.	-	--	-
	BES Pension Fund managed by ESAF - Espírito Santo Fundo de Pensões, S.A.	4.982.310	4,21%	4,31%
	Other Funds managed by ESAF - Espírito Santo Fundo de Pensões, S.A.	1.279.005	1,08%	1,11%
	Funds managed by ESAF - Espírito Santo Fundos de Investimento Imobiliário, S.A.	748.191	0,63%	0,65%
	Clients under management of ESAF - Espírito Santo Gestão de Patrimónios, S.A.	2.500	0,00%	0,00%
	Subtotal:	7.012.006	5,93%	6,07%
D				
-	Espírito Santo International	-	-	-
	Companhia de Seguros Tranquilidade Vida, S.A.	2.529.248	2,14%	2,19%
	Subtotal:	2.529.248	2,14%	2,19%
E				
-	Credit Suisse	-	-	-
	Credit Suisse First Boston International	23.095.800	19,52%	19,98%
	Subtotal:	23.095.800	19,52%	19,98%

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

SEMAPA- SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A.
INCOME STATEMENT BY NATURE FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(Amounts stated in €)

EXPENSES	Notes	31-12-2005	31-12-2004	INCOME	Notes	31-12-2005	31-12-2004
External supplies and services		1.906.327	1.909.682	Services rendered	44 and 53	6.573.800	1.041.188
Payroll expenses:				Supplementary income		3.029	537.096
Salaries		4.066.865	3.142.518	Other operating income		2.590	539.686
Social charges:				(B)		6.579.419	1.580.874
Pensions	31	84.295.795	-				
Others		464.368	352.916				
		88.827.028	3.495.434				
Depreciation and amortisation	10	138.451	99.600	Gains on group and affiliated companies	16 and 45	429.651.283	50.887.963
Adjustments	21 and 23	7.451.000	-	Gains on other companies	45	10.704	31
Provisions	34	10.429.165	1.186.262	Other interest and similar income:			
				Income relating to group and affiliated companies	45 end 53	5.458.779	6.395.026
Taxes		346.298	793.640	Other	45	132.217	57.342.512
Other operating costs		105.139	5.071	(D)		441.832.402	58.923.386
(A)		109.203.408	7.489.689				
Loss on affiliated companies	16 and 45	1.041.798	8.414.289	Extraordinary income	46	1.299	144.458.587
Depreciation and adjustments for investments	16, 21 and 45	6.901	3.809.987				
Others financial expenses							
Related to group companies	45 and 53	468.238					
Other	45	1.218.692	1.543.371				
(C)		111.939.037	5.353.358				
Extraordinary expenses	46	5.061	39.732				
(E)		111.944.098	21.297.068				
Income tax	6 and 48	72.300	11.183				
(G)		112.016.398	21.308.251				
Net profit for the year		329.817.303	182.073.722	(F)			
		441.833.701	203.381.973			441.833.701	203.381.973
				Operating results:	(B) - (A)	(102.623.989)	(5.908.815)
				Net financial results:	(D-B) - (C-A)	432.517.354	43.574.865
				Current results:	(D) - (C)	329.893.365	37.666.050
				Profit before tax:	(F) - (E)	329.889.603	182.084.905
				Net profit for the year:	(F) - (G)	329.817.303	182.073.722

The accompanying notes form an integral part of the income statement by nature for the year ended December 31, 2005.

The accountant

The Board of Directors

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

BALANCE SHEET AS OF DECEMBER 2005 AND 2004

(Amounts stated in €)

		31-12-2005		31-12-2004	
ASSETS	Notes	Gross	Depreciation and adjustments	Net	Net
FIXED ASSETS:					
Intangible assets:					
Incorporation expenses		-	-	-	21.569
Tangible assets:					
Buildings and other constructions		674.581	(67.458)	607.123	-
Transport equipment	10	135.175	(109.409)	25.766	42.479
Administrative equipment	10	189.845	(111.179)	78.666	54.092
Other tangible fixed assets	10	28.925	(3.866)	25.059	2.055
Tangible assets in progress	10	74.557		74.557	-
		1.103.083	(291.912)	811.171	98.626
Investments:					
Investments in subsidiaries	10 and 16	349.265.474	-	349.265.474	292.530.557
Securities and other investments		1.229	-	1.229	1.229
		349.266.703	-	349.266.703	292.531.786
MEDIUM AND LONG TERM RECEIVABLES:					
Third-party debt					
Group companies	53	422.661.650	-	422.661.650	124.371.545
CURRENT ASSETS:					
Accounts receivable - Short term:					
Group companies	53	768.967	-	768.967	15.828.926
Accounts receivable from state entities	48	651.019		651.019	875.523
Other debtors	21, 23 and 48	9.493.125	(7.853.000)	1.640.125	3.878.907
		10.913.111	(7.853.000)	3.060.111	20.583.356
Marketable securities:					
Other marketable securities	54	391.932	-	391.932	385.527
Banks and cash:					
Bank deposits		80.802.700		80.802.700	426.449
Cash		1.715		1.715	1.215
	54	80.804.415		80.804.415	427.664
ACCRUALS AND DEFERRALS:					
Accrued income		21.817		21.817	58.506
Deferred costs	50	192.849		192.849	21.740
		214.666		214.666	80.246
Total depreciation			(291.912)		
Total adjustments			(7.853.000)		
Total assets		865.355.560	(8.144.912)	857.210.648	438.500.319

EQUITY AND LIABILITIES		Notes	31-12-2005	31-12-2004
EQUITY:				
Share capital	36, 37 and 40		118.332.445	118.332.445
Share Premium	40		3.923.459	3.923.459
Adjustments in investments in subsidiaries and affiliated companies	40		(21.080.486)	(32.230.787)
Reserves:				
Legal reserves	40		22.221.077	13.117.391
Other reserves	40		249.619.367	101.765.900
Retained earnings	40		442.568	(2.557.432)
Net profit for the year	40		329.817.303	182.073.722
Total equity			703.275.733	384.424.698
LIABILITIES:				
PROVISIONS:				
Provisions for pensions	31		84.295.795	-
Other provisions	34		11.259.810	4.587.844
			95.555.605	4.587.844
MEDIUM AND LONG TERM LIABILITIES:				
Debenture loans	51		7.856.067	13.467.543
Bank loans	51		25.000.000	-
			32.856.067	13.467.543
SHORT TERM LIABILITIES:				
Debenture loans	51		5.611.476	4.489.181
Bank loans	51 and 54		-	23.002.167
Accounts payable to suppliers			179.285	112.570
Accounts payable to group companies	53		9.458.652	361.816
Shareholders	52		6.965.125	6.883.458
Accounts payable to state entities	48		2.414.684	161.727
Other creditors	49		115.346	234.253
			24.744.568	35.245.172
ACCRUALS AND DEFERRALS:				
Accrued costs	50		778.675	774.544
Deferred income			-	518
			778.675	775.062
Total equity and liabilities			857.210.648	438.500.319

The accompanying notes form an integral part of the balance sheet as of December 31, 2005.

The accountant

The Board of Directors

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

INCOME STATEMENT BY FUNCTIONS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(Amounts expressed in €)

	Notes	31-12-2005	31-12-2004
Sales and services rendered	44 and 53	6.573.800	1.041.188
Cost of sales and services rendered		<u>(6.330.735)</u>	<u>(4.937.051)</u>
Gross income		243.065	(3.895.863)
Other operating income		6.918	539.686
Administrative cost		(453.123)	(468.065)
Other operating costs		<u>(102.424.611)</u>	<u>(2.084.573)</u>
Operating income		(102.627.751)	(5.908.815)
Financing net cost		3.904.066	4.911.147
Income/(expenses) with affiliated companies	45	428.602.584	38.663.718
Income/(expenses) with other investments	45	10.704	-
Non usual or non frequent income	46	-	144.418.855
Current income		<u>329.889.603</u>	<u>182.084.905</u>
Income tax	6 and 48	(72.300)	(11.183)
Net income for the year		<u>329.817.303</u>	<u>182.073.722</u>
Earnings per share		<u>2,79</u>	<u>1,54</u>

The accompanying notes form an integral part of the income statement by functions for the year ended December 31, 2005.

The accountant

The Board of Directors

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

CASH FLOW STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(Amounts stated in €)

	Notes	31-12-2005	31-12-2004
OPERATING ACTIVITIES:			
Paid to suppliers		(2.804.267)	(4.401.000)
Paid to personnel		(18.579.403)	(5.482.864)
Flows from operations:		(21.383.670)	(9.883.864)
(Payments)/Receipts of income tax		836.957	(18.881)
Other (payments)/receipts relating to operating activities		5.542.189	(2.189.494)
Flows before extraordinary captions		(15.004.524)	(12.092.239)
Flows from operating activities (1)		(15.004.524)	(12.092.239)
INVESTING ACTIVITIES:			
Receipts relating to:			
Investments	10	41.090.000	329.688.663
Tangible fixed assets		1.000	38.410
Interest and similar income		848.460	369.674
Dividends	10	404.846.475	90.194.963
		446.785.935	420.291.710
Payments relating to:			
Investments	10	(66.665.000)	(67.512.284)
Tangible fixed assets		(678.705)	(71.298)
		(67.343.705)	(67.583.582)
Flows from investing activities (2)		379.442.230	352.708.128
FINANCING ACTIVITIES:			
Receipts relating to:			
Loans obtained		50.463.463	165.389.257
Loans granted		53.641.448	97.837.611
		104.104.911	263.226.868
Payments relating to:			
Loans obtained		(45.843.228)	(170.242.705)
Loans granted		(328.023.049)	(420.011.844)
Interest and similar expenses		(1.130.853)	(1.159.200)
Dividends	40	(13.016.569)	(11.833.245)
		(388.013.699)	(603.246.994)
Flows from financing activities (3)		(283.908.788)	(340.020.126)
VARIATION IN CASH AND CASH EQUIVALENTS (4) = (1) + (2) + (3)		80.528.918	595.763
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	54	661.024	71.666
ADJUSTMENTS OF TRADING SECURITIES	21	-	(6.405)
REVERSAL OF ADJUSTMENTS OF TRADING SECURITIES	21	6.405	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	54	81.196.347	661.024

The accompanying notes form an integral part of the cash flow statement for the year ended December 31, 2005.

The Accountant

The Board of Directors

(Translation of a report originally issued in Portuguese – Note 57)

(Amounts stated in €)

INTRODUCTION

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

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

1. DEROGATIONS TO THE OFFICIAL CHART OF ACCOUNTS

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

- accounting principle of the historical cost in growing forests, through the application of fair value method as foreseen in IAS 41, in some Group subsidiaries, with influence in Semapa's individual financial statements through the application of the equity method;
- the subsidiaries changed the methodology of subsequent recognition of goodwill, namely ceasing its systematic amortization and replacing it by impairment tests, in accordance with IFRS 3;
- application of the methodology regarding the direct recognition of actuarial gains and losses under equity, effective retrospectively from January 1, 2004, in accordance with IAS 19.

2. COMPARATIVE AMOUNTS

The comparative analysis of the amounts presented in the balance sheet captions with the ones related to December 31, 2004 must consider the above-mentioned situations, the effects of which are described in the following notes.

In 2005 the company decided for the first time to discriminate variable remuneration of its board members, constituting a provision in the respective accounts against income of the same period. If the same would have been applied in 2004, the net income for this year would decrease by €9,100,000 (Note 34)

The subsidiary Secil – Companhia Geral de Cal e Cimento, SA and Portucel and its subsidiaries valued their derivative financial instruments, no matter if they are for trading or hedging purposes, and the available-for-sale financial assets, at fair value, in accordance with the directive nº 88/2004, of April 20, with implications in Semapa's financial statements through application of the equity method, although the impact in 2004 is not significant.

The amounts related to the year ended on December 31, 2004 (comparative) included in the actual financial statements, are presented in accordance with the changes originated by the directive nº35/2005, of February 17, to the accounting principles generally accepted in Portugal

3. BASIS OF PRESENTATION AND MAIN ACCOUNTING POLICIES

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

These financial statements reflect only the Company's individual accounts. The Company also prepared consolidated financial statements, in accordance with IFRS, which reflect the following differences to the

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individual financial statements, as of December 31, 2005. However, the individual shareholder's equity, resulting from the application of the equity method to subsidiaries equals consolidated shareholders equity:

	<u>Increase</u>
Total Assets, net	2,616,435,041
Total liabilities	2,073,157,936
Total income	1,535,578,192
Net profit for the year	4,367,163

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

a) Tangible fixed assets

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

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

b) Investments

Investments in group companies (and subsidiaries of group companies) and affiliated companies are recorded in accordance with the equity method, thus absorbing the impacts of the changes in the accounting policies of its infra exposed subsidiaries.

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

Semapa's subsidiaries started to apply in 2005, with effects at January 1, 2004, the valuation method of goodwill subsequent to initial recognition foreseen in International Financial Reporting Standards nº3 "Business Combinations". In accordance with this standard goodwill is not amortized and is subject to impairment tests, in an annual minimum basis. Impairment losses of goodwill can not be reversed.

Still during the year ended on December 31, 2004, some subsidiaries of Portucel subgroup changed their accounting policies on recognition of biological assets (growing forests), starting to apply the International Accounting Standard nº 41 "Agriculture".

The subsidiary Secil – Companhia Geral de Cal e Cimento, SA and Portucel and its subsidiaries valued their derivative financial instruments, no matter if they are for trading or hedging purposes, and the available-for-sale financial assets, at fair value, in accordance with the directive nº 88/2004, of April 20. This way, the changes in fair value of their derivative financial instruments regarded as hedge and

their available-for-sale financial assets are directly recognised under equity of these affiliates. The change in fair value of the financial instruments considered as trading are booked in the respective income statements.

Additionally, the subsidiaries applied the methodology regarding the direct recognition of actuarial gains and losses under equity, with retrospective impacts from January 1, 2004 on, in accordance with IAS 19 (revised).

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

c) Receivables adjustments

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

d) Accrual basis

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

e) Corporate income tax

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

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

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

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

f) Retirement benefit complements

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

The responsibilities for the payment of retirement benefits are recorded in accordance with IAS19.

g) Provisions

The provisions are registered at the values effectively necessary to face estimated economic losses.

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h) Use of estimates

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

6. INCOME TAX

In accordance with current legislation, tax losses are carried forward for a period of six years and may be deducted to tax profits during that period. The Company is subject to corporate income tax on an individual basis, having tax losses not used since 2000, which amount to €21,425,514. As mentioned in Note 3.e), and since the Company has been generating operating losses, there is no reasonable assurance that future tax profits will be generated so, the deferred tax asset generated by the referred tax losses has not been recorded.

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

Income tax for the year ended December 31, 2005 amounting to €72,300 relates to current income tax - autonomous taxation.

The reconciliation of effective income tax rate is as follows:

	31-12-2005	31-12-2004
Profit before income tax	329,889,603	182,084,905
Nominal rate of income tax	27.50%	27.50%
Estimated income tax	90,719,641	50,073,349
Permanent differences (a)	(89,740,762)	(49,999,697)
Adjustments to taxable income	72,300	11,183
Non recoverable tax losses	-	-
Recovered tax losses	(978,879)	(73,652)
	72,300	11,183
Effective rate of income tax	0.02%	0.01%

(a) This amount is made up essentially of :

	31-12-2005	31-12-2004
Effects arising from the application of the equity method (Note 16)	(428,609,485)	(42,473,674)
Adjustments and taxable provisions (Notes 21 and 34)	17,887,066	4,996,249
Responsibilities related to pension benefits (Note 31)	84,295,795	-
Non-taxable realized gains	(939)	(144,423,547)
Gains for tax purposes	1,000	60,865
Other	96,518	23,026
	(326,330,045)	(181,817,081)
Tax effect (27,5%)	(89,740,762)	(49,999,697)

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2005 AND 2004

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In accordance with current tax legislation, tax returns are subject to review and adjustment by the tax authorities during a period of four years and ten years for Social Security. Consequently, the Company's tax returns for the years from 2002 to 2005 are still subject to review.

The Company's Management believes that any possible adjustments that may result from tax authorities reviews will not have a significant effect on the financial statements as of December 31, 2005.

7. AVERAGE NUMBER OF EMPLOYEES

The average number of employees as of December 31, 2005 and 2004 was 23 and 13 persons, respectively.

10. MOVEMENT IN FIXED ASSETS

During the year ended December 31, 2005, the movement in intangible, tangible assets and investments, and in the related amortisation, depreciation and adjustments, was as follows:

Captions	Fixed Assets				
	Opening balance	Increases	Decreases	Disposals and others	Closing balance
Intangible assets:					
Incorporation expenses	236,233	-	-	(236,233)	-
Tangible assets:					
Buildings and other constructions	-	-	-	674,581	674,581
Transport Equipment	164,418	21,500	(50,743)	-	135,175
Administrative Equipment	136,063	49,426	-	4,356	189,845
Other Tangible Assets	2,349	2,381	-	24,195	28,925
Tangible assets in progress	-	777,689	-	(703,132)	74,557
	302,830	850,996	(50,743)	-	1,103,083
Investments:					
Investments in subsidiaries (Note 16)	292,530,557	66,665,000	-	(9,930,083)	349,265,474
Other financial investments	1,229	-	-	-	1,229
	292,531,786	66,665,000	-	(9,930,083)	349,266,703
	293,070,849	67,515,996	(50,743)	(10,166,316)	350,369,786
Accumulated amortisation and depreciation					
Captions	Opening balance	Increases	Decreases	Disposals and others	Closing balance
Intangible assets:					
Incorporation expenses	214,664	-	-	(214,664)	-
Tangible assets:					
Buildings and other constructions	-	67,458	-	-	67,458
Transport Equipment	121,939	38,213	(50,743)	-	109,409
Administrative Equipment	81,971	29,208	-	-	111,179
Other Tangible Assets	294	3,572	-	-	3,866
	204,204	138,451	(50,743)	-	291,912
	418,868	138,451	(50,743)	(214,664)	291,912

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The movement in the caption “Investments in subsidiaries” for the year ended December 31, 2005 was as follows:

	<u>Subsidiaries</u>
Opening Balance	292,530,557
Results of subsidiaries and affiliated companies recorded by the equity method (Notes 6, 16 and 45):	
- Profits	429,651,283
- Losses	(1,041,798)
Dividends distributed to company by subsidiaries	
- Secil - Companhia Geral de Cal e Cimento, SA	(1,660,771)
- Seinpar Investments BV	(11,175,000)
- CMP Investments BV	(392,000,000)
Reimbursement of supplementary capital contributions	
- Seinpar Investments BV	(6,500,000)
- Seminv - Investimentos, SGPS, SA	(12,090,000)
- CMP Investments BV	(22,500,000)
Supplementary capital contributions in Semapa Inversiones SL	66,665,000
Provision for negative shareholders equity:	
- Semapa Inversiones, SL	(625,260)
- Semapa Investments, BV	(3,138,838)
Adjustments due to the reversal of goodwill amortization in previous year in subsidiaries:	
- Cimentospar - Participações Sociais, SGPS, Lda	520,529
- Seinpart, SGPS, SA	1,766,026
- Seminv - Investimentos, SGPS, SA	4,278,786
- Semapa Investments, BV	3,515,768
Adjustments in the retained earnings of the subsidiaries:	
- Semapa Investments, BV	3
- Seminv - Investimentos, SGPS, SA	(167)
- Seinpart, SGPS, SA	670
- Semapa Inversiones, SL	3,644
Other changes in subgroups equity:	
- Enersis II - Gestão de Participações, SGPS, SA	1,233,951
- Portucel - Empresa Produtora de Pasta e Papel, SA	(3,174,420)
- Secil - Companhia Geral de Cal e Cimento, SA	2,705,434
Dividends distributed by Semapa to Seminv, SGPS, S.A.	300,077
Closing Balance	<u><u>349,265,474</u></u>

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(Amounts stated in €)

16. SUBSIDIARIES AND AFFILIATED COMPANIES

As of December 31, 2005, investments in subsidiaries and affiliated companies were as follows:

Subsidiaries	Head Office	December 31, 2005			%	Participation	
		Share Capital	Equity	Net results		Net Book Value (Note 10)	Proportional share in net results (Notes 10 and 45)
Betopal, S.L.	(a) Madrid	3,005	(6,901)	(27,638)	100.00%	-	(27,638)
CMP Investments B.V.	(b) Amsterdam	50,000	427,888	388,126,619	100.00%	427,888	388,126,619
Secil, S.A.	Outão	264,600,000	391,537,801	79,594,935	6.42%	25,118,926	5,106,376
Seinpar Investments, B.V.	Amsterdam	18,000	986,499	278,633	100.00%	986,499	278,633
SemaptolInversiones, S.L.	(c) Madrid	3,006	65,836,194	(1,021,061)	100.00%	65,836,194	(1,021,061)
SemaptolInvestments, B.V.	(d) Amsterdam	18,000	(39,483)	1,844,662	100.00%	-	1,844,662
Seminv, SGPS, SA	Amsterdam	7,500,000	256,895,967	34,294,993	100.00%	256,895,967	34,294,993
						<u>349,265,474</u>	<u>428,602,584</u>

- (a) During the year ended on December 31, 2005 Betopal, SL presents negative shareholders equity of €6,901, thus explaining the null value of the respective financial investment in the balance sheet of the company. Semapa accounted for the negative net income of this subsidiary, in the amount of €27,638, in the following captions of the income statement: (i) in "Losses in group companies and affiliates" up to the book value of the participation, in the amount of €20,737 (Note 45) and (ii) in "Amortizations and adjustments of applications and financial investments", for the negative shareholders equity in the amount of €6,901 (Notes 21 and 45).
- (b) During the year ended on December 31, 2005, the subsidiary CMP Investments B.V. disposed of the total stake held in Enersis II, SGPS, S.A. share capital, holding for the renewable energies. Therefore, its results reflect a capital gain in the amount of €384,607,117.
- (c) As at December 31, 2004, and after consolidation adjustments, Semapa Inversiones, SL shareholder's equity was negative. Therefore, during the year ended December 31, 2005, Semapa SGPS, SA made supplementary capital contributions amounting to €66,665,000 (Note 10) to the subsidiary, and reversed the negative equity provision, appropriated by the equity method, in the caption "Other Provisions", amounting to €625,260 (Note 34).
- (d) After consolidation adjustments, shareholder's equity of Semapa Investments subsidiary becomes negative. Consequently, the related investments is registered at zero cost in the Semapa SGPS, SA balance sheet, and the negative shareholder's equity, appropriated through the equity method, is provided for in the caption "Other Provisions" in liabilities, by an amount of €39,483 (Note 34).

Semapa Investments, BV and Semapa Inversiones, SL indirectly control 15.3% and 14.7% of Portucel, S.A., through Seinpart, SGPS, SA, that holds 30% of the share capital of Portucel SA, with Semapa Investments B.V. having a direct participation of 37.1% in Portucel's share capital.

The subsidiary Seminv, SGPS, SA holds 100% of Cimentospar, SGPS, Lda., which holds a participation of 41.06% in the share capital of Secil – Companhia Geral de Cal e Cimento, SA. Therefore, Semapa controls, directly and indirectly, 46.97% of Secil, SA share capital, corresponding to 51% of the voting rights.

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(Amounts stated in €)

21. MOVEMENT IN ASSETS ADJUSTMENTS

During the year ended December 31, 2005, the movement in caption adjustments was as follows:

Caption	Opening balance	Increase	Decrease	Closing balance
Accounts receivable:				
Other debtors	402,000	7,451,000	-	7,853,000
Trade securities:				
Other trade securities	6,405	-	(6,405)	-
	<u>408,405</u>	<u>7,451,000</u>	<u>(6,405)</u>	<u>7,853,000</u>

23. DOUBTFUL RECEIVABLES

As of December 31, 2005, the doubtful receivables amounted to €7,853,000 and were recorded in the caption "Other Debtors", being null the receivable balance net of adjustments (Note 21).

25. RECEIVABLE AND PAYABLE BALANCES WITH PERSONNEL

As of December 31, 2005, the Company liabilities related to personnel were €24,741 (Note 49). As of December 31, 2004 the Company receivable balances from personnel amounted to €245 (Note 49).

31. FINANCIAL COMMITMENTS

Retirement benefits complement

Defined benefit plan assumed by the Company

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

In accordance with the actuarial valuation, reported to December 31, 2005, the responsibilities for past services amount to €84,295,795, being fully provided for in liabilities' caption "Provisions for pensions" (Note 34), in accordance with IAS 19.

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

	31-12-2005
Mortality table	TV 88/90
Disability Table	EKV 80
Growth rate of pensions	2,25%
Technical interest rate	4,50%
Directors interest rate	4,50%
Growth rate of salaries	2,50%
Pensions reversability rate	50%
Number of annual payments of Semapa complement	12
Social Security benefits formula	Decree-Law nº 35/2002 February 19

(Translation of a report originally issued in Portuguese – Note 57)

(Amounts stated in €)

32. GUARANTEES GRANTED

During the year ended December 31, 2004, the subsidiaries Semapa Inversiones S.L. and Semapa Investments B.V. have contracted, together with Semapa next to a banking syndicate a borrowing (December 31, 2005: outstanding balance amounts to €326,090,563), for the acquisition, through Seinpart – Participações, SGPS, S.A., subsidiary jointly owned, of a 67,1% participation in the share capital of Portucel – Empresa Produtora de Pasta e Papel, S.A..

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

34. MOVEMENTS IN PROVISIONS

During the year ended on December 31, 2005, movements in provisions was as follows:

Captions	Opening balance	Increases	Decreases	Closing balance
Provisions for risks and costs:				
Pensions (Note 31)	-	84,295,795	-	84,295,795
Appropriation of results of subsidiaries and affiliated companies by the equity method (Note 16)	3,803,582	6,901	(3,764,100)	46,383
Other provisions	784,262	10,429,165	-	11,213,427
	<u>4,587,844</u>	<u>94,731,861</u>	<u>(3,764,100)</u>	<u>95,555,605</u>

As of December 31, 2004 Semapa Inversiones, S.L. shareholders equity was negative by some €625,260 (Note 16). Therefore, a provision in the same amount was registered against the caption “Depreciation and provisions for investments”. During the year ended December 31, 2005 this provision was reversed as Semapa appropriated, through the equity method, an amount of €65,836,194 from positive shareholders equity of the participated Company (Notes 10 and 16).

Shareholders equity of the subsidiary Semapa Investments B.V. was negative as of December 31, 2004 by €3,178,322. Therefore, a provision of the same amount was constituted. During the year ended December 31, 2005, Semapa reduced this provision by €3,138,839, as Semapa absorbed through the equity method, the positive fluctuation of this participated Company shareholders equity in the same amount (Notes 10 and 16).

Additionally, as of December 31, 2005, the value of shareholders equity of the subsidiary Betopal, SL presented a negative amount of €6,901 (Notes 16 and 45), having been constituted a provision in the same amount.

The increase occurred under the caption “Other provisions” includes an amount of €10,360,652 related to the estimate of variable remuneration of board members in accordance with the statutes of the company (Note 2).

36. SHARE CAPITAL

As of December 31, 2005 the Company's share capital, totally subscribed and paid in, consisted of 118,332,445 shares with the nominal value of €1 each (Note 40).

(Translation of a report originally issued in Portuguese – Note 57)

(Amounts stated in €)

37. ENTITIES HOLDING THE SHARE CAPITAL

In accordance with the most recent shareholder's meeting, held on March 30, 2005, and the qualified participations mentioned, the Company's share capital as of December 31, 2005 is held by:

Name	Number of shares	%
Sodim, SGPS, S.A.	26,115,000	22.07
Credit Suisse	23,820,387	20.13
Longapar, SGPS, S.A.	20,000,000	16.90
Cimo - Gestão de Participações, SGPS, S.A.	14,592,300	12.33
Banco BPI, SA	7,926,800	6.70
Banco Espírito Santo, SA	7,012,006	5.93
Seminv - Investimentos, SGPS, S.A	2,727,975	2.31
Companhia de Seguros Tranquilidade Vida, SA	2,529,248	2.14
AF Investimentos - Fundo Imobiliários, SA	2,468,900	2.09
Sonaca - Sociedade Nacional de Canalizações, SA	1,250,000	1.06
Other shareholders with a participation lower than 2%	9,889,829	8.36
	<u>118,332,445</u>	<u>100.00</u>

After December 31, 2005 and in the course of the qualified participations already communicated to the company, share capital as of December 31, 2005 is held by:

Name	Number of shares	%
Sodim, SGPS, SA	26,115,000	22.07
Credit Suisse	23,095,800	19.52
Longapar, SGPS, SA	20,000,000	16.90
Cimo - Gestão de Participações, SGPS, SA	14,592,300	12.33
Banco BPI, SA	11,855,974	10.02
Banco Espírito Santo, SA	7,012,006	5.93
Seminv - Investimentos, SGPS, SA	2,727,975	2.31
Companhia de Seguros Tranquilidade Vida, SA	2,529,248	2.14
AF Investimentos - Fundo Imobiliários, SA	2,468,900	2.09
Sonaca - Sociedade Nacional de Canalizações, SA	1,250,000	1.06
Other shareholders with a participation lower than 2%	6,685,242	5.65
	<u>118,332,445</u>	<u>100.00</u>

(Translation of a report originally issued in Portuguese – Note 57)

(Amounts stated in €)

40. CHANGES IN SHAREHOLDER'S EQUITY

During the year ended December 31, 2005, the movement in the equity accounts was as follows:

Captions	Opening balance	Increases	Decreases	Transfers	Closing Balance
Capital	118.332.445	-	-	-	118.332.445
Share premiums	3.923.459	-	-	-	3.923.459
Adjustments in investments in subsidiaries and associated companies (Note 10)	(32.230.787)	14.324.888	(3.174.587)	-	(21.080.486)
Reserves:					
Legal reserves	13.117.391	-	-	9.103.686	22.221.077
Other reserves	101.765.900	-	-	147.853.467	249.619.367
Retained earnings	(2.557.432)	-	-	3.000.000	442.568
Net income for the year	182.073.722	329.817.303	(22.116.569)	(159.957.153)	329.817.303
	<u>384.424.698</u>	<u>344.142.191</u>	<u>(25.291.156)</u>	<u>-</u>	<u>703.275.733</u>

As decided by the shareholders' General Meeting held on March 30, 2005, the 2004 net income was appropriated as follows:

Distribution of dividends (0,11 euros per share)	13,016,569
Legal reserves	9,103,686
Other reserves	147,853,467
Gratification of balance under statutory terms	9,100,000
Retained earnings	3,000,000
	<u>182,073,722</u>

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

During the year ended December 31, 2005, movement in this caption was as follows:

(Translation of a report originally issued in Portuguese – Note 57)

(Amounts stated in €)

	Adjustments in investments in subsidiaries and affiliated companies
Opening Balance	(32,230,787)
Adjustments in subsidiaries and affiliates companies as a result of the reversal of goodwill's prior year amortization, in subsidiaries:	
- Cimentospar - Participações Sociais, SGPS, Lda	520,529
- Seinpart, SGPS, SA	1,766,026
- Seminiv - Investimentos, SGPS, SA	4,278,786
- Semapa Investments, BV	3,515,768
Adjustments in subsidiaries and affiliates companies as a result of movements in retained earnings of subsidiaries:	
- Semapa Investments, BV	3
- Seminiv - Investimentos, SGPS, SA	(167)
- Seinpart, SGPS, SA	670
- Semapa Inversiones, SL	3,644
Other changes in subgroups equity:	
- Enersis II - Gestão de Participações, SGPS, SA	1,233,951
- Portucel - Empresa Produtora de Pasta e Papel, SA	(3,174,420)
- Secil - Companhia Geral de Cal e Cimento, SA	2,705,434
Dividends distributed by Semapa to subsidiary Seminiv, SGPS, SA	300,077
Closing balance	<u>(21,080,486)</u>

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

43. STATUTORY BOARD MEMBERS REMUNERATION

Remuneration attributed to statutory board members, including participation on the results of 2004 (Note 40) and 2003, during the year ended December 31, 2005 and 2004, was as follows:

	31-12-2005	31-12-2004
Board of Directors - Remuneration	5,093,954	1,828,222
Board of Directors - Participation in results (Note 40)	9,100,000	2,000,000
Statutory Auditor	4,788	4,090
	<u>14,198,742</u>	<u>3,832,312</u>

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

The estimate for variable remunerations of board members related to 2005, was provisioned under the caption "Provisions – other provisions" (Note 34).

44. SALES AND SERVICES RENDERED BY GEOGRAPHIC MARKET

Sales and services rendered by geographic market during the year ended December 31, 2005 and 2004 were as follows:

	31-12-2005	31-12-2004
Domestic Market (Note 53)	6,372,800	450,938
Foreign Market (Note 53)	201,000	590,250
	<u>6,573,800</u>	<u>1,041,188</u>

45. FINANCIAL RESULTS

Net financial results during the year ended December 31, 2005 and 2004 were made up as follows:

	31-12-2005	31-12-2004
<u>Expenses:</u>		
Interest expense with loans		
obtained from shareholders (Note 52)	287,226	250,259
Interest expense with loans		
obtained from group companies (Note 53)	468,238	389,182
Interest expense with other loans obtained	900,453	840,585
Losses on subsidiaries and affiliated companies (Note 16)	1,041,798	8,414,289
Adjustments on investments (Notes 16 and 34)	6,901	3,809,987
Other financial expenses (Note 49)	31,013	63,345
	<u>2,735,629</u>	<u>13,767,647</u>
Net financial results	<u>432,517,354</u>	<u>43,574,865</u>
	<u>435,252,983</u>	<u>57,342,512</u>
<u>Income:</u>		
Interest income on loans		
granted to group companies (Note 53)	5,458,779	6,395,026
Other interest income	125,812	49,480
Gains on subsidiaries and affiliated companies (Note 16)	429,651,283	50,887,963
Capital gains on treasury applications	-	10,012
Income from other equity investments	10,704	31
Reversals and other income and financial gains (Note 21)	6,405	
	<u>435,252,983</u>	<u>57,342,512</u>

46. EXTRAORDINARY RESULTS

Extraordinary results during the year ended December 31, 2005 and 2004 were made up as follows:

(Translation of a report originally issued in Portuguese – Note 57)

(Amounts stated in €)

	31-12-2005	31-12-2004
<u>Extraordinary expenses:</u>		
Donations	5,000	150
Uncollectable debt	-	127
Losses in investments	61	-
Other extraordinary costs and losses (Note 31)	-	39,455
	5,061	39,732
Extraordinary income	(3,762)	144,418,855
	6,360	144,498,319
<u>Income and gains:</u>		
Gains in investments	1,000	144,423,548
Other extraordinary income and gains	299	35,039
	1,299	144,458,587

As of December 31, 2004 the caption “gains in investments” includes an amount of €144,303,341 related to the realised capital gain on the sale of 45.125% of Secil’s – Companhia Geral de Cal e Cimento, S.A. share capital (49% of the voting rights).

48. STATE AND OTHER PUBLIC ENTITIES

As of December 31, 2005 the Company was up-to-date with its payments to the State and other public entities. The balances payable to these entities as of December 31, 2005 and 2004, were made up as follows:

	31-12-2005		31-12-2004	
	Debtors	Creditors	Debtors	Creditors
Corporate income tax	651.019	-	875.523	-
Personal income tax	-	2.170.913	-	76.391
Value added tax	-	203.244	-	44.532
Social security	-	40.527	-	40.804
	651.019	2.414.684	875.523	161.727

As of December 31, 2005 the caption “Corporate income tax” was made up as follows:

Corporate income tax for the year (Note 6)	(72.300)
Special payments on account	16.385
Withholdings at source	706.934
	651.019

(Translation of a report originally issued in Portuguese – Note 57)

(Amounts stated in €)

49. OTHER DEBTORS AND CREDITORS

As of December 31, 2005 and 2004, these captions were made up as follows:

	<u>31-12-2005</u>	<u>31-12-2004</u>
<u>Other debtors:</u>		
Suppliers, c/c	155	-
Personnel	-	245
<u>Other debtors:</u>		
Group companies (Note 53)	8.452.573	54.789
Others	<u>1.040.397</u>	<u>4.225.873</u>
	9.493.125	4.280.907
Adjustments (note 21)	(7.853.000)	(402.000)
	<u>1.640.125</u>	<u>3.878.907</u>
<u>Other creditors:</u>		
Fixed assets suppliers	41.924	-
Personnel	24.741	-
Consultants	<u>48.681</u>	<u>234.253</u>
	<u>115.346</u>	<u>234.253</u>

50. ACCRUALS AND DEFERRALS

As of December 31, 2005 and 2004, these captions were made up as follows:

	<u>31-12-2005</u>	<u>31-12-2004</u>
<u>Accrued income</u>		
Interest from bank deposits	<u>21.817</u>	<u>-</u>
<u>Deferred costs:</u>		
Rentals	40.340	17.153
Insurance costs	3.678	-
Expenses incurred to open credit lines	147.763	-
Other deferred costs	<u>1.068</u>	<u>4.587</u>
	<u>192.849</u>	<u>21.740</u>
<u>Accrued costs:</u>		
Other accrued interest	164.105	194.868
Vacation pay, vacation subsidy and other personnel costs	579.161	524.981
Accrued insurance	-	14.008
Other accrued costs	<u>35.409</u>	<u>40.687</u>
	<u>778.675</u>	<u>774.544</u>

(Translation of a report originally issued in Portuguese – Note 57)

(Amounts stated in €)

51. LOANS

As of December 31, 2005 and 2004, these captions were made up as follows:

	31-12-2005		31-12-2004
	Short term	Medium and long term	Total
Semapa/98 bond loan	5,611,476	7,856,067	13,467,543
Bank loans	-	25,000,000	25,000,000
	<u>5,611,476</u>	<u>32,856,067</u>	<u>40,958,891</u>

On March 9, 1998 the Company issued 4,800,000 bonds with the nominal value of mEsc 1 each, redeemable in ten years. During the year ended December 31, 2001, the bonds were redenominated to euros, totalling €23,942,299, corresponding to 2,394,229,906 bonds, with a nominal value of €0.01 each. After the anticipated reimbursement and the previewed settlement of 20% initial capital in the 12^o and 14^o coupons as of March 9, 2004 and 2005, bond loan amounts to €13,467,543 corresponding to 2,244,590,447 bonds, with a nominal value of €0.006 each.

The coupon interests are paid each semester and the reimbursement will occur 25% in the 16th (09/03/2006) and 18th (09/03/2007) and 10% in the 20th and last coupon (09/03/2008), 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 listed in Euronext Lisbon.

As of December 31, 2005 the medium and long-term bond loan is redeemable as follows:

2007	5,611,476
2008	2,244,591
2009	-
2010	<u>25,000,000</u>
	<u>32,856,067</u>

As of December 31, 2005 and 2004, there were available bank credits granted and undrawn facilities of €12,244,591 and €2,094,591, respectively.

52. SHAREHOLDERS

As of December 31, 2005 and 2004, the amount payable to shareholders related to treasury operations were as follows:

	31-12-2005	31-12-2004
Cimo - Gestão de Participações, SGPS, SA	3,835,959	3,888,777
Longapar, SGPS, SA	2,176,148	2,026,737
Sonaca - Sociedade Nacional de Canalizações, SA	953,018	967,944
	<u>6,965,125</u>	<u>6,883,458</u>

These balances bear interest at current market rates.

(Translation of a report originally issued in Portuguese – Note 57)

(Amounts stated in €)

As of December 31, 2005 and December 31, 2004, transactions with shareholders, were as follows:

	31-12-2005		31-12-2004	
	External supplies and services	Financial expenses (Note 45)	External supplies and services	Financial expenses (Note 45)
Cimianto - Gestão de Participações, SGPS, SA	107,740	-	185,000	-
Cimo - Gestão de Participações, SGPS, SA	-	153,682	-	153,166
Longapar, SGPS, SA	-	97,411	-	62,093
Sonaca - Sociedade Nacional de Canalizações, SA	-	36,133	-	35,000
	<u>107,740</u>	<u>287,226</u>	<u>185,000</u>	<u>250,259</u>

53. GROUP COMPANIES

As of December 31, 2005, balances with Group companies were as follows:

	Assets			Liabilities	
	Group companies -short term	Group companies - medium and long term	Other debtors (Note 49)	Group companies -short term	Suppliers
Betopal, SL	10,365	-	-	-	-
Cimenpar Investments, BV	34,540	-	-	-	-
Cimentospar - Participações, SGPS, Lda	-	-	222,481	9,030,117	-
CMP Investments, BV (Note 21)	-	-	7,250,010	428,535	-
Portucel - Empresa Produtora de Pasta e Papel, SA	-	-	372,680	-	-
Secil - Companhia Geral de Cal e Cimento, SA	-	-	3,256	-	1,571
Seinpar Investments, BV	-	-	-	-	-
Seinpart - Participações, SGPS, SA	-	102,040,284	167	-	-
Semapa Inversiones, SL	707,893	-	151	-	-
Semapa Investments, BV	-	320,621,366	40	-	-
Seminv - Investimentos, SGPS, SA	16,169	-	788	-	-
Silonor, SA (Note 21)	-	-	603,000	-	-
	<u>768,967</u>	<u>422,661,650</u>	<u>8,452,573</u>	<u>9,458,652</u>	<u>1,571</u>

The amount of €768,967, to be received from Group companies refers to short-term loan facilities bearing interest quarterly at current market rates.

The amount of €422,661,650 to be received from Group companies refers to medium and long-term loan facilities bearing interest quarterly at current market rates.

During the year ended December 31, 2005, transactions with Group companies were as follows:

	Sales and services rendered	External Suppliers and services	Financial income (Note 45)	Financial expenses (Note 45)
Betopal, SL	-	-	235	-
Cimenpar Investments, BV	-	-	494	-
Cimentospar - Participações, SGPS, Lda	1.979.040	-	-	287.009
CMP Investments, BV	-	-	-	3.291
Enersis II, SGPS, SA	-	-	740.905	-
Portucel - Empresa Produtora de Pasta e Papel, SA	4.393.760	-	-	-
Secil - Companhia Geral de Cal e Cimento, SA	-	1.873	-	-
Seinpar Investments, BV	-	-	58.503	174.396
Seinpart - Participações, SGPS, SA	-	-	3.582.493	-
Semapa Inversiones, SL	-	-	56.878	-
Semapa Investments, BV	-	-	1.000.700	3.542
Seminv - Investimentos, SGPS, SA	-	-	18.571	-
Silonor, SA	201.000	-	-	-
	<u>6.573.800</u>	<u>1.873</u>	<u>5.458.779</u>	<u>468.238</u>

(Translation of a report originally issued in Portuguese – Note 57)

(Amounts stated in €)

The amount of €6,573,800 in “Sales and services rendered” caption, refers to management services provided by the Company in financial, administrative, fiscal and IT areas, among others.

54. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2005 and 2004, were made up as follows:

	31-12-2005	31-12-2004
Marketable securities	391,932	385,527
Short-term bank deposits	3,310,000	420,660
Bank deposits	77,492,700	5,789
Cash in hand	1,715	1,215
Bank overdrafts	-	(152,167)
	<u>81,196,347</u>	<u>661,024</u>

55. AUDIT FEES AND OTHER SERVICES

During the year ended December 31, 2005 and 2004, the costs incurred with Auditors, Statutory auditors and other consultants were as follows:

	31-12-2005	31-12-2004
Audit fees	44,441	56,378
Tax advisory services	-	86,423
Other consultancy services	11,000	70,145
	<u>55,441</u>	<u>212,946</u>

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

The income statement by function presents a concept of extraordinary results that differ from the one foreseen by the accounting principles generally accepted in Portugal for the preparation of the income statement by nature. Thus, the amounts of extraordinary income presented in the income statement by nature (Note 46) for the year ended December 31, 2005 and 2004 of €3,762 and €144,418,855, respectively, have been reclassified to current income, as follows:

	Income Statement					
	2005			2004		
	By Nature	Reclassifications	By Functions	By Nature	Reclassifications	By Functions
Operating income	(102,623,989)	(3,762)	(102,627,751)	(5,908,815)	-	(5,908,815)
Current income	329,893,365	(3,762)	329,889,603	37,666,050	144,418,855	182,084,905
Extraordinary income	(3,762)	3,762	-	144,418,855	(144,418,855)	-
Net income for the year	329,817,303	-	329,817,303	182,073,722	-	182,073,722

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

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2005 AND 2004

(Translation of a report originally issued in Portuguese – Note 57)

(Amounts stated in €)

57. NOTE ADDED FOR TRANSLATION

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

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

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2005 AND 2004

(Translation of a report originally issued in Portuguese – Note 57)

(Amounts stated in €)

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 e Meneses
Member

Francisco José de Melo e Castro Guedes
Member

Paulo Jorge Morais Costa
The Accountant

Luís Manuel Pego Todo Bom
Member

Report of the Auditors for Statutory and Stock Exchange Regulatory Purposes in respect of the Individual Financial Information

(Free translation from the original version in Portuguese)

Introduction

1 As required by law, we present the Report of the Auditors for Statutory and Stock Exchange Regulatory Purposes in respect of the Individual Financial Information included in the Management Report and the financial statements of SEMAPA – Sociedade de Investimento e Gestão, SGPS, SA, comprising the balance sheet as at December 31, 2005, (which shows total assets of €857,210,648 and a total of shareholder's equity of €703,275,733, including a net profit of €329,817,303), the income statements by nature and by functions, the cash flow statement for the year then ended and the corresponding notes to the accounts.

Responsibilities

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

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

Scope

4 We conducted our audit in accordance with the Standards and Technical Recommendations approved by the Institute of Statutory Auditors which require that we plan and perform the examination to obtain reasonable assurance about whether the financial statements are free of material misstatement. Accordingly, our examination included: (i)

SEMAPA – Sociedade de Investimento e Gestão, SGPS, SA

verification, on a test basis, of the evidence supporting the amounts and disclosures in the financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of Management used in the preparation of the financial statements; (ii) assessing the appropriateness and consistency of the accounting principles used and their disclosure, as applicable; (iii) assessing the applicability of the going concern basis of accounting; (iv) assessing the overall presentation of the financial statements; and (v) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the financial information.

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

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

Opinion

7 In our opinion, the financial statements referred to above, present fairly in all material respects, the financial position of SEMAPA – Sociedade de Investimento e Gestão, SGPS, SA as at December 31, 2005, the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles in Portugal, derogated by the application of International Financial Reporting Standards (IFRS) as mentioned in note 1 and duly comply with principles of completeness, truthfulness, accuracy, clarity, objectivity and lawfulness.

Lisbon, March 10, 2006

PricewaterhouseCoopers & Associados, SROC, Lda
represented by:

Abdul Nasser Abdul Sattar, R.O.C.

Report and Opinion of the Supervisory Board

(Free Translation from the original version 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 Management Report and the corresponding Financial Statements presented by the Board of Directors of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A. with respect to the year ended December 31, 2005.

2 During the course of the year, we have accompanied the evolution of the company's activities, 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 PricewaterhouseCoopers & Associados, SROC, Lda, have reviewed their Report of the Auditors for Statutory and Stock Exchange Regulatory Purposes in respect to Individual Financial Information 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 Balance Sheet, the Income Statements by nature and by functions, the cash flow statement and the notes to the accounts present adequately the financial position and the results and cash flows of the company;
- ii) the accounting policies and valuation methods applied are appropriate;
- iii) the Management Report is sufficiently clear as to the evolution of the business and the position of the company and highlights the more significant aspects;
- iv) the proposed appropriation of profits is adequately supported.

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 Report of the Auditors for Statutory and Stock Exchange Regulatory Purposes in respect to Individual Financial Information, we are of the opinion that:

- i) the Management Report be approved;
- ii) the Financial Statements be approved;
- iii) the proposed appropriation of profits be approved.

Lisbon, March 10, 2006

The Supervisor Board

The President

PricewaterhouseCoopers & Associados, SROC, Lda
represented by:

Abdul Nasser Abdul Sattar, R.O.C.

Member

Dr. Rafael Caldeira Castel-Branco Valverde

Member

Dr. Duarte Nuno D'Orey da Cunha

Semapa
General Meeting
Minutes no. 23

On 3 April 2006, at 11 o'clock, a General Meeting of Semapa – Sociedade de Investimento e Gestão, SGPS, SA, public limited company, was held in Lisbon, at the Hotel Ritz, [...]

[...]

As the meeting had been duly convened and was able to transact valid business, the Chairman opened the proceedings, thanking all the shareholders for attending and reading out the order of business.

[...]

As no one else wished to take the floor, the Chairman called a vote on the Management Report, Balance Sheet and Accounts for the period, together with the Report and Opinion of the Audit Board, and a separate vote on the consolidated financial statements for the same period, and in both cases the documents were approved with abstention by shareholders representing 57 votes and the votes in favour of all the other shareholders present. [...]

The meeting then moved on to the third item on the order of business, and the Chairman began by reading the only motion, which had been tabled by the Board of Directors, as transcribed below:

*“- Considering that the Company needs to maintain a financial structure compatible with sustained growth of its Group, in the various business areas in which it operates;
- Considering that in order for the Company to remain independent from the financial system, it needs to preserve levels of consolidated short, medium and long term indebtedness which allow it to maintain sound solvency indicators; and
- Considering that the disposal by the company of its holding in Enersis II generated non-recurrent extraordinary results which fully justify the payment of a dividend significantly higher than that which would be proposed had such gain not occurred,*

We propose that the balance of 329 817 303 euros in the account for Net Profits be distributed as follows:

<i>Dividends for shares in circulation (0.42 euros/ share)</i>	<i>49 699 627 euros</i>
<i>Legal reserve</i>	<i>1 445 412 euros</i>
<i>Free reserves</i>	<i>278 672 264 euros”</i>

As no one else wished to take the floor, the Chairman considered the discussion closed and called a vote on the motion, which was carried unanimously.

[...]



Semapa - Sociedade de Investimento e Gestão, SGPS, S.A. Sociedade Aberta

Registered Offices: Av. Fontes Pereira de Melo, 14 – 10º -1050-121 Lisboa
Share Capital: 118.332.445 Euros – Reg. at the Lisbon Companies Registry under no. 2630
Corporate person no. 502593130

DISCLOSURE

We are pleased to announce that the Annual General Meeting of Shareholders of this company, held on 3 April 2006, approved the individual and consolidated report and financial statements for the financial year of 2005, resolved to distribute a dividend of 42 cents per share, elected the Company Officers for the period 2006-2009 and approved the amendment of paragraphs 5 and 8 of Article 9 of the Articles of Association, in order to permit proof of ownership of shares and proxy letters to be submitted up to five days prior to the date of general meetings.

Lisbon, 03 April 2006

The Directors