



DIRECTORS' REPORT

CONSOLIDATED ACCOUNTS

FINANCIAL YEAR OF 2005

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

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1. Overview of Group 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, the performance of the Semapa Group 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 changes to the Group's holdings in 2005 have led to corresponding changes in the set of companies included within the consolidated accounts, with the resulting impact on SEMAPA's consolidated balance sheet indicators. The most significant alteration, in view of the scale of the operation, was the disposal of the holding in Enersis II.

Accordingly, the Consolidated Balance Sheet at year-end 2005 includes the accounts of the Secil and Portucel / Soporcel Groups, included by the full consolidation method, and excludes those of the Enersis II Group which had been included in the accounts at December 2004, also by the full consolidation method.

In terms of the Income Statement, SEMAPA's consolidated accounts reflect:

For the financial year of 2005:

- Full consolidation of 12 months' operations of the Secil sub-Group and the Portucel sub-Group;
- Full consolidation of 11 months' operations of the Enersis sub-Group, as the holding in this Group was disposed of in December;
- Appropriation by Semapa of 51% of the Net Profits for the period of the Secil sub-Group, 67.1% of the Net Profits for the period of the Portucel sub-Group and 89.92% of the Net Profits of the Enersis sub-Group, for the period from 1 January to 30 November 2005.

For the financial year of 2004:

- Full consolidation of 12 months' operation of the Secil and Enersis sub-Groups;
- Full consolidation of 3 months' operations of the Portucel sub-Group, corresponding to the period between 1 October and 31 December 2004, insofar as Semapa only took control of the Group on 1 October;
- Appropriation by Semapa of 51% of the net profits for the period of the Secil sub-Group, 89.92% of the Net Profits for the period of the Enersis sub-Group and 67.1% of the Net Profits of Portucel for the period from 1 October to 31 December 2004.

The following changes were made to the the companies included in Secil's consolidated accounts in 2005:

Companies included for the first time:

- Jobritas – Indústria Extractiva, S.A., with registered offices in Lisbon, acquired on 7 February 2005, in which the Secil Group has a 93.66% holding;
- IRP – Indústria de Rebocos de Portugal, S.A., with registered offices in Rio Maior, acquired on 20 April 2005, in which the Secil Group has a 70% holding;
- Lusocil – Sociedade Portuguesa de Cimento Cola, S.A., with registered offices in Lisbon, acquired on 20 April 2005, in which the Secil Group has a 70% holding.

In addition, the following joint ventures were included using the proportional consolidation method:

- Secil Prébetão, S.A., with registered offices in Montijo, acquired on 7 March 1994, in which the Secil Group has a 42.5% holding, giving the Semapa Group a 21.7% holding;

- Secil Unicon, S.G.P.S., S.A., with registered offices in Lisbon, incorporated on 29 July 1991, in which the Secil Group has a 50% holding, giving the Semapa Group a 25.5% holding.

No changes were made to the companies included in the consolidated accounts of the Portucel Group in 2005.

The comparability between periods of figures shown in the Consolidated Income Statement and the Consolidated Balance Sheet is therefore partly affected by the changes made to the companies included in the consolidated accounts, and this factor has also affected the comparability of the leading economic and financial indicators, and the respective values.

With these reservations, the following table shows the main economic and financial indicators for the SEMAPA Group over the last two financial years; these indicators should therefore be read and interpreted with prudence, in view of the circumstances described.

Consolidated Financial Indicators
SEMAPA - Sociedade de Investimento e Gestão, S.G.P.S, S.A
31 December de 2005 and 2004

<i>Figures in '000 €</i>	IFRS December 2005	IFRS December 2004	% Var. 05/04	POC December 2004
Turnover	1.529.715	736.777	108%	699.961
Other income	445.830	210.314	112%	6.902
Costs and losses	(1.248.666)	(593.582)	110%	(536.744)
EBITDA	726.879	353.509	106%	170.120
Recurrent EBITDA	427.083	197.463	116%	170.120
Depreciation and impairment losses	(169.081)	(77.710)	118%	(98.032)
EBIT	557.798	275.800	102%	60.071
Financial Results	(99.014)	(27.838)	256%	(27.731)
Current Results	458.784	247.962	85%	32.340
Extraordinary Results	-	-		195.897
Pre-tax Profits	458.784	247.962	85%	228.237
Tax on profits	(60.066)	(39.337)	53%	(31.477)
Profits retained from the period	398.718	208.625	91%	196.759
Attributable to Semapa equity holders	334.184	189.419	76%	182.074
Attributable to Minority Interests (IM)	64.533	19.206	236%	14.686
Cash-Flow	567.798	286.335	98%	294.791
Recurrent EBITDA margin (% turnover)	27,9%	26,8%	4%	24,3%
Total net assets	3.473.646	3.837.115	(9%)	3.349.039
Shareholders' funds (before IM)	703.276	386.143	82%	384.425
Net debt	1.222.385	2.105.469	(42%)	1.790.653

Comparing the financial years of 2004 and 2005, the variations in the main accounts are essentially explained by

- **Variation in Sales and Other Income** – changes to the set of companies included in the consolidated accounts, with full consolidation in 2005 of 12 months' operations of the Secil sub-group and the Portucel sub-Group and 11 months' operations of the Enersis sub-Group, whilst in 2004 the Portucel sub-Group was only fully consolidated in respect of the three months, relating to the period from 1 October to 31 December 2004.

The sale, in December, of the Semapa Group's holding in the Enersis sub-Group, representing 89.92% of the respective share capital.

- **EBITDA** – total EBITDA for 2005 includes non-recurrent items, including: i) the capital gain of 384.6 million euros from the disposal of the holding in the Enersis sub-Group; and ii) increased personnel costs, up by approximately 84 million euros, due to acceptance in full of liabilities relating to pensions at Semapa, deriving from the Directors' Retirement Benefits Regulations, approved by the General Annual Meeting in March 2005.
- **Recurrent EBITDA margin** – 4% up on the previous year.
- **Depreciation and provisions** – the evolution was due to the changes made to the companies included in the consolidated accounts, as described above.
- **Financial Results** – in addition to the effect of the changes to the companies included in the consolidated accounts, the variation in this account is essentially due to:
 - (1) an increase in Semapa's banking charges due to the finance taken out in mid-2004 for the acquisition of the 67.1% holding in Portucel, considered over 12 months in the financial year of 2005;
 - (2) write-off of banking charges on the contracting of a bank loan of 700 million euros taken out in 2004, as this loan has been reduced by 350 million euros and the refinancing of the amount outstanding is currently being studied;
 - (3) a reduction in Secil' net debt, with a consequent reduction in banking charges;
 - (4) worsening of financial results at Portucel / Soporcel, due essentially to losses on exchange rate hedges and pulp price hedges taken out in 2005 with a value of 16.3 million euros, despite a reduction in total net debt. In addition, the Portucel sub-Group's Financial Results in 2004 had been positively influenced by non-recurrent financial income of approximately 5.7 million euros.
- **Current Results** – the variations resulted from the situations described above.
- **Taxes** – The variation is not proportional to the variation in pre-tax profits, due to the fact that the capital gains realized on the disposal of the holding in Enersis II benefit from more favourable fiscal treatment.
- **Minority Interests** – the variation from 2004 to 2005 is explained by the variations in the set of companies included in Semapa's consolidated accounts, in particular due to the fact that, in 2004, the holding in Secil was changed to 51% and a 67.1% holding was taken up in Portucel, which implies that a proportional part of the earnings on shares not held by the Group are recorded in this item, thereby generating minority interests.

As a result of the above, the Net Profit for the period attributable to Semapa equity holders, i.e. after Minority Interests, stood at 334.2 million Euros, up by 76.4% on the previous year.

- **Total Net Assets** – changes to the companies included in the consolidated accounts.
- **Shareholders' Funds** – the increase is explained essentially by the positive effect of the Net Profit for the period. There was a negative impact on the actuarial losses on liabilities relating to post-employment benefits recorded in the Secil sub-Group (4.5 million euros) and in the Portucel sub-Group (7.5 million euros), which were recorded against Shareholders' Funds.
- **Net Debt** – changes to the companies included in the consolidated accounts, reduction in Semapa's Net Debt as a result of sale of the holding in Enersis II and reduction in Net Debt in the Secil and Portucel / Soporcel sub-Groups.
- **Contributions by Business Segment**

The Net Profit for the period ended 31 December 2005 breaks down as follows into business segments:

Figures in Euros	Cement And Derivatives	Pulp and Paper	Energy	Holding	Consolidated
CREDITS					
Total credits	461.139.679	1.029.086.149	39.489.109	-	1.529.714.937
Total operating Results	118.846.600	142.646.739	16.820.483	279.484.129	557.797.951
Total financial Results	(6.243.155)	(45.928.337)	(9.895.256)	(38.587.295)	(100.654.043)
Share on net profits in associates	1.771.385	(124.182)	(7.387)	-	1.639.816
Tax on income	(31.489.992)	(25.411.068)	(3.092.218)	(72.892)	(60.066.170)
Resultats from ordinary activities	82.884.838	71.183.152	3.825.622	240.823.942	398.717.554
IMinority nterests	(424.641)	5.737	112.174	(64.226.358)	(64.533.088)
Net profit for the period*	82.460.197	71.188.889	3.937.796	176.597.584	334.184.466
OTHER INFORMATION					
Assets for the segment	864.989.321	2.298.624.952	-	310.031.416	3.473.645.689
Investment in associates	45.778.332	357.526	-	2.451	46.138.309
Liabilities for the segment	455.277.398	1.286.177.520	-	485.637.933	2.227.092.851
EBITDA	152.780.391	261.324.651	33.151.067	279.622.580	726.878.689
Net debt	196.177.075	736.138.164	-	290.069.892	1.222.385.131
Investment in fixed assets	59.215.981	41.397.055	-	-	100.613.036
Depreciation and impairment losses	33.933.791	118.677.912	16.330.583	138.452	169.080.738

* Attributable to Semapa equity holders

To Total Consolidated Sales –Secil contributed 30.1%, Portucel 67.3% and Enersis II 2.6%.

To Total Operating Profits – Secil contributed 21.3%, Portucel 25.6%, Enersis II 3.0% and Semapa (holding) 50.1%.

To Net Profits for the period after Minority Interests –Secil contributed 24,7%, Portucel 21.3%, Enersis II 1.2% and Semapa (holding) 52.8%.

Production

The following indicators illustrate the evolution in production in the two Business Areas (Cements and Paper and Paper Pulp):

Cements

In the Cement Business Area:

- Production capacity remained at 5 631 000 t of cement;
- Sales of grey cement were down by 2%, standing at 4 648 000 t;
- Clinker sales fell by 31% to 191 000 t;
- Ready-mixed concrete sales were down by 5%, at 2 445 000 m³;
- Sales of aggregates stood at 3 227 999 t, up by 9%;
- Mortar sales rose by 116% to 329 000 t;
- Sales of pre-cast concrete, hydraulic lime and mortar fixative were down by 8%, 15% and 9% respectively.

Paper and Paper Pulp

In the Paper and Paper Pulp Business Area:

- Production of white pulp up by 2% at 1 279 000 t;
- Production of printing and writing paper up by 1.6%, at 998 000 t;
- Total paper sales up by 1.3%, at 989 923 t, representing an increase of 13 thousand t over the previous period.

2. Major Developments and Events in 2005

SEMAPA:

- In January, the entire holding in ENCE – Grupo Empresarial Ence, SA, corresponding to 2 037 600 shares representing 8.00% of the share capital, was sold off for a price of approximately 46 million euros. This 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 the sum of 420.8 million euros from the sale.

SECIL:

- In February, acquisition, by SBI, of 93.66% of the share capital of Jobritas – Indústria Extractiva, S.A., with registered offices in Lisbon, for a sum of 2.9 million euros;
- In April, acquisition, by Secil Martingança, of 70% of the share capital of IRP – Indústria de Rebocos de Portugal, S.A., with registered offices in Rio Maior, for a sum of 5.3 million euros, with an option for purchase of the remaining 30%;
- Also in April, acquisition, by Secil Martingança, of 70% of the share capital of Lusocil – Sociedade Portuguesa de Cimento Cola, S.A., with registered offices in Lisbon, for a sum of 1.2 million euros, with an option for purchase of the remaining 30%;

- In July, Secil increased its holding in the Lebanese cement manufacturer Ciment de Sibline to 28.6%;
- Incorporation in November of Secil – Companhia de Cimento do Lobito, S.A., with registered offices in Lobito, with a 51% interest held by the Secil Group, paid up by the contribution of assets owned by Tecnosecil, S.A.R.L., a subsidiary of the Secil sub-Group;
- In December, acquisition of the company Intertrade, which will change its name to Secil-Cabo Verde and which markets cement in Cape Verde.

PORTUCEL SOPORCEL:

In terms of organizational structure, a new sub-holding was created, Agro-Florestal SGPS, to manage the Group's forestry interests: Aliança Florestal, Portucel Florestal, Portucel Soporcel Abastecimento and Arboser.

3. Group Business Areas

3.1. Cement, Cement Products and Aggregates

3.1.1. Overview of Operations

In 2005 the **Secil Group** recorded performance which may be regarded as positive, in view of the recession in the construction markets in **Portugal** and **Tunisia**, where most of its business is concentrated.

Consolidated sales totalled 461 million Euros, which represents an increase of approximately 2% over the financial year of 2004.

EBITDA stood at 153 M€, representing growth of 11% over the previous period. This reflects the positive effect of the inclusion of new companies in the consolidated accounts - **IRP**, **Jobrita** and **Secil Prebetão** (Portugal) -, offset by contraction in the Group's main businesses – cement operations in **Portugal** and **Tunisia**.

EBIT stood at 119 M€, up in order of 13% over the previous year.

Net profits grew by 15% to 82 M€

Total investment stood at 75.9 M€, with 59.2 M€ corresponding to operating investments, 11.1 M€ to the acquisition of subsidiaries and 5.6 M€ to holdings in associated companies.

Portugal

Demand for cement declined for the fourth year running, and is calculated at 8.9 million tons, representing a decrease in the order of 5.5%, when compared with 2004.

The domestic market was supplied by Portuguese manufacturers and by cement imports, which were down on the previous year and estimated at 1.1 million tons.

Cement sales stood at 3.7 million tons, down 2.7% in volume, and up 0.5% in value.

Power costs for industrial clients grew by an average of approximately 10% per kWh acquired, and there was a further increase in the already high price differential borne by the Portuguese cement industry in comparison with the great majority of manufacturers in other European countries, making the industry more vulnerable to imports.

The financial year of 2005 marked the first period – 2005-2007 – for the trading in CO2 emission rights in the European Union; **Secil** is pleased to record the fact that clinker output at its three plants did not exceed the annual value fixed in the licences granted to it by the Portuguese Government under PNALE – the National Plan for the granting of CO2 Emission Licences.

In connection with the ready-mixed, aggregates and mortars business units, we are pleased to report results which represent an improvement on 2004, despite the continued recession in the construction sector.

Tunisia

Consumption of cement and artificial lime totalled 5.85 million tons, down by 1% on the previous year.

A drop in the sales recorded by **Société des Ciments de Gabès**, along with operating difficulties, partly connected to the implementation of petcoke as a thermal fuel, were reflected negatively in the company's performance.

Once again, the cement market in **Tunisia** was not deregulated, in contravention of the undertaking made by the country's government and as provided for in the terms and conditions for the privatization of Tunisia's cement companies. Six years have now passed without the expected deregulation of the market, and prices in Tunisia are approximately half those charged on the international market.

Angola

The most important development in the course of the year was the incorporation of **Secil-Lobito** in November, in line with the memorandum of understanding reached between the Angolan Government and Secil in April 2004.

This company is 51% owned by **Secil**, through **Tecnosecil**, and also owned by the Angolan Government, through Encime; it started operating on 1 January 2006.

Under the terms of the memorandum, **Secil-Lobito** is to set up a complete cement production line, with minimum capacity of 400,000 tons per annum, within a time scale of three years.

The estimated cost of this investment is approximately 80 million USD. The financing arrangements for **Secil's** share in the investment costs is closely connected to the liquidity expected from the treasury bills issued to **Secil** by the Angolan Government, by way of compensation for the nationalization of assets owned in **Angola**. The Angolan State has been gradually issuing these treasury bills, since February 2005, in keeping with the agreed schedule, and **Secil** has so far received approximately half the amount outstanding.

Lebanon

For the second year running, the Lebanese subsidiary, **Ciment de Sibline**, recorded a significant improvement in performance. Despite the politically difficult environment in 2005, sales on the domestic market grew and performance improved substantially.

3.1.2. Leading Economic, Financial and Operational Indicators

Leading Indicators

		2004	2005	%
Cement Production Capacity		5 631	5 631	0%
Sales				
Grey cement	1 000t	4 744	4 648	-2%
White cement	1 000t	75	86	15%
Artificial lime	1 000t	81	74	-9%
Clinker	1 000t	275	191	-31%
Ready-mixed concrete	1 000m ³	2 564	2 445	-5%
Aggregates	1 000t	2 966	3 227	9%
Pre-cast concrete	1 000t	331	306	-8%
Hydraulic lime	1 000t	47	40	-15%
Mortar fixative	1 000t	11	10	-9%
Binders	1 000t	152	329	116%
Personnel (1)		1 978	2 294	16%
Sales	M€	453	461	2%
EBIDTA	M€	137	153	11%
EBIT	M€	105	119	13%
Financial results	M€	-3	-4	33%
Pre-tax profits	M€	102	114	12%
Net Profits	M€	72	82	15%
Cash flow	M€	103	117	14%
Total assets	M€	750	865	15%
Shareholders' funds	M€	333	392	17%
Net debt	M€	202	196	-3%
EBITDA Margin	M€	29%	31%	
Operating Investments	M€	53	59	11%
Net Debt / EBITDA	M€	1,5	1,3	-13%

(1) Average workforce in the service of the companies included in the consolidated accounts.

3.1.3. Portugal

Interest rates increased, although they remain low: the Euribor (6 months) rate stood at 2.64% in December 2005, as against 2.22% in December 2004.

3.1.3.1. Cement

3.1.3.1.1. Market and sales

For the fourth consecutive year, cement consumption in the domestic market declined in relation to the previous year. In 2005, the market is estimated to have totalled 8.9 million tons, representing a decrease of 5.5% on the previous year, a larger drop than that recorded in 2004

(-1.7%). This decline would have been smaller – in the order of 3% - had it not been for the substantial reduction in consumption in Madeira (-30%).

The negative trend in demand for cement reflects the recession in the construction sector, both in residential construction and in public works.

The decline in residential construction is the result of a negative evolution in disposable household income and the reduction in the housing supply to levels more compatible with demand.

The shrinkage in the public Works sectors is the consequence of contraction in the economy, due essentially to an economic policy geared to containing public spending.

It is estimated that imported cement sold in Portugal was down in the order of 18%, standing at approximately 1.1 million tons.

Cement Market (1)

		2003	2004	2005 (1)
Portugal	Mt	9,5	9,3	8,9
Portugal	%	- 14,5	- 1,8	- 5,2
European Union 25	%	+ 2,2	+ 1,2	+ 2,0

(1) Estimate

Secil improved its sales efforts, working hard to bring itself closer to its clients and to improve service. This allowed it to maintain its market share, despite the overall recessive environment.

On the domestic market, the **Company** maintained its presence in the main segments, especially in ready-mixed, pre-cast concrete and mortar, and in supplying the main retail chains dealing in construction materials.

Competition was appreciably more intense, which led to significant stress on prices; price lists were reviewed in September for bulk cement, with an average increase in the order of 2.5%, and in November, for bagged cement, with an average reduction of approximately 6%.

Cement and clinker sales stood at 224 Million Euros, corresponding to 3.7 million tons.

Cement and Clinker Sales

		2003	2004	2005	%
Domestic Market	1 000 t	3 145	3 423	3 330	- 2,7
External Market	1 000 t	326	483	406	- 15,9
Total	1 000 t	3 471	3 906	3 736	- 4,4

Cement sales on the domestic market were down by 2.7% in volume and 0.9% in value, due basically to the contraction of the market as described above.

In terms of the product mix, bulk cement continued to grow as a proportion of the total, especially as regards cement type II 42.5.

Sales of white cement stood at 86,000 t, up by approximately 15% on 2004; this increase was due to the plan to promote white cement and to the start of supplies to a national distributor. In this area, we should note the launch of a new product, white cement type II 52.5, bagged.

Sales on the foreign market stood at 406,000 t, down by approximately 15.9% on the previous year.

The distribution system responded fully to market demands. There was a 4% increase in average transport costs per ton of cement sold in mainland Portugal, due fundamentally to the increase in the percentage of cement sold at depots and directly to clients, as it was possible to manage the rises in transport prices efficiently.

3.1.3.1.2. Production

Total cement output stood at 3.6 million tons, slightly down on 2004 (-2.3%).

Cement Production

		2003	2004	2005	%
Grey Cement	1 000 t	3 202	3 584	3 486	- 2,7
White Cement	1 000 t	82	74	88	+ 18,9
Total	1 000 t	3 284	3 658	3 574	- 2,3

Operational productivity remained at satisfactory levels, thanks to sustained streamlining efforts.

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

In 2005, the price of solid fuels rose in the order of 13%, FOB. This increase was due to disruption of the petcoke supply market caused by the temporary closure of most American refineries located close to the Gulf of Mexico, in the wake of the hurricanes which occurred in the region. There was no significant disruption to supply to the three plants thanks to the maintenance of adequate safety stocks and a number of purchases on the spot market.

In terms of electrical power, the cost per kWh acquired by industrial clients also increased by an average in the order of 10%.

The three plants have made major efforts to cut their production costs. These continued streamlining efforts have been fundamental to attenuating the negative effects of these increased energy costs.

This **sub-Group** has been gradually increasing the use of petcoke with a higher sulphur content, at a lower cost, and has significantly increased the use of waste as an energy source and as a raw material.

In July, the **Secil-Outão** plant started to use alternative fuels, in the form of tyre chips and animal meals, the **Maceira-Liz** plant has continued to employ used tyres and the **Cibra-Pataias** plant has been prepared for the use of tyres.

It should also be noted that a new paper bag production line started up at the **Maceira-Liz** plant, with capacity for production of 80 million units per annum.

3.1.3.1.3. Human Resources

Efforts continued to improve the motivation and efficiency of our human resources, and also help our personnel identify with the culture and aims of the **Secil Group**.

Human Resources

	2003	2004	2005
Permanent	708	701	671
Casual	22	16	21
Total	730	717	692
Variation (%)	- 1,9	- 1,8	- 3,5

Parallel to the policy of streamlining human resources, the **Group** has sought to recruit skilled employees, with fifteen new members of staff being contracted. Overall, the workforce was down by 30 permanent employees.

Also in 2005, **Secil** concluded pay negotiations for the first time with its workforce for a period of three years. The current agreement will make it possible to assure good industrial relations, which are regarded as essential to the company's performance.

3.1.3.1.4. Investment

Significant capital expenditure projects were launched and undertaken in order to improve the performance of the plants and to prepare them to use waste as an energy source, as well as to improve the quality of products and services supplied, environmental conditions and customer service. Capital expenditure in tangible and intangible fixed assets stood at a total of 37 Million Euros. The most important projects were:

At the **Secil-Outão** plant, visual and landscape rehabilitation of Vale das Mós and the Wharf, and various construction projects designed to prepare the plant to use waste as an energy source and raw material.

At the **Maceira-Liz** plant, completion of the covered coal store and the new paper bag production line.

At the **Cibra-Pataias** plant, fitting of sleeve filters in one of the clinker kilns, the construction of the white cement storage silo and the revamping of the raw materials store for the production of white cement.

3.1.3.1.5. Results

Sales stood at 224 million € and EBITDA at 126 million €.

3.1.3.1.6. Prospects for 2006

The domestic market is expected to continue to shrink in 2006. **Secil** estimates that it will maintain its position on the domestic market, increase its exports and improve its performance by streamlining production and distribution costs.

3.1.3.2. Ready-mixed and aggregates

The ready-mixed market was also significantly affected by the decline in construction activity, and is estimated to have shrunk in the order of 5%.

In this context, sales in the ready-mixed business unit were down by 5% in volume. It was possible to obtain an increase in sales prices in the order of 4%, which permitted an improvement in sales margins.

Ready-mixed

		2003	2004	2005	%
Concrete plants		41	45	41	-9%
Sales	1 000 m ³	2 145	2 471	2 349	-5%
Capex	1 000 €	3 381	3 139	2 322	-26%
Workforce		378	359	334	-7%

A major development was the installation of a new concrete plant in Alcácer do Sal, set to start operation in January 2006.

For 2006, we expect the market to develop overall in keeping with the general prospects for the construction sector, which point to continued contraction; ready-mixed may be slightly less affected, due to increasing penetration, which has been recorded on a sustained basis.

In the aggregates business unit, sales rose by 9% in quantity.

Aggregates

		2003	2004	2005	%
Crushing plants		6	6	7	17%
Sales	1 000 t	2 779	2 966	3 227	9%
Capex	1 000 €	2 924	1 844	1 537	-17%
Workforce		122	134	120	-10%

Major developments included the acquisition of **Jobrita**, the renewed operation of **Pedreiral** – which was leased to third parties for several years – and also the extension of the **ECOB** sand plant.

Although the general prospects for construction are negative, it is hoped to increase business through the contributions from **Jobrita** and **Pedreiral**.

In terms of **SBI – Secil Betões e Inertes** in general, the company concluded the process of functional reorganization, which involved winding up a number of companies and merging others, making it possible to centralize all administrative services and to cut staff significantly (31 employees).

3.1.3.3. Pre-cast concrete

The **Group's** companies operating in this market were also severely affected by the recession in the construction sector. Sales were down overall by 13% in volume.

		2003	2004	2005	%
Plants		9	9	7	-22%
Sales	1 000 t	305	303	264	-13%
Capex	1 000 €	975	879	879	0%
Workforce		277	266	224	-15%

Despite the recession **Secil Prebetão** improved its performance as a result of a selective Sales policy and efforts to reorganize and cut costs and personnel, a policy which has been pursued for many years.

Argibetão concluded the critical phase of the reorganization plan launched in the previous year. This involved the closure and sale of the Ovar plant, the reworking of the Cartaxo plant, closure of the tile production line and reduction of the split block production line, as well as disposal of the Azeitão plant; the workforce was cut by 26, mostly through voluntary redundancies.

The sale of assets provided funds to write off the company's financial liabilities and to proceed with the streamlining plans, allowing the company to plan properly for the future.

As regards capital expenditure, a concrete plant was acquired for **Secil Prebetão's** Coimbra factory.

It is anticipated that 2006 will be a difficult year, although productivity is expected to improve thanks to the streamlining efforts and to specialization in particular areas of production.

3.1.3.4. Binders and mortars

As expected, the hydraulic lime market contracted further as a result of the slump in the residential construction sector and the increased use of industrial mortars. In contrast, the mortar market recorded significant growth, thanks fundamentally to the replacement of traditional mortars made *in situ*.

The **Group** expanded its presence in this business, with the acquisition of the companies **IRP** and **Lusocil**. As a result, Group sales of mortars rose significantly, to double the previous year's volume.

		2003	2004	2005	%
Plants		2	2	4	100%
Hydraulic lime sales	1 000 t	50	47	40	-15%
Mortar sales	1 000 t	161	152	326	114%
Mortar fixative sales	1 000 t	12	11	10	-9%
Capex	1 000 €	1 049	359	576	60%
Workforce		83	81	101	25%

At **Secil Martingança**, major developments in 2005 included the launch of a new rehabilitation product under the name “Linha Reabilita” and the start of the burning of forestry biomass in the hydraulic lime kilns.

In 2006, the hydraulic lime market is expected to continue to contract, whilst the mortar market grows significantly. **Group** companies expect to strengthen their position in these markets and to improve their performance.

3.1.4. Tunisia

3.1.4.1. Cement

3.1.4.1.1. Market and sales

The Tunisian economy continued to grow at a fast rate, and GDP is estimated to have grown by 5% in 2005, slightly down from the growth recorded in 2004 (+ 5.8%).

This growth was clearly driven by growth in the service sector, especially in tourism (6.5%) and telecommunications (15.7%), as agriculture and manufacturing recorded contraction of 4% and 5.3% respectively.

Total consumption of cement and artificial lime stood at 5.85 million tons, representing a drop of 1% in relation to the previous year.

This reduction was due to a slowdown in the construction sector, especially in the public works and tourism segments.

Market

		2003	2004	2005
Cement	1 000 t	5 134	5 474	5 435
Artificial lime	1 000 t	438	455	420
Total	1 000 t	5 572	5 929	5 854
Variation		-3%	6%	-1%

In this context, sales by **Société des Ciments de Gabès** on the domestic market stood at 1,077,000 t, which represents a reduction of 2% in comparison with 2004. It should be noted that the company recorded exports of 80,000 t of clinker and cement.

In terms of value, sales stood at 69.6 million dinars, which represents an increase of 5% due, fundamentally, to the increase in the price of cement. In euros, sales were up by only 1%, due to the devaluation of the dinar.

Cement and Clinker Sales

		2003	2004	2005	%
Domestic Market	1 000 t	1 048	1 097	1 077	-2%
Foreign Market	1 000 t	1	97	80	-18%
Total	1 000 t	1 049	1 194	1 157	-3%

In July 2005, under the approved prices system which remains in force, the Government determined a 6% increase in prices for hydraulic lime and cements.

3.1.4.1.2. Production

Clinker production totalled 988,000 t, meeting the target set for the year.

Production of cement and artificial lime totalled 1,148,000 t, 2.1% down on the previous year.

Production		2003	2004	2005	%
Cement	1 000 t	961	1 085	1 066	-2%
Artificial lime	1 000 t	85	80	74	-8%
Total	1 000 t	1 046	1 165	1 140	-2%

Operation has started using petcoke as the principal fuel, replacing natural gas. By the end of the year, petcoke already represented approximately 50% of total consumption.

3.1.4.1.3. Human Resources

SCG's total workforce amounted to 445 workers at the end of 2005, ten less than at the end of 2004, and the company continued with a policy of streamlining human resources, at the same time as recruiting young and qualified technical staff for key areas with a view to modernizing the company.

Workforce		2003	2004	2005
Permanent		463	455	445
Variation %		-3%	-2%	-2%

Under the technical assistance and technology transfer contract with **Secil**, a number of training and monitoring initiatives were undertaken, with the main focus on the project known as **SCG 2005**, intended to promote the use of best practice in the field of industrial optimization and ongoing improvement to processes.

3.1.4.1.4. Investment

Capital expenditure totalled 4.5 million dinars, including the acquisition of a line analyzer and improvement to the dedusting systems.

Special reference should be made to the installation of new ventilation systems which will help to increase output and to the ordering of sleeve filters designed to improve significantly the environmental conditions of the plant.

3.1.4.1.5. Results

SCG recorded weaker performance than in 2004. Turnover was down by approximately 2%, although this reduction was the result of the devaluation of the dinar against the euros (approximately 4% over the year).

3.1.4.1.6. Prospects for 2006

The market is expected to continue to slow as in 2005, although there are moderately positive expectations with regard to the residential construction sector.

The earnings of **Société des Ciments de Gabès** continue to be constrained by the attitude of the Tunisian Government with regard to price deregulation: either it will have to proceed with deregulation, which has been postponed for four years, or else it will have to maintain the current controlled price system, under which it fixes price increases administratively. In the latter case, it is hoped that it will at least compensate the negative trends in the main cost components over the last year.

3.1.4.2. Ready-mixed and pre-cast concrete

The ready-mixed and pre-cast markets continue to grow modestly in the regions where **Sud Béton** and **Zarzis Béton** operate (Sfax, Gabès and Zarzis)

		2003	2004	2005	%
Concrete plants		2	3	4	33%
Sales	1 000 m ³	85	93	96	3%
Pre-cast lines		2	2	2	0%
Sales	1 000 t	19	34	42	24%
Workforce		85	99	96	-3%

Sales in quantity were up on 2004 (3% in ready-mixed and 7% in pre-cast).

In the field of capital expenditure, we may report the acquisition of three concrete mixer trucks and the installation of a plant in Sidi Salah.

The ready-mixed concrete market is expected to grow in 2006, essentially due to the effect of penetration. It is expected that **Group** companies will improve the position in the market and their performance.

3.1.5. Angola

3.1.5.1. Cement

Cement consumption in Angola grew again in 2005, as a result of sustained growth in the country's economy. This consumption was satisfied by national manufacturers and also by imported cement, given that the Angolan cement industry still lacks the capacity to respond to the increased demand.

		2003	2004	2005 ⁽¹⁾	%
Plants		1	1	1	0%
Sales	1 000 t	43	74	107	45%
Capex	1 000 €	5 256	3 646	1 610	-56%
Workforce		157	141	141	0%

(1) Figures relating to the period January to November.

Tecnosecil's capacity has grown in a sustained manner, and it is now estimated that the company will be capable of output between 200,000 t and 250,000 t per annum, after the installation in November of a new bagging machine.

Capital expenditure totalled 1.6 million €, including in particular the bagging machine mentioned above.

The main development in **Secil's** activity in Angola was the incorporation in November of **Secil-Lobito – Empresa de Cimentos do Lobito**, in partnership with the Angolan State; **Secil** has a 51% stake in the capital of the new company, via its subsidiary **Tecnosecil**.

The new company will operate the Lobito plant, and has share capital of 21.3 million USD, with a 49% stake held by **Encime**, subscribed in kind through the delivery of assets valued on the date prior to their transfer to **Tecnosecil**. The remaining 51% is held by **Tecnosecil**, subscribed through capitalization of investments made up to 2005. **Tecnosecil** will become a service and holding company, and will change its name to **Secil Angola**.

The main objectives of **Secil-Lobito** for the next three years will be to consolidate production and sales, until it reaches operation at its current full capacity (250,000 t), and to develop a clinker production line which will involve investment in excess of 80 million USD, the exact value depending on the size decided on for the line.

The cement market prospects for 2006 are favourable, both 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 huge array of public works as part of the process of national reconstruction.

3.1.6. Lebanon

3.1.6.1. Cement

The Lebanese economy was extremely hard hit in 2005, and especially in the first half, by the assassination of the prime minister, Rafik Hariri.

As a result, demand for cement was sluggish, especially during the first half. For the year as a whole, demand would appear to up by 20%, in comparison with 2004, due principally to cement purchased on the Lebanese market and channelled into Syria.

		2003	2004	2005 ⁽¹⁾	%
Plants		1	1	1	0%
Sales – Domestic Market	1 000 t	506	542	644	19%
Sales – Foreign Market	1 000 t	200	399	121	-70%
Capex	1 000 €	4 097	11 781	10 780	-8%
Workforce		342	357	359	1%

(1) Figures for the period January to November 2005

Sibline recorded an increase of 19% in sales on the domestic market, corresponding to sales of 644,000 t for the year as a whole.

Exports, however, were substantially down on the previous year (-70%), due to the stoppage of a cement mill during 2 months and the obstacles placed by the Syrian Government in the way of exports to Iraq passing through its territory.

The two main capex projects at **Sibline** were concluded in the course of 2005. These were the conversion to petcoke and the extension of the port of Jieh. The company started to use petcoke in July, and by the end of the year the kilns were operating exclusively with this fuel. The port has already received several large ships (35,000 t) carrying petcoke.

The completion of these capex projects was the main development in 2005, and will have a great impact in terms of reducing costs and improving the company's profitability. It should be noted that **Secil** acquired a further 6.88% stake in **Sibline**, giving it now a total holding of 28.6%.

For 2006, it is expected that the market will potentially grow by approximately 5%, taking into account the demand in neighbouring markets, namely Iraq and Syria, and the demand created by large scale construction projects promoted by Arab investors. This scenario will depend greatly on the resolution of the current political crisis affecting the Middle East and the country.

The possibility of Lebanese membership of the World Trade Organization could lead the country's Government to refrain from imposing import licenses, which will naturally have an effect on the domestic cement market.

3.1.7. Cape Verde

3.1.7.1. Aggregates

In 2005, **ICV – Inertes de Cabo Verde** failed to attain its targets due to the fact that its main client reduced its purchases significantly. In this context, the company recorded sales of 87,000 tons in quantity, representing a decrease of 17% in comparison with 2004.

		2003	2004	2005	%
Crushing Plants		1	1	1	0%
Sales	1 000 t	102	105	87	-17%
Capex	1 000 €	289	112	307	174%
Workforce		29	37	37	0%

The most significant development in the course of the year was the purchase by **Secil** of the entire share capital of **Intertrade**, the company holding a twenty five per cent stake in **ICV**. This has given **Secil** a 62.5% interest in the share capital of **ICV**.

As healthy economic growth is expected for **Cape Verde** in 2006, **ICV** has every chance of increasing its sales and improving its performance.

In addition, **Secil** is preparing to launch an important new business in the country, with the distribution of cement through **Secil-Cabo Verde** (the new name to be adopted by **Intertrade**).

3.2. Paper and Paper Pulp

3.2.1. Profile of the Portucel Soporcel Group

With a highly prominent position in the international pulp and paper market, the Portucel Soporcel Group is one of Portugal's strongest brands on international markets. It is one of the Europe's five largest manufacturers of UWF – Uncoated Woodfree paper.

It is also Europe's largest manufacturer of bleached eucalyptus kraft pulp (BEKP), and also one of the largest in the world.

The Portuguese pulp and paper sector accounts for 0.8% of GDP, 4.5% of industrial GDP and 4.6% of all Portuguese exports of goods, and has clearly emerged as one of the pillars of the Portuguese economy. The Portucel Soporcel Group is a key player in the sector: as a whole, the Group generates annual turnover in excess of 1000 million euros, and has production capacity for 1.1 million tons of paper and 1.3 million tons of pulp (of which approximately 700,000 tons are incorporated into paper), as well as managing more than 130 thousand hectares of forest. The Group currently exports more than 900 million euros, to 82 countries, and exports represent approximately 93% of its total sales.

Selling most of its products to Europe, the Group has its own sales network, with support structures in the main European cities and the US, which enables it to maintain a constant presence close to its clients, in order to ensure that their needs are satisfied.

The Group has high profile paper brands, and the *Navigator* brand is the world leader in terms of sales in the premium office stationary sector. These, combined with an array of other brands used by the Group in its partnership with prestigious distribution channels, are the visible proof of the Company's success as a manufacturer of high quality products for the paper market.

At European level, the Group leads the market for the supply of bleached eucalyptus kraft pulp to the special papers segment, which represents more than 50% of sales, and to the high quality printing and writing papers segment.

The Group is also the main Portuguese producer of renewable energy from biomass. It generates almost 70% of the electrical powers from this renewable resource, thereby optimizing the efficiency of its use in the manufacture of intermediate and final products.

The woodlands, from which it sources its raw materials, are also an area of strategic importance to the Group, which through responsible forestry management contributes to the competitiveness of a sector which is crucial to Portugal's economy. In the field of Research and development, the Group has a 94% holding in RAIZ – Instituto da Investigação da Floresta e Papel, which works on genetic improvements to eucalyptus, the prime raw material for the manufacture of high quality papers, and on improving forestry management practices.

The Group is in the process of obtaining forestry certification in 2006 under two internationally recognized schemes: the FSC (*Forest Stewardship Council*) and the PEFC (*Programme for the*

Endorsement of Forest Certification Schemes), in order to assure consumers that their products are manufactured with timber sourced from forests managed in rigorous compliance with the principles of sustainable management and with strict respect for the environment.

The Group's production facilities consist of three industrial complexes, located in Setúbal, Figueira da Foz and Cacia, which set international standards in terms of their size and the sophistication of the technology. The Figueira da Foz industrial complex is the largest production plant in Europe for office stationary and paper for the printing industry. Naturally, all plants operate to high standards of environmental protection, justifying their respective licenses.

The production processes adopted by the Group are also exemplary in terms of sustainability and energy efficiency, insofar as they use forestry biomass, one of the best renewable fuels, as their main power source. It should be noted that Portugal's forests, and in particular those managed by the Group, play an important role in absorbing carbon, and thereby contribute to reducing greenhouse gases in the atmosphere.

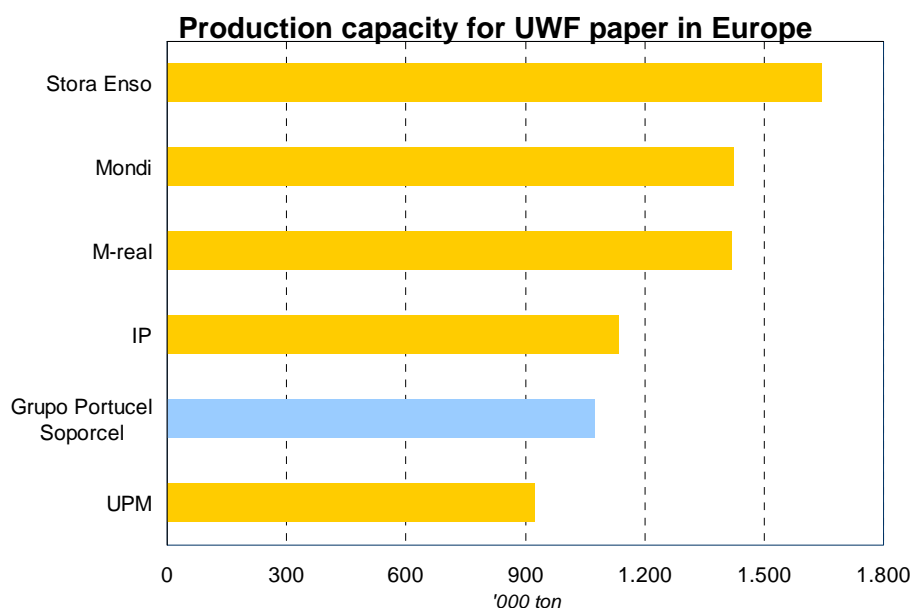
The Group has a workforce of approximately 2 thousand, and is responsible for generating skilled employment and specialist professional careers.

In keeping with its corporate responsibility policy, the Group supports and takes part in projects designed to promote and support the welfare of local communities and to preserve the natural heritage of the regions where their industrial plants and forests are located.

The strategic goal of the Portucel Soporcel Group is to achieve a leading position in the UWF (uncoated woodfree paper) market. The Group is therefore focussed on achieving consistent growth and expanding its positions in international markets.

Ranking of European UWF Manufacturers – 2005:

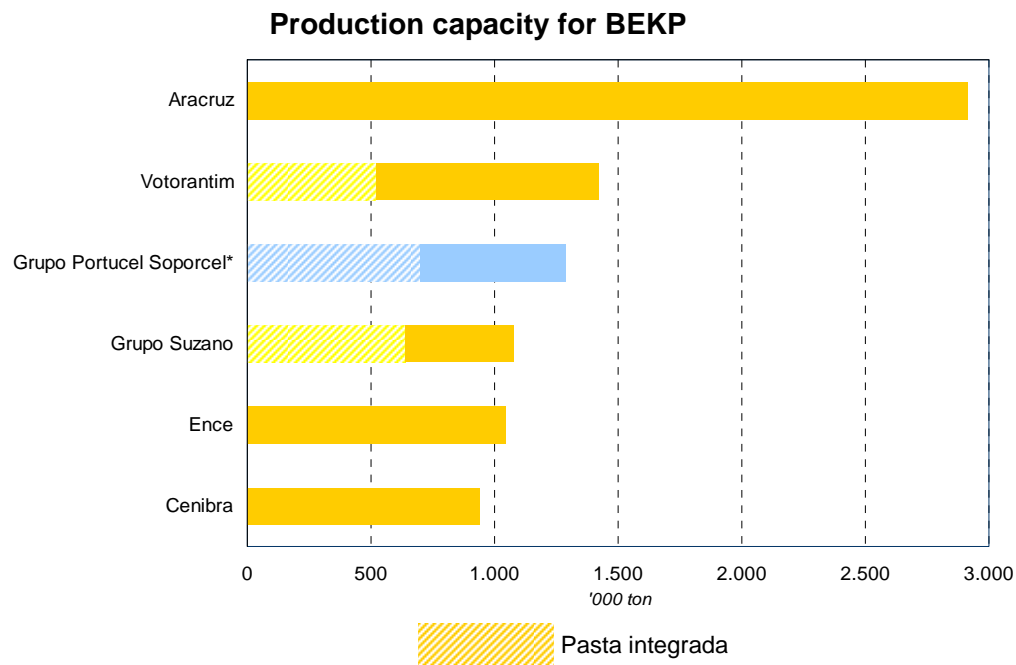
- ***The Portucel Soporcel Group is the 5th largest producer of UWF paper in Europe***



Source: EMGE – Paper Industry Consultants (Dec. 2005)

Ranking of world producers of BEKP – 2005

- *The Portucel Soporcel is the world's 3rd largest producer of BEKP*
- *The Portucel Soporcel Group is Europe's largest producer of BEKP*

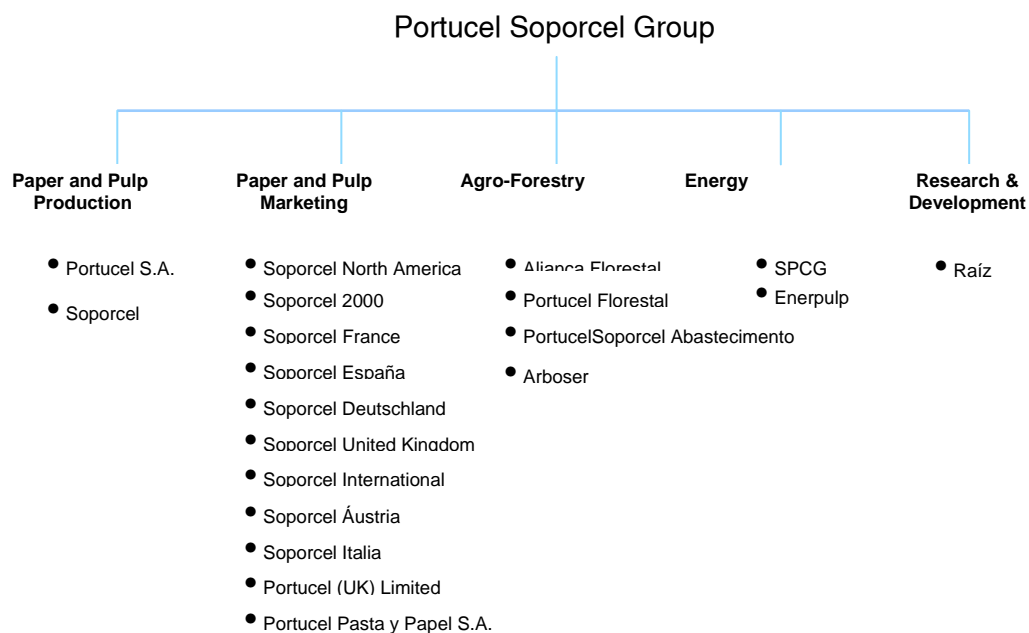


Integrated pulp

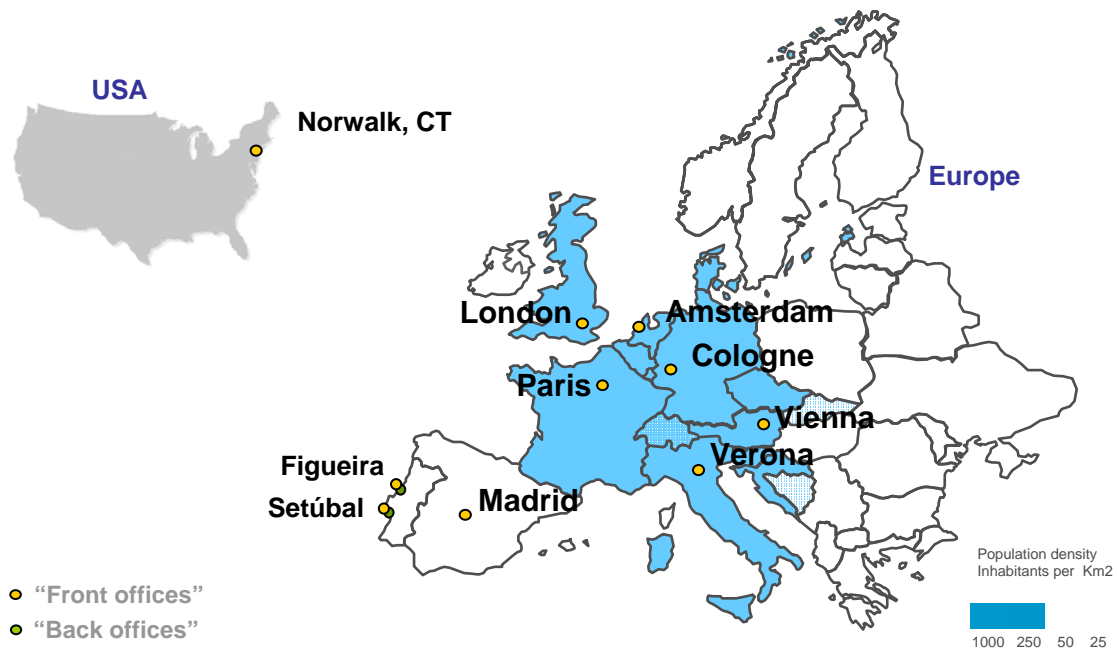
Source: Hawkins Wright (Dec. 2005) and the relevant company reports

Portucel Soporcel Group

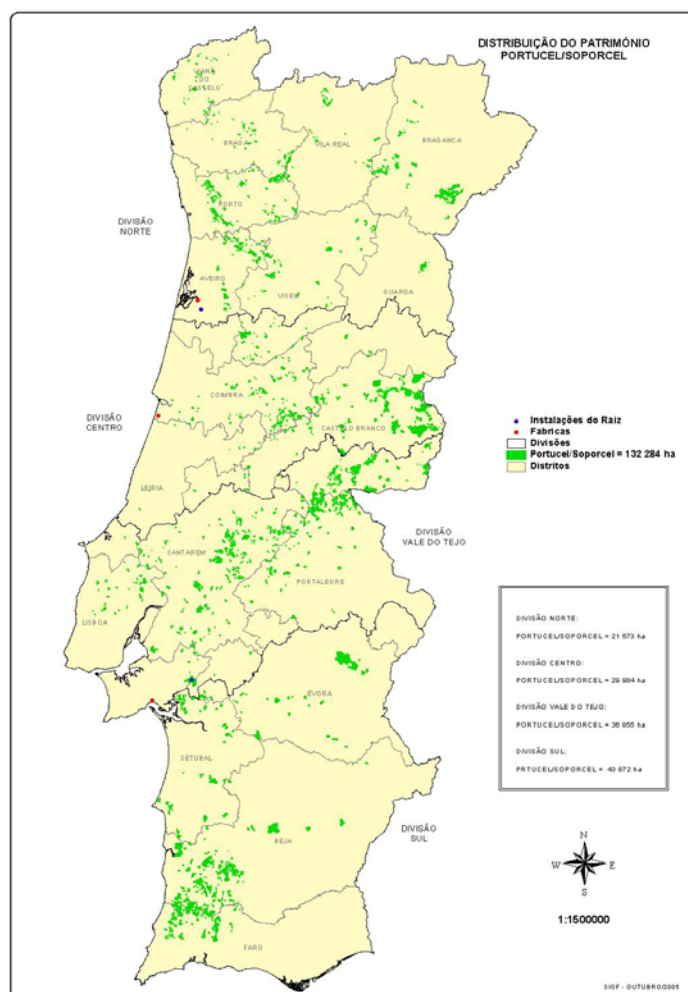
Organizational Structure



Sales Offices - Locations



Map of Portugal showing industrial sites, forests and Raíz (R&D)



3.2.2. Business Overview

3.2.2.1. Paper

The Market

In a context of economic growth at a continued moderate level in the Euro Zone, the demand for Uncoated Woodfree Paper was marginally positive in Western Europe, and the office stationary segment grew by approximately 3.3%.

In Western European markets as a whole, output held steady, at 7.7 million tons. Imports represented 16% of consumption (23% of office stationary). Eastern Europe continues to be the main source, gaining market share from Latin America and Asia.

The US market fell back in comparison with 2004, but the Group was able to maintain its market share in the region, and there are encouraging prospects for future growth.

In other markets (Asia, Mediterranean, etc.), there was significant economic growth which attracted the volumes of new local producers (China).

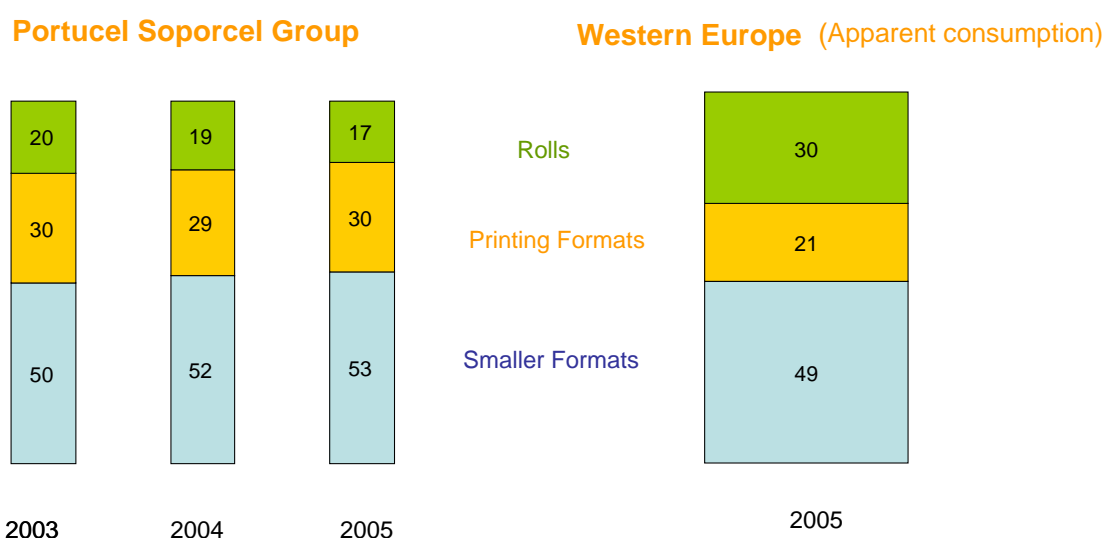
Faster growth in these emerging markets is having an increasing influence on the stance taken by companies which operate worldwide, both in terms of geographical segmentation of products and in terms of their business development strategies.

Operations

The Group recorded total paper sales in 2005 of 986 thousand tons, approximately 1% up on the previous year. This increase in sales was due in part to an improvement in the Group's mix of papers, with sales of premium products up by 3%. These results have consolidated the trend set in previous years, comparing very favourably with the structure of the European market. The proportional importance of premium products in the Group's total paper sales shows that the strategy is correct, and also that the market has recognized the quality of the Group's paper.

The breakdown in the product type also shows improvements, with an increase of 18 thousand tons in office stationary and printing formats, and a reduction of 24 thousand tons in rolls.

Breakdown of sales by product

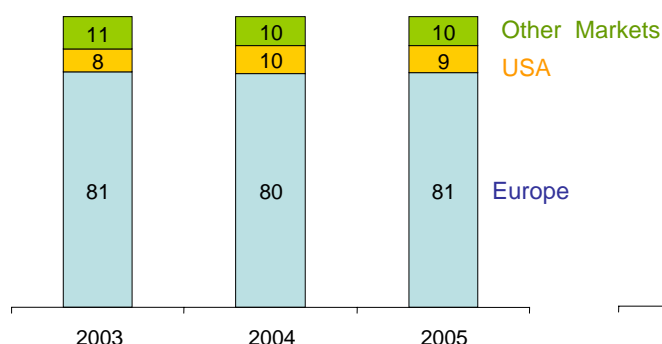


The Group therefore maintained its average market share of 12% in Western Europe (15% in the office stationary segment), with a gain of 1 p.p. in its share of the market for paper for the printing industry, which rose to 17%, despite a drop of 4% in demand.

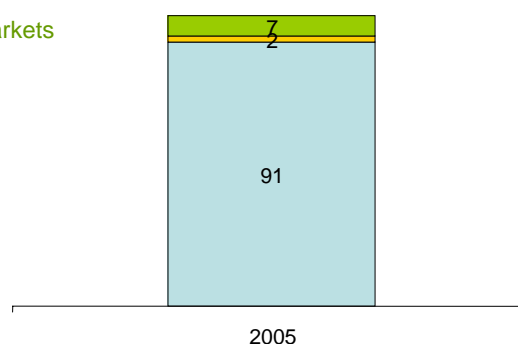
The Portucel Soporcel Group's paper sales remain mostly focussed on Western Europe, although the Group also has a relevant presence in the US market, and accounts for more than half of European sales to this country.

Evolution of geographical mix (% turnover)

Portucel Soporcel Group



Industry (Cepifine)

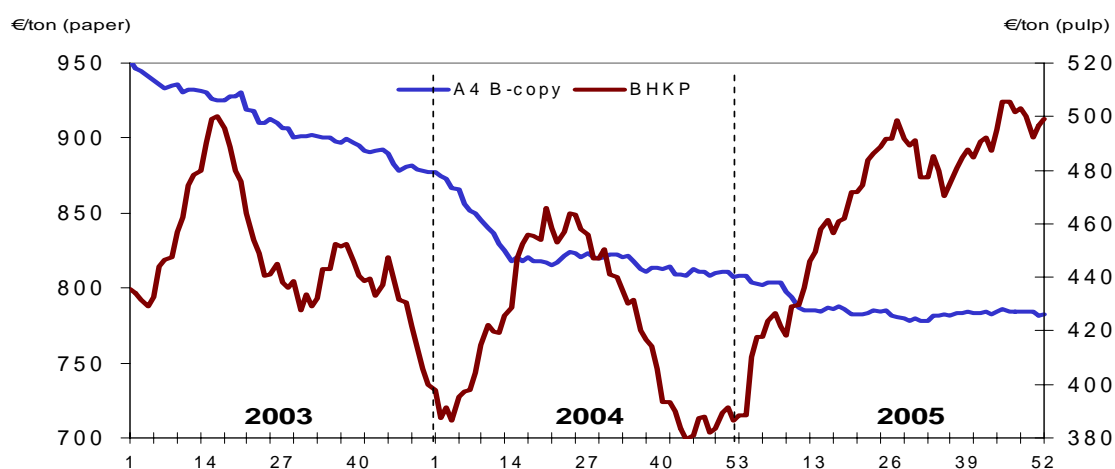


Source: Portucel Soporcel Group and Cepifine

Prices

Sale prices for UWF paper fell for the third consecutive year, and the PIX index for “A4 – copy B” was down by 5% in 2005.

Evolution of PIX



However, the effects of this were attenuated by the high proportion of premium products in the Group's sales, and the average price for Group sales was down by 2.2% over the period.

Brands

The Portucel Soporcel Group's brands maintained a leading position in the European markets in 2005. As the world's best selling premium office stationary, Navigator was identified by the market study conducted by EMGE – Paper Industry Consultants as the best-known brand in the trade in Europe.

In paper for the printing industry, the Soporsel brand is also the most widely used in Europe, as shown by a different market study.

The Group's own brands accounted for 45% of its sales of sheet paper, as against 41% in 2004.

3.2.2.2. Pulp

In 2005, production of bleached eucalyptus kraft pulp stood at approximately 1.3 million tons. Despite moderate economic growth in the Euro Zone, it was possible to accommodate the increase in supply from increased production capacity in Latin America, without significant disruption to the market.

The average pulp price in 2005, as may be seen from the evolution of the PIX index, was 581 USD (467 euros), the highest for the last five years, corresponding to an increase of 12% over the year (as per the PIX evolution graph).

The Group placed a total of 570 thousand tons of pulp on the market in 2005, as against 608 thousand tons in 2004. The decrease of approximately 39 thousand tons (6.4%) in relation to the previous year was due to a higher level of incorporation of pulp into paper in 2005, the high levels of stocks existing at the start of 2004, which contributed to forwards a level of sales well above the quantity produced, and the reduction in output at the Cacia plant due to breakdowns in the recovery boiler.

Exports of pulp continued to be focussed on European markets, where producers of higher quality paper are located, which appreciate the intrinsic qualities of the pulp from *globulus* eucalyptus produced by the Group.

The sales team extended their direct contacts with customers, offering high standards of service and giving priority to long term relationships. As a result of this sales policy, the Group has been able to broaden its customer base, and is recognized as the leader in the supply of bleached eucalyptus pulp for special papers, a use which accounts for more than 50% of our sales, and also for high quality uncoated printing and writing paper .

3.2.2.3. Analysis of Results

The results and indicators presented below correspond to the results and indicated presented by the Portucel sub-Group. For the purposes of integration in the consolidated financial statements, the result is adjusted by the effect of the harmonization of accounting policies adopted by the Semapa Group, essentially as regards the policy on depreciation (see Report by segments). For the financial year of 2004, as mentioned in item 1, the Group included three months' operations of this sub-Group in its accounts, corresponding to the period between 1 October and 31 December 2004, after the harmonization adjustments referred to above.

FINANCIAL AND ECONOMIC INDICATORS

	2005	2004
('000 tons)		
Production		
Bleached eucalyptus kraft pulp	1279	1254
Fine papers	998	982
('000 euros)		
Total sales	1 029,1	978,3
Operating results	132,1	93,8
Financial results	-45,9	-22,9
Net profits	63,5	51,3
Cash flow	192,7	179,3
EBITDA	261,3	221,8
EBITDA / Sales (as %)	25%	23%
Net debt	736,1	870,9
Investment	43,0	130,0
Net assets	2 186,3	2 296,8
Liabilities	1 151,7	1 288,0
Shareholders' funds	1 034,6	1 008,8
Minority interests	0,2	0,2
Coverage of fixed assets	1,09	1,06
Long term capital / (Net fixed assets + m.l.term stocks)		
Financial autonomy	0,47	0,44
(equity + minority interests) / net assets		
Leverage	0,25	0,27
Net debt / (equity + minority interests + net debt)		
ROCE	7,0%	4,7%
Operating results / (net assets- cash – non-interest bearing liabilities)		
Net debt / EBITDA	2,8	3,9
(in euros)		
Net profit per share	0,08	0,07
Cash flow per share	0,25	0,23
EBITDA per share	0,34	0,29
Book value per share	1,35	1,31

In this context, The Group recorded turnover of 1 029 million euros, up by 50.7 million euros from 2004, with 69.2% of the turnover being generated by paper business and 23.6% by pulp business.

Paper sales slipped by 1.9% over the year, due to the downwards trend in average prices, despite the increase in the volume of sales.

On the other hand, and despite the drop in sales in volume as explained above, sales of pulp grew by 5.5% over the previous year, as a result of an increase of approximately 12.6% in the average price of pulp in 2005.

In this context, o the Group generated EBITDA of 261.3 million euros, representing growth of 17.8% over the previous year and an EBITDA/Sales margin of 25.4%. The increase in EBITDA reflects a number of major efficiency gains in the Group's operations, especially as regards:

- Increased productivity
- Cost cutting
- Energy management
- Industrial maintenance
- Forestry management

Operating results rose by 41% over those recorded in 2004, at a total of 132.1 million euros.

The Group recorded a financial loss of 45.9 million, of which 16.3 million euros related to exchange rate and pulp price hedges taken out in 2005. This, combined with non-recurrent financial income of approximately 5.6 million euros recorded in 2004, explain the worsening of the Group's financial results by 23.1 million euros in relation to the previous year.

Accordingly, the net profit for the period stood at 63.5 million euros, up by 24% on the previous year.

3.2.2.4. Investment

Capital expenditure in 2005 stood at approximately 43 million euros. The main projects included the new recovery boiler at the Cacia plant, which starting operating in February 2006.

3.2.2.5. Borrowing

The Group's borrowing was down by 134.8 million euros, or 15.5%, in comparison with the previous year. Strong capacity to generate cash and careful management of working capital contributed to this result, without prejudice to payment of dividends of 28.5 million euros and the capex projects implemented.

Reorganization of borrowing

In 2005, the Group radically restructured its borrowing, significantly increasing maturities, in line with the characteristics of the industry. The Group made new bond issues with a total value of 700 million euros.

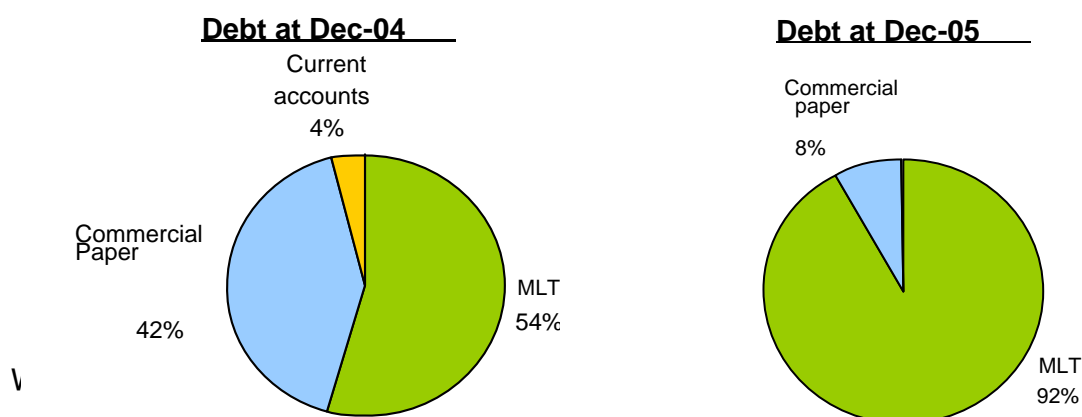
Bond issues in 2005

Figures in Euros	Value	Maturity	Index to
Portucel 2005 / 2010	300.000.000	March 2010	Euribor 6 m
Portucel 2005 / 2013	200.000.000	May 2013	Euribor 6 m
Portucel 2005 / 2012	150.000.000	October 2012	Euribor 6 m
Portucel 2005 / 2008	25.000.000	December 2008	Euribor 6 m
Portucel 2005 / 2010	25.000.000	December 2010	Euribor 6 m
Total	700.000.000		

As a result, the net borrowing structure stood at follows at the end of 2005:

Structure of debt (‘000 €)	Dec-05	Dec-04
Medium Long Term	747.420	460.976
Bond issues	693.059	0
Other loans	54.361	460.976
Commercial paper	63.998	404.530
Overdrafts and others	14.242	81.958
Total debt	825.660	947.464
Bank accounts and cash	89.521	76.547
Total net debt	736.139	870.917

As a result of this reorganization, the Group’s debt profile at the end of 2005 was substantially different from that at year-end 2004:



With this set of operations, the Group’s financial structure was considerable strengthened, creating a firm foundation for its future development plants.

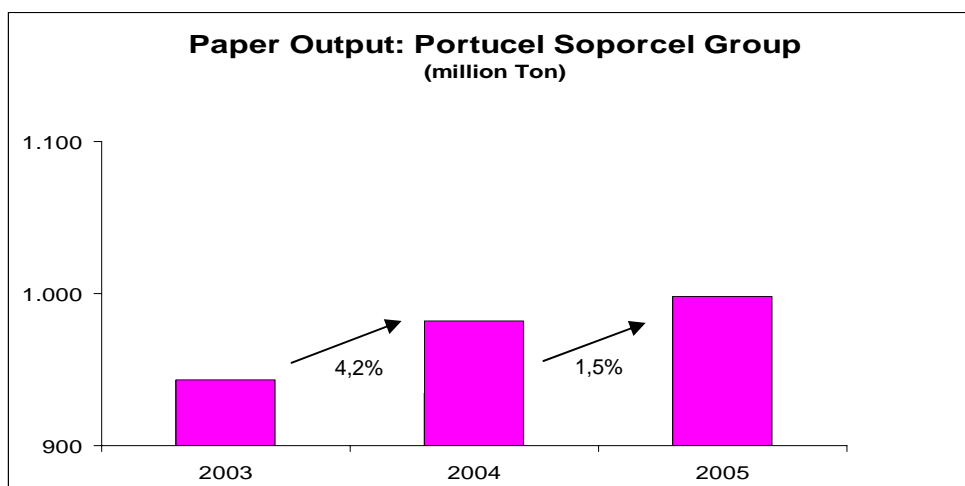
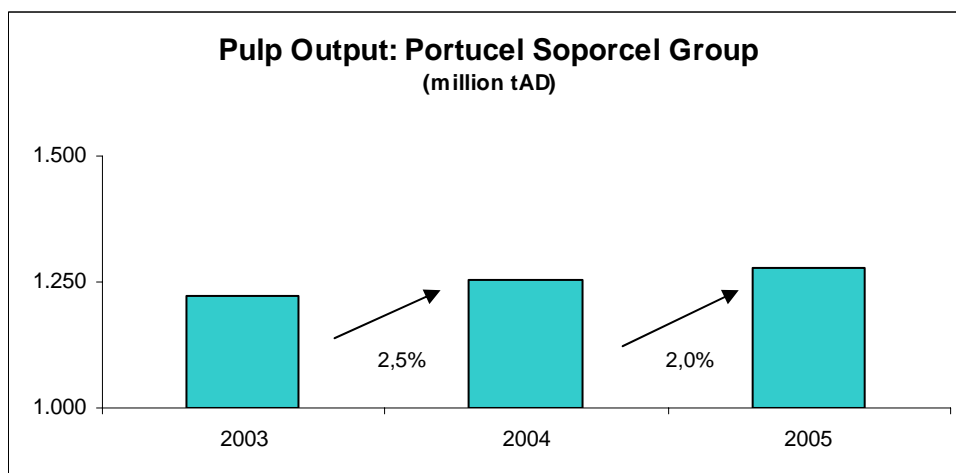
3.2.3. Industrial Operations

Technologically advanced production

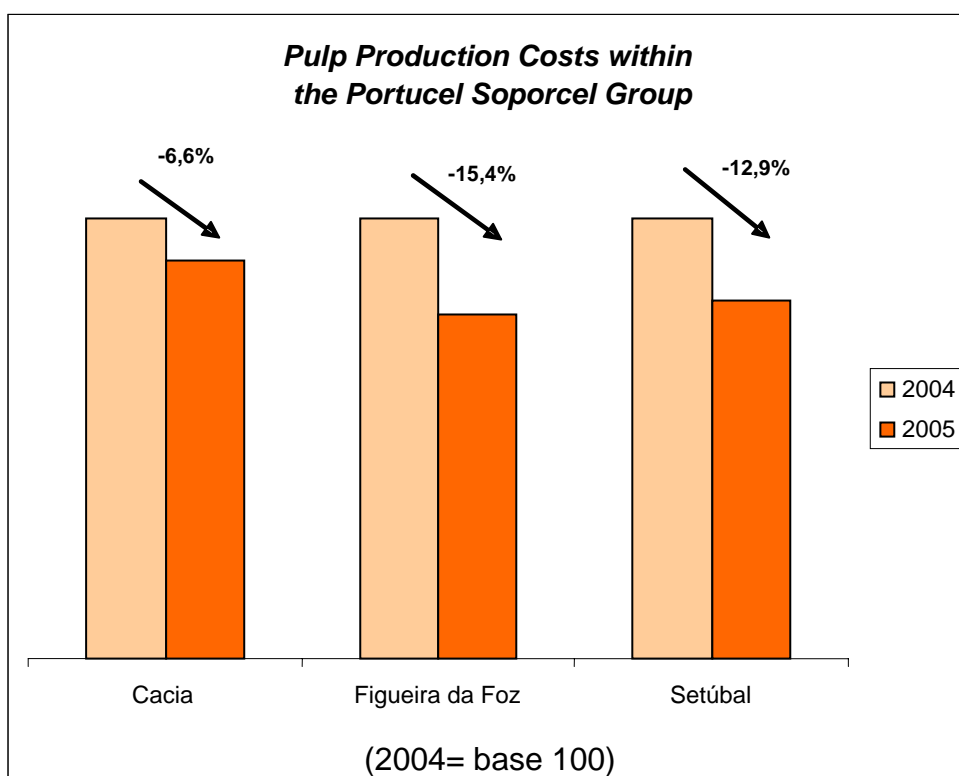
The paper which the Portucel Soporcel Group produces and markets reflects the highly sophisticated technology installed at its industrial plants, with machinery amongst the most up-to-date in Europe.

The Group’s total output of pulp and paper was up by 2% and 1.5% on the previous year. The Figueira da Foz and Setúbal plants once again set new production records, with the Figueira unit benefiting from the first full year of operation by the new recovery boiler, which contributed to an increase of 7.6% in output, corresponding to an extra 40 thousand tons. At the Setúbal plant, the efficiency gains achieved made it possible to break the 500 thousand tons barrier for the first time, with output up by 9.5 thousand tons on the previous year. In Cacia, the plant’s operation was significantly hampered by the breakdowns in the recovery boiler, which caused

output to fall 9% below the level recorded in 2004: the investment in the new recovery boiler, concluded in early 2006, will be crucial to restoring the Cacia plant to normal operations, with an adequate competitive edge.



Thanks to systematic efforts to improve process and to a selective investment policy, the Portucel Soporcel Group recorded positive results in 2005 in cutting its production costs at all its industrial plants, especially in pulp production



Paper production costs also came down, with a significant savings achieved through added replacement of long fibres by eucalyptus fibre.

Pulp production benefited from improvements in raw material consumption, through successful application of an innovative project for reuse of knots rejected in cooking. In Setúbal, significant improvements were obtained in water use in 2005, with a positive impact on costs, and further work to this end is planned for 2006 in Cacia, where the results in this area were less impressive.

The Group has continued to increase outsourcing of non-core activities at all its plants, with positive results in terms of efficiency and cost reductions.

Investment

Investment in industrial plant was moderate in 2005, after the high levels in previous years, and the two main capex projects related to the recovery boilers at the Figueira da Foz industrial complex and at the Cacia plant. In keeping with this selective policy, investment in Cacia totalled 25.5 million euros, aimed essentially at the new recovery boiler.

At the Figueira complex, investment was lower, at approximately 5 million euros, aimed primarily at replacement of equipment at the end of its useful life, at reducing water consumption and modernizing control systems. At the Setúbal complex, investment stood at close to 10.5 million euros, more or less half the figure recorded in the previous year.

Reorganization of Maintenance

The Group's maintenance activities were radically reorganized at the end of 2005. As part of a process which started in 2000, a new maintenance model based on outsourcing had been implemented at the pulp plants, using outside firms with proven capability and experience in this type of work.

On the basis of the experience acquired, this model was significantly reviewed before being extended to the paper plants, in order to maximise the pooling of resources and to optimize technical and organizational skills within the Group, with a view to achieving significant cost savings and efficiency gains.

A special company – EMA21 - was set up to take responsibility for managing all resources allocated to maintenance in the Group, together with a central coordination unit for maintenance and the respective operating activities, engineering and procurement: this is the central engineering department, which has also taken over responsibility for industrial projects.

The quest for synergies between the group's plants, with the consequent adoption across the board of best practice in each field, has led the Executive Board to appoint central coordinators for a series of activities in addition to maintenance, such as environment, management systems and technical documentation, product development and technical assistance, energy and innovation.

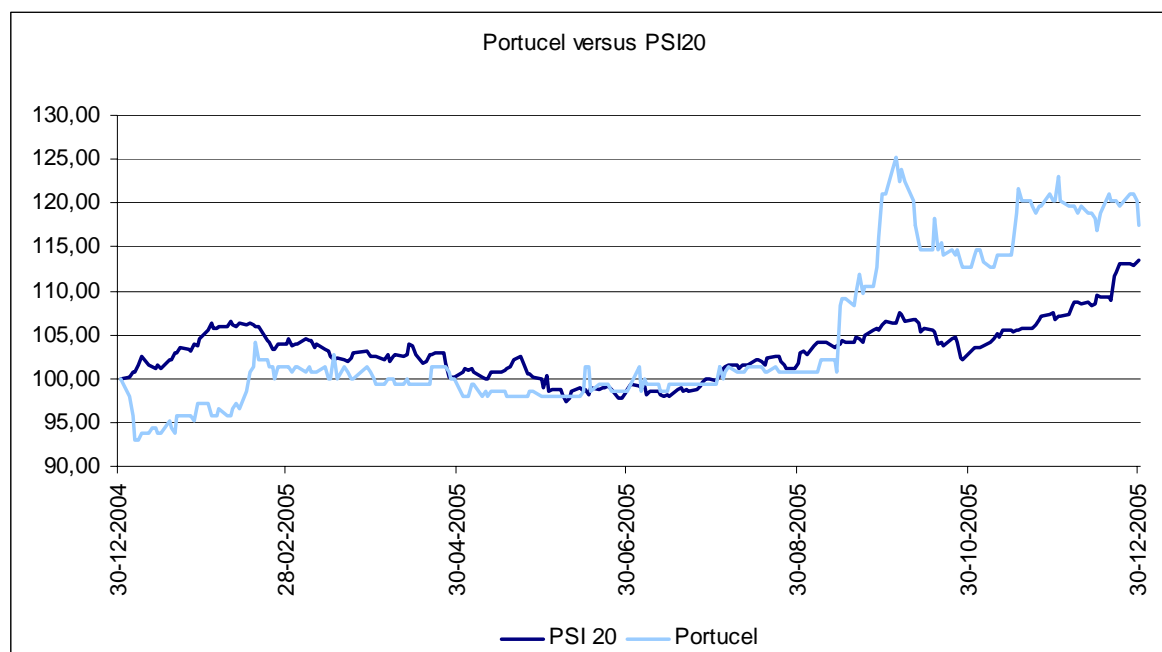
3.2.4. Listed Share Prices

Stock Market

The financial year of 2005 was highly positive for the main European stock markets, with gains in the order of 27% on the Frankfurt stock exchange, 18% on the Madrid stock exchange and 17% in London. The Euronext Lisbon market performed in line with the other European stock markets, although the gains were rather less modest; the PSI 20 index was up by approximately 13.4% on the year, with growth in trading of approximately 6% in relation to 2004.

Portucel shares ended the year 17.5% up on their listed price at 31 December 2004, outperforming the PSI20 index. Over the course of the year, the shares varied between a minimum price of 1.33 euros per share, on January 5 and 6, and a high point of 1.79 euros per share, on October 4.

Trading in Portucel shares in 2005 totalled approximately 12.4 million shares, giving monthly average trading of approximately 1 million shares. The low level of trading in comparison with 2004 is due to the relative concentration of the shares since the takeover bid by Semapa in 2004, which caused the shares to be excluded from the PSI 20 index as from January 2005.



3.2.5. Resources and Back-up

3.2.5.1. Forestry

Cultivating the Future

The Portucel Soporcel Group manages more than 130 thousand hectares, divided into 1500 management units spread between 172 municipalities in Portugal. The Groups strategic aims in this field are to obtain high and sustainable output, to maintain the fertility and productivity of the land and to preserve nature resources.

The main development for the Group in 2005 was the start of the process of forestry certification, which will make it possible to demonstrate to consumers that our products are manufactured using wood from forests managed in strict compliance with the law and the needs of the environment.

Over the course of 2005, the Group took various steps to improve the productivity, quality and sustainability of forestry operations. This included the woodlands rationalization programme (for the Group's own woodlands, and for rented land), with a view to producing standing timber at competitive prices, the reorganization of operations for setting up and maintaining stands, through careful classification of areas to be reforested, depending on their potential for production.

However, the impact of some of the programmes was severely limited by the severe drought which affected Portugal throughout 2005.

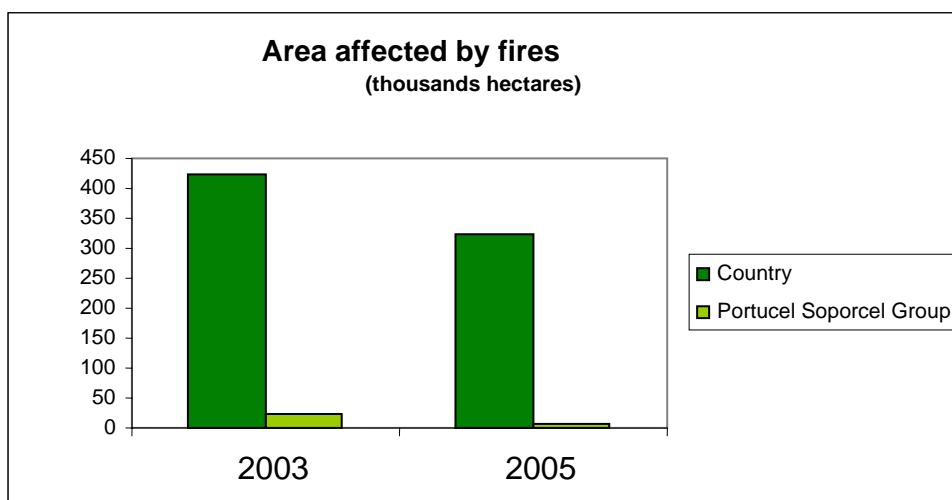
Another project is currently underway, with a view to obtaining efficiency gains in the felling, side-lining and timber transport, which represented approximately 50% of the cost of timber raw materials consumed by the Group.

Forest Fires

The drought experienced in Portugal in 2005 has drastic implications for the occurrence of forest fires. It was the second worst year ever for the country, with 325 hectares burned, representing 76% of the historical record of 426 thousand hectares burned in 2003.

Forest fires are a critical area for the Portucel Soporcel Group, as they affect the very heart of its industrial operations. The Group invested 3.5 million euros in the 2005 season and continued with its strategy of mobilizing significant human and technological resources through Afocelca, the organization created by companies in the sector (and in which the Group has a majority holding) to prevent and help fight forest fires.

These efforts bore visible fruit in 2005, when the Portucel Soporcel Group recorded a total of an area of 6 thousand hectares affected by fire, less than a third of the area hit in 2003. This improvement in performance was due to the persistent, dedicated and professional work by the Group's forestry staff and by Afocelca.



Forestry Certification

Major steps were taken in 2005 towards developing the forestry certification project, involving 104 thousand hectares of land under the management of the *Aliança Florestal*. This project complies with the standards set by the most widely-recognized international accreditation programmes, the FSC (Forest Stewardship Council) and the PEFC (Programme for the Endorsement of Forest Certification Schemes). The Group expects to have its woodlands certified to the FSC standards in 2006, with the assessment report from the certification authority expected by the end of the first quarter.

Forestry certification is viewed as a key factor in consolidating the Group's competitive position in demanding international markets. In 2005, there was a particularly strong focus on training, technical documentation, relations with service providers and communication with other organizations (Government, social and environmental groups, forestry producers, companies, research and education bodies).

The Group has also taken a number of steps to encourage the certification of private forests, which supply more than 80% of the raw material for its plants. This has involved training, awareness raising for forestry producer associations and the creation of an innovation prize for certified timber.

Work was completed in 2005 on the "Forest of the Future" project, which has sought to increase productivity in Portuguese eucalyptus plantations, to promote good silviculture practices and to defend woodlands from the risk of fire. This project was implemented over three years, with the group providing direct support to forestry producers, through cooperation agreements with the main representative bodies (CAP - Confederação dos Agricultores de Portugal, FPDF - Federação dos Produtores Florestais de Portugal, Forestis - Federação dos Produtores do Norte e Centro and Fenaforesta - Federação do Movimento Cooperativo Florestal). The Group also supported 39 smaller forestry producer organizations in the creation of Forestry Intervention Zones (FIZ), and assisted municipal councils in drawing up plans with a view to forestry certification at regional level.

3.2.5.2. Procurement

Timber

The Portucel Soporcel Group purchased approximately 3.6 million cubic metres of stripped wood in 2005, of which 3 million (83%) was procured from the home market and 617 thousand (17%) from its own woodlands, with no timber being imported. Purchases on the domestic

market were down by 320 thousand cubic metres on 2004, due to the high level of stocks in the previous year.

Despite the risks and costs associated with accepting timber affected by fires, due to the adaptation of raw material specifications, as required to assure the quality of end products, the Group signed an agreement with other members of Celpa (Paper Industry Association), promoted by the Directorate-General of Forestry Resources, for the use of timber from woodlands affected by fires in 2005.

The strong competitive pressure felt throughout the Portuguese forestry industry had made it necessary to obtain improvements in quality and certification, as well as cost cutting measures. The Group launched a number of initiatives in this direction in 2005, most significantly projects forestry certification for landowners, an innovation prize designed to reward certified timber and a number of steps designed to pave the way for transport of forestry raw materials under conditions similar to those in competitor countries.

Purchases

The Group has a set of procedures and practices designed to streamline costs in procurement/purchasing, and thereby contribute to the overall competitiveness of the Company. It should be noted that the savings obtained over the last five years have averaged in the order of 10%.

The most significant steps taken in 2005 in the field of procurement (excluding timber), which enabled the group to obtain savings of more than 3% in relation to the previous year, relate to the use of products and technologies designed to reduce production costs and to streamline operations, through the use of common products at the three industrial complexes.

3.2.5.3. Environment

The Target of Eco-Efficiency

The Portucel Soporcel Group's entire operations are based on a sustainable development cycle. The Group's products are derived from materials sourced from forests managed in strict compliance with environmental standards and are manufactured using natural and renewable energy. The environmental performance of the plants exceeds the standards set by the relevant national and community legislation, placing the Group in a leading position as regards corporate responsibility.

Enhancing eco-efficiency, conciliating industrial operations, the environment and society is regarded by the Portucel Soporcel Group as a permanent target, and successive improvements has consequently been made in the conservation of resources and reduction of emissions.

Alternative Energy

The reduction of greenhouse gases represents a commitment to sustainability which is now required of all members of society, including companies, in order to avoid the climatic changes which could potentially result from a concentration of these gases. It should be noted that the woodlands managed by the Group accounts for the retention of 8.8 million tons of carbon dioxide (CO₂), around 15 times more than the annual emissions licenses granted by the Government to its industrial units during the first half of 2005, under the European Emissions Trading scheme.

In recent years, the Group has invested substantially in the use of alternatives to fuel-oil, and is now practically self-sufficient in energy: it produces 89.5% of the total energy it consumes from biomass (forest biomass and vegetable organic matter from timber, incorporated into liquors resulting from the production process). The growing interest in energy obtained from biomass

led the Group to set up an organizational unit at Portucel Soporcel Abastecimento dedicated to recovering forestry by-products for use internally and by other companies.

The Group made important progress in 2005 in improving power generation from biomass at all its industrial plants, and also in the use of forestry waste from plantations under its management, in addition to developing pioneering methods for exploiting tree stumps in projects for converting eucalyptus plantations.

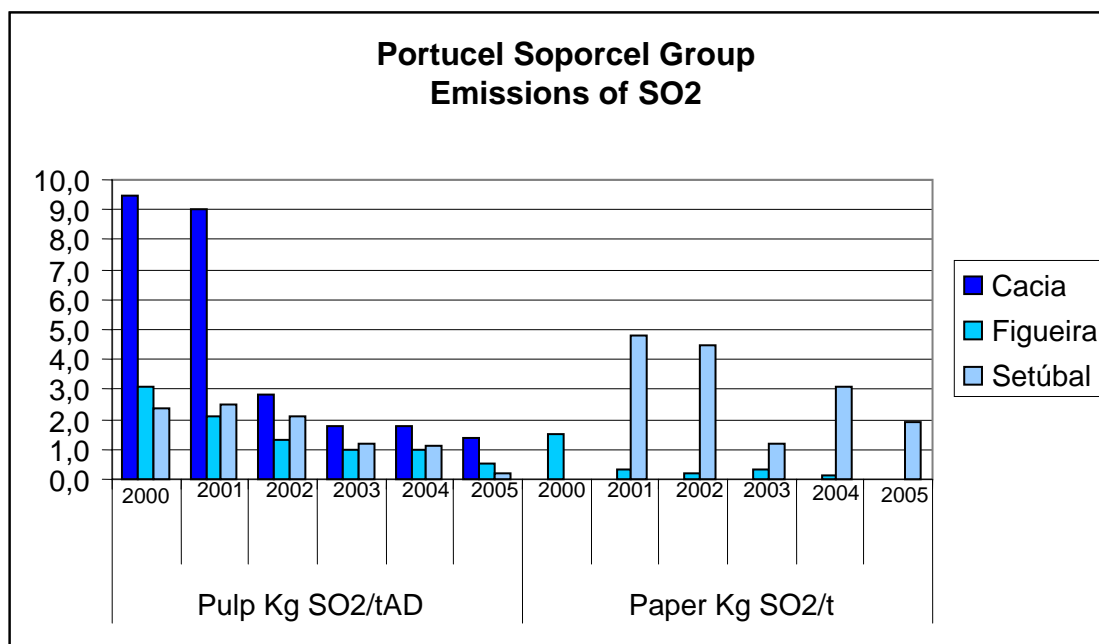
Environmental Performance

Environmental licenses were granted in 2005 for the Setúbal and Figueira da Foz industrial complexes, two and a half years after the legal deadlines, as the relevant environmental parameters recorded by the Group were at more favourable levels than those permitted by international directives in this area.

As the result of investment at all plants in reducing water use, consumption levels were significantly cut in 2005. Significant progress was also made on liquid effluents, thanks to the existence of better techniques for reducing pollutant loads at source, combined with a highly efficient treatment system for industrial effluents.

Gas emissions in 2005 were well below the legal limits. The best results were in emissions of particles and SO₂, which were significantly down on previous years, due to the new recovery boiler starting operation in Figueira da Foz and the installation of a new electro filter on the Setúbal recovery boiler.

In Cacia, in addition to notable progress on SO₂ emissions in relation to previous years, the situation as regards SO₂ and solid particle emissions will change radically at the start of 2006 with the start-up of the new recovery boiler.



The growing concern with waste management, with the emphasis on reuse and reduction of waste at source, has led all the plants to seek alternative measures and solutions, involving awareness raising aimed at all Group employees.

It should be noted that approximately 80% of waste deriving directly from production is reclaimed, either through re-use in the woodlands managed by the Group, through reintroduction into the production process, or else through use as an energy source (as in the case of cooking knots). The remaining 20% is sent to landfill sites or placed with external waste disposal organizations.

Management Systems

Major progress was made in 2005 towards certification within the Portucel Soporcel Group. In addition to certification of Safety Management Systems at the Figueira da Foz and Setúbal industrial complexes (on the basis of NP 4397 and OHSAS 18001), a process which will be extended to the Cacia plant in 2006, and the start-up of the forestry certification process, chain-of-custody certification was obtained for the Groups' three plants and external timber yards. This measure enables the group to guarantee control of the flow of fibrous materials (timber and pulp), from the forest to the end product.

As a result, the Group's systems now deal with quality, environment, safety and the chain of custody issues.

		2005			
		<i>Figueira Foz</i>	<i>Cacia</i>	<i>Setúbal</i>	<i>Timber Yards</i>
Certification	Quality	ISO 9001:2000	ISO 9001:2000	ISO 9001:2000	
	Environment	ISO 14001:1996	ISO 14001:1996	ISO 14001:1996	
	Safety	OHSAS 18001		OHSAS 18001	
	Chain of Custody	FSC-STD-40-004			
Accreditation	Laboratory	ISO/IEC 17025	ISO/IEC 17025	ISO/IEC 17025	

*Further
certification*

3.2.5.4. Energy

The Group recorded total power generation in 2005 of 991 GWh, the equivalent to the average consumption of 450 thousand inhabitants. In addition to this, further power was generated by Soporgen, S.A., a Group subsidiary, incorporated to supply additional steam and power for the PM2 paper machine at the Figueira da Foz complex, which also supplies power to the national grid. This company alone generated 417 GWh in 2005, the equivalent to the average consumption of 190 thousand inhabitants.

The power generated at the three industrial complexes, including Soporgen, makes the Portucel Soporcel Group more than self-sufficient in power for its industrial activities.

Approximately 90% of the power generated was obtained from forestry biomass and derivatives, in keeping with the Group's commitment to the use of renewable energy. This power is obtained through co-generation, combining electrical and thermal energy, in a process which is substantially more efficiency than the conventional process for generating electrical power alone.

Power generation from biomass in the Portucel Soporcel Group represented approximately 64% of the total power generated from this source in Portugal in 2005.

Bioenergy and fossil fuels

As we have already seen, the Portucel Soporcel Group is committed to reduction of greenhouse effect gases (GEG) for the sake of sustainability, and has made systematic efforts to minimize the use of fossil fuels and to adopt best practices in order to contain the effects of climate change resulting from the concentration of GEG.

The growing interest in the use of biomass as a power source has led the Group to invest heavily in this field since 2003, in order to improve energy efficiency and environmental performance, and also with a view to minimizing consumption of fossil fuels. The projects already concluded included the conversion of the biomass boilers at the Setúbal and Figueira da Foz complexes to fluidized bed technology, in addition to the fitting of new recovery boilers in Figueira da Foz and Cacia.

The Portucel Soporcel Group's financial efforts to minimize the use of fossil fuels resulted in a reduction of almost 29% in the use of fuel oil and natural gas in the period from 2002 to 2005.

In the case of the Figueira da Foz plant - which accounts for approximately 73% of all the paper produced by the Group – power consumption was reduced by 8.7% from 2002 to 2005, at the same time as steam consumption (thermal energy) was brought down by 4.7%. Specific energy consumption has also been reduced for other paper and pulp production in the Group.

3.2.5.5. Human Resources

Enhancing Skills

The sophisticated technology at the Portucel Soporcel Group's plants, the clear commitment to research and innovation, the quest for technical improvements to products, the quality of the sales team and optimization of the forestry management system are some of the key factors on which the skills and competence of the Group's human resources are built.

The Group's human resources policy is geared to continuous improvements in productivity through training and skills development, a policy which has gone hand in hand with efforts to rationalize and streamline staffing.

There was a reduction of 9.8% in the workforce in 2005, with a total of 1986 employees at the end of the year, of which 1957 were employed on permanent contracts. One significant aspect is that, despite this reduction, overtime was down by 28.5% on the previous year.

The Group's commitment to skilled human resources with specialised professional careers is also reflected in an improvement in the academic qualifications of the labour force: 55% have completed the 11th year of high school education (up by 3.3% on 2004) and 20.7% of employees have higher education qualifications.

Approximately 1000 training initiatives took place over the course of the year, representing a total of 69 thousand hours (1.8% of workable hours).

Significant efforts were also made in 2005 to improve safety at work, and there was a reduction in the accident rate.

It should be noted that the efforts made to contain costs in various operational areas had no effect on the Group's social benefits policy, and the Group continues to run schemes offering health, occupational medicine and retirement cover for employees.

3.2.5.6. Innovation

Create to add value

Innovation and quality are central elements of the Portucel Soporcel group's business strategy, and serve as essential tools in differentiating its products and services. Given that its leading position in the market has been achieved thanks to innovation, the Group created in 2005 a new division dedicated especially to innovation management.

The encouragement of innovation and the Group's active participation in research and development (R&D) projects for creating value has been visibly reflected in the market, in the Group's own brands and in products with a high level of value added, allowing them to stand out from the competition. The Portucel Soporcel Group's value chain is crucial to ensuring the maximum quality needed for positioning its brands in the premium category.

Significant innovations were made in production in 2005, with a more efficient eucalyptus stripping system and a project for reuse of knots rejected in cooking,, allowing for a better yield in pulp production.

In the marketing of paper, the Group has continued to extend its range and to introduce new forms of packaging for its brands and products. It has also worked on extending innovative forms of market segmentation, as clearly illustrated by the launch of Navigator Kids, a product aimed at a younger public, which transmits values connected with the preservation of the environment and the forest.

In the field of R&D, the Group's forestry and paper research institute, RAIZ, has worked on a significant number of research projects in the fields of industrial processes, environment and forestry, as well as providing consultancy and training.

RAIZ celebrated its 10th anniversary in 2005, and has established itself as a leading international institution. The genetic improvement of eucalyptus and improved forestry management practices are two areas where significant progress was made in 2005. RAIZ continued work in 2005 on developing new eucalyptus clones in order to increase productivity and improve pulp quality, and has worked on international projects at the highest level in this field.

The Portucel Soporcel Group's policy of differentiating its products through systematic investment in R&D and innovation was publicly recognized in 2005 by the award of the *Best of European Business* prize (for Portugal – organized by Roland Berger Strategy Consultants and The Financial Times) in the category of innovation in the "Large Corporations" segment. The prize was awarded as recognition of the fact that the Group has one of the most advanced production processes in the world, and markets high profile brands in the main international markets.

4. Human Resources

As reported for the operational areas, training initiatives were also organized within the holding company in 2005 in line with the Group's policy of developing and improving the professional skills of all its employees.

The total workforce of SEMAPA and the companies included in its consolidated accounts rose from 4 270 employees in December 2004, to 4 303 employees in December 2005.

5. Financial

5.1. Financing

The SEMAPA Group's Consolidated Debt

At the end of December 2005, the Group had total, net debt of 1,222 million euros, as compared with 2,105 million euros recorded at the end of December 2004.

The sharp reduction in the Group's consolidated debt was due: i) to the financial inflow obtained from the disposal of Enersis and the consequent repayment in full of loans to this company from Semapa; ii) to the elimination of Enersis' debt, which is no longer included in the consolidated accounts; and iii) the reduction in the net borrowing of the Secil and Portucel Soporcel Groups.

The Group's bank borrowing is expressed in Euros, except for loans taken out by Secil Group companies in Tunisian, which are expressed in local currency.

Secil Group

Secil's net debt was down by approximately 6 million euros in comparison with the end of the previous year, at 196 million euros at the end of December 2005.

Portucel / Soporcel Group

As already stated, the Portucel Soporcel Group radically restructured its debt in 2005, in order to increase maturities significantly, bringing its borrowing into line with the characteristics of its assets and activities. Bonds totalling 700 million euros were accordingly issued in 2005.

Net debt at 31 December 2005 totalled 736 million euros, down by 135 million euros from the figure recorded as at 31 December 2004.

Semapa and Instrumental Holdings

In March, in keeping with the respective contractual terms, the Semapa SGPS 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 350 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.

5.2. 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.

5.2.1. Exchange Rate Risk

Secil Group

The exchange rate risk associated with purchases of petcoke has been covered by taking out exchange rate options which set the maximum payable and allow the Group to benefit partially from any favourable evolution in exchange rates.

Portucel / Soporcel Group

The Group has contracted a number of financial instruments to hedge against exchange rate risks, especially in relation to the US dollar. The evolution in the USD exchange rate in 2005 caused an overall loss of 13 million euros on these hedges in 2005.

5.2.2. Price Risk

Portucel / Soporcel Group

Financial derivatives, including forwards, were used to manage the risk of fluctuating pulp prices in 2005.

5.2.3. Interest Rate Risk

The European Central Bank raised its leading rates in 2005, after a period of stability stretching back to June 2004. The main reference rate increased in December 2005 by 25 b.p. to 2.25%.

Secil Group

The Secil Group opted for a partial hedge against interest rate risk, through a structure of derivatives which sets a maximum value for financial charges on long term borrowing with staged repayments. Some of the Group's liabilities were maintained on a floating rate basis.

Portucel / Soporcel Group

The cost of almost all the financial borrowing taken out by this Group is indexed to short term reference rates – general 6 month rates for medium and long term borrowing. In order to deal with interest rate variations, the Group opted to fix rates for some of its medium and long term borrowing, and contracted interest rate swaps for this purpose.

At the end of 2005, approximately 49% of the Group's medium and long term borrowing was hedged against interest rate variations.

Semapa and Instrumental Holdings

In view of the variations in Semapa's net borrowing over the course of the year, it was decided to maintain this borrowing and that of its instrumental subsidiaries on a variable rate basis.

5.2.4. Credit Risk

Secil Group

The Group has followed a policy of taking out insurance policies for credit for the cement, ready-mixed and aggregates, and precast sectors, with cover tailored to the risk involved in each of these business areas.

Portucel Soporcel Group

In order to deal with this type of risk the Group has adopted a policy of maximizing hedges by taking out credit insurance. Sales which are not covered by credit insurance are subject to rules which assure that sales are made to clients with an appropriate credit record and that exposure is limited to pre-set and approved upper limits for each customer.

5.2.5. Other Risks

Secil Group and Portucel Soporcel Group

The liquidity risk is managed in order to ensure that financial borrowing has a large medium and long term components with maturities appropriate to the characteristics of the industrial sector in question. In addition, the Group has contracted credit facilities with financial institutions which are available at any time, with values which assure adequate liquidity.

Operating Risk Factors

The Group is exposed to a series of operating risk factors which are duly identified in the notes to the consolidated financial statements.

5.3. Pension Funds

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.

The relevant information on this matter with regard to the Secil and Portucel Soporcel Groups is duly set out in the notes to the consolidated financial statements.

In addition, it should be noted that the action brought by Secil against the Portuguese State, for compensation for the damages caused by incorrect assessment of the liabilities of the CMP pension fund contained in the confidential tendering documents provided in the privatization process for Secil and CMP, remains pending at the Lisbon administrative court, and no development has occurred since April 2000.

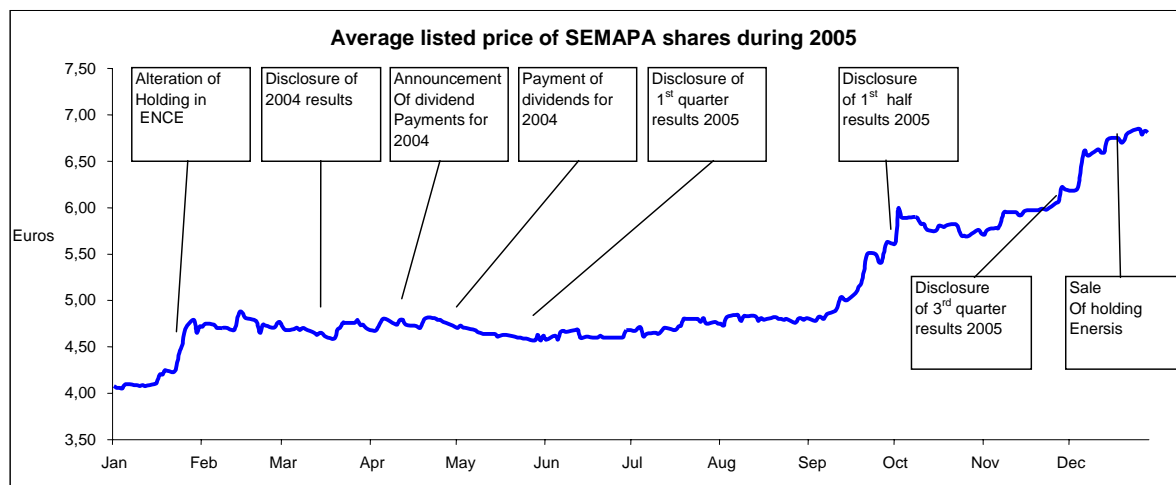
5.4. Listed Share Prices

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.

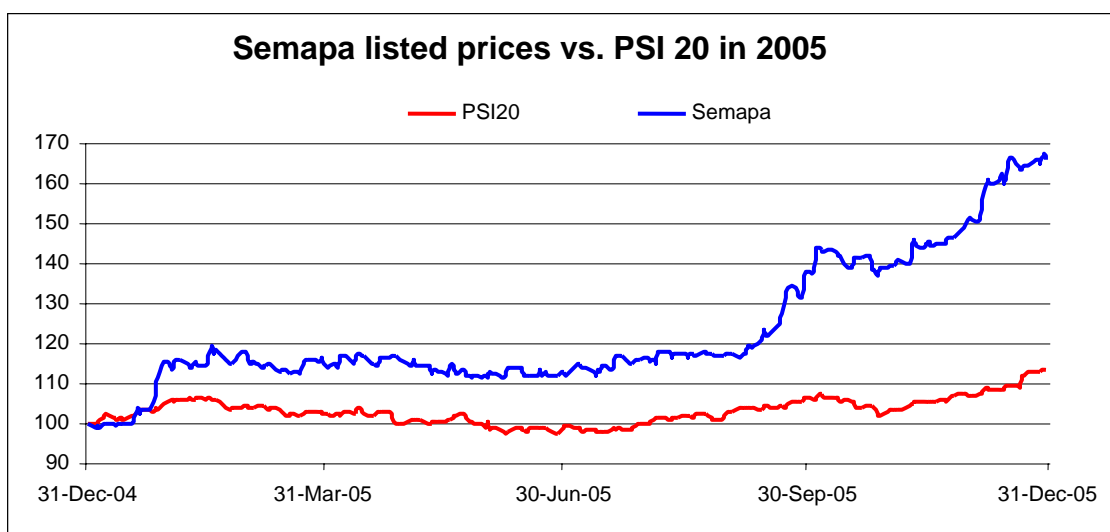
No adjustment in the share price took place at the session after disclosure of the 2004 results, on 15 March 2005.

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:



5.5. 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.

On 5 May 2005, Portucel paid dividends for the financial year of 2004 corresponding to EUR 0.0371 per share, totalling EUR 28 474 250. This represented an increase of 18% over the dividends paid in 2004.

By resolution of the General Meeting of Secil, held on 23 August 2005, interim dividends of EUR 15 972 105 were paid together with dividends from retained earnings of EUR 9 914 932. The Semapa Group received EUR 13 202 389 from these payments.

5.6. Net Profit for the Period

The Net Profit for the period, attributable to Semapa equity holders, was EUR 334 184 466.

6. 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.

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 woodfree paper (UWF). The new plant is expected to start production in the second half of 2008.

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

7. 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 wish to 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.

8. Proposal for Distribution of Profits

- Considering that the Company needs to maintain a financial structure compatible with sustained growth of its Group, in the various business areas in which it operates;
- Considering that in order for the Company to remain independent from the financial system, it needs to preserve levels of consolidated short, medium and long term indebtedness which allow it to maintain sound solvency indicators; and
- 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 Net Profit for the period, based on the individual net profit recorded by Semapa (determined under the POC rules, and in compliance with the Companies Code), of 329 817 303 euros, 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.

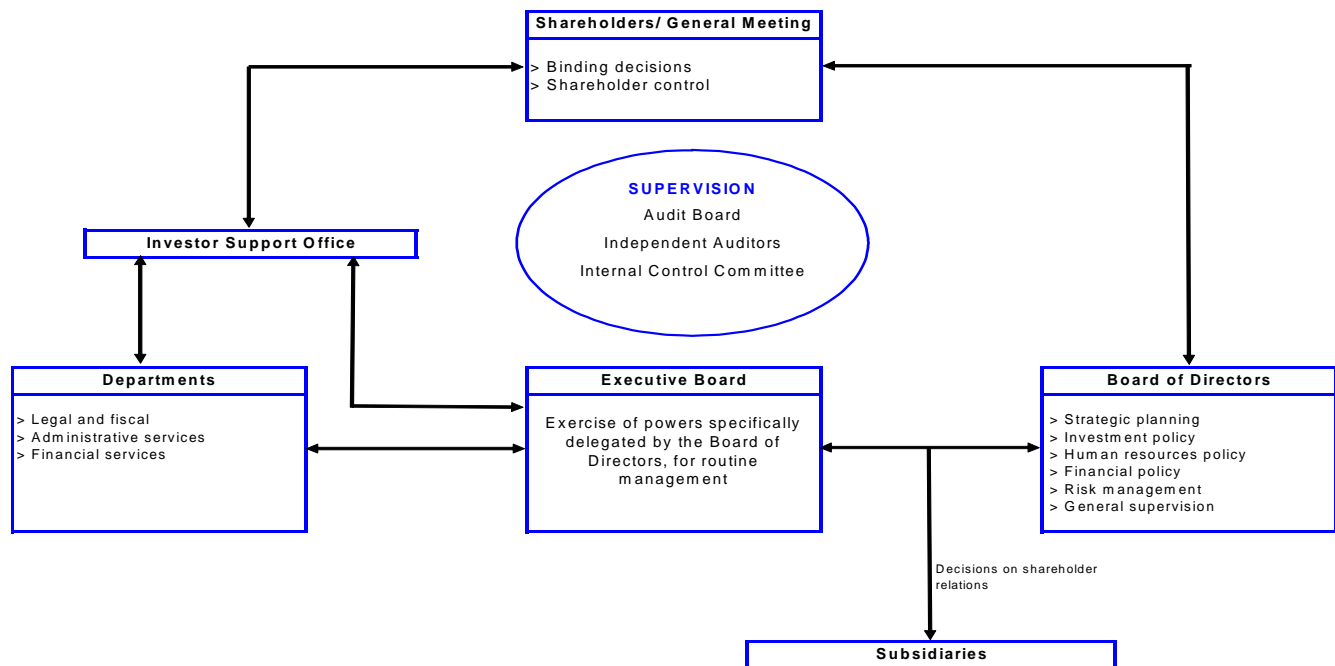
Recommendation nr. 11

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.

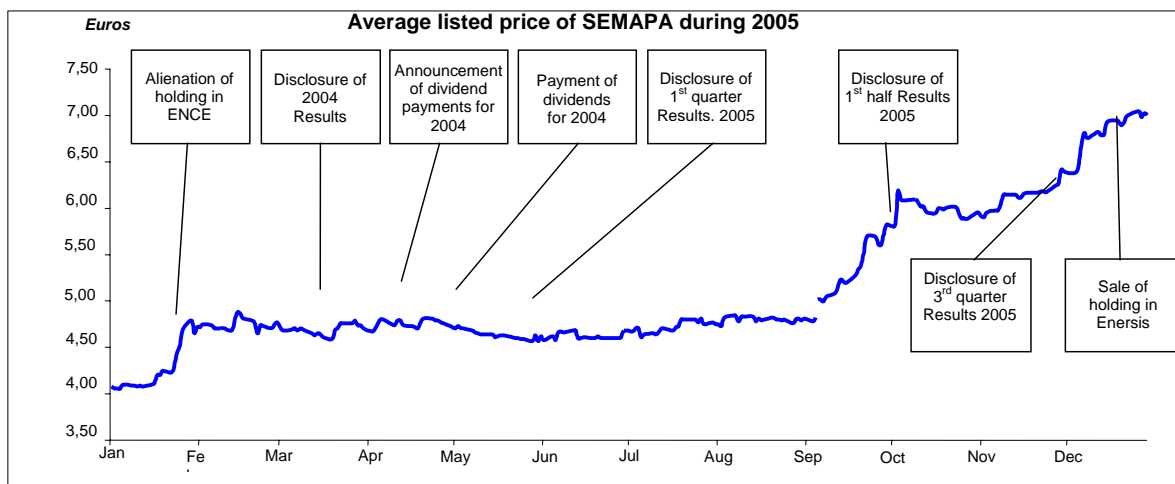
4. Listed share prices

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.

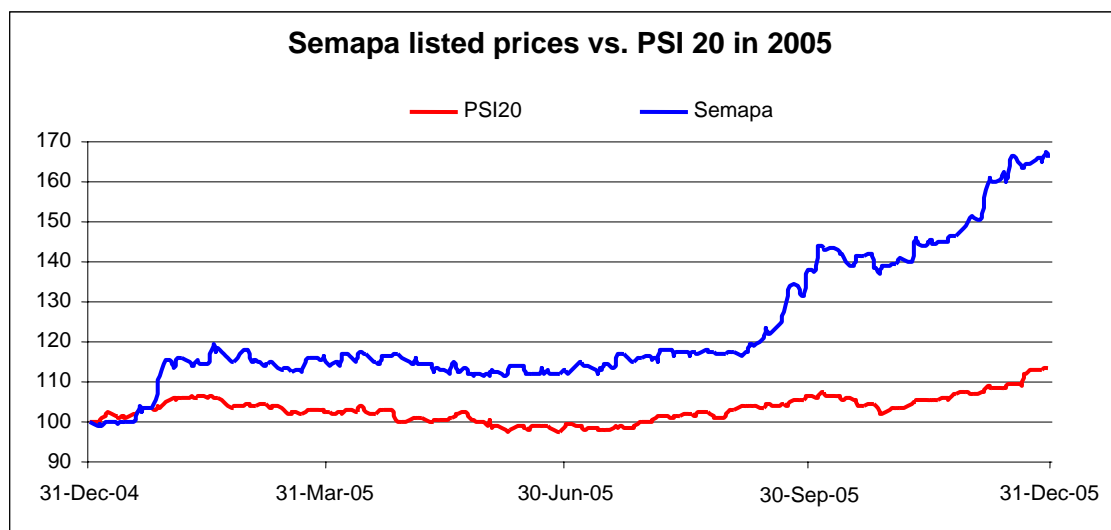
No adjustment in the share price took place at the session after disclosure of the 2004 results, on 15 March 2005.

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	% of non-suspended voting rights
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.



CONSOLIDATED
FINANCIAL STATEMENTS

DECEMBER 31, 2005 and 2004

CONSOLIDATED INCOME STATEMENT

AS OF DECEMBER 31, 2005 AND 2004

Amounts in €	Note	IFRS	
		2005	2004
Revenues	4		
Sales		1,487,474,720	716,823,947
Services rendered		42,240,217	19,953,185
Other income	5		
Gains on disposal of non-current assets		387,071,944	175,474,162
Other operating income		58,757,709	34,840,020
Costs	6		
Sold and consumed inventories		(461,440,124)	(221,605,204)
Consumed materials and services		(450,119,713)	(214,686,749)
Staff costs		(295,154,598)	(106,979,053)
Other costs		(41,951,466)	(50,311,035)
Depreciations, amortizations and impairment losses	8	(169,080,738)	(77,709,510)
Operating profit		557,797,951	275,799,763
Profit in associated companies	9	1,639,816	8,091,844
Net financial costs	10	(100,654,043)	(35,929,489)
Profit before tax		458,783,724	247,962,118
Income tax	11	(60,066,170)	(39,336,922)
Net profit for the year		398,717,554	208,625,196
Retained earnings for the year			
Attributable to Semapa's shareholders		334,184,466	189,419,074
Attributable to minority interests	13	64,533,088	19,206,122
Earnings per share			
Basic earnings per share (euros)	12	2.89	1.64
Diluted earnings per share (euros)	12	2.89	1.64

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2005 AND 2004

Amounts in €	Note	IFRS	
		2005	2004
Assets			
Non-current assets			
Goodwill	15	331,502,916	334,744,698
Other intangible assets	16	151,517,085	169,181,580
Property, plant and equipment	17	1,920,543,178	2,283,749,629
Investment properties	18	379,902	395,899
Biological assets	19	136,238,875	134,025,278
Investments in associated companies	20	46,138,309	44,315,520
Available-for-sale financial assets	21	18,584,241	24,211,343
Deferred tax assets	28	91,136,147	107,228,084
Other non-current assets	22	1,719,763	1,213,376
		2,697,760,416	3,099,065,407
Current assets			
Inventories	23	184,361,145	187,978,180
Receivables and other current assets	24	329,874,571	322,463,269
State and other public entities	25	48,297,866	93,423,121
Cash and cash equivalents	31	213,351,691	134,185,308
		775,885,273	738,049,878
Total Assets		3,473,645,689	3,837,115,285
Equity and liabilities			
Capital and reserves			
Share capital	26	118,332,445	118,332,445
Tresury shares		(10,399,412)	(10,399,412)
Share premiums		3,923,459	3,923,459
Fair value reserves & other reserves	27	268,279,247	108,226,550
Retained earnings		(15,511,390)	(23,358,682)
Retained earnings for the year		338,651,384	189,419,074
Shareholder's equity		703,275,733	386,143,434
Minority interests	13	543,277,105	497,906,933
Total equity		1,246,552,838	884,050,367
Non-current liabilities			
Deferred tax liabilities	28	316,973,322	287,993,188
Pensions and other post-employment benefits	29	156,819,936	68,675,324
Provisions	30	7,470,531	4,654,909
Interest-bearing liabilities	31	1,289,105,052	1,853,345,209
Other liabilities		1,885,288	5,493,915
		1,772,254,129	2,220,162,545
Current liabilities			
Interest-bearing liabilities	31	146,631,770	386,308,614
Payables and current liabilities	32	265,652,628	304,991,983
State and other public entities	25	42,554,324	41,601,776
		454,838,722	732,902,373
Total liabilities		2,227,092,851	2,953,064,918
Total equity and liabilities		3,473,645,689	3,837,115,285

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE YEAR

AS OF DECEMBER 31, 2005 and 2004

Amounts in €	IFRS	
	2005	2004
Fair value of derivative financial instruments	(2,367,180)	(1,182,324)
Fair value of available-for-sale financial investments	2,096,986	-
Actuarial gains and losses	(16,520,663)	(10,530,088)
Tax on items directly included in equity	5,194,157	3,220,913
Profit directly recognized in equity	(11,596,700)	(8,491,499)
Retained earnings for the year without minority interests	398,717,554	208,625,196
Total income and expenses recognized in the year	387,120,854	200,133,697
Attributable to:		
Semapa's shareholders	326,791,099	184,668,389
Minority interests	60,329,755	15,465,308
	387,120,854	200,133,697

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM JANUARY 1, 2004 TO DECEMBER 31, 2005

	Share capital	Treasury shares	Share premiums	Fair value and other reserves	Currency translation reserves	Retained earnings	Retained earnings for the year	Total	Minority interests	Total
Equity per Portuguese GAAP as of December 31, 2003	118,332,445	(10,399,412)	3,923,459	97,629,923	(11,707,344)	39,846,435	-	237,625,506	7,397,926	245,023,432
<i>Adjustments on transition</i>										
Write-off of intangible assets that do not meet IFRS definition	-	-	-	-	-	(809,731)	-	(809,731)	(42,429)	(852,160)
Write-off of deferred charges that do not meet IFRS definition	-	-	-	-	-	(1,532,109)	-	(1,532,109)	(22,371)	(1,554,480)
Recognition of "Negative goodwill"	-	-	-	-	-	517,195	-	517,195	-	517,195
Fair value of trading financial assets	-	-	-	-	-	21,797,108	-	21,797,108	-	21,797,108
<i>Currency translation:</i>										
- goodwill	-	-	-	-	(13,244,467)	950,372	-	(12,294,095)	-	(12,294,095)
- "fair value" adjustments	-	-	-	-	(18,254,118)	845,769	-	(17,408,349)	1,113,413	(16,294,936)
Impairment losses	-	-	-	-	-	(17,137,627)	-	(17,137,627)	-	(17,137,627)
Inclusion of Tecnosecil, S.A.R.L. in the consolidation perimeter	-	-	-	-	(238,442)	(2,428,042)	-	(2,666,484)	(1,064,129)	(3,730,613)
Inclusion of Enersis II in the consolidation perimeter	-	-	-	-	-	2,700,636	-	2,700,636	5,597,130	8,297,766
Change in tangible assets amortisation criteria	-	-	-	-	-	9,507,949	-	9,507,949	116,944	9,624,893
Transfer of accumulated currency translation reserves to retained earnings	-	-	-	-	43,444,371	(43,444,371)	-	-	-	-
Transfer of revaluation reserve to retained earnings	-	-	-	(8,986,163)	-	8,986,163	-	-	-	-
Gratifications over 2003 profit	-	-	-	-	-	(2,000,000)	-	(2,000,000)	-	(2,000,000)
Other adjustments	-	-	-	-	-	222,018	-	222,018	(15,920)	206,098
Equity per IFRS as of January 1, 2004	118,332,445	(10,399,412)	3,923,459	88,643,760	-	18,021,765	-	218,522,017	13,080,564	231,602,581
<i>Currency translation differences:</i>										
- Subsidiaries	-	-	-	-	(5,338,961)	-	-	(5,338,961)	(443,196)	(5,782,157)
- Associates	-	-	-	-	(460,595)	-	-	(460,595)	-	(460,595)
Sale of 49% of Secil subsidiary	-	-	-	-	-	-	-	-	163,316,051	163,316,051
Change in consolidation perimeter due to Portucel acquisition	-	-	-	-	-	-	-	-	306,488,206	306,488,206
<i>Application of net profit for 2003:</i>										
- Transfer to reserves	-	-	-	26,239,531	-	(26,239,531)	-	-	-	-
- Dividends paid	-	-	-	-	-	(11,833,245)	-	(11,833,245)	-	(11,833,245)
Changes in actuarial assumptions*	-	-	-	-	-	(3,893,500)	-	(3,893,500)	(3,740,814)	(7,634,314)
Dividends distributed to subsidiary Semin, SGPS, SA	-	-	-	-	-	272,797	-	272,797	-	272,797
Fair value of financial instruments*	-	-	-	(857,185)	-	-	-	(857,185)	-	(857,185)
Other movements	-	-	-	-	-	313,032	-	313,032	-	313,032
Net profit for the year	-	-	-	-	-	-	189,419,074	189,419,074	19,206,122	208,625,196
Equity as of December 31, 2004	118,332,445	(10,399,412)	3,923,459	114,026,106	(5,799,556)	(23,358,682)	189,419,074	386,143,434	497,906,933	884,050,367
<i>Currency translation differences:</i>										
- Subsidiaries	-	-	-	-	559,442	-	-	559,442	15,761	575,203
- Associates	-	-	-	-	1,536,541	-	-	1,536,541	2,013,787	3,550,328
Transfer of realised revaluations reserves	-	-	-	-	83,767	(83,767)	-	-	-	-
<i>Application of net profit for 2004:</i>										
- Transfer to reserves	-	-	-	156,957,153	-	19,445,352	(176,402,505)	-	-	-
- Dividends paid	-	-	-	-	-	-	(13,016,569)	(13,016,569)	-	(13,016,569)
Dividends paid by subsidiaries to minority interests	-	-	-	-	-	-	-	-	(22,053,053)	(22,053,053)
Changes in actuarial assumptions*	-	-	-	-	-	(7,311,324)	-	(7,311,324)	(4,666,157)	(11,977,481)
Fair value of financial instruments	-	-	-	(1,970,460)	-	-	-	(1,970,460)	(564,699)	(2,535,159)
Changes in fair value of available-for-sale financial assets	-	-	-	1,069,463	-	-	-	1,069,463	1,027,523	2,096,986
Change in consolidation perimeter	-	-	-	1,816,791	-	-	-	1,816,791	4,996,016	6,812,807
Dividends distributed to subsidiary Semin, SGPS, SA	-	-	-	-	-	300,683	-	300,683	-	300,683
Other movements	-	-	-	-	-	(36,734)	-	(36,734)	(14,996)	(51,730)
Net profit for the year	-	-	-	-	-	-	334,184,466	334,184,466	64,533,088	398,717,554
Equity as of December 31, 2005	118,332,445	(10,399,412)	3,923,459	271,899,053	(3,619,806)	(11,044,472)	334,184,466	703,275,733	543,194,203	1,246,469,936

CONSOLIDATED CASH FLOW STATEMENT

AS OF DECEMBER 31, 2005

Amounts in €	Notes	2005				
		Cement	Paper	Energy	Holding	Total
OPERATING ACTIVITIES						
Received from customers		526,489,106	1,035,443,745	45,253,552	-	1,607,186,403
Payments to suppliers		(304,751,209)	(651,584,896)	(12,217,301)	(2,853,989)	(971,407,395)
Payments to employees		(51,861,814)	(121,196,084)	(4,767,842)	(18,595,060)	(196,420,800)
Cash flow generated from operations		169,876,083	262,662,765	28,268,409	(21,449,049)	439,358,208
(Payments)/receipts from income tax		(16,539,082)	29,057,381	(3,493,400)	(1,515,683)	7,509,216
Other (payments)/receipts from operating activities		(99,382,934)	(17,300,030)	(1,687,977)	(2,418,741)	(120,789,682)
Cash flows from operating activities (1)		53,954,067	274,420,116	23,087,032	(25,383,473)	326,077,742
INVESTMENT ACTIVITIES						
Receipts relating to:						
Financial investments		5,044,839	-	1,739,490	434,330,536	441,114,865
Cash and cash equivalents per change in the perimeter		-	-	(16,579,171)	16,579,171	-
Property, plant and equipment		2,100,508	4,296,764	1,763,151	1,000	8,161,423
Subsidies to investment		-	1,065,397	533,911	-	1,599,308
Interest and similar income		815,726	2,273,541	152,243	504,361	3,745,871
Dividends		4,590,567	154,800	-	132,996	4,878,363
		12,551,640	7,790,502	(12,390,376)	451,548,064	459,499,830
Payments relating to:						
Financial investments		(12,798,035)	(335,806)	(10,857,855)	(6,000,000)	(29,991,696)
Property, plant and equipment		(48,746,390)	(85,602,428)	(193,578,412)	(678,705)	(328,605,935)
		(61,544,425)	(85,938,234)	(204,436,267)	(6,678,705)	(358,597,631)
Cash flows from investment activities (2)		(48,992,785)	(78,147,732)	(216,826,643)	444,869,359	100,902,199
FINANCING ACTIVITIES						
Receipts relating to:						
Borrowings		628,793,901	727,505,736	197,230,368	48,408,667	1,601,938,672
Capital increases and supplementary capital contributions		40,500	-	-	-	40,500
		628,834,401	727,505,736	197,230,368	48,408,667	1,601,979,172
Payments relative to:						
Borrowings		(581,083,830)	(843,246,600)	(194,191)	(407,012,480)	(1,831,537,101)
Leasing contracts		(214,710)	(47,931)	-	-	(262,641)
Interest and similar expense		(14,875,903)	(34,151,043)	(5,857,115)	(29,580,783)	(84,464,844)
Dividends		(11,279,522)	(9,368,405)	(292,624)	(12,716,492)	(33,657,043)
		(607,453,965)	(886,813,979)	(6,343,930)	(449,309,755)	(1,949,921,629)
Cash flows from financing activities (3)		21,380,436	(159,308,243)	190,886,438	(400,901,088)	(347,942,457)
CHANGES IN CASH AND CASH EQUIVALENTS (1) + (2) +(3)						
EFFECT OF DIFFERENCES IN EXCHANGE RATES		26,341,718	36,964,141	(2,853,173)	18,584,798	79,037,484
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		122,494	-	-	-	122,494
PROVISIONS FOR SHARES AND FINANCIAL APPLICATIONS		30,165,922	76,546,531	2,853,173	24,619,682	134,185,308
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	-	-	-	6,405	6,405
		56,630,134	113,510,672	-	43,210,885	213,351,691

CONSOLIDATED CASH FLOW STATEMENT

AS OF DECEMBER 31, 2004

Amounts in €	Notes	2004				
		Cement	Paper	Energy	Holding	Total
OPERATING ACTIVITIES						
Received from customers		497,939,979	242,242,196	34,628,264	-	774,810,439
Payments to suppliers		(282,355,928)	(203,786,669)	(4,144,000)	(4,742,679)	(495,029,276)
Payments to employees		(47,120,907)	(31,819,839)	(3,969,000)	(5,482,864)	(88,392,610)
Cash flow generated from operations		168,463,144	6,635,688	26,515,264	(10,225,543)	191,388,553
(Payments)/receipts from income tax		(19,421,545)	(6,866,438)	(5,167,000)	(645,363)	(32,100,346)
Other (payments)/receipts from operating activities		(51,348,255)	65,048,803	917,173	(4,655,468)	9,962,253
Cash flows from operating activities (1)		97,693,344	64,818,053	22,265,437	(15,526,374)	169,250,460
INVESTMENT ACTIVITIES						
Receipts relating to:						
Financial investments		316,940,187	22,837,642	4,160,000	329,713,446	673,651,275
Cash and cash equivalents per change in the perimeter						
Property, plant and equipment		5,823,579	1,851,574	84,000	38,410	7,797,563
Subsidies to investment		2,500,991	-	295,000	-	2,795,991
Interest and similar income		1,632,819	-	399,000	534,280	2,566,099
Dividends		14,311,543	244,512	-	31	14,556,086
		341,209,119	24,933,728	4,938,000	330,286,167	701,367,014
Payments relating to:						
Financial investments		(46,657,811)	(50,000)	(46,411,000)	(743,772,870)	(836,891,681)
Changes of perimeter in cash and cash equivalents		-	64,441,147	-	(64,441,147)	-
Property, plant and equipment		(48,792,114)	(14,515,838)	(167,472,000)	(71,298)	(230,851,250)
		(95,449,925)	49,875,309	(213,883,000)	(808,285,315)	(1,067,742,931)
Cash flows from investment activities (2)		245,759,194	74,809,037	(208,945,000)	(477,999,148)	(366,375,917)
FINANCING ACTIVITIES						
Receipts relating to:						
Borrowings		609,462,335	451,300,000	162,014,932	827,763,371	2,050,540,638
Subsidies and donations		56,516	-	-	-	56,516
Capital increases and supplementary capital contributions		63,602	-	25,415,000	-	25,478,602
		609,582,453	451,300,000	187,429,932	827,763,371	2,076,075,756
Payments relative to:						
Borrowings		(866,699,673)	(528,192,371)	-	(356,536,858)	(1,751,428,902)
Leasing contracts		(40,518)	(463,924)	-	-	(504,442)
Interest and similar expense		(10,001,247)	(8,521,657)	(9,294,010)	(29,646,631)	(57,463,545)
Dividends		(10,029,772)	-	(14,236,000)	(11,560,447)	(35,826,219)
		(886,771,210)	(537,177,952)	(23,530,010)	(397,743,936)	(1,845,223,108)
Cash flows from financing activities (3)		(277,188,757)	(85,877,952)	163,899,922	430,019,435	230,852,648
CHANGES IN CASH AND CASH EQUIVALENTS (1) + (2) +(3)		66,263,781	53,749,138	(22,779,641)	(63,506,087)	33,727,191
EFFECT OF DIFFERENCES IN EXCHANGE RATES		(158,495)	-	-	-	(158,495)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		99,066,939	-	2,139,736	(639,670)	100,567,005
PROVISIONS FOR SHARES AND FINANCIAL APPLICATIONS		-	-	-	(6,405)	(6,405)
CHANGES OF PERIMETER		53,006	-	-	3,006	56,012
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	165,225,231	53,749,138	(20,639,905)	(64,149,156)	134,185,308

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

(Translation from a report original issued in Portuguese)

(Amounts expressed in euros unless otherwise indicated)

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

Head office: Av. Fontes Pereira de Melo, 14, Lx

Share Capital: €118,332,445

N.I.P.C.: 502 593 130

Semapa leads an Enterprise Group with activities in two distinct business segments: cements and related products and pulp and paper developed respectively under the edge of Secil - Companhia Geral de Cal e Cimento, S.A. and Portucel - Companhia Produtora de Pasta e Papel, S.A., and respective subsidiaries.

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. and respective subsidiaries.

In December 2005, the Group disposed of its stake in Enersis II - Sociedade Gestora de Participações Sociais, S.A. through its subsidiary CMP B.V., representing 89.92% of the company's shareholder's equity.

Thus, the consolidated financial statements have to be analysed taking into consideration that assets and liabilities of this sub-group are no longer included in the balance sheet as of December 31, 2005, while the consolidated income statement considers 11 months of the subsidiary's income.

During 2004 and during the second stage of re-privatization of the share capital of Portucel, the Group acquired 67.1% of Portucel's capital. Since effective economic control is exercised only since October 2004, the consolidated profit of Portucel, between that date and year-end, was included in the Group's consolidated profit (referring to 2004 year) under the integral consolidation method.

The period comprised between June 1 and September 30, 2004 is presented in the consolidated income

statement under the equity method, integrating 30% of Portucel's profit in the specified period in the amount of €4,345,548.

In the analysis of the financial statements due consideration should be given to the fact that comparative information presented in the balance sheet as of December 31, 2004 includes all assets and liabilities from this subgroup, while the income statement only considers three months of the subsidiary's consolidated income.

The consolidated financial statements have been approved by the Board of Directors on March 7, 2006 and will be presented at the general shareholder's meeting on April 3, 2006.

1. Summary of main accounting policies

The main accounting policies applied in the preparation of the consolidated financial statements are set out below.

1.1 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS – formerly referred to as the International Accounting Standards - IAS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC) in force on the date of preparation of the mentioned financial statements.

The International Financial Reporting Standards (IFRS) have been adopted for the first time in 2005, so that the date of transition of Portuguese accounting principles to that standard was January 1, 2004, as established by IFRS 1 - First-time Adoption of the International Financial Reporting Standards.

The Group's consolidated financial statements for 2004 were prepared in accordance with accounting principles generally accepted in Portugal, which differ from the IFRS in certain areas. When preparing the attached financial statements, the Group made the necessary adjustments to the consolidated financial statements prepared in accordance with accounting principles generally accepted in Portugal, for the adoption of the IFRS.

The comparative figures shown for 2004 were restated in order to reflect those adjustments. The effects on the date of transition to IFRS (January 1, 2004) were shown under shareholders' equity and are itemized in the consolidated statement of changes in shareholders' equity and in Note 47, in which are equally explained the adjustments made to the latest annual financial statements (December 31, 2004).

The attached consolidated financial statements were prepared on the assumption of continuity of operations, from the accounting books and records of the companies included in the consolidation (Note 45), and based on historic cost, except for financial instruments and biological assets that are shown at fair value (Notes 19, 21 and 33).

The preparation of the financial statements requires the use of estimates and relevant judgments when implementing the Group's accounting policies. The principal assertions involving a higher degree of judgment or complexity, or the most significant estimates and assumptions for the preparation of the mentioned financial statements are disclosed in Note 3.

1.2 Changes in accounting policies

During the year, there were no changes in accounting policies or adjustments for material errors in prior years, apart from the adoption of the new accounting standards (IFRS), as shown in detail in Note 47 and in the change regarding the recognition of actuarial gains and losses in Note 1.31.1.

1.3 Basis of consolidation

1.3.1 Subsidiaries

Subsidiaries are all entities over which the Group has the power of decision on all financial and operating policies, generally accompanying a shareholding of more than 50% of voting rights. The existence and the effect of potential voting rights, whether exercisable or convertible are taken into consideration when it is determined whether the Group exercises control over another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date on which control ceases.

On the consolidated balance sheet, the shareholders' equity and net earnings of these companies that are attributable to the holdings of third parties are shown in shareholders' equity and consolidated income statement under the minority interest headings. Companies included in the consolidated financial statements are disclosed in Note 45.

In order to account for the acquisition of subsidiaries by the Group, the purchase method is used. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on acquisition date, irrespectively of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill, as shown in Note 15.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired (negative goodwill), the difference is recognised directly in the income statement in the caption "Other operating income".

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are equally excluded unless the transaction provides evidence of an impairment of the asset transferred.

Certain financial investments in subsidiaries, that are considered immaterial, are recorded by the equity method under the caption "Investments in associated companies" and are disclosed in Note 46.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1.3.2 Associates

Associates are all entities over which the Group has significant influence but no control, generally representing a stake between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method.

According to the equity method, financial holdings are recognised at acquisition cost, adjusted by the amount corresponding to the Group's share of changes in shareholders' equity (including net profit) of the associates, as an offset to the profits or losses of the period, and dividends received.

The difference between the acquisition cost and the fair value of the assets and liabilities attributable to the associate on acquisition date, is – if positive - recognized as goodwill and registered as an investments in associates. If negative, goodwill is recorded as income for the year under the caption "Profit in associated companies".

Investments in associated companies are subject to valuation if there is evidence that the asset could be impaired; the impairment losses equally existing under this caption are then recorded as costs.

When impairment losses recognized in prior periods cease to exist, they are subject to reversal.

When the Group's share of losses in an associate equals or exceeds its investment in the associate, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains in transactions with associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

The accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The investments in associates are disclosed in Note 20.

1.3.3 Joint Ventures

A joint venture is the joining of two or more corporate bodies to conduct a specific business enterprise. A joint venture is similar to a partnership in that it must be created by agreement between the parties to share in the losses and profits of the venture.

The jointly controlled entities are included in the consolidated financial statements under the proportional consolidation method, indicating line after line assets, liabilities and income and expenses of the jointly controlled ventures.

1.4 Segmental reporting

A *business segment* is a group of assets and operations of the Group representing risks and returns that differ from those of other business segments.

Three business segments have been identified: pulp and paper, cement & derivatives and energy, in the last case comprising the period between January 1 and November 30, 2005.

Pulp and Paper

Portucel – Empresa Produtora de Pasta e Papel, S.A. is the subsidiary acquired in 2004, that leads the Enterprise Group dedicated to the production and sale, in Portugal as well as in Germany, Spain, France, Italy, United Kingdom, Netherlands, Austria, among other of small relevance, of cellulose pulp and paper and its related products purchase of wood, forest and agricultural production, cutting timber and sale of pulp and paper, activities developed in Portugal mainly by itself and its subsidiaries Soporcel – Sociedade Portuguesa de papel, S.A. and Portucel Florestal, S.A., among others.

Cement and derivatives

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

Energy

Enersis II - Sociedade Gestora de Participações Sociais, S.A. operates mini hydro power stations in Portugal and Spain and operates wind farms in Portugal, Spain and France, producing electric power. The Group disposed of this segment in December 2005.

A *geographic segment* is an individual area supplying products and services in a particular economic environment, subject to risks and benefits, different from those in other economic environments.

Accounting policies for the breakdown per segment are consistent with the Group's policies. All inter-segmental sales and services rendered are marked to market and eliminated in the consolidation process.

The segment information is disclosed in Note 4.

1.5 Foreign currency translation

1.5.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency.

1.5.2 Balances and transactions expressed in foreign currencies

All Group's assets and liabilities expressed in foreign currencies have been converted to euros at official exchange rates on balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement for the year.

1.5.3 Group companies

Income and financial position of Group entities that have a different functional currency are converted into the disclosure currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

(ii) Income and expenses for each income statement are translated at the average exchange rate (unless this average exchange rate is not a reasonable approximation of the cumulative effect of rates prevailing on transaction dates, in which case the income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised as a separate equity component, under the caption "Currency translation reserves".

1.6 Intangible assets

Intangible assets are recognised at acquisition cost, less amortization by the straight-line method over a

year varying between 3 and 5 years and impairment losses.

Trademarks and intellectual property that have an indefinite useful life are not subject to amortization but are annually tested for impairment.

1.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and liabilities of the acquired subsidiary/associate at the date of acquisition.

Goodwill is not amortized and is tested annually for impairment. Impairment losses relative to goodwill cannot be reversed.

Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to that entity.

1.8 Property, plant and equipment

Property, plant and equipment acquired up to January 1, 2004 (date of transition to IFRS) are recorded at cost, or acquisition cost (revaluated) in accordance with accounting principles generally accepted in Portugal up to that date, less depreciation and accumulated impairment losses.

As regards the subsidiaries CMP, Société des Ciments de Gabés (SCG), Portucel and Soporcel, costs of tangible assets at acquisition date of these subsidiaries resulted from an independent economic evaluation.

Property, plant and equipment acquired after transition date are shown at cost, less depreciation and impairment losses. Acquisition cost includes all expenditures directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, in case that future economic benefits are probable and the respective cost can be reliably measured. All other repair and maintenance costs are recognized in the income statement in the period they occurred.

Depreciation is calculated at acquisition cost, using the straight-line method from the date the asset is put into operation, at rates that best reflect their estimated useful life, as follows:

	Average years of useful life
Land	14
Buildings and other constructions	12 – 30
Equipment:	
Machinery and equipment	6 – 25
Transportation equipment	5 - 9
Tools and utensils	2 - 8
Office equipment	4 - 8
Returnable containers	6
Other property, plant and equipment	4 - 10

The assets' residual values and useful lives are reviewed and adjusted at each balance sheet date. In case the assets' carrying amount exceeds the recoverable value of the asset, the difference to its estimated recoverable value is recorded as impairment loss (Note 1.10).

Gains or losses arising from write-downs or disposals are determined by the difference between the proceeds of disposals and the asset's book value and are recognized in the income statement as other operating income or costs.

1.9 Investment properties

Investment properties are measured at acquisition cost less depreciation and impairment losses, being the cost for those acquired up to January 1, 2004 (date of transition to IFRS) the historical acquisition cost, or the revalued cost in accordance with generally accounting accepted principles in Portugal up to that date.

1.10 Impairment of non-current assets

Non-current assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less any expenses related to the sale and its useful amount. For impairment testing purposes, assets are classified at the lowest level for which cash flows can be separately identified (cash generating units), if not possible to do so for each asset on an individual basis.

Impairment losses recognized in prior periods are reversed when there is evidence that these impairment losses no longer exist or decreased. (Except for goodwill impairment – see Note 1.7).

This analysis is performed whenever there is evidence that the impairment loss previously recognised has been reversed. The reversal of impairment losses is recognised in the income statement under the caption "Other operating income", unless the asset has been subject to revaluation, under which case the reversal would represent an increase in the revaluation amount. However, an impairment loss is only reversed up to the amount that would have been recognized (net of amortization or depreciation) if impairment had not been recognized in prior years.

1.11 Biological assets

Biological assets are measured at fair value, less estimated costs of sale at time of felling. The Group's biological assets comprise the forests held for the production of timber.

When calculating the fair value of the forests, the Group used the discounted cash flows method, based on a model which was developed in house, taking into account assumptions about the nature of the valued assets, namely, the expected yield of the forests, the timber selling price deducted by costs relating to felling and transportation, and also considering plantation and maintenance costs and a discount rate. A market discount rate (5,5%) was used having been determined based on the Group's expected rate of return on its forests.

The forests fair value is recognised as cost of sale at time of felling.

Fair value adjustments resulting in changes in estimates of growth, logging period, price, cost and other assumptions are recognized as operating income/ (costs).

At the time of felling, the wood is recorded at fair value less estimated costs at point of sale.

1.12 Financial investments

The Group classifies its investments in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

All acquisitions and disposals of these investments are recognised on the date of signature of the respective contracts of purchase and sale, regardless of the date of settlement.

Investments are first recognised at their acquisition cost; the fair value is equal to the price paid, including transaction costs. Thereafter, measurement will depend on the caption in which the investment is placed, as follows:

Loans and receivables

Loans granted and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturity greater than 12 months after the balance sheet date. These are classified as non-current assets.

Loans granted and receivables are included in Receivables and other current assets in the balance sheet.

Financial assets at fair value through profit and loss

This caption has two sub-categories: financial assets held for trading, and those designated at fair value

through profit or loss at inception. A financial asset is classified under this caption if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current if they either are held for trading or are expected to be realised within 12 months of the balance sheet date. These assets are measured at fair value through the income statement.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets, with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Investments in this category are recorded at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any other categories. They are included in non-current assets, unless management intend to dispose of the investment within 12 months of the balance sheet date (Note 21).

These financial investments are recognised at market value, as quoted on balance sheet date. If the market of a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash-flows analysis and option pricing models refined to reflect issuer's specific circumstances.

Potential capital gains and losses thus resulting are recorded directly in fair value reserves until the financial investment is sold, received, or disposed of in any way, at which time the accumulated gain or loss formerly reflected in shareholders' equity is taken to the income statement (Note 27).

If there is no market value or if it is not possible to determine one, the investments in question are held at acquisition cost. They are provisioned against loss of value when justified.

The Group assesses at each balance sheet date whether there is objective evidence that the financial asset or group of financial assets is impaired. If a prolonged decline in fair value of the available-for-sale financial assets takes place, the cumulative loss – measured as the difference between acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement.

A recognised impairment loss on available-for-sale financial assets is reversed if the loss was caused by specific external events of an exceptional nature that are not expected to recur but which subsequent external events have reversed; under these circumstances, reversal does not affect the income

statement, the asset's subsequent positive fluctuation thus being taken to the fair value reserves.

1.13 Derivative financial instruments

The Group uses derivative financial instruments with the aim of managing the financial risks to which it is exposed.

Whenever expectations of changes in interest or exchange rates so justify, the Group seeks to hedge against adverse movements through derivative instruments, such as interest rate swaps (IRS), caps and floors, forwards, etc.

In the selection of derivative financial instruments, it is their economic aspects that are the main focus of assessment.

Transactions that qualify as cash-flow hedges are recognised in the balance sheet at fair value. To the extent that they are considered efficacious hedges, changes in the fair value of IRS are initially recorded as an offset to shareholders' equity and subsequently reclassified under the caption "net financial income - Commissions and losses in financial instruments".

Accordingly, in net terms, costs associated with hedged financings are accrued at the inherent hedging transaction rate contracted. Gains or losses arising from the premature rescission of this type of instrument are taken to the income statement at the time they arise.

Although the derivatives contracted by the Group represent effective instruments for the coverage of business risks, not all of them qualify as hedging instruments in accounting terms to satisfy the rules and requirements of IAS 39. Instruments that do not qualify as hedging instruments in accounting terms are stated on the balance sheet at fair value and changes are recognized in "Commissions and losses in financial instruments" (Note 10).

Whenever possible, the fair value of derivatives is estimated on the basis of quoted instruments. In the absence of market prices, the fair value of derivatives is estimated through the discounted cash-flow method and option valuation models, in accordance with prevailing market assumptions. The fair value of the derivatives financial instruments is included essentially in Receivables and other current assets and Payables and other current liabilities.

1.14 Income tax

Income tax includes current and deferred taxes. Current income tax is determined on the basis of net profit, adjusted in accordance with tax law prevailing on balance sheet date.

Deferred tax is calculated on the basis of the liability shown on the balance sheet, on temporary differences between the book value of assets and liabilities and the respective tax base. To determine the deferred tax, the

tax rate used is that expected to prevail in the period during which the temporary differences will be reversed.

Deferred taxes are recognised as assets whenever there is a reasonable assurance that earnings will be generated in the future, against which they can be used. Deferred tax assets are reviewed periodically and revised downwards whenever it no longer appears probable that they can be used.

Deferred taxes are recorded as a cost or profit for the period, except if they arise from amounts recorded directly in the equity, in which case the deferred tax is also recorded under the same heading.

1.15 Inventories

Inventories are valued according to the following criteria:

i) Goods and raw materials

Goods and raw materials are valued at the lower of acquisition cost and net realizable value. Acquisition cost includes expenses incurred up to arrival of goods at the warehouse, using the weighted average cost as the cost method.

ii) Finished and intermediate products and work in progress

Finished and intermediate products and work in progress are valued at the lower of production cost (which includes the cost of raw materials, labour and general factory costs, based on the normal production level) and the net realizable value.

The net realizable value represents the estimated selling price less estimated finishing and marketing costs. Differences between cost and net realizable value, if lower, are recorded as sold and consumed inventories.

1.16 Receivables and other current assets

Receivables and other current assets are recorded at nominal value less impairment losses necessary to place them at their expected net realizable value. (Note 24)

Impairment losses are recorded when there is objective evidence that the Group will not receive all amounts owed in accordance with the original conditions of the respective credit sale.

1.17 Cash and cash equivalents

The cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term investments with original maturities of 3 months or less, which can be mobilized immediately without any significant risk of fluctuations in value. For the purposes of the cash flow statement, this heading also includes bank overdrafts, which are shown within Interest-

bearing liabilities in current liabilities on the balance sheet.

1.18 Share capital and treasury shares

Ordinary shares are classified as equity. (Note 26)

Incremental costs directly attributed to the issue of new shares or other equity instruments are shown in equity as a deduction, net of tax, from the value received as a result of the issuance.

Costs directly imputable to the issuance of new shares or options, for the acquisition of a business are included in the acquisition costs, as a part of the value of the acquisition.

When a Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the holding's shareholders until the shares are cancelled, reissued or disposed of.

When such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's shareholders under reserves.

1.19 Interest-bearing liabilities

Interest-bearing liabilities are recognized initially at fair value, net of transaction costs incurred. Interest-bearing liabilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the debt, using the effective interest rate method.

Interest-bearing liabilities are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. (Note 31)

1.20 Borrowing costs

Borrowing costs are generally recognized as financial costs, in accordance with the accrual principle. (Note 10)

Borrowing costs directly related to the acquisition, construction, or fixed assets production, are capitalized, to form part of the asset's cost.

Capitalization of these charges begins once preparations are started for the construction or development of the asset and is suspended after its utilization begins or when the respective project is suspended.

Any financial income generated by loans that are directly associated with a specific investment is subtracted from financial charges eligible for capitalization.

1.21 Provisions

Provisions are recognised whenever the Group has a present legal or constructive obligation, as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions for future operating losses are not recognised. Provisions are reviewed on balance sheet date and are adjusted to reflect the best estimate at that date. (Note 30)

The Group incurs expenditure and assumes liabilities of an environmental nature. Accordingly, expenditures on equipment and operating techniques that ensure compliance with applicable legislation and regulations (as well as on the reduction of environmental impacts to levels that do not exceed those representing a viable application of the best available technologies, on those related to minimizing energy consumption, atmospheric emissions, the production of residues and noise, those established for the execution of plans for environmental rehabilitation are capitalized when they are intended to serve the Group's business in a durable way, as well as those associated with future economic benefits and which serve to prolong life expectancy, increase capacity or improve the safety or efficiency of other assets in Group ownership. (Notes 30 and 36)

Furthermore, the lands used in the exploitation of quarries must be restored to their original state in environmental terms, being the Group's practice to restore spaces freed up by quarries on a continuing and progressive basis, recognizing in the income statement during that same period the expenditures made. With quarries that can only be restored when exploitation ceases, the Group has requested independent and specialized entities to evaluate those liabilities, as well as the estimated period of exploitation, having recognized for this purpose a provision under the Provision heading (Note 30).

1.22 Pensions and other employee benefits

1.22.1 Pension obligations – defined benefit plans

Some Group subsidiaries have undertaken the responsibility to make payments to their employees under the heading of retirement pension supplements covering oldness, disability, early retirement and survivors' benefits, setting up defined benefit pension plans.

As mentioned in Note 29, the Group has set up autonomous pension funds as a way to finance in part its liabilities for those payments.

In accordance with IAS 19, companies with pension plans recognise the costs of providing these benefits

pari passu with the services provided by the beneficiaries in their employment.

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

Past service costs resulting from the implementation of a new defined benefit plan, or increases in benefits attributed under an existent defined benefit plan are recognised immediately in situations where the benefits are to be paid or are vested.

The liability thus determined is disclosed in the balance sheet, less the market value of the set funds set up under the Pensions and other post-employment benefits heading in non-current liabilities.

Actuarial gains and losses arising from the differences between the assumptions used for the purpose of determining liabilities and those which effectively occurred (as well as of changes made to those actuarial assumptions and the difference between the expected return on the assets of the funds and their actual yield) are recognized when incurred, directly in equity (see Note 1.31.1).

Gains and losses generated by a curtailment or settlement of a defined benefit pension plan are recognised in the income statement when occurred.

A curtailment occurs when there is a material reduction in the number of employees or when the plan is modified in a way that allocated benefits are materially decreased.

1.22.2 Other post-employment benefits

In addition, the Group provides the following post-employment benefits:

Benefits on retirement and death

CMP – Cimentos Maceira e Pataias, S.A., a subsidiary assumed the liability to pay its employees (i) an oldness retirement or disability benefit, which represents three months of the last wage received and (ii) an allowance in the event of the active worker's death, equal to one month of the last wage received.

Long service award

Two subsidiaries, namely Secil – Companhia Geral de Cal e Cimento, S.A. and CMP – Cimentos Maceira e Pataias, S.A. made the following commitments to their workers to pay bonuses: at Secil to those attaining 25, 35 and 40 years of seniority; at CMP, to those attaining 20 and 35 years of seniority, calculated according to their base monthly remuneration, multiplied by 3.

Healthcare benefits

Secil – Companhia Geral de Cal e Cimento, S.A. and CMP – Cimentos Maceira e Pataias, S.A., provide their

employees with an healthcare benefit plan of a supplementary nature Health and Social Security system, which covers family members, retirees and widows. Under this scheme, the costs of certain health care are shared: (i), at Secil, through health insurance contracted by the company and (ii), at CMP, through “Cimentos – Federação das Caixas de Previdência”, for covered workers, as well as, subject to the prior approval of the company's medical services, for the remaining workers.

Bonuses

Some Group companies contemplate in their by-laws the distribution to their workers of a portion of the net profit. In this way, the Group recognizes the amount of those, which are over and above those provided by the State's responsibilities as a liability by offset to the income statement for the respective year, when there is a contractual or constructive obligation based on past practice.

1.22.3 Holidays and holiday allowances

In accordance with prevailing legislation, workers are entitled to 25 days holiday each year, as well as one month of holiday allowances, the right to which is acquired in the year preceding payment. Hence, these liabilities are recorded in the period during which workers acquire the respective entitlement, irrespective of the date of payment, and the balance to be paid as of balance sheet date is shown under the Payables and other current liabilities heading.

1.23 Payables and other current liabilities

The amounts of Payables and other current liabilities are stated at their nominal value. (Note 32)

1.24 Government grants

Grants from the Government are recognised when it becomes certain that the grant will be received and the Group will comply with the respective conditions and that the same will be received.

Grants received for the purpose of compensating the Group for costs incurred, are recorded systematically on the income statement during the periods in which the costs that those grants are intended to cover are recognised.

Grants related to biological assets carried at fair value, in accordance with IAS 41, are recognised in the income statement when the terms and conditions of the award of the grant are met.

Government grants that the Group receives to compensate it for capital expenditures are shown under the Payables and other current liabilities heading and are recognised in the income statement under the other operating income heading throughout the estimated useful life of the related subsidized asset.

1.25 Leases

Property, plant and equipment acquired under financial leases, as well as the respective liabilities are booked by the financial method. Under this method, the asset is recorded under the Property, plant and equipment heading, the respective liability is recorded in liabilities under the Interest-bearing liabilities heading; the interest component of lease payments and depreciation of the asset calculated as described in Note 1.8. are recognised as costs of the respective period.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor, the Group being the lessee, are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on the straight-line basis over the period of the lease.

1.26 Dividends distribution

Dividend distribution to Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders, up to the time of payment.

1.27 Revenue recognition and the accrual basis

Income from sales is recognised in the consolidated income statement when the risks and benefits inherent to the ownership of the respective assets are transferred to the purchaser and the income can be reasonably quantified. Sales are recognized net of taxes, discounts and other costs inherent to completion, at the fair value of the sum received or receivable.

Income from services rendered is recognised in the consolidated income statement by reference to the phase of fulfilment of service contracts at balance sheet date. Dividend income is recognised when the owners or shareholders entitlement to receive payment is established.

Interest receivable is recognised according to the accrual principle, taking into account the amount owed and the effective interest rate during the period to maturity.

Group companies record their costs and income according to the accrual principle, so that costs and income are recognised as they are generated, irrespective of the time at which they are paid or received.

The differences between amounts received and paid and the respective costs and income are stated under the Receivables and other current assets and Payables and other current liabilities headings (Notes 24 and 32 respectively).

1.28 Contingent assets and contingent liabilities

Contingent liabilities relative to which an outflow of funds to the detriment of future economic benefits is only possible are not recognised in the consolidated financial statements; they are disclosed in the notes to the financial statements unless the possibility of an actual outflow of funds is a remote one, in which case they are not disclosed. Provisions against liabilities that satisfy the conditions foreseen in Note 1.21 are recognised.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed in the notes to the consolidated financial statements when a future economic benefit is probable.

1.29 CO2 emission licences

Group's emissions of CO2 and the CO2 emission licenses allocated free of charge to the Group under the National Plan for the Allocation of CO2 Emission Licenses, do not originate any accounting record, as long as there is no prediction of the probable existence of costs to be incurred by the Group with the acquisition of emission licenses in the market, which would then require a provision and those licenses are not sold.

1.30 Subsequent events

Events subsequent to balance sheet date that provide additional information of conditions existing at balance sheet date are reflected in the consolidated financial statements.

Events subsequent to balance sheet date that provide information on conditions that arose after balance sheet date are disclosed in the notes to the consolidated financial statement, if material.

1.31 New IFRS and IFRIC with no mandatory adoption as of December 31, 2005

1.31.1 Changes to IAS 19

On December 16, 2004, IASB issued an amendment to IAS 19, introducing an option regarding the recognition of actuarial gains and losses of defined benefit plans. This change, that will allow to directly recognise actuarial gains and losses under an equity caption outside net income, was adopted by the European Union in the second half of 2005, in accordance with the European Commission regulation n° 1910/2005, of November 8.

The Group adopted this amendment, thus, directly recognising actuarial gains and losses under equity, in retained earnings, retrospectively as of January 1, 2004. The impacts regarding the years ending December 31, 2005 and 2004 are disclosed in the statement of recognised consolidated income and expense for the year.

1.31.2 Interpretation of IFRIC 4

The European Commission regulation nº 1910/2005, of November 8 also adopts the interpretation of IFRIC 4 – Determining whether an arrangement contains a lease, giving an orientation of how to evaluate if an agreement contains a lease, effective from January 1, 2006. The Group decided not to preliminarily adopt this interpretation.

In case of early adoption, the impacts in the consolidated financial statements for the year ended December 31, 2005 would give rise to the application of the IFRIC 4 to the agreement regarding the supply of electric energy made by the subsidiary Soporcel with Soporgen (company in which the Group holds a 8% stake), company of the co-generation of EDP Group founded in 1999, with the purpose of ensuring the supply of electric energy to the subsidiary as follows:

- Increase in total net assets, in the amount of €27,409,750;
- Increase in liabilities (other current liabilities) in the amount of €30,065,568;
- Decrease in net income of the year in the amount of €234,874 (of which €77,283 attributable to minority interests);
- Decrease in total equity in the amount of €2,655,818 (of which €873,870 attributable to minority interests).

The above mentioned impacts correspond to the recognition of the assets allocated to the contract under the form of a finance lease in the Group's consolidated financial statements.

1.31.3 Other directives/interpretations issued or changed

In addition, European Commission regulation nº1910/2005 of November 8 adopted IFRS 6 – Exploration and Evaluation of Mineral Resources and IFRIC 5 – Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds and introduced changes to IAS 39 – Financial Instruments (Recognition and Measurement), whose application is not mandatory as of December 31, 2005. Up to date, the Group has not adopted these new directives or changes to directives already in force, nor would their application have a material impact in the present financial statements.

2. Financial risk management

2.1 Financial risk factors

The Group's activities are exposed to a variety of financial risk factors: foreign exchange risk, price risk, interest rate risk, credit risk and liquidity risk. The Group maintains a program for the management of risk which centres its attention on the financial markets and seeks to minimize the potential adverse effects on its financial performance.

Risk management falls within the domain of the *holding* and main subsidiaries finance departments in accordance with policies approved by the board of directors. The financial department assesses and covers financial risks in close collaboration with the Group's operating units. The board of directors provides principles of risk management as a whole and policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivatives and other non-derivate financial instruments and the investment of excess liquidity.

2.1.1 Foreign exchange risk

Fluctuations in the euro exchange rate against other currencies can affect the company's revenues in a number of ways. On the one hand, it is customary to set the price of pulp on the world market in US dollars as well as the cement sales in Angola, so that the trend of the euro against the dollar can have an impact on the Company's future sales even though sales are priced in euros or another currency. On the other hand, a significant portion of paper sales, as well as cement, is priced in currencies other than the euro, again with special emphasis on the US dollar and the Tunisian dinar. The euro's trend vis a vis these currencies can also have an impact on the company's future sales.

Furthermore, once a sale is made in a currency other than the euro, the company assumes an exchange risk up to the time it receives the proceeds of that sale. Hence the company's assets will always have a significant component of receivables subject to foreign exchange risk.

The Group holds investments in external operations which are material and for which net assets are exposed to foreign exchange risk, namely in Tunisia, Angola and Lebanon.

The Group manages foreign exchange risks through the use of derivative financial instruments, in accordance with a policy that is subject to periodic review, the prime purpose of which is to limit the exchange risk associated with future sales and the exchange risk associated with accounts receivable priced in currencies other than the euro.

2.1.2 Price risk

The Group is exposed to risks related to the world market fluctuations in pulp and paper prices, as well as fuel used in cement activity (pet coke). Management of price risk started in 2005 using derivative financial instruments, namely, with forward contracts entered to limit the risk associated with the pulp prices fluctuation.

2.1.3 Interest rate risk

The cost of nearly all of the Group's financial debt is indexed to short-term reference rates, which are reviewed more than once a year (generally every six months for medium and long-term debt). Hence, changes in interest rates can have an impact on the company's earnings.

Interest rate risks are managed through derivative financial instruments, namely interest-rate swaps, the purpose of which is to set the interest rate on the Group's borrowings within certain parameters.

2.1.4 Credit risk

Because the Group is exposed to risk in the credit it grants to its customers it has adopted a policy of maximizing its risk coverage by means of credit insurance. Sales not covered by credit insurance are subject to rules that ensure that sales are made to customers with a satisfactory credit history and which limit exposure to predefined maximum amounts that must be approved for each customer.

2.1.5 Liquidity risk

The Group manages liquidity risk in two ways: firstly by ensuring that its financial debt has a substantial medium and long-term component, with maturities appropriate to the characteristics of the industry of which it forms a part. Accordingly, a package of financings was completed in the 2005 first half, which significantly extended the company's debt maturities. In addition, it obtained from financial institutions credit facilities that are available at all times and in such amounts as to ensure that it has sufficient liquidity.

2.2 Operational risk factors

2.2.1 Supply of raw materials

The provisioning of wood, namely eucalyptus, is subject to price fluctuations and eventual supply difficulties, which could have a significant impact in the production costs of BEKP companies. The plantation of new eucalyptus areas has to be authorised by competent entities, in order to do not depend on cellulose producers regarding forestation or substitution of actual areas. In case of insufficient national production, the subsidiary Portucel would have to increase imports, which could give rise to an increase in the average cost of this raw material.

2.2.2 Market price of pulp and paper

Market prices for pulp and paper are subject to cyclical fluctuations, thus, influencing significantly the Group's income and return. The cyclical price fluctuations of pulp are due to changes in worldwide production capacity, creating disequilibrium of supply and demand in the market.

2.2.3 Demand for Group's products

An eventual decrease in the demand for BEKP and not recycled printing and writing paper in the EU markets could have a significant impact on the company's sales.

The demand for pulp produced by the Group also depends on the evolution of worldwide production capacity for paper, as paper producers are the main clients of the subsidiary Portucel.

2.2.4 Competition

A rise in competition on pulp and paper markets could have a significant impact on prices and consequently in the Group's return. As the markets for pulp and paper are highly competitive, new capacities could have a major impact on world prices.

These factors obliged the subgroup Portucel to undertake significant investments in order to maintain its competitive costs and produce high quality products, foreseeing that competitive pressure will remain in the future.

2.2.5 Environmental legislation

In the last years, EU legislation has become more rigorous as regards emissions, taking into account the environmental impact caused by pulp and cement production. The Group's companies respect the actual effective legislation, having undertaken significant investments in the last years.

Although no significant changes to actual legislation are foreseen in the near future, further investments in this field may be necessary, in order to comply with eventual new limitations set by the responsible entities.

3. Important accounting estimates and judgements

The preparation of consolidated financial statements requires the Group's management to make judgments and estimates with a bearing on revenues, costs, assets, liabilities and disclosures on balance sheet date. These estimates are determined by the judgment of the Group's management, based (i) on the best information and knowledge of present events and in some cases, on the reports of independent experts and (ii) on the actions that the Company believes being able to carry out in the future. However, actual translation results may differ from estimates.

The estimates and assumptions that present a significant risk that a material adjustment to the book value of the assets and liabilities will be needed in the next year are shown below:

3.1 Estimate of goodwill impairment

Each year, the Group tests whether there is impairment of goodwill, in accordance with the accounting policy described in Note 1.7. Recoverable amounts from the cash generating units are determined on the basis of calculation of values in use. These calculations require the use of estimates.

3.2 Estimate of impairment of intangible assets with indefinite useful life

Annually, the Group performs impairment tests for its intangible assets with indefinite useful life, namely trademarks, in accordance with the accounting policy described in Note 1.6., performing equally a revision of the qualification criteria for the indefinite useful life. These calculations require the use of estimates.

3.3 Income tax

The Group recognises liabilities for additional tax assessments that may arise from reviews by the tax authorities. When the final result of these reviews differs from the amounts initially recorded, the differences will have an impact on income taxes and on deferred taxes during the period in which such differences are detected.

3.4 Actuarial assumptions

Liabilities for post-employment defined benefits are calculated on the basis of certain actuarial assumptions. Changes in these assumptions may have a significant impact on those liabilities.

4. Segmental report

Segmental data are shown as they relate to the identified business segments, namely Pulp and Paper, Cement and Derivatives and Energy. The revenues, assets and liabilities of each segment correspond to those directly attributed to them, as well as to those that can be attributed to them on a reasonable basis. Minority interests correspond to those recognised in the income statement of each subgroup.

Financial data by business segment for the year ended on December 31, 2005 can be analyzed as follows:

Amounts in €	Cement and Derivatives	Pulp and paper	Energy	Holding	Consolidated
REVENUES					
Total revenues	461,139,679	1,029,086,149	39,489,109	-	1,529,714,937
Total operational results	118,846,600	142,646,739	16,820,483	279,484,129	557,797,951
Total financing results	(6,243,155)	(45,928,337)	(9,895,256)	(38,587,295)	(100,654,043)
Profit in associated companies	1,771,385	(124,182)	(7,387)	-	1,639,816
Income tax	(31,489,992)	(25,411,068)	(3,092,218)	(72,892)	(60,066,170)
Ordinary activities result	82,884,838	71,183,152	3,825,622	240,823,942	398,717,554
Minority interests	(424,641)	5,737	112,174	(64,226,358)	(64,533,088)
Net profit for the year	82,460,197	71,188,889	3,937,796	176,597,584	334,184,466
Other information					
Segment assets	864,989,321	2,298,624,952	-	310,031,416	3,473,645,689
Investments in associated Companies	45,778,332	357,526	-	2,451	46,138,309
Segment liabilities	455,277,398	1,286,177,520	-	485,637,933	2,227,092,851
EBITDA	152,780,391	261,324,651	33,151,067	279,622,580	726,878,689
Net debt	196,177,075	736,138,164	-	290,069,892	1,222,385,131
Investments in fixed assets	59,215,981	41,397,055	-	-	100,613,036
Amortization and impairment losses	33,933,791	118,677,912	16,330,583	138,452	169,080,738

As regards the Energy segment, it is important to mention that the Group, in December 2005, disposed of its stake in the holding Enersis II. Thus, the amounts disclosed for this segment correspond to operations comprising the period between January 1 and November 30, 2005.

The minority interest in the amount of €64,226,358 included in the Holding segment correspond to minority interests of 49% of the results of Secil (€40,405,495), 32.9% of Portucel's results (€23,423,933) and 10.08% of the results of the subsidiary Enersis II (€396,930), in all cases after necessary harmonization adjustments in accounting policies.

Financial data by business segment for the year ended on December 31, 2004 can be analyzed as follows:

Amounts in €	Cement and Derivatives	Pulp and paper	Energy	Holding	Consolidated
REVENUES					
Total revenues	452,972,451	252,637,795	31,166,886	-	736,777,132
Total operational results	105,348,149	15,054,690	8,548,669	146,848,255	275,799,763
Total financing results	(7,015,643)	(7,776,797)	(6,626,952)	(14,510,097)	(35,929,489)
Profit in associated companies	3,768,417	-	(30,995)	4,354,422	8,091,844
Income tax	(30,631,863)	(8,267,627)	308,744	(746,176)	(39,336,922)
Ordinary activities result	71,469,060	(989,734)	2,199,466	135,946,404	208,625,196
Minority interests	153,105	(18,095)	(234,761)	(19,106,371)	(19,206,122)
Net profit for the year	71,622,165	(1,007,829)	1,964,705	116,840,033	189,419,074
Other information					
Segment assets	749,513,559	2,398,555,879	407,552,941	281,492,906	3,837,115,285
Investments in associated companies	43,480,136	815,594	17,339	2,451	44,315,520
Segment liabilities	409,363,752	1,419,584,702	376,386,722	747,729,742	2,953,064,918
EBITDA	137,312,437	47,926,793	21,362,246	146,907,797	353,509,273
Net debt	202,119,460	870,917,997	335,785,410	696,645,648	2,105,468,515
Investments in fixed assets	37,901,387	83,618,216	175,514,192	-	297,033,795
Amortization and impairment losses	31,964,287	32,872,103	12,813,577	59,543	77,709,510

Geographical segment

Amounts in €	Cement and Derivatives		Pulp and paper		Energy	
	2005	2004	2005	2004	2005	2004
Sales and services rendered						
Portugal	357,975,488	343,822,710	64,323,824	17,521,962	39,073,849	30,632,442
Germany	-	-	152,617,380	38,130,500	-	-
Spain	-	-	121,203,706	29,150,750	415,260	534,444
France	-	-	118,715,438	30,154,363	-	-
Italy	-	-	94,751,830	23,482,079	-	-
UK	-	-	66,510,442	20,805,406	-	-
USA	-	-	61,756,446	61,623,000	-	-
Tunisia	50,749,339	50,671,540	-	-	-	-
Angola	13,349,060	7,320,187	-	-	-	-
Other	39,065,792	51,158,014	349,207,083	31,769,735	-	-
	461,139,679	452,972,451	1,029,086,149	252,637,795	39,489,109	31,166,886

5. Other operating income

On December 31, 2005 and 2004, the other operating income was as follows:

Amounts in €	2005	2004
Reduction on provisions and depreciations	5,075,844	6,171,084
Present value of nationalization indemnity	16,006,486	-
Changes in fair value of biological assets	2,213,597	3,558,753
Gains on inventories	1,900,889	-
Subsidies	4,469,209	10,070
Negative Goodwill	2,845,571	-
Gains on disposal of non-current assets	387,071,944	175,474,162
Other operating income	26,246,113	25,100,113
	445,829,653	210,314,182

The amount of €16,006,486 reflects the fair value of the indemnity agreed with Angola's Government, concerning the assets of the subsidiary Secil Angola nationalized at independence date, whose amount was null as at December 31, 2004 (see note 21). A discounted cash flow method was used in the determination of that fair value, considering an adequate country risk rate.

The amount of €2,213,597 disclosed under the caption changes in fair value of biological assets, as at December 31, 2005, corresponds to the calculated change in fair value of biological assets (forests) held by the subsidiaries Portucel Florestal and Soporcel in accordance with the policy described in Note 1.11.

The capital gains on disposals of non-current assets include, at December 31, 2005, gains on the disposal of financial investments, of which €384,607,117 relate to the capital gain by CMP BV, of 89.92% of the share capital held in the subsidiary Enersis II and in the company Telener (See note 35).

This caption includes, at December 31, 2004, capital gains on disposals of financial investments, of which €160,488,000 relate to the capital gain by Semapa, SGPS, S.A., of 45.125% of the share capital of Secil (49% of the voting rights).

6. Costs

On December 31, 2005 and 2004, costs were made up as follows:

Amounts in €	2005	2004
Cost of sales and services rendered		
Cost of inventories sold and consumed	(461,440,124)	(221,605,204)
Services rendered	(457,308,613)	(221,228,038)
	(918,748,737)	(442,833,242)
Payroll costs		
Board of Directors	(25,777,512)	(18,787,102)
Other remunerations	(122,224,180)	(65,053,751)
Pension costs - defined benefits plans	(85,305,256)	(3,705,506)
Other payroll costs	(61,863,166)	(19,432,693)
	(295,170,113)	(106,979,053)
Other operating costs		
Variation in production	(3,948,339)	(6,488,077)
Work for the company	2,771,217	5,631,852
Quotations	(810,852)	(1,496)
Donations	(1,154,590)	(1,800,223)
Development and research	(2,031,579)	(465,971)
Losses on inventories	(2,880,272)	(4,214,668)
Provision	(6,305,872)	(2,175,262)
Indirect taxes	(6,289,865)	(3,809,952)
Losses on disposal of non-current assets	(1,835,422)	(1,234,489)
Adjustments to inventories and other receivables	(4,292,384)	(2,423,134)
Others	(7,969,094)	(26,788,326)
	(34,747,051)	(43,769,746)
Total costs	(1,248,665,901)	(593,582,041)

As at December 31, 2005 the caption "Pension costs" includes an amount of €84,295,793 referring to the amortization of Semapa Board of Directors past service cost (see Note 29).

The caption "Other remunerations" includes an amount of €16,332,619 relating to compensation payments from contractual obligations, of the subsidiary Portucel, occurred during 2005 (2004: €3,598,167).

The comparative amounts presented for 2004, include costs of the subgroup Portucel relating only to the 3 months period between October 1 and December 31, 2004.

7. Remuneration of members of the corporate bodies

On December 31, 2005 and 2004, the remunerations to the members of the corporate bodies, including performance premiums (see Note 32) were made up as follows:

Amounts in €	2005	2004
Board of Directors		
Semapa	15,454,606	10,928,222
Members of Semapa board in other companies	4,934,292	4,957,699
Corporate bodies from other group companies	4,862,352	2,580,891
Statutory auditor	521,762	320,290
Supervisory Board of Portucel	4,500	-
	25,777,512	18,787,102

In addition, the Board of Directors of Semapa, benefits of a pension plan as described in Note 29.

8. Depreciation, amortization and impairment losses

On December 31, 2005 and 2004, the depreciation, amortization and impairment losses were as following:

Amounts in €	2005	2004
Property, plant and equipment depreciation		
Land	(2,994,858)	(2,826,122)
Buildings and other constructions	(28,157,439)	(14,373,341)
Machinery and equipment	(129,548,217)	(57,535,400)
Other tangible assets	(8,236,397)	(2,229,877)
	(168,936,911)	(76,964,740)
Intangible assets amortizations		
Industrial property and other rights	(143,827)	(744,770)
	(143,827)	(744,770)
	(169,080,738)	(77,709,510)

9. Profit in Associated Companies

During the years ending on December 31, 2005 and 2004, the Group presents the following results of associates:

Amounts in €	2005	2004
Sub-Group Portucel		
Portucel International Trading, SA	(124,182)	-
Sub-Group Secil		
Carcubos - Calcários, Lda.	b) (112,878)	-
Sobioen - Soluções de Bioenergia, S.A.	b) (385,189)	-
Ciment de Sibline S.A.L.	581,523	966,303
Chryso - Aditivos de Portugal, S.A.	(27,174)	985
Setefrete, SGPS, S.A.	(243,154)	360,760
Becim - Mediadora de Seguros, Lda.	a) -	63,106
Betão Liz, S.A.	1,390,201	755,025
Cimentapcor - Cimentos dos Açores, Lda.	547,033	859,203
Secil Unicon - S.G.P.S., Lda.	c) -	(133,352)
Ecoresíduos, Lda.	184,121	140,395
ICV - Inertes de Cabo Verde, Lda.	(42,783)	75,679
Viroc Portugal - Ind. Madeiras e Cimento, S.A.	(343,395)	-
Cimentos Madeira, Lda.	223,080	680,313
Sub-Group Enersis	d)	
Hidroelétrica de Dornelas, Lda.	-	(2,829)
Hidroelétrica das Trutas, Lda.	(169)	(941)
Parque Eólico de Chiqueiro, Lda.	(143)	(4,002)
Parque Eólico de Zibreiro, Lda.	(1,066)	(2,871)
Parque Eólico de Marco Negro, Lda.	-	(1,321)
Parque Eólico da Penha da Gardunha, Lda.	(264)	(3,994)
Enerfuel - Produção de Biocombustíveis, Lda.	-	(884)
Hidroelétrica de Janeiro de Baixo, Lda.	(2,181)	(1,168)
Aproveitamento Hídrico Val Rovinhosa, Lda.	(265)	(3,994)
Enerultra - Produção de Energia Elétrica, Lda.	-	(2,743)
Hidroelétrica da Mesa do Galo, Lda.	(539)	(3,650)
Parque Eólico Serra da Opa, Lda.	-	(394)
Eólica da Serra Amarela, Lda.	2,210	(2,204)
Parque Eólico de Arganil, Lda.	(1,983)	-
Parque Eólico de Gois, Lda.	(1,418)	-
Ventos da Serra, Produção de Energia, Lda.	(1,536)	-
Parque Eólico Serra da Opa, Lda.	(33)	-
Others - Portucel, SA (30% by MEP)	e) -	4,354,422
	1,639,816	8,091,844

- a) Sold in 2004
b) Bought in 2004
c) Consolidated in 2005 using proportional method
d) Sub-Group sold in December 2005
e) Fully consolidation since October 2004

10. Net financial costs

On December 31, 2005 and 2004, net financial costs were made up as follows:

Amounts in €	2005	2004
Interest paid on loans from shareholders	(829,109)	(857,774)
Interest earned on loans to shareholders	4,660	317,539
Interest paid on other loans	(88,171,813)	(44,081,576)
Interest earned on loans to associated companies	1,265,260	4,858,832
Other interest earned	8,557,016	7,875,491
Gains on investments in other companies	154,800	244,543
Comissions and losses of financial instruments	(8,025,320)	(3,813,329)
Exchange differences	(13,777,927)	1,001,966
Other financial expenses	(2,171,384)	(6,372,348)
Other financial income	2,339,774	4,897,167
	(100,654,043)	(35,929,489)

11. Income tax

The subgroups Portucel and Secil are subject to special tax regime applicable to Groups of companies made up of those held as to 90% or more and which meet the conditions foreseen in article 63 and subsequent of the Portuguese Corporate Tax Code (Código do Imposto sobre o Rendimento de Pessoas Colectivas).

Companies included in the group of companies subject to this regime, determine and record income tax as though they were taxed on an individual basis. If gains are determined on the application of this regime, they are recorded as a deduction to the income tax of the holding.

In accordance with prevailing legislation, the gains and losses from Group companies and associates that arise from the application of the equity method are deducted or added, respectively, from or to the profit for the period when determining the taxable income for the period.

Dividends are considered when determining the taxable income in the year in which they are received, if holdings are less than 10% or if acquisition cost is lower than €20,000,000, except in both cases if the assets are held for less than one year.

Annual income tax returns are subject to review and potential adjustment by the tax authorities for a period up to 4 years. However, if tax losses are reported, these may be subject to review by the tax authorities for a period up to 6 years. The Board of Directors believes that any adjustments to those returns that result from reviews/inspections by the tax authorities will, apart from those disclosed in Note 42, not have a material effect on the consolidated financial statements on December 31, 2005. At this date, fiscal years until 2002 (inclusive) have already been reviewed by tax authorities.

On December 31, 2005 and 2004, the income tax heading showed the following breakdown:

Amounts in €	2005	2004
Current tax	18,871,874	18,859,753
Provision for current tax	2,070,099	4,473,440
Deferred tax	39,124,197	16,003,729
	60,066,170	39,336,922

The provision for current tax relates to the potential tax for the year in accordance with the tax authorities understanding regarding the contractual investment benefit from which the subsidiary Soporcel benefits (Note 25), that has been challenged by the company.

The reconciliation of the effective income tax rate for the years ended December 31, 2005 and 2004, was as follows:

Amounts in €	2005	2004
Profit before tax	458,783,724	247,962,118
Expected income tax	126,165,524	68,189,582
Permanent differences (a)	(80,055,866)	(44,085,211)
Tax losses brought forward	(978,325)	(2,210,032)
Prior year's provisions not allowed for fiscal purposes	-	(676,995)
Non recoverable tax losses	14,521,675	7,310,964
Change in tax rate	(66,879)	6,956,571
Provisions for current tax	2,070,097	4,473,140
Adjustments to taxable income	(1,590,056)	(621,097)
	60,066,170	39,336,922
Effective tax rate	13.09%	15.86%

(a) This amount is made up essentially of :

Amounts in €	2005	2004
Effects arising from the application of the equity method	(2,149,187)	(7,592,828)
Capital gains / (losses) for tax purposes	(1,613,253)	18,326,783
Capital (gains) / losses for accounting purposes	(380,311,051)	(178,077,118)
Provisions not allowed for tax purposes	31,929,792	9,070,028
Fiscal benefits	(67,786)	-
Dividends received from non EU companies	2,875,327	-
Decrease in provisions not allowed for tax purposes	(23,155,612)	(5,788,183)
Intra-group earnings subject to taxation	8,508,647	-
Contribution to pensions funds	(9,070,172)	-
Liabilities for retirement benefits (note 29)	84,295,795	-
Others	(2,354,739)	3,751,459
	(291,112,239)	(160,309,859)
Tax Effect (27.50%)	(80,055,866)	(44,085,211)

12. Earnings per share

Since there are no outstanding financial instruments convertibles into Group shares, its earnings are undiluted.

Amounts in €	2005	2004
Profit attributable to shareholders	334,184,466	189,419,074
Weighted average number of ordinary shares in issue	115,604,470	115,604,470
Basic earnings per share	2.891	1.639
Diluted earnings per share	2.891	1.639

The weighted average number of shares is deducted of 2,727,975 treasury shares owned by Seminv, S.A., subsidiary owned by Semapa, SGPS, S.A..

In accordance with the proposed application of results made by the Board of Directors, the dividend corresponds to €0.42 per share, not recognized as financial liabilities in the present consolidated financial statements.

13. Minority interests

On December 31, 2005 and 2004, minority interests disclosed in the income statement were as follows:

Amounts in €	2005	2004
Portucel - Empresa de Pasta e Papel, SA	23,423,933	(236,588)
Secil - Companhia Geral de Cal e Cimento, SA	40,405,495	19,144,917
Enersis II, SGPS, SA	a) 396,930	198,042
Enerflora - Produção de Energia Eléctrica, Lda.	b) 40,916	49,558
Enerpro - Projectos de Energias Renováveis, Lda.	b) (227,781)	(454,277)
Entreventos - Energias Renováveis, S.A.	b) 13,420	(26,812)
Hidrotuela - Hidroeléctrica do Tuela, S.A.	b) 944	101,188
Fespect - Serviços de Consultoria, S.A.	b) 116,366	360,663
Monte Agraço - Energias Alternativas, Lda.	b) (24,443)	(10,558)
PESL - Parque Eólico da Serra do Larouco, S.A.	b) (116)	1,849
Hidroeléctrica de Pinhel, Lda.	b) (36,487)	108,798
Hidroeléctrica do Rabaçal-Ponte, Lda.	b) (42,506)	115,625
Ribeira da Teja - Produção de Energia Eléctrica, Lda.	b) -	26,949
Telener Serviços de Telecomunicações, Lda.	b) 46,197	9,973
Hidroólio - Hidroeléctrica do Olo, Lda.	b) 864	1,026
Portucel Internacional Trading	(5,737)	18,095
Secil Betões e Inertes Group	1,113,894	-
Société des Ciments de Gabés	64,791	-
Secil Martingança	(71,683)	(153,105)
Secil - Companhia de Cimento do Lobito, S.A.	(682,361)	-
Others	452	(49,221)
	64,533,088	19,206,122

a) Sold in 2005

b) Subsidiaries of Enersis II

On December 31, 2005 and 2004, minority interests disclosed in the balance sheet were as follows:

Amounts in €	2005	2004
Portucel - Empresa de Pasta e Papel, SA	333,078,669	322,052,456
Secil - Companhia Geral de Cal e Cimento, SA	191,854,142	163,298,706
Enersis II, SGPS, SA	a) -	2,905,497
Enerflora - Produção de Energia Eléctrica, Lda.	b) -	90,255
Enerpro - Projectos de Energias Renováveis, Lda.	b) -	(451,289)
Entreventos - Energias Renováveis, S.A.	b) -	81,395
Hidrotuela - Hidroeléctrica do Tuela, S.A.	b) -	385,599
Fespect - Serviços de Consultoria, S.A.	b) -	1,118,162
Monte Agraço - Energias Alternativas, Lda.	b) -	(8,598)
PESL - Parque Eólico da Serra do Larouco, S.A.	b) -	19,895
Hidroeléctrica de Pinhel, Lda.	b) -	482,936
Hidroeléctrica do Rabaçal-Ponte, Lda.	b) -	465,019
Ribeira da Teja - Produção de Energia Eléctrica, Lda.	b) -	322,225
Telener Serviços de Telecomunicações, Lda.	b) -	15,983
Hidroólio - Hidroeléctrica do Olo, Lda.	b) -	35,703
Portucel Internacional Trading	170,796	204,875
Secil Betões e Inertes Group	3,801,094	3,003,876
Société des Ciments de Gabés	1,512,894	411,452
Secil Martingança	3,625,616	2,869,642
Secil - Companhia de Cimento do Lobito, S.A.	8,116,873	-
Others	1,117,021	603,144
	543,277,105	497,906,933

a) Sold in 2005

b) Subsidiaries of Enersis II

During 2005, the following movements in minority interests have occurred:

Amounts in €	Pulp and Paper	Cement and Derivatives	Energy	Total
Balance as of January 1, 2005	322,257,332	170,185,843	5,463,758	497,906,933
Dividends	(9,368,405)	(12,684,648)	-	(22,053,053)
Revaluation reserve	-	15,761	-	15,761
Currency translation reserve	-	2,013,787	-	2,013,787
Financial instruments	(564,699)	-	-	(564,699)
Actuarial gains and losses	(2,458,811)	(2,207,346)	-	(4,666,157)
Changes in consolidation perimeter	-	10,799,090	(5,748,513)	5,050,577
Fair value of available for sale financial assets	-	1,027,523	-	1,027,523
Other movements in Equity	(34,147)	47,492	-	13,345
Profit for the year	23,418,197	40,830,136	284,755	64,533,088
Balance as of December 31, 2005	333,249,467	210,027,638	-	543,277,105

14. Application of preceding year's net profit

Amounts in €	2004
Dividends distribution	13,016,569
Legal reserves	9,103,686
Other reserves	147,853,467
Retained earnings	19,445,352
IFRS net profit for the year	189,419,074

The resolution for the application of 2004 earnings, passed at Semapa's General Meeting on March 30, 2005, was based on the net profit for the year as defined by the accounting principles generally accepted in Portugal (€182,073,722).

The difference in net profit between the two standards, totalling €7,345,352, was transferred to retained earnings, adding €3,000,000 as specified in the above-mentioned resolution and €9,100,000 relating to performance premiums accounted for in the results of 2004 under IFRS.

15. Goodwill

During the years ending on December 31, 2005 and 2004, changes under the Goodwill heading were as follows:

Amounts in €	2005	2004
Gross amount at the beginning of the year	354,315,596	223,948,095
Accumulated impairment losses	(19,570,898)	(17,137,627)
Net amount at the beginning of the year	334,744,698	206,810,468
Changes of perimeter	(8,394,949)	-
Impairment losses	-	(2,433,271)
Acquisitions	5,159,770	135,706,876
Disposals	(197,197)	(2,749,201)
Exchange differences	190,594	(2,590,174)
Closing Balance	331,502,916	334,744,698

Goodwill was amortized up to January 1, 2004. The accumulated amortization in the amount of €127,226,215 was adjusted at transition date against the gross value, in accordance with IFRS 1.

On December 31, 2005 and 2004, Goodwill was made up as follows:

Entity	Year of Acquisition	2005	2004
Acquisitions made by sub-group Semapa			
Secil - Companhia Geral de Cal e Cimento, SA	1997	6,766,530	6,766,530
Cimentospar, SGPS, SA	2003	81,296,931	81,296,931
Portucel - Empresa Produtora de Pasta e Papel, SA	2004	135,565,059	135,565,059
Fespect - Serviços de Consultoria, S.A.	2004	-	141,817
		223,628,520	223,770,337
Acquisitions made by sub-group Secil			
CMP - Cimentos Maceira e Pataias, S.A.	1994	48,835,643	48,835,643
Société des Ciments de Gabès	2000	38,276,980	37,944,576
Secil Betões e Inertes Group	2000	13,326,706	13,326,706
Sud-Béton-Société de Fabrication de Béton du Sud	2001	2,275,297	2,275,297
Tecnosecil, S.A.R.L.	2004	2,015,729	-
Macmetal - Indústrias Metal-Mecânicas da Maceira, Lda	2004	89,353	-
IRP - Indústria de Reboco de Portugal, S.A.	2005	3,054,688	-
		107,874,396	102,382,222
Acquisitions made by sub-group Enersis a)			
ECH - Exploração de Centrais Hidroeléctricas, S.A.	1999	-	706,971
Hidrotuela - Hidroeléctrica do Tuela, S.A.	1999	-	997,432
Hidrocorço - Hidroeléctrica do Corço, S.A.	1999	-	1,274,585
Hidrocorço - Hidroeléctrica do Corço, S.A.	2000	-	319,853
Hidrotuela - Hidroeléctrica do Tuela, S.A.	2000	-	1,318,347
Hidrotuela - Hidroeléctrica do Tuela, S.A.	2001	-	511,457
Hidrocorço - Hidroeléctrica do Corço, S.A.	2001	-	549,315
PESL - Parque Eólico da Serra do Larouco, S.A.	2002	-	358,079
Hidroeléctrica de Penacova, Lda.	2002	-	254,530
Hidroeléctrica de Pinhel, Lda.	2002	-	624,472
Hidroeléctrica de Fagilde, Lda.	2002	-	246,604
Ribeira da Teja - Produção Energia Eléctrica, Lda.	2002	-	398,511
Freita Eólica - Energia Eólica, Lda.	2002	-	2,259
HE70 - Energias Renováveis Reunidas, SGPS, S.A.	2003	-	35,067
Hidroeléctrica da Barroca, Lda	2003	-	37,452
Oceanergia - Proj. Prod. Energia Ondas, Lda.	2003	-	361,478
Alto Marão, Energia Eólica, Unipessoal, Lda.	2003	-	595,727
		-	8,592,139
		331,502,916	334,744,698

a) Sub-Grupo sold in December 2005

The decrease in goodwill, related to the companies of the subgroup Enersis, is due to a change in perimeter resulting from the disposal of the total participation of 89.92% held by the Group in this subgroup on December 2005.

The goodwill is allocated to the Group's cash generating units (CGU's), identified in accordance with the country of operation and business segment, as follows:

Amounts in €	December 31, 2005			
	Cement and Derivatives	Pulp and paper	Energy	Total
Portugal	153,369,851	135,565,059	-	288,934,910
Tunisia	38,276,980	-	-	38,276,980
Other countries	4,291,026	-	-	4,291,026
	195,937,857	135,565,059	-	331,502,916
Amounts in €	December 31, 2004			
	Cement and Derivatives	Pulp and paper	Energy	Total
Portugal	150,225,810	135,565,059	8,733,956	294,524,825
Tunisia	37,944,576	-	-	37,944,576
Other countries	2,275,297	-	-	2,275,297
	190,445,683	135,565,059	8,733,956	334,744,698

The recoverable amount of the CGU's is determined based on the value in use by making projections of the cash flows in financial budgets approved by management. For future periods extrapolations with estimated growth rates are performed, estimated on the basis of past performance and expectations regarding the future development of the market. As a result of the calculations, no impairment losses in goodwill were identified.

16. Other intangible assets

During the years ended on December 31, 2005 and 2004 changes under the intangible assets heading were as follows:

	Trademarks	Research and development expenses	Industrial property and other rights	Assets in progress	Total
Amounts in €					
Acquisition cost					
Amount as of January 1, 2004	-	-	596,066	-	596,066
Changes of perimeter	151,488,000	5,428,336	2,431,349	1,004,885	160,352,570
Acquisitions	-	-	16,535,356	-	16,535,356
Disposals	-	-	-	-	-
Write-off's and transfers	-	-	183,410	(882,864)	(699,454)
Adjustments	-	-	-	-	-
Amount as of December 31, 2004	151,488,000	5,428,336	19,746,181	122,021	176,784,538
Changes of perimeter	-	-	(30,798,355)	-	(30,798,355)
Acquisitions	-	-	14,283,792	286,269	14,570,061
Disposals	-	-	-	-	-
Write-off's and transfers	-	(1,137,177)	(879,028)	(408,290)	(2,424,495)
Adjustments	-	-	-	-	-
Amount as of December 31, 2005	151,488,000	4,291,159	2,352,590	-	158,131,749
Accumulated amortizations and impairment losses					
Amount as of January 1, 2004	-	-	(496,709)	-	(496,709)
Changes of perimeter	-	(4,591,884)	(2,131,607)	-	(6,723,491)
Acquisitions	-	(590,509)	(154,261)	-	(744,770)
Disposals	-	-	-	-	-
Write-off's and transfers	-	194,315	167,697	-	362,012
Adjustments	-	-	-	-	-
Amount as of December 31, 2004	-	(4,988,078)	(2,614,880)	-	(7,602,958)
Changes of perimeter	-	-	(8,902)	-	(8,902)
Acquisitions	-	-	(143,827)	-	(143,827)
Disposals	-	-	-	-	-
Write-off's and transfers	-	696,919	444,104	-	1,141,023
Adjustments	-	-	-	-	-
Amount as of December 31, 2005	-	(4,291,159)	(2,323,505)	-	(6,614,664)
Net amount as of January 1, 2004	-	-	99,357	-	99,357
Net amount as of December 31, 2004	151,488,000	440,258	17,131,301	122,021	169,181,580
Net amount as of December 31, 2005	151,488,000	-	29,085	-	151,517,085

The amount of €151,488,000 in the trademarks heading relates to the evaluation performed by a specialized and independent entity, for Navigator and Soporset, using the respective cash flow projections at an average discount rate of 9%, resulting from the determination of the fair value of the Portucel's assets and liabilities acquired, which is not subject to amortization as its useful life is undefined (Note 1.6).

Impairment of this intangible asset is tested on an annual basis. The Group valued this asset in the first half of 2005 by reference to December 31, 2004. In addition, during 2005, no evidence of impairment exists. Thus, the next impairment test will be performed in the first half of 2006.

The amount of €16,535,356 included in Industrial property and other rights was related with right and licenses in wind farms on December 31, 2004 is essentially related to the identified assets on the acquisition of the companies Eólica dos Candeeiros, Lda., Renewable Energy Systems, S.A., Parque de Pampilhosa da Serra, S.A. and Fespect - Serviços de Consultoria, S.A., held by the subsidiary Enersis II (until November 30, 2005 €14,272,148 have been acquired).

In the course of the 89.92% stake disposal in the share capital of Enersis II, held by the Group, €30,807,504 have been excluded from the balance, corresponding to the value of these rights at the time of sale.

17. Property, plant and equipment

During the years ended on December 31, 2005 and 2004, changes in the property, plant and equipment accounts, as well as the respective depreciations and impairment losses, were as follows:

Amounts in €	Land	Buildings and other constructions	Equipment	Assets in progress	Advances	Total
Acquisition Cost						
Amount as of January 1, 2004	118,827,817	341,980,171	1,053,158,092	57,463,502	7,665,090	1,579,094,672
Changes of perimeter	99,426,731	434,815,609	2,546,874,555	126,037,491	54,068,122	3,261,222,508
Acquisitions	1,421,003	8,063,071	50,064,169	153,050,096	23,128,769	235,727,108
Disposals	(240,581)	(4,065,601)	(20,225,323)	(33,281)	-	(24,564,786)
Write-off's and transfers	2,094,714	13,075,785	125,591,758	(77,996,630)	(59,539,597)	3,226,030
Adjustments	(4,550,724)	(1,952,710)	(7,849,019)	(443,457)	(1,963,465)	(16,759,375)
Amount as of December 31, 2004	216,978,960	791,916,325	3,747,614,232	258,077,721	23,358,919	5,037,946,157
Changes of perimeter	7,744,008	(47,136,981)	(420,620,623)	(99,429,554)	(1,599,936)	(561,043,086)
Acquisitions	3,734,780	7,613,689	177,897,891	140,614,274	870,097	330,730,731
Disposals	(1,112,617)	(1,748,934)	(14,557,557)	-	-	(17,419,108)
Write-off's and transfers	4,227,715	8,799,346	195,997,643	(213,324,054)	(21,874,513)	(26,173,863)
Adjustments	743,640	628,672	2,127,833	76,505	224	3,576,874
Amount as of December 31, 2005	232,316,486	760,072,117	3,688,459,419	86,014,892	754,791	4,767,617,705
Accumulated depreciations and impairment losses						
Amount as of January 1, 2004	(14,622,339)	(209,972,109)	(783,856,499)	-	-	(1,008,450,947)
Changes of perimeter	(185,484)	(184,024,978)	(1,517,968,742)	-	-	(1,702,179,204)
Acquisitions	(2,826,124)	(14,373,342)	(59,765,275)	-	-	(76,964,741)
Disposals	18,053	2,460,452	18,814,566	-	-	21,293,071
Write-off's and transfers	(51,458)	(146,122)	8,747,395	-	-	8,549,815
Adjustments	439,796	897,505	2,218,177	-	-	3,555,478
Amount as of December 31, 2004	(17,227,556)	(405,158,594)	(2,331,810,378)	-	-	(2,754,196,528)
Changes of perimeter	(473,865)	13,863,913	49,177,468	-	-	62,567,516
Acquisitions	(2,994,858)	(28,157,438)	(137,784,615)	-	-	(168,936,911)
Disposals	8,041	1,455,675	13,095,163	-	-	14,558,879
Write-off's and transfers	(81,561)	(76,878)	(132,477)	-	-	(290,916)
Adjustments	(56,731)	(102,006)	(617,830)	-	-	(776,567)
Amount as of December 31, 2005	(20,826,530)	(418,175,328)	(2,408,072,669)	-	-	(2,847,074,527)
Net amount as of January 1, 2004	104,205,478	132,008,062	269,301,593	57,463,502	7,665,090	570,643,725
Net amount as of December 31, 2004	199,751,404	386,757,731	1,415,803,854	258,077,721	23,358,919	2,283,749,629
Net amount as of December 31, 2005	211,489,956	341,896,789	1,280,386,750	86,014,892	754,791	1,920,543,178

The investment in tangible assets by the subgroup Secil, in the year ended on December 31, 2005, amounted to €59,215,981, in which the following projects stand out:

- environmental rehabilitation work undertaken at "Via Húmida", quarries and equipments for incineration of residues, at the Outão plant;
- filters for exhaustion of kiln 2 and cooler, remodelling of the storage of raw materials for white cement and silo of storage for white clinker, in the Cibra-Pataias Plant;
- bag plant and the covered park for coal of the plant of Maceira-Liz and
- acquisition of material for analysis of emissions to the atmosphere

Among the Portucel subgroup's investments in property, plant and equipment during the year ended on December 31, 2005 amounting to €41,397,055, the most important was the new recovery boiler at the Cacia pulp mill.

The caption assets in progress corresponds, basically to investments in equipment undertaken by the subgroup Portucel, in the amount of €75,693,881, of which the most important is the recovery of the pulp plant in Cacia, in the approximate amount of €25,500,000, whose start into operation is anticipated for February 2006.

18. Investment properties

On December 31, 2005 the Investment properties heading reflects the acquisition cost net of accumulated amortization of one building, owned by Secil subsidiary, in Rua Conselheiro Fernando Sousa, in Lisbon, presently rented to third parties.

19. Biological assets

Over the years ended on December 31, 2005 and 2004 changes in biological assets were as follows:

Amounts in €	2005	2004
Fair value as of January 1	134,025,278	-
Changes of perimeter	-	133,135,589
Changes in fair value	2,213,597	889,689
	136,238,875	134,025,278

On December 31, 2005, Biological assets include an amount of €12,703,490 related to assets for which there is an expectation of their realization within a period of 12 months.

In addition, during 2005 cuts in wood amounted to €12,460,461.

20. Investments in associates

During the year ended on December 31, 2005 and 2004, changes in this caption were as follows:

Amounts in €	31-12-2005	31-12-2004
Opening balance	44,315,520	42,141,932
Changes of consolidation perimeter	(4,462,823)	2,088,795
Acquisitions	6,465,020	-
Disposals	(1,250)	(791,534)
Apropriated net profit	2,481,281	5,108,406
Dividends received	(4,646,554)	(1,413,511)
Reimbursement of supplementary capital	(200,000)	-
Exchange fluctuations	3,012,824	(903,134)
Impairment losses	(385,188)	-
Transfers from subsidiaries	(440,521)	(1,338,199)
Other adjustments	-	(577,235)
	46,138,309	44,315,520

On December 31, 2005 and 2004 the investments in associates include an amount of €3,393,092 (2004: €3,133,951) related to goodwill as follows:

Associated Companies		Goodwill	
		31-12-2005	31-12-2004
Betão Liz, S.A.	1999	542,140	542,140
Setefrete, SGPS, S.A.	2003	2,227,750	2,227,750
Carcubos - Granitos, Lda.	2004	364,061	364,061
Cimentos de Sibiline, S.A.L.	2005	119,696	-
Secil Cabo Verde Comércio e Serviços, Lda.	2005	139,445	-
		3,393,092	3,133,951

On December 31, 2005 and 2004 the investments in associates in the balance sheet, including the goodwill calculated during their acquisition, were as follows:

Associated Companies	% held	Net Book Value	
		31-12-2005	31-12-2004
Secil - Energia, Lda.	b) 100.00%	-	1,995
Secil Algérie, S.P.A.	b) 99.00%	-	76,808
Sobioen - Soluções de Bioenergias, S.A.	b) 51.00%	-	153,000
Betão Liz, S.A.	33.37%	9,876,096	11,923,986
Transecil, Lda.	33.00%	748	748
Cimentaçor, Lda.	25.00%	2,258,806	2,491,665
Secil Unicon - S.G.P.S., Lda.	c) 50.00%	-	4,432,941
Ecoresíduos, Lda	50.00%	942,468	958,348
ICV - Inertes de Cabo Verde, Lda.	37.50%	312,895	355,677
Ciment de Sibiline S.A.L.	28.12%	25,917,421	16,700,227
Chryso - Aditivos de Portugal, S.A.	40.00%	1,684	28,858
Setefrete, SGPS, S.A.	25.00%	3,723,813	3,966,970
Cimentos Madeira, Lda.	14.29%	1,822,123	2,024,855
Secil Cabo Verde	100.00%	547,278	-
Entidad Produtora de Energia, S.L.	a) 96.43%	-	5,120
Hidroeléctrica das Trutas, Lda.	a) 53.82%	-	169
Parque Eólico de Chiqueiro, Lda.	a) 100.00%	-	143
Parque Eólico de Zibreiro, Lda.	a) 100.00%	-	1,066
Parque Eólico de Marco Negro, Lda.	a) 98.09%	-	3,445
Parque Eólico da Penha da Gardunha, Lda.	a) 100.00%	-	264
Enerfuel - Produção Biocombustíveis, Lda.	a) 100.00%	-	4,116
Hidroeléctrica de Janeiro de Baixo, Lda.	a) 90.00%	-	2,181
Aproveitamento Hídrico Val Rovinhosa, Lda	a) 100.00%	-	265
Hidroeléctrica da Mesa do Galo, Lda.	a) 71.00%	-	538
Parque Eólico Serra da Opa, Lda.	a) 10.00%	-	33
Equipar	-	32,423	32,423
Lusitaniagas	-	5,267	5,267
IBET	-	39,963	39,964
Soset	-	24,939	24,939
Portucel International Trading, SA	-	239,669	363,848
Soporgen	8.00%	4,000	4,000
TASC	-	11,223	11,223
Others	-	377,493	700,438
		46,138,309	44,315,520

a) Companies sold in 2005

b) Inactive companies or negative equity revealed by MEP

c) Proportionally consolidated companies in 2005

21. Available-for-sale financial assets

Changes during 2005 and 2004 in available-for-sale financial assets were made up as follows:

Amounts in €	31-12-2005	31-12-2004
Fair value at the beginning of the year	24,211,343	1,414,672
Changes in consolidation perimeter	-	46,457,280
Acquisitions	16,487,255	22,797,393
Disposals	(24,211,343)	(46,457,280)
Changes in fair value	2,096,986	(722)
Acquisition amount at the end of the year	18,584,241	24,211,343

As of December 31, 2005 and 2004, available-for-sale financial assets were made up as follows:

Major investments available for sale	Net Book Value	
	31-12-2005	31-12-2004
ENCE - Empresa Nacional de Celulose, SA	-	22,797,393
Angolan government bonds	18,584,241	-
Portuguese government bonds	-	1,413,950
Amount at the end of the year	18,584,241	24,211,343

As of December 31, 2004 this caption included €22,797,393 related to a 4% participation in share capital of ENCE – Empresa Nacional de Celulose, SA, a Spanish company that produces cellulose pulp. This participation was sold in January 2005.

The amount of Angolan's government bonds, is related to the fact that, at the Angolan independent date, Secil owned several interests in that country, that were nationalized after the independence, namely:

- Bank deposits existent at Banco de Crédito Comercial e Industrial and Banco Totta Standard de Angola, transferred to the Banco Nacional de Angola, nationalized in 1976;
- Deposits existent at Banco Comercial de Angola, transferred to Banco de Poupança e Crédito, nationalized in 1976;
- Building in Luanda nationalized in 1985; Current account balances and income results from Companhia de Cimento Secil do Ultramar, SARL nationalized in 1985 and a financial investment in Companhia de Cimento Secil do Ultramar, SARL and
- Financial investment in Secil Marítima, SARL, nationalized as at 1987.

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

In April 2004, the Angolan government issued an agreement memorandum establishing the privatization of 51 % of share capital of Angolan cement company Encime attributable to Secil subsidiary, as a compensation of Angolan Government responsibilities. Additionally, Secil will receive Government bonds amounting to USD 47,525,133 with a maturity up to November 2009, to be provided in 20 tranches of Angolan public debt denominated in American dollars, with an interest rate of 4% and a maturity of 3 years.

During 2005, after the reception of 10 tranches of bonds and the constitution of the new Angolan company, Secil - Companhia de Cimento do Lobito, S.A, on November 29, to where Encime's assets have been transferred, it was decided to recognize the fair value of the agreed indemnity, calculated using a model that takes into account country risk, the risk of the received assets and related recoverable costs, totalling €16,006,486 (see Note 5).

During 2005 the change in fair value between the recognition of the indemnity and December 31, 2005, in the amount of €2,096,986, is recorded under equity under the caption fair value reserves (see Note 27).

22. Other non-current assets

As of December 31, 2005 this caption includes an amount of €1,181,250 related to advances in financial investments.

23. Inventories

As of December 31, 2005 inventories comprised the following:

Amounts in €	31-12-2005	31-12-2004
Raw materials	123,649,788	122,067,853
Work in process	14,310,020	7,230,274
Byproducts and waste	311,581	705,564
Finished and intermediate products	40,240,045	52,610,618
Merchandise	5,162,258	4,918,022
Advances to suppliers of inventories	687,453	445,849
	184,361,145	187,978,180

24. Receivables and other current assets

As of December 31, 2005 and 2004, the Receivables and other current assets caption showed the following breakdown:

Amounts in €	31-12-2005	31-12-2004
Customers	285,021,666	289,053,983
Customers - associated companies (Note 34)	4,082,283	-
Sales discounts	(1,025,577)	(2,225,776)
Other debtors	34,864,320	23,112,961
Accrued income	1,722,719	1,436,658
Deferred costs	5,209,160	11,085,443
	329,874,571	322,463,269

As of December 31, 2005 and 2004 the other debtors caption were as follows:

Amounts in €	31-12-2005	31-12-2004
Shareholders and Associated Companies		
Group companies (Note 34)	213,142	-
Associated companies (Note 34)	3,460,973	968,847
Shareholders	621	65,881
	3,674,736	1,034,728
Other debtors		
Advances to suppliers	817,738	625,531
IAPMEI grants	13,945,605	-
Third-party security deposits	1,281,370	1,145,041
Derivative financial instruments (Note 33)	5,334,195	3,226,019
Other debtors	11,372,025	18,310,375
	32,750,933	23,306,966
Impairment losses on receivables	(1,561,349) 0	(1,228,733)
	34,864,320	23,112,961

As of December 31, 2005 and 2004 the accrued income and deferred costs headings were made up as follows:

Amounts in €	31-12-2005	31-12-2004
Accrued income		
Interest receivable	28,485	24,398
Discounts in acquisitions	26,735	43,304
Compensations	858,406	-
Others	809,093	1,368,956
	1,722,719	1,436,658
Deferred costs		
Interests with bank loans	152,444	2,988,165
Non compete agreement	-	3,394,444
Major repairs	566,746	-
Insurance costs	124,785	324,996
Costs to be shared in the scope of the consortium	-	684,815
Other	4,365,184	3,693,023
	5,209,160	11,085,444
	6,931,879	12,522,102

25. State and other public entities

As of December 31, 2005 and 2004, there were no debts overdue to the state and other public entities. Balances with these entities were made up as follows:

Current assets

Amounts in €	31-12-2005	31-12-2004
State and other public entities		
Corporate income tax (IRC)	13,933,712	29,153,457
Personal income tax (IRS)	-	-
Value added tax	8,750,048	12,124,974
Value added tax - refunds requested	24,192,073	51,929,526
Other	1,422,033	215,164
	48,297,866	93,423,121

Current liabilities

Amounts in €	31-12-2005	31-12-2004
State and other public entities		
Corporate income tax (IRC)	24,556,303	25,334,390
Personal income tax (IRS)	4,893,824	3,052,883
Value added tax	9,289,171	9,333,857
Social security	3,432,109	2,857,833
Other	382,918	1,022,813
	42,554,324	41,601,776

Provisions for taxes in current liabilities

The caption Corporate Income Tax (liabilities) includes, on December 31, 2005 an amount of €21,521,772 (2004: €20,675,278) related to the following provisions:

Subgroup Portucel

A provision for taxes in the amount of €18,556,390 related to the subsidiary Soporcel. During the first half of 2003, the tax authorities carried out an inspection which included a review to all aspects related to the incentive described in Note 41.

Following this inspection, the tax authorities presented additional amounts due related to the fiscal years of 1998 to 2001, against which Soporcel took legal action in 2003, amounting to some €11,493,348, including penalty interest, related mainly with tax deductions from this tax incentive.

In order to account for tax contingencies, Soporcel's board of directors decided to make a provision, that on December 31, 2005 amounted to €18,556,390 (2004: €16,033,804) for the eventual payment related to (i) the above-mentioned additional amounts due of €11,493,348, (ii) estimated tax contingencies relative to the years from 2002 to 2004 in the amount of €4,939,526 and (iii) increased penalty interest relative to the above amounts due totalling €2,123,515.

In light of the pending legal action, Soporcel extended two bank guarantees to the tax authorities (Direcção Geral de Contribuições e Impostos), in the amount of €15,677,315 (see Note 39).

Sub-Grupo Secil

A tax provision in the amount of €2,965,382 related to the following situations:

The employees and retirees of the subsidiary Secil maintained all of their rights effective on privatization date, including medical assistance for their families, according to the company's legal agreement. During inspection made to the year 2000, tax authorities have considered these charges, today covered by an appropriate insurance contract, as not tax deductible.

During the inspections for the 2001 and 2002 tax returns, tax authorities went even further in not accepting the quote allocable to retirees, thus correcting the declared tax profit. As a consequence the company made an adequate provision regarding periods that have not yet been liquidated and/or paid, from 2002 on, inclusively. With the support of its tax consultants and lawyers, the Board of Directors, have challenge this decision and is expecting to entirely recover the amounts paid.

The subsidiary Secil and the associated companies subject to tax under the Special Tax Regime for Group Companies decreased their corporate income tax for the years of 2003 and 2004 by applying the tax benefit on the investment's tax reserve, granted by the directive nº 23/2004, of January 23 and the circular, of May 18. Because of the fact that this is a special reserve used for eligible investments of tangible assets, to be used in the two consecutive periods after the year of the tax benefit, (the limit thus ending on December 31, 2006) the Group continues to hold a provision in case that the additional necessary investments are not undertaken.

26. Share capital and treasury shares

As at December 31, 2005 the share capital of Semapa was fully subscribed and paid in; it is represented by 118,332,445 shares with a nominal value of €1 each.

As of December 31, 2005 corporate holders of significant positions in the company's share capital were as follows:

Name	Nº of shares	%	
		31-12-2005	31-12-2004
Sodim, SGPS, S.A.	26,115,000	22.07	22.07
Credit Suisse	23,820,387	20.13	-
Longapar, SGPS, S.A.	20,000,000	16.90	16.90
Cimo - Gestão de Participações, SGPS, S.A.	14,592,300	12.33	12.33
Banco Espírito Santo, SA	7,012,006	5.93	5.93
Banco BPI, SA	7,926,800	6.70	4.92
Seminv - Investimentos, SGPS, S.A.	2,727,975	2.31	2.31
Companhia de Seguros Tranquilidade Vida, SA	2,529,248	2.14	2.14
AF Investimentos - Fundo Imobiliários, S.A.	2,468,900	2.09	2.09
Sonaca - Sociedade Nacional de Canalizações, S.A.	1,250,000	1.06	1.06
Other shareholders with participation lower than 2%	9,889,829	8.36	10.24
Cimpor Portugal SGPS, S.A.	-	-	20.02
	118,332,445	100.00	100.00

After December 31, 2005 and until approval of the present consolidated financial statements, the detailed qualified participations are as follows:

Name	Nº 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 participation lower than 2%	6,685,242	5.65
	118,332,445	100.00

As the company Seminv Investimentos, SGPS, SA is a subsidiary of Semapa Group, the 2.727.975 shares held in the company are disclosed as treasury shares in the Group's consolidated financial statements.

27. Fair value reserve and other reserves

As of December 31, 2005 and 2004, the fair value reserve and other reserves caption showed the following breakdown:

Amounts in €	31-12-2005	31-12-2004
Fair value of financial instruments	(1,010,854)	(857,185)
Fair value of available-for-sale assets	1,069,463	-
Currency translation reserve	(3,619,807)	(5,799,556)
Legal reserve	22,221,077	13,117,391
Other reserves	249,619,368	101,765,900
	268,279,247	108,226,550

Fair value of financial instruments

The amount of €1,010,854, net of deferred tax shown under the caption fair value of financial instruments, relates to the appropriate part of financial instruments classified as hedgings, of the subsidiary Portucel, which, on December 31, 2005 were valued at €3,523,036, accounted for in accordance with the policy described in note 1.13.

Fair value of available-for-sale assets

The amount of €1,069,463 relates to the Group's appropriation of the change in fair value of the Angolan government bonds as described in note 21.

Currency Translation Reserve

The amount of €3,619,807, refers to the exchange differences appropriated by the Group as a result of the conversion of the financial statements of companies operating outside the Euro zone, namely Tunisia, Lebanon and Angola.

Legal reserve

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

Other reserves

Refer to reserves available for distribution to shareholders and result from prior years.

28. Deferred taxes

As of December 31, 2005 changes in deferred tax assets and liabilities of each subgroup were as follows:

Amounts in €	January, 1 2005	Changes of perimeter	Exchange adjustment	Income statement		Reserve and Minority Interests	Tranfers	December 31, 2005
				Increases	Decreases			
Temporary differences originating deferred tax assets								
Sub-Group Portucel								
Tax losses carried forward	1,924,144	-	-	-	(1,800,286)	-	-	123,858
Taxed provisions	16,393,212	-	-	12,733,209	(8,419,295)	-	-	20,707,126
Fixed assets adjustments	15,512,496	-	-	524,652	(636,467)	-	-	15,400,681
Underfunding of the pension fund	37,867,614	-	-	2,855,065	(17,339,628)	9,763,366	-	33,146,417
Financial instruments	-	-	-	1,164,262	-	913,662	-	2,077,924
Deferred book gains in inter-group transactions	-	-	-	4,200,155	-	-	-	4,200,155
Forests valuation	183,739,291	-	-	21,247,207	(52,526,887)	-	-	152,459,611
Sub-Group Secil								
Taxed provisions	11,180,981	114,074	36,075	6,250,349	(4,626,934)	-	-	12,954,545
Tax losses carried forward	61,918,726	426,089	-	1,096,361	(11,713,715)	-	-	51,727,461
Liabilities with retirement benefits	824,709	-	-	18,469	-	63,473	-	906,651
Liabilities with long service award	1,347,716	-	-	92,498	(104,321)	95,456	-	1,431,349
Underfunding of the pension fund	2,883,057	-	-	-	(1,771,111)	3,420,909	(1,576,516)	2,956,339
Retirement benefits not covered by an autonomus fund	17,754,927	-	-	1,247,475	(1,838,737)	1,449,749	-	18,613,414
Derecognition of government grants	674,491	-	-	3,943,786	-	-	-	4,618,277
Derecognition of intangible assets	872,481	-	-	-	(872,481)	-	-	-
Recognition of deferred costs	640,148	-	-	-	(640,148)	-	-	-
Liabilities for healthcare benefits	7,439,265	-	-	10,537	(2,189,999)	1,243,123	-	6,502,926
Deferred book gains in inter-group transactions	-	-	-	1,739,330	-	-	-	1,739,330
Sub-Group Enersis								
Tax losses carried forward	8,449,593	(15,804,715)	-	10,201,398	(2,846,276)	-	-	-
Financial instruments	1,510,749	(3,448,854)	-	-	-	1,938,105	-	-
Government grants - correction of depreciation	6,085	(18,465)	-	12,380	-	-	-	-
Borrowing costs	200,103	(200,103)	-	-	-	-	-	-
Deferred book gains in inter-group transactions	16,633,442	(26,983,547)	-	11,267,454	(917,349)	-	-	-
	387,773,230	(45,915,521)	36,075	78,604,587	(108,243,634)	18,887,843	(1,576,516)	329,566,064
Temporary differences originating deferred tax liabilities								
Sub-Group Portucel								
Revaluation of fixed assets	(38,131,551)	-	-	(174,206)	4,250,370	-	-	(34,055,387)
Retirement benefits covered by an autonomus fund	(873,803)	-	-	(257,900)	-	113,674	-	(1,018,029)
Harmonization of the depreciation criteria	(10,095,378)	-	-	(4,098,095)	-	-	-	(14,193,473)
Fair value of intangible assets - trademarks	(151,488,000)	-	-	-	-	-	-	(151,488,000)
Fair value of fixed assets - Portucel (IPK)	(316,940,997)	-	-	(6,471,217)	-	-	-	(323,412,214)
Fair value of fixed assets - Soporcel (IPK)	(244,195,901)	-	-	(3,691,681)	-	-	-	(247,887,582)
Deferred book losses in inter-group transactions	-	-	-	(37,052,365)	-	-	-	(37,052,365)
Other	(1,669,238)	-	-	-	-	1,669,238	-	-
Sub-Group Secil								
Reevaluation of fixed assets	(26,394,327)	(298,767)	-	(14,339)	4,565,180	-	-	(22,142,253)
Change in depreciation criteria	(37,204,099)	-	(20,182)	(27,610,973)	-	-	-	(64,835,254)
Fair value of subsidiary Société des Ciments de Gabés	(119,035,875)	(6,952,838)	(1,001,150)	-	4,636,129	-	-	(122,353,734)
Deferred book losses in inter-group transactions	-	-	-	(36,087,601)	-	-	-	(36,087,601)
Deferred taxation on capital gains	(2,030,063)	(44,941)	-	(5,881,981)	481,134	-	-	(7,475,851)
Increased amortisation	(1,902,184)	-	(15,641)	(585,035)	-	-	-	(2,502,860)
Overfunding of the pension fund	(1,126,558)	-	-	(1,503,357)	1,053,399	-	1,576,516	-
Sub-Group Enersis								
Revaluation of fixed assets	(1,055,157)	996,146	-	-	59,011	-	-	-
Harmonization of the depreciation criteria	(6,321,584)	10,786,295	-	(4,464,711)	-	-	-	-
Deferred book losses in inter-group transactions	(181,569)	181,569	-	-	-	-	-	-
Others								
Deferred tax on capital gains	(54,414,305)	-	-	(237,036)	-	-	-	(54,651,341)
	(1,013,060,589)	4,667,464	(1,036,973)	(128,130,497)	15,045,223	1,782,912	1,576,516	(1,119,155,944)
Amounts reflected on the balance sheet								
Deferred tax assets	107,228,084	(12,567,790)	12,621	21,212,993	(29,519,103)	5,194,157	(424,815)	91,136,147
Deferred tax liabilities	(287,993,188)	1,294,774	(371,938)	(35,372,274)	4,554,187	490,302	424,815	(316,973,322)

Deferred tax assets on tax losses carried forward

Deferred tax assets on tax losses, as of December 31, 2005 and 2004, that the Group considers to be deductible from future profits, and thus with deferred tax assets) are as follows:

Amounts in €	31-12-2005	Expiry Date
Secilpar, SL	47,611,020	2019
Silonor, S.A.	3,065,587	Indefinitely
Secil Prebet��o, S.A	439,476	2011
Lisconcreto – Unibet��o, S.A.	411,793	2009
Tercim, S.A.	103,882	2009
Jobrita, S.A	66,413	2011
Secil Unicon, SGPS, S.A.	15,984	2011
Serife, Lda.	13,306	2011
Sociedade de Vinhos da Herdade de Espirra	95,030	2010
Setipel – Servi��os T��cnicos para a Ind��stria Papeleira, S.A.	28,828	2009
	51,851,319	

As of December 31, 2004 changes in deferred tax assets and liabilities of each subgroup were as follows:

Amounts in €	January, 1 2004	Changes of perimeter	Exchange adjustment	Income statement		Reserve and Minority Interests	Tranfers	December 31, 2004
				Increases	Decreases			
Temporary differences originating deferred tax assets								
Sub-Group Portucel								
Tax losses carried forward	-	13,742,297	-	95,030	(11,913,183)	-	-	1,924,144
Taxed provisions	-	16,393,212	-	-	-	-	-	16,393,212
Fixed assets adjustments	-	10,400,587	-	5,111,909	-	-	-	15,512,496
Underfunding of the pension fund	-	41,670,695	-	-	(3,803,081)	-	-	37,867,614
Financial instruments	-	-	-	-	-	-	-	-
Forests valuation	-	198,280,359	-	-	(14,541,068)	-	-	183,739,291
Sub-Group Secil								
Taxed provisions	5,767,242	-	(208,214)	7,341,354	(1,719,401)	-	-	11,180,981
Tax losses carried forward	8,681,315	-	-	53,729,953	(492,542)	-	-	61,918,726
Liabilities with retirement benefits	-	-	-	59,209	(18,112)	783,612	-	824,709
Liabilities with long service award	-	-	-	128,505	(94,653)	1,313,864	-	1,347,716
Underfunding of the pension fund	-	-	-	-	(2,347,665)	5,230,722	-	2,883,057
Retirement benefits not covered by an autonomus fund	17,698,796	-	-	1,160,862	(1,638,317)	533,586	-	17,754,927
Derecognition of government grants	118,255	-	-	556,236	-	-	-	674,491
Derecognition of intangible assets	1,142,852	-	(6,528)	208,178	(472,021)	-	-	872,481
Recognition of deferred costs	2,353,059	-	(63,245)	-	(1,649,666)	-	-	640,148
Liabilities for healthcare benefits	7,862,261	-	-	-	(3,091,300)	2,668,304	-	7,439,265
Gains subject to deferred tax originated in intra-group transactions	63,720,841	-	-	31,862,486	(95,583,327)	-	-	-
Sub-Group Enersis								
Tax losses carried forward	3,484,911	-	-	8,381,633	(3,416,951)	-	-	8,449,593
Financial instruments	-	-	-	328,425	-	1,182,324	-	1,510,749
Government grants	-	-	-	6,085	-	-	-	6,085
Borrowing costs	-	-	-	200,103	-	-	-	200,103
Gains subject to deferred tax originated in intra-group transactions	688,944	-	-	16,038,239	(93,741)	-	-	16,633,442
	111,518,476	280,487,149	(277,987)	125,208,207	(140,875,028)	11,712,412	-	387,773,230
Temporary differences originating deferred tax liabilities								
Sub-Group Portucel								
Revaluation of fixed assets	-	(41,521,086)	-	-	3,389,535	-	-	(38,131,551)
Overfunding of the pension fund	-	(875,206)	-	(582,517)	583,920	-	-	(873,803)
Financial instruments	-	(22,783,119)	-	-	-	21,113,881	-	(1,669,239)
Harmonization of the depreciation criteria	-	-	-	(10,095,378)	-	-	-	(10,095,378)
Fair value of intangible assets - trademarks	-	(151,488,000)	-	-	-	-	-	(151,488,000)
Fair value of fixed assets - Portucel (IPK)	-	(316,940,997)	-	-	-	-	-	(316,940,997)
Fair value of fixed assets - Soporcel (IPK)	-	(241,441,678)	-	(2,754,223)	-	-	-	(244,195,901)
Sub-Group Secil								
Revaluation of fixed assets	(32,543,660)	-	-	-	6,149,333	-	-	(26,394,327)
Change in depreciation criteria	(13,546,410)	-	152,746	(23,810,435)	-	-	-	(37,204,099)
Fair value of subsidiary Société des Ciments de Gabès	(132,457,570)	-	9,986,952	-	5,498,579	-	(2,063,836)	(119,035,875)
Losses subject to deferred tax originated in intra-group transactions	(2,233,520)	-	-	1,498,610	734,910	-	-	-
Reduction of provisions	(596,101)	-	-	-	596,101	-	-	-
Recognition of deferred income	(89,682)	-	-	-	89,682	-	-	-
Deferred taxation on capital gains	(2,714,604)	-	-	-	684,541	-	-	(2,030,063)
Increased amortisation	(1,592,455)	-	119,634	(429,363)	-	-	-	(1,902,184)
Overfunding of the pension fund	(2,684,035)	-	-	1,361,150	196,327	-	-	(1,126,558)
Sub-Group Enersis								
Revaluation of fixed assets	(1,267,194)	-	-	-	212,037	-	-	(1,055,157)
Harmonization of the depreciation criteria	-	-	-	(6,321,584)	-	-	-	(6,321,584)
Losses subject to deferred tax originated in intra-group transac	(181,569)	-	-	-	-	-	-	(181,569)
Others								
Losses subject to deferred tax originated in intra-group transactions	(54,414,305)	-	-	-	-	-	-	(54,414,305)
	(244,321,105)	(775,050,087)	10,259,332	(41,133,740)	18,134,965	21,113,881	(2,063,836)	(1,013,060,590)
Amounts reflected on the balance sheet								
Deferred tax assets	36,258,464	78,295,229	(188,885)	42,672,182	(52,704,680)	2,895,774	-	107,228,084
Deferred tax liabilities	(77,453,725)	(213,138,774)	3,486,567	(11,500,998)	5,529,767	5,806,317	(722,342)	(287,993,188)

Unrecognised deferred taxes on tax losses carried forward

Unrecognised deferred taxes on tax losses, as of December 31, 2005 and 2004, that the Group considers to be not deductible from future profits, (and thus without deferred tax asset) are as follows:

Amounts in €	2005	2004
Semapa, Investments, BV	32,858,090	7,324,794
Semapa, SGPS, SA	21,425,514	24,985,076
Portucel Florestal, SA	21,306,984	23,057,464
Semapa SL	12,680,145	3,616,239
Seinpart, SGPS, SA	8,249,582	4,000,326
SPCG, SA	1,668,730	1,668,730
CMP Investments BV	208,322	188,802
Cimenpar Investments BV	55,577	35,107
	98,452,944	64,876,538

29. Pensions and other post-employment benefit

As mentioned in Note 1.22 the Group grants to its employees and family several post-employment benefits. The evolution of assumed responsibilities, reflected in the consolidated balance sheet as of December 31, 2005 is as follows:

Amounts in €	Opening Balance	Changes in liabilities	Payments	Endowments for funds	Closing Balance
Post-work benefits					
Group liability for pensions	17,754,928	86,724,316	(1,570,036)	-	102,909,208
Under-Overfunding of pensions funds	38,281,088	14,148,105	(1,872,662)	(11,136,172)	39,420,359
Death and retirement	824,709	156,612	(74,879)	-	906,442
Assistance in health	10,466,884	2,308,090	(622,605)	-	12,152,369
Long service award	1,347,715	223,988	(140,354)	-	1,431,349
	68,675,324	103,561,111	(4,280,327)	(11,136,172)	156,819,936

As regards costs incurred with pensions, the breakdown as of December 31, 2005 can be presented as follows:

Amounts in €	Current services	Interest cost	Expected Returns on the plan assets	Gains with Curtailments	Past service cost	Impact in the profit for the year
Post-employment benefits						
Pensions assumed by the Group	93,428	885,415	-	-	84,295,795	85,274,638
Pensions with autonomous funds	5,677,428	8,080,200	(6,927,569)	(8,095,579)	-	(1,255,520)
Death and retirement	49,950	42,690	-	-	-	92,640
Assistance in health	520,766	5,44,200	-	-	-	1,064,966
Long service award	58,916	69,616	-	-	-	128,532
	6,400,488	9,632,121	(6,927,569)	(8,095,579)	84,295,795	85,305,256

The responsibilities and costs presented correspond to diverse existing plans in companies that make part of the Group, which are described below.

Semapa

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 the directors resign.

No pension fund was established for the financing of this Group's obligation. The obligation with past services already acquired has been recognised in 2005.

Subgroup Portucel

(i) Under the prevailing Social Benefit Regulation, permanent employees of Portucel and its subsidiaries (excluding Soporcel and its subsidiaries) with more than five years' service are entitled after retirement or disability to a monthly retirement pension or disability supplement (Portucel Plan). This supplement is calculated according to a formula, which takes into account the beneficiary's gross monthly compensation updated to the employee's occupational category on the date of his retirement and his years of service, up to a limit of 30; survivors' pensions to his spouse and direct descendants are also guaranteed.

(ii) The employees of Soporcel – Sociedade Portuguesa de Papel (Soporcel) and its subsidiaries are entitled after their retirement or becoming disabled to a monthly retirement or disability pension supplement; survivors' pensions are also guaranteed to them. (Soporcel Plan).

To cover these liabilities, externally managed pension funds were set up, and the funds' assets are apportioned between each of the companies.

Subgroup Secil

Secil Group implemented the defined benefit plans mentioned below:

(i) Defined benefit plans with funds managed by external entities

LIABILITIES FOR RETIREMENT AND SURVIVOR PENSIONS SUPPLEMENTS

The subsidiary Secil and its subsidiaries:

- CMP- Cimentos Maceira e Pataias, S.A.,
- Unibetão- Industrias de Betão Preparado, S.A.,
- Secil Betão-Indústrias de Betão, S.A. and
- Sulbetão-Preparados de Betão, S.A., have undertaken to make payments to their employees under the caption of retirement pension supplements covering oldness, disability, early retirement and survivors' benefits.

The liabilities resulting from these plans are ensured by autonomous funds, managed by third parties.

These liabilities are estimated every six months, on the date of closing of the interim and annual accounts, by a specialised and independent entity in accordance with the projected unit's credit method.

(ii) Defined benefit plan assumed by the Group

LIABILITIES FOR RETIREMENT AND SURVIVOR PENSION SUPPLEMENTS

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

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

LIABILITIES FOR RETIREMENT AND DEATH BENEFITS

The subsidiary CMP – Cimentos Maceira e Pataias, S.A. has committed to pay their employees benefits on retirement by oldness or disability. This retirement benefits represent 3 months of the last salary. In

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

LIABILITIES FOR LONG SERVICE AWARDS

The subsidiaries Secil and CMP – Cimentos Maceira e Patais, S.A., assumed the commitment to pay to those employees who achieve

- (i) 25, 35, 40 of years service at Secil, and
- (ii) 20 and 35 years of service at CMP a long service award. Those premiums are to be paid in the year in which the worker reaches that service time in the referred companies. These commitments are funded by the Company.

ACTUARIAL ASSUMPTIONS USED

Actuarial studies carried out by independent entities for determining the accumulated liabilities as of December 31, 2005 and 2004 were based on the following assumptions:

	31-12-2005	31-12-2004
Disability Table	EKV80	EKV80
Mortality Table	TV88/90	TV88/90
Salary growth rate	2.50%	3.30%
Technical interest rate	4.50%	5.32%
Pension growth rate	2.25%	2.25%
Estimated average cost for medical assistance - Secil	454.14	432.51
Estimated average cost for medical assistance - CMP	390.00	360.00

In the last quarter of 2005, the Group changed some of the assumptions used in the calculation of pension obligations, namely the technical interest rate and the salary growth rate, by considering to be these the assumptions that best reflect the present financial and economic reality of the Group.

In addition, and in accordance with note 1.31.1, the Group adopted the amendment to IAS 19, in December 2005, in what concerns to the possibility of directly recognise in equity actuarial gains and losses, effective retrospectively from January 1, 2004 on. The impact of the above-mentioned changes is recorded in retained earnings.

The gross impacts resulting from the above-mentioned change can be shown as follows:

	Actuarial gains & losses		Expected return vs actual return	Impact in equity of 2005
	Change in assumptions	Others		
Post-employment benefits				
Pensions assumed by the Group	1,449,749	-	-	1,449,749
Pensions with autonomous funds	17,158,682	565,991	(4,055,811)	13,668,862
Death and retirement	63,473	-	-	63,473
Assistance in health	1,243,123	-	-	1,243,123
Long service award	95,456	-	-	95,456
	20,010,483	565,991	(4,055,811)	16,520,663

The net impact on equity for 2005, totals €11,977,481, corresponding to the net value of deferred taxes in the amount of €4,543,182. (see Statement of recognised consolidated income and expense for the year)

Funds allocated to pension benefit plans

During the years of 2005 and 2004, the evolution of the funds was as follows:

Amounts in €	31-12-2005	31-12-2004
Amount at the beginning of the year	121,340,320	34,089,633
Changes in the consolidation perimeter	-	80,038,272
Endowments made in the year	11,136,172	6,454,606
Expected return of funds in the year	6,927,923	3,614,817
Actual return of funds in the year (in Equity)*	4,055,811	-
Pensions paid	(4,353,897)	(2,857,008)
Other	1,367,813	-
	140,474,142	121,340,320

* Differential between actual and expected return

As of December 31, 2005 and 2004, the composition of funds was as follows:

Amounts in €	31-12-2005	31-12-2004
Shares	34,137,111	29,937,108
Bonds	92,360,437	80,984,115
Index Linked Bonds	2,506,082	2,402,347
Property	635,878	926,282
Liquidity	2,149,015	426,148
Other applications - short term	8,685,619	6,664,320
	140,474,142	121,340,320

Obligations for post-employment benefits

As of December 31, 2005 and 2004, companies' liabilities with retirement and survivor benefits were as follows:

Balance sheet obligations

Amounts in €	31-12-2005			31-12-2004		
	Autonomous fund	Assumed by the Group	Total	Autonomous fund	Assumed by the Group	Total
Liabilities for past service:						
- Active employees	122,742,938	87,494,483	210,237,421	110,249,590	2,680,160	112,929,750
- Retired employees	57,151,560	15,414,728	72,566,288	49,371,818	15,074,767	64,446,585
Market value of the pension fund	(140,474,142)	-	(140,474,142)	(121,340,320)	-	(121,340,320)
Underfunding / (overfunding)	39,420,356	102,909,211	142,329,567	38,281,088	17,754,927	56,036,015

Amounts included in the income statement

Amounts in €	31-12-2005			31-12-2004		
	Autonomous fund	Assumed by the Group	Total	Autonomous fund	Assumed by the Group	Total
Current services	5,677,428	93,428	5,770,856	1,400,064	106,272	1,506,336
Interest cost	8,090,200	885,415	8,975,615	4,060,730	978,436	5,039,166
Expected return on the plan assets	(6,927,569)	-	(6,927,569)	(3,570,981)	-	(3,570,981)
Curtailments	(8,095,579)	-	(8,095,579)	-	-	-
Past service cost	-	84,295,795	84,295,795	-	-	-
	(1,255,520)	85,274,638	84,019,118	1,889,813	1,084,708	2,974,521

Changes in liabilities presented in the balance sheet

Amounts in €	31-12-2005			31-12-2004		
	Autonomous fund	Assumed by the Group	Total	Autonomous fund	Assumed by the Group	Total
Liability in the beginning of the year	159,621,408	17,754,927	177,376,335	31,405,597	17,698,798	49,104,395
Changes in the consolidation perimeter	-	-	-	121,513,971	-	121,513,971
Costs recognized in the income statement	5,436,195	85,274,638	90,710,833	5,449,233	226,588	5,675,821
Adjustments due to changes in actuarial assumptions	17,158,682	1,449,749	18,608,431	4,109,615	1,413,930	5,523,545
Pensions paid	(4,353,899)	(1,570,103)	(5,924,002)	(2,857,008)	(1,584,389)	(4,441,397)
Other	2,032,112	-	2,032,112	-	-	-
	179,894,498	102,909,211	282,803,709	159,621,408	17,754,927	177,376,335

Obligations for other post-employment benefits

As of December 31, 2005 and 2004 companies' liabilities with retirement and death benefits, as well as long service awards and health assistance were as follows:

Liabilities included in the balance sheet

Amounts in €	31-12-2005				31-12-2004			
	Assistance in health	Retirement and death	Long service award	Total	Assistance in health	Retirement and death	Long service award	Total
Liabilities for past services:								
- Active employees	4,619,501	906,651	1,431,349	6,957,501	3,696,046	824,708	1,347,716	5,868,470
- Retired employees	7,532,868	-	-	7,532,868	6,770,839	-	-	6,770,839
	12,152,369	906,651	1,431,349	14,490,369	10,466,885	824,708	1,347,716	12,639,309

Amounts included in the income statement

Amounts in €	31-12-2005				31-12-2004			
	Assistance in health	Retirement and death	Long service award	Total	Assistance in health	Retirement and death	Long service award	Total
Current services cost	520,766	49,950	58,916	629,632	113,414	24,013	59,774	197,201
Interest cost	544,200	42,690	69,616	656,506	429,858	35,195	68,731	533,784
	1,064,966	92,640	128,532	1,286,138	543,272	59,208	128,505	730,985

Changes in liabilities presented in the balance sheet

Amounts in €	31-12-2005				31-12-2004			
	Assistance in health	Retirement and death	Long service award	Total	Assistance in health	Retirement and death	Long service award	Total
Liability in the beginning of the year	10,466,885	824,708	1,347,716	12,639,309	7,862,261	-	-	7,862,261
Costs recognized in the income statement	1,064,966	92,640	128,532	1,286,138	2,747,028	802,039	1,385,951	4,935,018
Adjustments due to changes in actuarial a	1,243,123	63,473	95,456	1,402,052	464,548	40,781	56,418	561,747
Pensions paid	(622,605)	(74,671)	(139,854)	(837,130)	(606,952)	(18,112)	(94,653)	(719,717)
	12,152,369	906,150	1,431,850	14,490,369	10,466,885	824,708	1,347,716	12,639,309

30. Provisions

The movement in provisions during the years ended on December 31, 2005 and 2004 were as follows:

Amounts in €	Legal claims	Environmental restoration	Others	Total
Opening balances as of January 1, 2004	-	-	1,242,499	1,242,499
Changes in the consolidation perimeter	840,581	-	153,146	993,727
Increases	124,691	555,109	1,731,972	2,411,772
Decreases	-	(31,349)	260,314	228,965
Replacements	-	-	(187,630)	(187,630)
Exchange differences	-	-	(34,424)	(34,424)
Closing balance as of December 31, 2004	965,272	523,760	3,165,877	4,654,909
Changes in the consolidation perimeter	-	75,623	(189,338)	(113,715)
Increases	1,498,515	331,212	2,092,329	3,922,056
Decreases	(625,755)	(111,035)	(96,436)	(833,226)
Replacements	(37,168)	(124,547)	(27,539)	(189,254)
Exchange differences	-	-	29,761	29,761
Balance as of December 31, 2005	1,800,964	695,013	4,974,654	7,470,631

The caption other provisions includes an amount of €1,899,844 relating to provisions for negative share capital of associated companies, considering thus the existence of assumed obligations in these companies, that justify the recognition of those losses.

31. Interest-bearing liabilities

As of December 31, 2005 and 2004, the Group's net debt were as follows:

Amounts in €	31-12-2005	31-12-2004
Interest-bearing liabilities		
Non-current	1,289,105,052	1,853,345,209
Current	146,631,770	386,308,614
	1,435,736,822	2,239,653,823
Cash and cash equivalents		
Cash in hand	306,555	475,228
Sort term Bank deposits	129,545,136	63,184,964
Others	83,500,000	70,525,116
	213,351,691	134,185,308
Net debt	1,222,385,131	2,105,468,515

Non current interest-bearing liabilities

As of December 31, 2005 and 2004, the non-current interest-bearing liabilities were as follows:

Amounts in €	31-12-2005	31-12-2004
Non-current		
Bond loans	712,580,268	30,130,324
Loans from financial institutions	572,098,704	1,817,631,075
Financial leases	682,479	7,619,436
Other loans - POE's	10,960,982	12,029,087
Expenses with bond loans issuance	(7,217,381)	(14,064,713)
	1,289,105,052	1,853,345,209

Non-current bank loans, on December 31, 2005, include an amount of €326,090,562 related to a syndicate loan (2004: €700,561,863 of which €119,000,000 in current interest-bearing debt), contracted by the subsidiaries Semapa BV and Semapa SL in the course of the acquisition of the subsidiary Portucel in 2004. Under this financing collaterals have been constituted as described in note 40.

The amount of other loans relates to reimbursable borrowings received by the Group, under the SIME program (Incentive System for the Modernization of Companies) at zero interest.

Bond Loans

As of December 31, 2005 and 2004 the non-current bond loans were made up as follows:

Amounts in €	31-12-2005	31-12-2004
Bond loans		
Portucel 2005 / 2010	300,000,000	-
Portucel 2005 / 2013	200,000,000	-
Portucel 2005 / 2012	150,000,000	-
Portucel 2005 / 2008	25,000,000	-
Portucel 2005 / 2010 II	25,000,000	-
Semapa 1998 / 2008	7,841,688	13,467,543
CMP 1997 / 2007	4,660,829	16,585,030
Unibetão/ Secil Britas 1996 / 2006	77,751	77,751
	712,580,268	30,130,324

Amounts in €	Amount	Maturity	Reference rate	Spread
Bond loans				
Portucel 2005 / 2010	300,000,000	March 2010	Euribor 6m	1.000%
Portucel 2005 / 2013	200,000,000	May 2013	Euribor 6m	0.875%
Portucel 2005 / 2012	150,000,000	October 2012	Euribor 6m	1.100%
Portucel 2005 / 2008	25,000,000	December 2008	Euribor 6m	0.700%
Portucel 2005 / 2010 II	25,000,000	December 2010	Euribor 6m	0.950%
Semapa 1998 / 2008	7,841,688	March 2007/2008	Euribor 6m	1.250%
CMP 1997 / 2007	4,660,829	Variable	Euribor 3m	1.250%
Unibetão/ Secil Britas 1996 / 2006	77,751	July 2006	Euribor 6m	0.250%
	712,580,268			

During 2005, the subgroup Portucel issued five bond loans through private subscription in the total amount of

€700,000,000, which are repayable in a single instalment.

On March 9, 1998 Semapa issued a bond loan through the issuance of 4,800,000 bonds, quoted on Euronext Lisbon, with a nominal value of mEsc. 1 each, redeemable in 10 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 early redemption at the programmed 12th and 14th coupons payments, both of 20%, that occurred on March 9, 2004 and 2005, bond loan amounts to €13,467,543 (€7,841,688 classified as medium and long-term), corresponding to 2,244,590,447 bonds, with a nominal value of €0.006 each, being impossible its anticipated reimbursement in all or part after the changes introduced to the technical note by General Assembly as of March 5, 2004.

The “Bond loan CMP/ 97”, was issued by CMP on 14 July 1997 for mEsc9,500,000 (€47,385,800). Early redemption can still be requested, if Secil's investment in the Company falls below 51%.

The “Bond loan Unibetão/ Secil Britas”, was issued by on July 5, 1996 having its last coupon payment foreseen on July 5, 2006. Some subscribers have already performed early redemption.

Maturity dates regarding the recorded amount in non-current bank loans, other loans and bond loans were as follows:

Amounts in €	31-12-2005	31-12-2004
1 to 2 years	72,435,155	694,749,451
2 to 3 years	108,091,722	263,455,884
3 to 4 years	328,702,267	108,984,199
4 to 5 years	409,514,773	561,056,971
More than 5 years	376,896,037	238,935,031
	1,295,639,954	1,867,181,536

Current interest-bearing liabilities

As of December 31, 2005 and 2004 the current interest-bearing liabilities were as follows:

Amounts in €	31-12-2005	31-12-2004
Current		
Bond loans	17,535,678	16,811,248
Bank borrowings - short term	118,926,636	340,529,412
Short-term borrowings for shareholders	6,965,127	6,883,458
Financial leases	617,910	2,628,025
Others	2,586,419	19,456,471
	146,631,770	386,308,614

As of December 31, 2005 and 2004, the Group's indebtedness under financial lease plans was as follows:

Amounts in €	31-12-2005	31-12-2004
Less than 1 year	617,910	2,628,025
1 to 2 years	415,948	1,829,285
2 to 3 years	247,928	1,651,062
3 to 4 years	112,364	922,890
4 to 5 years	-	665,870
More than 5 years	-	3,543,444
	1,394,149	11,240,577
Future interest	(93,760)	(993,116)
Present value of financial lease liabilities	1,300,389	10,247,461

As of December 31, 2005 and 2004, the Group uses the following goods acquired under finance leases:

Amounts in €	31-12-2005		
	Acquisition amount	Accumulated amortization	Net book value
Buildings and other constructions	233,597	(46,100)	187,497
Basic equipment	443,115	(237,891)	205,224
Transportation equipment	2,028,292	(1,142,769)	885,523
	2,705,004	(1,426,760)	1,278,244

As of December 31, 2005 and 2004, there were undrawn credit facilities amounted to €415,035,635 and €231,461,698, respectively.

Financial Covenants

For certain types of financing operations, there is the commitment to maintain certain financial ratios, whose limits are previously negotiated.

32. Payables and other current liabilities

As of December 31, 2005 and 2004, the payables and other current liabilities caption showed the following breakdown:

Amounts in €	31-12-2005	31-12-2004
Accounts payable to suppliers	162,793,642	187,922,729
Accounts payable to associated companies	2,827,094	-
Accounts payable to suppliers of fixed assets	10,603,737	36,823,721
Derivative financial instruments (Note 33)	2,803,831	404,415
Other creditors	10,928,479	12,068,320
Accrued costs	52,225,110	45,444,498
Deferred income	7,194,580	22,328,300
	249,376,473	304,991,983

As of December 31, 2005 and 2004 the accrued costs and deferred income captions were made up as follows:

Amounts in €	31-12-2005	31-12-2004
Accrued costs		
Insurance claims	147,042	288,118
Payroll expenses	35,439,197	30,845,860
Interest payable	7,563,264	7,486,927
Power costs	1,170,967	615,699
Transportation services	1,112,734	230,891
Technical assistance services (Angola)	2,072,850	-
Shareholders	-	399,160
Other	4,719,056	5,577,843
	52,225,110	45,444,498
Deferred income		
Government grants	21,654,812	19,894,419
Insurance indemnities	-	1,750,000
Other	1,815,923	683,881
	23,470,735	22,328,300

Payroll costs include an amount of €10,360,652 (2004: €9,100,000) related to performance premiums attributable to the board members of Semapa.

33. Derivative financial instruments

During 2005 and with the objective to manage its interest risk on syndicated loans, Portucel subsidiary entered into various interest-rate swaps and a cap.

In order to manage the exchange rate risk associated with the collections from customers, on December 31, 2005, the same subsidiary entered into forward rate agreements; these expire during the first half of 2006. At the end of 2005 the company bought various options for managing foreign exchange risk regarding the sales contemplated for 2006.

To hedge against the risk associated with fluctuations in the prices of pulp for sales contemplated up to April, 2006, the Group entered into forward contracts that expire throughout that year.

Due to the accounting treatment of derivative financial Instruments that qualify as hedging instruments in accounting terms, as of December 31, 2005 an amount of €1,010,854, net of deferred taxes, is recorded in the fair value reserve.

As of December 31, 2005 and 2004, the fair value of derivative financial instruments used by the subgroups Portucel and Secil showed the following breakdown:

Amounts in €	Notional		31-12-2005		31-12-2004	
	Currency	Amount	Positive	Negative	Net amount	Net amount
Hedging						
Interest rate swaps (IRS)	EUR	150,000,000	158,769	(342,839)	(184,070)	(195,502)
Foreign exchange forwards (pulp sales)	EUR	273,238,959	5,013,388	(1,306,282)	3,707,106	-
Interest rate instruments (CAP's)	-	-	-	-	-	1,215,821
		423,238,959	5,172,157	(1,649,121)	3,523,036	1,020,318
Trading						
CAP's	EUR	150,000,000	-	(5,703)	(5,703)	1,252,155
Foreign exchange forwards	EUR	76,528,850	-	(793,640)	(793,640)	549,130
Interest rate options	EUR	29,678,475	156,408	(244,115)	(87,707)	-
Interest rate swaps (IRS)	EUR	29,678,475	-	(96,232)	(96,232)	-
		285,883,800	156,408	(1,139,690)	(983,282)	1,801,285
Trading						
Currency options	USD	800,000	5,630	(9,850)	(4,220)	-
Foreign Exchange forwards	USD	800,000	-	(5,170)	(5,170)	-
		1,600,000	5,630	(15,020)	(9,390)	-
			5,334,195	(2,803,831)	2,530,364	2,821,603

As of December 31, 2005 the fair value of derivative financial instruments is included under the current payables caption (Note 32), if negative and current receivables caption (Note 24), if positive.

34. Balances and transactions with related parties

As of December 31, 2005 balances with related parties are made up as follows:

Amounts in €	Interest-bearing liabilities	
	31-12-2005	31-12-2004
Shareholders		
Cimo - Gestão de Participações, SGPS, SA	3,835,959	3,888,777
Longapar, SGPS, SA	2,176,149	2,026,737
Sonaca - Sociedade Nacional de Canalizações, SA	953,019	967,944
	6,965,127	6,883,458

Amounts in €	31-12-2005		
	Costumers	Other debtors	Suppliers
Associated companies			
Betão Liz, S.A.	195,967	95,388	-
Cimentos Madeira, Lda	1,946,616	357	-
Cimentador - Cimentos dos Açores, Lda	771	69	-
Viroc Portugal - Indústria de Madeira e Cimento, S.A.	425,517	2,170,590	450
Secil Unicon - S.G.P.S., Lda	-	625	-
ICV - Inertes de Cabo Verde, Lda.	-	99,668	-
Chryso Portugal, S.A.	-	102,329	564,025
Ecoresíduos, Lda	-	7,355	177,120
Astakos Domika Aluminouha	-	151,350	-
Secil Prebetão - Pré-Fabricados de Betão, S.A.	39,790	21,111	16,778
Asip, ACE	1,162,512	-	1,478,599
Afoelca, ACE	400	431,931	47,698
Soporger	-	319,992	-
Cutpaper	310,710	58,704	542,424
Soporcel2000	-	(1,239)	-
TASC	-	2,743	-
	4,082,283	3,460,973	2,827,094

In the year ended December 31, 2005 transactions with related companies were as follows:

Amounts in €	31-12-2005	
	Purchase of services	Financial expenses
Shareholders		
Cimianto - Gestão de Participações, SA (SGPS)	107,740	-
Cimo - Gestão de Participações, SGPS, SA	-	153,682
Longapar, SGPS, SA	-	97,412
Sonaca - Sociedade Nacional de Canalizações, SA	-	36,132
	107,740	287,226

Members of Board of Directors of other group companies		
Aquisition of 4.99% stake in Telener	6,000,000	-
	6,107,740	287,226

Amounts in €	31-12-2005			
	Purchases of services	Services rendered	Operating income	Financial expenses
Associated companies				
Betão Liz, S.A.	-	2,929,140	229,129	-
Cimentos Madeira, Lda	-	21,513,312	25,722	-
Cimentador - Cimentos dos Açores, Lda	-	107,397	470	-
Viroc Portugal, S.A.	-	1,184,113	1,667	-
Secil Unicon - S.G.P.S., Lda	-	-	2,510	-
Chryso Portugal, S.A.	1,196,150	-	84,569	-
Ecoresíduos, Lda	140,690	-	28,168	10,401
Secil Prebetão, S.A.	64,717	743,652	123,999	-
Cimentos de Sibilene, S.A.L.	-	-	106,925	-
Asip, ACE	8,817,906	3,797,688	-	-
Afoelca, ACE	98,790	1,696,034	-	6,996
Cutpaper	537,756	3,001,490	-	8,969
	10,856,009	34,972,826	603,159	26,366

35. Changes in the consolidation perimeter

During the year ended on December 2005 and 2004, the following changes in the consolidation perimeter have been made:

Inclusions in the perimeter – Year of 2005

Hewboll, SGPS, Lda., with its head office in Funchal, acquired on January 11, 2005, and 100% of its share capital held by the subsidiary Secil;

Jobritas – Industria Extractiva, S.A., with its head Office in Lisbon, acquired on February 7, 2005 and 93.66% of its share capital held by Secil;

IRP – Indústrias de Rebocos de Portugal, S.A. and Lusocil – Sociedade Portuguesa de Cimento Cola, S.A., acquired on April 20, 2005, having 70% of its share capital held by Secil with a call option on the remaining 30% to be exercisable for a period between the end of the third and the end of the seventh year from acquisition date.

In addition, the proportionate consolidation method has been adopted for the following joint ventures (Note 15):

Secil Prêbetão, S.A., with its head Office in Montijo, acquired on May 7, 1994, having 42.5% of its share capital held by Secil.

Secil Unicon, S.G.P.S., S.A., with its head Office in Lisbon, founded on July 29, 1991, and 50% of its share capital held by Secil.

MICEP – Manutenção Industrial de Celulose e Papel, ACE with its head office in Setúbal, having 40% of its share capital held by the subsidiary Portucel.

Cutpaper – Transformação, Corte e Embalagem de Papel, ACE with its head Office in Figueira da Foz, and 50% of its share capital held by Portucel.

During 2005, the main acquisitions led to an increase in the consolidated net assets of the Group, as follows:

Amounts in €	Total	Joint ventures a)	Acquired subsidiaries b)
Intangible assets	48,940	48,230	710
Property, plant & equipment	11,611,010	3,506,307	8,104,703
Inventory	1,807,449	1,635,081	172,368
Receivables	4,386,724	2,379,015	2,007,709
Cash and bank deposits	174,027	150,672	23,355
Provisions	(105,378)	(29,755)	(75,623)
Payables	(6,199,486)	(2,529,952)	(3,669,534)
Total acquired/integrated	11,723,286	5,159,598	6,563,688
Positive acquisition difference	3,054,689	-	3,054,689
Negative acquisition difference	(2,845,571)	-	(2,845,571)
Net acquisition cost	11,932,404	5,159,598	6,772,806
Cash and cash equivalents	2,562,600	-	2,562,600
Net assets acquired/integrated	14,495,004	5,159,598	9,335,406

a) Change of amortization method of the companies Secil Prêbetão and Secil Unicon (Note 35)

b) Acquisition of the companies IRP and Jobritas (Note 35)

Inclusions in the consolidation perimeter – 2004

During the year ended on December 31, 2004 and in the course of the second stage of reprivatization of the share capital of Portucel – Empresa Produtora de Pasta e Papel, S.A., in accordance with the resolution of the council of ministers nº 62-A/2004, of May 18 and subsequent IPOs and acquisitions on the market, the Group Semapa acquired 67.1% of the share capital of this subsidiary.

The global value of the acquisition amounted to €789,031,373 (including an amount of €13,864,603 related to transaction costs) corresponding to a goodwill of €135,565,059, calculated as follows:

Amounts in €	Seinpart SGPS	Semapa BV	Total
Acquisition reference date	31-05-2004	30-09-2004	31-10-2004
Acquisition cost	339,864,387	368,035,802	81,131,184
% acquired	30.00%	30.37%	6.73%
Portucel Net Equity	1,003,281,597	1,015,488,680	1,016,718,939
Adjusted Portucel Net Equity	966,378,220	979,774,129	981,186,141
% acquired over adjusted Net Equity	289,913,466	297,518,926	66,033,922
Goodwill on acquisition	49,950,921	70,516,876	15,097,262
			135,565,059

The net assets acquired, with reference to September 30, 2004 (date when Semapa acquired effective control and corresponding to the date of the change in perimeter) were as follows:

Amounts in €	Fair value	Net book value in acquired Company
Cash and cash equivalents	64,441,147	64,441,147
Tangible fixed assets	1,543,952,313	1,225,037,785
Trademarks (included in intangible assets) (Note 16)	151,488,000	-
Other intangible assets	2,146,288	378,902,672
Available-for-sale financial assets	719,811	719,811
Investments in associated companies	46,457,280	46,457,280
Biological assets	133,135,589	133,135,589
Imposto diferido activos	77,133,966	77,133,966
Deferred tax assets	158,771,491	158,771,491
Inventories	244,829,169	244,829,169
Receivable balances	(201,895,803)	(201,895,803)
Retirement benefits	(41,475,699)	(41,475,699)
Interest-bearing debt	(985,067,421)	(985,067,421)
Provisions	(993,727)	(993,727)
Deferred tax liabilities	(213,681,495)	(84,320,800)
Minority interests	(186,780)	(186,780)
Net assets	979,774,129	1,015,488,680
Acquisition cost	789,031,373	
Cash and cash equivalents in subsidiary acquired	64,441,147	
Outflow on acquisition	724,590,226	-

Exits from the consolidation perimeter

In December 2005, the subsidiary CMP, B.V. sold its position of 89.92% held in the share capital of Enersis II, S.A., sub-holding of the energy segment. Thus, as of December 31, 2005 the group had no any stake in the capital of the mentioned company.

The change in perimeter, relating to the derecognition of assets and liabilities of the referred subsidiary, with reference to November 30, 2005 as well as the calculation of the sales' capital gains was as follows:

Amounts in €	Enersis II 30-11-2005
Non-current assets	564,036,175
Current assets	70,398,950
Non-current liabilities	(474,639,463)
Current liabilities	(125,370,768)
	34,424,894
Equity and reserves	31,634,993
Minority interests	2,789,901
Total share capital	34,424,894
% held by CMP BV	89.92%
Share capital held in Enersis	28,446,186
Participation held in Telener	6,000,000
Total value of participations disposed	34,446,186
Recycling of fair value of financial instruments reserve for net results*	1,788,197
Value of participations for calculation of capital gains	36,234,383
Sale value	420,841,500
Gain/loss calculated at time of sale	384,607,117
Associated management premiums - payroll costs	(7,250,000)
Net Profit	377,357,117

* Registered in fair value reserves (Equity) according to IAS 39

36. Expenditure on environmental safeguards

In the development of its activity, the Group supports several environmental charges which, in accordance with their nature, are capitalised or recognised as costs in the income statement of the year.

Environmental expenses incurred by the Group in order to preserve resources or avoid or reduce future damages, are capitalised when they are expected to extend life or increase the capacity, safety or efficiency of other assets held by the Group.

The expenditures capitalized and expensed during 2005 are as follows:

Areas	Expenses of the year	Capitalised in the year	Total
Atmospheric emissions	1,955,400	12,020,756	13,976,156
Management of residual waters	16,978	-	16,978
Waste / residuals management	919,575	4,301,832	5,221,407
Protection of soils and underground waters	101,576	379,028	480,604
Recovery boiler	-	26,874,031	26,874,031
Liquid effluent treatment	5,848,607	-	5,848,607
Recycling of materials	538,797	-	538,797
Expenditures with electro filters	420,726	-	420,726
Sewage network	99,201	-	99,201
Solid waste embankment	303,637	-	303,637
Other environmental protection activities	869,604	13,126,187	13,995,791
	11,074,101	56,701,834	67,775,935

CO2 emission licenses

As part of the Kyoto Protocol, the European Union has committed itself to reduce gas emissions which produce the greenhouse effect.

Within this context, a Community Directive was issued that foresees the commercialization of "CO2 emissions' licenses" and that will be applicable, among others, to the cement and paper industries, with effects from January 1, 2005, until December 31, 2007. Group companies within cement segment and pulp and paper

segment received 2,772,901 tons and 563,986 tons of CO2 equivalents, respectively.

The handing in of the "CO2 emission licenses", which will correspond to the actual emissions for the year, will take place in the beginning of the following year, with the figures presented by the companies, related to the actual emissions, requiring a certification by an independent entity. For 2005 it is expected that the CO2 emissions will be below less the limits of the actual Group's licences. Therefore and in consequence to the inuring legislation, no significant costs are expected for the Group for 2005.

The allocation of "CO2 Emission Rights" will be take effect after this date, but in the event that the allocated amount will not be identical to the present emissions, the Company will incur in costs either having to acquire rights or via investment in equipment that reduces the emission of the gas, otherwise it will be subject to penalties.

37. Auditing and statutory auditing expenses

As of December 31, 2005 and 2004, costs incurred with auditors and statutory auditors were as follows:

Amounts in €	31-12-2005	31-12-2004
Statutory auditors services	521,762	320,290
Other assurance services	32,344	200,325
Tax consultancy services	299,481	283,991
Other services	28,120	7,177
	881,707	811,783

The amount stated in tax consultancy services includes an amount of €82,909 related to services rendered by consultants not belonging to PricewaterhouseCoopers (Semapa's auditors).

38. Average number of employees

As of December 31, 2005 and 2004 the average number of employees in the service of the various Group companies was as follows:

Segment	2005	2004
Pulp and Paper	1,986	2,182
Cement and Derivatives	2,294	1,978
Energy	-	97
Holdings	23	13
	4,303	4,270

The inclusions in the consolidation perimeter during 2005 gave rise to an increase of 442 in the average number of employees.

39. Commitments

As of December 31, 2005 and 2004, commitments assumed by the Group were as follows:

Entity	31-12-2005	31-12-2004
Guarantees		
DGT - Direcção Geral do Tesouro	50,000,000	50,000,000
IAPMEI (âmbito do POE)	11,021,574	17,685,102
DGCI - Direcção Geral dos Impostos	15,677,315	15,677,315
Vestas	a)	13,005,292
EDP	a)	4,189,930
Direcção Geral de Energia	a)	3,319,808
Financiamento Soporgen	2,000,000	2,000,000
Câmara Municipal de Setúbal	964,904	956,275
APSS - Administração dos Portos de Setúbal e Sesimbra	943,138	557,295
Direcção Geral de Alfândegas	598,557	698,317
OMMP e Elfouladh	581,358	305,711
Simria	514,361	514,361
Instituto de Conservação da Natureza - Arrábida	332,005	332,005
IFADAP	201,744	201,744
INGA - Instituto Nacional de Garantia Agrícola	150,000	-
IAPMEI (âmbito do PEDIP)	99,760	77,872
Sociedade Empr. Alto Tâmega e Barroso, S.A.	a)	250,000
Others	1,407,401	866,691
	84,492,117	110,637,718
Other commitments		
of purchase	8,110,808	17,260,000
Others	-	313,728
	8,110,808	17,573,728
	92,602,925	128,211,446

a) Guarantee related to sub-group Enersis

The subsidiary Seinpart – Participações SGPS, issued a bank guarantee, to the tax authorities (Direcção Geral do Tesouro), by €50,000,000, valid for five years and destined to cover the fulfilment of all the obligations assumed by this subsidiary, in accordance with the terms established in chapter IV of the “Term of references” approved by Resolution 194/2003, of December 30 relative to the privatization of Portucel.

The amount of €15,677,315 corresponds to two guarantees issued to the tax authorities (Direcção Geral do Tesouro) to Soporcel in consequence of litigation initiated during the first half of 2004, in the context of the income tax incentive process, which had been taken into account in the acquisition of the second paper machine as referred in note 25.

On May 3, 2000, Soporcel, entered into a joint, but not several, guarantee with a financial institution under which Soporcel guarantees the full and timely compliance with all financial and monetary obligations to that institution assumed by Soporgen – Sociedade Portuguesa de Geração de Electricidade e Calor, S.A. Accordingly, the institution can claim repayment of up to 8% of Soporgen's debt to it under that guarantee whenever it is enforced.

As of December 31, 2005, the respective financing, in the amount of €25,000,000, had been drawn down in its entirety, Soporcel's guarantee thus standing at €2,000,000.

The assumed buying commitments with suppliers are basically related to the acquisitions of goods for tangible assets.

40. Other commitments assumed by Group companies

Pledges

During the year ended December 31, 2004, the subsidiaries Semapa Inversiones S.L. and Semapa Investments B.V. had contracted jointly with Semapa, SGPS, S.A., next to a banking union, a financing for the acquisition, through Seinpart -Participações, SGPS, S.A. and Semapa Investments B.V., 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 arrangement, pledges were made of the shares and paid in capital held directly and indirectly by Semapa in the companies Semapa Inversiones, S.L., Semapa Investments B.V., Seinpart - Participações, SGPS, S.A., Portucel - Empresa Produtora de Pasta e Papel, S.A., CMP Investments B.V. and Enersis II, SGPS, S.A., as well as of the 23.023% of shares held in Secil, representing 25% of voting rights.

In December 2005 a waiver was granted for the disposal of the participation of the subsidiary CMP, BV held in Enersis II, having €350,000,000 of the cash proceed from the sale been used to reduce Group financial debt.

During the year 2000, the subsidiary Secil contracted bank loans with maturity in 2010 to finance the acquisition of Société des Ciments de Gabés, in Tunisia. Under the terms of those loans, Secil provided an irrevocable power of attorney to the banks, enabling them to pledge the shares of that company in guarantee of the loan, in the event of non-compliance by the Company with the terms of the loan.

The subsidiary Société des Ciments de Gabés, contracted with a financial institution in Tunisia a loan in the amount of TND 15.000.000 (€9,291,378), for the acquisition of basic equipment for its plant.

Under the terms of this loan, the subsidiary Société des Ciments de Gabés, provided an irrevocable power of attorney to the bank, enabling them to pledge the above-mentioned equipment in the event of non-compliance by the Company with the terms of the loan.

In April 2005, the subsidiary Secil Martingança, Lda., contracted a loan with a financial institution with maturity in 2012, to finance the acquisition of subsidiaries IRP – Industrias de Rebocos de Portugal, S.A. and Lusocil – Sociedade Portuguesa de Cimento Cola, S.A.. Under the terms of those loans, the Company provided an irrevocable power of attorney to the banks, enabling them to pledge the shares of those companies in guarantee of the loan, in the event of non-compliance by the Company with the terms of the loan.

Comfort letters

The subsidiary Secil issued a comfort letter in favour of a financial institution as a guarantee with the contracted financings of its associate Viroc Portugal, S.A., in the amount of €2,574,082. For this obligation exists a provision in the amount of €1,786,967.

Investment in a new plant in Angola

Under the terms of the agreement memorandum between the Angolan government and the subsidiary Secil, of April 2004, the company Secil – Companhia de Cimento do Lobito, S.A. was founded on November 29, 2005. 51% of its share capital are held by the Group Secil and the remaining 49% by the Angolan state, starting into operation on January 1, 2006, thus ending the exploration cession contract of the Encime do Lobito plant between the Angolan state and TecnoSecil in force since September 2000.

The share capital of Secil Lobito of USD 21.274.286 was carried out through the transfer of tangible and intangible assets of Tecnosecil and Encime U.E.E., respectively by the Group and the Angolan government. The amount was calculated by an independent international auditing firm in October 2003, being subject to adjustment on December 31, 2005, according to the work in progress by the same entity.

Within a horizon of 36 months from the realization date of the above-mentioned share capital, Secil Lobito will build a cement factory in Lobito with a capacity of 400 thousand tons.

41. Contingent assets

Secil has applied in 2000 for the Foreign Investment Tax Incentive foreseen in Decree-Law 401/99 dated October 14, under the process of the acquisition of Société des Ciments de Gabés.

The Incentive consists in a reduction of income tax of 10% of the Investment, for an overall amount of €5,985,575.

This application, although approved by ICEP – Foreign Investment Agency was declined by the Tax authorities, but the Company appealed to court against this decision by claiming the amounts of taxes paid in excess in the years 2000 through 2004, which amount to €4,987,979 and €997,596 in respect to 2005.

The issue already started in the constitutional court in Almada in 2004 and has already been rejected in accordance with the notification of February 10, 2006. The company will appeal the decision.

In 1995, Secil performed a revaluation of its assets in accordance with the directive 22/92 of February 14 with respect to tangible assets as of December 31, 1993. The tax basis for the periods of 1995 to 1999, have been corrected as regards the amortization amounts, slightly in excess, related to the virtual quota assigned for in 1994, giving rise for additional liquidations of corporate income tax, received from and paid to the state. The Board of Directors is convinced to succeed in the present matter, which amounts to €2,235,907 in financial terms.

The company lost the case in court related to 1995 (€820,148), having raised objection in the Supreme Court, that overruled the decision of the court of first instance and called for revision of the action related to 1995, having, however, confirmed the conviction of the

court of first instance for 1996 (€ 795,311) . Secil will raise objection against this decision. As regards the actions of 1997 (€282,262), 1998 (€327,323) and 1999 (€10,464) they already started in 2004 in the court of first instance, still pending decision.

Secil recorded in its financial statements of December 31, 1995 a total adjusted amount of €5,598,358, receivable from the Portuguese Government. On September 16, 1999, Secil's management opened a procedure against the Portuguese state, reclaiming the payment of this amount incl. interest, anticipating conviction of the constitutional court, with reasoning having started in the last quarter of 2004.

From December 2000 to April 2004, the subsidiary Secilpar SL with its headquarter in Madrid, was holding shares representing approximately 10% of the share capital of Cimpor, SGPS, S.A., having received dividends in the amount of € 25,960,429 for 2001 to 2003 subject to tax in Portugal in the amount of €3,039,491, that should be deducted from tax payable in Spain.

Given the fact, that Secilpar presented negative results in these periods, deduction cannot be performed. However, Secil is convinced that this tax credit for international double taxation can be disclosed for the following ten years, respectively from 2011 to 2013.

In addition, the subsidiary Secilpar, filed an appeal in Portugal against the tax retention of dividends for 2002 and 2003, in the amounts of €1,481,263 and €1,159,154, respectively. Under the EU treaty the existence of different tax retention rates for residents and non-residents with its headquarters in the EU, represents discriminatory prescription, matter that has only been corrected with the publication of the directive n° 192/2005, of November 7.

Regarding the subgroup Secil, the subsidiary Secilpar filed an appeal in Spain on April 5, 2002 demanding the restitution of corporate tax in the amount of €1,602,167 paid in October 2001 whilst the conversion of premiums for the issue of shares into share capital in the amount of € 320,433,400, claiming that this is contradictory to the European directive of capital consolidation.

ENCE – Empresa Nacional de Celulose, SA, company in which the subsidiary held 8% of share capital until 2004, paid, between 2001 and 2004, dividends in the global amount of €3,444,862, that have been subject to tax retention in the amount of €516,729.

The retained amount was objected by Portucel in the Spanish constitutional court, based on the violation of free capital flows under the treaty of Rome (The same dividends paid to an entity resident in Spain would not be subject to tax retention).

Under a contract, signed in 1998 with the Portuguese state about a tax incentive, the subsidiary Soporcel, the amounts of corporate income tax for the periods of 1998 to 2007 as regards industrial investments, have been considered eligible.

The amount deducted by Soporcel in the income tax estimate for the year ended on December 31, 2005 was €1,459,954 (December 31, 2004: €2,919,908).

In the course of the calculation of the final amount of the investment, a difference of €2,453,785 was determined between the amount of the tax incentive provisorily deducted up to 2000 and the deductible amount based on the final amount of the investment.

From 2002 this difference is being systematically adjusted in the deductions to be taken through 2007. As of December 31, 2005, the adjustment to be taken was €445,961 and the unused tax deduction amounts to €2,919,908, which was already reduced by the amount to be adjusted.

42. Contingent liabilities

The subsidiary Secil – Companhia Geral de Cal e Cimento, S.A. has recently seen finalised the individual corporate income tax inspection for the years 2001 and 2002, that have been carrying out since August 2004, having only closed the period 2001 as regards corporate income tax calculated on an aggregated basis under the Special Regime for the taxation of group companies – with an additional liquidation of €293,480, already paid and provisioned. The year 2002 is still to be closed, although the subsidiary has already been notified of the possible corrections by the tax authorities as regards individual profit, amounting to €25,408,367, corresponding to an estimated liquidation of €9,795,367.

Under the advice of its lawyers and professors of tax law, the Board of Directors of Secil is convinced of its compliance with tax obligations and, therefore, would raise an appeal in the event of being subject to additional corporate income tax liquidations. In particular, as regards the consideration of the tax administration in the amount of €24,950,000 as bounteousness, whilst the disposal of Secil Investimentos, SGPS, S.A., as part of capital resulting from a capital increase in the respective year for the hedging of negative equity of the company, subject to tax in the amount of €9,618,659, giving to understand that there does not exist any validity or fundament whatsoever in the interpretation of the tax administration.

43. Translation Rates

All assets and liabilities of foreign subsidiaries and associated companies are translated to Euros at the exchange rates prevailing at December 31, 2005. The income statement items are translated to euros at the average exchange rates for the year. Differences resulting from the application of the above-mentioned exchange rates when compared to previous amounts were reflected in shareholder's equity in "Currency translation reserves" caption.

The exchange rates used as at December 31, 2005 and 2004 by comparison with the euros, were as follows:

	2005	2004	Increase/ (Decrease)
TND (tunisian dinar)			
Average exchange rate for the year	1.6124	1.5478	(4.17%)
Exchange rate at the end of the year	1.6144	1.6279	0.83%
LBN (libanese pound)			
Average exchange rate for the year	1,884.35	1,871.11	(0.71%)
Exchange rate at the end of the year	1,793.26	2,012.86	10.91%
USD (american dollar)			
Average exchange rate for the year	1.2441	1.2439	(0.02%)
Exchange rate at the end of the year	1.1797	1.3621	13.39%

44. Subsequent events

On February 31, 2006, the Board of Directors of the subgroup Portucel Soporcel announced the decision to build a new paper factory in Setúbal, with an estimated investment rounding €490,000,000, together with the agreement entered into with API, regarding the plan in progress about the development and technological modernization and the reduction of environmental impact of the Group Portucel, with total investments amounting to €900,000,000.

The execution of a substantial part of these investments, depend, however, on the verification of some of the assumptions on which the decision was based, namely the formalization of the above-mentioned contracts.

In addition, in the course of the partial repayment of bank loans by the subsidiaries Semapa and Semapa SL, the Group is in the course of renegotiating its debt, anticipating the possible issue of commercial paper and a bond loan.

45. Consolidated companies

Name	Head Office	% direct and indirect percentage of equity held by Semapa		
		Direct	Indirect	Total
Parent company:				
Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.	Lisbon	-	-	-
Subsidiaries:				
Seminv, SGPS, S.A.	Lisbon	100,00	-	100,00
Cimenpar Investments, B.V.	Amsterdam	-	100,00	100,00
Cimentospar - Participações Sociais, SGPS, Lda.	Lisbon	-	100,00	100,00
Betopal, S.L.	Madrid	100,00	-	100,00
Seinpar Investments, B.V.	Amsterdam	100,00	-	100,00
Semapa Investments B.V.	Amsterdam	100,00	-	100,00
Semapa Inversiones S.L.	Madrid	100,00	-	100,00
Seinpart, SGPS, S.A.	Lisbon	51,00	49,00	100,00
CMP Investments, B.V.	Amsterdam	100,00	-	100,00

Subsidiary companies of subgroup Portucel

Name	Head Office	Percentage of share capital held by companies of the Group			Percentage of share capital effectively held by Semapa
		Directly	Indirectly	Total	
Portucel – Empresa Produtora de Pasta e Papel, SA	Setúbal	-	-	-	67,07
Subsidiaries					
Soporcel - Sociedade Portuguesa de Papel, SA	Figueira da Foz	100,00	-	100,00	67,07
Tecnipapel – Sociedade de Transformação e Distribuição de Papel, Lda	Setúbal	100,00	-	100,00	67,07
Portucel Pasta y Papel, SA	Spain	100,00	-	100,00	67,07
Soporcel España, SA	Spain	-	100,00	100,00	67,07
Soporcel International, BV	Netherlands	-	100,00	100,00	67,07
Soporcel France, EURL	France	-	100,00	100,00	67,07
Soporcel United Kingdom, Ltd	UK	-	100,00	100,00	67,07
Soporcel Italia, SRL	Italy	-	100,00	100,00	67,07
Soporcel 2000 - Serviços Comerciais de Papel, Soc. Unipessoal, Lda	Figueira da Foz	-	100,00	100,00	67,07
Soporcel North America Inc.	USA	-	100,00	100,00	67,07
Soporcel Deutschland, GmbH	Germany	-	100,00	100,00	67,07
Soporcel Handels, GmbH	Austria	-	100,00	100,00	67,07
Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, SA	Lisbon	-	100,00	100,00	67,07
Aliança Florestal – Sociedade para o Desenvolvimento Agro-Florestal, SA	Lisbon	-	100,00	100,00	67,07
Arboser – Serviços Agro-Industriais, SA	Setúbal	100,00	-	100,00	67,07
PortucelSoporcel Abastecimento - Empresa de Abastecimento, Logística e Comercialização de Madeiras, SA *	Setúbal	-	100,00	100,00	67,07
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, SA	Lisbon	-	100,00	100,00	67,07
Viveiros Aliança - Empresa Produtora de Plantas, SA	Lisbon	-	100,00	100,00	67,07
Aflomec - Empresa de Exploração Florestal, SA	Lisbon	-	100,00	100,00	67,07
Cofotrans - Empresa de Exploração Florestal, SA	Figueira da Foz	-	100,00	100,00	67,07
SPCG – Sociedade Portuguesa de Co-Geração Eléctrica, SA	Setúbal	100,00	-	100,00	67,07
Enerpulp – Cogeração Energética de Pasta, SA	Lisbon	100,00	-	100,00	67,07
Setipel – Serviços Técnicos para a Indústria Papeleira, SA	Lisbon	100,00	-	100,00	67,07
Empremédia - Corretores de Seguros, Lda	Lisbon	-	100,00	100,00	67,07
Socortel - Sociedade de Corte de Papel, SA	Figueira da Foz	50,00	50,00	100,00	67,07
PortucelSoporcel Papel - Sales e Marketing, ACE	Figueira da Foz	50,00	50,00	100,00	67,07
Raiz - Instituto de Investigação da Floresta e Papel	Eixo	43,00	51,00	94,00	63,04
Soporcel - Gestão de Participações Sociais, SGPS, SA	Figueira da Foz	50,00	50,00	100,00	67,07
Aflotrans - Empresa de Exploração Florestal, Lda	Figueira da Foz	-	100,00	100,00	67,07
EMA21 - Engenharia de Manutenção Industrial Século XXI, S.A.	Setúbal	100,00	-	100,00	67,07

Subsidiary companies of subgroup Portucel under proportional consolidation

Name	Head Office	Percentage of share capital held by companies of the Group			Percentage of share capital effectively held by Semapa
		Direct	Indirect	Total	
MICEP - Manutenção Industrial de Celulose e Papel, ACE	Setúbal	-	40,00	40,00	26,83
Cutpaper - Transformação, Corte e Embalagem de Papel, ACE	Figueira da Foz	-	50,00	50,00	33,53

Subsidiary companies of subgroup Secil

Name	Head Office	Percentage of share capital held by companies of the Group			Percentage of share capital effectively held by Semapa
		Directly	Indirectly	Total	
Secil - Companhia Geral de Cal e Cimento, S.A.	Setúbal	-	-	-	51,00
Subsidiaries					
Parcim Investments, B.V.	Amsterdam	100,00	-	100,00	51,00
Secilpar, SL	Madrid	-	100,00	100,00	51,00
Hewbol, SGPS, Lda.	Funchal	-	100,00	100,00	51,00
Florimar- Gestão e Participações, SGPS, Lda.	Funchal	100,00	-	100,00	51,00
Somera Trading Inc.	Panamá	-	100,00	100,00	51,00
Seciment Investments, B.V.	Amsterdam	100,00	-	100,00	51,00
Serife - Sociedade de Estudos e Realizações Industriais e de Fornecimento de Equipamento, Lda.	Lisbon	58,40	-	58,40	29,78
Parsecil, SL	Madrid	100,00	-	100,00	51,00
Société des Ciments de Gabès	Tunis	98,72	-	98,72	50,35
Sud- Béton- Société de Fabrication de Béton du Sud	Tunis	-	98,72	98,72	50,35
Zarzis Béton	Tunis	-	78,97	78,97	40,28
Phaistos, S.A.	Luxemburg	100,00	-	100,00	51,00
Silonor, S.A.	Dunkerque	-	100,00	100,00	51,00
Tercim- Terminais de Cimento, S.A.	Lisbon	100,00	-	100,00	51,00
Tecnosecil Investimentos e Participações, SARL	Luanda	100,00	-	100,00	51,00
Secil - Companhia de Cimento do Lobito, S.A.	Lobito	-	51,00	51,00	26,01
Secil, Betões e Inertes, S.G.P.S., S.A. e Subsidiárias	Setúbal	93,66	-	93,66	47,77
Secil Betão - Indústrias de Betão, S.A.	Setúbal	-	93,66	93,66	47,77
Britobetão - Central de Betão, Lda.	Évora	-	68,37	68,37	34,87
Sulbetão - Preparados de Betão, S.A.	Albufeira	-	93,66	93,66	47,77
Unibetão - Indústrias de Betão Preparado, S.A.	Lisbon	-	93,66	93,66	47,77
Secil Britas, S.A.	Penafiel	-	93,66	93,66	47,77
Pedreiral - Pedreiras de Almoester, S.A.	Santarém	-	93,66	93,66	47,77
ECOB - Empresas de Construção e Britas, S.A.	Albufeira	-	93,66	93,66	47,77
Jobritas - Indústria Extractiva, S.A.	Lisbon	-	93,66	93,66	47,77
Lisconcreto Unibetão, S.A.	Leiria	-	93,66	93,66	47,77
Camilo Lopez, Lda.	Alcochete	-	93,66	93,66	47,77
H.I.- Hotelaria e Imobiliária, S.A.	Albufeira	-	93,66	93,66	47,77
Secil Martingança - Aglomerantes e Novos Materiais para a Construção, Lda.	Leiria	51,00	0,19	51,19	26,11
Macmetal - Indústrias Metal-Mecânicas da Maceira, Lda.	Lisbon	-	51,19	51,19	26,11
IRP - Industria de Rebocos de Portugal, S.A.	Lisbon	-	51,19	51,19	26,11
Lusocil - Sociedade Portuguesa de Cimento Cola, S.A.	Lisbon	-	51,19	51,19	26,11
Condind - Conservação e Desenvolvimento Industrial, Lda.	Setúbal	50,00	50,00	100,00	51,00
Ciminpart - Investimentos e Participações, SGPS, S.A.	Lisbon	100,00	-	100,00	51,00
Parseinges - Gestão de Investimentos, SGPS, S.A.	Lisbon	100,00	-	100,00	51,00
Argibetão - Sociedade de Novos Produtos de Argila e Betão, S.A.	Lisbon	-	90,87	90,87	46,34
Ave- Gestão Ambiental e Valorização Energética, S.A.	Lisbon	-	51,00	51,00	26,01
CMP - Cimentos Maceira e Pataias, S.A. ("CMP")	Leiria	100,00	-	100,00	51,00
CMPartin - Inversiones y Participaciones Empresariales, S.L.	Madrid	100,00	-	100,00	51,00

Subsidiary companies of subgroup Secil under proportional consolidation

Name	Head Office	Percentage of share capital held by companies of the group			Percentage of share capital effectively held by Semapa
		Direct	Indirect	Total	
Secil Unicon - S.G.P.S., Lda.	Lisboa	50,00	-	50,00	25,50
Secil Prébetão, S.A.	Montijo	-	42,50	42,50	21,68

46. Companies excluded from consolidation

Name	Head office	Percentage of share capital held by companies of the Group			Percentage of share capital effectively held by Semapa
		Direct	Indirect	Total	
Portucel International Trading, SA	Luxemburgo	80,00	80,00	80,00	53,66
Portucel Brasil	Brasil	99,00	99,00	99,00	66,40
Secil Energia, Lda.	Setúbal	95,00	5,00	100,00	51,00
Secil Algérie, S.P.A.	Algéria	94,00	4,00	98,00	49,98
Sobioen- Soluções de Bioenergia, S.A.	Lisboa	0,00	51,00	51,00	26,01
Secil Cabo Verde Comércio e Serviços, Lda.	Praia	0,00	100,00	100,00	51,00
Carcubos - Calcários, Lda.	Satão	0,00	93,66	93,66	47,77

These companies were neither fully nor proportionally consolidated, because they are considered to be immaterial for a true and fair presentation of the financial position and results of the Group's operations.

47. Impact in 2004 financial statements resulting from transition to IFRS

Reconciliation of consolidated shareholders equity and net profit in 2004

Amounts in €	Net profit for the period	31-12-2004	
		Other capital categories	Total shareholders equity
Portuguese GAAP	182.073.722	202.350.976	384.424.698
Adjustment of realised gain in the sale of 49% of Secl	16.137.076	-	16.137.076
Current translation of fair value adjustments	(284.361)	(7.938.994)	(8.223.355)
Current translation of goodwill	(330.847)	(5.423.852)	(5.754.699)
Impact of the reversal of goodwill amortization	6.252.132	-	6.252.132
Change in amortization criteria	9.187.954	12.208.585	21.396.539
Gabés impairment	6.917.171	(17.031.707)	(10.114.536)
Deferred taxes impairment	(4.353.001)	-	(4.353.001)
Gratifications over 2004 profit	(9.100.000)	-	(9.100.000)
Cimpor realised gain	(21.797.108)	21.797.108	-
Fair value of financial instruments	-	(857.185)	(857.185)
Other adjustments	822.835	(4.487.071)	(3.664.236)
IFRS	185.525.574	200.617.860	386.143.434
Effects of the adoption of IAS 19 (Note 1.31)	3.893.500	(3.893.500)	-
IFRS	189.419.074	196.724.360	386.143.434

Options made on transition to IFRS

Business combinations

Semapa Group chose not to restate Business Combinations made prior to the date of transition to IFRS (January 1, 2004), so changes were made to the net book value of the assets and liabilities identified at acquisition date and presented at fair value, neither to the excess of the cost of acquisition over that fair value (goodwill), except for those resulting from application of IAS 36 – Impairment of Non Current Assets and IAS 21 – The Effects of Change in Foreign Exchange Rates.

Fair value or restated cost as deemed cost

Semapa Group chose to continue to report intangible and tangible fixed assets at restated acquisition cost in accordance with accounting principles generally accepted in Portugal, which will be its “*deemed cost*” or future amortized cost, declining the possibility of restating this assets at fair value in IFRS on transition date, with the resulting increase on shareholder's equity.

Employee benefits

The Group decided not to adopt the “corridor” approach, under which only are recognised in the income statement actuarial gains or losses in excess of 10% of the highest of the obligations or the related assets. Accordingly, in order to determine the fair value of assets and liabilities acquired and the generated goodwill on Portucel's acquisition, the Portucel procedure was harmonized with the Semapa one; the accumulated actuarial losses not recognised in the income statement were cancelled.

In addition, and in accordance with IAS 19 (revised), as described in note 1.31.1, the Group decided to, apply retrospectively the method for the direct recognition of actuarial gains and losses in equity.

Cumulative translation differences

The amount of the accumulated currency translation reserve was transferred to retained earnings at transition date, after the conversion to the closing exchange rate of goodwill and fair value adjustments over assets and liabilities of foreign exchange subsidiaries acquired in business combinations. This decision does not have, however, any effect on the reported shareholder's equity.

IAS 32 and IAS 39 application

In accordance with the exemption foreseen in IFRS 1, the adoption of the IAS mentioned above could have been delayed to the year beginning as at January 1, 2005, with no need to present comparatives.

This exemption was not used by Semapa Group, which applied IAS 32 and IAS 39 with effects from January 1, 2004. The main effects of this adoption are the measurement at fair value of available-for-sale financial assets and derivative financial instruments (related to hedge of interest and exchange rates) and the use of effective interest method in financial liabilities.

The remaining exemptions permitted by IFRS 1, namely the ones related to compound financial instruments, subsidiaries assets and liabilities, associates and joint ventures, the designation of financial instruments previously recognised, payment transactions based in shares and insurance contracts, were not applicable to Semapa Group on the date of transition.

Revaluation reserves

The revaluation reserve separately disclosed in the consolidated financial statements under POC were transferred to retained earnings on January 1, 2004.

Impacts on transition (January 1, 2004)

In compliance with the regulations of the Portuguese Stock Market Commission (CMVM) and the European Commission of Negotiable Securities Regulators that relate to data required on the process of transition to the International Financial Reporting Standards (IFRS or IAS), the Group identified the main differences in the accounting treatment under accounting principles generally accepted in Portugal (POC) and those of the IFRS adopted in 2005. These differences are summarized as follows:

Fair value of trading investments/ Derivative instruments

Participations in companies (essentially Cimpor) where Semapa Group does not have (or had, if already sold) control were classified as trading investments and accounted for at fair value (market value even if higher than acquisition cost), with a positive impact in shareholder's equity, since they were registered at minimum of acquisition cost or market value.

Additionally, in the opening balance sheet derivative financial instruments used to hedge interest and

exchange rates risk, were registered at fair value against fair value reserve in shareholders equity.

Method of depreciation of tangible assets

The declining basis method applied up to the transition date for some tangible assets categories was then analysed, being adopted the duodecimal straight-line basis method.

Derecognition of assets and liabilities

Some of the assets and liabilities recorded in the financial statements prepared in accordance with local accounting principles do not qualify as such in accordance with IFRS, namely intangible assets as incorporation expenses and research and development expenses, deferred costs such as maintenance costs and borrowing costs, as well as "negative goodwill" recognised previously under deferred income caption. These should be recognised in the income statement as they occur or deducted to the components of shareholders equity and liabilities to which they are associated with.

Consolidation of excluded companies

The IFRS, by opposition to national standards, do not allow exclusion of consolidation of controlled companies based on different activities (Energis, with relevant impacts in consolidated assets and liabilities increase) or when restrictions prejudice the ability to transfer funds to Semapa Group (Tecnosecil in Angola). Therefore, the two companies were included by the integral consolidation method by reference to the transition date to IFRS.

Exchange differences in goodwill and fair value of foreign subsidiaries

In accordance with IAS 21 – The effects of changes in foreign exchange rates, goodwill and fair value adjustments of assets and liabilities acquired as a result of business combinations over foreign subsidiaries, must be treated as assets belonging to the acquired company and expressed in the respective local currency and therefore translated to euros at each reporting date. The correspondent differences are reflected in the shareholders equity.

Gratifications

Gratifications approved by the shareholders on the annual general meeting are presented as deductions to the shareholders equity in the following year to which the services were rendered by Board of Directors and companies' employees. According with IFRS the referred costs must be recognised in the year they refer to, through a provision.

Discontinuity of goodwill depreciation and impairment losses

In accordance with IFRS 3, goodwill resulting from business combinations is no longer subject to linear amortization as foreseen in local standards, being

tested annually for impairment, or whenever impairment losses may be probable.

Restatement of capital gains on sale of subsidiaries

As a result of the above mentioned differences, shareholders equity at date of financial investments sale would be lower than the Portuguese GAAP amount, so a positive adjustment was made to the realised gain.

Minority interests

In IFRS financial statements minority interests are considered a component of equity, different from local standards where minority interests are considered as an intermediate category between equity and liabilities.

Impacts in the financial statements for the year of 2004 as a result of the transition to IFRS

Consolidated Balance sheet as of December 31, 2004

Amounts in €	POC 31-12-2004	Impacts and reclassifications	IFRS 31-12-2004
Assets			
Non-current assets			
Goodwill	642,123,594	(307,378,896)	334,744,698
Other intangible assets	63,112,406	106,069,174	169,181,580
Property, plant and equipment	1,588,106,634	695,642,995	2,283,749,629
Investment properties	395,899	-	395,899
Biological assets	118,594,851	15,430,427	134,025,278
Investments in associated companies	100,035,058	(55,719,538)	44,315,520
Available-for-sale financial assets	-	24,211,343	24,211,343
Deferred tax assets	94,025,981	13,202,103	107,228,084
Other non-current assets	24,259,912	(23,558,481)	701,431
	2,630,654,335	468,411,072	3,099,065,407
Current assets			
Inventories	218,642,100	(30,663,920)	187,978,180
Receivables and other current assets	305,313,257	17,150,012	322,463,269
State and other public entities	64,155,058	29,268,063	93,423,121
Cash and cash equivalents	130,273,852	3,911,456	134,185,308
	718,384,267	19,665,611	738,049,878
Total Assets	3,349,038,602	488,076,683	3,837,115,285
Equity and liabilities			
Capital and reserves			
Share capital	118,332,445	-	118,332,445
Tresury shares	(10,399,412)	-	(10,399,412)
Share premiums	3,923,459	-	3,923,459
Fair value reserves & other reserves	95,627,923	12,598,627	108,226,550
Retained earnings	(5,133,439)	(18,225,243)	(23,358,682)
Retained earnings for the year	182,073,722	7,345,352	189,419,074
Shareholder's equity	384,424,698	1,718,736	386,143,434
Minority interests	507,596,390	(9,689,457)	497,906,933
Total capital	892,021,088	(7,970,721)	884,050,367
Non-current liabilities			
Deferred tax liabilities	155,446,545	132,546,643	287,993,188
Pensions and other post-employment benefits	17,754,927	50,920,397	68,675,324
Provisions	43,607,902	(38,952,993)	4,654,909
Interest-bearing liabilities	1,607,481,026	253,255,233	1,860,736,259
Other liabilities	1,259,891	4,234,024	5,493,915
	1,825,550,291	402,003,304	2,227,553,595
Current liabilities			
Interest-bearing liabilities	313,445,605	65,471,959	378,917,564
Payables and current liabilities	304,623,210	368,773	304,991,983
State and other public entities	13,398,408	28,203,368	41,601,776
	631,467,223	94,044,100	725,511,323
Total liabilities	2,457,017,514	496,047,404	2,953,064,918
Total equity and liabilities	3,349,038,602	488,076,683	3,837,115,285

Consolidated income statement as of December 31, 2004

Amounts in €	POC 31-12-2004	Impacts and reclassifications	IFRS 31-12-2004
Revenues	699,960,972	36,816,160	736,777,132
Other income			
Gains on disposal of non-current assets	-	175,474,162	175,474,162
Other operating income	6,708,208	28,131,812	34,840,020
Costs			
Sold and consumed inventories	(212,168,836)	(9,436,368)	(221,605,204)
Consumed materials and services	(214,305,205)	(381,544)	(214,686,749)
Staff costs	(106,303,684)	(675,369)	(106,979,053)
Other costs	(3,771,734)	(46,539,301)	(50,311,035)
Depreciation, amortization and impairment losses	(98,032,297)	20,322,787	(77,709,510)
Provisions*	(12,016,710)	12,016,710	-
Operating profit	60,070,714	215,729,049	275,799,763
Share of results of associates	8,684,614	(592,770)	8,091,844
Net financial costs	(36,415,155)	485,666	(35,929,489)
Profit before tax	32,340,173	215,621,945	247,962,118
Extraordinary profit	195,896,716	(195,896,716)	-
Income tax	(31,477,404)	(7,859,518)	(39,336,922)
Net profit for the year	196,759,485	11,865,711	208,625,196
Retained profit for the year			
Attributable to Shareholders	182,073,722	7,345,352	189,419,074
Attributable to minority interest	14,685,763	4,520,359	19,206,122
Earnings per share			
Basic earnings per share (euros)	1.575	0.064	1.639
Diluted earnings per share (euros)	1.575	0.064	1.639

* Reclassified to operational costs and losses in IFRS accounts

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 Mendonça e Meneses
Member

Francisco José de Melo e Castro Guedes
Member

Luis Manuel Pego Todo Bom
Member

Report of the Auditors for Statutory and Stock Exchange Regulatory Purposes in respect of the Consolidated 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 Consolidated Financial Information included in the Consolidated Management Report and the Consolidated Financial Statements of SEMAPA – Sociedade de Investimento e Gestão, SGPS, SA, comprising the consolidated balance sheet as at December 31, 2005, (which shows total assets of €3,473,645,689 and a total of shareholder's equity of €703,275,733, including net profit of €334,184,466), the consolidated income statement, the consolidated statement of recognized income and expenses, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and the corresponding notes to the accounts.

Responsibilities

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

3 Our responsibility is to verify the consolidated financial information included in the consolidated 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

SEMAPA – Sociedade de Investimento e Gestão, SGPS, SA

and perform the examination to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Accordingly, our examination included: (i) verification that the subsidiary's financial statements have been examined and for the cases where such an examination was not carried out, verification, on a test basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements, and assessing the reasonableness of the estimates, based on the judgments and criteria of Management used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations; (iii) assessing the appropriateness and consistency of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v) assessing the overall presentation of the consolidated financial statements; and (vi) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the consolidated financial information.

5 Our audit also covered the verification that the consolidated financial information included in the Consolidated 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 consolidated financial statements referred to above, present fairly in all material respects, the consolidated financial position of SEMAPA – Sociedade de Investimento e Gestão, SGPS, SA as at December 31, 2005, the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and 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 Consolidated Management Report and the corresponding Consolidated 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 and its more relevant subsidiaries and associated companies, as and when deemed necessary, and have verified the timeliness and adequacy of the accounting records and supporting documentation. We have also ensured that the law and the company's statutes have been complied with.

3 We have also accompanied the work performed by PricewaterhouseCoopers & Associados, SROC, Lda, have reviewed their Report of the Auditors for Statutory and Stock Exchange Regulatory Purposes in respect to Consolidated 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 451^o of the Commercial Companies Code.

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

i) the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Recognised Income and Expenses and the corresponding notes to the accounts present adequately the financial position, the results and cash flows of the company and its subsidiaries;

ii) the accounting policies and valuation methods applied are appropriate;

iii) the Consolidated Management Report is sufficiently clear as to the evolution of the business and the position of the company and its subsidiaries and associated companies and highlights the more significant aspects.

5 On this basis, and taking into account the information obtained from Board of Directors and the company's employees, together with the conclusions in the Report of the Auditors for Statutory and Stock Exchange Regulatory Purposes in respect to Consolidated Financial Information, we are of the opinion that:

- i) the Consolidated Management Report be approved;
- ii) the Consolidated Financial Statements 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