



## DIRECTORS' REPORT

## CONSOLIDATED FINANCIAL STATEMENTS

1<sup>ST</sup> HALF 2007

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

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

## Director's Report

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# 1. Introduction

## 1.1 Overview of Semapa Group Operations

The Semapa Group recorded positive performance in the first half of 2007, reflected in consolidated net profits attributable to Semapa shareholders of **EUR 71.5 M**, up by 116% on the first half of 2006.

Recurrent EBITDA grew over the same period in the previous year, and borrowing was down from year-end 2006.

The Semapa Group's business operations in the first half of 2007 reflects the process of consolidation in the Group's two main business areas – Paper and Paper Pulp, and Cement and Derivatives.

### Contribution by Business Segment (IFRS)

<i>Figures in M€</i>	<b>Paper and Paper Pulp</b>	<b>Cement</b>	<b>Holdings</b>	<b>Consolidated</b>
<b>Sales</b>	<b>566,4</b>	<b>136,3</b>	<b>-</b>	<b>702,7</b>
<b>Total EBITDA</b>	<b>176,3</b>	<b>35,2</b>	<b>20,1</b>	<b>231,6</b>
<b>Recurrent EBITDA</b>	<b>173,5</b>	<b>35,1</b>	<b>(5,6)</b>	<b>203,0</b>
Depreciation and impairment losses	(54,3)	(10,7)	(0,1)	(65,1)
Provisions (increases and reversals)	(10,6)	(0,0)	(0,0)	(10,7)
<b>EBIT</b>	<b>111,3</b>	<b>24,4</b>	<b>20,0</b>	<b>155,7</b>
Net financial profit	(13,6)	(2,5)	(10,7)	(26,8)
<b>Pre-tax profit</b>	<b>97,7</b>	<b>22,0</b>	<b>9,2</b>	<b>129,0</b>
Tax on profits	(28,8)	(5,2)	(2,9)	(36,9)
<b>Retained profits for the period</b>	<b>68,9</b>	<b>16,8</b>	<b>6,4</b>	<b>92,0</b>
<b>Attributable to Semapa shareholders</b>	<b>49,5</b>	<b>15,7</b>	<b>6,4</b>	<b>71,5</b>
Attributable to minority interests	19,4	1,1	-	20,5
<b>Cash flow</b>	<b>133,9</b>	<b>27,5</b>	<b>6,5</b>	<b>167,9</b>
EBITDA margin (%)	31,1%	25,8%	-	33,0%
Recurrent EBITDA margin (%)	30,6%	25,7%		28,9%
EBIT margin (%)	19,7%	17,9%	-	22,2%
<b>Total net assets</b>	<b>2.364,9</b>	<b>485,0</b>	<b>227,5</b>	<b>3.077,4</b>
<b>Net debt</b>	<b>417,0</b>	<b>87,6</b>	<b>376,2</b>	<b>880,8</b>

#### Notes:

- Figures for business segment indicators may differ from those presented individually by each Group, as a result of consolidation adjustments
- Total EBITDA = operating profit + depreciation and impairment losses + provisions – reversal of provisions
- Net debt = non-current interest bearing debt (net of loan issue charges) + current interest-bearing debt (including debts to shareholders) – cash and cash equivalents; in line with IFRS rules.



As duly disclosed, the Semapa Group's 51% holding in Secil is now included in the accounts through the proportional consolidation method (up to 2007 – full consolidation method).

With a view to easy comparability between financial periods, SECIL's economic and financial indicators as at 30 June 2006 are presented using the proportional consolidation method, for the purposes of the Semapa Group's consolidated accounts.

In the Cement and Derivatives sector, the Secil Group acquired a further 21.86% stake in Ciment de Sibline SAL based in Beirut, Lebanon, during the first half of 2007, thereby bringing up its total holding to 50.5% of voting rights and share capital. This has represented total investment of USD 65.1 M, and this holding is consolidated by the full consolidation method.

### Consolidated Sales: EUR 702.7 M

The figure of **EUR 702,7 M** represents growth of **8%** over the first half of 2006. This was achieved thanks to the following sales results:



- PORTUCEL SOPORCEL Group (Paper and Paper Pulp)

The Portucel Soporcel Group contributed total sales of **EUR 566,4 M** during the first half of 2007, representing growth of **7%** over the first half of 2006.

The Group recorded growth in both the volume of **paper** sales (520 thousand tons) and the respective average unit sales price (up by 5.2%), with the result that the total value of sales in this segment grew by 12.4% in relation to the same period in the previous year, accounting for 72% of the Portucel Group's total turnover.

The unit sales price for **pulp** came down by 0.7% over the first half. As a result of increased integration of pulp in paper output, the quantity of pulp available for sale on the market (270.2 thousand tons) was smaller than in the first half of 2006 (184.9 thousand tons). Accordingly, the total value of pulp sales came down by approximately 10.1% in comparison with the first half of 2006, accounting for 21% of the Portucel Group's total turnover.

The remaining 7% of the Portucel Group's sales were generated by the energy and other services sector.

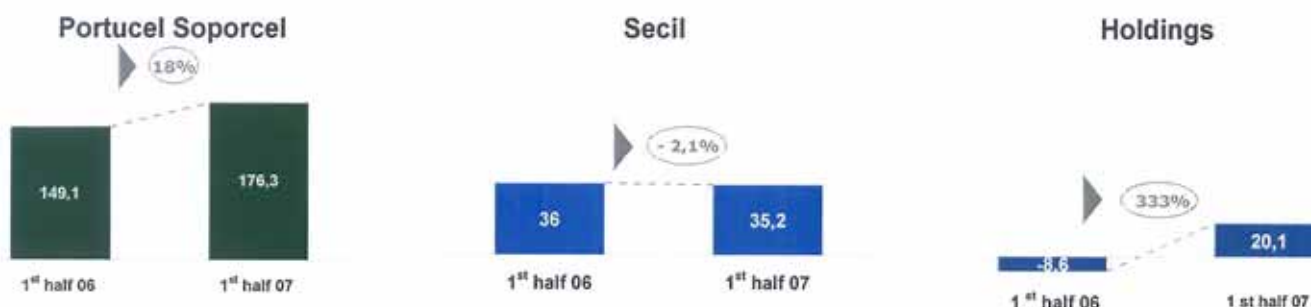
- SECIL Group (Cement and Derivatives)

The Secil Group contributed total sales in the first half of 2007 of **EUR 136.3 M**, up by 12.4% on the first half of 2006, thanks fundamentally to the inclusion of the accounts of the subsidiary Ciment de Sibline in the consolidated accounts and the excellent performance recorded by the "Tunisia – Cement" business unit.

Business on the Group's main market – cement in the Portuguese market – was hard hit by the appreciable decline in consumption, estimated at 5%, due to the prolonged recession which has affected the civil construction sector since 2002.



## Consolidated EBITDA: Total of EUR 231.6 M, of which EUR 203.0 M is recurrent



- PORTUCEL SOPORCEL Group (Paper and Paper Pulp)

Total accrued EBITDA stood at **EUR 176.3 M**, reflecting growth of 18.2% over the first half of 2006, thanks to (i) growth in the volume of paper sales, (ii) an increase of approximately 5.2% in the average sales price for paper, (iii) efficiency improvements in energy costs and (iv) increased productivity.

Recurrent EBITDA stood at **EUR 173.5 M** for the first half of 2007, representing growth over the same period in 2006 in the order of 18.0%, due to the same reasons.

- SECIL Group (Cement and Derivatives)

Total accrued EBITDA stood at **EUR 35.2 M**, which includes full consolidated of Ciment de Siblino, as explained above. This nonetheless represented a reduction of 2.1% from the figure recorded in the first half of 2006, when the figures had included gains from the disposal of non-current gains which were reflected in EBITDA.

Recurrent EBITDA in the first half of 2007 stood at **EUR 35.1 M**, corresponding to growth over the first half of 2006 in the order of 14.7%.

- Holdings (Semapa SGPS and instrumental sub-holdings)

Total accrued EBITDA stood at **EUR 20.1 M**, due to the gain obtained on disposal of shares in EDP – Energias de Portugal, with a total value of **EUR 25.6 M**.

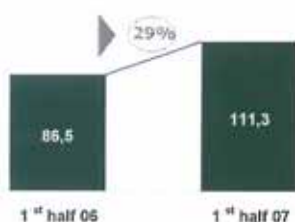
Recurrent EBITDA is negative, at **EUR – 5.6 M**, reflecting the structural costs of Semapa and its instrumental sub-holdings.

## Consolidated EBITDA Margin: 33.0%

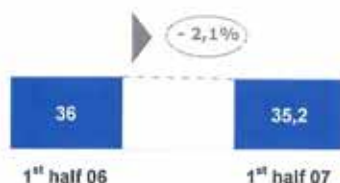
- Paper and Paper Pulp: margin of 31.1%, representing growth of 3 percentage points over the first half of 2006.
- Cement and Derivatives: margin of 25.8%, i.e. margin down by approximately 3.8 percentage points from the first half of 2006.

## Consolidated EBIT: EUR 155.7 M

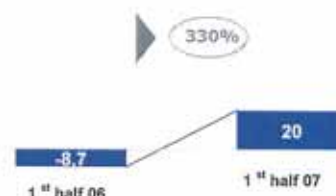
### Portucel Soporcel



### Secil



### Holdings



- PORTUCEL SOPORCEL Group (Paper and Paper Pulp)

Total accrued EBIT stood at **EUR 111.3 M**, representing growth of 29% over the figures recorded in the first half of 2006.

- SECIL Group (Cement and Derivatives)

Accrued EBIT stood at **EUR 24.4 M**, representing a reduction of 5.5% from the accrued figures in June 2006.

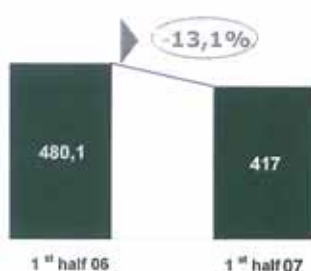
- Holdings (Semapa SGPS and instrumental sub-holdings)

Total accrued EBIT stood at **EUR 20 M**, due to the gain obtained with the disposal of shares in EDP.

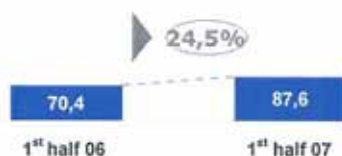
## Net Debt: EUR 880.8 M

The SEMAPA Group's net borrowing continues to decrease, and came down by approximately **EUR 137.7 M** from year-end 2006, reflecting the Group's success in generating cash flow.

### Portucel Soporcel



### Secil



### Holdings



- PORTUCEL SOPORCEL Group:** down by **EUR 63.1 M** in relation to year-end 2006. In view of the fact that, during the first half of 2007, Portucel distributed dividends of **EUR 60.6 M** in relation to the financial year of 2006, the reduction in the Portucel Soporcel Group's net debt reflects the Group's excellent capacity for generating cash flow.

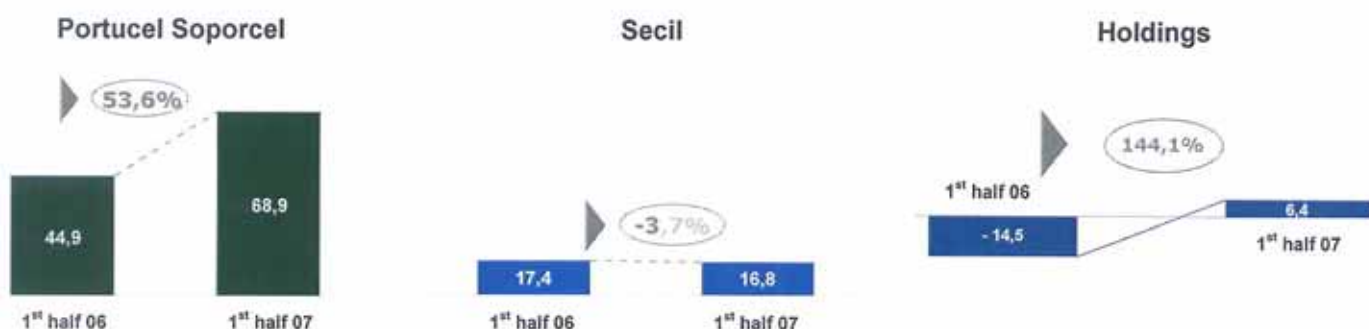
- SECIL Group:** In view of (i) the cash flow generated by the Secil Group, (ii) the acquisition of major assets during the first half of 2007 and (iii) the distribution of a total dividend of **EUR 19 M** for the financial year of 2006, net debt increased by 24.5% over the end of 2006, causing its total contribution to stand at **EUR 87.6 M** at 30 June 2007.

- **Holdings:** net debt was down by **91.8 M** from 31 December 2006, at a total of **EUR 376.2 M** at the end of June 2007, thanks essentially from the cash injection provided by the disposal of shares in EDP.

## Financial Results: EUR (26.8) M

Financial results worsened in relation to those of the first half of 2006, at **EUR (26.8) M**. This was due to an increase in the Secil Group's net debt and a significant increase in interest rates over the course of the first half of 2007.

## Consolidated Net Profit: EUR 92,0



Consolidated net profit after minority interests stood at **EUR 92 M**, of which **EUR 71.5 M** is attributable to SEMAPA shareholders.

## Leading Business Indicators

Figures in M€	IFRS June 2007	IFRS June * 2006	Var. % June 07/06	IFRS June ** 2006
Sales	702,7	650,8	8%	767,3
Other income	38,9	37,1	5%	61,6
Costs and losses	(510,0)	(511,5)	(0%)	(618,1)
<b>Total EBITDA</b>	<b>231,6</b>	<b>176,4</b>	<b>31%</b>	<b>210,8</b>
<b>Recurrent EBITDA</b>	<b>203,0</b>	<b>169,0</b>	<b>20%</b>	<b>198,2</b>
Depreciation and impairment losses	(65,1)	(60,3)	8%	(69,0)
Provisions (increases and reversals)	(10,7)	(12,4)	(13%)	(13,3)
<b>EBIT</b>	<b>155,7</b>	<b>103,7</b>	<b>50%</b>	<b>128,5</b>
Net financial profit	(26,8)	(22,3)	20%	(22,5)
<b>Pre-tax profit</b>	<b>129,0</b>	<b>81,4</b>	<b>58%</b>	<b>106,1</b>
Tax on profits	(36,9)	(33,6)	10%	(41,5)
<b>Retained profits for the period</b>	<b>92,0</b>	<b>47,8</b>	<b>93%</b>	<b>64,5</b>
<b>Attributable to Semapa shareholders</b>	<b>71,5</b>	<b>33,2</b>	<b>116%</b>	<b>33,2</b>
Attributable to minority interests	20,5	14,6	40%	31,3
<b>Cash flow</b>	<b>167,9</b>	<b>120,5</b>	<b>39%</b>	<b>146,8</b>
EBITDA margin (% Sales)	33,0%	27,1%	22%	27,5%
Recurrent EBITDA margin (% Sales)	28,9%	26,0%	11%	25,8%
EBIT margin (% Sales)	22,2%	15,9%	39%	16,8%
Net total assets				
Equity (before MI)	761,3	737,0	3%	691,6
<b>Net debt</b>	<b>880,8</b>	<b>1.018,5</b>	<b>(14%)</b>	1.192,1

\* Figures at 31 December 2006



Notes:

- \* Pro-forma accounts with the subsidiary Secil consolidated by the proportional method
- \*\* As reported to the market in the 1st half of 2006
- Total EBITDA = operating profit + depreciation and impairment losses + provisions – reversal of provisions
- Net debt = non-current interest bearing debt (net of loan issue charges) + current interest-bearing debt (including debts to shareholders) – cash and cash equivalents; in line with IFRS rules.

## 1.2 Main Developments

### Semapa SGPS and Holdings

- In November 2006, the Semapa Group acquired a further 4.08% holding in its subsidiary Portucel, through acquisition of 31,345,487 shares, by means of two structures – 22,636,987 shares with Caixa – Banco de Investimento (Put & Call Combination) and 8,708,500 shares with Credit Suisse International (Portucel Total Return Swap) – which gave it the right to purchase, on pre-set dates, 2.95% and 1.3% respectively of the share capital of Portucel S.A..

In February 2007, under the Put & Call Combination contract, Semapa SGPS exercised the right to purchase the 2.95% bloc of Portucel's share capital.

- During the first half of 2007, the Grupo Semapa sold off 19.2 million shares in EDP, resulting in a cash injection of **EUR 81.6 M**, and corresponding to a capital gain of **EUR 25.6 M**.

### SECIL

- Acquisition, through a wholly-owned subsidiary, of a 21.86% stake in the share capital and voting rights of Ciment de Sibline SAL, for a price of USD 37.7 M (EUR 28.8 M).

As a result of this acquisition Secil now has a 50.5% share in the voting rights and share capital of Sibline. The acquisition of this holding (50.5%) represented total expenditure of USD 65.1 M. Sibline has annual production capacity for clinker and cement of 950,000 and 1,200,000 tons, and also operates in the ready-mixed market through its subsidiary, Soime.

- The Group increased its holding in Secil Martingança by 45.81%, to 97%. This represented an investment of Euros 6.4 M. Secil also has an option for purchase of the remaining 3%.
- In January, the Group increased its holding in Cimentos da Madeira by 14.29% to 57%. The remaining 43% is held by the Government of Madeira.

Cimentos da Madeira carries on substantial business in Madeira, marketing cement and also producing and marketing ready-mixed concrete, aggregates and pre-cast concrete.

- Disposal of 25% and 33.4% corresponding to its holdings in Cimentos Açores and Betão Liz, respectively, which had previously been included in the Secil Group's accounts using the equity method.
- The Secil Group increased its holding in Prescor by 30%, making it the sole holder of the share capital and voting rights.
- Acquisition of a 6% interest in Be-Power.
- Acquisition of the entire share capital of Minebetão, Lda., based in Leiria.

## **Portucel Soporcel**

- **Investment in the new paper mill**

At the start of April, the European Commission announced approval of the incentives granted by the Portuguese State for the new paper mill to be built in Setúbal. The incentives have a nominal value of € 52.4 million, corresponding to a discounted value of € 38 million.

Approval was also given in June for the incentives for the project for the Figueira da Foz plant, with a nominal value of approximately 63.4 million euros, corresponding to a discounted value of 46.5 million euros.

The new paper mill will have nominal capacity of 500 thousand tons and corresponds to capital expenditure initially estimated at approximately € 500 million, although it is prudent to expect a degree of overspend, due to the appreciable increases in certain cost factors associated with the project. The Group plans to start construction of the new unit during the 3rd quarter of 2007, with production expected to start up in the 2nd quarter of 2009.

## 2. Economic Background

During the first half of 2007, the Portuguese economy continued to recover gradually, in line with the trend observed in the closing months of 2006. After year-on-year growth of 3% in the first quarter, a similar rate of expansion is expected in the second quarter. This has been achieved on the basis of healthy performance of exports (especially to rapidly growing markets). There has also been a recovery in business investment, essential to sustain the economic recovery.

Growth in consumer spending cooled slightly to 1.2% in the first half of 2007, due above all to rising interest rates in a context of continuing high unemployment.

The economic upturn has contributed to an improvement in public and foreign accounts in 2007, and the public sector deficit is expected to come down to close to 3% of GDP in 2007.

Net external demand contributed 1.9 percentage points to growth in GDP during the first quarter of 2007, thanks to the economic buoyancy of the Euro Zone, whilst internal demand remained practically stagnant (year-on-year growth of 0.1%), with public spending and gross fixed capital formation both contracting.

GFCF was down by 2.3% in the first quarter of 2007, and has been on a downward course for the past two years, mainly due to the poor performance of gross fixed-capital formation in construction (-3.4%) and in transport equipment (-2.4%), although in both cases the contraction was less marked than in final quarter of 2006 (-7.4% and -5.9% respectively).

This slowdown in GFCF in construction has affected the business of manufacturers of industrial goods, such as cement, the sector in which the Secil Group operates.

The process of consolidation of public accounts is expected to continue in the second half of 2007.

Overall, according to IMF estimates, projections point to growth of 5.2% in the world economy, with growth of 2.1%<sup>1</sup> and 2.7%<sup>1</sup> estimated for the US and the Euro Zone, respectively.

The pace of growth in the world economy has been driven by the development of emerging economies, and in particular China and India, for which economic growth in 2007 is expected to stand at 11.2% and 9%, respectively.

Despite the relatively robust growth, the world economy is exposed to fears of a deterioration in the global money supply due to the crisis in US subprime mortgage market, the extent of which is still difficult to quantify, as is its repercussions on the growth of the world economy.

There has so far been a movement towards repricing of higher risk credit, and as investors shy away from the risk, more restrictive financing criteria have been adopted in the private sector, which could lead to a slowdown in economic growth.

<sup>1</sup> Simple average of forecasts by the OECD, EU, IMF, Bank of Portugal, *Economist* and other institutions.



### 3. Cement and Derivatives Business Sector (SECIL Group)

#### 3.1. Overview of Secil Group Operations<sup>1</sup>

The Secil Group's business activities in the first half of 2007 were significantly affected by the reduction in cement consumption in Portugal, estimated at 5%, due to the prolonged recession in the construction sector which started in 2002.

Despite this constraint, the Secil Group's overall performance was in line with the first half of the previous year.

In terms of business development, special reference should be made to the acquisition of a controlling interest in Ciment de Sibline, in Lebanon. This has made it possible to increase the Secil Group's production capacity by approximately 1.2 million tons per annum, and carries forward the Group's strategy of international expansion into markets with potential growth in the years to come.

Consolidated sales stood at **EUR 267.2 M**, up by 12.4% on the first half of 2006, thanks largely to the inclusion of the Lebanon – Cement Business Unit, which is now included in the Secil Group's consolidated accounts.

On the home market, the decline in cement sales was partially offset by good performance in the fields of ready-mixed, aggregates and pre-cast concrete.

EBITDA stood at **EUR 69.1 M**, down by 2.1% on the same period in 2006. The less positive performance of the Portugal – Cement Business Unit was offset by the performance achieved by the "Tunisia – Cement" unit and by consolidation of "Lebanon – Cement" business.

EBIT totalled **EUR 47.9 M**, representing a reduction of 5% from the first half of the previous year. Net profits before minority interests stood at **EUR 32.9 M**.

Total investment stood at **EUR 60.6 M**, of which **EUR 17.7 M** represents operating investment and **EUR 42.9 M** corresponds essentially to acquisitions of holdings in subsidiary and associated companies.

<sup>1</sup> Our analysis corresponds to the accounts of our subsidiary Secil on a 100% basis.

## 3.2. Secil Group – Consolidated Business Indicators

### 3.2.1. Financial indicators

The main consolidated financial indicators for the first half of 2007 and 2006 are shown in the following table:

<i>Figures in '000 €</i>	<b>IFRS 2007 6 months <sup>a)</sup></b>	<b>IFRS 2006 6 months <sup>a)</sup></b>	<b>Var. % 07/06</b>
<b>Sales</b>	267.174	237.765	12%
Other income	5.281	49.969	(89%)
Costs and losses	(203.401)	(217.196)	(6%)
<b>Total EBITDA</b>	<b>69.053</b>	<b>70.529</b>	<b>(2%)</b>
<b>Recurrent EBITDA</b>	<b>68.565</b>	<b>68.649</b>	<b>(0%)</b>
Depreciation and impairment losses	(21.045)	(17.720)	19%
Provisions (increases and reversals)	(95)	(2.129)	(96%)
<b>EBIT</b>	<b>47.914</b>	<b>50.680</b>	<b>(5%)</b>
Net financial profit	(4.849)	(261)	1758%
<b>Pre-tax profit</b>	<b>43.065</b>	<b>50.419</b>	<b>(15%)</b>
Tax on profits	(10.201)	(16.298)	(37%)
<b>Retained profits for the period</b>	<b>32.864</b>	<b>34.122</b>	<b>(4%)</b>
<b>Attributable to Semapa shareholders</b>	<b>30.797</b>	<b>34.444</b>	<b>(11%)</b>
Attributable to minority interests	2.067	(322)	(741%)
<b>Cash flow</b>	<b>54.003</b>	<b>53.971</b>	<b>(0%)</b>
EBITDA margin (%)	25,8%	29,7%	(13%)
EBIT margin (%)	17,9%	21,3%	(16%)

<i>Figures in '000 €</i>	<b>IFRS 2007 30 June <sup>a)</sup></b>	<b>IFRS 2006 31 December <sup>a)</sup></b>	<b>Var. % 07/06</b>
		<b>Dec-06</b>	
Total net assets	948.709	848.516	4%
Net debt	171.804	137.957	10%

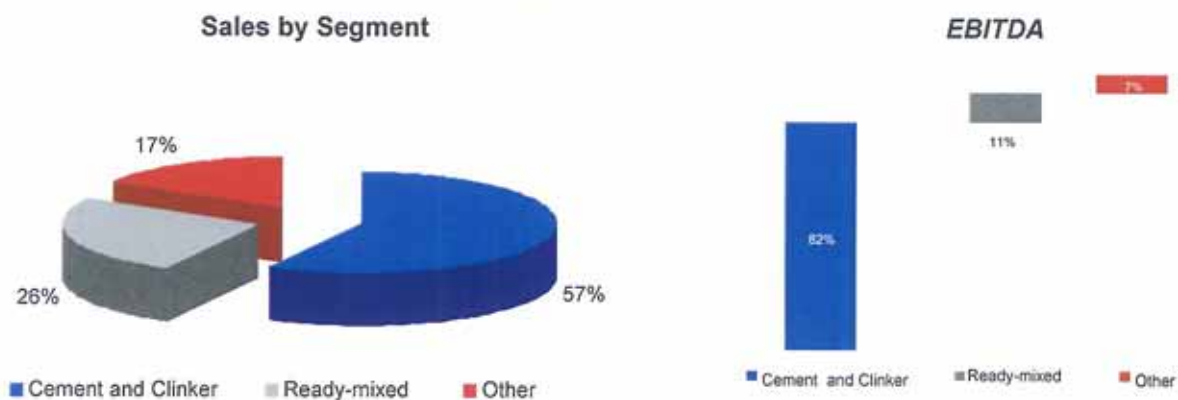
<sup>a)</sup> 51% is attributable to Semapa

### 3.2.2. Operating Indicators

The following table contains leading consolidated indicators for operations:

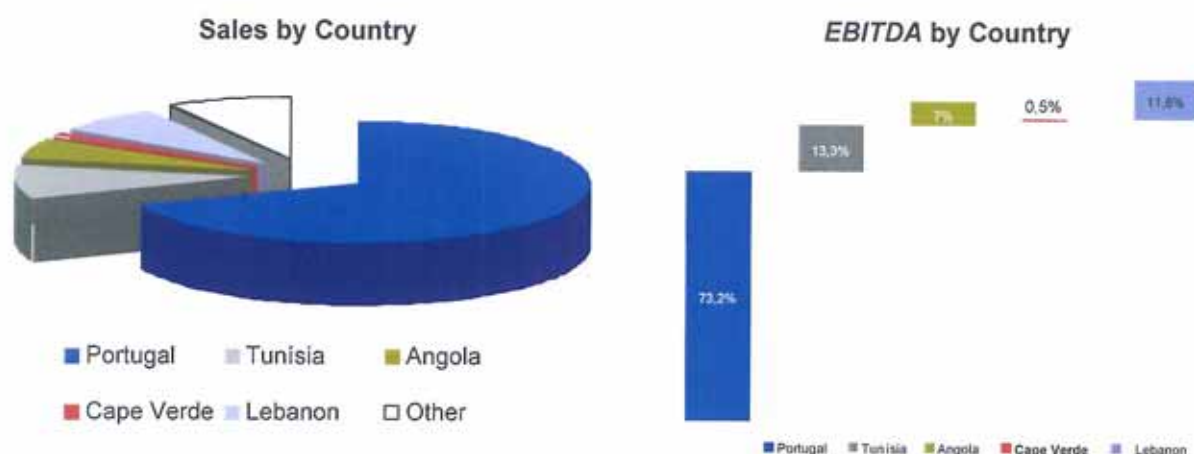
	<i>Unit</i>	<b>2007 6 months</b>	<b>2006 6 months</b>	<b>Var. % 07/06</b>
<b>Annual cement production capacity</b>	<b>1 000 t</b>	<b>6.850</b>	<b>5.631</b>	<b>22%</b>
<b>Sales grey cement</b>	<b>1 000 t</b>	<b>2.605</b>	<b>2.139</b>	<b>22%</b>
Sales white cement	1 000 t	45	43	4%
Sales artificial lime	1 000 t	34	36	(5%)
Sales clinker	1 000 t	88	69	29%
Ready-mixed concrete	1 000 m <sup>3</sup>	1.251	1.240	1%
Aggregates	1 000 t	1.323	1.119	18%
Precast concrete	1 000 t	131	121	8%
Mortars	1 000 t	194	160	21%
Hydraulic lime	1 000 t	19	21	(11%)
Mortar fixative	1 000 t	4	4	(15%)
<b>Workforce</b>	<b>no.</b>	<b>2.519</b>	<b>2.245</b>	<b>12%</b>

### 3.2.3. Breakdown of sales and EBITDA by segment, 1<sup>st</sup> half 2007





### 3.2.4. Breakdown of sales and EBITDA by country



### 3.2.5. Performance by geographical and business segment

#### 3.2.5.1. Portugal

The following tables presents overall indicators for the Group's business in Portugal during the first half of 2007, with comparative figures for the first half of 2006:

	Sales (m €)			EBITDA (m€)			Sales in quantity			
	2007	2006	Var. %	2007	2006	Var. %	Unit	2007	2006	Var. %
Portugal										
Cement and Clinker	98.539	99.517	(0,98%)	39.148	54.008	(27,51%)	1.000 t	1.254	1.323	(5,23%)
Ready-mixed	63.977	64.330	(0,55%)	6.832	5.502	24,17%	1.000 m3	1.116	1.187	(6,00%)
Aggregates	6.193	4.915	26,00%	2.610	2.020	29,23%	1.000 t	1.283	1.063	20,70%
Mortars	9.847	8.451	16,52%	1.971	1.478	33,35%	1.000 t	203	174	16,53%
Pre-cast	4.609	4.259	8,21%	(117)	1.720	(106,78%)	1.000 t	117	106	10,71%
	<b>183.165</b>	<b>181.471</b>	<b>0,93%</b>	<b>50.445</b>	<b>64.728</b>	<b>(22,07%)</b>				

The economy performed well during the first half of the year (with GDP up by between 1.6% and 2%), although the civil construction sector failed to keep pace with the economy as a whole.

Production in the civil construction sector was down by 4.7% in the first quarter of 2007 in comparison with the first quarter of 2006<sup>2</sup>.

#### 3.2.5.1.1. Cement and Clinker



As stated in the overview of the Secil Group's business, demand for cement is thought to have declined over the first quarter of 2007 by a figure in the region of 5%. This downward trend in demand for cement reflects the recession currently affecting the construction sector, in both the housing and public works subsectors.

<sup>2</sup> Construction and Public Works Production Index – INE August 2007

As a result, total sales of Cement and Clinker stood at approximately **EUR 98.5 M**, corresponding to 1.254 thousand tons, representing a reduction of 0.98% in value and of 5.23% in quantity, in relation to the same period in the previous year.

EBITDA stood at **EUR 39.1 M**, down by 27.51% on the same period in 2006. This disappointing performance may be explained by three factors: (i) a reduction in sales of cement and clinker on the home market, (ii) a very appreciable increase in the price of thermal fuels (coal and petcoke) and (iii) a reduction in clinker output due to major maintenance work on certain production lines.

### 3.2.5.1.2. Ready Mixed, Aggregates and Mortars



As shown in the preceding graphs, overall performance in ready-mixed, aggregate and mortar business was positive, and showed a significant improvement. The aggregate EBITDA for these three business areas stood at **EUR 11.4 M**, representing growth of 26.81% over the first half of 2006.

Particularly significant was the performance of the ready-mixed market, which was also affected by the decline in activity in the construction sector, presenting a reduction of 6% in sales in terms of quantity, and of 0.55% in value.

Average prices increased in nominal terms by approximately 4.2% over the period, with the result that the reduction in sales was less sharp when measured in value than when measured in quantity.

In addition, thanks to a policy of streamlining costs, the Group achieved a good level of operational performance, and EBITDA in the ready-mixed sector stood at **EUR 6.8 M**, up by 24.17% on the first half of 2006.

### 3.2.5.1.3. Pre-Cast Concrete



Sales of pre-cast concrete stood at **EUR 4.6 M**, corresponding to 1167 thousand tons, and representing growth of 8.2% in value and 10.7% in quantity in comparison with the same period in 2006.

EBITDA stood at **EUR (117 mil)**, representing a reduction of 106.8% in relation to the first half of 2006, due fundamentally to substantial increases in certain cost factors, in particular steel and cement.

### 3.2.5.2. Tunisia

The following table presents overall indicators for the Group's activities in Tunisia during the first halves of 2006 and 2007:

	Sales (m€)			EBITDA (m€)			Sales in quantity			
	2007	2006	Var. %	2007	2006	Var. %	Unit	2007	2006	Var. %
<b>Tunisia</b>										
Cement and Clinker	22,281	21,140	5,40%	8,838	4,417	100,08%	1,000 t	539	499	7,95%
Ready-mixed	2,374	2,008	18,21%	331	93	256,80%	1,000 m3	64	53	21,10%
Pre-cast	175	199	(12,18%)	24	9	165,09%	1,000 t	7	10	(22,82%)
	<b>24,830</b>	<b>23,348</b>	<b>6,35%</b>	<b>9,194</b>	<b>4,519</b>	<b>103,44%</b>				

#### 3.2.5.2.1. Cement and Clinker



The general economy and the construction sector in particular experienced rapid growth during the first half of 2007, with demand for cement estimated to be up in the order of 6%.

Total sales of cement and clinker stood at **EUR 22.3 M**, corresponding to 539 thousand tons, representing an increase of 5.4% in value and of 7.9% in quantity, in relation to the same period in 2006.

EBITDA stood at **EUR 8.8 M**, up 100% on the first half of 2006, reflecting the excellent commercial and manufacturing performance of this business unit during the period.

Despite the delicate context of regulated cement prices, Secil has adopted a more dynamic commercial approach to its customers, allowing it to increase its share of the home market, and also to achieve growth in exports.

Improved manufacturing performance allowed for an increase in cement production and a reduction in production and maintenance costs, contributing to growth in EBITDA.



### 3.2.5.2.2. Ready Mixed



Ready-mixed sales increased by **EUR 2.4 M in value**, corresponding to 64 thousand m2 and representing an increase of 18.2% in value, and of 21.1% in quantity in relation to the same period in 2006.

EBITDA stood at **EUR 311 thousand**, up by 256.8% over the same period in the previous year.

### 3.2.5.3. Lebanon

As reported above, in January 2007 Secil acquired an additional holding in Ciment de Sibline, giving it a total of 50.5% of the share capital and voting shares in the said company. Ciment de Sibline has annual production capacity of 1.2 million tons of cement and also has a majority holding in SOIME, which is engaged in producing and marketing ready-mixed concrete.

#### 3.2.5.3.1. Cement and Clinker

	Sales (m€)			EBITDA (m€)			Sales in quantity			
	2007	2006	Var. %	2007	2006	Var. %	Unit	2007	2006	Var. %
<b>Lebanon</b>										
Cement and Clinker	17,476	-	-	7,750	-	-	1,000 t	437	-	-
Ready-mixed	2,449	-	-	218	-	-	1,000 m3	71	-	-
Aggregates	-	-	-	-	-	-	1,000 t	-	-	-
	<b>19,925</b>	-	-	<b>7,969</b>	-	-				

Despite the difficult political and economic situation in the country, the company achieved turnover of **EUR 17.5 M**.

EBITDA stood at approximately **EUR 7.8 M**, which compares unfavourably with the figure of **EUR 11.8 M** recorded in the previous year (not recorded in the table above, as this holding was consolidated by the equity method at that time). This reduction in EBITDA was due fundamentally to the fact cement producers reached agreement with the Lebanese government for a reduction in cement prices of 10 USD per ton, as part of the national reconstruction effort.

### 3.2.5.4. Angola

Sustained economic growth in Angola has been accompanied by the resumption of major reconstruction work, with the result that 20% growth in GDP is estimated for 2007.

The following table shows the Group's overall business indicators in Angola for the first halves of 2007 and 2006:

	Sales (m€)			EBITDA (m€)			Sales in quantity			
	2007	2006	Var. %	2007	2006	Var. %	Unit	2007	2006	Var. %
<b>Angola</b>										
Cement	14.006	7.655	82,97%	959	886	8,25%	1.000 t	105	65	61,88%
Ready-mixed	-	-	-	-	-	-	1.000 m3	-	-	-
Aggregates	-	-	-	-	-	-	1.000 t	-	-	-
	<b>14.006</b>	<b>7.655</b>	<b>82,97%</b>	<b>959</b>	<b>886</b>	<b>8,25%</b>				

#### 3.2.5.4.1. Cement and Clinker



In 2006, the Secil Group's operations in Angola were taken over by Secil-Lobito, which is 51% owned by Secil.

In line with the high rates of growth in demand for cement in Angola, total cement and clinker sales stood at **EUR 14 M**, corresponding to 105 thousand tons, and representing increases of 82.9% in value and 61.8% in quantity in relation to the same period in 2006.

EBITDA stood at **EUR 959 thousand**, up by 8.3% over the first half of the previous year.

### 3.2.5.5. Cape Verde

The economy as a whole and the cement sector are expected to grow at a more moderate rate in 2007 than in previous years.

The following table shows the Group's overall business indicators in Cape Verde for the first halves of 2007 and 2006:

	Sales (m€)			EBITDA (m€)			Sales in quantity			
	2007	2006	Var. %	2007	2006	Var. %	Unit	2007	2006	Var. %
<b>Cape Verde</b>										
Cement	1.875	2.177	(13,85%)	60	78	(22,40%)	1.000 t	19	22	(15,72%)
Aggregates	534	619	(13,69%)	226	274	(17,44%)	1.000 t	40	56	(29,46%)
Pre-cast	111	118	(5,85%)	47	52	(9,94%)	1.000 t	2	1	115,34%
	<b>2.520</b>	<b>2.914</b>	<b>(13,49%)</b>	<b>334</b>	<b>404</b>	<b>0,00%</b>				

### 3.2.5.5.1. Cement and Clinker



As from January 2006, the Secil Group has been marketing cement directly in this country through its subsidiary Secil-Cape Verde, the company formed through acquisition of the local agent (Intertrade).

During the first half of 2007, operations by Secil-Cape Verde resulted in sales of 19 thousand tons, down by 15.7% on the sales recorded in the first half of 2006. In terms of value, sales stood at **EUR 1.9 M**, down by 13.9% on the same period in 2006.

Performance in the cement sector was also down on the first half of the previous year, with EBITDA in the order of **EUR 60 thousand**, 22.4% lower than in the same period in 2006.

This decline in performance in the cement sector was due fundamentally to the appearance of new competitors, with the direct consequence of reducing sales and cutting the sales margin.

### 3.2.5.5.2. Aggregates



The aggregates market on the island of Santiago, where ICV - Inertes de Cape Verde is located, consisted of sales in the order of 40 thousand tons in the first half of 2007, lower than in the same period in 2006.

In value, aggregates sales stood at **EUR 534 thousand**, down by 13.7% on the first half of 2006.

EBITDA stood at **EUR 226 thousand**, representing a reduction of 17.4% in relation to the first half of 2006. The decline in performance in this business area is also due to the appearance of new players in the market, with a consequent reduction in both sales and margin.



### 3.2.5.5.3. Pre-cast



During the first half of 2007, sales of pre-cast concrete totalled approximately **EUR 111 thousand**, corresponding to 2 thousand tons. This represents a reduction of 5.9% in value and of 115.3% in quantity, in comparison with the same period in the previous year.

EBITDA stood at EUR 47 thousand, down by 9.9% on the first half of 2006.

### **3.2.6. Human Resources**

The average workforce grew from 2,245 at 30 June 2006 to 2,519 at 30 June 2007, due fundamentally to incorporation of the employees of subsidiaries acquired, notably Ciment de Sibline and Grupo Cimentos Madeira.

### **3.2.7. 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.

#### **3.2.7.1. Management of Exchange Rate Risk**

The exchange rate risk associated with the Group's petcoke purchases has been analyzed and hedged by contracting exchange rate options which fix the highest amount payable and allow the Group to enjoy some of the benefit of favourable changes in the exchange rate.

#### **3.2.7.2. Management of Interest Rate Risk**

The European Central Bank's reference rate is at its peak level since 2001, after eight successive hikes since December 2006. The main leading rate stood at 4.00% at the end of the first half of 2007.

In 2005, Secil opted to take out partial interest rate hedges through a structure of derivatives that sets a maximum value for financial charges on long term debt with repayments in instalments. Some liabilities have been retained on a variable rate basis.

Accordingly, at the end of the first half of 2007, around 40% of its medium and long term debt was covered by interest rate hedges.

#### **3.2.7.3. Client Credit Risks**

The Group has been making efforts to contract credit insurance policies for its cement, ready-mixed, aggregates and pre-cast areas, with coverage depending on the risks involved in each particular area.

### **3.2.8. Financial**

#### **3.2.8.1. Management of Financial Resources**

Consolidated operating cash flow stood at approximately **EUR 54.0 M**, practically unchanged in relation to the first half of the previous year.

In consolidated terms, the Group recorded total investment of **EUR 60.6 M**, of which **EUR 42.9 M** corresponded to tangible and intangible assets, and **EUR 42.9 M** to the acquisition and strengthening of positions in subsidiary and associated companies, together with acquisition of securities and small holdings in other companies.

As at 30 June 2007, the Secil Group's consolidated net debt totalled **EUR 171.8 M**, up by **EUR 33.8 M** on the figure of **EUR 138 M** recorded at year-end 2006.

This increase was due essentially to the investments made during the first half, in particular in increasing holdings in Ciment de Sibline and Secil Martingança.

The bank loans recorded in the consolidated financial statements are denominated in euros except for those taken out in Tunisia, which are denominated in the local currency, and those contracted in Lebanon, where a part of the borrowing is denominated in euros and the remainder in local currency.

## 4. Paper and Paper Pulp Business Area (PORTUCEL SOPORCEL Group)

### 4.1. Business Overview

#### 4.1.1. Paper

##### The Market

In an economic climate characterised by stronger growth and employment in Europe, the region witnessed near stagnation of the demand for UWF paper, although the office stationary sector experienced slight expansion.

Despite this stagnation, which was also accompanied by a reduction in exports, European manufacturers operated during the first half with fairly high rates of capacity utilisation. This was due to the process of reduction of supply, which in 2005 and 2006 saw the closure of capacity for 500 thousand tons of EWF in Europe alone. This process continued into the first half of 2007, with the closure of a further paper mill with capacity for 110 thousand tons.

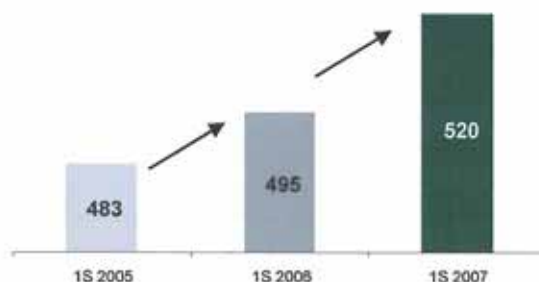
In the USA, consumption was down slightly on the same period in 2006, but here too there was a significant reduction in capacity, allowing sales prices to rise, with the RISI index for office stationary up by 12.9% from June 2006 to June 2007.

In the Far East, the powerful Asian economies absorbed the substantial increase in the capacity of new local manufacturers, especially in China and Indonesia.

##### Operations

The Group recorded total paper sales in the first half of 2007 of 520 thousand tons, up by 5.1% on the same period in the previous year, corresponding to an increase of 25 thousand tons. This was achieved at the same time as an improvement in the sales mix for the Group's paper, in terms of both quality and geographical sales markets.

#### Total First Half Sales (thousand tons)

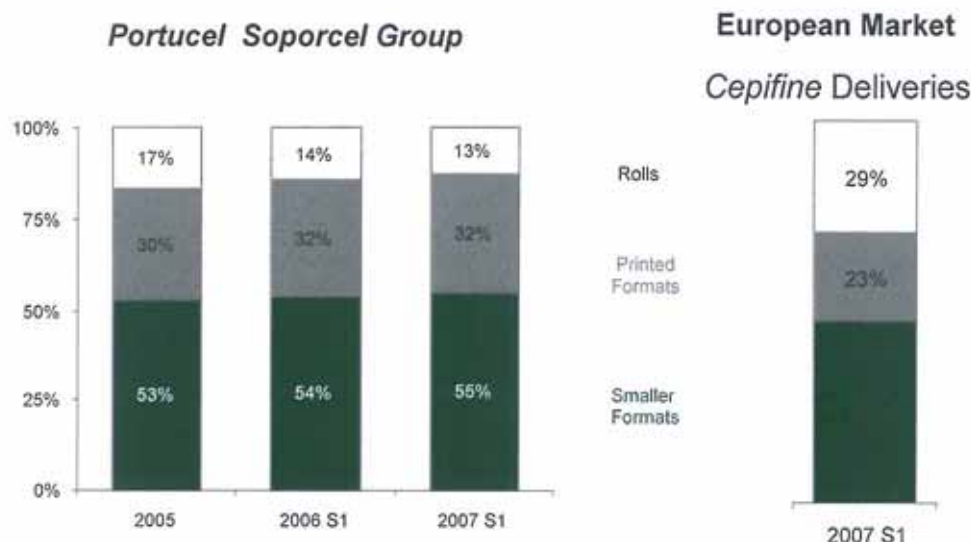


In terms of sales by format, trends were also very positive, with an increase of 19 thousand tons in sales of office paper and of 10 thousand tons in sales of printing formats, with the volume of paper rolls down by 4 thousand tons.

These results consolidated trends in previous years, and compare highly favourably with the structure of the European market.



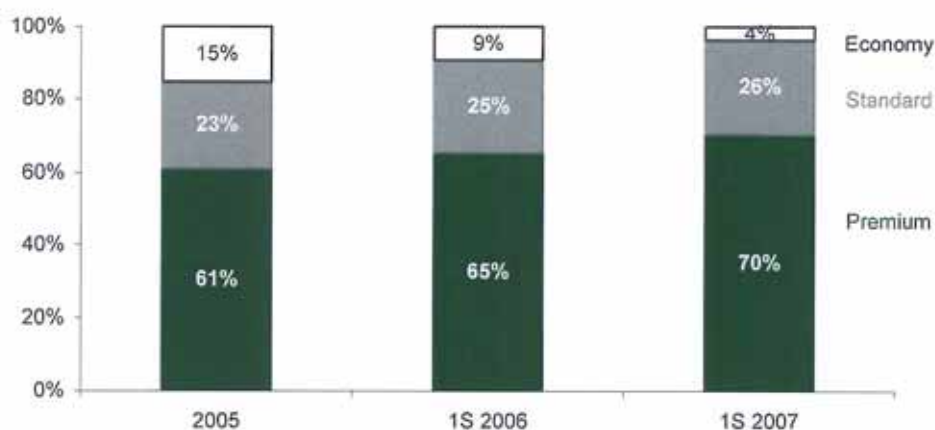
## Sales by product type (% sales)



Source: Cepifine

Quality segmentation also provided the best ever results for the Portucel Group, with a 13% increase in sales of premium products, which accounted for 70% of total sales in the first half (up five percentage points on the same period in 2006).

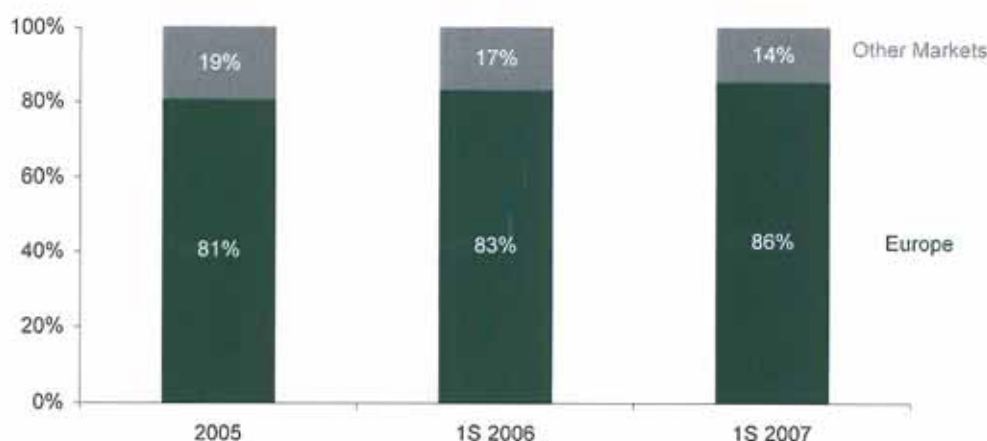
## Sales by quality (% sales)



The Group retained its average overall share of 12% in the Western European market, with 13% in the office paper segment and 17% in the printing paper segment. It should be noted that with new Eastern European producers being included in the CEPIFINE statistical system, these shares are not comparable with those reported in the past. On a comparable basis, the Group captured half the growth in the European office paper market, with growth of 21 thousand tons in a UWF market which was steady overall.

In terms of geographical distribution, the Group recorded dynamic growth in paper sales in European markets, whilst its presence in North American markets held steady, meaning that sales to other markets declines in importance to the Group.

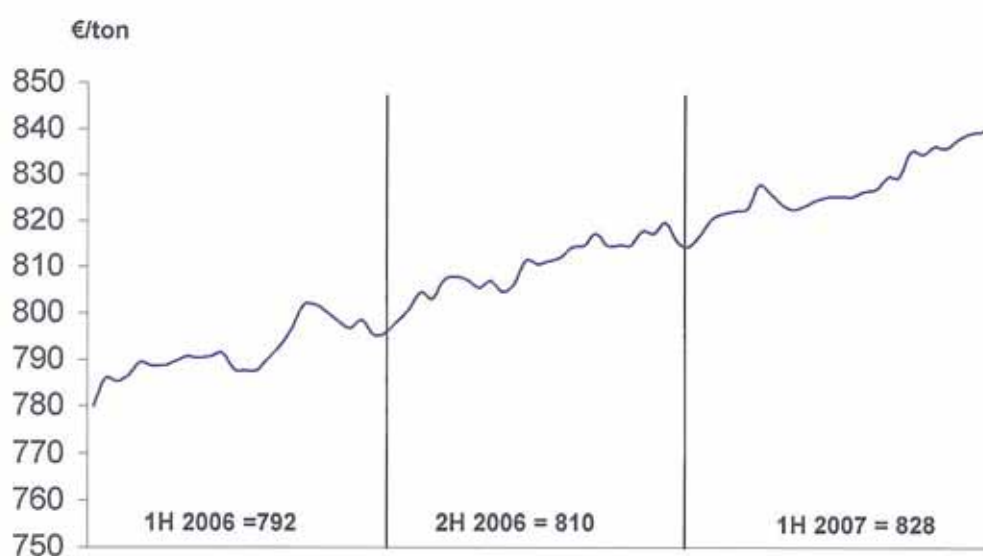
### Sales by market (% sales)



### Prices

The Group's average sale prices evolved well, with growth of 5.2% over the same period in 2006, outperforming the reference prices in the European market which rose by 4.5% over the same period as a result of the adjustment between supply and demand as reported above. The PIX index for A4 rose by 2.9% from December 2006 to June 2007.

### Market prices, Copy B



*Source: Foex Indexes Ltd.*

### Brands

Sales of the Group's own brands grew by 20% in the period, as compared with the first half of 2006, meaning that they now accounts for 57% of total sheet paper sales.

All independent market studies conducted over recent years confirm the growing acceptance of the Group's brands by consumers, with the consequent increase in market penetration.

#### 4.1.2. Pulp

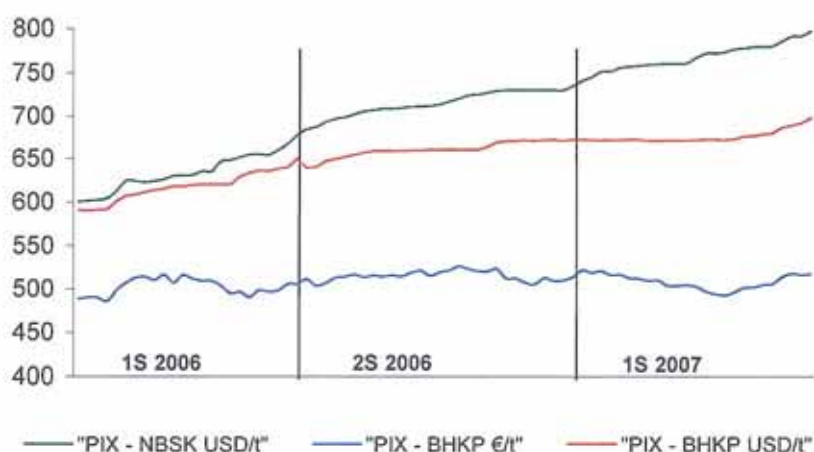
Demand for eucalyptus pulp remained healthy throughout the period. The existence of a number of restrictions on the sourcing of timber, combined with low levels of stocks with both producers and users, together with continued strong demand from China, all caused added pressure on short fibres, and in particular on eucalyptus pulp. In addition, the increase in the price differential between long and short fibre also lead to short fibre being used as a substitute, creating even greater demand for eucalyptus.

The USD exchange rate against the currencies of leading paper pulp producers (short and long fibre) also helped to push up pulp prices. The Brazilian Real and the Canadian Dollar rose by 10% and 9% respectively against the US dollar.

These factors allowed the eucalyptus pulp price to stay at comfortable levels, opening the way to another recent increase in prices, at what is traditionally a difficult time of year due to the seasonal nature of paper demand, and consequently the summer stoppages for paper mill maintenance.

The PIX index for BHKP rose by approximately 4% in USD over the first half, although the depreciation of the US dollar against the Euro meant that the corresponding value in Euros failed to keep pace with this rate of growth.

#### Price Index (PIX) – BHKP and NBSK



The Group recorded total sales in the first half of 270 thousand tons, down by 5.1% on sales in the same period in 2006, due largely to the increase in the incorporation of pulp in paper production.



## 4.2. Analysis of Results

### Consolidated Financial Indicators, Portucel Group at 30 June 2007

<i>Figures in '000 €</i>	<b>IFRS June 2007 6 months</b>	<b>IFRS June 2006 6 months</b>	<b>Var. % June 07/06</b>
<b>Sales</b>	566.366	529.512	7%
Other income	10.483	11.635	(10%)
Costs and losses	(400.594)	(392.093)	2%
<b>Total EBITDA</b>	<b>176.254</b>	<b>149.053</b>	<b>18%</b>
<b>Recurrent EBITDA</b>	<b>173.477</b>	<b>147.059</b>	<b>18%</b>
Depreciation and impairment losses	(54.312)	(51.215)	6%
Provisions (increases and reversals)	(10.647)	(11.296)	(6%)
<b>EBIT</b>	<b>111.296</b>	<b>86.543</b>	<b>29%</b>
Net financial profit	(13.551)	(16.002)	(15%)
<b>Pre-tax profit</b>	<b>97.745</b>	<b>70.541</b>	<b>39%</b>
Tax on profits	(28.837)	(25.681)	12%
<b>Retained profits for the period</b>	<b>68.908</b>	<b>44.860</b>	<b>54%</b>
<b>Attributable to Portucel shareholders*</b>	<b>68.898</b>	<b>44.834</b>	<b>54%</b>
Attributable to minority interests	9	26	(63%)
<b>Cash flow</b>	<b>133.866</b>	<b>107.370</b>	<b>25%</b>
EBITDA margin (%)	31,1%	28,1%	11%
EBIT margin (%)	19,7%	16,3%	20%
	<b>30-06-2007</b>	<b>31-12-2006</b>	
Net total assets	2.364.945	2.378.979	(1%)
Equity (before MI)	1.108.453	1.086.985	2%
<b>Net debt</b>	<b>416.951</b>	<b>480.060</b>	<b>(13%)</b>
<i>* of which 71.9% is attributable to Semapa</i>			

#### Notes:

- Total EBITDA = operating profit + depreciation and impairment losses + provisions – reversal of provisions
- Net debt = non-current interest bearing debt (net of loan issue charges) + current interest-bearing debt (including debts to shareholders) – cash and cash equivalents; in line with IFRS rules.

#### 4.2.1. Investment

During the first half of 2007, capital expenditure stood at approximately EUR 7.8 M, as compared with EUR 13.3 M in the same period in 2006.

#### 4.2.2. Debt

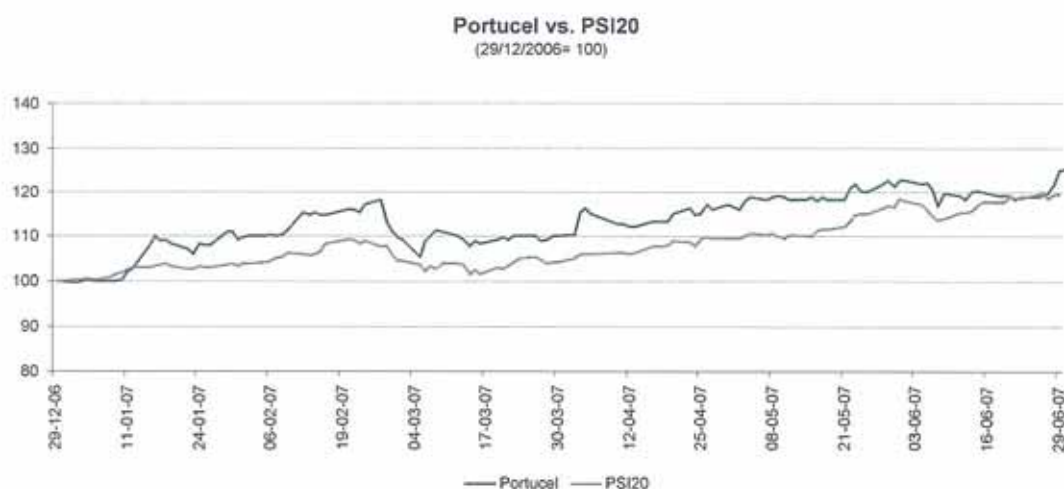
The Portucel's borrowing came down by EUR 247.5 M in relation to the end of the first half of 2006, and by EUR 63.1 M in relation to year-end 2006.

With the execution of investment projects duly approved and disclosed to the market, the Portucel Group's debt will increase accordingly.

The structure of net debt at 30 June 2007 was as follows:

Debt structure (M€)	Jun-07	Dec-06	Jun-06
<b>Medium Long Term</b>	<b>719,6</b>	<b>738,5</b>	<b>738,1</b>
Bond Issues	694,6	694,2	693,6
Other Loans	25,0	44,3	44,5
<b>Commercial Paper</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
MLT borrowing repayable in short term	0,3	10,5	10,3
<b>Total debt</b>	<b>719,9</b>	<b>749,0</b>	<b>748,4</b>
<b>Cash and Banks</b>	<b>-303,0</b>	<b>-268,9</b>	<b>-83,9</b>
<b>Total debt - net</b>	<b>416,9</b>	<b>480,1</b>	<b>664,4</b>

#### 4.2.3. Listed share price



During the first half of 2007, Portucel shares rose in value by approximately 25%, outperforming the PSI 20 index (up 20%). The shares closed the period at a price of € 3.00, their top value for the half, comparing with a low of € 2.39 per share.

Average daily trading stood at approximately 3.7 million, a liquidity level substantially higher than in the same period in 2006, due to the increase in stock market dispersal in November, with the final phase of privatisation.

The increase in liquidity allowed the shares to be included again in the PSI-20 index in January 2007, and also in the Next 150 index, in April 2007.

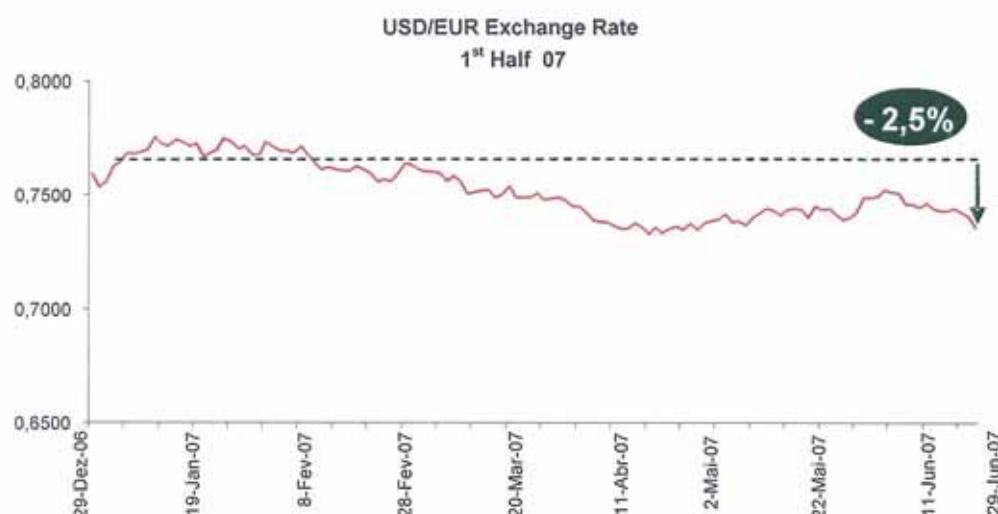
#### 4.2.4 Risk Management

Group operations are exposed to a variety of financial and operational risk factors. The Group has taken a pro-active risk management stance, seeking to minimize the potential adverse effects, namely as regards exchange rate risks, interest rate risk, credit risk, liquidity risk and pulp price risk.

##### Exchange rate risk

During the first six months of 2007, the US dollar depreciated by 2.5% against the Euro. As the Group's sales are strongly exposed to exchange rate risk, mainly in relation to the US dollar, a set of financial instruments was contracted to minimize the effects of rate variations, covering approximately 80% of sales subject to exchange rate risk in this period and practically all balance sheet values denominated in

foreign currency.



### Interest rate risk

The cost of almost all the Group's borrowing is indexed to short term leading rates – generally the Euribor 6M. In order to hedge against unfavourable interest rate variations, the Group decided to fix the rates on some of its medium term borrowing by contracting interest rate swaps.

At the end of the period, approximately 36% of the Group's medium term debt was covered by interest rate hedges.

### Credit risk

The Group is subject to risk on the credit it grants its clients, and has adopted a policy of maximizing risk hedges by taking out credit insurance. Sales not covered by credit insurance are subject to rules which seek to assure that they are made to clients with an acceptable risk and that they limit exposure to pre-set upper limits, approved on a client-by-client basis.

### Liquidity risk

The match between the maturities of the Group's borrowing and the characteristics of the industry, the contracting of credit lines on a current account basis with a wide range of banks, and also the significant size of liquid assets assure the Group a high level of liquidity.

### Pulp price risk

In order to reduce the risk associated with major fluctuations in pulp prices, the Group has contracted hedges for approximately 5% of its sales, allowing it to keep price volatility within a pre-set band.

## 4.2.5 Industrial Operations

Total pulp and paper output recorded by the Portucel Soporcel Group in the first half of 2007 stood at 665 and 522 thousand tons respectively, corresponding to growth over the same period of 2006 of 26 and 20 thousand tons, or 4% in both cases.

All the Group's production units contributed to this positive performance, which was due to a smaller number of planned stoppages during the first half, and also to structural productivity gains, which were especially significant in a period of selective containment of investment.

The Cacia plant recorded a substantial increase in pulp output, due in large part to recent investment in a new recovery boiler.



This significant increase in paper output was based on identical relative growth at both the Group's mills, meaning that whilst the increase of 15 thousand tons at the Figueira da Foz mill represents a major achievement, great efforts were made at the Setúbal plant to optimise production despite the relatively greater maturity of the technology used.

Certain industrial cost items increased during the first half, due to significantly higher prices for some raw and subsidiary materials. The increase in timber costs was particularly severe, due to the supply conditions on the home market, resulting in higher prices for Portuguese timber and also in the need to step up imports.

Successful efforts to improve energy and production efficiency at all the Group's plants made it possible to hold down the negative impact on production costs of the upward trend in the prices for these factors of production.

#### **4.2.6 Resources and Supporting Services**

##### **Forestry Activities and Timber Supply**

In relation to the same period in 2006, total purchases of timber increased by 24% in the first half of 2007, to a total of 2,153 thousand cubic metres. Purchases of timber on the market were slightly down on the previous year, but this was offset by the Group's own timber and imported timber. In relation to timber imports, the Group followed through its programme for raw material procurement on foreign markets, first implemented in the second half of 2006; these imports were needed due to the situation on the home market and in order to assure the sustainability of Portuguese forests.

Production units were supplied as planned, and the Group successfully sidestepped the impact of difficulties on the home market resulting from the reduction in stocks and in the availability of eucalyptus in Portugal, due to the forest fires in 2003 and 2005.

The Group was again successful in channelling timber deliveries through its network of depots, with a significant increase in relation to the same period in the previous year, despite the limitations experienced in the availability of rail freight services and associated facilities, which has constituted a major obstacle to implementation of more efficient logistics.

In order to further the development of the home market, the Portucel Group has established innovative working processes, through agreement with suppliers and forestry producers, with a view to rewarding the quality of timber and of services provided.

The Group has been certified under the FSC (Forest Stewardship Council) system for its procurement activities since the beginning of 2006, and in March 2007 it also achieved certification under the PEFC system (Programme for the Endorsement of Forest Certification), in line with the Group's strong commitment to sustain business development.

During the first half of 2007, the Group took a decisive step forward in certification of its forestry activities with the pre-audit and assessment audit for Good Forest Management, in line with the FSC principles and criteria.

##### **Energy**

The Portucel Soporcel Group's activities are based on the strategic principle of producing pulp and paper using renewable energy, obtained essentially from biomass.

In the first half of 2007, the Group recorded total power generation of 500 GWh. Of this, approximately 92% was obtained from co-generation plants using forestry biomass and respective derivatives. This form of power generation, combining electrical and thermal energy, is substantially more efficient than the conventional exclusive generation of electricity. During the same period in 2006, total power generation stood at 454 GWh. This increase of more than 10% in power generation was due essentially to increased pup production, stability of industrial processes and a smaller number of major maintenance jobs.

Power generation increased at the Cacia plant, with a high level of energy performance. This was achieved thanks to the start-up of the new recovery boiler in February 2006, permitting greater reliability and availability, as well as improved energy efficiency.



At the Figueira da Foz complex, the increase in power generation was due in part to less time being taken up by major maintenance jobs.

The strategic principle of incorporating a larger number of renewable energy sources, and in particular biomass and derivatives, which at the same times reduces the use of fossil fuels and improves energy efficiency, allowed the Portucel Soporcel Group to cut its CO<sub>2</sub> emissions in the first half of 2007 in relation to the same period in 2006, despite increased production of pulp and paper.

It should be noted that fossil fuel use has been reduced to a very significant degree, thanks to strategic investment options taken over recent years.

Improved energy efficiency at the Cacia and Figueira da Foz cogeneration plants, which have achieved high levels of power output thanks essentially to heavy investment in new recovery boilers, has also led to a substantial increase in revenues from power sales to the national grid.

### Environmental Performance

Thanks to investment in equipment and improved processes, incorporating the best available techniques, environmental indicators point to good sustained performance at all production units, with improvements in relation to 2006.

A new timber debarker started operating at the Figueira da Foz plant in the first half of 2007. This offers improved environmental performance, thanks to minimising timber waste and using waste for energy. Plans were also approved during the first half for extension of the waste water treatment plant at the Figueira da Foz complex, in order to extend the existing secondary treatment of the effluents produced at the paper mill. This new plant will start operating during the second half of 2007.

### Management Systems

Following on from the implementation of the safety management system at the Cacia plant in 2006, an external audit was successfully conducted during the first half of 2007 with a view to system certification, under standards NP 4397 and OSHAS 18001, and the respective certificate is now awaited from the certifying authority.

In 2007, the environment management systems at the Figueira da Foz and Setúbal plants underwent an external audit for renewal of the respective certification cycles.

At the start of 2007, the chain of responsibility management systems at the three production plants of the Portucel Soporcel Group and the external timber yards were recognized by APCER, the certifying authority under the PEFC system, and the respective certificates issued.

After the market launch in 2006 of the first products with the FSC symbol, this system has been consolidated in 2007 with an increase in product sales and the launch of new brands in specific markets. Products with the PEFC symbol are due to be launched in the second half of 2007.

		<i>Figueira Foz</i>	<i>Cacia</i>	<i>Setúbal</i>	<i>Timber Yards</i>
<b>Certification</b>	<b>Quality</b>	ISO 9001:2000	ISO 9001:2000	ISO 9001:2000	
	<b>Environment</b>	ISO 14001:2004	ISO 14001:2004	ISO 14001:2004	
	<b>Safety</b>	OHSAS 18001:1999 and NP 4397:2001		OHSAS 18001:1999 and NP 4397:2001	
	<b>Chain of Responsibility</b>	FSC-STD-40-004 – Annex 4			
<b>Accreditation</b>	<b>Laboratory</b>	ISO/IEC 17025	ISO/IEC 17025	ISO/IEC 17025	

## 5. Semapa Group - Human Resources

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

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

The workforce of the Semapa Group, including all companies included in the accounts by the full consolidation method, fell from 4,202 employees in December 2006 to 4,493 employees in June 2007, as shown in the following table:

Segment	30-06-2007	31-12-2006
Paper and Pulp	1.950	1.951
Cement and Derivatives	2.519	2.231
Holdings	24	20
Total	4.493	4.202

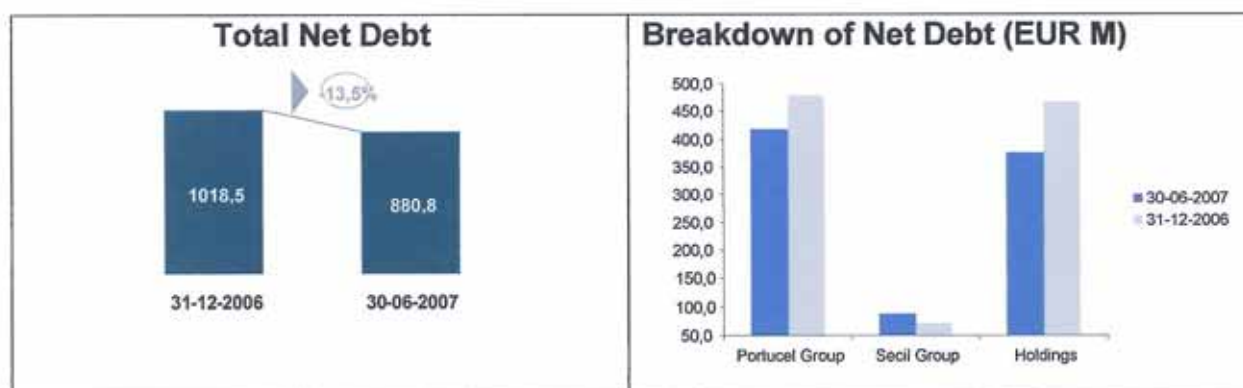
The increase in the workforce in the Cement and Derivatives segment was due essentially to acquisition of the subsidiaries Ciment de Sibline and Cimentos de Madeira.

## 6. Semapa Group – Financial

### 6.1 Indebtedness

At the end of the first half of 2007, Semapa's consolidated net debt totalled approximately **EUR 880.8 M**, as compared with **EUR 1,018.5 M** at year-end 2006.

The following table presents total debt, and a breakdown of net debt at the end of the first half of 2007 and at year-end 2006:



In March 2007, Portucel paid off its BEI loan of EUR 28.9 M two years in advance of the original maturity date, in March 2009, reflecting the Portucel Group's excellent capacity for generating cash flow.

As reported above, the increase in the Secil Group's debt was due essentially to investment in the first half in increasing its holdings in Ciment de Sibline and in Secil Martingança.

The reduction in debt at the holdings was due to disposal of financial holdings in the form of 19.2 million shares in EDP, resulting in a cash input of **EUR 81.6 M**.

As contracted, in March 2007 Semapa paid off 25% of the nominal value of the bonds issued in the Semapa 98 issue, representing a sum of 5.6 million euros.



## 6.2 Risk Management

The Semapa Group's activities are exposed to a range of risks, of a financial and operational nature. The sections on each business area present the relevant risk factors to which business activities are subject, and the respective management measures.

With regard to the activities of the holding company (Semapa SGPS and instrumental sub-holdings), the respective business activities are exposed to interest risk given that, as mentioned in the previous section, all borrowing has been contracted on a variable rate basis.

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

## 6.3 Pension Funds

Implementation of the Directors' Retirement Benefits Regulations, approved at the Annual General Meeting of Shareholders in 2005, resulted in recognition of liabilities relating to past services, for a total of approximately 84 million euros. This was recognized in full as a cost in 2005. Revaluation of these liabilities at the end of the 1<sup>st</sup> half of 2007 resulted in a figure of approximately 93.4 million euros.

Total liabilities for pensions and other post-retirement benefits stood, in consolidated terms, at EUR 265.2 M at 30 June 2007, of which EUR 140.9 M were covered by independent pension funds.

Uncovered liabilities stood at a total of EUR 132.7 M, of which EUR 24.3 M corresponds to shortfalls in the funds (EUR 7 M in the Portucel Soporcel Group and EUR 2.6 M in the Secil Group), whilst the remaining EUR 108.4 M relate to unfunded liabilities (EUR 15 M for the Secil Group, relating to other post-retirement benefits, and EUR 93.4 M for Semapa).

## 6.4 Listed Share Prices

Semapa shares performed positively over the course of the first half of 2007 in absolute terms, with listed prices up in the order of 51%, and also in comparison with the main Portuguese share index, the PSI 20, which was up by around 20%, as shown in the following graph:

**Semapa Shares – Listed Prices vs. PSI 20 – 1<sup>st</sup> Half 07**



Note: closing prices

The daily average price for Semapa shares varied between a low of EUR 8.80 and a high of EUR 13.34. Average daily trading for the first half stood at 366,888 shares.

At the stock exchange session after disclosure of the 2006 results, on 2 March 2007, share prices were adjusted downwards by 4.8% in relation to the previous session.

At the session on 14 April 2007, one day after distribution of dividends for 2007, no significant adjustment occurred in the Semapa share price.

## 6.5 Dividends

With regard to the distribution of dividends, the company has followed a policy of distributing an amount which avoids any need to resort to significant additional borrowing and which also avoids undermining its financial soundness. The aim is to maintain a financial structure compatible with the Group's sustained growth and different business areas, and at the same to maintain sound solvency indicators. Accordingly:

- On 13 April 2007, Semapa paid dividends relating to 2006 totalling EUR 27,216,463, corresponding to EUR 0.23/share in issue.
- Secil's General Meeting approved distribution of a dividend of EUR 0.38/share for the financial year of 2006, which was paid on 4 April, corresponding to a total of EUR 19,008,907.
- Portucel's General Meeting approved distribution of a dividend of EUR 0.79/share for the financial year of 2006, which was paid on 13 April, corresponding to a total of EUR 60,627,721.

## 6.6 Net profit for the first half of 2007

Semapa recorded a net profit for the first half of 2007, after minority interests, of **EUR 92.0 M**, of which **EUR 71.5 M** is attributable to Semapa shareholders.

## 7. Prospects for the Second Half of 2007

The financial crisis which started during the second half is not expected to impact yet on the real economy. However, rising interest rates (Euribor) and the depreciation of the USD against the EUR could have a negative influence on the Group's results.

As Semapa SGPS' object is the management of corporate holdings, and its business prospects are therefore dependent above all on those of its subsidiaries:

### SECIL GROUP

Considering the foreseeable developments in the main markets in which the Group operates, 2<sup>nd</sup> half results are expected to reflect performance in line with that of the 1<sup>st</sup> half of the year.

### PORTUCEL SOPORCEL GROUP

Prospects for market conditions in the 2<sup>nd</sup> half of 2007 may be regarded as moderately positive, given that some pulp and paper manufacturers have already announced price rises, although a degree of stagnation is still being felt in the demand for paper.

However, the weak dollar in the relation to the Euro will continue to penalize the Group, and may maintain a negative influence on the sale price for the Group's paper pulp and some of its paper products. There are also some worrying increases in the cost of factors of production, especially the main raw materials, as reported above.

During the first half of the year, the European Commission finally approved the incentives awarded to the Group by the Portuguese Government for its investment plan announced in early 2006, including the construction of a new paper mill in Setúbal.

The investment cost initially envisaged for the paper mill, € 500 million, is currently being reviewed, as announced with the 1<sup>st</sup> quarter results, and it is prudent to expect an increase, due to the very significant increase in some of the associated cost factors.

The Group plans to start construction of the new unit in the 4<sup>th</sup> quarter of 2007, and if all goes to plan, production should start up during the 2<sup>nd</sup> quarter of 2009.

## 8. Subsequent Developments

- On 4 July 2007, Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. acquired 2,720,000 of its own shares, corresponding to 2.30% of the share capital, in a stock market operation.
- In the course of August and up to 24 September 2007, the Semapa Group increased its holding in Portucel by 2.66%, through acquisition on the stock exchange of 20,431,477 shares in the company.

Lisbon, 27 September 2007



## **The Board of Directors**

Pedro Mendonça de Queiroz Pereira  
**Chairman**

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

Carlos Eduardo Coelho Alves  
**Director**

José Alfredo de Almeida Honório  
**Director**

Francisco José de Melo e Castro Guedes  
**Director**

Carlos Maria Cunha Horta e Costa  
**Director**

José Miguel Pereira Gens Paredes  
**Director**

Paulo Miguel Garcês Ventura  
**Director**

Rita Maria Lagos do Amaral Cabral  
**Director**

António da Nóbrega de Sousa da Câmara  
**Director**

António Paiva de Andrade Reis  
**Director**

Fernando Maria Costa Duarte Ulrich  
**Director**

Joaquim Martins Ferreira do Amaral  
**Director**

**Disclosures required by Article 9.1 b) and e)  
of Securities Market Commission Regulation 04/ 2004  
(1st Half 2007)**

1. Securities issued by the company and by controlled/controlling or group companies and held by company officers at the end of the period:

- José Alfredo de Almeida Honório – 20,000 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- Duarte Nuno d'Orey da Cunha – 1,130 shares in Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- António Paiva de Andrada Reis – 4,400 shares in Portucel – Empresa Produtora de Pasta e Papel, S.A.
- Duarte Nuno d'Orey da Cunha – 5,700 shares in Portucel – Empresa Produtora de Pasta e Papel, S.A.

2. Acquisition, encumbrance or transfer of securities issued by the company or controlled/controlling or group companies by company officers during the first half:

- Carlos Eduardo Coelho Alves disposed of 153,600 shares in Portucel – Empresa Produtora de Pasta e de Papel, S.A., for a price of 2.63€ per share, on 28 February.
- Carlos Maria Cunha Horta e Costa disposed of 700 shares in Portucel – Empresa Produtora de Pasta e Papel, S.A., for a price of 2.53€ per share, on 15 January.

3. Qualifying holdings at this date calculated in accordance with Article 20 of the Securities Code:

	Holder	No. shares	% shares	% non-suspended voting rights
A -	Cimigest, SGPS, SA	100	0,00%	0,00%
	Cimo - Gestão de Participações, SGPS, S.A.	14.592.300	12,33%	12,93%
	Longapar, SGPS, S.A.	20.000.000	16,90%	17,72%
	Sonaca - Sociedade Nacional de Canalizações, S.A.	1.250.000	1,06%	1,11%
	OEM - Organização de Empresas, SGPS, S.A.	500.000	0,42%	0,44%
	Sociedade Agrícola da Quinta da Vialonga, S.A.	642.535	0,54%	0,57%
	Sodim, SGPS, S.A.	23.365.000	19,75%	20,70%
	José Alfredo Almeida Honório	20.000	0,02%	0,02%
	Duarte Nuno d' Orey da Cunha	1.155	0,00%	0,00%
	<b>Total:</b>	<b>60.371.090</b>	<b>51,02%</b>	<b>53,48%</b>
B -	Banco BPI, S.A.	-	-	-
	Banco Português de Investimento, S.A. – own	150.680	0,13%	0,13%

	Holder	No. shares	% shares	% non- suspended voting rights
	portfolio			
	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%	9,18%
	Investment funds managed by BPI Fundos – Gestão de Fundos de Investimento Mobiliário, S.A.	1.237.518	1,05%	1,10%
	Total:	11.855.974	10,02%	10,50%
C -	Banco Espírito Santo, S.A.	-	-	-
	Fundo de Pensões do BES	6.191.854	5,23%	5,49%
	Total:	6.191.854	5,23%	5,49%
D -	Credit Suisse Group	-	-	-
	Crédit Suisse (votes also attributable to Crédit Suisse Securities (Europe) Limited to which the shares were loaned)	19.279.477	16,29%	17,08%
	Credit Suisse International	4.320.523	3,65%	3,83%
	Total:	23.600.000	19,94%	20,91%
E -	Bestinver Gestión, SGIIC, SA	-	-	-
	Bestinver Bolsa, F.I.	1.547.305	1,31%	1,37%
	Bestinfond F.I.	591.849	0,50%	0,52%
	Bestinver Mixto, F.I.	260.945	0,22%	0,23%
	Soixa Sicav, S.A.	112.774	0,10%	0,10%
	Texrenta Inversiones Sicav, S.A.	20.938	0,02%	0,02%
	Corfin Inversiones Sicav, S.A.	9.450	0,01%	0,01%
	Rodaon Inversiones, Sicav, S.A.	7.993	0,01%	0,01%
	Tibest Cinco, Sicav, S.A.	6.880	0,01%	0,01%
	Invers, en Bolsa Siglo XXI, Sicav, S.A.	6.509	0,01%	0,01%
	Aton Inversiones Sicav, S.A.	4.657	0,00%	0,00%
	Tigris Inversiones, Sicav, S.A.	4.435	0,00%	0,00%
	Mercadal de Valores, Sicav, S.A.	4.179	0,00%	0,00%
	H202 Inversiones Sicav, S.A.	3.850	0,00%	0,00%
	Divalsa de Inversiones Sicav, S.A.	3.782	0,00%	0,00%
	Entrecar Inversiones, Sicav, S.A.	3.395	0,00%	0,00%
	Pasgom Inversiones, Sicav, S.A.	3.313	0,00%	0,00%
	Acciones, Cup. y Obli. Segovianas, Sicav, S.A.	2.969	0,00%	0,00%
	Zamarron Sicav, S.A.	2.487	0,00%	0,00%
	Cartera Millennium Sicav, S.A.	2.483	0,00%	0,00%
	Campo de Oro, Sicav, S.A.	2.073	0,00%	0,00%
	Linker Inversiones, Sicav, S.A.	2.020	0,00%	0,00%
	Heldalin Inversiones Sicav, S.A.	1.462	0,00%	0,00%
	Opec Inversiones, Sicav, S.A.	1.402	0,00%	0,00%
	Tawarzar 2-S2 Sicav, S.A.	1.211	0,00%	0,00%
	Iberfama Sicav, S.A.	966	0,00%	0,00%
	Total:	2.609.327	2,21%	2,31%



Semapa holds 2,720,000 own shares, and Seminv Investimentos, SGPS, S.A., wholly controlled by Semapa, holds 2,727,975 shares in Semapa, making a total of 5,447,975 shares, corresponding to 4.6% of the share capital, subject to the rules on treasury stock.



NOTES TO THE CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS

JUNE 30, 2007

# **CONSOLIDATED INCOME STATEMENT** **AS OF JUNE 30, 2007 AND 2006**

Amounts in Euros	Note	30-06-2007	30-06-2006*	30-06-2006**
<b>Revenues</b>				
Sales	4	689,007,545	638,292,898	746,788,901
Services rendered	4	13,705,420	12,479,223	20,488,035
<b>Other income</b>				
Gains on disposal of non-current assets	5	28,674,631	7,533,578	12,855,294
Other operating income	5	10,188,778	30,103,441	49,266,351
Fair value changes of biological assets	19	(6,565,019)	(510,562)	(510,562)
<b>Costs</b>				
Sold and consumed inventories	6	(234,027,446)	(213,534,678)	(241,402,271)
Variation in production	6	(2,962,729)	(3,576,014)	(5,059,805)
Consumed materials and services	6	(180,856,311)	(183,874,256)	(221,456,926)
Staff costs	6	(79,431,958)	(81,341,067)	(100,965,257)
Other costs	6	(6,164,596)	(29,157,477)	(48,823,004)
Provisions	6	(10,744,718)	(12,381,516)	(13,631,232)
Depreciations, amortizations and impairment losses	8	(65,107,669)	(60,321,563)	(69,004,205)
<b>Operating profit</b>		<b>155,715,928</b>	<b>103,712,007</b>	<b>128,545,319</b>
Profit in associated companies	9	668,718	819,620	1,607,098
Net financial costs	10	(27,427,591)	(23,158,547)	(24,073,866)
<b>Profit before tax</b>		<b>128,957,055</b>	<b>81,373,080</b>	<b>106,078,551</b>
Income tax	11	(36,915,464)	(33,563,097)	(41,548,949)
<b>Net profit for the year</b>		<b>92,041,591</b>	<b>47,809,983</b>	<b>64,529,602</b>
<b>Retained earnings for the year</b>				
Attributable to Semapa's shareholders		<b>71,548,603</b>	<b>33,196,411</b>	<b>33,196,411</b>
Attributable to minority interests	13	20,492,988	14,613,572	31,333,191
<b>Earnings per share</b>				
Basic earnings per share (Euros)	12	0.619	0.287	0.287
Diluted earnings per share (Euros)	12	0.619	0.287	0.287

\* Pro-forma Financial Statements with subsidiary Secil consolidated by the proportional method

\*\* As reported to stock market in the Financial Statements of 2006



# CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2007 AND DECEMBER 31, 2006

Amounts in Euros	Note	30-06-2007	31-12-2006*	31-12-2006**
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	15	285,971,803	280,185,705	334,524,956
Other intangible assets	16	152,136,713	160,717,430	168,997,827
Property, plant and equipment	17	1,638,691,438	1,631,186,509	1,852,260,296
Investment properties	18	181,514	185,593	363,907
Biological assets	19	116,730,433	123,295,452	123,295,452
Investments in associated companies	20	2,503,481	21,396,746	41,455,988
Available-for-sale financial assets	21	5,306,022	78,763,132	79,230,810
Deferred tax assets	28	39,829,653	54,407,280	66,187,428
Other non-current assets		1,184,568	1,802,212	3,533,748
		<b>2,242,535,625</b>	<b>2,351,940,059</b>	<b>2,669,850,412</b>
<b>Current assets</b>				
Inventories	23	169,862,042	144,926,850	171,224,461
Receivables and other current assets	24	306,665,591	304,265,715	354,023,377
State and other public entities	25	37,315,693	31,365,807	34,650,137
Cash and cash equivalents	31	321,015,369	287,607,139	306,130,212
		<b>834,858,695</b>	<b>768,165,511</b>	<b>866,028,187</b>
<b>Total Assets</b>		<b>3,077,394,320</b>	<b>3,120,105,570</b>	<b>3,535,878,599</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital	26	118,332,445	118,332,445	118,332,445
Treasury shares	26	(10,399,412)	(10,399,412)	(10,399,412)
Share premiums		3,923,459	3,923,459	3,923,459
Accumulated exchange adjustments	27	(11,815,474)	(9,359,315)	(9,359,315)
Fair value reserves	27	6,558,949	22,532,476	22,532,476
Other reserves	27	614,568,727	550,385,918	550,385,918
Retained earnings	27	(31,368,798)	(29,812,510)	(29,812,510)
Retained earnings for the year		71,548,603	91,399,271	91,399,271
<b>Shareholder's equity</b>		<b>761,348,499</b>	<b>737,002,332</b>	<b>737,002,332</b>
Minority interests	13	340,509,796	313,767,641	525,275,087
<b>Total equity</b>		<b>1,101,858,295</b>	<b>1,050,769,973</b>	<b>1,262,277,419</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	28	278,831,990	277,334,301	313,834,584
Pensions and other post-employment benefits	29	132,734,183	134,939,566	151,214,038
Provisions	30	43,642,286	32,927,995	37,105,479
Interest-bearing liabilities	31	1,159,865,774	1,259,330,756	1,324,378,845
Other liabilities	1.2	23,395,916	22,787,609	23,879,161
		<b>1,638,470,149</b>	<b>1,727,320,227</b>	<b>1,850,412,107</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	31	41,947,714	46,764,046	67,837,778
Payables and current liabilities	32	224,461,302	241,069,259	288,271,418
State and other public entities	25	70,656,860	54,182,065	67,079,877
		<b>337,065,876</b>	<b>342,015,370</b>	<b>423,189,073</b>
<b>Total liabilities</b>		<b>1,975,536,025</b>	<b>2,069,335,597</b>	<b>2,273,601,180</b>
<b>Total equity and liabilities</b>		<b>3,077,394,320</b>	<b>3,120,105,570</b>	<b>3,535,878,599</b>

\* Pro-forma Financial Statements with subsidiary Secil consolidated by the proportional method

\*\* As reported to stock market in the Financial Statements of 2006

# **CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE PERIOD** **AS OF JUNE 30, 2007 AND 2006**

Amounts in Euros	30-06-2007	30-06-2006
Fair value of derivative financial instruments	4,140,224	10,666,122
Fair value of available-for-sale financial investments	(17,541,060)	3,291,690
Foreign currency translation differences	(3,370,422)	(8,501,635)
Actuarial gains and losses	6,041,406	(1,493,230)
Tax on items directly included in equity	(4,994,430)	(1,806,501)
<b>Profit directly recognized in equity</b>	<b>(15,724,282)</b>	<b>2,156,446</b>
Retained earnings for the year without minority interests	92,041,591	64,529,602
<b>Total recognized income and expenses for the year</b>	<b>76,317,309</b>	<b>66,686,048</b>
Attributable to:		
Semapa's shareholders	53,073,290	38,500,486
Minority interests	23,244,020	28,185,562
	<b>76,317,309</b>	<b>66,686,048</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM JANUARY 1, 2006 TO JUNE 30, 2007

	Share capital	Treasury shares	Share premiums	Fair value reserves	Other reserves	Currency translation reserves	Retained earnings	Retained earnings for the year	Minority interests	Total
<b>Equity as 1st January 2006</b>	118,332,445	(10,399,412)	3,923,459	58,609	270,288,242	(3,671,963)	(11,044,472)	334,026,873	542,403,235	1,243,897,016
Transfer from foreign subsidiaries' Financial Statements	-	-	-	-	-	(4,315,933)	-	-	(4,826,076)	(9,142,009)
Application of net profit for 2005:										
- Transfer to reserves	-	-	-	-	-	-	-	(284,327,246)	-	-
- Dividends paid	-	-	-	-	280,117,676	-	4,209,570	(49,699,627)	-	(49,699,627)
Change in consolidation perimeter	-	-	-	-	-	-	-	-	(399,919)	(399,919)
Dividends paid by subsidiaries to minority interests	-	-	-	-	-	-	-	-	(23,728,927)	(23,728,927)
Changes in actuarial assumptions*	-	-	-	-	-	-	-	-	(1,572,704)	(366,547)
Fair value of financial instruments*	-	-	-	3,225,354	-	-	1,206,157	-	66,395	3,291,690
Fair value of available-for-sale financial assets*	-	-	-	5,188,500	-	-	-	-	2,544,440	7,732,940
Dividends distributed to subsidiary Seminiv, SGPS, SA	-	-	-	-	-	-	1,145,750	-	-	1,145,750
Other movements	-	-	-	-	-	-	123,212	-	(16,212)	107,000
Net profit for the year	-	-	-	-	-	-	33,196,411	33,196,411	31,333,191	64,529,602
<b>Equity as 30th June 2006</b>	118,332,445	(10,399,412)	3,923,459	8,472,463	550,385,918	(7,987,896)	(4,359,783)	33,196,411	545,803,364	1,237,366,969
Transfer from foreign subsidiaries' Financial Statements	-	-	-	-	-	(1,371,419)	-	-	(1,559,805)	(2,931,224)
Change in consolidation perimeter	-	-	-	-	-	-	-	-	(51,921,889)	(51,921,889)
Dividends paid by subsidiaries to minority interests	-	-	-	-	-	-	-	-	(7,749,758)	(7,749,758)
Changes in actuarial assumptions*	-	-	-	-	-	-	-	-	-	-
Fair value of financial instruments*	-	-	-	14,391,331	-	-	1,070,618	-	246,836	1,317,454
Fair value of available-for-sale financial assets*	-	-	-	(331,318)	-	-	-	-	(789,881)	(13,601,450)
Goodwill	-	-	-	-	-	-	-	-	(408,659)	(739,977)
Other movements	-	-	-	-	-	-	(26,525,335)	-	-	(26,525,335)
Net profit for the year	-	-	-	-	-	-	1,990	58,202,860	80,415	82,405
<b>Equity as 31st December 2006</b>	118,332,445	(10,399,412)	3,923,459	22,532,476	550,385,918	(9,359,315)	(29,812,510)	91,399,271	41,574,464	99,777,324
Transfer from foreign subsidiaries' Financial Statements	-	-	-	-	-	(2,456,159)	-	-	525,275,087	1,262,277,419
Application of net profit for 2006:										
- Transfer to reserves	-	-	-	-	-	-	-	(64,182,809)	-	-
- Dividends paid	-	-	-	-	64,182,809	-	-	(27,216,462)	-	(27,216,462)
Change in consolidation perimeter	-	-	-	-	-	-	-	-	20,863,330	20,863,330
Change in consolidation method	-	-	-	-	-	-	-	-	(211,507,450)	(211,507,450)
Dividends paid by subsidiaries to minority interests	-	-	-	-	-	-	-	-	(17,387,180)	(17,387,180)
Changes in actuarial assumptions*	-	-	-	-	-	-	(663,009)	-	2,807,144	2,144,135
Fair value of financial instruments*	-	-	-	(17,541,060)	-	-	(17,541,060)	-	-	(17,541,060)
Fair value of available-for-sale financial assets*	-	-	-	2,184,915	-	-	2,184,915	-	858,151	3,043,066
Revaluation reserve from take-over*	-	-	-	(859,620)	-	-	-	-	-	(859,620)
Goodwill	-	-	-	-	-	-	(1,520,712)	-	-	(1,520,712)
Dividends distributed to subsidiary Seminiv, SGPS, SA	-	-	-	-	-	-	627,434	-	-	627,434
Other movements	-	-	-	-	-	-	242,237	-	21,986	264,223
Net profit for the year	-	-	-	-	-	-	-	71,548,603	20,492,988	92,041,591
<b>Equity as 30th June 2007</b>	118,332,445	(10,399,412)	3,923,459	6,316,711	614,568,727	(11,815,474)	(31,126,560)	71,548,603	340,509,796	1,101,858,295

\* Net of deferred taxes



# CONSOLIDATED CASH FLOW STATEMENT

## AS OF JUNE 30, 2007

		June 30, 2007			
Amounts in Euros	Notes	Cement	Paper	Holding	Total
<b>OPERATING ACTIVITIES</b>					
Received from customers		154,173,586	565,535,082	-	719,708,668
Payments to suppliers		(97,204,595)	(365,546,132)	(1,213,749)	(463,964,476)
Payments to employees		(11,659,563)	(54,931,405)	(4,608,646)	(71,199,614)
Cash flow generated from operations		45,309,428	145,057,545	(5,822,395)	184,544,578
(Payments)/receipts from income tax		(224,712)	(4,265,602)	(280,236)	(4,770,550)
Other (payments)/receipts from operating activities		(15,611,728)	7,910,170	(2,140,000)	(9,841,558)
Cash flows from operating activities (1)		29,472,988	148,702,113	(8,242,631)	169,932,470
<b>INVESTMENT ACTIVITIES</b>					
Receipts relating to:					
Financial investments		5,943,253	-	81,537,991	87,481,244
Property, plant and equipment		192,569	120,516	-	313,085
Intangible assets		-	2,777,731	-	2,777,731
Subsidies to investment		243,301	-	-	243,301
Interest and similar income		110,248	11,810,043	127,296	12,047,587
Dividends		435,094	-	128,276	563,370
		6,924,465	14,708,290	81,793,563	103,426,318
Payments relating to:					
Financial investments		(21,715,304)	(183,935)	(47,537,673)	(69,436,912)
Cash and Cash equivalents by change in perimeter		5,214,110	-	-	5,214,110
Property, plant and equipment		(10,013,239)	(10,990,638)	(78,735)	(21,082,612)
Intangible assets		-	-	(805)	(805)
		(26,514,433)	(11,174,573)	(47,617,213)	(85,306,219)
Cash flows from investment activities (2)		(19,589,968)	3,533,717	34,176,350	18,120,099
<b>FINANCING ACTIVITIES</b>					
Receipts relating to:					
Borrowings		206,053,284	-	344,257,500	550,310,784
		206,053,284	-	344,257,500	550,310,784
Payments relative to:					
Borrowings		(198,514,944)	(29,375,175)	(393,385,977)	(621,276,096)
Lease contracts		(113,292)	(286,116)	-	(399,408)
Interest and similar expense		(2,885,613)	(25,020,292)	(10,193,562)	(38,099,467)
Dividends		(262,195)	(17,784,707)	(26,589,028)	(44,635,930)
		(201,776,044)	(72,466,290)	(430,168,567)	(704,410,901)
Cash flows from financing activities (3)		4,277,240	(72,466,290)	(85,911,067)	(154,100,117)
CHANGES IN CASH AND CASH EQUIVALENTS (1) + (2) + (3)		14,160,260	79,769,540	(59,977,348)	33,952,452
EFFECT OF DIFFERENCES IN EXCHANGE RATES		(544,222)	-	-	(544,222)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		37,802,191	268,898,911	(570,890)	306,130,212
CHANGE IN CONSOLIDATION METHOD		(18,523,073)	-	-	(18,523,073)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	31	32,895,156	348,668,451	(60,548,238)	321,015,369

# CONSOLIDATED CASH FLOW STATEMENT

AS OF JUNE 30, 2006 *(Pro-forma with subsidiary Secil consolidated by the proportional method)*

Amounts in Euros	Notes	June 30, 2006			
		Cement	Paper	Holding	Total
OPERATING ACTIVITIES					
Received from customers		136,051,287	522,410,408	-	658,461,695
Payments to suppliers		(83,368,522)	(337,041,952)	(1,385,319)	(421,795,793)
Payments to employees		(11,580,508)	(57,145,842)	(4,542,776)	(73,269,126)
Cash flow generated from operations		41,102,257	128,222,614	(5,928,095)	163,396,776
(Payments)/receipts from income tax		(180,303)	4,555,607	(1,743,585)	2,631,719
Other (payments)/receipts from operating activities		(13,140,625)	25,240,178	(4,605,200)	7,494,353
Cash flows from operating activities (1)		27,781,329	158,018,399	(12,276,880)	173,522,848
INVESTMENT ACTIVITIES					
Receipts relating to:					
Financial investments		10,922,041	-	-	10,922,041
Property, plant and equipment		1,296,663	2,089,854	-	3,386,517
Subsidies to investment		-	-	-	-
Interest and similar income		368,496	5,779,311	864,186	7,011,993
Dividends		1,060,574	-	689,148	1,749,722
		13,647,774	7,869,165	1,553,334	23,070,273
Payments relating to:					
Financial investments		(2,085,117)	-	(57,615,335)	(59,700,452)
Property, plant and equipment		(7,736,979)	(32,545,845)	(97,922)	(40,380,746)
		(9,822,096)	(32,545,845)	(57,713,257)	(100,081,198)
Cash flows from investment activities (2)		3,825,678	(24,676,680)	(56,159,923)	(77,010,925)
FINANCING ACTIVITIES					
Receipts relating to:					
Borrowings		110,447,578	-	352,587,005	463,034,583
Capital increases and supplementary capital contributions		110,201	-	-	110,201
		110,557,779	-	352,587,005	463,144,784
Payments relative to:					
Borrowings		(133,009,541)	(77,582,187)	(352,114,284)	(562,706,012)
Lease contracts		(125,726)	(241,530)	-	(367,256)
Interest and similar expense		(5,526,784)	(18,979,223)	(9,135,811)	(33,641,818)
Dividends		236,591	(13,255,046)	(48,553,877)	(61,572,332)
		(138,425,460)	(110,057,986)	(409,803,972)	(658,287,418)
Cash flows from financing activities (3)		(27,867,681)	(110,057,986)	(57,216,967)	(195,142,634)
CHANGES IN CASH AND CASH EQUIVALENTS (1) + (2) +(3)					
		3,739,326	23,283,733	(125,653,770)	(98,630,711)
EFFECT OF DIFFERENCES IN EXCHANGE RATES					
		(381,159)	-	-	(381,159)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD					
		42,523,563	89,521,262	81,306,866	213,351,691
CHANGES IN CONSOLIDATION METHOD					
		(20,836,545)	-	-	(20,836,545)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD					
	31	25,045,185	112,804,995	(44,346,904)	93,503,276



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# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

OF THE SIX MONTH PERIOD ENDED JUNE 30,  
2007

(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:** Euros 118.332.445  
**Registration No.:** 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.

In accordance with Decree-Law 143/2006, published on July 28, the Portuguese Government defined the third phase model of Portucel's privatization, which engaged the disposal of 25.72% Portucel's share capital, through a public offer for sale on November 14, 2006, after which the company was fully privatized.

The consolidated financial statements have been approved by the Board of Directors on September 27, 2007.

## 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 for the periods ended June 30, 2007 and December 31, 2006 have been prepared in accordance with the IAS 34 – Interim Financial Reporting as well as 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 attached consolidated financial statements were equally prepared on the assumption of continuity of operations, from the accounting books and records of the companies included in the consolidation (Note 46), and based on historic cost, except for biological assets, CO2 emission rights, held-for-sale assets and financial instruments 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 consolidation methods and comparability

Since January 1, 2007 the maintenance of the Chief Executive Officer and the Chief Financial Officer named by Semapa ceased to be imposed by the agreements concluded with CRH – Secil's minority shareholder. Thus, from this date forward the investment of 51% in Secil is consolidated by the proportional method, although the agreement provides the maintenance of Semapa's right to appoint the majority of Board and Executive Commission members, as well as the Chairman.

The change in the consolidation method does not impact Semapa's consolidated net profit or net equity, excluding minority interests, neither the ability to distribute dividends.

The comparatives presented in these notes didn't suffer any change when compared to the ones disclosed in 2006, which means that they include the subsidiary consolidated by the integral method, fact that affects its comparability.

### 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.

On the consolidated balance sheet, 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 46.



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, irrespective 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.

In the acquisition of additional share capital of controlled entities, the excess between the proportion of acquired net assets and respective acquisition cost is directly recognized in Equity under the caption retained earnings (Note 27).

Whenever a reinforcement in the share capital of an associated company results in control acquisition, and the company starts to integrate consolidated financial statements by full consolidation method, the share in fair values attributable to assets and liabilities, corresponding to the percentages previously held, is recorded in equity, under the caption "Fair value reserves" (Note 27).

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 47.

The 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 – recognised as goodwill and registered as an investments in associates. If negative, goodwill is recorded as income for the period 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 recognised 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 these companies, the Group does not recognise further losses, unless it has incurred obligations or made payments on their behalf.

Unrealized gains in transactions with associates are eliminated to the extent of Group's interest in these 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 and derivatives.

### *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, Germany, Spain, France, Italy, United Kingdom, Netherlands, Austria and United States, 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, France, Lebanon and Cape Verde with cement production, taking place at the Maceira, Pataias, Gabés (Tunisia), Lobito (Angola) and Beirut (Lebanon) plants and the production and sale of premixed concrete and clay and the operations of quarries facilities via its subsidiaries, which fall under the sub-holding Secil Betões e Inerentes, SGPS S.A..

Geographical segment is an individualized area committed to supplying products and services in a particular economical environment which is subject to different risks and benefits from those of segments that operate in other economical environment. The Geographical segment is defined considering the destination country of goods and services sold by the Group.

Segment reporting accounting policies are the same of those used consistently in the Group. All the intra-segments sales and services rendered are performed at market prices and eliminated by consolidation process.

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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement for the period.

#### **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 financial statements;

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

- (ii) Income and expenses for each income statement are translated at the average exchange rate for the reporting period, 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.

### **1.6 Intangible assets**

With the exception of CO2 emission rights, 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.

#### **1.6.1 CO2 emission rights**

CO2 emission licenses assigned to the Group within the framework of the National Plan for the Assignment of CO2 Emission Licenses on a gratuitous basis, are recorded under the intangible assets heading at market value as of date of assignment, by offset to a liability, under the caption "Deferred income – subsidies", in the same amount.

For the Group's CO2 emissions, an operating cost is posted as an offset to a liability and an item of operating income arising from recognition of that position of the respective subsidy.

Sales of emission rights rise to a profit or loss, representing the difference between the value on realization and the respective purchase price, less the respective State subsidy, which is recorded as Other operating income or Other operating costs, respectively.

#### **1.6.2 Brands**

When brands are identified in a concentration of business activities, the Group accords them separate recognition in the consolidated statement as an asset valued at cost, which represents their value on date of acquisition.

On subsequent valuation, brands are shown in the Group's consolidated statements at cost less accumulated amortization and impairment losses.

### **1.7 Goodwill**

Goodwill represents the excess of cost of an acquisition over fair value of subsidiaries net identifiable assets and liabilities at acquisition date.

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 (revalued) 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 Gabès (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 asset's carrying amount or recognised as a separate asset, as appropriate, only when future economic benefits are probable and the respective cost can be reliably measured. All other repair and maintenance costs are recognised in the income statement in the year 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

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 recognised 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 recognised in prior years 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 recognised (net of amortization or depreciation) if impairment had not been recognised in prior years.

### 1.11 Biological assets

Biological assets are measured at fair value, less estimated costs of sale at time of harvesting. The Group's Biological assets comprise the forests held for the production of timber, capable of incorporating the pulp production process.

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, and which took into account assumptions about the nature of the assets being valued, namely, the expected yield of the forests, the timber selling price deducted by costs relating to felling and transportation, and also considering plantation costs, maintenance costs and a discount rate.

The discount rate corresponds to a market rate, determined on the basis of Group's expected rate of return on its forests.

Fair value adjustments resulting in changes in estimates of growth, logging period, price, cost and other assumptions are recognised as fair value changes of biological assets.



At the time of logging, wood is recognised 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

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 efficient 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, and 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 recognized in the income statement at the time they occur.

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 recognised 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, fair value of derivatives is estimated through the discounted cash-flow method and option valuation models, in accordance with prevailing market assumptions. Fair value of derivatives financial instruments is included essentially in the captions 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 caption.

#### 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.

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 initially recognised 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 recognised 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 recognised 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, being part of asset's cost.

Capitalization of these charges begins once preparation of asset's construction or development starts 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.

In case the quarries 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, recognising provisions for this purpose (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.

Thus, Group's 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 recognised when incurred, directly in equity (Note 27).



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*

The subsidiaries Secil – Companhia Geral de Cal e Cimento, S.A. and CMP – Cimentos Maceira e Pataias, S.A. assumed with their workers the commitment to pay bonuses: (i) at Secil to those attaining 25, 35 and 40 years of seniority; (ii) at CMP, to those attaining 20 and 35 years of seniority, calculated according to their monthly basic remuneration, up to 3 salaries.

##### *Healthcare benefits*

Secil – Companhia Geral de Cal e Cimento, S.A. and CMP – Cimentos Maceira e Pataias, S.A., provide to their employees a healthcare benefit plan that is over and above Health and Social Security systems, 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.

#### **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.

In accordance with the Management performance system, workers are entitled to a compensation benefit defined in the annual objectives, 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 caption "Payables and other current liabilities".

### **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 received to compensate the Group for capital expenditures are shown under the caption "Payables and other current liabilities" and are recognised in the income statement under the caption "Other operating income" 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.

#### **Leases included in contracts according to IFRIC 4**

The Group recognises an operating or financial lease whenever entering an arrangement, comprising a transaction or a series of related transactions, which may not assume the legal form of a lease, that transmits the right to use the asset in return for a payment or series of payments.

### **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 recognised 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.

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 captions "Receivables and other current assets" and "Payables and other current liabilities" (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 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.

### 1.30 New standards, changes and interpretations of existing standards

The European Commission regulations no. 108/2006, no. 708/2006 and no. 1329/2006, of January 11, May 8 and September 8, respectively, adopted the following standards:

#### New standards in force from the first semester of 2007:

New Standards into force	Effective date*
IFRS 7 - Financial Instruments: Disclosures	1 de Janeiro de 2007
IFRIC 7 - Applying the Restatement Approach under IAS 29	1 de Março de 2006
IFRIC 8 - Scope of IFRS 2	1 de Maio de 2006
IFRIC 9 - Reassessment of Embedded Derivatives	1 de Junho de 2006
IFRIC 10 - Interim Financial Reporting and Impairment	1 de Novembro de 2006

\* Periods beginning on or after

The adoption of these new standards didn't have significant impacts on the consolidated financial statements.

#### New standards of non-mandatory application as of June 30, 2007:

New Standards for future application	Effective date
IFRIC 11 - Group and Treasury Share Transactions *	1 de Março de 2007
IFRS 8 - Operating segments **	1 de Janeiro de 2009
IFRIC 12 - Service Concession Arrangements **	1 de Janeiro de 2008
IFRIC 13 - Customer Loyalty Programmes **	1 de Julho de 2008
IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction **	1 de Janeiro de 2008
Amendments to IAS 23 - Borrowing Costs **	1 de Janeiro de 2008

\* Periods beginning on or after

\*\* Standards not yet approved by the European Commission

The Group didn't conclude yet about all the impacts of the application of the above mentioned standards, deciding not to adopt them in advance. However, no material impacts in the present financial statements are expected.

## 2. Risk management

### 2.1 Financial risk factors

Semapa, as a holding company, does not have any direct operational activities. Therefore the fulfilment of the assumed obligations depends on the cash flow generated by its subsidiaries.

The main asset of Semapa as a holding company is the shares representative of the share capital of subsidiaries companies.

Thus, the company depends on the eventual dividends distribution by participated companies, interests' payment, loans reimbursement and other cash-flows generated by those companies.

The ability of Semapa participated companies to make funds available will depend, partly, of their ability to generate positive cash flows and, on the other hand, of the respective earnings, available reserves and financial structure.



Semapa group has a management risk program focused on finance markets in order to mitigate the potential adverse effects over the Semapa group financial performance.

Risk management is driven by Financial Management of the holding and main subsidiaries, according to the policies approved by the respective Boards.

An Internal Control Commission with specific functions over the operations risk control is established at Semapa level.

### 2.1.1 Foreign exchange risk

Fluctuations in Euro exchange rate against other currencies can affect revenues of Semapa Group in various ways.

Regarding Portucel Group, pulp price in the world market is traditionally fixed in USD, so that the trend of the Euro evolution against the USD can have an impact over the Portucel Group future sales. On the other hand, a significant part of pulp and paper sales is accomplished in different currencies other than Euro, essentially in USD.

Secil Group's foreign exchange risk results mainly from petcoke purchases paid in USD. Secil Group accomplished the optimization of intra-group flows in foreign currencies in order to improve the "natural hedging".

On what concerns the non-naturally compensated flows, the risk has been analyzed and covered by exchange options structures, which establish the maximum value payable and allow to partial benefiting of favourable evolutions in the exchange rate.

Secil Group holds assets located in Tunisia, Angola and Lebanon, therefore currencies fluctuation in the countries mentioned above may impact Semapa's Balance Sheet.

### 2.1.2 Interest rate risk

Part of Portucel Group medium term loans have its interest rate fixed through interest rate swap contracts.

At the end of 2005 Secil Group has decided to contract a partial interest risk coverages through a structure of derivatives that establish the maximum value for the financial expenses related to long term debt with scheduled reimbursement. The remaining debt stills in a variable interest rate regime.

### 2.1.3 Credit risk

The global economic conditions aggravation or issues affecting local economies may originate customers' incapacity to pay off their current liabilities resulting from products sales. The credit insurance has been one of the instruments used by Semapa Group to reduce the negative impact of this risk.

### 2.1.4 Liquidity risk

The Group manages liquidity risk in two ways: 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 and obtaining from financial institutions credit facilities that are available at all times.

## 2.2 Operational risk factors

### 2.2.1 Portucel subsidiary supply of raw material

The provisioning of wood, namely eucalyptus, is subject to price fluctuations and eventual supply difficulties which could have a significant impact in production costs of companies producing BEKP (Bleached Eucalyptus Kraft Pulp).

Eucalyptus wood is the main raw material used by Portucel in pulp production, representing almost half of its total production and distribution costs.

The wood used by Portucel comes from its own land, from the acquisition to national producers and import.

Although Portucel favours the use of its own wood and the establishment of cut contracts with producers, allowing the anticipation of future needs of woody raw materials, there are no guaranties of a sustained provisioning in the future.

The plantation of new eucalyptus stands is subject to authorization of the competent entities, so that increases in planted areas or the replacement of some of the present areas do not dependent on cellulose producers.

In case of insufficient national production, Portucel will have to increase imported quantities, what may lead to an increase on this raw material average cost.

Portucel Group's activity is also exposed to forest fire risk, namely: (i) the present and future wood stocks destruction; (ii) the additional costs of forest exploration done in order to prepare its land and to plant new species in the future; (iii) the smaller return of burned wood and the necessary costs to its preparation before an eventual utilization in the production process.

### 2.2.2 Paper and pulp market price

Paper and pulp market price influence in a significant way Portucel's revenue and its profitability.

Pulp price fluctuations arise mainly from changes in the production capacity installed worldwide creating disequilibrium between supply and demand in the market. The prices of writing and printing paper have, historically, been in accordance to pulp prices fluctuations although with less volatility and a temporal gap of a few months.

Papéis Inapa and Soporcel recent acquisitions allowed Portucel not to sell exclusively pulp, but to present a sales mix comprising 2/3 of paper and 1/3 of pulp. The increased importance of paper in the general Portucel



sales has contributed to a reduction in the volatility of income and cash flows and, consequently a reduction in explorations risks.

### **2.2.3 Demand for products - Portucel**

An eventual decrease in the demand for BEKP and printing and uncoated writing paper in the EU markets could have a significant impact on the company's sales.

BEKP, as raw material for the production of printing and writing paper, shows comparative advantages over the other types of pulps, which allow it to be competitive, even with a slightly higher price. This situation may change in the future, namely through the development of other pulps with equal or higher quality than BEKP.

Demand for pulp produced by the Group also depends on the evolution of worldwide production capacity for paper, as paper producers are Portucel's main clients.

Demand for printing and writing paper has been historically related to economical factors and increasing use of copy and impression material. An economic slowdown worldwide may have a negative impact over the demand for printing and writing paper, therefore affecting the company's performance.

Consumers' preferences may impact the global demand of paper or the demand of certain types in particular. Demand for Portucel's currently produced paper may be affected by consumers' behaviour, namely as a result of the use of e-mail and other electronic devices, as well as the eventual preference for recycled products.

### **2.2.4 Construction sector**

Secil business performance depends on the construction sector activity in each one of the geographical markets where operates. The construction sector tends to be cyclical, essentially in stabilized economies, and is influenced by the level of residential and commercial construction, as well as of investments in infrastructures.

The construction sector is sensitive to factors as interest rates and an economical activity slow down may lead to a performance decrease of construction sector.

Although the company considers that its geographical diversification is the best way to stabilize its results, its activity, financial position and operational results may be negatively affected by construction sector slowdown in any significant market where it operates.

### **2.2.5 Demand for products – Secil**

In stabilized economies demand for cement and other materials tend to be quite regular along the year. A demand reduction is just noticed during the month of December. The demand for Secil products is, in general, aligned with this pattern of behaviour.

### **2.2.6 Competition**

A rise in competition in the markets in which operates could have a significant impact on prices and consequently in the Group's profitability.

The competitive environment in the businesses where Semapa Group is involved can be significantly affected by regional factors like the number of competitors, production capacity in each regional market, natural resources proximity to regional market, economical conditions and product's demand in each market.

Additionally, price policy of competitors in regional markets where Semapa Group operates may negatively affect its activity, financial position and operational results.

### **2.2.7 Environmental legislation**

In the last years, national and EU legislation has become more rigorous as regards emissions.

Semapa Group respects 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 competent authorities.

### **2.2.8 Energy costs**

Energy costs have significant weight in most activities of Semapa's subsidiaries.

The company is partly protected against the risk of increase of energy price by the possibility of using alternative fuels in some of their plants as well as long-period energy supply contracts for some of the energy needs.

Despite these actions, significant changes in fuel and electricity costs may negatively affect Semapa's activity, financial position and operational results.

### **2.2.9 Significant investments necessary for future new acquisitions**

Semapa Group considers that may appear growth opportunities either organic or throughout acquisitions.

## **3. Estimates and relevant accounting 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.

Though, actual translation results may differ from estimates.

Estimates and assumptions that present a significant risk of generating a material adjustment in assets and liabilities' book value in the next period are shown below:

### **3.1 Goodwill impairment**

Each year, the Group tests whether there is impairment of goodwill, in accordance with the accounting policy described in Note 1.9. 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 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.

### **3.3 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.

In the first semester of 2007 the Group changed the discount rate used in the calculation of its responsibilities (as referred in Note 29).

### **3.4 Fair value of biological assets**

To determine fair value of biological assets is used the discounted cash flows method, in which are considered assumptions about the nature of the assets being valued (Note 1.11). Changes in these assumptions may entail a valuation/ devaluation of those assets.

As of June 30, 2007 an increase of 0.5% on the used discount rate would lead to a devaluation of this asset amounting Euros 5,057,801.



## 4. Segmental report

Segmental data is shown as they relate to the identified business segments, namely Pulp and Paper, Cement and Derivatives. 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. Financial data by business segment for the period ended on June 30, 2007 is shown as follows:

Amounts in Euros	Pulp and Paper	Cement and Derivatives	Holding	Consolidated
<b>REVENUES</b>				
Revenues	566,365,786	136,347,179	-	702,712,965
Operacional results	111,295,633	24,436,148	19,984,147	155,715,928
Financing results	(13,553,767)	(3,138,719)	(10,735,105)	(27,427,591)
Profit in associated companies	2,872	665,846	-	668,718
Income tax	(28,837,200)	(5,202,655)	(2,875,609)	(36,915,464)
Ordinary activities result	68,907,538	16,760,620	6,373,433	92,041,591
Minority interests	(19,438,879)	(1,054,109)	-	(20,492,988)
<b>Net profit for the year</b>	<b>49,468,659</b>	<b>15,706,511</b>	<b>6,373,433</b>	<b>71,548,603</b>
<b>OTHER INFORMATION</b>				
Segment assets	2,364,944,736	484,975,096	227,474,488	3,077,394,320
Investments in associated Companies	700,241	1,803,240	-	2,503,481
Segment liabilities	1,256,276,584	242,834,835	476,424,606	1,975,536,025
Amortization and impairment losses	54,311,922	10,732,804	62,943	65,107,669
Net Provisions	10,646,891	48,311	49,516	10,744,718

Financial data by business segment, *in pro-forma comparative basis*, for the period ended on June 30, 2006 is shown as follows:

Amounts in Euros	Pulp and Paper	Cement and Derivatives	Holding	Consolidated
<b>REVENUES</b>				
Revenues	529,512,006	121,260,114	-	650,772,120
Operacional results	86,542,833	25,846,918	(8,677,745)	103,712,005
Financing results	(16,001,900)	(952,678)	(6,203,969)	(23,158,547)
Profit in associated companies	-	819,620	-	819,620
Income tax	(25,681,321)	(8,311,805)	430,029	(33,563,097)
Ordinary activities result	44,859,611	17,402,054	(14,451,685)	47,809,980
Minority interests	(14,778,003)	164,433	-	(14,613,570)
<b>Net profit for the year</b>	<b>30,081,608</b>	<b>17,566,487</b>	<b>(14,451,685)</b>	<b>33,196,410</b>
<b>OTHER INFORMATION</b>				
Segment assets	2,300,063,501	467,411,167	286,057,258	3,053,531,926
Investments in associated Companies	504,091	21,393,690	2,451	21,900,232
Segment liabilities	1,279,973,256	257,211,933	480,935,887	2,018,121,076
Amortization and impairment losses	51,214,883	9,037,036	69,644	60,321,563
Net Provisions	11,295,537	1,085,979	-	12,381,516

Financial data by business segment, as reported to the market in the first semester of 2006, is shown as follows:

Amounts in Euros	Pulp and Paper	Cement and Derivatives	Holding	Consolidated
<b>REVENUES</b>				
Revenues	529,512,006	237,764,930	-	767,276,936
Operacional results	86,542,833	50,680,231	(8,677,745)	128,545,319
Financing results	(16,001,900)	(1,867,997)	(6,203,969)	(24,073,866)
Profit in associated companies	-	1,607,098	-	1,607,098
Income tax	(25,681,321)	(16,297,657)	430,029	(41,548,949)
Ordinary activities result	44,859,612	34,121,675	(14,451,685)	64,529,602
Minority interests	(14,778,004)	(16,555,188)	-	(31,333,192)
<b>Net profit for the year</b>	<b>30,081,608</b>	<b>17,566,487</b>	<b>(14,451,685)</b>	<b>33,196,410</b>
<b>OTHER INFORMATION</b>				
Segment assets	2,300,063,501	916,492,485	286,057,258	3,502,613,244
Investments in associated Companies	504,091	41,948,411	2,451	42,454,953
Segment liabilities	1,279,973,256	504,337,133	480,935,887	2,265,246,276
Amortization and impairment losses	51,214,883	17,719,678	69,644	69,004,205
Net Provisions	11,295,537	1,972,053	-	13,267,590

## Geographical segment

	Cement and Derivatives		Pulp and Paper		Total	
	30-06-2007	30-06-2006	30-06-2007	30-06-2006	30-06-2007	30-06-2006
Sales and Services Rendered:						
Portugal	93,312,751	183,982,099	78,336,275	69,923,714	169,649,026	263,905,813
Germany	-	-	85,717,674	75,205,781	85,717,674	75,205,781
Spain	1,277,851	-	69,073,946	68,474,098	70,351,797	68,474,098
France	-	-	65,608,156	63,001,414	65,608,156	63,001,414
Netherlands	-	-	50,610,599	48,710,335	50,610,599	48,710,335
USA	-	-	44,588,285	37,287,647	44,588,285	37,287,647
Italy	-	-	44,031,471	49,211,902	44,031,471	49,211,902
UK	-	-	36,910,133	32,243,110	36,910,133	32,243,110
Belgium	-	-	14,125,929	9,272,527	14,125,929	9,272,527
Tunisia	12,638,041	27,113,787	-	-	12,638,041	27,113,787
Switzerland	-	-	11,314,291	12,843,528	11,314,291	12,843,528
Austria	-	-	10,931,453	7,876,290	10,931,453	7,876,290
Libania	10,162,200	-	-	-	10,162,200	-
Angola	7,155,591	7,654,865	-	-	7,155,591	7,654,865
Poland	-	-	6,480,727	5,369,960	6,480,727	5,369,960
Greece	-	-	6,301,242	-	6,301,242	-
Ireland	-	-	3,811,099	2,791,985	3,811,099	2,791,985
Cape Verde	2,034,388	-	-	-	2,034,388	-
Ireland	1,960,678	-	-	-	1,960,678	-
Others	7,868,679	19,014,179	40,524,504	49,299,705	48,393,183	68,313,884
	136,247,179	237,764,938	564,365,736	529,512,699	702,712,965	767,376,938

The decrease of turnover in Cement and Derivatives segment is due to the application of the proportional method on the sub-group Secil, since January 1, 2007, as referred in Note 1.2.

## 5. Other operating income

As of June 30, 2007 and 2006, the caption "Other operating income" was as follows:

Amounts in Euros	30-06-2007	30-06-2006
Reversion of adjustments (Note 22)	337,541	991,054
Reversion of impairment (Note 16)	1,594,000	-
Present value of nationalization indemnity	-	-
Supplementary income	3,715,156	3,099,821
Gains on inventories	646,512	890,084
Gains on disposal of non-current assets	28,674,631	12,855,294
Gains on disposal of current assets	117,979	-
Negative Goodwill	-	-
Grants - CO2 Emission Licences	562,907	35,460,107
Government grants (Note 32)	636,959	2,851,270
Other operating income	2,577,724	5,974,025
	38,863,409	62,121,645

The caption "Gains on disposal of non-current assets" includes essentially the gain on the disposal of 19,223,117 shares from EDP – Energias de Portugal, amounting Euros 25,647,955, as well as an amount of Euros 2,777,731 related to the sale of CO2 emission rights.

The amount of Euros 12,855,294, registered in this caption as of June 30, 2006 included Euros 5,074,440 related to disposals of tangible fixed assets, with relevance to the disposal of lands and buildings of the subsidiary's Argibetão, S.A. plant in Ovar amounting to Euros 1,789,702.

Supplementary income refers mainly to costs with electricity, water and salvage goods of the subsidiary Portucel, in the amounts of Euros 2,486,241 (2006: Euros 1,985,465), Euros 330,391 (2006: Euros 432,638) and Euros 578,823 (2006: Euros 436,363), respectively.

## 6. Costs

As of June 30, 2007 and 2006 costs were made up as follows:

Amounts in Euros	30-06-2007	30-06-2006
Cost of sales and services rendered		
Cost of inventories sold and consumed	(234,027,448)	(241,402,271)
Costs of materials and services	(180,856,311)	(221,458,926)
Variation in production	(2,962,729)	(5,059,805)
Payroll costs		
Board of Directors	(8,152,232)	(11,503,585)
Other remunerations	(49,133,327)	(57,505,457)
Pension costs	(5,741,123)	(6,074,776)
Other payroll costs	(16,405,276)	(25,881,439)
	(79,431,958)	(100,965,257)
Other operating costs		
Own cost capitalization	193,640	322,281
Quotations	(595,149)	(621,452)
Donations	(152,446)	(146,082)
Development and research	-	(1,990,085)
CO2 emission costs	(562,907)	(35,460,104)
Inventories and other receivables impairment	(323,707)	(1,458,610)
Losses on inventories	(358,956)	(330,759)
Indirect taxes	(2,066,744)	(1,890,564)
Losses on disposal of non-current assets	(83,328)	(259,687)
Others	(2,216,999)	(6,987,942)
	(6,164,596)	(48,823,004)
Net provisions (Note 30)	(10,744,718)	(13,631,232)
Total costs	(514,187,758)	(631,338,495)

The caption "Other payroll costs" includes an amount of Euros 137,028 relating to compensation payments from contractual obligations of the subsidiary Portucel, occurred during the first semester of 2007 (2006: Euros 2,389,684).

## 7. Remuneration of members of the corporate bodies

As of June 30, 2007 and 2006 the remunerations to the members of the corporate bodies, including performance bonuses, were made up as follows:

Amounts in Euros	30-06-2007	30-06-2006
Board of Directors		
Semapa SGPS, S.A.	2,276,025	5,524,023
Members of Semapa board in other companies	1,543,405	3,241,824
Corporate Bodies from other group companies	4,332,802	2,737,738
	8,152,232	11,503,585

Additionally, Semapa's Board of Directors benefits from a pension plan as described in Note 29.

## 8. Depreciation, amortization and impairment losses

As of June 30, 2007 and 2006 depreciation, amortization and impairment losses were as following:

Amounts in Euros	30-06-2007	30-06-2006
Property, plant and equipment depreciation		
Land	(662,750)	(1,138,249)
Buildings and other constructions	(11,567,000)	(13,519,579)
Machinery and equipment	(48,249,703)	(48,885,253)
Other tangible assets	(4,348,720)	(3,408,678)
	(64,828,173)	(66,951,759)
Intangible assets amortizations		
Industrial property and other rights	(3,005)	(53,663)
	(3,005)	(53,663)
Impairment losses in intangible assets		
Goodwill (Note 15, 20 and 22)	(276,491)	(404,783)
Other intangible assets (Note 16)	-	(1,594,000)
	(276,491)	(1,998,783)
	(65,107,669)	(69,004,205)

## 9. Profit in Associated Companies

During the periods ended on June 30, 2007 and 2006 the Group presented the following results of associates:



Amounts in Euros	30-06-2007	30-06-2006
<b>Sub-Group Portucel</b>		
Portucel International Trading, SA	2,872	-
<b>Sub-Group Secil</b>		
Carcubos - Calcários, Lda.	-	(20,045)
Ciment de Sibline S.A.L.	76,881	654,483
Chryso - Aditivos de Portugal, S.A.	(4,843)	28,922
Setefrete, SGPS, S.A.	435,000	142,494
Betão Liz, S.A.	125,372	824,067
Cimentação - Cimentos dos Açores, Lda.	35,466	263,854
Ecoresíduos, Lda.	-	(62,232)
Viroc Portugal - Ind. Madeiras e Cimento, S.A.	-	(185,653)
Cimentos Madeira, Lda.	(2,015)	(38,792)
Be-Power, Serviços e Equipamentos, Lda	5,448	-
J.M. Henriques, Lda.	(5,463)	-
	<b>668,718</b>	<b>1,607,098</b>

The presented amounts related to the companies Ciment de Sibline and Cimentos Madeira correspond to the appropriation of Group's share in net profit of the two companies until the date of acquiring control (Note 35).

Portucel International Trading, S.A. is recorded under the caption "Investments in associated companies" by the equity method. The option for this accounting method results from the fact that the company is in process of liquidation.

The company doesn't recognise deferred taxes under these amounts since it considers not to be applicable the article 46º of the Portuguese Corporate Tax Code (Código do Imposto sobre o Rendimento das Pessoas Colectivas).

## 10. Net financial costs

On June 30, 2007 and 2006 net financial costs were made up as follows:

Amounts in Euros	30-06-2007	30-06-2006
Interest paid on loans from shareholders	(213,329)	(175,038)
Interest paid on other loans	(30,562,903)	(25,530,427)
Interest earned on loans to associated companies	27,930	110,448
Other interest earned	6,406,658	2,400,373
Gains on investments in other companies	15,298	1,689,033
Gains of financial instruments	4,127,825	3,634,011
Losses of financial instruments	(830,291)	-
Accrued Premium for Stock Options	(3,346,167)	(3,248,557)
Exchange differences	(874,062)	(2,500,602)
Other financial expenses	(2,431,315)	(452,055)
Other financial income	52,765	4,948
	<b>(27,427,591)</b>	<b>(24,073,866)</b>

Gains of financial instruments include, essentially, gains in interest rate SWAPS amounting Euros 967,564, losses in pulp price hedgings amounting Euros 1,061,336 and gains in foreign exchange options amounting Euros 4,040,701, related to the subsidiary Portucel.

Losses of financial instruments amounting Euros 630,291 relate to forward foreign exchange contracts, being included in the caption "Exchange differences" the exchange variations of clients balances in foreign currency.

## 11. Income tax

The groups Semapa, 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 the assets are held less than one year, unless the acquisition costs exceeds Euros 20,000,000.

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.

In other countries where the Group develops its activity, the stated periods are different, generally greater.

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 June 30, 2007.

As of June 30, 2007 and 2006 the caption "Income tax" showed the following breakdown:

Amounts in Euros	30-06-2007	30-06-2006
Current tax	33,537,956	25,052,307
Provision for current tax (Note 25)	(8,624,153)	10,139,578
Deferred tax	12,001,661	6,357,064
	<b>36,915,464</b>	<b>41,548,949</b>

The reconciliation of the effective income tax rate for the periods ended June 30, 2007 and 2006 was as follows:

Amounts in Euros	30-06-2007	30-06-2006
Profit before tax	128,957,055	108,078,551
Expected income tax	34,173,620	29,171,602
Differences (a)	2,708,434	(321,788)
Underestimated income tax	3,594,586	-
Recoverable tax losses carried forward	(5,206,095)	-
Tax losses carried forward not recoverable	420,819	5,676,712
Impairment and Provision Reversal	(1,083,720)	-
Changes in tax rate	(164,383)	(585,010)
Provisions for current tax	2,912,464	10,139,578
Adjustments to tax collection	(440,261)	(2,532,145)
	<b>36,915,464</b>	<b>41,548,949</b>
Effective tax rate	28.63%	39.17%



(a) This amount is made up essentially of:

Effects arising from the application of the equity method	(568,580)	(1,202,314)
Capital gains / (losses) for tax purposes	(898,864)	1,722,897
Capital (gains) / losses for accounting purposes	(3,056,082)	(2,482,289)
Taxable adjustments and provisions	20,078,051	13,894,662
Fiscal benefits	(279,998)	(300,000)
Dividends received from non EU companies	165,170	7,823,051
Decrease of taxed provisions	(216,444)	(7,780,854)
Intra-group earnings subject to taxation	-	(5,867,233)
Others	(5,002,749)	(6,978,057)
	10,220,504	(1,170,137)
Tax Effect (26.50%)	2,708,434	(321,788)

The provision for current tax relates, essentially, to the amount of tax contingencies detected by the tax inspection to the years 2004 and 2005 in Soporcel, amounting Euros 4,700,021, and to the non-occurrence of estimated contingencies related to the second paper machine's tax benefit in the years 2003 to 2005, amounting Euros 5,783,741, as well as the decrease of prior years' excess provision amounting Euros 10,452,897. This caption was equally increased in the amount of Euros 2,912,464 to face contingencies related to withholding tax.

## 12. Earnings per share

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

Amounts in Euros	30-06-2007	30-06-2006
Profit attributable to shareholders	71,548,603	33,196,410
Weighted average number of ordinary shares in issue	115,604,470	115,604,470
Basic earnings per share	0.619	0.287
Diluted earnings per share	0.619	0.287

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..

## 13. Minority interests

As of June 30, 2007 and 2006 minority interests disclosed in the income statement were as follows:

	Result	
Amounts in Euros	30-06-2007	30-06-2006
Portucel - Empresa de Pasta e Papel, SA	19,429,384	14,752,021
Secil - Companhia Geral de Cal e Cimento, SA	-	16,877,604
Portucel Internacional Trading	-	25,983
Grupo Secil Betões e Inertes	8,386	150,099
Société des Ciments de Gabès	21,502	14,893
Secil Martingança	11,220	(83,658)
Secil - Companhia de Cimento do Lobito, S.A.	(41,800)	(913,067)
Cimentos de Sibline, S.A.L.	832,788	-
Grupo Cimentos Madeira	192,654	-
Others	38,854	509,317
	20,492,988	31,333,192

As already referred, the subsidiary Secil - Companhia Geral de Cal e Cimento, SA, in which the Group has a stake of 51%, started to consolidate by the proportional method. For this reason, since January 1, 2007 the Group doesn't recognize any profits affected to minority interests.

As of June 30, 2007 and December 31, 2006 minority interests disclosed in the balance sheet were as follows:

	Equity	
Amounts in Euros	30-06-2007	31-12-2006
Portucel - Empresa de Pasta e Papel, SA	312,583,454	306,589,000
Secil - Companhia Geral de Cal e Cimento, SA	-	204,784,986
Portucel Internacional Trading	215,268	181,774
Grupo Secil Betões e Inertes	124,643	224,514
Société des Ciments de Gabès	684,957	1,345,348
Secil Martingança	120,548	3,632,671
Secil - Companhia de Cimento do Lobito, S.A.	3,097,805	6,515,933
Cimentos de Sibline, S.A.L.	20,174,965	-
Grupo Cimentos Madeira	2,754,739	-
Others	753,417	2,000,883
	340,609,796	525,275,087

During the six month period ended on June 30, 2006 and the year 2006, the following movements in minority interests have occurred:

Amounts in Euros	Pulp and Paper	Cement and Derivatives	Total Restated
Balance as of January 1, 2006	332,375,599	210,027,636	542,403,235
Changes in consolidation perimeter	(49,876,101)	(2,445,707)	(52,321,808)
Dividends	(13,257,177)	(18,221,508)	(31,478,685)
Currency translation reserve	38,913	(6,424,794)	(6,385,881)
Financial instruments	2,135,781	-	2,135,781
Actuarial gains and losses	(66,369)	(1,259,499)	(1,325,868)
Fair value of available for sale financial assets	-	(723,545)	(723,545)
Outros movimentos nos CPs	64,201	-	64,201
Profit for the year	35,355,932	37,551,725	72,907,657
Balance as of December 31, 2006	306,778,779	218,504,308	525,275,087
Changes in consolidation perimeter	-	20,863,330	20,863,330
Changes in consolidation method	-	(211,507,450)	(211,507,450)
Dividends	(17,097,137)	(290,043)	(17,387,180)
Currency translation reserve	16,938	(931,198)	(914,260)
Financial instruments	858,151	-	858,151
Actuarial gains and losses	2,789,130	18,014	2,807,144
Fair value of available for sale financial assets	-	-	-
Other movements in Equity	21,886	-	21,886
Profit for the year	19,438,875	1,054,113	20,492,988
Balance as of June 30, 2007	312,798,722	27,711,674	340,609,796

## 14. Application of preceding year's net profit

	Application of year's net profit:	
Amounts in Euros	2006	2005
Dividends distribution	27,216,463	49,699,627
Legal reserves	-	1,445,412
Other reserves	-	278,672,264
Retained earnings	64,182,808	4,209,570
IFRS net profit for the year	91,399,271	334,026,873
Dividends per share	0.23	0.42

As of June 30, 2007 legal reserves are recorded at maximum amount, to which is added the share premiums reserve.

## 15. Goodwill

During the periods ended June 30, 2007 and December 31, 2006 changes under the caption "Goodwill" were as follows:

Amounts in Euros	30-06-2007	31-12-2006
Net amount at the beginning of the year	334,524,956	331,502,916
Changes of perimeter	(649,212)	139,445
Changes in Consolidation Method	(54,339,254)	-
Impairment losses	-	(89,353)
Acquisitions	7,154,294	5,946,429
Exchange differences	(718,981)	(2,974,481)
Closing Balance	285,971,803	334,524,956

Note: Values are presented net of impairment losses (Note 22)

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



the amortization was replaced by impairment tests done on an annual basis.

As of June 30, 2007 and December 31, 2006 Goodwill was made up as follows:

Entity	Year of Acquisition	30-06-2007	31-12-2006
<b>Acquisitions made by sub-group Semapa</b>			
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, Lda	2004	135,565,059	135,565,059
		<b>223,628,520</b>	<b>223,628,520</b>
<b>Acquisitions made by sub-group Secil</b>			
CMP - Cimentos Maceira e Pataias, S.A.	1994	24,906,985	48,835,643
Société des Ciments de Gabès	2000	17,761,998	35,667,739
Grupo Secil Betões e Inertes	2000	6,796,620	13,326,706
Sud-Béton-Société de Fabrication de Béton du St. Technocil, S.A.R.L.	2001	1,055,826	2,120,198
IRP - Indústria de Reboco de Portugal, S.A.	2005	898,006	1,805,585
Sicobetão - Fabricação de Betão, S.A.	2005	1,557,891	3,054,688
Secil Cabo Verde Comércio e Serviços, S.A.	2006	421,747	826,955
Secil Betões e Inertes, SGPS, S.A.	2006	71,117	139,445
Cimentos Costa Verde - Comércio de Cimentos, Lda	2005	311,197	610,192
Ecoresíduos - Centro de Tratamento e Valorização	2006	-	1,430,406
Cimentos de Sibline, S.A.L.	2006	1,570,227	3,078,879
Cimentos Madeira, S.A.	2007	5,760,959	-
Minerbetão, S.A.	2007	754,203	-
		<b>476,507</b>	<b>-</b>
		<b>62,343,283</b>	<b>110,896,436</b>
		<b>285,971,803</b>	<b>334,524,956</b>

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 Euros	June 30, 2007		
	Cement and derivatives	Pulp and Paper	Total
Portugal	124,858,838	135,565,059	260,423,897
Tunisia	18,817,824	-	18,817,824
Libano	5,760,959	-	5,760,959
Angola	898,006	-	898,006
Cape Verde	71,117	-	71,117
	<b>150,406,744</b>	<b>135,565,059</b>	<b>285,971,803</b>

Amounts in Euros	31 de Dezembro de 2006		
	Cement and derivatives	Pulp and Paper	Total
Portugal	159,226,930	135,565,059	294,791,989
Tunisia	37,787,937	-	37,787,937
Angola	1,805,585	-	1,805,585
Cape Verde	139,445	-	139,445
	<b>198,959,897</b>	<b>135,565,059</b>	<b>334,524,956</b>

On what concerns to impairment tests, the recoverable amount of the CGU's is determined based on value-in-use, through cash-flow projections based in financial budgets approved by management. For future periods are performed extrapolations, in which are used estimated growth rates, determined in conformity with past performance and expectations regarding the future development of the market.

The main assumptions used in the mentioned calculations were as follows:

Inflation rate	2%
Discount rate	7%
Growth rate of production	0%

## 16. Other intangible assets

During the periods ended on June 30, 2007 and December 31, 2006 changes under the intangible assets heading were as follows:

Amounts in Euros	Brands	Research and development expenses	Industrial property and other rights	CO2 Emission Licences	Assets in progress	Total
<b>Acquisition cost</b>						
Amount as of January 1, 2006	151,488,000	4,291,159	2,352,590	73,934,383	-	232,066,132
Changes of perimeter	-	-	-	-	-	-
Acquisitions	-	-	-	85,915,626	23,755	85,939,381
Disposals	-	-	-	-	-	-
Write-offs and transfers	-	-	120,185	(62,512,275)	18,402	(62,373,688)
Exchange fluctuations	-	-	-	-	-	-
Amount as of June 30, 2006	151,488,000	4,291,159	2,472,775	97,337,734	42,157	255,631,825
Changes of perimeter	-	-	-	-	-	-
Acquisitions	-	-	-	-	44,624	44,624
Disposals	-	-	-	(22,212,550)	-	(22,212,550)
Write-offs and transfers	-	-	(325)	(51,293,830)	(24)	(51,294,179)
Exchange fluctuations	-	-	-	-	-	-
Amount as of December 31, 2006	151,488,000	4,291,159	2,472,450	23,831,354	86,757	182,169,720
Changes of perimeter	-	-	-	-	-	-
Changes of Consolidated Method	-	-	-	(8,280,398)	-	(8,280,398)
Acquisitions	-	-	-	4,713,862	-	4,713,862
Disposals	-	-	-	(2,173,803)	-	(2,173,803)
Write-offs and transfers	-	(4,291,159)	(144,256)	(11,510,441)	207,738	(15,738,118)
Exchange fluctuations	-	-	-	-	-	-
Amount as of June 30, 2007	151,488,000	-	2,328,194	6,580,574	294,495	160,691,263
<b>Accumulated amortizations and impairment losses</b>						
Amount as of January 1, 2006	-	(4,291,159)	(2,323,505)	-	-	(6,614,664)
Changes of perimeter	-	-	-	-	-	-
Acquisitions	(1,594,000)	-	(53,663)	-	-	(1,647,663)
Disposals	-	-	-	-	-	-
Write-offs and transfers	-	-	-	-	-	-
Exchange fluctuations	-	-	-	-	-	-
Amount as of June 30, 2006	(1,594,000)	(4,291,159)	(2,377,168)	-	-	(8,262,327)
Changes of perimeter	-	-	-	-	-	-
Amortizations and impairment losses	-	-	(50,914)	(4,858,808)	-	(4,909,722)
Disposals	-	-	-	-	-	-
Write-offs and transfers	-	-	156	-	-	156
Exchange fluctuations	-	-	-	-	-	-
Amount as of December 31, 2006	(1,594,000)	(4,291,159)	(2,427,926)	(4,858,808)	-	(13,171,893)
Changes of perimeter	-	-	-	-	-	-
Changes of Consolidated Method	-	-	-	-	-	-
Acquisitions	-	-	(3,005)	(1,409,069)	-	(1,412,074)
Disposals	-	-	-	-	-	-
Write-offs and transfers	1,594,000	4,291,159	144,258	-	-	6,029,417
Exchange fluctuations	-	-	-	-	-	-
Amount as of June 30, 2007	-	-	(2,286,673)	(6,267,877)	-	(8,554,550)
Amount as of January 1, 2006	151,488,000	-	29,085	73,934,383	-	225,451,468
Net amount as of June 30, 2006	149,894,000	-	95,607	97,337,734	42,157	247,369,498
Net amount as of December 31, 2006	149,894,000	-	44,524	18,972,546	86,757	168,997,827
Net amount as of June 30, 2007	151,488,000	-	41,521	312,697	294,495	152,136,713

The amount of Euros 151,488,000 under the caption Brands relates to the initial evaluation performed by a specialized and independent entity, for trademarks Navigator and Soporset, using the respective cash-flow projections at an appropriate discount rate, after determined the fair value of Portucel's assets and liabilities, which is not subject to amortization as its useful life is undefined (Note 1.6).

Impairment of this intangible asset is tested on an annual basis. The Group has valued it in the first semester of 2007, of which resulted a fair value of Euros 199,245,000. Additionally, as a result of this valuation, the impairment loss registered in 2006 in trademark Soporset was reversed, in the amount of Euros 1,594,000 (Note 5).



## 17. Property, plant and equipment

During the periods ended on June 30, 2007 and December 31, 2006 changes in property, plant and equipment accounts, as well as in the respective depreciations and impairment losses, were as follows:

Amounts in Euros	Lands	Buildings and other constructions	Equipment and other tangibles	Assets in progress	Advances	Total
<b>Acquisition cost</b>						
Amount as of January 1, 2006	232,316,486	760,072,117	3,732,463,371	86,014,892	754,791	4,811,621,657
Changes of perimeter	422,903	859,133	4,809,282	241,729	1,224	6,134,271
Acquisitions	-	145,332	13,213,657	15,482,877	310,994	29,152,860
Disposals	(1,401,284)	(3,093,710)	(5,596,159)	(42,042)	-	(10,133,195)
Write-off's and transfers	(1,020,446)	1,183,744	40,763,844	(44,167,217)	(17,137)	(3,257,212)
Exchange fluctuations	(3,688,699)	(2,047,513)	(7,452,078)	(206,315)	(672)	(13,395,277)
Amount as of June 30, 2006	226,628,960	757,119,103	3,778,001,917	57,323,924	1,049,200	4,820,123,104
Changes of perimeter	1,808,435	1,760,980	2,472,571	-	-	6,041,986
Acquisitions	135,640	1,072,436	11,059,220	12,010,922	680,874	24,959,092
Disposals	636,044	(765,949)	(3,808,455)	42,042	(14,817)	(3,911,135)
Write-off's and transfers	551,101	968,952	44,367,979	(49,006,999)	(273,129)	(3,394,096)
Exchange fluctuations	(1,329,258)	(771,848)	(2,719,348)	(54,628)	410	(4,874,672)
Amount as of December 31, 2006	228,430,922	759,381,674	3,829,373,884	20,315,261	1,442,538	4,838,944,279
Changes of perimeter	9,319,937	24,287,536	67,172,232	887,700	184,693	101,852,098
Changes of Consolidated Method	(62,535,049)	(150,281,209)	(498,837,859)	(5,657,840)	(691,556)	(718,003,513)
Acquisitions	28,436	168,059	5,435,343	11,722,631	159,992	17,514,461
Disposals	(118)	-	(2,880,896)	(47,674)	-	(2,928,688)
Write-off's and transfers	-	831,130	6,109,922	(7,108,971)	(378,174)	(546,093)
Exchange fluctuations	(1,111,720)	(1,159,041)	(3,945,520)	(85,451)	(6,319)	(6,308,051)
Amount as of June 30, 2007	174,132,408	633,228,149	3,402,427,106	20,025,656	711,174	4,230,524,493
<b>Accumulated amortizations and impairment losses</b>						
Amount as of January 1, 2006	(20,826,530)	(418,175,328)	(2,425,674,251)	-	-	(2,864,676,109)
Changes of perimeter	-	(265,342)	(1,548,638)	-	-	(1,813,980)
Acquisitions	(1,138,249)	(13,519,579)	(52,293,931)	-	-	(66,951,759)
Disposals	-	1,924,618	4,251,850	-	-	6,176,468
Write-off's and transfers	135,947	1,709,693	(583,410)	-	-	1,262,230
Exchange fluctuations	430,021	672,893	3,465,961	-	-	4,568,875
Amount as of June 30, 2006	(21,398,811)	(427,653,045)	(2,472,382,419)	-	-	(2,921,434,275)
Changes of perimeter	-	928,634	(1,052,491)	-	-	(123,857)
Amortizations and impairment losses	(1,500,036)	(13,543,872)	(53,844,498)	-	-	(68,888,406)
Disposals	101	1,313,784	4,501,026	-	-	5,814,911
Write-off's and transfers	(135,947)	(431,369)	(2,868,414)	-	-	(3,433,730)
Exchange fluctuations	169,949	268,126	943,299	-	-	1,381,374
Amount as of December 31, 2006	(22,864,744)	(439,117,742)	(2,524,701,497)	-	-	(2,986,683,983)
Changes of perimeter	(777,562)	(11,972,256)	(29,616,633)	-	-	(42,366,451)
Changes of Consolidated Method	11,075,637	105,777,763	380,076,321	-	-	496,929,721
Acquisitions	(662,750)	(11,567,000)	(52,598,423)	-	-	(64,828,173)
Disposals	-	-	3,154,642	-	-	3,154,642
Write-off's and transfers	-	198,781	(363,959)	-	-	(165,178)
Exchange fluctuations	143,671	442,015	1,540,681	-	-	2,126,367
Amount as of June 30, 2007	(13,085,748)	(356,238,439)	(2,222,508,868)	-	-	(2,591,833,055)
Amount as of January 1, 2006	211,489,956	341,896,789	1,306,789,120	86,014,892	754,791	1,946,945,548
Net amount as of June 30, 2006	205,230,149	329,466,058	1,305,619,498	57,323,924	1,049,200	1,898,688,829
Net amount as of December 31, 2006	205,568,178	320,263,932	1,304,672,387	20,315,261	1,442,538	1,852,260,296
Net amount as of June 30, 2007	161,046,660	276,989,710	1,179,918,238	20,025,656	711,174	1,638,691,438

The Group applied retroactively the interpretation IFRIC 4 - Determining whether an arrangement contains a Lease. By the adoption of this standard, the caption "Property, plant and equipment – equipment and other tangibles" was increased in Euros 44,003,950, amount to which was deducted the respective accumulated depreciation amounting Euros 20,535,177, as of December 31, 2006. As of June 30, 2007, the net book value of these equipments is Euros 22,001,975.

## 18. Investment properties

As of June 30, 2007 the investment properties heading reflects the acquisition cost net of accumulated amortization of one building, owned by Secil, with a residual useful life of 19 years, located in Rua Conselheiro Fernando Sousa, in Lisbon, presently rented to third parties.

The movement in this heading during the six month period ended June 30, 2007 was as follows:

Value of acquisition	957,226
Accumulated amortizations	(593,319)
<b>Net book value as of January 1, 2007</b>	<b>363,907</b>
Amortizations and impairment losses	(7,998)
Change in consolidation method	(174,395)
<b>Net book value as of June 30, 2007</b>	<b>181,514</b>

## 19. Biological assets

Over the periods ended on June 30, 2007 and December 31, 2006 changes in biological assets were as follows:

Amounts in Euros	30-06-2007	31-12-2006
<b>Fair value as of January 1</b>	<b>123,295,452</b>	<b>136,238,875</b>
Fair value changes		
Trees felled	(12,134,191)	(17,631,810)
Trees growth	2,474,346	4,645,197
Replantations	77,658	1,840,898
Other fair value changes	3,017,168	(1,597,708)
<b>Total of fair value changes</b>	<b>(6,565,019)</b>	<b>(12,943,423)</b>
	<b>116,730,433</b>	<b>123,295,452</b>

The amounts presented in Other fair value changes heading relate essentially to changes (positive or negative) in estimated value of wood extraction future potential through new forestry plantings, expenditure capitalisation, efficiency gains/losses on exploitation of biological assets and woodcutting due to forest fires.

## 20. Investments in associates

During the periods ended on June 30, 2007 and December 31, 2006 changes in this caption were as follows:

Amounts in Euros	30-06-2007	31-12-2006
Opening balance	41,455,988	46,138,309
Change in consolidation perimeter	(12,180,426)	(1,544,862)
Change in consolidation method	(20,059,243)	-
Acquisitions	116,972	126,032
Disposals	(6,023,184)	-
Apropriated net profit	668,718	2,488,107
Dividends received	(553,191)	(2,932,683)
Exchange fluctuations	204,403	(2,528,771)
Impairment losses	(276,491)	(375,000)
Transfers from subsidiaries	(850,065)	84,856
	<b>2,503,481</b>	<b>41,455,988</b>

As of June 30, 2007 and December 31, 2006 investments in associates include a goodwill amount detailed as follows:

Associated Companies	Ano Aq.	Goodwill	
		30-06-2007	31-12-2006
Betão Liz, S.A. a)	1999	-	542,140
Setefrete, SGPS, S.A.	2003	1,136,153	2,227,750
Cimentos de Sibline, S.A.L. b)	2005	-	157,444
		<b>1,136,153</b>	<b>2,927,334</b>

a) Disposed in 2007

b) Companies included in consolidated financial statements in 2007

Subsidiary Secil, through one of its subsidiaries held at 100%, acquired an additional share of 21.86% of the share capital and voting rights of the company Ciment de Sibline SAL, with head office in Beirut, Lebanon, which is now reflected by the full consolidation method in the Group's consolidated financial statements (Note 35).

Subsidiary Secil reinforced, in the first semester of 2007, its share in the share capital of Cimentos Madeira, from 14.29% to 57%, which is now reflected by the full consolidation method in the Group's consolidated financial statements.

As of June 30, 2007 and December 31, 2006 investments in associates in the balance sheet, including the goodwill calculated during their acquisition, were as follows:

Associated Companies	% detida	Book Value	
		30-06-2007	31-12-2006
Secil - Energia, Lda.	100.00%	27,220	50,477
Betão Liz, S.A. a)	33.37%	-	9,697,708
Transacil, Lda.	33.00%	381	748
Cimentação, Lda. a)	25.00%	-	2,339,227
Ciment de Sibline S.A.L. b)	28.12%	-	24,162,392
Chryso - Aditivos de Portugal, S.A.	40.00%	14,297	37,529
Setefrete, SGPS, S.A.	25.00%	1,468,485	3,111,132
Cimentos Madeira, Lda. b)	14.29%	-	1,535,128
MC - Materiaux de Construction	49.36%	1,437	2,888
J.M. Henriques, Lda.	100.00%	259,961	-
Be-Power, Serviços e Equipamentos, Lda	6.00%	31,458	-
Portugal International Trading, SA	100%	570,167	386,234
Soporgen	8%	4,000	4,000
Liaison Technologie	2%	126,032	126,032
Others	-	43	2,493
		<b>2,503,481</b>	<b>41,455,988</b>

a) Disposed in 2007

b) Companies included in consolidated financial statements in 2007

## 21. Available-for-sale financial assets

During the first semester of 2007 and 2006 changes in available-for-sale financial assets were made up as follows:

Amounts in Euros	30-06-2007	31-12-2006
Fair value at the beginning of the year	79,230,810	18,584,241
Changes in Consolidation method	(467,678)	-
Acquisitions	-	59,908,603
Disposals	(81,537,991)	(13,106,256)
Bonds ceda to third party	-	(2,899,097)
Exchange fluctuations	(26,009)	(147,821)
Changes in fair value	8,106,890	16,893,140
<b>Acquisition amount at the end of the year</b>	<b>5,306,022</b>	<b>79,230,810</b>

In the first semester of 2007 the Group disposed 19,223,117 shares of EDP – Energias de Portugal, SA. From this operation resulted a gain of Euros 25,647,955, as mentioned in Note 5.

As of June 30, 2007 and December 31, 2006 available-for-sale financial assets were made up as follows:



Major investments available for sale	Book Value	
	30-06-2007	31-12-2006
Angolan government bonds	460,757	954,445
Ações da EDP - Energias de Portugal, SA	4,049,100	77,618,369
Ações do Banco Espírito Santo, SA	790,165	657,996
Amount at the end of the year	5,306,022	79,230,810

As of June 30, 2007 the amount of Euros 4,049,100 relates to the fair value of 990,000 shares held by the Group in EDP – Energias de Portugal, SA, which represent less than 1% of the company total shares, acquired for the amount of Euros 3,491,298.

## 22. Impairments in non-current and current assets

Over the periods ended on June 30, 2007 and December 31, 2006 changes in non-current assets impairments were as follows:

Amounts in Euros	Goodwill*	Intangible Assets	Tangible Fixed Assets	Investments Assoc. comp.	Total
As of January 1, 2006	(18,835,531)	-	(19,357,093)	(835,189)	(38,990,813)
Changes of perimeter	-	-	-	306,000	306,000
Exchange fluctuations	1,122,515	-	-	-	1,122,515
Reinforcement (Note 8)	(454,353)	(1,594,000)	-	-	(2,058,353)
Reversals (Note 5 and 16)	-	-	-	-	-
Direct utilizations	-	-	-	250,000	250,000
Transfers	-	-	-	61,017	61,017
As of December 31, 2006	(18,200,419)	(1,594,000)	(19,357,093)	(15,172)	(39,166,674)
Changes of perimeter	-	-	-	-	-
Changes in Consolidation method	8,918,205	-	-	8,304	8,927,109
Exchange fluctuations	183,801	-	-	-	183,801
Reinforcement (Note 8)	(276,491)	-	-	-	(276,491)
Reversals (Note 5 and 16)	-	1,594,000	-	-	1,594,000
Direct utilizations	-	-	-	-	-
Transfers	-	-	-	-	-
As of June 30, 2007	(9,374,844)	-	(19,357,093)	(6,249)	(28,741,186)

\* Goodwill impairment related to subsidiaries and associated companies

Over the periods ended on June 30, 2007 and December 31, 2006 changes in current assets impairments were as follows:

Amounts in Euros	Goodwill*	Intangible Assets	Tangible Fixed Assets	Investments Assoc. comp.	Total
As of January 1, 2006	(1,927,566)	(18,551,425)	(2,188,719)	(8,744,812)	(31,412,522)
Changes of perimeter	(5,782)	(878,071)	-	-	(883,853)
Exchange fluctuations	(7,942)	103,818	-	8,711	104,587
Reinforcement (Note 8)	(820,637)	(2,003,297)	(408,207)	(229,955)	(3,462,096)
Reversals (Note 5 and 16)	375,425	292,422	291,916	971,906	1,931,649
Direct utilizations	-	519,618	-	19,487	539,105
Transfers	207,790	-	-	-	207,790
As of December 31, 2006	(2,178,711)	(29,516,855)	(2,299,918)	(7,574,644)	(32,779,348)
Changes of perimeter	(1,013,907)	(1,726,121)	-	(87,685)	(2,827,713)
Changes in Consolidation method	912,427	7,074,777	1,129,455	3,799,918	12,916,577
Exchange fluctuations	57,718	41,074	-	3,254	102,047
Reinforcement (Note 8)	(58,546)	(229,724)	(14,854)	(20,182)	(323,707)
Reversals (Note 5 and 16)	227,670	109,871	-	-	337,541
Direct utilizations	-	87,201	-	-	87,201
Transfers	-	-	-	-	-
As of June 30, 2007	(2,953,548)	(14,959,377)	(1,199,499)	(4,279,386)	(22,482,190)

## 23. Inventories

As of June 30, 2007 and December 31, 2006 inventories comprised the following:

Amounts in Euros	30-06-2007	31-12-2006
Raw materials	118,675,295	113,172,679
Work in process	13,026,247	10,441,625
Byproducts and waste	429,925	466,935
Finished and intermediate products	34,211,888	41,946,121
Merchandise	4,817,362	4,521,803
Advances to suppliers of inventories	701,325	675,298
	169,862,042	171,224,461

Note: Net value of accumulated impairments (Note 22)

## 24. Receivables and other current assets

As of June 30, 2007 and December 31, 2006 the caption Receivables and other current assets showed the following breakdown:

Amounts in Euros	30-06-2007	31-12-2006
Customers	267,471,436	299,393,387
Customers - associated companies (Note 34)	1,105,501	3,081,295
Derivative financial instruments (Note 30)	15,508,296	16,879,141
Other debtors	15,428,569	28,288,134
Accrued income	1,298,752	2,455,783
Deferred costs	5,853,037	3,925,637
	306,665,591	354,023,377

Note: Net value of accumulated impairments (Note 22)

As of June 30, 2007 and December 31, 2006 the caption other debtors was as follows:

Amounts in Euros	30-06-2007	31-12-2006
Shareholders and Associated Companies		
Group companies (Note 34)	1,135,639	4,610
Associated companies (Note 34)	2,281,745	2,216,450
	3,417,384	2,221,060
Other debtors		
Advances to suppliers	562,608	1,057,962
IAPMEI grants	3,850,409	12,849,769
Other debtors	7,598,166	12,159,343
	12,011,185	26,067,074
	15,428,569	28,288,134

As of June 30, 2007 and December 31, 2006 the captions accrued income and deferred costs were made up as follows:

Amounts in Euros	30-06-2007	31-12-2006
Accrued income		
Interest receivable	624,764	339,527
Discounts in acquisitions	41,340	20,955
Subsidies	17,702	866,783
Compensations	-	682,126
Others	614,945	545,392
	1,298,752	2,455,783
Deferred costs		
Insurance deferrals	3,159,605	-
Interests with bank loans	274,355	-
Major repairs	-	930,938
Insurance costs	495,020	209,249
Others	1,924,056	2,785,450
	5,853,037	3,925,637
	7,151,789	8,381,420

## 25. State and other public entities

As of June 30, 2007 and December 31, 2006 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 Euros	30-06-2007	31-12-2006
State and other public entities		
Corporate income tax (IRC)	2,133,476	6,018,758
Personal income tax withhold (IRS)	1,955	4,331
Value added tax	4,842,211	7,911,777
Value added tax - refunds requested	29,151,733	18,237,657
Other	1,186,318	2,477,614
	37,315,693	34,650,137

### Current liabilities

Amounts in Euros	30-06-2007	31-12-2006
State and other public entities		
Corporate income tax (IRC)	29,150,846	8,449,446
Personal income tax withhold (IRS)	1,717,559	3,369,425
Value added tax	6,965,155	8,139,532
Social security	3,640,108	2,987,906
Tax provision	28,524,383	43,555,882
Other	658,809	577,686
	70,656,860	67,079,877



## Provisions for taxes and current liabilities

The caption Corporate Income Tax includes, essentially, the provision amount of Euros 16,633,658, which corresponds to the tax process related to the tax incentive on Soporcel's second paper machine. It also includes tax adjustments estimates related to the fiscal years of 2003, 2004 and 2005, in the amounts of Euros 59,339, Euros 1,534,647 and Euros 2,543,771, respectively, as a result of tax inspections at Soporcel.

## 26. Share capital and treasury shares

As of June 30, 2007 the share capital of Semapa was fully subscribed and paid in; it is represented by 118,332,445 shares with a nominal value of Euro 1.

As of June 30, 2007 and December 31, 2006 corporate holders of significant positions in the company's share capital were as follows:

Name	N° of shares	%	
		30-06-2007	31-12-2006
Sodim, SGPS, S.A.	26,115,000	22.07	22.07
Credit Suisse	23,600,000	19.94	19.94
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 BPI, SA	11,855,974	10.02	10.02
Banco Espírito Santo, SA	6,221,854	5.26	5.52
Seminv - Investimentos, SGPS, S.A.	2,727,975	2.31	2.31
Sonaca - Sociedade Nacional de Canalizações, S.A.	1,250,000	1.06	1.06
Other shareholders with participation lower than 2%	11,069,342	10.12	9.85
	118,332,445	100.00	100.00

As the company Seminv Investimentos, SGPS, S.A. is a subsidiary of Semapa Group, the 2,727,975 Semapa shares held by the company are disclosed as treasury shares in the Group's consolidated financial statements.

As additional information, as of June 30, 2007, the market value of treasury shares presented in consolidated equity was Euros 36,309,347, which corresponds to a share price of Euros 13.31.

As of June 30, 2007 shares representative of the share capital were quoted for the amount of Euros 13.31, which corresponds to a market value of Euros 1,575,004,843.

## 27. Reserves and Retained earnings

As of June 30, 2007 and December 31, 2006 the captions Fair value reserve, Currency translation reserve and Other reserves showed the following breakdown:

Amounts in Euros	30-06-2007	31-12-2006
Fair value of financial instruments	6,031,243	3,846,329
Fair value of available-for-sale assets	285,468	18,686,147
Total of fair value reserves	6,316,711	22,532,476
Currency translation reserve	(11,815,474)	(9,359,315)
Legal reserve	23,666,489	23,666,489
Other reserves	590,902,238	526,719,429
Total of Other reserves	614,568,727	559,385,919
Total of reserves	609,069,964	563,559,079

### Fair value of financial instruments

The amount of Euros 6,031,243, net of deferred tax in the amount of Euros 2,174,530, 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 June 30, 2007 were valued at Euros 14,535,139 (Note 33), accounted for in accordance with the policy described in Note 1.13.

### Fair value of available-for-sale assets

The amount of Euros 285,468 relates to:

- Group's appropriation of the subsidiary Ciment de Sibline assets' fair value, proportionally to the participation already held before acquiring control, fact that occurred in the first semester of 2007, in the negative amount of Euros 859,620 (Note 20);
- Group's appropriation of the Angolan government bonds' fair value, in the amount of Euros 316,386;
- Change in fair value of the shares held by the Group in EDP, in the amount of Euros 557,805; and
- Change in fair value of the shares held by the Group in Banco Espírito Santo, in the amount of Euros 270,897.

### Currency Translation Reserve

The amount of Euros 11,816,474 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, essentially Tunisia, Lebanon, Angola, USA and United Kingdom.

### 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, what is verified on June 30, 2007.

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 were constituted by transfer from retained earnings.

### Retained earnings

During the year ended December 31, 2006, the Group recorded in this caption an amount of Euros 26,535,335 related to the additional stakes acquisition of Portucel, a subsidiary already controlled by Semapa Group, therefore the excess over the group share of net assets was recognised directly in Equity. This accounting policy corresponds to the change stated on Proposed Exposure Draft of IAS 27 – Consolidated and Separate Financial Statements, once the actual guidance is omitted about this matter.

Under this caption are equally recorded actuarial deviations, arising from the differences between the



assumptions used for the purpose of determining liabilities related to post-employment benefits and what effectively occurred (as well as changes made to those assumptions and the difference between the expected return on the assets of the funds and their actual yield) as described in Note 1.22.1. In the first semester of 2007 was recorded in this caption a total amount of Euro 2,144,136 (Note 29), of which Euros 663,009 negative were appropriated by the Group, correspondent to its share on the impacts occurred in Semapa and its subsidiaries.

## 28. Deferred taxes

As of June 30, 2007 changes in deferred tax assets and liabilities of each subgroup were as follows:

	As of December 31, 2006	Changes in Consolidation Method	Exchange adjustment	Income statement		Retained earnings	Transfers	Changes of perimeter	As of June 30, 2007
Amounts in Euros				Increases	Decreases				
Temporary differences originating deferred tax assets									
Sub-Group Portucel									
Tax losses carried forward	-	-	-	-	-	-	-	-	-
Intangible assets adjustments	799,755	-	-	3,145	(762,894)	-	-	-	40,006
Taxed provisions	8,163,405	-	-	254,790	-	-	-	-	8,418,195
Fixed assets adjustments	14,468,241	-	-	-	(112,042)	-	-	-	14,356,199
Underfunding of the pension fund	35,154,141	-	-	1,793,897	(175,032)	(14,713,349)	-	-	22,059,657
Deferred book gains in inter-group transactions	5,529,002	-	-	-	(825,772)	-	-	-	4,703,230
Forests valuation	54,016,754	-	-	-	(2,894,465)	-	-	-	51,122,289
Update of costs with forest explorations	36,842,876	-	-	-	(36,842,876)	-	-	-	-
Depreciations in assets subject to IFRIC 4	3,859,215	-	-	30,899	-	-	-	-	3,890,114
Sub-Group Secil									
Taxed provisions	16,148,598	(7,912,813)	(31,416)	142,574	(374,539)	-	-	123,867	8,096,271
Tax losses carried forward	32,857,214	(16,100,035)	-	35,488	(4,710,700)	-	-	97,503	12,179,470
Liabilities with retirement benefits	928,737	(455,081)	-	29,079	(17,082)	(36,939)	-	-	448,714
Liabilities with long service award	1,443,723	(707,424)	-	50,801	(36,576)	(45,432)	-	-	705,092
Underfunding of the pension fund	3,631,508	(1,779,439)	-	233,237	-	472,634	-	-	2,557,940
Retirement benefits not covered by an autonomous fund	12,890,239	(6,316,217)	-	181,304	(305,585)	(62,478)	-	181,249	6,568,512
Derecognition of government grants	5,521,683	(2,705,625)	-	40,172	-	-	-	-	2,856,230
Derecognition of Intangible assets	-	-	-	322,712	(210,019)	(218,831)	-	117,024	10,886
Recognition of Deferred Costs	-	-	-	87,877	(87,877)	-	-	-	-
Liabilities for healthcare benefits	14,319,379	(7,016,496)	(193,817)	-	(190,872)	-	-	5,116,197	12,034,391
Deferred book gains in inter-group transactions	2,396,459	(1,174,265)	(225,233)	1,123,243	(5,933,250)	108,954	-	5,635,841	1,931,749
	248,970,929	(44,167,395)	(450,466)	4,329,218	(53,479,581)	(14,495,441)	-	11,271,681	151,978,945
Temporary differences originating deferred tax liabilities									
Sub-Group Portucel									
Revaluation of fixed assets	(31,157,665)	-	-	-	4,461,519	-	-	-	(26,696,146)
Retirement benefits	(999,297)	-	-	(28,744)	3,299	(109,728)	-	-	(1,134,470)
Financial instruments	(7,464,582)	-	-	-	-	(4,140,224)	-	-	(11,604,806)
Fair value of fixed assets - Soporcel	(246,794,514)	-	-	-	1,753,016	-	-	-	(245,041,498)
Extension of the useful life of the tangible fixed assets	(48,887,412)	-	-	(21,298,018)	-	-	-	-	(70,185,430)
Deferred book gains in inter-group transactions	(73,100,049)	-	-	-	6,817,634	-	-	-	(66,282,415)
Harmonization of the Depreciation Criteria	(14,579,836)	-	-	-	1,264,729	-	-	-	(13,315,107)
Fair Value of intangible assets - Brands	(149,894,000)	-	-	(1,594,000)	-	-	-	-	(151,488,000)
Fair Value of fixed assets - Portucel	(298,534,351)	-	-	-	11,174,202	-	-	-	(287,360,149)
Sub-Group Secil									
Reevaluation of fixed assets	(17,755,098)	8,699,998	-	(647)	1,277,390	-	11,261,140	(896,589)	2,586,194
Change in depreciation criteria	(79,902,200)	39,152,078	88,568	(6,171,394)	36,401	-	(3,370,458)	-	(50,167,005)
Fair value of subsidiaries	(136,583,897)	66,926,110	1,277,884	(705,187)	1,151,290	-	-	(961,986)	(68,895,786)
Deferred book losses in inter-group transactions	(25,170,219)	12,333,407	-	-	195,733	-	(7,890,682)	-	(20,531,761)
Financial instruments	(1,089,350)	533,782	-	-	(180,896)	-	-	-	(736,464)
Deferred taxation on capital gains	(7,038,883)	3,449,053	-	-	(59,474)	-	(90,003)	-	(3,739,307)
Increased amortization	(2,795,024)	1,359,562	32,190	(191,874)	-	-	90,003	-	(1,495,143)
Others									
Deferred book losses in inter-group transactions	(31,775,587)	-	-	-	-	-	-	-	(31,775,587)
	(1,173,521,964)	132,463,990	1,388,642	(29,989,864)	27,894,843	(4,249,952)	-	(1,858,575)	(1,047,862,880)
Amounts reflected on the balance sheet									
Total of Deferred tax assets	66,187,428	(11,780,148)	(38,498)	835,947	(12,417,436)	(3,868,211)	-	910,571	39,829,653
Total of Deferred tax liabilities	(313,834,584)	36,590,284	412,796	(7,930,536)	7,510,364	(1,126,237)	-	(364,077)	(278,831,990)



As of December 31, 2006 changes in deferred tax assets and liabilities of each subgroup were as follows:

Amounts in Euros	As of January 1, 2006	Exchange adjustment	Income statement		Retained earnings	Transfers	Changes of perimeter	As of December 31, 2006
			Increases	Decreases				
<b>Temporary differences originating deferred tax assets</b>								
<b>Sub-Group Portucel</b>								
Tax losses carried forward	123,858	-	-	(281,141)	157,283	-	-	-
Intangible assets adjustments	7,354,291	-	-	(8,594,536)	-	-	-	799,755
Taxed provisions	8,870,178	-	1,025,225	(1,731,998)	-	-	-	8,163,405
Fixed assets adjustments	15,400,681	-	-	(932,440)	-	-	-	14,468,241
Underfunding of the pension fund	37,589,072	-	5,507,645	(7,915,125)	(27,451)	-	-	35,154,141
Instrumentos financeiros	2,077,924	-	-	-	(2,077,924)	-	-	-
Deferred book gains in inter-group transactions	4,200,155	-	1,328,847	-	-	-	-	5,529,002
Forests valuation	78,885,280	-	11,169,983	(35,838,509)	-	-	-	54,016,754
Update of costs with forest explorations	73,774,331	-	-	(36,931,455)	-	-	-	36,842,876
Depreciations in assets subject to IFRIC 4	3,863,197	-	196,018	-	-	-	-	3,859,215
<b>Sub-Group Secil</b>								
Taxed provisions	12,954,545	(158,530)	5,078,003	(1,139,154)	-	(586,266)	-	16,148,598
Tax losses carried forward	51,727,461	-	73,385	(20,197,174)	-	586,265	667,276	32,857,214
Liabilities with retirement benefits	906,651	-	73,917	(68,100)	16,269	-	-	928,737
Liabilities with long service award	1,431,349	-	132,357	(78,943)	(41,040)	-	-	1,443,723
Underfunding of the pension fund	2,956,339	-	-	(5,570,335)	1,173,312	5,072,192	-	3,631,508
Retirement benefits not covered by an autonomous fund	18,613,414	-	842,591	(1,534,002)	40,428	(5,072,192)	-	12,890,239
Derecognition of government grants	4,618,277	-	903,406	-	-	-	-	5,521,683
Liabilities for healthcare benefits	6,502,926	-	6,334,158	(824,945)	2,107,240	-	-	14,319,379
Deferred book gains in inter-group transactions	1,739,330	-	857,050	(199,921)	-	-	-	2,396,459
	333,229,259	(158,530)	33,522,585	(119,637,778)	1,348,117	-	667,276	248,970,929
<b>Temporary differences originating deferred tax liabilities</b>								
<b>Sub-Group Portucel</b>								
Revaluation of fixed assets	(34,055,387)	-	(550,675)	3,448,397	-	-	-	(31,157,665)
Retirement benefits	(1,018,029)	-	(97,337)	-	116,069	-	-	(999,297)
Financial instruments	-	-	-	-	(7,464,582)	-	-	(7,464,582)
Fair value of fixed assets - Soporcel	(247,887,582)	-	-	1,093,068	-	-	-	(246,794,514)
Extension of the useful life of the tangible fixed assets	-	-	(48,887,412)	-	-	-	-	(48,887,412)
Deferred book gains in inter-group transactions	(37,052,365)	-	(36,047,684)	-	-	-	-	(73,100,049)
Harmonization of the Depreciation Criteria	(14,193,473)	-	(386,363)	-	-	-	-	(14,579,836)
Fair Value of intangible assets - Brands	(151,488,000)	-	-	1,594,000	-	-	-	(149,894,000)
Fair Value of fixed assets - Portucel	(323,412,214)	-	-	24,877,863	-	-	-	(298,534,351)
<b>Sub-Group Secil</b>								
Reevaluation of fixed assets	(22,142,253)	-	-	4,536,292	-	-	(149,137)	(17,755,098)
Change in depreciation criteria	(64,835,254)	404,979	(15,471,925)	-	-	-	-	(79,902,200)
Fair value of subsidiaries	(122,353,734)	7,749,679	(22,080,666)	4,821,313	-	-	(4,520,489)	(136,583,897)
Deferred book losses in inter-group transactions	(36,087,601)	-	-	10,917,382	-	-	-	(25,170,219)
Financial instruments	(162,038)	-	(927,312)	-	-	-	-	(1,089,350)
Deferred taxation on capital gains	(7,475,851)	176,476	-	260,492	-	-	-	(7,038,883)
Increased amortization	(2,340,822)	124,133	(578,335)	-	-	-	-	(2,795,024)
<b>Outras empresas</b>								
Deferred book losses in inter-group transactions	(54,177,269)	-	-	22,401,682	-	-	-	(31,775,587)
	(1,118,681,872)	8,455,267	(125,027,709)	73,750,489	(7,348,513)	-	(4,669,626)	(1,173,521,984)
<b>Amounts reflected on the balance sheet</b>								
Deferred tax assets	92,143,526	(69,042)	9,340,948	(33,187,406)	195,105	-	183,501	68,606,632
Rate change effect	-	-	(3,396,398)	996,675	(19,481)	-	-	(2,419,204)
Total of Deferred tax assets	92,143,526	(69,042)	5,944,550	(32,190,731)	175,624	-	183,501	66,187,428
Deferred tax liabilities	(316,973,323)	2,792,376	(34,474,396)	21,690,811	(2,020,842)	-	(1,217,827)	(330,203,201)
Rate change effect	-	-	15,934,141	479,966	(45,490)	-	-	16,368,617
Total of Deferred tax liabilities	(316,973,323)	2,792,376	(18,540,255)	22,170,777	(2,066,332)	-	(1,217,827)	(313,834,584)

## Deferred tax assets on tax losses carried forward

Deferred taxes on tax losses are recognised as assets to the extent that is a reasonable assurance of the fiscal benefit realization, through the existence of future tax profits. The Group recognised deferred taxes that considers to be deductible from future profits, are as follows:

Amounts in Euros	30-06-2007	31-12-2006	Expiry date
Secilpar, SL	11,637,025	31,597,117	2019
Lisconcreto – Unibetão, S.A.	90,060	385,670	2009
Camilo e Lopez, Lda.	-	173,946	2010
Ecoresíduos, Lda.	349,629	627,096	2010
Minerbetão, S.A.	102,756	-	2011
Britobetão	-	73,385	2012
	12,179,470	32,857,214	

# Unrecognised deferred taxes on tax losses carried forward

The unrecognised deferred taxes on tax losses, that at this date the Group considers to be not deductible from future profits, and thus without deferred tax asset, are as follows:

Amounts in Euros	30-06-2007	31-12-2006	2007	2008	2009	2010	2011
Semapa, SGPS, SA	21,129,445	21,129,445					
2001	2,803,802	2,803,802	2,803,802	-	-	-	-
2002	4,374,315	4,374,315	-	4,374,315	-	-	-
2003	5,120,440	5,120,440	-	-	5,120,440	-	-
2004	8,830,888	8,830,888	-	-	-	8,830,888	-
Seminv, SGPS, SA	15,730,099	15,730,099					
2003	7,987,025	7,987,025	-	-	7,987,025	-	-
2004	7,743,074	7,743,074	-	-	-	7,743,074	-
Seinpart, SGPS, SA	8,249,483	8,249,483					
2001	494	494	494	-	-	-	-
2002	1,395	1,395	-	1,395	-	-	-
2003	1,889	1,889	-	-	1,889	-	-
2004	3,996,548	3,996,548	-	-	-	3,996,548	-
2005	4,249,157	4,249,157	-	-	-	-	4,249,157
Cimentospar, SGPS, Lda.	593,484	593,484					
2005	593,484	593,484	-	-	-	-	593,484
Portucel Florestal, S.A.	17,406,032	17,406,032					
2001	3,491,014	3,491,014	3,491,014	-	-	-	-
2002	5,989,592	5,989,592	-	5,989,592	-	-	-
2003	7,925,426	7,925,426	-	-	7,925,426	-	-
Aliança Florestal, SA	31,049	31,049					
2001	31,049	31,049	31,049	-	-	-	-
Enerforest, S.A.	70,645	133,842					
2001	70,645	133,842	70,645	-	-	-	-
Aflomec, SA	7,956	7,956					
2002	7,956	7,956	-	7,956	-	-	-
Aflotrans, Lda	8,127	8,127					
2005	8,127	8,127	-	-	-	-	8,127
Tecnipapel, Lda	202,865	202,865					
2001	50,816	50,816	50,816	-	-	-	-
2002	152,048	152,048	-	152,048	-	-	-
Secil Pré-betão, S.A.	2,536,416	2,536,416					
2004	2,826,818	2,536,416	-	-	-	2,826,818	-
Secil Angola, SARL	9,446,910	9,446,910					
2009	8,142,269	9,446,910	-	-	8,142,269	-	-
Silonor, S.A. (undefined)	5,559,630	4,930,546					
	80,972,141	80,406,254	6,447,820	10,525,307	29,177,049	23,397,328	4,850,768



## 29. Pensions and other post-employment benefit

As mentioned in Note 1.30 the Group grants to its employees and family several post-employment benefits.

The evolution of responsibilities assumed with post-employment benefits, reflected in the consolidated balance sheet as of June 30, 2007 is as follows:

Amounts in Euros	Opening Balance	Change in Consolidation Method	Liabilities Increase	Transfer	Payments	Endorsements for funds	Closing Balance
<b>Post-work benefits</b>							
Group liability for pensions	86,843,478	(8,316,221)	8,748,713	181,248	(522,029)	-	86,935,188
Under/(Overfunding) of pensions funds	27,679,106	(1,779,428)	(8,198,271)	-	(1,114,713)	(1,283,000)	24,501,685
Death and retirement	928,736	(955,081)	(7,880)	-	(17,083)	-	448,712
Assistance in health	14,319,986	(7,316,358)	303,388	117,824	(180,594)	-	7,343,907
Long service award	1,443,723	(707,426)	9,389	-	(38,877)	-	956,989
	187,214,028	(18,214,470)	889,831	299,072	(1,859,483)	(1,283,000)	186,754,158

Concerning costs incurred with pensions, the breakdown as of June 30, 2007 can be presented as follows:

Amounts in Euros	Current services	Interest cost	Expected Return on the plan assets	Impact in the profit for the period
<b>Post-work benefits</b>				
Group liability for pensions	153,775	2,027,398	-	2,181,173
Under/(Overfunding) of pensions funds	2,265,097	4,013,610	(3,121,348)	3,157,359
Death and retirement	17,235	11,843	-	29,078
Assistance in health	138,015	184,697	-	322,712
Long service award	32,445	18,356	-	50,801
	2,606,567	6,255,904	(3,121,348)	5,741,123

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

In the first semester of 2007, the Group changed some of the assumptions used in the calculation of the liabilities for retirement pension supplements, namely the discount rate, because these assumptions are considered to be more adequate to the present financial and economical situation of the Group.

### 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, which can only be exercised when the directors resign.

This allowance reaches a maximum of 80% of directors' monthly salary at the date of ceasing functions, when they worked at least 20 years as directors, and a minimum of 27.2%, corresponding to 8 years in that position. However, these amounts are deducted from the values received by the beneficiaries through the Social Security system.

Once the Company's statutes determine that members of the corporate bodies' mandates correspond to a four years period, the responsibility is calculated and recorded on the beginning of the second mandate.

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.

### Sub-Group Portucel

Currently, there are several plans for retirement and survivor pension supplements within the whole of the consolidated companies. Thus, to certain categories of current employees, there are plans which are over and above those below described, also with autonomous assets to cover those additional responsibilities.

Under the prevailing Social Benefit Regulation, permanent employees of Portucel and its main subsidiaries with more than five years service (ten years service to Soporcel, Aliança Florestal and Raiz) are entitled, after retirement or disability, to a monthly retirement pension or disability supplement. 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 retirement and the years of service, up to a limit of 30 (limit of 25 to Soporcel, Aliança Florestal and Raiz), being also guaranteed survivor pensions to the spouse and to direct descendants.

To cover these liabilities, externally managed pension funds were set up, and 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

Secil and its subsidiaries:

- (i) CMP – Cimentos Maceira e Pataias, S.A.;
- (ii) Unibetão – Industrias de Betão Preparado, S.A.;
- (iii) Cimentos Madeira, Lda.;

The companies assumed the commitment to pay cash benefits to their employees as supplements for retirement, disability, anticipated retirement and survivor pensions.

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, December 31, 1987, are the sole obligation of Secil. Likewise, the responsibility assumed by some its subsidiaries, in Portugal, which operate 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 HEALTHCARE BENEFITS**

Secil and its subsidiaries CMP- Cimentos Maceira e Pataias, S.A., Cimentos Madeira, Lda., Brimade – Sociedade de Britas da Madeira, S.A. and Promadeira – Sociedade Técnica de Construção da Ilha da Madeira, Lda., have assumed to provide its employees healthcare benefits, which are over and above those provided by the state's health and social security system and are extended to family members, retired staff and widows. Under this scheme, costs of certain healthcare have been assumed:

- (i) in Secil, through the Health insurance agreed by the company;
- (ii) in CMP, through the entity "Cimentos - Federação das Caixas de Previdência", for the affiliated workers, as well as for all the other employees, with approval of company's medical office; and
- (iii) in subsidiaries Cimentos Madeira, Brimade and Promadeira, through approval of companies' medical office.

**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 Pataias, S.A., assumed the commitment to pay bonuses to those employees who:

- (i) at Secil, achieve 25, 35 and 40 years; and
- (ii) in CMP, achieve 20 and 35 years of service at the mentioned companies. Those premiums are paid in the year in which the worker reaches that number of years at company's service.

The liabilities are directly ensured by the company.

**ACTUARIAL ASSUMPTIONS USED**

Actuarial studies carried out by independent entities for determining the accumulated liabilities as of June 30, 2007 and December 31, 2006 were based on the following assumptions:

	30-06-2007	31-12-2006
Disability Table	EKV 80	EKV 80
Mortality table	TV 88/90	TV 88/90
Growth rate of salaries	2.50%	2.50%
Technical interest rate	5.00%	4.50%
Growth rate of pensions	2.25%	2.25%
Estimated average cost on health assistancy - Secil	465	465
Estimated average cost on health assistancy - CMP	510	426

**Funds allocated to pension benefit plans**

During the periods ended June 30, 2007 and December 31, 2006 the evolution of the funds was as follows:

Amounts in Euros	30-06-2007	31-12-2006
Amount at the beginning of the year	156,950,033	140,474,142
Change in Consolidation Method	(19,811,248)	-
Endowments made in the year	1,293,000	14,161,000
Expected return of funds in the year	3,225,231	6,487,042
Actual return of funds in the year (in Equity)*	993,511	730,751
Pensions paid	(1,703,528)	(4,732,902)
Other	-	(150,000)
	140,946,999	156,950,033

\* Differential between real and expected income

As of June 30, 2007 and December 31, 2006 the composition of funds was as follows:

Amount at the beginning of the year	30-06-2007	31-12-2006
Shares	39,559,251	37,678,154
Bonds	83,463,283	79,387,654
Public Debt	1,681,807	-
Index Linked Bonds	-	13,155,964
Property	245,368	503,367
Liquidity	1,891,570	4,609,696
Other applications - short term	14,105,720	21,615,198
	140,946,999	156,950,033



### Obligations for post-employment benefits

As of June 30, 2007 and December 31, 2006 companies' liabilities with retirement and survivor benefits were as follows:

Balance sheet obligations	30-06-2007			31-12-2006		
	Autonomous fund	Assumed by the Group	Total	Autonomous fund	Assumed by the Group	Total
Amounts in Euros						
Liabilities for past service						
- Active employees	116,089,723	93,731,626	209,821,349	130,737,208	84,126,112	214,863,320
- Pre-retired	700,944	-	700,944	1,698,239	-	1,698,239
- Retired employees	48,458,016	6,203,561	54,661,577	62,193,692	12,717,365	74,911,057
Market value of the pension fund	(140,946,999)	-	(140,946,999)	(156,950,033)	-	(156,950,033)
Insufici�ncia / (excesso)	24,301,684	99,935,187	124,236,871	37,679,106	96,843,477	134,522,583

### Amounts included in the income statement

	30-06-2007			30-06-2006		
	Autonomous fund	Assumed by the Group	Total	Autonomous fund	Assumed by the Group	Total
Amounts in Euros						
Current services	2,265,097	153,776	2,418,873	2,801,657	114,655	2,916,312
Interest cost	4,013,610	2,027,398	6,041,008	4,169,087	2,282,613	6,451,700
Expected return on the plan assets	(3,275,927)	-	(3,275,927)	(2,680,556)	-	(2,680,556)
Others	-	-	-	(1,531,702)	-	(1,531,702)
Transfers and adjustments	154,578	-	154,578	304,028	-	304,028
	3,157,358	2,181,174	5,338,532	3,062,514	2,397,268	5,459,782

### Changes in liabilities presented in the balance sheet

	30-06-2007			31-12-2006		
	Autonomous fund	Assumed by the Group	Total	Autonomous fund	Assumed by the Group	Total
Amounts in Euros						
Liability in the beginning of the period	194,629,139	96,843,477	291,472,616	179,894,500	102,909,209	282,803,709
Change in Consolidation Method	(21,590,686)	(6,316,221)	(27,906,907)	-	-	-
Changes in Perimeter	-	181,249	181,249	-	-	-
Costs/(Gains) recognized in the income statement	6,278,707	2,181,174	8,459,881	12,366,124	4,582,269	16,948,393
Actuarial gains/losses (Equity)	(13,829,842)	7,567,539	(6,262,303)	1,361,640	40,428	1,402,068
Actuarial deviations Costs/(Gains)	1,464,894	-	1,464,894	642,132	(3,543,052)	(2,900,920)
Responsibilities transferred to fund	-	-	-	5,097,645	(5,097,645)	-
Pensions paid	(1,703,528)	(522,032)	(2,225,560)	(4,732,902)	(2,047,732)	(6,780,634)
Total liabilities	165,248,684	99,935,186	265,183,870	194,629,139	96,843,477	291,472,616

### Obligations for other post-employment benefits

As of June 30, 2007 and December 31, 2006 companies' liabilities with retirement and death benefits, as well as long service awards and healthcare benefits were as follows:

### Amounts included in the balance sheet

	30-06-2007				31-12-2006			
	Assistance in health	Retirement and death	Long service award	Total	Assistance in health	Retirement and death	Long service award	Total
Amounts in Euros								
Liabilities for past services:								
- Active employees	2,959,853	448,713	705,092	4,113,658	6,085,768	928,736	1,443,724	8,458,228
- Retired employees	4,383,654	-	-	4,383,654	8,233,227	-	-	8,233,227
	7,343,507	448,713	705,092	8,497,312	14,318,995	928,736	1,443,724	16,691,455

### Amounts included in the income statement

	30-06-2007				30-06-2006			
	Assistance in health	Retirement and death	Long service award	Total	Assistance in health	Retirement and death	Long service award	Total
Amounts in Euros								
Current services cost	138,015	17,235	32,445	187,695	188,364	33,886	68,188	290,438
Interest cost	184,697	11,843	18,356	214,896	271,918	20,325	32,313	324,556
Expense recognized in the income statement	322,712	29,078	50,801	402,591	460,282	54,211	100,501	614,994

**Changes in liabilities presented in the balance sheet**

Amounts in Euros	30-06-2007				31-12-2006			
	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	14,318,995	928,736	1,443,724	16,691,455	12,152,369	906,651	1,431,349	14,490,369
Change in Consolidation method	(7,016,308)	(455,081)	(707,425)	(8,178,814)	-	-	-	-
Change in Perimeter	117,024	-	-	117,024	-	-	-	-
Costs/(Gains) recognized in the income statement	322,712	29,079	50,801	402,592	704,490	73,917	132,357	910,764
Adjustments due to changes in actuarial assumptions	(218,831)	(36,939)	(45,432)	(301,202)	2,107,240	18,269	(41,040)	2,082,469
Pensions paid	(180,085)	(17,082)	(36,576)	(233,743)	(645,104)	(68,101)	(78,942)	(792,147)
	<b>7,343,507</b>	<b>448,713</b>	<b>705,092</b>	<b>8,497,312</b>	<b>14,318,995</b>	<b>928,736</b>	<b>1,443,724</b>	<b>16,691,455</b>

**Actuarial studies assumptions**

	30-06-2007			31-12-2006		
	Assistance in health	Retirement and death	Long service award	Assistance in health	Retirement and death	Long service award
General assumptions						
Disability Table	EKV 80	EKV 80	EKV 80	EKV 80	EKV 80	EKV 80
Mortality table	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90
Growth rate of salaries	-	3.30%	3.30%	-	3.30%	3.30%
Technical interest rate	5.00%	5.00%	5.00%	4.50%	4.50%	4.50%
Growth rate of health expenses	4.60%	-	-	4.60%	-	-

**Actuarial gains and losses recognised under Equity on the period**

Actuarial gains and losses directly recognised under equity during the first semester of 2007, as described in Note 1.22, were as follows:

Amounts in Euros	Actuarial gains & losses			Gross Value	Deferred tax	Impact in Equity 30-06-2007
	Change in assumptions	Others	Return of assets expected vs real			
<b>Post-employment benefits</b>						
Pensions assumed by the Group	7,205,158	(14,772,697)	-	(7,567,539)	(16,180)	(7,583,719)
Pensions with autonomous funds	13,664,111	(1,349,879)	993,511	13,307,743	(3,802,850)	9,504,893
Death and retirement	19,358	17,581	-	36,939	(9,789)	27,150
Assistance in health	552,186	(333,354)	-	218,832	(56,412)	162,420
Long service award	29,097	16,335	-	45,432	(12,040)	33,392
	<b>21,469,910</b>	<b>(16,422,014)</b>	<b>993,511</b>	<b>6,041,407</b>	<b>(3,897,271)</b>	<b>2,144,136</b>



## 30. Provisions

During the periods ended on June 30, 2007 and December 31, 2006 movements in provisions were as follows:

Amounts in Euros	Legal Claims	Fiscal Claims	Environmental Restoration	Others	Total
January 1, 2006	1,800,864	-	695,013	4,974,654	7,470,531
Change in Perimeter	-	-	-	(112,878)	(112,878)
Increases (Note 6)	457,654	13,919,015	269,630	18,753,774	31,400,073
Direct Utilisation	(11,947)	-	(91,642)	-	(103,589)
Replacements (Note 6)	(470,628)	-	(121,990)	(879,991)	(1,472,609)
Exchange differences	-	-	-	(76,052)	(76,052)
December 31, 2006	1,775,948	13,919,015	751,911	20,659,507	37,106,479
Change in Perimeter	-	-	-	1,152,802	1,152,802
Change in Consolidation method	-	-	(367,965)	(3,809,459)	(4,177,424)
Increases (Note 6)	14,908	888,346	79,219	9,989,938	10,972,309
Direct Utilisation	-	-	(96,278)	(1,138,447)	(1,234,723)
Replacements (Note 6)	-	-	-	(227,591)	(227,591)
Exchange differences	-	-	-	51,694	51,694
June 30, 2007	1,790,752	14,807,361	365,959	26,678,214	43,642,286

The increase in provisions for Fiscal claims refers to contingencies in Portugal related to Stamp Duty, concerning the tax inspection to the year 2004 in subsidiary Soporcel. The initial balance relates to VAT contingencies outside Portugal, concerning the subsidiaries Portucel and Soporcel.

Additionally, the increase in Other provisions relates to Social Security complementary benefits to employees.

## 31. Interest-bearing liabilities

As of June 30, 2007 and December 31, 2006 Group's net debt were as follows:

Amounts in Euros	30-06-2007	31-12-2006
<b>Interest-bearing liabilities</b>		
Non-current	1,159,865,774	1,324,378,845
Current	1,947,714	67,837,778
	<b>1,201,813,488</b>	<b>1,392,216,623</b>
<b>Cash and cash equivalents</b>		
Cash	384,640	295,363
Short term Bank deposits	25,413,729	12,755,194
Others	295,217,000	293,079,655
	<b>321,015,369</b>	<b>306,130,212</b>
<b>Interest-bearing net debt</b>	<b>880,798,119</b>	<b>1,086,086,411</b>

### Non current interest-bearing liabilities

As of June 30, 2007 and December 31, 2006 non-current interest-bearing liabilities were as follows:

Amounts in Euros	30-06-2007	31-12-2006
<b>Non-current</b>		
Bond loans	925,000,000	927,244,591
Commercial paper	54,600,000	123,550,000
Loans from financial institutions	182,405,723	262,202,409
Expenses with bond loans issuance	(7,700,819)	(8,258,462)
Interest-bearing bank debt	<b>1,154,304,904</b>	<b>1,304,738,538</b>
Financial leases	207,153	856,195
Other loans - POE's	5,353,717	18,784,112
Other interest-bearing debt	<b>5,560,870</b>	<b>19,640,307</b>
<b>Non current interest-bearing liabilities</b>	<b>1,159,865,774</b>	<b>1,324,378,845</b>

### Loans from financial institutions

The amount disclosed under the caption Loans from financial institutions included, as of December 31, 2006, an amount of Euros 66,263,756 related with 2 structures – with Caixa - Banco de Investimento, S.A.

(Put & Call Combination) and with Credit Suisse International (Portucel Total Return Swap), which gave the right, in pre-certain dates, to buy 2.95% and 1.13% of Portucel S.A. share capital. On February 12, 2007, and according to the contract signed with Caixa - Banco de Investimento, S.A., Semapa exercised the right to buy the mentioned 2.95% of Portucel's share capital.

The amount presented under the caption Other loans - POE 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 June 30, 2007 and December 31, 2006 non-current bond loans were made up as follows:

Amounts in Euros	30-06-2007	31-12-2006
<b>Bond loans</b>		
Portucel 2005 / 2010	300,000,000	300,000,000
Portucel 2005 / 2013	200,000,000	200,000,000
Portucel 2005 / 2012	150,000,000	150,000,000
Portucel 2005 / 2008	25,000,000	25,000,000
Portucel 2005 / 2010 II	25,000,000	25,000,000
Semapa 2006 / 2016	175,000,000	175,000,000
Semapa 2006 / 2016	50,000,000	50,000,000
Semapa 1998 / 2008	-	2,244,591
	<b>925,000,000</b>	<b>927,244,591</b>

Amounts in Euros	Amount	Maturity	Reference rate	Spread
<b>Bond loans</b>				
Portucel 2005 / 2010	300,000,000	Março 2010	Euribor 6m	1.000%
Portucel 2005 / 2013	200,000,000	Maio 2013	Euribor 6m	0.875%
Portucel 2005 / 2012	150,000,000	Outubro 2012	Euribor 6m	1.100%
Portucel 2005 / 2008	25,000,000	Dezembro 2008	Euribor 6m	0.700%
Portucel 2005 / 2010 II	25,000,000	Dezembro 2010	Euribor 6m	0.950%
Semapa 2006 / 2016	175,000,000	Abril 2016	Euribor 6m	1.350%
Semapa 2006 / 2016	50,000,000	Maio 2016	Euribor 6m	1.250%
Semapa 1998 / 2008		Março 2008	Euribor 6m	1.250%
	<b>925,000,000</b>			

Portucel sub-group's bond loans, made through private subscription in the total amount of Euros 700,000,000, will be repaid in a single instalment.

Two of the above mentioned bond loans, amounted to Euros 300,000,000 and Euros 150,000,000, are listed in Euronext Lisbon under the designations "Obrigações Portucel 2005/2010" and "Obrigações Portucel 2005/2012", and its unit value, as of December 31, 2006, is Euros 100,75 and Euros 100,25, respectively.

Additionally, in 2006 Semapa SGPS, SA have restructured its debt, issuing two bond loans amounting Euros 50,000,000 and Euros 175,000,000 with 10 years maturity, led by Banco BPI, SA and Banco Espírito Santo de Investimento, SA, jointly with Caixa BI, respectively. This last is listed in Euronext Lisbon under the designation "Obrigações Semapa 2006/2016", whose unit value is, as of June 30, 2007, Euros 100.99.

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



Amounts in Euros	30-06-2007	31-12-2006
1 to 2 years	56,192,305	89,101,813
2 to 3 years	329,834,472	65,222,344
3 to 4 years	63,415,797	357,438,347
4 to 5 years	7,691,098	8,570,594
More than 5 years	655,625,768	687,898,014
	<b>1,112,759,440</b>	<b>1,208,231,112</b>

### Current interest-bearing liabilities

As of June 30, 2007 and December 31, 2006 current interest-bearing liabilities were as follows:

Amounts in Euros	30-06-2007	31-12-2006
<b>Current</b>		
Bond loans	2,244,590	5,611,476
Bank borrowings	24,775,933	49,675,771
Interest-bearing bank debt	<b>27,020,523</b>	<b>55,287,247</b>
Short-term borrowings for shareholders	12,166,903	8,755,110
Financial leases	645,240	720,387
Other loans - POE's	2,115,048	3,075,034
Other interest-bearing debt	<b>14,927,191</b>	<b>12,550,631</b>
<b>Current interest-bearing liabilities</b>	<b>41,947,714</b>	<b>67,837,778</b>

### Liabilities related to financial leasing

As of June 30, 2007 and December 31, 2006 Group's indebtedness under financial lease plans, except for Equipments - Soporgen, was as follows:

Amounts in Euros	30-06-2007	#	31-12-2006
Less than 1 year	425,146		757,089
1 to 2 years	259,034		566,418
2 to 3 years	153,810		286,517
3 to 4 years	53,872		88,300
4 to 5 years	16,246		32,708
More than 5 years	9,154		20,497
	<b>917,262</b>		<b>1,751,529</b>
Future interest	(64,869)		(174,947)
<b>Present value of financial lease liabilities</b>	<b>852,393</b>		<b>1,576,582</b>

As of June 30, 2007 and December 31, 2006, the Group uses the following goods acquired under finance leases:

Amounts in Euros	30-06-2007		
	Acquisition amount	Accumulated amortization	Net book value
Basic equipment	235,645	(138,842)	96,803
Basic equipment - Soporgen (IFRIC 4)	44,003,950	(22,001,975)	22,001,975
Transportation equipment	1,154,078	(829,520)	324,549
	<b>45,393,673</b>	<b>(22,970,346)</b>	<b>22,423,327</b>
Amounts in Euros	31-12-2006		
	Acquisition amount	Accumulated amortization	Net book value
Basic equipment	1,604,022	(414,186)	1,189,836
Basic equipment - Soporgen (IFRIC 4)	44,003,950	(17,601,580)	26,402,370
Transportation equipment	2,045,417	(1,276,775)	768,642
	<b>48,089,635</b>	<b>(19,585,553)</b>	<b>28,504,082</b>

### Financial Covenants

To certain type of financing operations, there is the commitment to maintain certain financial ratios, whose limits are previously negotiated and were not exceeded in the period of analysis.

## 32. Payables and other current liabilities

As of June 30, 2007 and December 31, 2006 the caption Payables and other current liabilities showed the following breakdown:

Amounts in Euros	30-06-2007	31-12-2006
Accounts payable to suppliers	134,364,710	160,200,778
Accounts payable to associated companies (Note 34)	1,195,843	3,253,673
Shareholders	911,601	-
Accounts payable to suppliers of fixed assets	9,557,915	14,772,119
Instituto do Ambiente - CO2 emission licenses	87,040	18,393,144
Derivative financial instruments (Note 33)	239,786	1,421,511
Other creditors	15,017,363	13,447,458
Accrued costs	52,865,552	57,911,320
Deferred income	10,221,492	18,871,415
	<b>224,461,302</b>	<b>288,271,418</b>

The amount of Euros 18,393,144 presented in the caption Instituto do Ambiente - CO2 emission licenses, as of December 31, 2006, related to the fair value of gases emission licences to be delivered by the emissions carried through that year, which were allocated free of charge to the Group under the National Plan for the Allocation of CO2 Emission Licences (PNALE).

As of June 30, 2007 and December 31, 2006 the captions Accrued costs and Deferred income were made up as follows:

Amounts in Euros	30-06-2007	31-12-2006
<b>Accrued costs</b>		
Insurance	98,643	16,037
Payroll expenses	28,458,992	33,789,742
Interest payable	9,401,507	9,799,838
Power costs	4,269,341	4,252,757
Transportation services	437,203	344,275
Other	10,198,866	9,708,671
	<b>52,865,552</b>	<b>57,911,320</b>
<b>Deferred income</b>		
Government grants	9,852,448	17,921,364
Grants - CO2 Emission Licences	118,424	579,401
Others	250,620	370,650
	<b>10,221,492</b>	<b>18,871,415</b>

### Changes in Government grants

Amounts in Euros	30-06-2007	31-12-2006
Opening balance	17,921,364	22,559,299
Changes in the consolidation perimeter	244,480	-
Change in Consolidation method	(7,003,875)	-
Exchange differences	(39,819)	(224,419)
Grants received in the period	263,264	519,973
Grants recognized in year results (Note 5)	(1,532,946)	(4,743,857)
Estimate for additional grant to receive	-	(189,632)
<b>Closing balance</b>	<b>9,852,448</b>	<b>17,921,364</b>

### Changes in Grants - CO2 emission licences

Amounts in Euros	30-06-2007	31-12-2006
Opening balance	579,401	11,422,108
Grants received in the period	1,319,588	81,056,817
Change in Consolidation method	(119,720)	-
Licences disposal	(15,659)	(23,951,250)
Licences Remittal	(94,959)	-
Grants recognized in period results	(547,248)	(67,208,905)
Fair value changes	(1,002,979)	(739,369)
<b>Closing balance</b>	<b>118,424</b>	<b>579,401</b>

### Changes in CO2 emission licences - quantities (tonnes)



Unit: CO2 Tonnes	30-06-2007	31-12-2006
Opening balance	89,414	506,772
Change in consolidation method	(38,847)	-
Allowances received	1,998,321	3,376,408
Acquisition	45,318	-
Emissions	(725,339)	(2,838,448)
Disposals	(382,000)	(955,318)
	986,867	89,414

As at June 29, 2007, CO2 tonne was quoted at Euros 0.12. Thus, market value of owned emission licences, deducted from period emissions, was Euros 118,424.

### 33. Derivative financial instruments

To manage the exchange rate risk associated with collections from customers were made forward rate agreements that will expire during 2007. Additionally, it was contracted a financial instrument to hedge against the risk associated with fluctuations in the prices of pulp for sales contemplated to 2007.

As of June 30, 2007 and December 31, 2006 fair value of derivative financial instruments showed the following breakdown:

Amounts in Euros	Notional		30-06-2007		31-12-2006	
	Currency	Amount	Positive	Negative	Net amount	Net amount
<b>Hedging</b>						
Interest rate swaps (IRS)	EUR	262,500,000	9,281,707	-	9,281,707	6,585,447
Foreign exchange forwards (pulp sales)	EUR	126,832,932	5,486,076	(232,844)	5,253,231	7,185,639
		389,332,932	14,767,783	(232,844)	14,534,939	13,771,086
<b>Trading</b>						
CAPs	EUR	37,500,000	-	-	-	(15)
Foreign exchange forwards	EUR	62,109,311	4,048	(7,142)	(3,093)	827,213
Interest rate options	EUR	43,015,318	274,061	-	274,061	314,343
Interest rate swaps (IRS)	EUR	43,015,318	462,404	-	462,404	775,007
		185,639,947	740,512	(7,142)	733,370	1,716,848
		15,598,358	(229,788)	15,368,571	15,457,631	-

Movements in balance sheet disclosed balances related to financial instruments, in the first semester of 2007, were as follows:

Amounts in Euros	Bonuses Paid	Changes in fair value (Negotiation)	Variation de Justo valor (Hedging)	Total
Opening balance	6,276,500	1,716,549	7,484,582	15,457,631
Change of consolidation method	-	(533,782)	-	(533,782)
New agreements	-	-	-	-
Maturity (Note 10)	(3,346,167)	-	(3,946,929)	(7,293,096)
Fair value increases	-	180,895	8,087,153	8,268,049
Fair value decreases (Note 10)	-	(630,291)	-	(630,291)
Closing balance	2,930,333	733,372	11,604,806	15,268,511

Fair value of derivative financial instruments is included under the caption Current payables (Note 32), if negative, and in caption Current receivables (Note 24), if positive.

### 34. Balances and transactions with related parties

As of June 30, 2007 and December 31, 2006 balances with related parties are made up as follows:

Amounts in Euros	Interest-bearing liabilities	
	30-06-2007	31-12-2006
<b>Shareholders</b>		
Cimo SGPS, SA	2,672,000	2,450,999
Longapar, SGPS, SA	8,660,505	5,636,078
Sonaca, SA	834,398	668,033
	12,166,903	8,755,110

Amounts in Euros	Current receivable amounts	
	30-06-2007	31-12-2006
<b>Group Companies</b>		
Secil Energia, Lda.	2,343	4,610
Secil, SA	1,133,296	-
	1,135,639	4,610

Amounts in Euros	Current receivable amounts	
	Costumers	Other Debtors
<b>Subsidiaries Shareholders</b>		
Irish Cement, Ltd.	445,001	-
Other related parties	-	37,137
	445,001	37,137
<b>Associate Companies</b>		
J.M. Henriques, Lda.	-	53,868
Viroc Portugal - Industria de Madeira e Cimento, S.A.	282,512	1,199,683
Secil Unicon - S.G.P.S., Lda	-	1,543
Setefrete, S.A.	-	553,191
Be-power	6,172	2,676
Secil Prebetão - Pré-Fabricados de Betão, S.A.	28,018	18,407
Afoelca, ACE	-	29,740
Soporgen	-	319,992
Cutoaper, ACE	343,798	62,765
TASC	-	2,743
	660,500	2,244,608
<b>Total balances with related parties</b>	<b>1,105,501</b>	<b>2,281,745</b>

Amounts in Euros	Current payable amounts		
	current liabilities	Short Term Shareholders	Suppliers
<b>Subsidiaries Shareholders</b>			
Coif Sicar	-	13,242	-
Pedro Soveral	-	31,969	-
Ricardo Soveral	-	31,969	-
Seribo, S.A.	-	94,737	-
Sociedade de Empreitadas Adriano, S.A.	-	11,644	-
Other Related Parties	1,112,718	728,040	-
	1,112,718	911,601	-
<b>Associate Companies</b>			
Chryso Portugal, S.A.	-	-	200,957
Secil Prebetão - Pré-Fabricados de Betão, S.A.	-	-	2,556
Afoelca, ACE	-	-	278,143
Cutoaper, ACE	-	-	714,187
	-	-	1,195,843
	1,112,718	911,601	1,195,843

During the first semester of 2007, transactions with related companies were as follows:

Amounts in Euros	30-06-2007	
	Purchases of services	Financial expenses
<b>Shareholders</b>		
Cimianto SGPS, SA	53,870	-
Cimo SGPS, SA	-	59,001
Longapar, SGPS, SA	-	60,602
Sonaca, SA	-	15,982
	53,870	135,585

Amounts in Euros	30-06-2007			
	Purchases of services	Services rendered	Operating income	Financial expenses
<b>Subsidiaries Shareholders</b>				
Irish Cement, Ltd.	-	1,960,677	-	-
Seribo, S.A.	-	-	-	2,564
Other Shareholders	-	-	-	91,540
<b>Associates</b>				
Viroc Portugal, S.A.	-	375,707	774	27,930
Chryso Portugal, S.A.	2,882	-	-	-
Setefrete, S.A.	373,919	-	-	-
Secil Prebetão, S.A.	3,532	143,324	31,460	-
Afoelca, ACE	428,047	5,872	-	1,336
Cutoaper	2,950,211	1,704,784	-	(1,883)
	3,756,591	2,229,687	32,234	27,383

### 35. Changes in consolidation perimeter

During the first semester of 2007, the main impacts on consolidated financial statements caused by changes in consolidation perimeter were as follows:

Changes in the Perimeter				
Amounts in Euros	Total	Ciment de Sibline	Cimentos Madeira	Minerbetão
Property, plant & equipment	59,485,847	55,235,873	3,733,308	518,466
Investments in associates	(12,180,427)	(11,677,251)	(503,176)	-
Inventory	6,278,872	5,109,121	1,167,127	2,624
Receivables	7,267,036	3,024,707	3,908,141	334,188
Accruals and deferrals - assets	16,170	-	14,390	1,780
Deferred tax assets	910,573	719,857	186,341	24,375
Minority interests	(22,799,506)	(20,183,178)	(2,615,328)	-
Provisions	(1,450,876)	(1,152,602)	(298,274)	-
Payables	(29,934,800)	(25,089,736)	(4,016,617)	(828,447)
Accruals and deferrals - liabilities	(1,195,662)	(706,374)	(478,599)	(10,689)
Deferred tax liabilities	(364,077)	(144,298)	(176,246)	(43,533)
<b>Total acquired/ integrated</b>	<b>6,033,950</b>	<b>5,136,119</b>	<b>901,067</b>	<b>(3,236)</b>
Positive acquisition difference (Note 15)	7,154,294	5,923,584	754,203	476,507
Negative acquisition difference	-	-	-	-
<b>Net acquisition cost</b>	<b>12,188,244</b>	<b>11,059,703</b>	<b>1,655,270</b>	<b>473,271</b>
Cash and cash equivalents	5,214,111	3,777,547	1,404,730	31,834
<b>Net assets acquired/ integrated</b>	<b>18,402,355</b>	<b>14,837,250</b>	<b>3,860,000</b>	<b>505,105</b>

a) Acquisition of Sibline and Cimentos Madeira

The amounts stated correspond to 51% of assets and liabilities acquired by Secil in the referred companies, since this subsidiary is now consolidated by the proportional method, as mentioned in Note 1.2.

#### Inclusions in the perimeter – sub-Group Secil

##### Reinforcement of participation with acquisition of control

Ciment de Sibline, S.A.L., with its head office in Lebanon, reinforcement of the participation held with the acquisition of 21.86%, having 50.5% of its share capital held by the Group;

Cimentos Madeira, S.A., with its head office in Funchal, reinforcement of the participation held with the acquisition of 42.86%, having 57.15% of its share capital held by the Group;

##### New acquisitions

Minerbetão, Lda., com with its head office in Leiria, having 100% of its share capital held by the Group;

##### Reinforcement of participation in subsidiaries already controlled

Prescor, Lda., reinforcement of the participation held with the acquisition of 30%, having 100% of its share capital held by the Group;

Secil Martingança, reinforcement of the participation held with the acquisition of 45.81%, having 100% of its share capital held by the Group.

#### Inclusions in the perimeter – sub-Group Portucel

##### Companies established

- PortucelSoporcel Papel, SGPS, SA;
- PortucelSoporcel Energia, SGPS, SA;
- PortucelSoporcel Participações, SGPS, SA;
- PortucelSoporcel Cogeração de Energia, SGPS, SA;
- PortucelSoporcel Comércio de Papel, SA;
- Impactvalue, SGPS, SA.

## 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, 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 the first semester of 2007 are as follows:

Areas	Expenses of the period	Capitalised in the period	Total
Atmospheric emissions	49,022	1,402,918	1,451,940
Management of residual waters	1,737	-	1,737
Waste / residuals management	13,431	34,558	47,989
Protection of soils and underground waters	515	1,231	1,746
Recovery boiler	-	393,562	393,562
Liquid effluent treatment	3,324,911	-	3,324,911
Recycling of materials	305,935	-	305,935
Expenditures with electro filters	450,747	-	450,747
Sewage network	26,969	-	26,969
Solid waste embankment	203,123	-	203,123
Other environmental protection activities	36,050	99,612	135,662
	<b>4,412,440</b>	<b>1,928,861</b>	<b>6,341,321</b>

The expenditures capitalized and expensed during the year ended December 31, 2006, are as follows:

Areas	Expenses of the period	Capitalised in the period	Total
Atmospheric emissions	2,337,965	4,127,262	6,465,227
Management of residual waters	22,860	130,505	153,365
Waste / residuals management	272,632	1,543,702	1,816,334
Protection of soils and underground waters	139,657	141,593	281,250
Recovery boiler	-	9,100,517	9,100,517
Liquid effluent treatment	7,170,235	-	7,170,235
Recycling of materials	899,630	-	899,630
Expenditures with electro filters	689,765	-	689,765
Sewage network	113,358	-	113,358
Solid waste embankment	351,847	-	351,847
Other environmental protection activities	1,045,604	2,754,815	3,800,419
	<b>13,043,553</b>	<b>17,798,394</b>	<b>30,841,947</b>

## 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 trade of "CO2 emission licenses", then transposed to the Portuguese legislation and applicable, from January 1, 2005, to the paper industries, among others (Note 32).

## 37. Auditing and statutory auditing expenses

As of June 30, 2007 and 2006 costs incurred with auditors and statutory auditors were as follows:

Amounts in Euros	30-06-2007	30-06-2006
Statutory auditors services	184,935	185,852
Tax consultancy services	232,599	129,229
	<b>417,534</b>	<b>315,081</b>



## 38. Average number of employees

As of June 30, 2007 and December 31, 2006 the average number of employees at service in the various Group companies, by business segment, was as follows:

Segment	30-06-2007	31-12-2006
Pulp and Paper	1,950	1,951
Cement and Derivatives	2,519	2,231
Holdings	24	20
	<b>4,493</b>	<b>4,202</b>

The increase in the Cement and Derivatives segment is due to changes in consolidation perimeter, as described in Note 35.

## 39. Commitments

As of June 30, 2007 and December 31, 2006 commitments assumed by the Group were as follows:

Entity	30-06-2007	31-12-2006
<b>Guarantees</b>		
DGT - Direcção Geral do Tesouro	50,000,000	50,000,000
IAPMEI (âmbito do POE)	11,021,574	11,021,574
DGCI - Direcção Geral dos Impostos	28,429,963	25,199,206
Financiamento Soporgen	1,000,000	1,111,111
Câmara Municipal de Setúbal	956,275	956,275
APSS - Administração dos Portos de Setúbal e Sesimbra	372,468	372,468
Direcção Geral de Ailândegas	598,557	598,557
APDL - Administração do Porto de Leixões	583,796	583,796
OMMP e Elfouladh	63,631	80,033
Simria	514,361	514,361
Instituto de Conservação da Natureza - Arrábida	332,005	332,005
IFADAP	-	289,804
INGA - Instituto Nacional de Garantia Agrícola	185,334	185,334
IAPMEI (âmbito do PEDIP)	99,760	99,760
Agência portuguesa para o investimento (API)	134,145	-
EDP - Electricidade de Portugal, S.A.	39,387	-
BNA	684,777	-
Others	4,590,930	2,844,474
	<b>99,606,963</b>	<b>94,188,758</b>
<b>Other commitments</b>		
Of purchase	29,048,140	7,332,178
Others	-	-
	<b>29,048,140</b>	<b>7,332,178</b>
	<b>128,655,103</b>	<b>101,520,936</b>

The subsidiary Seinpart – Participações SGPS, issued a bank guarantee, to the tax authorities (Direcção Geral do Tesouro), in 2004, by Euros 50,000,000, valid for five years. This guarantee has the purpose of covering the fulfilment of all 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, concerning the privatization of Portucel.

The amount of Euros 28,429,963 includes an amount of Euros 18,908,072, which corresponds to two guarantees issued to the tax authorities (Direcção Geral do Tesouro) to Soporcel, in consequence of litigation, initiated during the first semester of 2004, related to the income tax incentive process considered in the acquisition of the second paper machine (Note 42).

On May 3, 2000, Soporcel entered into a joint but not several guarantee with a financial institution, under which Soporcel guarantees 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 June 30, 2007, the respective financing, in the amount of Euros 25,000,000, had been drawn in its entirety, standing Soporcel's guarantee at Euros 1,000,000. During the period, the guarantee was reduced due to the reduction of the borrowing.

The assumed buying commitments with suppliers are essentially related to the acquisition of tangible assets.

## 40. Other commitments assumed by Group companies

### Pledges

During the year 2006, Semapa and Semapa Inversiones, SL, as its guarantor, celebrated with a financial institution a promise agreement of credit, until an amount of Euros 200,000,000, with the purpose of financing the acquisition of shares listed in Euronext Lisbon and which integrate the index PSI-20 and/or the acquisition of Portucel shares.

With the availability of funds related to the referred agreement, Semapa and/or the Guarantor are obliged to give in pledge the corresponding acquired shares and/or Portucel shares held, or alternatively to constitute a deposit with a covering ratio never below 1.1. On June 30, 2007, the amount of Euros 35,497,000 had been used from this credit line, being given in pledge 14,255,689 Portucel shares and 86.386 EDP shares.

During the year 2000, the subsidiary Secil contracted bank loans with maturity in 2010 to finance the acquisition of Société des Ciments de Gabès, 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 Gabès contracted with a financial institution in Tunisia a loan in the amount of TND 15.000.000 (Euros 8,823,529), for the acquisition of basic equipment for its plant. Under the terms of this loan, the subsidiary Société des Ciments de Gabès, 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 Secil Martingança, Lda. contracted a bank loan, with maturity in 2012, to finance the acquisition of the subsidiaries IRP – Indústrias 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, in 1993, a comfort letter as a guarantee of obligation compliance with the financings contracted by its associate Viroc Portugal, S.A., in the amount of Euros 2,574,082.

#### **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 is held by 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.

Share capital of Secil Lobito, amounting USD 21,274,286, was carried out through the transfer of tangible and intangible assets from TecnoSecil and Encime U.E.E., by the Group and the Angolan government, respectively. The amount was calculated by an independent international auditing firm in October 2003. 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.

## **41. Contingent assets**

### **Sub-group Secil**

#### ***Tax benefits for the internationalization***

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

This application, although approved by ICEP – Foreign Investment Agency was declined by the Tax authorities, but the Company appealed to court against this decision by claiming the amounts of taxes paid in excess in the years 2000 through 2005, which amount to Euros 5,985,575. The issue already started in Almada's constitutional court in 2004.

#### ***Revaluation under the Privatization process***

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 Euros 2,235,907 in financial terms.

The company lost the case in court related to 1995 (Euros 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 (Euros 795,311). As regards the actions of 1997 (Euros 282,262), 1998 (Euros 327,323) and 1999 (Euros 10,464), they already started in 2004 in the court of first instance, still pending of decision.

#### ***CMP' Pensions Plan***

Secil recorded in its financial statements as of December 31, 1995 a total adjusted amount of Euros 5,598,358, receivable from the Portuguese Government, result from the actuarial study of the liabilities with retirements, reported as of December 31, 1993 and evaluated by a third specialized entity, under the privatization process of the CMP subsidiary.

In result of this evaluation, errors were detected and, in 1996, CMP's Administration requested the Portuguese State the settlement of the amount above mentioned. On September 16, 1999, Secil's management opened a procedure against the Portuguese state, reclaiming the payment of this amount including interest, anticipating conviction of the constitutional court, with reasoning having started in the last quarter of 2004. Judgment in First Instance was concluded in the first semester of 2007 and the sentence is expected to be declared.

#### ***Tax retention from dividends – Cimpor***

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 Euros 25,960,429 for 2001 to 2003, subject to tax in Portugal in the amount of Euros 3,039,491, that should be deducted from tax payable in Spain.

The subsidiary Secilpar filed an appeal in Portugal against the tax retention of dividends for 2002 and 2003, in the amounts of Euros 1,481,263 and Euros 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 nº 192/2005, of November 7.

### **Sub-group Portucel**

#### ***Investment contract – Soporcel's 2nd paper machine***

In 1998, the subsidiary Soporcel entered into a contract with the Portuguese state for a tax incentive, which includes a reduction of certain amounts of the income tax charges in the years from 1998 to 2007, determined and allocated to each year in accordance with the financial effort on eligible investments in tangible assets.

From its estimated income tax for the period ended June 30, 2007 was Euros 729,977 (2006: Euros 1,459,954).



In the course of the calculation of the final amount of the investment, a difference of Euros 2,458,214 was determined between the amount of the tax incentive temporarily deducted up to the year 2000 and the deductible amount based on the final amount of the investment.

Since 2002 this difference is being systematically adjusted in the deductions to be taken until the end of 2007. As of this December 31, 2006 the adjustment to be taken was Euros 222,982. As of June 30, 2007 the unused tax deduction amounts is Euros 729,977, which is already reduced by the amount to be adjusted.

#### ***Investment contract 2006 – API***

On July 12, 2006, Portucel, Soporcel and API – Agência Portuguesa para o Investimento (Portuguese Investment Agency) entered into an investment contract. This is now in force, to be completed by December 31, 2008. It covers tax and financial incentives amounting Euros 122,518,885, of which have already been used in 2006 tax incentives of Euros 8,332,164.

An additional contract was entered into with the entity About the Future, for investments to accomplish in 2007 and 2008 amounting Euros 490,000,000, with tax incentive amounting Euros 52,433,150.

All contracts were approved by national and community authorities, the last one concerning Soporcel approved on June 27, 2007.

#### ***Claims and impugnations***

According to Decree-Law 36/93 of February 13, fiscal debts of privatized companies previous to privatization date are responsibility of Public Debt Regularization Fund (Fundo de Regularização da Dívida Pública). Within this framework, the below mentioned amounts, in the total amount of Euros 3,872,355, as well as paid and non-claimed debts (Euros 625,033) and settled as a result of ongoing tax inspections (already adequately funded) should be reimbursed by the respective Fund.

#### ***Income tax from 2001 – Euros 314,340***

Portucel received on May 2005 – when it was in progress a tax inspection to the year 2002 – a notification of corrections from the internal analyses to the income tax of 2001, which originate an additional liquidation, however paid, of income tax and compensatory interests of Euros 314,340.

However, the referred liquidation was object of gracious claim, for enabling of the legal formalities by the Tax Administration, as the absence of previous audition and the ending of the liquidation right since March 18, 2004, since already be verified the external analyse to the year 2001 done by the Inspection Taxation Services, which had originate an additional liquidation of income tax in 2003, also paid.

#### ***Income tax from 2002 – Euros 286,187***

As at November 15, 2006, the subsidiary Soporcel claimed additional payments of income tax and withholding tax amounting Euros 270,025 and Euros 16,162, respectively.

The last amount resulted of consideration that timely demand of RFI forms with the services rendered cannot superimpose its material truth, neither overcome the disposition in ADT (double tax agreements) celebrated between Portugal and services suppliers' residence states. In addition, European Commission summoned Portugal to revoke withholding tax over services rendered, for being inconsistent to European Union Treaty, namely about establishment's freedoms and services rendering.

The first one, essentially because the pending forms related to research and development tax incentive, amounting Euros 100,806, were obtained after tax payment.

#### ***VAT from 2003 – Euros 2,509,101***

Soporcel had to make an additional VAT payment of Euros 2,509,101, including compensatory interest of Euros 227,759 as at September 19, 2006, compensated with requested VAT reimbursements, within the period to appeal. The company believes the amount is not due, as it relates to the adjustment of VAT deducted on forestry plantings, to which the article 24 of VAT Acts (Código do IVA) is not applicable because they aren't property.

#### ***Income tax from 2003 – Euros 245,998***

Soporcel had to make an additional income tax payment of Euros 220,130, plus Euros 25,868, which was claimed as at March 19, 2007. The settlement relates to withholding tax and the claim is based on the considerations before described of 2002's identical settlement.

#### ***Withholding tax in Spain – Euros 516,729***

ENCE – Empresa Nacional de Celulose, SA, company in which Portucel held 8% of share capital until 2004, paid, between 2001 and 2004, dividends in the global amount of Euros 3,444,862, which have been subject to withholding tax in the amount of Euros 516,729.

The retained amount was objected by Portucel to 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 wouldn't be subject to tax retention).

Additionally, and during the period, the European Commission formally requested to Spain the change of the law that regulates non-residents' tax retentions, namely concerning to dividends paid, as it violates Community law, since it is a discriminatory standard faced to the standard that regulate the taxation of the same nature income, when paid between companies tax resident in Spain, having already started a issue in the court (TJCE).

## 42. Contingent liabilities

Due to the individual corporate income tax inspection for the year 2002, in subsidiary Secil, as regards corporate income tax calculated on an aggregated basis – under the Special Regime for the taxation of group companies – resulted an additional liquidation of Euros 9,289,439, including compensatory interest of Euros 970,938.

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 particular, as regards the consideration of the tax administration in the amount of Euros 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, 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 as at June 30, 2007.

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 of June 30, 2007 and December 31, 2006, by comparison with the Euro, were as follows:

	30-06-2007	31-12-2006	Increase/ (Decrease)
TND (tunisian dinar)			
Average exchange rate for the year	1.7532	1.6868	3.94%
Exchange rate at the end of the year	1.7743	1.7325	2.41%
LBN (libanese pound)			
Average exchange rate for the year	2,003.60	1,892.82	5.85%
Exchange rate at the end of the year	2,035.90	1,965.38	2.54%
USD (american dollar)			
Average exchange rate for the year	1.3291	1.2556	5.85%
Exchange rate at the end of the year	1.3505	1.3170	2.54%
GBP (estrelin pound)			
Average exchange rate for the year	0.6747	0.6817	(1.03%)
Exchange rate at the end of the year	0.6740	0.6715	0.37%

## 44. Subsequent events

On July 4, 2007, Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. acquired, through stock market acquisition, 2,720,000 treasury shares, corresponding to 2.30% of the share capital.

During the months of August and until September, 24 2007, Semapa reinforced in 2.66% its participation in

subsidiary Portucel, through stock market acquisition of 20,431,477 shares of this company.



## 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 sub-group Portucel - under full consolidation

Name	Head Office	Percentage of share capital held by the subsidiary Portucel			Percentage of share capital effectively held by Semapa
		Direct	Indirect	Total	
Portucel – Empresa Produtora de Pasta e Papel, SA	Setúbal	-	-	-	71.79
<b>Subsidiaries</b>					
Soporcel - Sociedade Portuguesa de Papel, SA	Figueira da Foz	100.00	-	100.00	71.79
Tecnipapel – Sociedade de Transformação e Distribuição de Papel, Lda	Setúbal	100.00	-	100.00	71.79
Soporcel España, SA	Spain	-	100.00	100.00	71.79
Soporcel International, BV	Netherlands	-	100.00	100.00	71.79
Soporcel France, EURL	France	-	100.00	100.00	71.79
Soporcel United Kingdom, Ltd	UK	-	100.00	100.00	71.79
Soporcel Italia, SRL	Italy	-	100.00	100.00	71.79
Soporcel 2000 - Serviços Comerciais de Papel, Soc. Unipessoal, Lda	Figueira da Foz	-	100.00	100.00	71.79
Soporcel North America Inc.	USA	-	100.00	100.00	71.79
Soporcel Deutschland, GmbH	Germany	-	100.00	100.00	71.79
Soporcel Handels, GmbH	Austria	-	100.00	100.00	71.79
Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, SA	Setúbal	-	100.00	100.00	71.79
Aliança Florestal – Sociedade para o Desenvolvimento Agro-Florestal, SA	Setúbal	-	100.00	100.00	71.79
Arboser – Serviços Agro-Industriais, SA	Setúbal	100.00	-	100.00	71.79
Enerforest - Empresa de Biomassa para Energia, S.A.	Setúbal	-	100.00	100.00	71.79
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, SA	Setúbal	-	100.00	100.00	71.79
Viveiros Aliança - Empresa Produtora de Plantas, SA	Palmela	-	100.00	100.00	71.79
Alfomec - Empresa de Exploração Florestal, SA	Setúbal	-	100.00	100.00	71.79
Cofotrans - Empresa de Exploração Florestal, SA	Figueira da Foz	-	100.00	100.00	71.79
SPCG – Sociedade Portuguesa de Co-Geração Eléctrica, SA	Setúbal	100.00	-	100.00	71.79
Enerpulp – Cogeração Energética de Pasta, SA	Setúbal	100.00	-	100.00	71.79
Setipel – Serviços Técnicos para a Indústria Papelreira, SA	Setúbal	100.00	-	100.00	71.79
Empremédia - Corretores de Seguros, Lda	Lisbon	-	100.00	100.00	71.79
Socortel - Sociedade de Corte de Papel, SA	Figueira da Foz	50.00	50.00	100.00	71.79
PortucelSoporcel Papel - Sales e Marketing, ACE	Figueira da Foz	50.00	50.00	100.00	71.79
Culpaper - Transformação, Corte e Embalagem de Papel, ACE	Figueira da Foz	-	50.00	50.00	35.90
Raiz - Instituto de Investigação da Floresta e Papel	Eixo	43.00	51.00	94.00	67.49
Soporcel - Gestão de Participações Sociais, SGPS, SA	Figueira da Foz	50.00	50.00	100.00	71.79
Alfotrans - Empresa de Exploração Florestal, Lda	Figueira da Foz	-	100.00	100.00	71.79
About the Future - Empresa Produtora de Papel, S.A.	Setúbal	100.00	-	100.00	71.79
Headbox - Operação e Controlo Industrial, S.A.	Setúbal	100.00	-	100.00	71.79
EMA21 - Engenharia e Manutenção Industrial Século XXI, S.A.	Setúbal	100.00	-	100.00	71.79
Ema Cacia - Engenharia e Manutenção Industrial, ACE	Cacia	91.02	-	91.02	65.35
Ema Setúbal - Engenharia e Manutenção Industrial, ACE	Setúbal	91.01	-	91.01	65.34
Ema Figueira da Foz - Engenharia e Manutenção Industrial, ACE	Figueira da Foz	91.87	-	91.87	65.96
ImpactValue - SGPS, S.A. *	Setúbal	100.00	-	100.00	71.79
PortucelSoporcel Papel, SGPS S.A. *	Setúbal	100.00	-	100.00	71.79
PortucelSoporcel Energia, SGPS S.A. *	Setúbal	100.00	-	100.00	71.79
PortucelSoporcel Participações, SGPS S.A. *	Setúbal	100.00	-	100.00	71.79
PortucelSoporcel Cogeração de Energia, S.A. *	Setúbal	-	100.00	100.00	71.79
PortucelSoporcel Comercio de Papel, S.A. *	Setúbal	100.00	-	100.00	71.79

\* Companies created on 2007

## Subsidiary companies of subgroup Secil – under proportional consolidation

Name	Head Office	Percentage of share capital held by the subsidiary Secil			Percentage of share capital effectively held by Semapa
		Direct	Indirect	Total	
Secil - Companhia Geral de Cal e Cimento, S.A.	Setúbal	-	-	-	51.00
<b>Subsidiaries</b>					
Parcim Investments, B.V.	Amsterdam	100.00	-	100.00	51.00
Secilpar, SL	Madrid	-	100.00	100.00	51.00
Somera Trading Inc.	Panama	-	100.00	100.00	51.00
Hewbol, SGPS, Lda.	Funchal	-	100.00	100.00	51.00
Secil Cabo Verde Comércio e Serviços, Lda.	Praia	-	100.00	100.00	51.00
ICV - Inertes de Cabo Verde, Lda.	Praia	37.50	25.00	62.50	31.88
Florimar- Gestão e Participações, SGPS, Lda.	Funchal	100.00	-	100.00	51.00
Seciment Investments, B.V.	Amsterdam	100.00	-	100.00	51.00
Serife - Sociedade de Estudos e Realizações Industriais e de Fornecimento de Equipamento, Lda.	Lisbon	58.40	-	58.40	29.78
Såonor, S.A.	Dunkerque (France)	100.00	-	100.00	51.00
Société des Ciments de Gabès	Tunis	98.72	-	98.72	50.35
Sud- Béton- Société de Fabrication de Béton du Sud	Tunis	-	98.72	98.72	50.35
Zarzis Béton	Tunis	-	78.97	78.97	40.28
Tercim- Terminais de Cimento, S.A.	Lisbon	100.00	-	100.00	51.00
Secil Angola, SARL	Luanda	100.00	-	100.00	51.00
Secil - Companhia de Cimento do Lobito, S.A.	Lobito	-	51.00	51.00	26.01
Secil, Betões e Inertes, S.G.P.S., S.A. e Subsidiárias	Setúbal	91.85	8.15	100.00	51.00
Britobetão - Central de Betão, Lda.	Évora	-	73.00	73.00	37.23
Unibetão - Indústrias de Betão Preparado, S.A.	Lisbon	-	100.00	100.00	51.00
Secil Britas, S.A.	Penafiel	-	100.00	100.00	51.00
Lisconcreto Unibetão, S.A.	Leiria	-	100.00	100.00	51.00
Camilo Lopez, Lda.	Alcochete	-	100.00	100.00	51.00
Sicobetão - Fabricação de Betão, S.A.	Pombal	-	100.00	100.00	51.00
Minerbetão - Fabricação de Betão Pronto, Lda.	Leiria	-	100.00	100.00	51.00
Secil Martingança - Aglomerantes e Novos Materiais para a Construção, Lda.	Leiria	97.00	-	97.00	49.47
IRP - Industria de Rebocos de Portugal, S.A.	Lisbon	-	97.00	97.00	49.47
Lusocil - Sociedade Portuguesa de Cimento Cola, S.A.	Lisbon	-	97.00	97.00	49.47
Condind - Conservação e Desenvolvimento Industrial, Lda.	Setúbal	50.00	50.00	100.00	51.00
Ciminpart - Investimentos e Participações, SGPS, S.A.	Lisbon	100.00	-	100.00	51.00
Argibetão - Sociedade de Novos Produtos de Argila e Betão, S.A.	Lisbon	-	90.87	90.87	46.34
Sobioen- Soluções de Bioenergia, S.A.	Lisbon	-	51.00	51.00	26.01
Ave- Gestão Ambiental e Valorização Energética, S.A.	Lisbon	-	51.00	51.00	26.01
Cimentos Costa Verde - Comércio de Cimentos, Lda.	Lisbon	-	100.00	100.00	51.00
Ecoresíduos - Centro de Tratamento e Valorização de Resíduos, Lda.	Lisbon	-	100.00	100.00	51.00
Prescor Produção de Escórias Moidas, Lda.	Lisbon	-	100.00	100.00	51.00
CMP - Cimentos Maceira e Pataias, S.A. ("CMP")	Leiria	100.00	-	100.00	51.00
Cimentos de Sábina, S.A.L.	Beirute	28.64	21.86	50.50	25.76
Cimentos Madeira, Lda.	Funchal	57.14	-	57.14	29.14
Belomadeira - Betões e Britas da Madeira, S.A.	Funchal	-	57.14	57.14	29.14
Promadeira - Sociedade Técnica de Construção da Ilha da Madeira, Lda.	Funchal	-	57.14	57.14	29.14
Sanimar Madeira, Sociedade de Materiais de Construção, Lda.	Funchal	-	57.14	57.14	29.14
Brimade - Sociedade de Britas da Madeira, S.A.	Funchal	-	57.14	57.14	29.14
Madebritas - Sociedade de Britas da Madeira, Lda.	Funchal	-	29.14	29.14	14.86
Pedra Regional - Transformação e Comercialização de Rochas Ornamentais, Lda	Funchal	-	29.14	29.14	14.86
Secil Unicon - S.G.P.S., Lda.	Lisbon	50.00	-	50.00	25.50
Secil Prébetão, S.A.	Montijo	-	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	Luxembourg	100.00	-	100.00	71.79
Portucel International GMBH	Germany	-	100.00	100.00	71.79
Afocelca - Agrupamento complementar empresas para protecção contra incêndios	Portugal	-	64.80	64.80	46.52
Portucel Brasil	Brazil	99.00	-	99.00	71.08

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.



## BOARD OF DIRECTORS

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Pedro Mendonça de Queiroz Pereira  
Chairman

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Fernando Maria Costa Duarte Ulrich  
Member

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Maria Maude Mendonça de Queiroz Pereira Lagos  
Member

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Joaquim Martins Ferreira do Amaral  
Member

---

Carlos Eduardo Coelho Alves  
Member

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José Alfredo de Almeida Honório  
Member

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Francisco José Melo e Castro Guedes  
Member

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Carlos Maria Cunha Horta e Costa  
Member

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José Miguel Pereira Gens Paredes  
Member

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Paulo Miguel Garcês Ventura  
Member

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Rita Maria Lagos do Amaral Cabral  
Member

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António da Nóbrega de Sousa da Câmara  
Member

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António Paiva de Andrade Reis  
Member

**Limited Review Report Prepared by an Auditor Registered  
in the Securities Market Commission (CMVM)  
of the Consolidated Half Year Information**  
(Free translation from the original in Portuguese)

**Introduction**

1 We hereby present our limited review report on the consolidated financial information for the six-month period ended June 30, 2007 of Semapa – Sociedade de Investimento e Gestão, SGPS, SA included in the Report of the Board of Directors, consolidated balance sheet (which shows total assets of €3,077,394,320 and a total shareholders' equity of €1,101,858,295, including total minority interests of €340,509,796 and a net profit of €71,548,603), consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of changes in shareholders' equity and consolidated cash flow statement for the six-month period then ended and the corresponding notes to the accounts.

2 The amounts in the consolidated financial statements, as well as those in the additional financial information, are derived from the respective accounting records.

**Responsibilities**

3 It is the responsibility of the Board of Directors: (a) to prepare consolidated financial information which present truly and fairly the financial position of the companies included in the consolidation and the consolidated results of its operations; (b) to prepare historical financial information in accordance with the International Accounting Standard 34 as adopted by the European Union and which is complete, true, timeliness, clear, objective and licit as required by the Portuguese Securities Market Code; (c) to adopt adequate accounting policies and criteria; (d) to maintain appropriate systems of internal control; and (e) to disclose any significant facts that have influenced the operations, financial position or results.

4 Our responsibility is to verify the financial information included in the documents referred to above, namely if it is complete, true, timeliness, clear, objective and licit as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our work.



Semapa – Sociedade de Investimento e Gestão, SGPS, SA

## Scope

5 Our work was performed with the objective of obtaining moderate assurance as to whether the financial information referred to above is free of material misstatement. Our work was performed in accordance with the Standards and Technical Recommendations issued by the Portuguese Institute of Statutory Auditors, planned according to that objective, and consisted: (a) primarily, in enquiries and analytical procedures, to review: (i) the reliability of the assertions included in the financial information; (ii) the adequacy of the accounting policies adopted taking into account the circumstances and the consistency of their application; (iii) the applicability, or not, of the going concern concept; (iv) the presentation of the consolidated financial statements; and (v) as to whether the consolidated financial information is complete, true, timeliness, clear, objective and licit; and (b) in substantive tests to the unusual significant transactions.

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

7 We believe that the work performed provides an acceptable basis for the issue of our limited review report in respect of the half year information.

## Conclusion

8 Based on the work, which was performed with the objective of obtaining moderate assurance, nothing came to our attention that leads us to believe that the consolidated financial information for the six-month period ended June 30, 2007 is not free of material misstatements that affect its conformity with the International Accounting Standard 34 as adopted by the European Union and the information contained therein is not complete, true, timeliness, clear, objective and licit.

Lisbon, September 28, 2007

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

[This is a translation, not to be signed]

Abdul Nasser Abdul Sattar, R.O.C.