DIRECTORS' REPORT

To the Shareholders:

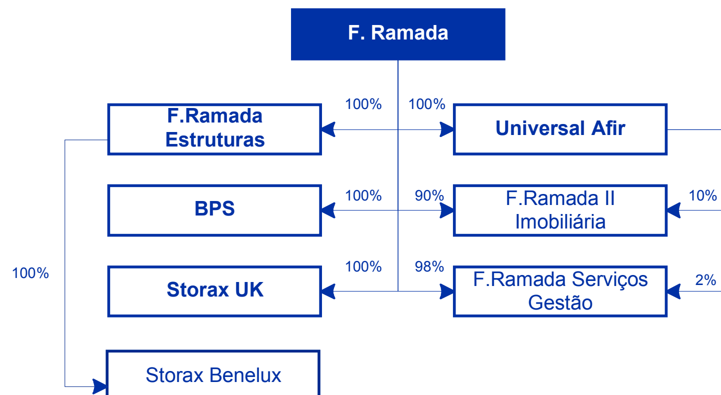
Pursuant to the legal requirements, the Board of Directors hereby presents its Directors' Report for the year 2006.

INTRODUCTION

Ramada Group currently has operations in the Steel and Warehousing Systems markets.

The year 2006 was highlighted by the reorganization of the relations between the several group companies', as well as a commercial activity reinforcement in the in the Benelux market, with the creation of a commercial company in that region, and the growth of the Group's position in the Spanish market.

Ramada Group is currently composed by 8 companies, including three subsidiaries located in EU countries (United Kingdom, France and Belgium), reflecting its consolidation objectives in the European distribution network and maintaining a distinctive position in the Iberian market trough its partnerships with Spanish entities.



ECONOMIC ENVOIRENEMENT

Macroeconomic background

During 2006, the global economy is estimated to have grown above historical data for the third consecutive year, despite adverse macroeconomic factors, motivated by the increase in income taxes and raw material prices, especially crude. The positive behaviour of the financial markets and the stimulation of economical policies have led to an enlargement of the transactions and business perspectives in Europe, in comparison with a less dynamic performance in the United States. European economies seem to be in a virtuous cycle of sustained growth and controlled inflation, with balanced economical indicators, exception made to the private indebtedness, which is particularly significant in the UK.

The structural unbalances in the world economies in the beginning of the year, such as the excessive savings in Asia and in the petroleum exporting countries and the external deficit in the USA persisted. Regarding the near future, it is to consider a plausible instability in the financial markets and a contraction in the North American economic growth, which are considered to be relevant risk factors.

In the Euro zone, inflation was above 2% for the 7th consecutive year.

Regarding European monetary policies, 2006 was a turning point, and after a 3 years period of passive policy, the Central Bank has risen its reference interest rates for 6 times during the year, each of it of 25 basis points.

The Euro good performance reflected mainly the favourable evolution of interest rates differentials towards the most relevant currencies and the expectation that the same evolution remains stable throughout 2007.

National background

In 2006 the Gross Domestic Product in Portugal increased. This caused a better performance in the labour market, reducing unemployment rates, which had been increasing since 2001. Nevertheless, the unemployment rate was slightly above the original expectations, at closing the year at 7.7%.

During the first half-year of 2006, the homologous variation on Consumer Price Index (CPI) increased, reflecting not only the changes in the fiscal policies enforced by the Government introduced in January 2006, but also the increase in crude prices and the new regular VAT rate, which has changed from 19% to 21% in July 2005.

However, during the second semester, the inflation pressure was less significant and the energetic goods price decreased, leading to an inversion on the previous trend. Therefore, the decrease in homologous variation in July and August enabled a negative variation towards the average in the Euro zone, closing the year with an

homologous variation in the Consumer Price Index of around 2.5% when compared to 2005.

The master budget consolidation objectives included in the Pact of stability and economic growth led to new rises in taxes, as well as to cut-backs in certain specific areas of public consumption.

Future prospects

The growth in world Gross Product outside the Euro area is estimated in around 4.8% for the years 2007 and 2008.

The growth rate in Euro area is expected to lie between 1.7% and 2.7% in 2007 and between 1.8% and 2.8% in 2008. Furthermore, the new country members of EU are expected to continue presenting a strong dynamic growth.

In Portugal, the predicted increase of the economic activity shall enable a slight decrease on the unemployment rate, which is expected to remain around 7.5%.

Exports should remain the most dynamic component of the global demand, slightly decreasing when compared to 2006 due to the restrained growth expected for the external markets.

For 2007 it is expected a decrease in the inflation rate, measured by the Consumer Price Index (CPI), which will round 2.1%, accordance with the remaining Euro area.

For 2008 economic improvement is predicted to continue. The growth will reflect the exports performance, as a result of the vigorous world trade increase. The investment cycle should return to a positive stage, after a period of contraction, given the encouraging effect that the improvement in global economy will cause over the companies’ confidence level.

ACTIVITY

The Group managed to achieve, in 2006, a consolidated operating income of 103,971 thousand Euro, an increase of 11.1% when compared to 2005.

The consolidated operating profit (EBIT) in the amount of 11,157 thousand Euro, suffered a reduction of 3.2% towards the previous year.

The consolidated net profit for the year amounted to 7,639 thousand Euro, 0.8% below the amount recorded in 2005, showing an improvement in financial performance.

Special steel

The turnover in the Steel activity amounted 50,028 thousand Euro, presenting a decrease of 1.5% when compared to the preceding year.

Portuguese economy, during the first half-year of 2006, kept a similar performance comparing to the homologous period of 2005, with a slight recovery from the second semester of 2006. Accompanying the economic recovery, the metal-mechanics industry and the moulds industry, relevant sectors for the Group, also increased its activity during the second half of 2006.

After a stable period during the first quarter of the year, the Steel prices in international markets rose during the second semester reaching relevant levels, mostly in steel including nickel.

The mixed effect of the pressure on the sales´ price and the increase of the purchase prices on the international markets affected the Group's commercial margins, which brought the respective consequences in income.

However, the intense commercial activity enabled a trend of recovery that started in the 4th quarter of 2006.

In order to hinder this margin decrease, a cost reduction policy was taken, which involved, among other measures, the reduction of 13 employees.

The Steel activity counted, in December 2006, with 234 employees against 247 in December 2005.

Moreover, 2006 was also characterized by the development of new projects to enlarge productivity and enhance quality at the different areas, in order to increase the competitive capacity and better serve clients.

Warehousing systems

In the Warehousing Systems segment, the geographical distribution of sales was as follow:

Markets	2006	2005	%
Iberian	20,124	16,712	20.4%
France	9,425	10,548	-10.6%
UK	10,035	9,108	10.2%
Benelux	5,476	1,047	423.0%
Others	7,622	4,573	66.7%
Total	52,682	41,987	25.5%

Turnover in the Warehousing systems business amounted to 52,682 thousand Euro, increasing 25.5% in relation to the preceding year. The increase in international sales contributed notably for this performance, namely the sales in Spain, the Netherlands and Belgium. The variation in the two later countries was powered by the new commercial company (Storax Benelux) incorporated in the end of 2005 to reinforce the commercial efforts in this market.

The net income for the year 2006 in this segment ended up above the predictions, as a result of the increase of productivity and a policy of cost reduction. It also benefited from economies of scale, which were made possible due to the increase of the Group's dimension.

Furthermore, 2006 was also highlighted by the creation of innovative solutions in High Density Warehousing Systems market in which the Group is becoming a reference, generating value added to its final customers and allowing for the possibility of entrance in new market niches.

The number of employees in the Warehousing systems business in December 2006 increased to 205 (179 in December 2005).

INVESTMENTS

Non financial investments in 2006, realized by F. Ramada Group, amounted to 1,872 thousand Euro, the most relevant being:

- increasing productivity and quality in the steel warehouse

- increasing capacity of the Warehousing systems activity

- automation of the production equipment with the aim of improving quality and productivity in the Warehousing systems.

HUMAN RESOURCES AND PRODUCTIVITY

The average number of workers during 2006 was of 468 (472 in 2005), and the staff amounted to 471 as of 31 December 2006 (460 in 31 December 2005).

During 2006 training sessions amounted to 2,527 Man-Hours.

The turnover by worker amounted to 219,466 Euro, increasing 11.6% when compared to 2005.

FINANCIAL INDICATORS

The consolidated operating income amounted to 103,971 thousand Euro, 11% above 2005.

As already mentioned the Group faced adverse factors in 2006 which led to the reduction of 3.2% in the operating profit to 11,157 thousand Euro. The operating cash-flow, which amounted to 13,103 thousand Euro, also suffered a decrease of 2.7%.

Financial autonomy decreased from 40.1% in 2005 to 35.0% in 2006.

Return on equity decreased from 25.2% to 22.3% in 2006.

2007 OUTLOOK

Concerning the Steel sector, it is expected a growth in activity due to the recovery of the European economy. It is anticipated that the steel prices will continue the rising trend on the first half-year of 2007. It is foreseeable that the market recovery felt in the end of 2006 keeps its trend throughout 2007, benefiting the Group's performance.

In the Warehousing Systems sector, continuous investment policy and the commercial effort in the main international target markets allow the Group to be optimistic regarding the goals set for sales growth and profitability.

FINAL REMARKS

There are no overdue debts to the Social Security or any other State authorities.

We wish to express our gratitude to our Customers, Suppliers, Financial Institutions and Employees, that made possible the obtained results.

Ovar, 28 March 2007

THE BOARD OF DIRECTORS

João M. Matos Borges de Oliveira - President

Paulo Jorge dos Santos Fernandes

Pedro Macedo Pinto de Mendonça

Domingos José Vieira de Matos

Carlos Manuel Matos Borges de Oliveira

Manuel Alberto Reis Costa

Luis A. Macedo Pinto de Vasconcelos

F. RAMADA, AÇOS E INDÚSTRIAS, S.A.

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2006 AND 2005
(Translation of financial statements originally issued in Portuguese - Note 28)
(Amounts expressed in Euro)

ASSETS	Notes	IFRS 31.12.2006	IFRS 31.12.2005
NON CURRENT ASSETS:			
Biological assets	6	4.680.000	-
Tangible assets	7	8.249.113	8.388.109
Intangible assets	8	49.869	87.477
Investments available for sale	4	45.310	1.594.495
Deferred tax assets	10	2.201.707	1.771.604
Total non current assets		15.225.999	11.841.685
CURRENT ASSETS:			
Inventories	9	37.652.279	24.568.739
Customers	11	35.993.196	33.934.164
Other debtors	12	2.206.064	1.337.130
Other current assets		396.104	283.654
Cash and cash equivalents	13	6.514.641	4.256.786
Total current assets		82.762.284	64.380.473
Total assets		97.988.283	76.222.158
SHAREHOLDERS' FUNDS AND LIABILITIES			
SHAREHOLDERS' FUNDS:			
Share capital	14	15.000.000	15.000.000
Share premium reserves		748.197	748.197
Legal reserve		2.476.231	2.247.633
Conversion reserves		(141.252)	(179.453)
Other reserves		8.564.559	5.077.131
Consolidated net profit for the year		7.639.360	7.699.866
Total shareholders' funds attributable to equity holders of the parent company		34.287.095	30.593.374
Minority interests		-	-
Total Shareholders' funds		34.287.095	30.593.374
LIABILITIES:			
NON CURRENT LIABILITIES			
Bank loans	15	6.333.333	6.363.500
Other non current creditors	17	298.862	1.074.979
Deferred tax liabilities	10	172.927	213.379
Total non current liabilities		6.805.122	7.651.858
CURRENT LIABILITIES			
Bank loans	15	18.451.017	4.603.857
Other loans - short-term	15	8.812.694	9.830.500
Suppliers		19.462.812	14.989.705
Other creditors	18	5.842.164	5.342.759
Other current liabilities	19	4.197.781	3.059.468
Provisions	16	129.598	150.637
Total current liabilities		56.896.066	37.976.926
Total Shareholders' funds and Liabilities		97.988.283	76.222.158

The accompanying notes form an integral part of the consolidated financial statements.

The Board of Directors

F. RAMADA, AÇOS E INDÚSTRIAS, S.A

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS BY NATURE
FOR THE YEAR ENDED 31 DECEMBER 2006 AND 2005
(Translation of financial statements originally issued in Portuguese - Note 28)
(Amounts expressed in Euro)

	Notes	IFRS 31.12.2006	IFRS 31.12.2005
Operating income			
Sales	24	95.702.966	86.188.979
Services rendered	24	7.007.151	6.591.823
Other operating income		1.260.492	804.047
Total operating income		103.970.609	93.584.849
Operating Expenses			
Cost of sales	9	54.434.920	47.449.458
External supplies and services		19.458.136	17.952.054
Payroll expenses		13.281.432	12.843.161
Amortisation and depreciation	7 and 8	1.945.981	1.932.294
Provisions and impairment losses	16	2.933.398	1.080.634
Other operating expenses		759.367	797.074
Total operating expenses		92.813.234	82.054.675
Operating profit		11.157.375	11.530.174
Gains and losses in other investments		-	(107.961)
Financial expenses	20	(1.131.047)	(1.340.792)
Financial income	20	436.942	582.912
Profit before income tax		10.463.270	10.664.333
Income tax	10	(2.823.910)	(2.964.467)
Profit after income tax		7.639.360	7.699.866
Attributable to:			
Parent company's shareholders		7.639.360	7.699.866
Minority interests		-	-
Earnings per share:			
Basic	23	2,55	2,57
Diluted	23	2,55	2,57

The accompanying notes form an integral part of the consolidated financial statements
for the year ended 31 December 2006.

The Board of Directors

F. RAMADA, AÇOS E INDÚSTRIAS, S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' FUNDS
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005
(Translation of financial statements originally issued in Portuguese - Note 28)
(Amounts expressed in Euro)

		Attributable to the parent company's shareholders						
	Notes	Share Capital	Share issue premiums	Legal reserve	Conversion reserves	Other reserves	Net profit	Total Shareholders' funds
Balance as of 1 January 2005		15.000.000	748.197	1.916.073	(225.189)	4.639.362	5.771.279	27.849.722
Appropriation of consolidated net profit for 2004:								
Transfer to legal reserve and retained earnings		-	-	331.560	-	439.719	(771.279)	-
Dividend distribution		-	-	-	-	-	(5.000.000)	(5.000.000)
Change in reserves:								
Conversion reserves		-	-	-	45.736	-	-	45.736
Others		-	-	-	-	(1.950)	-	(1.950)
Net consolidated profit for the year ended 31 December 2005		-	-	-	-	-	7.699.866	7.699.866
Balance as of 31 December 2005		15.000.000	748.197	2.247.633	(179.453)	5.077.131	7.699.866	30.593.374
Balance as of 1 January 2006		15.000.000	748.197	2.247.633	(179.453)	5.077.131	7.699.866	30.593.374
Appropriation of consolidated net profit for 2005:								
Transfer to legal reserve and retained earnings		-	-	228.598	-	3.471.268	(3.699.866)	-
Dividend distribution	26	-	-	-	-	-	(4.000.000)	(4.000.000)
Change in reserves:								
Conversion reserves		-	-	-	38.201	-	-	38.201
Others		-		-	-	16.160	-	16.160
Net consolidated profit for the year ended 31 December 2006		-	-	-	-	-	7.639.360	7.639.360
Balance as of 31 December 2006		15.000.000	748.197	2.476.231	(141.252)	8.564.559	7.639.360	34.287.095

The accompanying notes form an integral part of the consolidated financial statements.

F. RAMADA, AÇOS E INDÚSTRIAS, S.A.

CONSOLIDATED CASH-FLOW STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Translation of financial statements originally issued in Portuguese - Note 28)
(Amounts expressed in Euro)

	2006		2005	
Operating activities:				
Collections from customers	112.799.968		85.918.418	
Payments to suppliers	(94.319.973)		(62.023.368)	
Payments to personnel	(10.142.741)	8.337.254	(8.279.762)	15.615.288
Other collections/payments relating to operating activities	(13.067.302)		(7.065.875)	
Income tax	(287.274)	(13.354.576)	(79.600)	(7.145.475)
Cash flow from operating activities (1)		(5.017.322)		8.469.813
Investment activities:				
Collections relating to:				
Investments	1.902.066		-	
Tangible assets	35.656		51.003	
Interest and similar income	507.750	2.445.472	916.439	967.442
Payments relating to:				
Investments	-		(1.665.261)	
Tangible assets	(2.054.156)	(2.054.156)	(2.058.335)	(3.723.596)
Cash flow from investment activities (2)		391.316		(2.756.154)
Financing activities:				
Collections relating to:				
Loans obtained	9.700.000	9.700.000	2.500.000	2.500.000
Payments relating to:				
Lease contracts	(930.400)		(609.015)	
Interest and similar costs	(959.127)		(1.339.006)	
Dividends	(4.000.000)		(5.000.000)	
Loans obtained	(3.339.105)	(9.228.632)	(4.934.226)	(11.882.247)
Cash flow from financing activities (3)		471.368		(9.382.247)
Cash and cash equivalents at the beginning of the period		1.948.429		5.617.017
Variation of cash and cash equivalents: (1)+(2)+(3)		(4.154.638)		(3.668.588)
Cash and cash equivalents at the end of the period		(2.206.209)		1.948.429

The accompanying notes form an integral part of the consolidated statement of cash flows for the year ended 31 December 2006.

The Board of Directors

1. INTRODUCTORY NOTE

F. RAMADA, Aços e Indústrias, S.A. ("F. Ramada" or "Company") is a Limited Liability Company that started its operations in 1935. Its main activity is the industry and commerce of steel, machines or tools or any other branch of commerce and industry deliberated to be explored by Shareholders' General Meeting and not forbidden by law.

As a result of the Public Acquisition Operation ("OPA") made by Cofina, SGPS, SA during 2001 and materialized in January 2002 through a Potestative Public Acquisition Operation, the Company's' shares cessed being listed in the Lisbon Euronext Stock Exchange.

F. Ramada is currently fully owned by Altri, SGPS, S.A. as a result of Cofina's split-off of its industrial operations, during 2005, for incorporation of this new company.

2. MAIN ACCOUNTING POLICIES

The main accounting policies adopted in the preparation of the accompanying consolidated financial statements are as follows:

2.1 BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared on a going concern basis, based on the accounting records of the companies included in the consolidation (Note 4) adjusted to reflect the recognition and measurement principles of International Financial Reporting Standards ("IFRS" – previously designated International Accounting Standards – "IAS"), issued by the International Accounting Standards Board ("IASB"), in force as of 1 January 2006 as adopted in the European Union.

As of 31 December 2006, IFRS 7 – "Financial Instruments" had already been issued. Its enforcement is required for periods starting on or after 1 January 2007. This standard was not subjected to early adoption by F. Ramada Group as it would only result in additional disclosures.

2.2 CONSOLIDATION POLICIES

The consolidation policies adopted by the Group in the preparation of the consolidated financial statements are as follows:

a) Investments in group companies

Investments in companies in which the Group owns, directly or indirectly, more than 50% of the voting rights at the Shareholders' General Meeting or is able to control the financial and operating policies (definition of control normally used by the Group), are included in the consolidated financial statements by the full consolidation method. Equity and net profit attributable to minority shareholders are shown separately, under the caption Minority interests, in the consolidated balance sheet and in the consolidated statement of profit and loss. Companies included in the consolidated financial statements by the full consolidation method are listed in Note 4.

When losses attributable to the minority interests exceed the minority interest in the equity of the subsidiary, the excess and any further losses attributable to the minority interests are charged against the majority interests except to the extent that the minority shareholders has a binding obligation and are able to cover such losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the minority's share of losses previously absorbed by the Group has been recovered.

Under concentration processes, the assets and liabilities of each subsidiary are measured at fair value at the date of acquisition according to IFRS 3 - "Business Combinations". Any excess on the cost of acquisition over the fair value of the identifiable net assets and liabilities acquired is recognised as goodwill. Any excess of the fair value of the identifiable net assets and liabilities acquired over its cost is recognised as income in the profit and loss statement of the period of acquisition, after reassessment of the estimated fair value. Minority interests are presented according to their share in the fair value of the identifiable assets and liabilities of the acquired subsidiaries.

The net income of subsidiaries acquired or disposed during the period are included in the consolidated statement of profit and loss from the effective date of acquisition or up to the effective date of disposal, respectively.

Adjustments to the financial statements of Group companies are performed, whenever necessary, in order to adapt its accounting policies to those used by the Group. All intercompany transactions, balances and distributed dividends are eliminated during the consolidation process.

Whenever the Group has, in substance, control over other entities created for a specific purpose ("Special Purpose Entities"), even if no share capital interest is directly held in those entities, these are consolidated by the full consolidation method.

b) Investments in associated companies

Investments in associated companies (companies where the Group has significant influence but has no control or joint control over the financial and operating decisions - usually corresponding to holdings between 20% and 50% in a company's share capital) are accounted for in accordance with the equity method.

According to the equity method, the investments in associated companies are initially recorded at acquisition cost, which is adjusted proportionally to the Group's interest in the corresponding share capital, as at the acquisition date or as at the date of the first adoption of the equity method. On a yearly basis, investments are adjusted in accordance with the Group's investment in the associated company's net income against profit or loss for the period. Additionally, the dividends distributed by the subsidiary are recorded as a reduction in the investment's book value and the Group's proportion of the changes occurred in the associated company's equity are recorded as a change in the Group's equity.

Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets acquired is recognised as goodwill, which is included in the caption "Investments in associated companies". If that difference is negative, after reconfirmation of fair value attributed, it is recorded as a gain in the caption "Gains and losses in associated companies".

An evaluation of investments held in associated companies is performed whenever there are signs of impairment in those investments. Impairment losses are recorded in the statement of profit and loss for the period. When those losses recorded in previous periods vanish, they are reverted in the statement of profit and loss for the period.

When the Group's share of losses of the associated company exceeds the investment's book value, the investment is recorded at null value, except to the extent of the Group's commitments to the associate. In such case, the Group records a provision to cover those commitments.

Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the associate against the investment held. Unrealized losses are eliminated but only to the extent that there is no evidence of impairment of the transferred asset.

c) Goodwill

In concentration processes occurred after the transition to IFRS (1 January 2004), the difference between the acquisition cost of the investment in group and associated companies and the fair value of the identifiable assets and liabilities of those companies as at the date of acquisition is recorded, when positive, in the balance sheet captions "Goodwill" and "Investments in associated companies", respectively. Differences between the cost of acquisition of investments in foreign companies and the fair value of their identifiable assets and liabilities as at the date of acquisition is calculated using the local currency of each of those companies. Translation to the Group's currency (Euro) is made using the exchange rate as at the balance sheet date. Exchange rate differences arising from this translation are recorded under the equity caption "Conversion reserves".

Goodwill arising from acquisitions made prior to the date of transition to IFRS (1 January 2004) is stated using the carrying amounts in accordance with generally accepted accounting principles in Portugal and was subject to impairment tests. The impact of these adjustments is recorded in the caption "Other reserves", in accordance with IFRS 1. Goodwill arising from the acquisition of foreign companies was recalculated retrospectively using the local currency of each subsidiary.

Goodwill is not amortised, but is subject to impairment tests on an annual basis. Impairment losses identified in the period are recorded in the statement of profit and loss under the caption "Provisions and impairment losses", and may not be reversed.

The differences between the acquisition cost of group companies and associated companies and the fair value of the identifiable assets and liabilities of those companies at the date of acquisition, if negative, are recorded, at the date of acquisition and after reassessment of the fair value of the identifiable assets and liabilities acquired, as gains in the profit and loss statement.

d) Translation of financial statements of foreign companies

Assets and liabilities in the financial statements of foreign entities are translated to Euro using the exchange rates in force at the balance sheet date. Profit and loss and cash flows are converted to Euro using the average exchange rate for the period. The exchange rate differences originated are recorded in equity captions.

Goodwill and adjustments to the fair value arising in the acquisition of foreign subsidiaries are recorded as assets and liabilities of those companies and translated to Euro at the balance sheet date exchange rate.

Whenever a foreign company is sold, the accumulated exchange rate differences are recorded in the statement of profit and losses as a gain or loss associated with the sale.

Exchange rates used in the translation of foreign group and associated companies included in the consolidated financial statements are as follows:

	Sterling Pound	
	Final Exchange Rate	Average Exchange Rate
31.12.2006	1.48482	1.46686
31.12.2005	1.45922	1.46265

2.3 MAIN ACCOUNTING POLICIES

The main accounting policies used by the Group in the preparation of the consolidated financial statements are as follows:

a) Intangible assets

Intangible assets are recorded at cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognised if it is likely that future economic benefits will flow to the Group, are controlled by the Group and if its cost can be reliably measured.

Development costs are recognised as an intangible asset if the Group has proven technical feasibility and ability to finish the development and to sell/use such assets and it is likely that those assets will generate future economic benefits. Development costs which do not fulfil these conditions are recorded as an expense in the period in which they are incurred.

Internal costs related with maintenance and development of software are recorded as expenses in the statement of profit and loss for the period in which they are incurred. Only costs directly attributable to projects for which the existence of future economic benefits is likely are capitalized as intangible.

Amortisation is calculated on a straight line basis, as from the date the asset is first used, over its expected useful life (usually 3 to 5 years).

b) Tangible assets

Tangible assets acquired until 1 January 2004 (IFRS transition date) are recorded at deemed cost, which corresponds to its acquisition cost, or its acquisition cost revalued in accordance with generally accepted accounting principles in Portugal until that date, net of accumulated amortisation and accumulated impairment losses.

Tangible assets acquired after that date are recorded at acquisition cost, net of depreciation and accumulated impairment losses.

Depreciation is calculated on a straight line basis, as from the date the asset is first used, over the expected useful life for each group of assets.

The depreciation rates used correspond to the following estimated useful lives:

	Years
Buildings	10 to 50
Machinery and equipment	2 to 15
Transport equipment	2 to 10
Tools and utensils	4 to 14
Office equipment	2 to 10
Other tangible assets	3 to 10

Maintenance and repair costs related to tangible assets which do not increase the useful life or result in significant benefits or improvements in tangible fixed assets are recorded as expenses in the period they are incurred.

Tangible assets in progress correspond to fixed assets under construction and are stated at acquisition cost, net of impairment losses. These assets are depreciated from the date they are concluded or ready to be used.

Gains or losses arising from the sale or disposal of tangible assets are calculated as the difference between the selling price and the asset's net book value as at the date of its sale/disposal, and are recorded in the statement of profit and loss under the captions "Other operating income" or "Other operating expenses", respectively.

c) Lease contracts

Tangible fixed assets acquired under financial lease contracts and the corresponding liabilities are recorded in accordance with the financial method. Under this method, the cost of the fixed assets and the corresponding liability are reflected in the balance sheet. In addition, interests included in the lease instalments and the depreciation of the fixed assets, calculated as explained in Note 2.3.b), are recorded in the statement of profit and loss for the period to which they apply.

The operational lease instalments on assets acquired under long-term rental contracts are recognised in full as expenses in the period to which they refer to.

The classification of leases as financial or as operational depends on the substance of the transaction rather than the form of the contract.

d) Governmental or other Public Entities Subsidies

Subsidies for personnel training programmes or exploration subsidies are recorded in the consolidated statement of profit and loss caption "Other operating income" when attributed, independently of when they are received.

Non-repayable subsidies obtained to finance investments in tangible fixed assets are recorded as "Other current liabilities" and "Other non current liabilities" corresponding to the instalments repayable in the short and long term, respectively. These subsidies are recognised in the statement of profit and loss in accordance with the depreciation of the related tangible fixed assets.

e) Impairment of assets, except for Goodwill

Assets are assessed for impairment at each balance sheet date and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of profit and loss under the caption "Provisions and impairment losses".

The recoverable amount is the higher of an asset's net selling price and its use value. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal. The use value is the present value of estimated future cash flows expected to arise from the continued use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognised in prior years are recorded when the Company concludes that the impairment losses previously recognised for the asset no longer exist or has decreased. This analysis is performed whenever there is an indication that the impairment loss previously recognised has been reversed. The reversal is recorded in the statement of profit and loss as "Other operating income". However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised only to the extent it does not exceed the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised for that asset in prior years.

f) Borrowing costs

Borrowing costs (interests) are recognised as expense in the statement of profit and loss for the period in which they are incurred, in an accrual basis.

g) Inventories and biological assets

Merchandise and raw, subsidiary and consumable materials are stated at acquisition average cost, deducted from quantity discounts granted by suppliers, which is lower than its market value.

Finished and intermediate goods, sub-products and work in progress are stated at production cost, which includes the cost of raw materials, direct labour and production overheads, which is lower than market value.

When necessary the Group companies record impairment losses to reduce inventories to its net realisable or market value.

Plantations owned by the Group are classified in the caption "Biological assets". Costs incurred with the acquisition of plantations and plantations made, and costs incurred with its development, conservation and maintenance are included in this caption. The cost of wood is transferred to production cost when the wood is harvested. The cost of wood harvested is determined based on the specific cost of each plantation attributed to each harvesting, which also includes the costs incurred on each plantation since the last harvesting. The Group records, as costs of the period, the accumulated cost of plantations, maintenance and administrative expenses in proportion to the area harvested during the period.

The Board of Directors decided not to record the biological assets at their fair value for considering that, bearing in mind the type of assets being evaluated, the computation depends on assumptions which might not be accurately determined and consequently the fair value might not be reliably measured. However, the Board of Directors believes, based in some indicators, that the acquisition cost of the biological assets is close to its fair value.

h) Provisions

Provisions are recognised when, and only when, the Group has an obligation (legal or constructive) arising from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation. Provisions are reviewed and adjusted at each balance sheet date to reflect the best estimate as of that date.

Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and has been communicated to the involved parties.

i) Financial instruments

i) Investments

Investments held by the Group are divided into the following categories:

Investments held to maturity, are classified as non-current assets unless they mature within 12 months of the balance sheet date. The investments classified as held to maturity are non-derivative assets with defined or determinable payment dates, have defined maturity and the Group has the intention and capacity to maintain them until the maturity date.

Investments measured at fair value through profit and loss are classified as current assets. The purpose of these investments is to obtain short term profits.

Investments available for sale, are all the other investments that are not classified as held to maturity or measured at fair value through profit and loss, being classified as non current assets.

Investments are initially measured at cost, which is the fair value of the price paid, including transaction costs if related with held to maturity and available for sale investments

Investments available for sale and investments measured at fair value through profit and loss are subsequently measured at their fair value by reference to their market value at the balance sheet date without any deduction for transaction costs which may be incurred until its sale. Investments in equity instruments which are not listed on a stock exchange market and whose fair value cannot be reliably measured are stated at cost, net of impairment losses. Investments held to maturity are recorded at amortised cost, using the effective interest method.

Gains or losses arising from a change in the fair value of available for sale investments are recognised under the equity caption “Fair value reserve” included in the caption “Other reserves”, until the investment is sold or disposed, or until it is determined to be impaired, at which time the cumulative loss previously recognised in equity is transferred to the profit and loss statement for the period.

All purchases and sales of investments are recorded on their trade date, independently of the liquidation date.

ii) Accounts receivable

Non interest bearing accounts receivables are stated at their nominal value less impairment losses in order to reflect its net realisable value.

iii) Loans

Loans are recorded as liabilities at their nominal value net of up-front fees and commissions directly related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the statement of profit and loss on an accrual basis.

Assets and liabilities are compensated and presented for their net amount as long as there is the right for compulsory fulfilment of their compensation and the Board of Directors intends to realise them on a net basis or realise the asset and simultaneously settle the liability.

iv) Accounts payable

Non interest bearing accounts payable are stated at their nominal value.

v) Derivatives

The Group may use hedge derivatives for the management and hedging of its financial risks.

The Group’s criteria for classifying a derivative instrument as a cash flow hedge instrument are:

- the hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- the effectiveness of the hedge can be reliably measured;
- there is adequate documentation of the hedging relationships at the inception of the hedge;
- the forecasted transaction that is being hedged is highly probable.

The cash flow hedge instruments related to interest rate and exchange rate are recorded at fair value. Changes in the fair value of these instruments are recorded against the corresponding entry under the equity caption "Hedging reserves", and transferred to the statement of profit and loss when the operation subjected to hedging affects the net profit.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded and deferred in equity under the caption "Hedging reserves" are transferred to the profit and loss statement of the period or to the carrying amount of the asset that arised from the hedged forecast transaction. Subsequent changes in fair value are recorded in the income statement.

In the cases were the derivative is a component of a hybrid financial instrument that includes both the derivative and a host contract, the embedded derivative should be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the host contract and if the host contract is not measured at fair value with changes in fair value recorded in the profit and loss statement.

When derivative instruments, though specifically intended to hedge financial risks, do not fulfil the requirements listed above to be classified and accounted as hedge instruments, the changes in fair value are recorded directly in the profit and loss statement as financial results.

vi) Financial liabilities and Equity instruments

Financial liabilities and equity instruments are classified and accounted for based upon their contractual substance. Equity instruments are those that represent a residual interest upon the Group's net assets and are recorded by the amount received, net of costs incurred with its issuance.

vii) Own shares

Own shares are recorded at acquisition cost as a deduction to equity captions. Gains or losses on its sale are recorded in the equity caption "Other reserves".

viii) Discounted notes and accounts receivable transferred to factoring companies

Accounts receivable represented by discounted notes that have not yet reached their maturity date and accounts receivable sold in "factoring with recourse" as at the balance sheet date are recorded in the balance sheet until they are collected.

ix) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks on demand and term deposits and other treasury applications which reach their maturity within less than three months and may be mobilized without significant risk of change in value.

For purposes of the consolidated statement of cash flows, "Cash and cash equivalents" caption also comprises bank overdrafts, which are included in the balance sheet caption "Bank loans".

j) Contingent assets and liabilities

Contingent liabilities are defined by the Company as (i) possible obligations that arise from past events and which existence will be confirmed, or not, by one or more occurrences of uncertain future events not controlled by the Company, or (ii) present obligations that arise from past events but that are not recorded because it is unlikely that an outflow of resources occurs to settle the obligation or the obligation amount can not be reliably measured.

Contingent liabilities are not recorded in the consolidated financial statements, being disclosed, unless the probability of a cash outflow is remote, in which case no disclosure is made.

Contingent assets are possible assets arising from past events and whose existence will be confirmed, or not, by uncertain future events not controlled by the Company.

Contingent assets are not recorded in the consolidated financial statements but only disclosed when the existence of future economic benefits is likely.

k) Income tax

Income tax for the period is determined based on the taxable results of the companies included in the consolidation and takes into consideration deferred taxation.

Current income tax is determined based on the taxable results of the companies included in the consolidation, in accordance with tax regulations in force at the location of the head office of each Group company, considering the interim Net Profit and the annual estimated income tax rate.

For some of the companies included in the consolidation of F. Ramada Group by the full consolidation method, the income tax is determined in accordance with article 63 of the Corporate Income Tax Code (Código do Imposto sobre o Rendimento das Pessoas Colectivas), under the special regime of taxation of groups of companies.

Deferred taxes are computed using the balance sheet liability method and reflect the timing differences between the amount of assets and liabilities for accounting purposes and the correspondent amounts for tax purposes. Deferred taxes are computed using the tax rate that is expected to be in force at the time these temporary differences are reversed.

Deferred tax assets are only recorded when there is reasonable expectation that sufficient taxable profits will arise in the future to allow such deferred tax assets to be used. At the end of each period the company reviews its deferred tax assets which are reduced whenever its recoverability ceases to be likely, or recorded if it is likely that taxable profits will be generated in the future to enable them to be recovered.

Deferred tax assets and liabilities are recorded in the statement of profit and loss, except if they relate to items directly recorded in equity, in which cases the corresponding deferred tax is also recorded in equity captions.

l) Income recognition and accruals basis

Revenue from the sale of goods is recognised in the consolidated income statement when (i) the risks and benefits have been transferred to the buyer, (ii) the company retains neither continued management involvement in a degree usually associated with ownership nor effective control over the goods sold, (iii) the amount of the revenue can be measured reasonably, (iv) it is likely that the economic benefits associated with the transaction will flow to the company, and (v) the costs incurred or to be incurred related with the transaction can be reliably measured. Sales are recorded net of taxes, discounts and other expenses arising from the sale, and are measured at the fair value of the amount received or receivable.

F. Ramada Group companies follow the procedure of recognizing the income related with storage system activities in accordance with the “Finished contract method”. Production costs already incurred with work in progress are recorded as deferred costs in the caption “Other current assets” and “Inventories” and anticipated invoicing related with these projects is recorded as deferred income in the caption “Other current liabilities”.

Dividends are recognised as income in the statement of profit and loss in the period its distribution is approved and are annulled in the consolidation process if they have been distributed by the companies included in the consolidation process.

All other income and expenses are recognised in the period to which they relate, independently of when the amounts are received or paid. Differences between the amounts received and paid and the corresponding income and expenses are recorded in the accruals and deferrals captions “Other current assets” and “Other current liabilities”.

When the actual amount of income or expenses is yet uncertain, these are recorded based on the best estimate of the Board of Directors of the Companies.

m) Balances and transactions expressed in foreign currencies

All assets and liabilities expressed in foreign currencies were translated to Euro using the exchange rates in force on the balance sheet date. Favourable and unfavourable exchange differences arising from changes in the exchange rates between those prevailing on the dates of the transactions and those in force on the dates of payment, collection or as of the balance sheet date are recorded in the consolidated statement of profit and loss.

n) Subsequent events

Post balance sheet date events that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the Group's consolidated financial statements. Post balance sheet date events that provide information about conditions that have only been met after the balance sheet date are considered non adjusting events and are disclosed in the notes to the financial statements, if material.

o) Segment information

In each period, the Group identifies the most adequate segment division taking into consideration the business areas in which the Group is present.

Information regarding the business segments identified is included in Note 24.

3. CHANGES IN ACCOUNTING POLICIES AND ERROR CORRECTIONS

During 2006 the Group maintained its accounting principles consistent with prior years. No material adjustments or corrections have been detected during the year in relation to previous periods.

4. INVESTIMENTS

The companies included in the consolidated financial statements by the full consolidation method, headquarters and percentage participation held as of 31 December 2006, are as follows:

Company	Head Office	Percentage held	Activity
Parent company:			
F. Ramada, Aços e indústrias, S.A.	Ovar		Steel commercialization
F. Ramada Group:			
Universal Afir – Aços Especiais e Ferramentas, S.A.	Porto	100%	Steel commercialization
F. Ramada – Produção e Comercialização de Estruturas Metálicas de Armazenagem, S.A.	Ovar	100%	Production and commercialization of storage systems
F. Ramada II, Imobiliária, S.A.	Ovar	100%	Real estate
F. Ramada, Serviços de Gestão, Lda.	Ovar	100%	Administration and management services
BPS – Equipements, S.A.	Paris, France	100%	Commercialization of storage systems
Storax Racking Systems, Ltd.	Bromsgrove, UK	100%	Commercialization of storage systems
Storax Benelux	Belgium	100%	Commercialization of storage systems

All the above companies are included in the consolidated financial statements in accordance with the full consolidation method, as established in Note 2.2.a).

As of 31 December 2006 the caption "Investments available for sale" relates mainly to shares of listed companies for which accumulated impairment losses have been recorded to reflect its market value.

Gross book value	131,196
Accumulated impairment losses (Note 16)	(85,886)

	45,310
	======

5. CHANGES IN THE CONSOLIDATION PERIMETER

During the year ended on 31 December 2006 no changes in the Group's consolidation perimeter occurred.

The only change in the consolidation perimeter of the Group when comparing the year ended on 31 December 2005 towards the group's consolidation perimeter on 31 December 2004 relates to the incorporation of Storax Benelux, with a share capital of 125,000 Euro, with its headquarters in Belgium and dedicated to storage systems commercialization.

6. BIOLOGICAL ASSETS

During the year ended 31 December 2006, the Group acquired forestall land sites for resale in the amount of 10,250,000 Euro (Note 9). In addition, the group acquired as well on going plantations inserted on the mentioned forestall land sites, in the amount of 4,800,000 Euro, recorded in the caption "Biological assets".

7. TANGIBLE ASSETS

The changes in tangible assets and in its accumulated depreciation during the years ended on 31 December 2005 and 2006 are as follows:

	2005								
	Gross assets								
	Land and other natural resources	Buildings and other constructions	Plant and machinery	Vehicles	Tools and utensils	Office equipment	Other tangible assets	Work in progress	Total
Opening balance	1,346,387	11,887,953	22,213,775	3,048,108	662,495	2,914,998	322,371	499,702	42,895,789
Additions	78,750	98,391	292,292	193,515	29,664	235,066	83,900	297,390	1,308,968
Disposals	-	-	(98,392)	(76,506)	(4,870)	(5,664)	-	-	(185,432)
Transfers and write-offs	-	387,183	76,920	-	-	(23,535)	5,885	(447,853)	(1,400)
Closing balance	1,425,137	12,373,527	22,484,595	3,165,117	687,289	3,120,865	412,156	349,239	44,017,925
	Accumulated depreciation								
		Buildings and other constructions	Plant and machinery	Vehicles	Tools and utensils	Office equipment	Other tangible assets		Total
Opening balance		8,049,491	19,494,025	2,857,929	633,715	2,661,082	183,986		33,880,228
Additions		409,476	1,061,150	148,567	19,681	198,858	61,611		1,899,343
Disposals		-	(75,553)	(69,698)	(4,870)	(5,664)	-		(155,785)
Transfers and write-offs		-	-	-	-	-	6,030		6,030
Closing balance		8,458,967	20,479,622	2,936,798	648,526	2,854,276	251,627		35,629,816
	1,425,137	3,914,560	2,004,973	228,319	38,763	266,589	160,529	349,239	8,388,109

	2006								
	Gross assets								
	Land and other natural resources	Buildings and other constructions	Plant and machinery	Vehicles	Tools and utensils	Office equipment	Other tangible assets	Work in progress	Total
Opening balance	1,425,137	12,373,527	22,484,595	3,165,117	687,289	3,120,865	412,156	349,239	44,017,925
Additions		7,443	690,609	257,220	33,690	85,877	165,326	631,352	1,871,517
Disposals	-	-	(74,448)	(42,514)	-	(29,561)	(44,333)	(3,544)	(194,400)
Transfers and write-offs	-	-	266,595	5,257	-	-	(86,552)	(320,475)	(135,175)
Closing balance	1,425,137	12,380,970	23,367,351	3,385,080	720,979	3,177,181	446,597	656,572	45,559,867
	Accumulated depreciation								
		Buildings and other constructions	Plant and machinery	Vehicles	Tools and utensils	Office equipment	Other tangible assets		Total
Opening balance		8,458,967	20,479,622	2,936,798	648,526	2,854,276	251,627		35,629,816
Additions		386,492	1,084,300	169,401	26,876	140,685	133,988		1,941,742
Disposals		-	(97,358)	(32,107)	(69)	(46,142)	(85,828)		(261,504)
Transfers and write-offs		23,282	(7,365)	-	-	-	(15,217)		700
Closing balance		8,868,741	21,459,199	3,074,092	675,333	2,948,819	284,570		37,310,754
	1,425,137	3,512,229	1,908,152	310,988	45,646	228,362	162,027	656,572	8,249,113

8. INTANGIBLE ASSETS

The movement of intangible assets and its accumulated depreciation during the years ended 31 December 2005 and 2006 were as follows:

2005			
	Assets		
	Instalation expenses	Software	Total
Opening balance	-	208,159	208,159
Additions	-	57,503	57,503
Closing balance	-	265,662	265,662
	Accumulated depreciation		
	Instalation expenses	Software	Total
Opening balance	-	145,234	145,234
Additions	-	32,951	32,951
Closing balance	-	178,185	178,185
	-	87,477	87,477

2006			
	Assets		
	Instalation expenses	Software	Total
Opening balance	-	265,662	265,662
Additions	-	2,237	2,237
Transfers and write-offs	-	(37,525)	(37,525)
Closing balance	-	230,374	230,374
	Accumulated depreciation		
	Instalation expenses	Software	Total
Opening balance	-	178,185	178,185
Additions	-	4,239	4,239
Transfers and write-offs	-	(1,919)	(1,919)
Closing balance	-	180,505	180,505
	-	49,869	49,869

9. INVENTORIES

As of 31 December 2006 and 2005, the amount recorded in the caption "Inventories" was made up as follows:

	2006	2005
Raw, subsidiary and consumable materials	7,359,723	6,663,594
Sub-products and others	4	981
Work in progress	5,407,154	4,645,609
Finished and intermediated goods	1,787,633	1,700,366
Merchandise	23,477,818	11,951,692
	38,032,332	24,962,242
Accumulated impairment losses (Note 16)	(380,053)	(393,503)
	37,652,279	24,568,739

The cost of sales for the year ended 31 December 2005 amounted to 47,449,458 Euro and was computed as follows:

	Merchandise	Raw, subsidiary and consumable materials	Sub-products	Finished and intermediate goods	Work in progress	Total
Opening balance	8,280,057	6,688,712	1,079	1,852,571	2,661,797	19,484,216
Purchases	26,714,992	25,927,065	-			52,642,057
Inventory adjustments	(34,219)	172,921	-	(89,381)	236,106	285,427
Closing inventories	(11,951,692)	(6,663,594)	(981)	(1,700,366)	(4,645,609)	(24,962,242)
	23,009,138	26,125,104	98	62,824	(1,747,706)	47,449,458

The Cost of sales for the year ended 31 December 2006 amounted to 54,434,920 Euro and was computed as follows:

	Merchandise	Raw, subsidiary and consumable materials	Sub-products	Finished and intermediate goods	Work in progress	Total
Opening balance	11,951,692	6,663,594	981	1,700,366	4,645,609	24,962,242
Purchases	33,844,054	33,536,600	-	-	-	67,380,654
Inventory adjustments	145,743	(318,491)	1,075	(36,161)	332,182	124,348
Closing inventories	(23,477,818)	(7,359,723)	4	(1,787,633)	(5,407,154)	(38,032,324)
	22,463,671	32,521,980	2,060	(123,428)	(429,363)	54,434,920

10. CURRENT AND DEFERRED INCOME TAXES

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during a six-year period until 2000 and a four-year period after that date (ten years for Social Security, until 2000, inclusive, and five years after 2001), except when there has been tax losses, there have been granted tax benefits, or tax inspections or claims are in progress, in which cases the periods may be extended or suspended. Therefore, the tax returns of the Company and its subsidiaries for the years 2003 to 2006 are still subject to review.

The Board of Directors of the Company believes that any potential corrections arising from reviews/inspections of these tax returns by the tax authorities will not have a significant effect on the accompanying consolidated financial statements as of 31 December 2006.

The movement in deferred tax assets and liabilities during the year ended 31 December 2005 was as follows:

	Deffered tax assets	Deferred tax liabilities
Opening balance as of 1.1.2005	1,699,724	233,266
Impact on the profit and loss statement	71,880	(19,887)
Closing balance as of 31.12.2005	1,771,604	213,379

The movement in deferred tax assets and liabilities for the year ended 31 December 2006 was as follows:

	Deffered tax assets	Deferred tax liabilities
Opening balance as of 1.1.2006	1,771,604	213,379
Impact on the profit and loss statement	430,103	(40,452)
Closing balance as of 31.12.2006	2,201,707	172,927

As of 31 December 2006 the deferred tax assets and liabilities, in accordance with its nature, were as follows:

	Deffered tax assets	Deferred tax liabilities
Temporary differences between the tangible and intangible assets book and fiscal value	58,270	-
Provisions and impairment losses not accepted for tax purposes	2,109,494	-
Reinvested capital gains	-	58,637
Depreciation expenses not accepted for tax purposes		114,290
Others	33,943	
	2,201,707	172,927

Income taxes recorded in the profit and loss statement for the year ended 31 December 2006 can be detailed as follows:

Current income tax	
Estimated income tax (Note 18)	3,294,465
Deferred income tax	(470,555)
	2,823,910

11. CUSTOMERS

As of 31 December 2006 and 2005 this caption can be detailed as follows:

	2006	2005
Customers current accounts	39,138,983	34,627,572
Customers, notes receivable	3,272,071	3,755,190
Customers, doubtful accounts	8,066,482	7,515,325
	50,477,536	45,898,087
Accumulated impairment losses (Note 16)	(14,484,340)	(11,963,923)
	35,993,196	33,934,164

The Group's exposure to credit risk is attributable mainly to the accounts receivable related to its operating activity. The amounts recorded in the balance sheet are presented net of accumulated impairment losses for doubtful accounts that were estimated by the Group, in accordance with its experience and based on the economical environment evaluation. The Board of Directors believes that the recorded amounts are close to their fair value.

12. OTHER DEBTORS

As of 31 December 2006 and 2005 this caption can be detailed as follows:

	2006	2005
Advances to suppliers	112,296	67,659
Advances to fixed assets' suppliers	478	36,739
State and public sector:		
Value Added Tax	1,680,533	892,019
Others	24,066	38,349
Other debtors	444,643	358,316
	2,262,016	1,393,082
Accumulated impairment losses (Note 16)	(55,952)	(55,952)
	2,206,064	1,337,130

Additionally, as of 31 December 2006 and 2005, the Group had recorded as non-current assets an account receivable amounting to 1,104,512 Euro which has been fully provided.

13. CASH AND CASH EQUIVALENTS

As of 31 December 2006 and 2005 the caption "Cash and cash equivalents" included in the consolidated balance sheet can be detailed as follows:

	2006	2005
Cash	25,777	34,884
Cash at bank – on demand	6,488,864	4,221,902
	6,514,641	4,256,786

14. SHARE CAPITAL

As of 31 December 2006 F. Ramada's fully subscribed and paid-up share capital consisted of 3,000,000 ordinary shares, with a nominal value of 5 Euro per share. As of that date, F. Ramada, Aços e Indústrias, S.A. and its subsidiaries did not hold own shares.

As of 31 December 2006 the following entities held more than 20% of the subscribed share capital:

- Altri, S.G.P.S., S.A.

15. BANK LOANS AND OTHER LOANS

As of 31 December 2006, the captions "Bank loans" and "Other loans" can be detailed as follows:

	Book value	
	Current	Non current
Bank loans	9,730,167	6,333,333
Bank overdrafts	8,720,850	-
Bank loans	18,451,017	6,333,333
Commercial paper	5,250,000	-
Factoring	3,562,694	-
Other loans	8,812,694	-
	27,263,711	6,333,333

As of 31 December 2006 the Bank Loans' book value was equal to its nominal value

The Group has contracted some renewable commercial paper programmes with subscription warranty which are repayable in the sort term.

Loans obtained bear interest at market rates.

The nominal value of the non current loans is repayable as follows:

Reimbursement year	Amount
2008	4,666,666
2009	1,666,667
	6,333,333

16. ACCUMULATED PROVISIONS AND IMPAIRMENT LOSSES

The movements occurred in provisions and impairment losses for the years ended 31 December 2005 and 2006, can be detailed as follows:

	2005				
	Provisions	Impairment losses in accounts receivables (a)	Impairment losses in investments	Impairment losses in inventories	Total
Opening balance	168,350	12,141,655	85,886	365,387	12,761,278
Increases	69,786	982,732	107,961	28,116	1,188,595
Decreases	(87,499)	-	-	-	(87,499)
Closing balance	150,637	13,124,387	193,847	393,503	13,862,374

(a) including 1,104,512 Euro related to impairment losses in accounts receivables recorded in non current assets captions.

Increases recorded in provisions and impairment losses for the year ended 31 December 2005 were recorded in the statement of profit and loss as follows:

Provisions and impairment losses	1,080,634
Gains and losses in other investments (Note 20)	107,961
	1,188,595

	2006				
	Provisions	Impairment losses in accounts receivables (a)	Impairment losses in investments	Impairment losses in inventories	Total
Opening balance	150,637	13,124,387	193,847	393,503	13,862,374
Increases	34,993	2,898,405	-	-	2,933,398
Decreases	(56,032)	(377,988)	(107,961)	(13,450)	(555,431)
Closing balance	129,598	15,644,804	85,886	380,053	16,240,341

(a) including 1,104,512 Euro related to impairment losses in accounts receivables recorded in non current assets captions.

Increases recorded in provisions and impairment losses for the year ended 31 December 2006 were recorded in the statement of profit and loss caption "Provisions and impairment losses".

The amount recorded in the balance sheet caption "Provisions" as of 31 December 2006 relates to the Board of Directors' best estimate to cover possible losses arising from legal actions in progress.

17. OTHER NON CURRENT CREDITORS

As of 31 December 2006 and 2005 this caption was made up as follows:

	2006	2005
Fixed assets supplier	270,336	1,061,912
Other creditors	28,526	13,067
	298,862	1,074,979

The amount payable to suppliers of fixed assets as of 31 December 2006 relates to leasing contracts and should be reimbursed in accordance with the following reimbursement plan:

2008	270,336
	270,336

The amount recorded in the caption "Other creditors" refers to contract compensations with laid off company workers, which will be paid during the established schedule.

18. OTHER CREDITORS

As of 31 December 2006 and 2005 the current liabilities caption "Other creditors" was made up as follows:

	2006	2005
Fixed assets suppliers	840,026	868,914
Advances from customers	1,513,725	1,247,148
State and public sector:		
Corporate income tax	1,093,011	889,259
Personal income tax	359,915	352,869
Value Added Tax	1,433,182	1,588,062
Social security	424,808	217,125
Other taxes	5,983	5,363
Other creditors	171,514	174,018
	5,842,164	5,342,759

The caption "Advances from customers" corresponds to collected cash from agreed steel supplies.

As of 31 December 2006, the caption "State and other public sectors – Corporate income tax" can be detailed as follows:

Current income tax (Note 10)	3,294,465
Payments on account and tax withholds	(2,201,454)
	1,093,011

19. OTHER CURRENT LIABILITIES

As of 31 December 2006 and 2005 the caption "Other current liabilities" was made up as follows:

	2006	2005
Accrued expenses		
Accrued payroll	1,147,799	1,453,412
Interest payable	155,997	96,551
Others	840,682	411,013
Deferred income	2,053,303	1,098,493
	4,197,781	3,059,468

The caption "Deferred income" includes mainly early invoicing on storage systems sales.

20. NET FINANCIAL PROFIT

The consolidated net financial profit for the years ended 31 December 2006 and 2005 was made up as follows:

	2006	2005
Gains and losses on other investments:		
Provisions for financial investments (Note 16)	-	(107,961)
	-	(107,961)
Financial expenses:		
Interest	(1,028,182)	(1,019,484)
Exchange losses	(5,149)	(6,012)
Losses on the disposal of treasury applications	(3,583)	-
Other financial expenses	(94,133)	(315,296)
	(1,131,047)	(1,340,792)
Financial income:		
Interest	90,402	511,701
Exchange gains	3,497	5,640
Gains on the disposal of treasury applications	236,805	-
Other financial income	106,238	65,571
	436,942	582,912

21. RELATED PARTIES

As of 31 December 2006, Ramada's Group companies had a balance in favour of Celbi – Celulose da Beira Industrial, S.A. in the amount of 5,662,800 Euro.

During the year ended 31 December 2006, Group Ramada's companies acquired Celbi – Celulose da Beira Industrial, S.A. forestall land sites and the plantations inserted in those grounds by the amount of 14,930,000 Euro.

22. FINANCIAL COMMITMENTS NOT INCLUDED IN THE CONSOLIDATED BALANCE SHEET

As of 31 December 2006, Group companies had provided bank guarantees as follows:

Commercial paper	3,996,995
IAPMEI	1,381,750
DGCI ("tax authorities") – VAT reimbursement requests	571,968
Others	231,842

	6,182,555
	========

23. EARNINGS PER SHARE

Earnings per share for the year were determined taking into consideration the following amounts:

	2006	2005
Net profit considered for the computation of basic and diluted earnings	7,639,360	7,699,866
Weighted average number of shares used to compute the diluted and basic average earnings per share	3,000,000	3,000,000
Earnings per share		
Basic	2.55	2.57
Diluted	2.55	2.57

24. SEGMENT INFORMATION

In accordance with the origin and nature of the income generated by the Group, the main segments identified are as follows:

- Steel
- Storage systems
- Support services (a)

(a) – The support services relate to activities performed by F. Ramada II Imobiliária and F. Ramada Serviços de Gestão, which are eliminated in the consolidation process.

The segregation by segments as of 31 December 2005 and 2006 is made up as follows:

	2005				
	Steel	Storage systems	Support services	Consolidation adjustments and eliminations	Consolidated financial statements
Net operating income	58,203,352	50,473,171	2,308,843	(17,400,517)	93,584,849
Operating Cash-flow (EBITDA) (a)	8,291,712	4,468,325	790,269	(87,838)	13,462,468
Operating profit (EBIT)	7,404,684	3,837,240	376,088	(87,838)	11,530,174
Fixed and financial assets (b)	24,372,716	1,566,491	5,352,805	(21,221,931)	10,070,081
Inventories	14,030,736	10,686,940	-	(148,937)	24,568,739
Other assets	24,822,582	21,302,167	840,606	(5,382,017)	41,583,338
Total assets	63,226,034	33,555,598	6,193,411	(26,752,885)	76,222,158
Accounts payable	29,989,482	17,173,678	264,916	(5,222,776)	42,205,300
Other liabilities	1,091,444	2,186,088	305,193	(159,241)	3,423,484
Total liabilities	31,080,926	19,359,766	570,109	(5,382,017)	45,628,784
Investments in tangible and intangible assets	268,986	459,237	638,248	-	1,366,471

(a) - Operating income + depreciation
(b) - including Goodwill

	2006				
	Steel	Storage systems	Support services	Consolidation adjustments and eliminations	Consolidated financial statements
Net operating income	61,322,242	63,225,908	2,489,685	(23,067,226)	103,970,609
Operating Cash-flow (EBITDA) (a)	6,180,351	6,693,884	588,905	(359,784)	13,103,356
Operating profit (EBIT)	5,286,288	6,080,860	150,217	(359,990)	11,157,375
Fixed and financial assets (b)	22,835,737	1,333,054	5,366,616	(21,191,115)	8,344,292
Inventories	15,367,280	12,034,999	14,930,000	-	42,332,279
Other assets	27,840,693	25,204,884	1,430,287	(7,164,153)	47,311,712
Total assets	66,043,710	38,572,937	21,726,903	(28,355,268)	97,988,283
Accounts payable	34,992,438	15,164,202	15,640,684	(6,596,442)	59,200,882
Other liabilities	973,217	3,283,049	456,852	(212,812)	4,500,306
Total liabilities	35,965,655	18,447,251	16,097,536	(6,809,254)	63,701,188
Investments in tangible and intangible assets	931,093	431,808	452,507	-	1,815,408

(a) - Operating income + depreciation
(b) - including Goodwill

Sales and services rendered by the Group in 2006 can be detailed by geographical markets as follows:

Domestic market	48,258,983
Foreign market	54,451,134

	102,710,117
	=========

25. NUMBER OF PERSONNEL

During the years ended 31 December 2006 and 2005, the average number of employees of the companies included in the consolidated financial statements by the full consolidation method was 468 and 472, respectively.

26. DIVIDENDS

In accordance with the decision taken in the General Shareholders Meeting held in 31 March 2006, the Company distributed dividends amounting to 4,000,000 Euro. These were only distributed to the Company's ordinary shares.

27. FINANCIAL STATEMENTS APPROVAL

The financial statements were approved by the Board of Directors and authorized for issuance in 28 March 2007. The final approval depends on the agreement of the General Shareholders Meeting.

28. EXPLANATION ADDED FOR TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IFRS/IAS), some of which may not conform or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

1. PAYMENTS AND COLLECTIONS RELATED TO FINANCIAL INVESTEMENTS

During the year ended 31 December 2006 the Company collected 1,902,066 Euro related to investments, essentially in listed shares, which were sold during 2006.

2. BREAKDOWN OF CASH AND ITS EQUIVALENTS

Cash and its equivalents presented in the consolidated statement of cash flows for the years ended 31 December 2006 and 2005, and the reconciliation between that amount and the amounts shown in the balance sheet as of that date, are as follows:

	31.12.2006	31.12.2005
Cash	25,777	34,484
Bank deposits repayable on demand	6,488,864	4,221,902
	6,514,641	4,256,786
Bank overdrafts (Note 15)	(8,720,850)	(2,308,357)
	(2,206,209)	1,948,429

Deloitte.

Deloitte & Associados, SROC S.A.
Inscrição na OROC nº 43
Registo na CMVM nº 231

Bom Sucesso Trade Center
Praça do Bom Sucesso, 61 - 13º
4150-146 Porto
Portugal

F. Ramada, Aços e Indústrias, S.A.

For the attention of Eng. João Borges de Oliveira

Porto, 5 July 2006

Dear Sirs,

Please find enclosed a translation to English of our Statutory Audit Report on the consolidated financial statements of F. Ramada, Aços e Indústrias, S.A. as at 31 December 2006.

This is a translation of a Statutory Audit Report originally issued in Portuguese on financial statements prepared in accordance with the International Financial Reporting Standards as adopted in the European Union, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

Yours faithfully,

DELOITTE & ASSOCIADOS, SROC S.A.
Represented by António Manuel Martins Amaral

A expressão Deloitte refere-se a uma ou várias sociedades que operam ao abrigo de um acordo com a Deloitte Touche Tohmatsu, uma Swiss Verein, bem como às suas respectivas representadas e afiliadas. Deloitte Touche Tohmatsu é uma associação mundial de sociedades dedicadas à prestação de serviços profissionais de excelência, concentradas no serviço ao cliente sob uma estratégia global, aplicada localmente em, aproximadamente, 140 países. Como Swiss Verein (associação), nem a Deloitte Touche Tohmatsu nem qualquer das suas sociedades membro assumem qualquer responsabilidade isolada ou solidária pelos actos ou omissões de qualquer das outras sociedades membro. Cada uma das sociedades membro é uma entidade legal e separada que opera sob a marca "Deloitte", "Deloitte & Touche", "Deloitte Touche Tohmatsu" ou outros nomes relacionados.

Capital Social: 500.000,00 euros - Matricula na CRC de Lisboa e NIPC 501 776 311
Sede: Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 - 6º, 1050-094 Lisboa
Tel: +(351) 210 427 500 Fax: +(351) 210 427 950 - www.deloitte.com/pt
· Porto: Bom Sucesso Trade Center, Praça do Bom Sucesso, 61 - 13º, 4150-146 Porto - Tel +(351) 225 439 200 - Fax +(351) 225 439 650

Member of
Deloitte Touche Tohmatsu

STATUTORY AUDIT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

(Translation of a report originally issued in Portuguese – Note 28)

Introdução

1. We have examined the consolidated financial statements of F. Ramada, Aços e Indústrias, S.A. ("Company") which comprise the consolidated balance sheet as of 31 December 2006, that presents a total of 97,988,283 Euro and shareholders' equity of 34,287,095 Euro, including a net profit of 7,639,360 Euro, the consolidated statements of profit and loss, the consolidated statement of cash flows and the consolidated statements of changes in shareholders' funds for the year then ended and the corresponding notes.

Responsibilities

2. The preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in consolidation and the consolidated results of their operations and their cash flows, as well the adoption of adequate accounting principles and criteria and the maintenance of appropriate systems of internal control are the responsibility of the Board of Directors. Our responsibility is to express a professional and independent opinion based on our examination.

Scope

3. Our examination was performed in accordance with the Auditing Standards *("Normas Técnicas e Directrizes de Revisão/Auditoria")* issued by the Portuguese Institute of Statutory Auditors *("Ordem dos Revisores Oficiais de Contas")*, which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. An examination includes verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the significant estimates, based on judgements and criteria defined by the Company's Board of Directors, used in their preparation. An examination also includes verifying the consolidation procedures used and that the financial statements of the companies included in the consolidation have been appropriately examined, assessing the adequacy of the accounting policies used and their uniform application and disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept and assessing the adequacy of the overall presentation of the consolidated financial statements. An examination also comprises verifying that the financial information contained in the consolidated Board of Directors' report is in accordance with the consolidated financial statements. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

4. In our opinion, the consolidated financial statements referred to in paragraph 1 above, present fairly, in all material respects, the consolidated financial position of F. Ramada, Aços e Indústrias, S.A. as of 31 December 2006 and the consolidated results of its operations and its consolidated cash flows for the year then ended in conformity with International Financial Reporting Standards as adopted by the European Union.

Porto, 28 March 2007