II. Economic-Financial Situation Financial Statements

This part of the Report relates to the Institution's economic-financial situation, through the publication of its respective balance-sheet and accounts and the auditor's report.

Economic-Financial Situation

Financial situation

The estimated world real economic growth in 2006 was 4.8 percent, with the advanced economies achieving 2.8 percent. Real rate of change in US GDP was 3.3 percent, not significantly different from 2005; Asian economies excluding Japan grew 5.0 percent; Japanese real GDP increased 2.2 percent; eurozone growth was 2.6 percent, compared to the 2005 figure of 1.4 percent.

Consumer price inflation remained under control at 3.2 percent in the US and 2.2 percent in the eurozone.

Real growth is expected to continue to be reasonably sustained through 2007, albeit at a slower rate than 2006, particularly in the USA, with inflation continuing to be under control.

Continuing political uncertainty in the Middle East, high oil prices and fears regarding the effects of globalisation on advanced economies, particularly the US and eurozone, continue to affect equity markets; despite these headwinds in local currency terms growth was around 13 percent in the US equity market, 7 percent in Japan and 15 percent in the eurozone.

The US central bank continued to increase short term rates over 2006 from 4.25 percent at the start of the year, to 5.25 percent in December 2006. The European central bank increased rates from 2.25 percent to 3.5 percent in December 2006. Long-term interest rates remained stable; they were slightly higher both in the US and eurozone at the year-end.

The US dollar depreciated by 12 percent against the euro over 2006.

Investment portfolio

Total return generated by the foundation's investment portfolio in 2006 was 5.5 percent.

Five year annualised returns of 4.1 percent continued to be affected by the equity market collapse between 2000 and early 2003; this return is better than the internal benchmark, but far short of the foundation's target return. 3-year returns, however, were an annualised 7.5 percent, substantially the same as the annualised target return.

The foundation, at the start of each year, sets a total return target for its managers. This target is calculated to maintain the purchasing power of the investment portfolio over the medium to long term, to ensure real appreciation of the portfolio in line with economic growth and to provide the funds required for the foundation's budget. Calculations are based on economic forecasts, including inflation and the real growth of the major economies. The 5.5 percent return achieved in 2006 was less than the target return for the year but above that required to maintain the purchasing power of the portfolio.

As in former years, there was a significant difference in returns between the various Foundation managers although, in broad terms, each has been given the same target and investment guidelines. Each manager has their own different style and the variations derive from their capacity to anticipate or react to market change.

The distribution of the portfolio by principal asset classes, as at 31 December 2006, is set out below:

Equities	53 percent
Bonds	34 percent
Liquidity	9 percent
Property and other investments	3 percent
Currency hedges	1 percent
	100 percent

At 31 December 2006 the asset allocation had changed little from that at the end of 2005 and remained relatively defensive; over the year liquidity has been substantially reduced by increasing the funds managed by certain of the managers. The liquidity and bonds serve to reduce portfolio volatility and risk and, considering the Foundation's conservative approach, it is not expected that the allocation will change significantly in the future.

Oil interests

Brent spot oil prices increased by approximately 2 percent in 2006, from USD 59 at the start of the year to USD 60 at year end. The average price of USD 65 was substantially higher than that of the year 2005 (USD 54). The highest price of USD 79 and the lowest of USD 51, were, once again, significantly higher than in 2005.

There was a 26 percent increase in the value of the Partex Group's oil and gas sales.

Participations in oil companies were valued at fair value by an independent investment bank at 31 December 2006, in accordance with international reporting standards. These participations were originally valued at fair value in 2001 and net present values have been recalculated at each year end to ensure that they remained reasonable.

Largely as a result of the devaluation of the USD against the Euro an increase over 2006 in the values of the subsidiary companies of USD 57,000,000 was converted into a reduction in their value of € 34,500,000.

The group's concessions in Brazil and Algeria continue to be in an early exploration stage while that in Kazakhstan is in a second pilot phase, to be followed in 2007 by a full field development plan for the Dunga Field.

The progress of the investment in Kazakhstan was reviewed and in the light of the improved prospects for the field and the general buoyancy of the oil market, the impairment provision of USD 18,131,230 was cancelled in 2006.

The investment stage in the renewable energy projects continued with additional shareholders' advances to Lusenerg-Energias Renováveis SGPS, SA. The investment program of Generg SGPS S.A., in which to Lusenerg has a 57.5 percent holding, was successfully financed in 2005. Generg was part of a consortium, ENEOP-Eólicas de Portugal SA, which successfully bid for additional MW rights during 2006. Additional investments were made in the SGAM 4/D Energy Fund which has taken minority shareholdings in a refining company and in companies providing services to the oil industry. These investments provide some diversification from the oil exploration industry.

In 2006 a new subsidiary Hidrexpand SA was set up which will hold the group's interests in Portugal, in the Alentejo and Peniche basins.

By contract dated 29 December 2006, Partex Oil and Gas (Holdings) Corporation agreed to purchase a further 10 percent of Lusenerg, subject to the exercise of the preferential rights of the company and the other shareholders; this acquisition is expected to be completed in the first six months of 2007.

Partex Oil and Gas (Holdings) Corporation is expected to pay a dividend to the Foundation of USD 45 million from its 2006 net income (USD 41 million in 2005). In addition an interim dividend of USD 2 million was approved and paid in December 2006.

Activities and indicators

Carrying out the *Budget and Planning of the Foundation's Activities* has – in sum – shown the following:

› Budgetary outcome exceeded initial predictions, by virtue of the increase in costs associated with the launch of new work and the granting of a bonus to staff on the occasion of the Foundation's Fiftieth Anniversary Commemorations, which corresponded to an extraordinary commitment of about 5.3 million Euros.
› Taking into account the budgetary increase, the use of budgetary appropriations was almost complete – 99 percent – with a surplus of 1,468 thousand Euros.
› There was confirmation of an increase in expenses for the activities as a whole – grants and scholarships growing by 3.4 percent and the costs of Foundation's own activities marking a significant growth (19 percent) relative to 2005.
› Costs of investment grew by approximately 40 percent relative to the previous year, and by 52 percent relative to the initial budget, mainly due to projects to modernise the Foundation's physical structures and I.T. systems.
› The distribution to statutory purpose demonstrated a similar structure to the previous year – with a small reduction (approximately 0.6 percent) in Science, and slight increases in Charity and Education (0.4 percent and 0.2 percent, respectively).
› Excluding the awarding of a bonus to staff on the occasion of the Foundation's Fiftieth Anniversary Commemorations, the personnel costs were positive, remaining within the available

budget. Costs for employees fell, and the costs of pensioners rose slightly (4 percent). The number of employees fell by nine, and pensioners by 22. At the end of 2006 there were 534 staff and 1,042 pensioners.

› Profits rose slightly in relation to 2005, and markedly in comparison to predictions. External contributions, specifically for scientific research projects, continue to make up the most significant portion of the profits; the other sources of profit – the sale of publications, of tickets to concerts and shows, admission to museums and sponsorship – fluctuated slightly but showed an overall pattern similar to that seen in the past and higher than was budgeted for.

› The implementation of new kinds of intervention launched in previous years was continued this year, specifically as regards the Gulbenkian Portuguese Language Programme, the Development Assistance Programme and the Creativity and Artistic Production Programme, as well as for the following Transverse and Innovatory Projects: "Malaria Investigation", "Digital Archive of Portuguese Art" and SaudAR – Health and the Air We Breathe".

› The Fiftieth Anniversary Commemorations programme was completed, and overall budget implementation was within budget, in spite of the inclusion of some initiatives which had not been planned, such as the acquisition of works of art, and in spite of having brought some activities forward from 2007, specifically the five Gulbenkian prizes.

› The comparisons of various types of cost and profit for the last two years, are shown in the following table:

Costs and profits

Euro

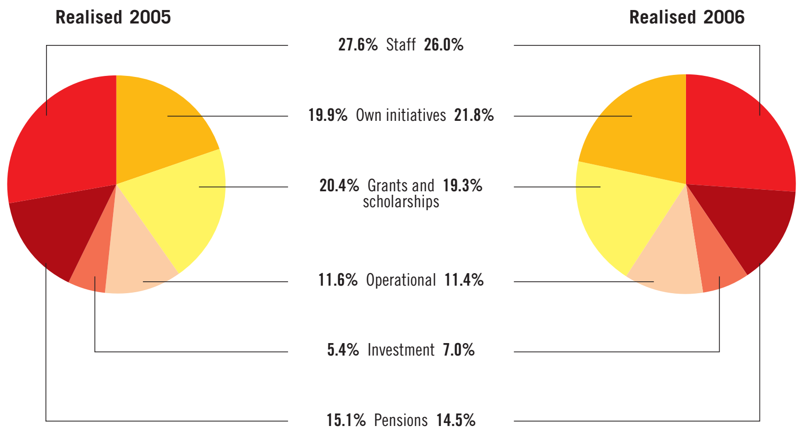
Costs and income	Realised 2005	Realised 2006	Change	
			Absolute value	%
	1	2	3=2-1	4=2/1
Staff costs	29 812 870	30 630 701	817 831	2.7
› Permanent staff	29 812 870	29 359 701	-453 169	-1.5
› Bónus	0	1 271 000	1 271 000	–
Structural costs	18 359 937	21 633 058	3 273 121	17.8
› Investment	5 844 445	8 193 794	2 349 349	40.2
› Operating	12 515 492	13 439 264	923 772	7.4
Grants and scholarships	21 995 811	22 747 148	751 337	3.4
Own initiatives	21 486 404	25 662 347	4 175 943	19.4
Pensions	16 288 298	16 979 378	691 080	4.2
Restructuring costs	4 255 043	425 361	-3 829 682	-90.0
Total costs	***112 198 363***	***118 077 993***	***5 879 630***	***5.2***
Income (-)	8 903 555	8 985 726	82 171	0.9
Net costs	***103 294 808***	***109 092 267***	***5 797 459***	***5.6***

The alterations seen in the structure of the Foundation's costs are to a great extent the result of events associated with the Fiftieth Anniversary Commemorations.

It is worth noting the relative weight within staff costs of staff (from 27.6 percent to 26 percent) and pensioners (from 15.1 percent to 14.5 percent).

With respect to the Foundation's activities, we should point out the slight reduction in the relative weight of grants and scholarships (from 20.4 percent to 19.3 percent), and an increase in the portion of the Foundation's own initiatives as a part of the cost structure (from 19.9 percent to 21.8 percent). The running costs essentially maintained their relative position, and investments increased in significance, from 5.4 percent to 7 percent.

Total costs



For the purposes of the percentage shares of gross expenditure, costs of restructuring are excluded, owing to their transitory and extraordinary nature.

Staffing

The movement of staff over the course of the year add up to a total reduction of 31 people, comprising a drop of nine employees and 22 pensioners.

	31.12.2005	31.12.2006
Employees	***543***	***534***
› Permanent	539	525
› Fixed term contracts	4	9
Pensioners	***1 064***	***1 042***
› Pre-retirements	80	80
› Early retirements	252	251
› Pensions on retirement or disability	544	528
› Pensions to widows/widowers	188	183
Total	***1 607***	***1 576***

Source: HRS.

The Foundation's activities in 2006

The importance and diversity of the Foundation's activities – comprising two different outpourings: the awarding of grants and scholarships and the running of the Foundation's own initiatives – and its impact in terms of beneficiaries, the number of events and the financial sums involved, are clearly shown in the tables below.

Disbursement activities	***Beneficiaries***	***Direct cost***
	No.	**Euro**
Grants	1 707	15 047 062
Scholarships	6 186	7 700 086

Initiatives	***Events***	***Direct cost***
	No.	**Euro**
Exhibitions	35	3 361 672
Concerts (No. of sessions)	189	11 857 436
Cinema and other performances (No. of sessions)	27	120 335
Publications	123	3 395 815
Colloquia and conferences	205	1 353 032
Educational activities	2 729	1 060 917
Training courses	54	780 919
Prizes	1	156 163
Research projects	106	2 171 916
Acquisition of works of art	22	1 350 129
Other iniciatives	–	2 039 953

Permanent activities [Museums, libraries and institutions]	*Visitors*	*Direct cost*
	No.	Euros
Calouste Gulbenkian Museum	157 053	2 593 731
Modern Art Centre	81 298	2 079 880
Gulbenkian Institute of Science	–	5 825 441
Art Library	4 140	2 244 011
Library of Cultural Centre of Paris	1 308	488 461

Beneficiaries and activities

The impact of those activities developed by the Foundation, measured by means of physical indicators, varied slightly compared to the previous year. Overall the number of beneficiaries of the support given grew, as did the number of members of the public who were able to take advantage of the initiatives developed.

Public beneficiary	2005	2006	*Change*
	No.	No.	%
Grants	1 625	1 707	5
Scholarships	5 743	6 186	8
Permanent exhibitions visitors (museums)	218 921	238 351	9
Temporary exhibitions visitors	317 323	371 182	17
Attendance at concerts	128 039	119 413	-7
Attendance to cinema and other shows	22 018	11 747	-47
Participants in educational activities	8 440	25 778	205
Libraries and archives readers/users	5 512	5 448	-1

Activities		2005	2006	*Change*
		No.	No.	No.
Temporary exhibitions		27	35	8
Concerts *(No. of sessions)*		190	189	-1
Cinema and other shows *(No. of sessions)*		46	27	-19
Publications	›› editions	115	123	8
	›› copies	262 160	297 080	34 920
Colloquia and conferences		161	205	44
Educational activities		2 359	2 729	370
Training courses		54	54	0
Prizes		3	1	-2
Research projects		114	106	-8
Acquisition of works of art		23	22	-1

Cost of activities

The financial means which were related to development of various activities exceeded those of the previous year, as can be demonstrated from the information presented in the tables below:

Disbursement activities	2005	2006	*Change*
	Euro	Euro	%
Grants	14 959 250	15 047 062	0.6
Scholarships	7 036 561	7 700 086	9

Initiatives	2005	2006	*Change*
	Euro	Euro	%
Exhibitions	2 601 446	3 361 672	29
Concerts, cinema and other shows	13 473 490	11 977 771	-11
Publications	2 536 140	3 395 815	34
Colloquia and conferences	1 181 728	1 353 032	14
Educational activities	693 612	1 060 917	53
Training courses	1 024 640	780 919	-24
Prizes	222 471	156 163	-30
Research projects	2 260 338	2 171 916	-4
Acquisition of works of art	165 880	1 350 129	714
Other iniciatives	–	2 039 953	–

Permanent activities	2005	2006	*Change*
	Euro	Euro	%
Calouste Gulbenkian Museum	2 304 071	2 593 731	13
Modern Art Centre	2 087 514	2 079 880	-0.4
Gulbenkian Institute of Science	5 789 061	5 825 441	0.6
Art Library	1 927 905	2 244 011	16
Library of Cultural Centre of Paris	462 760	488 461	6

Analysis of the Consolidated Financial Statements

In 2006 the net equity represented by the capital fund reached 2,767.2 million Euros, which corresponded to an increase of 11.3 million Euros on the previous year.

The balance sheet shows an asset total on 31 December 2006 of 3,077.5 million Euros.
The following made important contributions to this:

› the portfolio of financial investments – current investments and other treasury investments – at a total of 2,163.2 million Euros, representing an increase of approximately 25 million Euros relative to 2005;
› the investment in the energy sector – including non-current investments and tangible fixed assets – to a value of 608.2 million Euros. It is worth pointing out the penalising effect of the strong appreciation of the Euro against the US dollar that more than exceeded the growth of most assets in this area whose currency of reference is the US dollar, consolidated in Euros.

Liabilities fell by 5.6 percent, from 328.6 million Euros in 2005 to 310.4 million Euros in 2006, as a result of the drop in the value of creditors, which is mainly a reflection of the drop of approximately 23.5 percent in the value of creditors linked to oil interests.

Relative to the statement of operations, total returns were of the order of 193 million Euros. Of this total, the financial returns constituted some 120.7 million Euros, and the returns on oil activity 72.3 million Euros. The decrease in the return of oil activity compared to the previous year was due to the fact that 2006 did not see extraordinary results from the sale of assets, as had happened in 2005.

The value of other income grew by 44.3 percent, from 8.2 million Euros in 2005 to 11.9 million Euros in 2006.

The resources related to distribution and direct activities came to 77.3 million Euros, an increase of 5.3 percent in relation to the previous year. Administrative and operational costs were of the order of 27.1 million Euros, and increase of approximately 3.8 million Euros relative to the previous year, largely due to the work to maintain and improve the buildings and other infrastructure.

24 April 2007

Consolidated statement of operations
for the years ended 31 December, 2006 and 2005

(€ 10^3)

	Notes	2006	2005
Oil and gas sales		**765 200**	618 353
Cost of sales		**(718 179)**	(582 066)
Other oil and gas income	3	**25 284**	90 293
Net oil and gas income		**72 305**	126 580
Financial income		**275 001**	310 906
Financial expenses		**(154 327)**	(110 417)
Net financial income	4	**120 674**	200 489
Imparidade	5	**14 197**	–
Other income	6	**11 875**	8 228
Distribution and direct activities	7	**(77 348)**	(73 476)
Other administrative and operating costs	8	**(27 158)**	(23 383)
Restructuring costs	10	**(425)**	(4 255)
Provisions	11	**(13 391)**	(45 107)
Depreciation	12	**(2 494)**	(1 429)
Taxes		**(5)**	(77)
Transfer to the Capital Fund		**98 230**	187 570

See accompanying notes to the Financial Statements.

Consolidated balance sheet as at 31 December, 2006 and 2005

(€ 10^3)

	Notes	2006	2005
ASSETS			
Non-current assets			
Tangible assets	13	**143 159**	82 417
Non-current assets	14	**536 087**	571 555
		679 246	653 972
Current assets			
Current assets	16	**2 084 005**	1 991 596
Other treasury applications	17	**79 201**	146 643
Debtors	18	**97 785**	125 861
Cash and cash equivalents	19	**137 290**	166 313
		2 398 281	2 430 413
Total assets		**3 077 527**	3 084 385
CAPITAL FUND			
Capital received from the Founder	20	**11 747**	11 747
Reserves	21	**2 657 197**	2 556 516
Transfer to the capital fund		**98 230**	187 570
Total capital fund		**2 767 174**	2 755 833
LIABILITIES			
Non-current liabilities			
Provisions	22	**225 027**	228 645
Current liabilities			
Grants and scholarships	23	**7 253**	6 891
Creditors and other liabilities	24	**78 073**	93 016
		85 326	99 907
Total liabilities		**310 353**	328 552
Total capital fund and liabilities		**3 077 527**	3 084 385

See accompanying notes to the Financial Statements.

Consolidated statement of cash flows
for the years ended 31 December, 2006 and 2005

(€ 10^3)

	2006	2005
Operating activities		
Oil and gas income received	**72 305**	126 580
Proceeds/investments in current financial assets	**12 400**	(60 199)
Distribution and direct activities	**(74 706)**	(72 175)
Pensions paid	**(16 752)**	(16 050)
Other income/(payments) relating to operating activities	**(20 055)**	(25 938)
Cash flows arising from operating activities	**(26 808)**	(47 782)
Investment activities		
Acquisition of non-current financial investments	**(15 292)**	(26 655)
Dividends received	**19 716**	13 921
Acquisitions of tangible assets	**(61 350)**	(18 862)
Other proceeds/(payments)	**(12 731)**	11 025
Cash flows arising from investment activities	**(69 657)**	(20 571)
Net changes in cash and equivalents	**(96 465)**	(68 353)
Cash and equivalents at the beginning of the year	**312 956**	381 309
	216 491	312 956

See accompanying notes to the Financial Statements.

Consolidated statement of changes in the capital fund for the years ended 31 December, 2006 and 2005

(€ 10³)

	Total capital fund	Capital received from the Founder	Exchange differences	Fair-value reserve	Other reserves
Balance on 31 December, 2004	2 338 283	11 747	(17 802)	237 401	2 106 937
Fair-value reserve	193 818	–	–	193 818	–
Exchange differences	36 162	–	36 162	–	–
Transfer to the capital fund	187 570	–	–	–	187 570
Balance on 31 December, 2005	2 755 833	11 747	18 360	431 219	2 294 507
Fair-value reserve	(50 760)	–	–	(50 760)	–
Exchange differences	(36 129)	–	(36 129)	–	–
Transfer to the capital fund	98 230	–	–	–	98 230
Balance on 31 December, 2006	2 767 174	11 747	(17 769)	380 459	2 392 737

See accompanying notes to the Financial Statements.

Statement of operations
for the years ended 31 December, 2006 and 2005

(€ 10³)

	Notes	2006	2005
Financial income		**297 338**	341 803
Financial expenses		**(154 112)**	(108 897)
Net financial income	4	**143 226**	232 906
Other income	6	**11 682**	8 228
Distribution and direct activities	7	**(77 348)**	(73 476)
Other administrative and operating costs	8	**(17 619)**	(15 203)
Restructuring costs	10	**(425)**	(4 255)
Provisions	11	**(12 311)**	(44 792)
Depreciation	12	**(2 182)**	(1 188)
Imparidade	5	**(159)**	–
Taxes		**(5)**	(26)
Transfer to the capital fund		**44 859**	102 194

See accompanying notes to the Financial Statements.

Balance sheet as at 31 December, 2006 and 2005

(€ 10^3)

	Notes	2006	2005
ASSETS			
Non-current assets			
Tangible assets	13	**15 756**	11 953
Non-current investments	14	**54 680**	39 270
Investments in subsidiaries	15	**713 681**	748 215
		784 117	799 438
Current assets			
Current investments	16	**2 084 005**	1 991 596
Other treasury applications	17	**79 201**	146 643
Debtors	18	**61 790**	62 333
Cash and cash equivalents	19	**1 502**	1 614
		2 226 498	2 202 186
Total assets		**3 010 615**	3 001 624
CAPITAL FUND			
Capital received from the Founder	20	**11 747**	11 747
Reserves	21	**2 710 568**	2 641 892
Transfer to the capital fund		**44 859**	102 194
Total capital fund		**2 767 174**	2 755 833
LIABILITIES			
Non-current liabilities			
Provisions	22	**220 691**	224 530
Current liabilities			
Grants and scholarships	23	**7 253**	6 891
Creditors and other liabilities	24	**15 497**	14 370
		22 750	21 261
Total liabilities		**243 441**	245 791
Total capital fund and liabilities		**3 010 615**	3 001 624

See accompanying notes to the Financial Statements.

Statement of cash flows
for the years ended 31 December, 2006 and 2005

(€ 10^3)

	2006	2005
Operating activities		
Proceeds/investments in current financial assets	**4 851**	(64 057)
Distribution and direct activities	**(74 706)**	(72 175)
Pensions paid	**(16 488)**	(15 817)
Other income/(payments) relating to operating activities	**(16 295)**	(16 636)
Cash flows arising from operating activities	**(102 638)**	(168 685)
Investment activities		
Acquisition of non-current financial investments	**(14 394)**	(8 816)
Dividends received	**55 403**	48 676
Acquisitions of tangible assets	**(8 409)**	(5 900)
Other proceeds/(payments)	**2 484**	(8 446)
Cash flows arising from investment activities	**35 084**	25 514
Net changes in cash and equivalents	**(67 554)**	(143 171)
Cash and equivalents at the beginning of the year	**148 257**	291 428
	80 703	148 257

See accompanying notes to the Financial Statements.

Statement of changes in the capital fund for the years ended 31 December, 2006 and 2005

(€ 10^3)

	Total capital fund	Capital received from Founder	Fair-value reserve	Other reserves
Balance on 31 December, 2004	2 338 283	11 747	433 620	1 892 916
Fair-value reserve	315 356	–	315 356	–
Transfer to the capital fund	102 194	–	–	102 194
Balance on 31 December, 2005	2 755 833	11 747	748 976	1 995 110
Fair-value reserve	(33 518)	–	(33 518)	–
Transfer to the capital fund	44 859	–	–	44 859
Balance on 31 December, 2006	2 767 174	11 747	715 458	2 039 969

See accompanying notes to the Financial Statements.

Notes to the Consolidated and Individual Financial Statements
31 December 2006 and 2005

Note 1
Activities

The Calouste Gulbenkian Foundation (the Foundation) is a not-for-profit organisation with its headquarters in Lisbon, Portugal. The Foundation was created by the will of its founder Calouste Sarkis Gulbenkian, and was granted "public utility status" under Decree Law no. 40690 of 18 July 1956. The Foundation's work is carried out through the awarding of grants and other activities with the following statutory purposes: Art, Charity, Science and Education.

The activities of subsidiary companies (the Group) are related to investments in oil and gas in the Middle East, North Africa, Brazil, Kazakhstan, Angola and Portugal.

Note 2
Accounting policies

a) Basis of presentation

The financial statements of the Foundation were approved by the Board of Trustees on 3 May 2007. They reflect the consolidated results of the operations of the Foundation and its subsidiaries for the years ended 31 December 2006 and 2005.

The IFRS include accounting standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies.

The financial statements are expressed in Euros, rounded to the nearest thousand. The financial statements have been prepared according to the IFRS approved by the European Union in force at the time. They were prepared under the historical cost convention, as modified by the application of the fair value basis for investments, as referred to in note h.

The preparation of financial statements in accordance with the IFRS requires that Foundation make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of income, expenses, assets and liabilities. The related estimates and assumptions are based on historical experience and on other factors considered suitable and appropriate, and form the basis for judgments on the value of assets and liabilities whose value is not evident from other sources. Actual results may differ from those estimated. Matters involving greater judgment or complexity, or where assumptions and estimates are considered to be significant, are shown in note s.

b) Basis of consolidation

Reference date

The consolidated financial statements reflect the assets, liabilities and results of the Foundation and its subsidiaries, as presented in note 15, for the years ended 31 December 2006 and 2005. The accounting policies were consistently applied by all the Foundation' firms.

Investments in subsidiaries

Investments in subsidiaries where the Foundation exercises control are fully consolidated from the date the Foundation assumes control over their activities until that control ceases. Control is presumed to exist when the Foundation owns the majority of voting rights. In addition, control also exists when the Foundation retains the power, directly or indirectly, to manage the financial and operating policies of the entity, to the benefit of its own activities, even if its shareholding is less than 50 percent.

When the accumulated losses of a subsidiary exceed the interest of minorities in the equity of a subsidiary, the excess is attributed to the Group as incurred. Profits subsequently reported by the subsidiary are recognized as income of the Group until the prior losses previously recognized have been recovered.

Investments in foreign subsidiary operations

The financial statements of the foreign subsidiaries of the Foundation are prepared in their functional currency. On consolidation, assets and liabilities of the foreign subsidiaries are translated into Euros at the official exchange rate at the balance-sheet date.

In relation to the accounts of subsidiaries in foreign currencies that are fully consolidated, exchange differences arising between the conversion to Euros of net shareholders' interests at the start of the year and the values calculated by using exchange rates current at the balance-sheet date are charged against consolidated reserves. Exchange differences arising from the hedging of the investment in Group companies expressed in foreign currencies are eliminated on the consolidation against exchange differences relating to those subsidiaries, recorded in the reserves.

The results of these subsidiaries are translated to Euros, at the weighted average exchange rate of the year.

Booking of investments in subsidiaries on an individual basis

On an individual basis, investments in subsidiaries that are not classified as held for sale, or included in a group for disposal classified as held-for-sale, are recognized at fair value, with the variations recorded in a fair value reserve, and periodically subjected to reassessment.

Balances and transactions eliminated on consolidation

Inter-group balances and transactions, including unrealized gains or losses on such transactions, are eliminated in preparing the consolidated financial statements.

c) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies that are recorded at historical cost are translated to Euros at the foreign exchange rates current at the balance-sheet date. Foreign exchange differences arising from translation are recognized in the statement of operations. Non-monetary assets and liabilities in a foreign currency that are recorded at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Euros at the foreign exchange rates ruling at the dates the fair value was determined.

When a gain or a loss on a non-monetary item is recognized directly in the capital fund, all the exchange differences relating to that gain or loss should be recognized directly in the capital fund. On the other hand, when a gain or a loss on a non-monetary item is recognized in the statement of operations, all exchange differences relating to that gain or loss are recognized directly in the statement of operations.

d) Intangible assets

Costs incurred in the acquisition of software and I.T. programme maintenance are recognized as expenses when incurred.

e) Tangible fixed assets

Tangible fixed assets are recorded at acquisition cost, net of any subsidies received and of the respective depreciations accumulated and losses through impairment. Subsequent costs are only recognized when it is probable that future economic benefits will flow to the Foundation; consequently all other repairs and maintenance are charged to the statement of operations during the financial period to which they relate.

Tests to check for potential impairment are carried out whenever events or circumstances suggest that the book value of an asset may exceed the realizable value, with any difference between the book value and realizable value that may exist being charged to the statement of operations.

Depreciation of buildings and motor vehicles is calculated using the straight-line method. For other tangible assets costs are charged to the year of acquisition. Depreciation is calculated over the following periods, which correspond to their estimated useful life:

	Number of years
› Buildings	**50**
› Motor vehicles	**4** to **5**
› Other equipment	**1**

Work carried on the buildings is depreciated on their remainings life.

f) Art collections

The Foundation's art collection was donated by Calouste Sarkis Gulbenkian and it is shown in the financial statements at a symbolic value.

The works of art acquired over the years up to the end of 2005 have been fully written off in the year of acquisition. From 2006 they are recorded at acquisition value and subject to periodical reassessment, in accordance with IAS 36.

g) Leases

The Foundation classifies leases as financial or operating leases depending on their substance rather than the form of their contract, fulfilling criteria defined in IAS 17 – Leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

Finance leases

› As lessee
Finance lease contracts are recorded at inception as assets and liabilities, at the cost of the acquisition of the asset leased, which is equal to the present value of outstanding lease installments. Rents comprise (i) the interest charge, which is recognized in the statement of operations and (ii) the depreciation of principal, which is deducted from liabilities. Financial charges are recognized as costs over the lease period, in order to give a constant rate of interest on the remaining balance of the liability in each period.

h) Other non-current and current financial assets

The Foundation classifies its other financial assets at the time of acquisition, taking account of the purpose, into the following categories:

Financial assets held for trading

This category includes: (i) financial assets held for trading, acquired principally to be sold in the short term and (ii) financial assets that are designated on acquisition at fair value with any value changes put through the profit or loss account.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets, which (i) the Foundation intends to hold for an indefinite period of time, or (ii) are designated as available-for-sale on initial recognition.

Initial recognition, measurement and derecognition

Purchases and sales of available-for-sale investments are recognized on trade date, that is, the date on which the Foundation commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs except for financial assets held for trading, in which case these transaction costs are directly recognized in the statement of operations.

Financial assets are derecognized when (i) the Foundation's contractual rights to receive their cash flows has expired, (ii) the Foundation has transferred substantially all risks and rewards of ownership or (iii) although retaining some but not all of the risks and rewards of ownership, the Foundation has transferred the control over the assets.

Subsequent measurement

After their initial recognition financial assets held for trading are carried at fair value with gains and losses included in the statement of operations. Available-for-sale financial assets are also carried at fair value, though with gains and losses arising from changes in their fair value being recognized in a fair value reserve, until the financial assets are derecognized or impaired, at which point the cumulative gain or loss previously recognized in fair value reserve is recognized in the statement of operations. Foreign exchange differences arising from these investments are also recognized in reserves. Interest, calculated at the effective interest rate, and dividends are recognized in the statement of operations.

The fair values of quoted investments are based on current bid prices. For unlisted securities the Group estimates fair value by using valuation techniques, such as the use of similar recent market transaction prices, discounted cash flow analysis and valuation assumptions based on market information.

Financial instruments whose fair value cannot be reliably measured are carried at cost.

Transfers between categories

In accordance with IAS 39, after initial recognition the Foundation does not transfer a financial instrument into or out of the category of investments held for trading.

Impairment

The Foundation periodically assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. When evidence of impairment in a financial asset is found, the recoverable value of the asset is determined and any impairment losses are recognized through the statement of operations.

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment arising from one or more events that occurred after their initial recognition, such as:

› for listed securities, a prolonged or significant decline in the fair value of the security;
› for unlisted securities, when an event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

When there is evidence that an impairment loss on available-for-sale financial assets has been incurred, the cumulative unrealized loss shown in the fair value reserve – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of operations – is transferred to the statement of operations.

i) Derivative financial instruments

Derivatives are recorded at fair value on the trade date. Derivative financial instruments are subsequently re-assessed on a regular basis and the resulting gains or losses on re-evaluation are recognized directly in the statement of operations, except for derivatives used for hedging. The recognition in the statement of operations of the gains or losses arising from hedging depends on the nature of the risk being hedged and of the hedge model used.

Fair values of derivatives are obtained from market prices, if available, or are determined by third parties using valuation techniques including discounted cash flow models and options pricing models, as appropriate.

j) Debtors

The value of debtors is analysed annually with the aim of determining if there are any signs of impairment. Should this be the case, the asset's recoverable value is calculated. Impairment losses are recognized in the statement of operations whenever the asset's balance-sheet value exceeds its recoverable value.

An asset's impairment loss recognized in previous years should be reversed if, and only if, an alteration has been made to the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognized.

k) Subsidies received

Subsidies received under the Cultural Operating Program for remodeling infrastructures and facilities are credited to the statement of operations, in accordance with the depreciation rates on the equipment in question.

l) Cash and cash equivalents

'Cash and cash equivalents' are made up of cash and deposit balances in banks with a period of maturity of less than three months.

For the purposes of the cash flow statement, cash and cash equivalents comprise any balances with less than three months' maturity from the balance-sheet date, which include cash and deposits with banks.

m) Recognition of costs and income

Costs and income are recognized in the year to which they relate, irrespective of when they were paid or collected, in accordance with the principles of accrual accounting.

Interest, dividends, royalties and other income generated from the Foundation's resources are recognized as income, when it is likely that the economic benefits associated with the transaction will accrue to the Foundation and when such income can be measured with confidence. Interest is recognized on an accrual basis unless there are any doubts about its collection. Royalties and other income are recognized on an accrual basis in accordance with the substance of the respective agreement.

n) Recognition of income from oil activities

Income generated from oil and gas sales is only recognized when the risks and benefits of ownership have been transferred to the purchaser and when there is no uncertainty regarding the determination of associated costs.

o) Capitalisation of oil production costs

Acquisition costs of properties or concessions, successful exploratory wells, development costs, including interest on finance, equipment and support installations for oil activity are all capitalised. These investments are recognized as tangible assets at the transaction date.

The capitalized costs are tested for impairment whenever events or circumstances lead to indications that the accounting value exceeds recoverable value, and in the case of such a difference existing it is charged to profit and loss.

p) Taxation

The Calouste Gulbenkian Foundation is exempt from corporation taxes by the decision of the Minister of Finance dated 18 July 1989.

q) Pension plans

The Foundation has several pension plans, including defined benefit and defined contribution pensions plans.

Under a defined benefit pension plan, the Foundation undertook to pay its employees pensions on retirement, pre-retirement or disability, as set out in the “Plano de Pensões do Pessoal” (1979) and in the “Plano de Pensões da Fundação” (1997). The policy of the “Plano Complementar de Pensões de Contribuição Definida” (2005) is to make contributions to the “Fundo de Pensões Aberto BPI Acções”. The employees of the Foundation’s branch in the United Kingdom have their own pension plan.

The pensions relating to the 1979 and 1997 plans are complementary to those paid by the Social Security Services and are based on the employee’s length of service. An estimate of the capital required to cover the future cost of paying benefits to current pensioners and the future benefits to current employees has been provided.

The Foundation has financed its pension liabilities by the creation of a provision that reflects an estimate of the capital required to pay the benefits due to the present pensioners and future benefits to present employees.

The Foundation pension plans’ liabilities are calculated on an annual basis, at the balance-sheet date, by external actuaries.

The calculation is made using the projected unit credit method and following actuarial and financial assumptions, in accordance with the requirements of IAS 19.

Current and past service costs together with the provision calculated are charged to the statement of operations.

The Foundation’s obligations in respect of the defined benefit pension plans is calculated by estimating the amount of future benefits that each employee has earned for the past and current periods. The benefit is discounted in order to determine its present value. The discount rate corresponds to the yield on risk-free bonds that have maturity dates approximating the terms of the plan’s obligations.

Actuarial gains and losses are calculated on an annual basis and are recognized as an asset or a liability, and the accumulated amount is charged to the statement of operations using the corridor method.

This method requires that accumulated actuarial gains and losses at the beginning of the year that are greater than 10 percent of the larger of either the total liabilities or the value of the pension fund at the beginning of the year, be recognized as a gain or loss to be charged to income in the current year. Accumulated actuarial gains and losses at the beginning of the year that are within the above limits are recorded in the Corridor of the pension plan and are not amortized.

In its statement of operations the Foundation annually recognizes as a cost the net amount that includes i) current service costs and ii) interest cost.

r) Provisions

Provisions are created when: (i) the Foundation has present legal or constructive liability, (ii) it is probable that payment will be required and (iii) a reliable estimate of the amount of the liability can be made.

s) Estimates and judgments used in the preparation of Financial Statements

The IFRS sets out a range of accounting treatments and requires the Board of Trustees to make judgments and estimates in deciding which treatment is most appropriate. The principles of accounting estimation and judgment used in the application of the Foundation's accounting policies are analysed below in order to improve understanding of how their application affects the Foundation's reported results and related disclosures. An extended description of the main accounting policies used by the Foundation and its subsidiaries is included in note 2 to the Financial Statements.

Bearing in mind that in many cases there are several alternatives to the accounting treatment chosen by Board of Trustees, the Foundation's reported results could be changed if a different treatment was chosen. The Board believes that the criteria chosen are appropriate and that the financial statements present the Foundation's financial position and results fairly in all material respects. The alternative outcomes discussed below are presented solely to enable a better understanding of the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Impairment of available-for-sale equity investments

The Foundation determines that available-for-sale investments are impaired when there has been a prolonged or significant decline in its fair value. This determination of what constitutes a prolonged or significant decline is a matter of judgment.

The Foundation determines fair value by a valuation made by an independent expert or by internal resources. The valuation reflects the net present value of future estimated cash flows using market assumption methodologies.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses being recognized, with a consequent impact on the statement of operations.

Fair value of financial instruments

Fair values are based on listed market prices when available, or if these are not available are determined either by using recent transacted prices under similar conditions and at arm's length or by pricing models based on the net present value of estimated future cash flows which take account of market conditions, the effects of time, the yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating the fair values.

Consequently, the use of a different model or different assumptions or judgments in applying a particular model could produce financial results that differ from those reported.

Long-term assets impairment

Tangible fixed assets are re-assessed to determine impairment when facts or circumstance suggest that their net book value may not be recoverable.

Considering the uncertainties about the net recoverable value of tangible and intangible assets based on the best information available at the time, the changes to assumptions can impact the estimate of impairment and consequently profit and loss.

Pension plans

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors that could impact the costs and level of liability of the pension plan.

Changes in these assumptions could significantly affect these values.

Note 3
Other oil and gas income

Other oil and gas income is made up as follows:

(€ 10^3)

	Consolidated	
	2006	**2005**
Royalties	–	63 005
Dividends	21 251	23 409
Services rendered	4 033	3 879
	25 284	**90 293**

Royalties in 2005 include the amount of € 53,555,000 received from the redemption of royalty rights in Oman.

Note 4
Net financial income

The policy of the Foundation is to obtain a rate of return on its financial assets, net of direct expenses. This rate is agreed annually with the managers of its financial assets, within guidelines previously established by the Foundation. Net financial income in 2006 and 2005 is made up as follows:

(€ 10^3)

	Consolidated		Foundation	
	2006	**2005**	**2006**	**2005**
Financial income:				
Interest	37 182	31 718	29 633	27 860
Dividends	19 716	13 921	55 403	48 676
Gains on realisation of investments	107 629	25 138	107 629	25 138
Revaluation of financial assets	102 026	236 330	102 026	236 330
Exchange differences	7 645	3 343	1 844	3 343
Other financial income	803	456	803	456
	275 001	**310 906**	**297 338**	**341 803**
Financial costs:				
Losses on realisation of investments	(2 600)	(24 393)	(2 600)	(24 393)
Revaluation of financial assets	(140 231)	(76 802)	(140 231)	(76 802)
Direct costs	(7 639)	(6 605)	(7 424)	(6 298)
Exchange differences	(3 857)	(2 617)	(3 857)	(1 404)
	(154 327)	**(110 417)**	**(154 112)**	**(108 897)**
	120 674	**200 489**	**143 226**	**232 906**

Note 5
Impairment

Impairment is made up as follows:

(€ 10^3)

	Consolidated	Foundation
	2006	**2006**
Impairment reduction over tangible assets	14 356	–
Losses for debtors impairment (appropriations)	(159)	(159)
	14 197	**(159)**

Note 6
Other income

Other income is made up as follows:

(€ 10^3)

	Consolidated		Foundation	
	2006	**2005**	**2006**	**2005**
Sale of publications	1 287	1 236	1 287	1 236
Sale of tickets	1 727	1 507	1 727	1 507
Contributions from third parties	4 643	4 589	4 643	4 589
Other items	4 218	896	4 025	896
	11 875	**8 228**	**11 682**	**8 228**

Note 7
Distribution and direct activities

Expenditure on the Foundation's statutory purposes is divided as follows:

(€ 10^3)

	Consolidated		Foundation	
	2006	2005	2006	2005
Charity	8 228	7 375	8 228	7 375
Art	35 552	34 096	35 552	34 096
Education	21 828	20 637	21 828	20 637
Science	11 740	11 368	11 740	11 368
	77 348	**73 476**	**77 348**	**73 476**

The "Distribution and direct activities" account includes the amount of € 2,280,000 (2005: € 2,512,000) and € 21,874,000 (2005: € 21,448,000) relating to depreciation and staff costs, respectively.

Note 8
Other administrative and operational costs

Other administrative and operational costs are divided as follows:

(€ 10^3)

	Consolidated		Foundation	
	2006	2005	2006	2005
Staff costs	16 798	15 421	8 866	8 252
Specialised works	4 374	2 983	3 941	2 769
Repair and maintenance	1 048	1 017	1 048	1 017
Other services and supllies	3 823	2 969	3 040	2 581
Other operational costs	1 115	993	724	584
	27 158	**23 383**	**17 619**	**15 203**

Note 9
Staff costs

Staff costs are made up as follows:

(€ 10^3)

	Consolidated		Foundation	
	2006	2005	2006	2005
Board of trustees	1 248	1 146	957	940
Wages and salaries	29 285	27 739	22 995	22 006
Social charges	5 634	5 459	4 738	4 784
Other staff costs	2 505	2 525	2 050	1 970
	38 672	**36 869**	**30 740**	**29 700**

The number of employees is analysed as follows:

	Consolidated		Foundation	
	2006	2005	2006	2005
Board of trustees	9	9	9	9
Staff	596	606	525	534
	605	**615**	**534**	**543**

Staff costs include an amount of € 21,874,000 (2005: € 21,448,000) which is allocated to 'distribution and direct activities', as referred to in note 7.

Note 10
Restructuring costs

Restructuring costs of € 425,000 (2005: € 4,255,000 are those costs that are incurred by the Foundation relating to financial indemnities arising from the organic and functional restructuring processes decided upon by the Board of Trustees.

Note 11
Provisions

The net consolidated charge for provisions is as follows:

(€ 10^3)

	2006		
	Charge for the year	**Write-back**	**Total**
Pension provisions	12 922	–	12 922
Other provisions	601	(132)	469
	13 523	**(132)**	**13 391**

(€ 10^3)

	2005		
	Charge for the year	**Write-back**	**Total**
Pension provisions	41 856	–	41 856
Other provisions	3 251	–	3 251
	45 107	–	**45 107**

The Foundation's net provisions are as follows:

(€ 10^3)

	2006		
	Charge for the year	**Write-back**	**Total**
Pension provisions	12 432	–	12 432
Other provisions	11	(132)	(121)
	12 443	**(132)**	**12 311**

(€ 10^3)

	2005		
	Charge for the year	**Write-back**	**Total**
Pension provisions	41 653	–	41 653
Other provisions	3 139	–	3 139
	44 792	**–**	**44 792**

Note 12
Depreciation

"Depreciation" is made up as follows:

(€ 10^3)

	Consolidated		*Foundation*	
	2006	**2005**	**2006**	**2005**
Land and buildings	796	553	796	553
Motor vehicles	465	421	376	360
Other tangible assets	3 513	2 967	3 290	2 787
	4 774	3 941	4 462	3 700
Depreciation allocated to distributions and direct activities	(2 280)	(2 512)	(2 280)	(2 512)
	2 494	**1 429**	**2 182**	**1 188**

Depreciation for the year includes the amount of € 2,280,000 (2005: € 2,512,000) which is allocated to 'distribution and direct activities', as mentioned in note 7.

Note 13
Tangible fixed assets

"Tangible fixed assets" are analysed as follows:

(€ 10^3)

	Consolidated		*Foundation*	
	2006	**2005**	**2006**	**2005**
Cost:				
Land and buildings	28 245	24 874	28 245	24 874
Motor vehicles	2 449	2 371	2 072	2 084
Other tangible assets	21 311	18 161	19 031	15 993
Works of Art	1 350	–	1 350	–
Work in progress	126 767	85 193	–	–
	180 122	**130 599**	**50 698**	**42 951**
Accumulated depreciation and impairment losses:				
Accumulated depreciation	(36 963)	(32 813)	(34 942)	(30 998)
Impairment losses	–	(15 369)	–	–
	(36 963)	**(48 182)**	**(34 942)**	**(30 998)**
	143 159	**82 417**	**15 756**	**11 953**

'Works of art' refers to works acquired by the Modern Art Centre. The works acquired to the end of 2005 were considered as costs. From 2006 works acquired were recorded at their cost of acquisition, in accordance with accounting policy 2f.

Fixed assets include an amount of € 56,092,000 (2005: € 59,470,000) related to the investment in the Dunga oil field project jointly with the Oman Oil Company Ltd.

This also includes investments made in oil concessions in Brazil, Algeria, Angola and Portugal, to the amounts of € 38,440,000 (2005: € 22,430,000), € 4,467,000 (2005: € 3,293,000), € 27,057,000 and € 711,000, respectively.

The impairment loss was calculated by an independent third party in 2001, using the net present value of future expected cash flows, based on market assumptions. At 31 December 2001 an impairment loss was booked in the amount of USD 43,131,230 to adjust the asset to fair value. Following Maersk's entry into the project, the engineering approach has been reassessed, as a result of which on 31 December 2003 the Board believed that it was appropriate to reduce the impairment loss to a figure of USD 25,000,000. In 2006, as a result of the test for impairment in the capitalized costs of the Dunga oil field, the remaining impairment – a total of USD 18,131,230 (€ 14,356,000) – was cancelled.

The movements of consolidated tangible assets during 2006 are analysed as follows:

(€ 10^3)

	Balance on 1 January	Acquisitions/ /charges	Impairment loss	Disposals write-off	Exchange differences	Balance on 31 Dec.
Cost:						
Land and building	24 874	3 380	–	(9)	–	28 245
Motor vehicles	2 371	390	–	(305)	(7)	2 449
Other tangible assets	18 161	3 482	–	(270)	(62)	21 311
Works of art	–	1 350	–	–	–	1 350
Work in progress	85 193	52 613	–	–	(11 039)	126 767
	130 599	**61 215**	**–**	**(584)**	**(11 108)**	**180 122**
Accumulated depreciation and impairment losses:						
Land and building	13 706	796	–	(3)	–	14 499
Motor vehicles	1 442	465	–	(295)	(5)	1 607
Other tangible assets	17 665	3 513	–	(261)	(60)	20 857
Work in progress	15 369	–	(14 356)	–	(1 013)	–
	48 182	**4 774**	**(14 356)**	**(559)**	**(1 078)**	**36 963**

The movements of the Foundation's tangible fixed assets during 2006 are analysed as follows:

(€ 10^3)

	Balance on 1 January	Acquisitions/ /charge	Disposals write-off	Balance on 31 Dec.
Cost:				
Land and building	24 874	3 380	(9)	28 245
Motor vehicles	2 084	254	(266)	2 072
Other tangible assets	15 993	3 290	(252)	19 031
Works of art	–	1 350	–	1 350
	42 951	**8 274**	**(527)**	**50 698**
Accumulated depreciation:				
Land and building	13 706	796	(3)	14 499
Motor vehicles	1 302	376	(266)	1 412
Other tangible assets	15 990	3 290	(249)	19 031
	30 998	**4 462**	**(518)**	**34 942**

At 31 December 2006 motor vehicles includes leased vehicles to an amount of € 1,610,000 (2005: € 1,906,000), with outstanding rentals amounting to € 998,000 (2005: € 1,147,000).

The motor vehicle acquisitions during 2006, to a total value of € 254,000 (2005: € 794,000), correspond to all new leasing contracts.

Note 14
Investments

Non-current investments are analysed as follows:

(€ 10^3)

	Consolidated		Foundation	
	2006	2005	2006	2005
Investments in oil and gas:				
Shares	389 104	452 496	–	–
Advances	65 055	64 972	–	–
Other investments:				
Fundo NovEnergia	10 837	7 009	–	–
Lusenerg Energias Renováveis SGPS, S.A.	11 618	4 762	–	-
SGAM/4D Global Energy Fund	4 793	3 046	–	–
Office Park Expo – Fundo de Investimento Imobiliário Fechado	39 612	26 653	39 612	26 653
Imosocial – Fundo de Investimento Imobiliário Fechado	5 978	4 037	5 978	4 037
Logística & Distribuição – Fundo de Investimento Investments in buildings	9 090	8 580	9 090	8 580
	536 087	**571 555**	**54 680**	**39 270**

The difference between the book value and the fair value of these investments has been transferred to a fair value reserve in the capital fund, as described in note 21. These investments are classified as available-for-sale, in accordance with the accounting policy mentioned in note 2h.

Shares in investments in oil and gas companies are booked at fair value, as described in the accounting policy described in note 2h. The valuations represent the net present value of estimated future cash flows, based on market assumptions.

At 31 December 2006, the consolidated investment in oil and gas companies is as follows:

(€ 10^3)

Name	Market	Country	Currency	% held	Fair value
ADPC/ADCO	Oil	UAE	USD	2%	64 313
PDO/POHOL	Oil	Oman	USD	2%	137 737
MUKHAIZNA	Oil	Oman	USD	1%	47 912
GASCO	Gas	UAE	USD	2%	11 617
OLNG	Gas	Oman	USD	2%	124 070
GISCO	Gas	Oman	USD	5%	3 455
					389 104

The fair value of the non-current investments was determined as at 31 December 2006, giving rise to a fair-value reserve of € 380,459,000 (2005: € 431,219,000). The movements in the fair-value reserve are as follows:

(€ 10^3)

	Consolidated		Foundation	
	2006	2005	2006	2005
Fair-value reserve as at 1 January	431 219	237 401	842	261
Increase in fair-value reserve	(50 760)	193 818	1 016	581
Fair-value reserve as at 31 December	**380 459**	**431 219**	**1 858**	**842**

The fair-value reserve described above is presented net of exchange differences.

The increase/(decrease) in the consolidated fair-value reserve includes, at 31 December 2006, negative exchange differences amounting to € 44,868,000. At 31 December 2005, positive exchange differences of € 36,664,000 were included.

The movements of consolidated non-current investments during 2006 are as follows:

(€ 10^3)

	Balance on 1 January	Acquisitions/ /(disposal)	Exchange differences	Change in fair value	Balance on 31 Dec.
Investments in oil and gas:					
Shares	452 496	2 602	(2 546)	(63 448)	389 104
Advances	64 972	6 857	(6 774)	–	65 055
Other Investments:					
Fundo NovEnergia	7 009	–	–	3 828	10 837
Lusenerg Energias Renováveis SGPS, S.A.	4 762	110	–	6 746	11 618
SGAM/4D Global Energy Fund	3 046	913	(264)	1 098	4 793
Office Park Expo – Fundo de Investimento Imobiliário Fechado	26 653	12 500	–	459	39 612
Imosocial – Fundo de Investimento Imobiliário Fechado	4 037	1 894	–	47	5 978
Logística & Distribuição – Fundo de Investimento Investments in buildings	8 580	–	–	510	9 090
	571 555	**24 876**	**(9 584)**	**(50 760)**	**536 087**

The movements of the Foundation's non-current investments during 2006 are as follows:

(€ 10^3)

	Balance on 1 January	Acquisitions/ /(disposal)	Change in fair value	Balance on 31 Dec.
Office Park Expo – Fundo de Investimento Imobiliário Fechado	26 653	12 500	459	39 612
Imosocial – Fundo de Investimento Imobiliário Fechado	4 037	1 894	47	5 978
Logística & Distribuição – Fundo de Investimento Investments in buildings	8 580	–	510	9 090
	39 270	**14 394**	**1 016**	**54 680**

The Group made an investment of € 5,211,596 (2005: € 5,211,596) in the NovEnergia 2010 fund, which has a fair value of € 10,837,000 (2005: € 7,009,000). This fund is registered in Luxembourg, and its main purpose is to invest in projects that use renewable energy as their energy source and in companies linked to their development.

The Group invested in a 5 percent holding in Lusenerg – Energias Renováveis SGPS, S.A. This company has a majority holding in Generg SGPS, S.A., a company that produces electricity from renewable resources.

The investment in Lusenerg – Energias Renováveis SGPS, S.A. also includes supplementary capital required to finance Generg SGPS, S.A. The supplements have a Euribor interest rate at 6 or 12 months with a spread of between 0.65 percent and 1.5 percent, and with a maturity between December 2012 and December 2015. On 28 December 2006 the Group committed to acquire a further 10 percent share, at a value of € 2,700 per share, provided that existing shareholders do not exercise their priority rights.

The Group has made a commitment to invest USD 5,100,000 in the Irish fund SGAM/4D Global Energy Fund plc, of which 96 percent had been subscribed at 31 December 2006. This fund's main objective is to invest in the energy sector.

During 2006 the Foundation made an investment to the value of € 12,500,000 in Office Park Expo – Fundo de Investimento Imobiliário Fechado. The fund's objective is to acquire land, to construct, to rent or sell buildings in Parque das Nações in Lisbon.

Note 15
Investments in subsidiaries

Investments in subsidiaries are as follows:

(€ 10^3)

	Foundation	
	2006	**2005**
Partex Oil and Gas (Holdings) Corporation	713 647	748 181
Economic and General Secretariat Limited	34	34
	713 681	**748 215**

These investments are shown net of gains or losses, in accordance with the accounting policy in note 2h.

The value of these investments was re-assessed as at 31 December 2006, increasing the fair-value reserve to € 713,600,000 (2005: € 748,134,000).

The movement in the fair-value reserve is analysed as follows:

(€ 10^3)

	Foundation	
	2006	**2005**
Fair-value reserve as at 1 January	748 134	433 359
Increase in fair-value reserve	(34 534)	314 775
Fair-value reserve as at 31 December	**713 600**	**748 134**

As at 31 December 2006, the subsidiary companies consolidated using the Foundation's integral consolidation method are as follows:

(€ 10^3)

Subsidiary	Head office	Capital	Currency	Assets	Liabilities	Income	Net Income	%	Economic activity
Directly held:									
Partex Oil and Gas (Holdings) Corporation	Cayman	50 000	USD	89 983	62 325	42 960	42 380	100	c)
Economic and General Secretariat Limited*	UK	4 000	GBP	34	–	–	–	100	b)
Indirectly held:									
(by Partex Oil and Gas (Holdings) Corporation)									
Participations and Explorations Corporation	Panama	2 800	USD	300 374	165 109	505 155	8 550	100	a)
Partex (Oman) Corporation	Panama	2 500	USD	564 526	33 917	252 356	54 748	100	a)
Partex Gas Corporation	Panama	2 000 000	USD	44 545	15 924	33 056	6 435	100	a)
Partex (Kazakhstan) Corporation	Cayman	5 000	USD	56 890	64 412	17 625	12 310	100	a)
Partex Services Corporation	Panama	2 300 000	USD	3 725	1 412	8 101	55	100	b)
PMO Services S.A.	Liechtenstein	500 000	CHF	1 304	99	1 433	41	100	b)
Partex Brasil, Ltda.	Brazil	1 000 000	BRL	27 046	39 675	5 584	3 509	100	a)
Partex (Brazil) Corporation	Cayman	50 000	USD	47 983	34 441	166	(2 465)	100	c)
Partex (Algeria) Corporation	Cayman	50 000	USD	4 478	4 440	219	–	100	a)
Partex Services Brasil Petrolíferos, Ltda.	Brazil	1 000 000	BRL	462	75	1 147	55	100	b)
Hidrexpand, S.A.	Portugal	50 000	EUR	1 472	1 419	13	3	100	a)
(by Partex Services Corporation)									
Partex Services Portugal – Serviços para a Indústria Petrolífera, S.A.**	Portugal	50 000	EUR	1 298	955	4 888	103	100	b)

a) Companies with interests in oil concessions or contractual operations.
b) Services provider.
c) Financial investment.
* This subsidiary is currently dormant.
** Alteração da denominação social da "Petroprimo – Serviços para a Indústria Petrolífera, S.A."

During 2006 the following changes were made to the parameters of consolidation: the constitution of Partex Services Brasil Petrolíferos Ltd. and the constitution of Hidrexpand S.A.

Note 16
Current investments

Current investments are analysed as follows:

(€ 10^3)

	Consolidated		Foundation	
	2006	2005	2006	2005
Fixed income assets:				
Bonds	620 036	619 366	620 036	619 366
Variable income assets:				
Shares	981 645	983 399	981 645	983 399
Investment funds	464 350	404 098	464 350	404 098
Currency hedges				
› Purchased	(1 236 584)	(1 093 349)	(1 236 584)	(1 093 349)
› Sold	1 254 356	1 077 816	1 254 356	1 077 816
Futures	179	266	179	266
Options	23	–	23	–
	2 084 005	**1 991 596**	**2 084 005**	**1 991 596**

Current investments refer to those investments classified as financial assets held-for-trading, with changes in fair value recorded in the statement of operations, according to accounting policy in note 2h.

Note 17
Other treasury applications

Other treasury applications, amounting to € 79,201,000 (2005: € 146,643,000), refer to treasury applications with a period to maturity of less than 3 months, which are booked at their amortised cost.

Note 18
Debtors

Debtors are analysed as follows:

(€ 10^3)

	Consolidated		Foundation	
	2006	2005	2006	2005
Subsidiaries	–	–	34 764	35 586
Debtors (oil and gas companies)	58 458	84 997	–	–
Interest receivable	283	189	283	189
Pension plan corridor	20 121	19 347	20 049	19 220
Other debtors	19 194	21 440	6 965	7 450
	98 056	**125 973**	**62 061**	**62 445**
Impairment of debtors	(271)	(112)	(271)	(112)
	97 785	**125 861**	**61 790**	**62 333**

Subsidiaries are analysed as follows:

(€ 10^3)

	Foundation	
	2006	2005
Dividends payable	34 169	35 140
Loans	90	90
Advances	505	356
	34 764	**35 586**

At 31 December 2006, the item ‘pension plan corridor’, for the Foundation and for the consolidated accounts, amounting to € 20,049,000 (2005: € 19,220,000) and € 20,121,000 (2005: € 19,347,000) respectively, refers to the value of the corridor identified in accordance with to the accounting policy referred to in note 2q.

‘Other debtors’ includes the amount of € 3,292,000 (2005: € 4,938,000) referring to the amount receivable from a building sold in the year 2003, to a value of € 9,976,000. The amount receivable will be paid in equal and successive annual installments, due on 30 June; the last installment will be paid on 30 June 2008.

This balance also includes the amount of € 109,000 (2005: € 100,000) related to an extraordinary contribution to the open pensions fund “Fundo de Pensões Aberto BPI Acções”, in accordance with the Complementary Defined Contribution Pensions Plan (PCPCD).

Movements of losses due to impairment are as follows:

(€ 10^3)

	Consolidated		Foundation	
	2006	2005	2006	2005
Balance on 1 January	112	112	112	112
Actuarial losses	159	–	159	–
Balance on 31 December	**271**	**112**	**271**	**112**

Note 19
Cash and cash equivalents

Cash and cash equivalents are as follows:

(€ 10^3)

	Consolidated		Foundation	
	2006	2005	2006	2005
Cash	11	129	11	129
Deposits	137 279	166 184	1 491	1 485
	137 290	**166 313**	**1 502**	**1 614**

Note 20
Capital received from the Founder

Capital received from the Founder amounting to € 11,746,690 refers to the amount received from the Foundation’s founder, Calouste Sarkis Gulbenkian.

Note 21
Reserves

Reserves are analysed as follows:

(€ 10^3)

	Consolidated		Foundation	
	2006	2005	2006	2005
Fair value reserve				
Non-current investments	380 459	431 219	1 858	842
Investments in subsidiaries	–	–	713 600	748 134
Legal reserve	42	42	–	–
Exchange differences arising on consolidation	(17 769)	18 360	–	–
Other reserves	2 294 465	2 106 895	1 995 110	1 892 916
	2 657 197	**2 556 516**	**2 710 568**	**2 641 892**

The fair-value reserve records at the balance-sheet date the accumulated changes in fair value of non- current investments and in investments in subsidiaries.

‘Exchange differences arising on consolidation’ shows the effect of changes on the share capital recorded in local currency for each consolidated company.

The exchange rates used in the Financial Statements are as follows:

	2006		2005	
Currency	Year-end exchange rate	Average exchange rate	Year-end exchange rate	Average exchange rate
Dollar – USD	1,3170	1,2630	1,1797	1,2380
Pound sterling – GBP	0,6715	0,6819	0,6853	0,6830
Swiss franc – CHF	1,6069	1,5768	1,5548	1,5548
Brazilian real – BRL	2,8118	2,7365	2,7440	2,7440

Note 22
Provisions

Provisions are analysed as follows:

(€ 10^3)

	Consolidated		Foundation	
	2006	**2005**	**2006**	**2005**
Provisions for pension plans	218 851	222 279	216 326	219 553
Other provisions	6 176	6 366	4 365	4 977
	225 027	**228 645**	**220 691**	**224 530**

The movements in the provision for the pension plans are analysed as follows:

(€ 10^3)

	Consolidated		Foundation	
	2006	**2005**	**2006**	**2005**
Balance at 1 January	222 279	194 474	219 553	192 202
Charge for the year	12 922	41 856	12 432	41 653
Provisions used	(16 752)	(16 050)	(16 488)	(15 817)
Exchange rate differences	(372)	348	–	–
Transfers	774	1 651	829	1 515
Balance at 31 December	**218 851**	**222 279**	**216 326**	**219 553**

Provision for pension plans

The Foundation undertaken the responsibility to pay pensions to employees on their retirement, disability or early retirement, according to the terms set out in the “Regulamento do Plano de Pensões do Pessoal” (1979) and in the “Plano de Pensões” (1997).

These pensions are intended to complement the social security pensions and are calculated according to each employee’s period of employment. A provision has been created to cover this liability based on an estimate of the capital required to pay the benefits to existing pensioners and future benefits to current employees.

The number of participants covered by these pension plans is as follows:

	Consolidated		Foundation	
	2006	**2005**	**2006**	**2005**
Active	497	509	493	504
Early retirement	80	83	80	83
Pensioners	936	953	929	945
	1 513	**1 545**	**1 502**	**1 532**

‘Transfers’ refers to the amount of actuarial losses covered within ‘Debtors’, that are within the limits of the Pension Plans corridor.

At 31 December 2006 and 2005, the responsibilities for past services related to these pension plans are as follows:

(€ 10^3)

	Consolidated		Foundation	
	2006	**2005**	**2006**	**2005**
Balance on 1 January	222 279	194 474	219 553	192 202
Current services expenses	2 317	2 143	2 258	2 115
Interest expenses	10 300	9 937	10 174	9 822
Benefits paid	(16 742)	(16 062)	(16 488)	(15 817)
Actuarial losses	697	31 367	829	31 231
Past services expenses	–	420	–	–
Balance on 31 December	**218 851**	**222 279**	**216 326**	**219 553**
Responsibilities for future	**193 117**	**193 190**	**192 407**	**192 069**

Following the analysis of market indicators, in particular inflation rates and interest rates in the long term in the Euro zone, as well as the demographic characteristics of their colleagues, the actuarial assumptions used to calculate obligations for retirement pensions in relation to 31 December 2005 were changed.
The comparative actuarial assumptions for 2006 and 2005 were as follows:

	2006	2005
Real long term return compared to increase in salaries	2.00%	2.00%
Real long term return compared to increase in pensions	3.25%	3.25%
Expected return on the funds invested	4.75%	4.75%
Discount rate	4.75%	4.75%
Mortality table		
Male	TV 73/77(M)	TV 73/77(M)
Female	TV 88/90(F)	TV 88/90(F)
Disability table	EKV 80	EKV 80

The net actuarial gains and losses for the year 2005, in the amounts of € 31,231,000 and € 31,367,000, for the Foundation and the consolidated accounts, are mainly related to changes in the assumptions for calculating pension plan obligations. These changes are analysed as follows:

i) Actuarial losses in the Foundation and in the consolidated accounts include the amount of € 11,321,000 and € 11,421,000, arising from changes in the discount rate;

ii) Actuarial losses in the Foundation and in the consolidated accounts of € 10,391,000 and € 10,427,000, arising from the change in the women's mortality table.

During 2006, the Foundation and the consolidated accounts recognized as pension costs the amounts of € 12,432,000 (2005: € 41,653,000) and € 12,922,000 (2005: € 41,856,000), respectively.

The movements in the 'pension plans corridor' relating to pensions for the year 2006 are as follows:

(€ 10^3)

	Pension plans corridor	
	Consolidated	*Foundation*
Balance on 1 January	19 347	19 220
Actuarial losses	774	829
Balance on 31 December	**20 121**	**20 049**

Taking account of the actuarial gains and losses used in calculating the liabilities and the provisions for 31 December 2006, the value of the corridor for the Foundation and the consolidated accounts is € 20,049,000 (2005: € 19,220,000) and € 20,121,000 (2005: € 19,347,000), respectively

Other provisions

'Other provisions' refers to commitments to governmental entities and indemnities payable to employees on termination of their contracts abroad.

The movements in other provisions are analysed as follows:

(€ 10^3)

	Consolidated		*Foundation*	
	2006	2005	2006	2005
Balance as at 1 January	6 366	4 035	4 977	2 859
Charge for the year	601	3 251	11	3 139
Provisions used	(132)	–	(132)	–
Use of provisions	(491)	(1 104)	(491)	(1 021)
Exchange differences	(168)	184	–	–
Balance as at 31 December	**6 176**	**6 366**	**4 365**	**4 977**

Note 23
Grants and scholarships

Subsidies and scholarships of € 7,253,000 (2005: € 6,891,000) refer to grants and scholarships already approved by the trustees but not yet paid, for reasons not attributable to the Foundation.

Note 24
Creditors and other liabilities

Creditors and other liabilities may be analysed as follows:

(€ 10^3)

	Consolidated		Foundation	
	2006	2005	2006	2005
Creditors (oil and gas companies)	57 161	74 714	–	–
Financial-lease liability	945	1 080	945	1 080
Sundry creditors	19 967	17 222	14 552	13 290
	78 073	**93 016**	**15 497**	**14 370**

The provision of financial leases is analysed by period to maturity as follows:

(€ 10^3)

	Total	Less than 1 year	1 year to 5 years
2006			
Capital	945	385	560
Interest	53	28	25
Installments	**998**	**413**	**585**
2005			
Capital	1 080	366	714
Interest	67	32	35
Installments	**1 147**	**398**	**749**

Note 25
Fair value of financial assets and liabilities

In December 2005 and 2006 there is no variation between the accounting value and the fair value of financial assets and liabilities.

Note 26
Liabilities

As at 31 December 2006, certain banks have given performance guarantees in the amount of € 7,831,435 (2005: € 5,556,000) for commitments undertaken in relation to the Brazilian concessions.

The Group has given a guarantee to the government of the Republic of Kazakhstan that the Partex (Kazakhstan) Corporation will fulfill its obligations in relation to the Dunga concession.

Note 27
Recently issued pronouncements and interpretations

The standards and interpretations that have recently been issued, but are not yet effective, and which the Foundation and the Group have not yet applied in the preparation of their financial statements, are as follows:

IFRIC 8 – Scope of IFRS 2

The International Financial Reporting Interpretations Committee (IFRIC) issued on 12 January 2006 their interpretation IFRIC 8 – Scope of IFRS 2, approved by the European Commission on 8 September 2006.

This interpretation clarifies that the accounting standard IFRS 2 – Share-based Payments applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. IFRIC 8 explains that, if the identifiable consideration given appears to be less than the fair value of the equity instruments granted or liability incurred, this situation typically indicates that some other consideration has been or will be received, as a consequence of which IFRS 2 will apply.

This IFRIC is compulsory and applicable to annual periods beginning on or after 1 May 2006.

The Foundation and Group do not anticipate any impact of the adoption of IFRIC 8.

IFRIC 9 – Reassessment of Embedded Derivatives

The International Financial Reporting Committee (IFRIC) issued on 12 March 2006 their interpretation IFRIC 9 – Reassessment of Embedded Derivatives, approved by the European Commission on 8 September 2006.

This interpretation clarifies that reassessment of the separation of embedded derivatives should only occur when there is a change to the contracts themselves.

This IFRIC is compulsory and applies to annual periods beginning on or after 1 June 2006.

The Foundation and Group do not anticipate any impact of the adoption of IFRIC 9.

IFRIC 10 – Interim Financial Reporting and Impairment

The International Financial Reporting Committee (IFRIC) issued on 20 July 2006 their interpretation IFRIC 10 – Interim Financial Reporting and Impairment, expected to be approved by the European Commission in the second trimester of 2007.

This IFRIC forbids the reversal of impairment losses from previous interim periods, in respect of goodwill, to investment in capital equipment or financial assets carried at cost.

This IFRIC is compulsory for implementation from 2007, and it will be applied prospectively goodwill, investment in capital interests or financial assets carried at cost, from the date of first adoption of IAS 36 and IAS 39.

The Foundation and Group do not anticipate any impact of the adoption of IFRIC 10.

IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions

The International Financial Reporting Committee (IFRIC) issued on 2 November 2006 their interpretation IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions, which is expected to be approved by the European Commission in the second trimester of 2007. This IFRIC deals with two distinct subjects:

1. a) Contracts where an entity assigns its employees rights to capital instruments, and chooses to pay in their own shares or to acquire equity instruments of some other entity in order to fulfill its obligations to its employees.

1. b) Contracts where the employees in an organisation are assigned rights to equity instruments in that organisation.

2. Contracts for payment with own equity that involve two or more entities within the same Group.

This IFRIC is compulsory for implementation from 1 January 2007.

The Foundation and Group do not anticipate any impact of the adoption of IFRIC 11.

IFRIC 12 – IFRS 2 – Service Concession Arrangements

The International Financial Reporting Committee (IFRIC) issued in November 2006 its interpretation IFRIC 12 – Service Concession Arrangements.

In accordance with IFRIC 12, services concessions are agreements where a government or other public sector body contracts out the provision of public services to a supplier in the private sector. The control of assets remains with the grantor but the operating company is responsible for construction work, as well as for the maintenance and operation of the public infrastructure.

IFRIC 12 establishes the arrangements to be applied for measurement, recognition, presentation and disclosure of activities developed under public service concession contracts.

This IFRIC is compulsory for adoption from 1 January 2008.

The impact of adopting this standard is still the subject of analysis by the Foundation and Group, and it is not yet possible to determine what any impact on the financial statements will be.

IFRS 7 – Financial Instruments: disclosures and an amendment to IAS 1 – Presentation of Financial Statements

The International Accounting Standards Board (IASB) issued on 18 August 2005 IFRS 7 and an amendment to IAS 1.

IFRS 7 introduces new requirements to improve the information on financial instruments that is disclosed in entities' financial statements; it replaces IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and some of the requirements in IAS 32 – Financial Instruments: Disclosure and Presentation. The Amendment to IAS 1 introduces requirements for disclosures about the structure of an entity's capital.

This standard must be applied from 1 January 2007.

The impact arising from the adoption of IFRS 7 will be largely concerning the disclosures of financial investments.

IFRS 8 – Operating Segments

The International Accounting Standards Board (IASB) issued on 30 November 2006 IFRS 8 – Operating Segments, and this is expected to be approved by the European Commission in the second trimester of 2007.

IFRS 8 defines the presentation of information on an entity's operating segments, and also on services and products, the geographical areas where the entity operates and their principal clients. This standard specifies how an entity ought to report information in its annual financial statements, and will result in changes to IAS 34 – Interim Financial Reporting as regards the information chosen for an interim financial report. An entity will also be obliged to give a description of the information presented for each segment, by results and operations, as well as a brief description of how the segments are made up.

This mandatory standard comes into force for implementation beginning from 1 January 2009.

The Foundation and Group are in the process of evaluating the impact of the adoption of this standard.

Amendment to IAS 21 – The Effects of Changes in Foreign Exchange Rates

The International Accounting Standards Board (IASB) issued on 15 December 2005 a limited amendment to IAS 21, which clarifies the requirements of IAS 21 regarding investment in foreign operations and will therefore help to clarify the financial reporting requirements of entities that invest in businesses operating in a currency different from their own.

This amendment has not yet been approved by the European Commission.

Auditors' Report

Introduction

1. We have examined the individual and consolidated financial statements of **Calouste Gulbenkian Foundation** which comprise the consolidated Balance Sheet as at 31 December 2006 (showing total assets of 3,077,527 thousands of Euros and a total capital fund of 2,767,174 thousands of Euros, including a transfer to the capital fund of 98,230 thousands of Euros), the consolidated Statements of Operations, the consolidated Cash Flow Statements and the consolidated changes in the Capital Fund for the year then ended, and the individual Balance Sheet as at 31 December 2006 (showing total assets of 3,010,615 thousands of Euros and total capital fund of 2,767,174 thousands of Euros, including a transfer to the Capital Fund of 44,859 thousands of Euros), the individual Statements of Operations, the individual Cash Flow Statements and the individual changes in the Capital Fund for the year then ended, and the corresponding Notes.

Responsibilities

2. The Board of Trustees is responsible for the preparation of the individual and consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) currently in force and as adopted by the European Union, which presents fairly the financial position of the Foundation and of the consolidated companies, and the individual and consolidated transfers to the capital fund and the individual and consolidated cash flows, as well as for the adoption of adequate accounting criteria and policies and the maintenance of an appropriate system of internal control.

3. It is our responsibility to express a professional and independent opinion, based on our examination of the financial statements referred to above.

Scope

4. Our examination was performed in accordance with the Rules and Technical Recommendations of the Portuguese Institute of Chartered Accountants ("Ordem dos Revisores Oficiais de Contas"), which require that we plan and perform the examination with the aim of obtaining a reasonable degree of assurance as to whether or not the individual and consolidated financial statements are free of material misstatements. Accordingly our examination included:

› verification that the financial statements included in the consolidated accounts had been properly audited; and for cases which were not audited, verification, based on sampling, of the information underlying the figures and its disclosures contained in the financial statements, and an assessment of the estimates, based on the judgments and criteria defined by the Board of Trustees, used in their preparation;

› verification of the consolidation process;
› assessment of the adequacy of the accounting policies used and of their disclosure, taking circumstances into account;
› verification of the applicability of the going concern principle; and
› assessment of the overall appropriateness of the presentation of the individual and consolidated financial statements.

5. We believe that our audit provides a reasonable basis for the expression of our opinion.

Opinion

6. In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of **Calouste Gulbenkian Foundation**, as at 31 December 2006, and of the individual and consolidated transfer to the capital fund and the individual and consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) in force and adopted for use in the European Union.

Lisbon, 3 May 2007

KPMG & Associates
Sociedade de Revisores Oficiais de Contas, S.A.
Represented by
Jean-Éric Gaign
(Official Auditor No. 1013)